

CENTRE FOR POVERTY ANALYSIS (CEPA)

AMALGAMATED FINANCIAL STATEMENTS

31 DECEMBER 2012

NDeS/DLRS/MDE/DM

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF CENTRE FOR POVERTY ANALYSIS (CEPA)****Report on the Financial Statements**

We have audited the accompanying financial statements of Centre for Poverty Analysis (CEPA), which comprise the statement of financial Position as at 31 December 2012, and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the financial statements present fairly in all material respects, Company's state of affairs as at 31 December 2012 and its surplus and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

05 April 2013
Colombo

Centre for Poverty Analysis (CEPA)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

ASSETS	Note	2012 Rs.	2011 Rs.
Non-Current Assets			
Property, Plant and Equipment	9	2,608,141	2,066,926
Intangible Assets	10	2,388,195	902,122
Deferred Tax Assets	8	607,620	1,013,649
		<u>5,603,956</u>	<u>3,982,697</u>
Current Assets			
Receivables	11	14,759,115	15,875,519
Income Tax Recoverable		-	76,568
WHT Recoverable		606,096	376,267
Investments	12	70,061,610	50,687,152
Cash and Bank Balances	13	13,145,430	10,423,092
		<u>98,572,251</u>	<u>77,438,598</u>
Total Assets		<u>104,176,207</u>	<u>81,421,295</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Development Fund	19	66,322,307	58,505,694
Friends of CEPA		2,048,038	1,760,810
Accumulated Surplus		10,766,028	1,718,967
Innovation Fund	19	5,163,673	1,865,378
Total Equity		<u>84,300,046</u>	<u>63,850,849</u>
Non Current Liabilities			
Employment Retirement Benefits	14	5,756,234	6,042,983
		<u>5,756,234</u>	<u>6,042,983</u>
Current Liabilities			
Trade and Other Payables	15	13,320,444	11,527,463
Income tax Payable		77,467	-
Bank Overdraft	13	722,016	-
		<u>14,119,927</u>	<u>11,527,463</u>
Total Equity and Liabilities		<u>104,176,207</u>	<u>81,421,295</u>

These financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

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Finance Officer

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

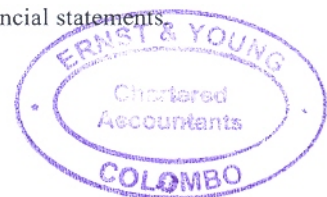
Sanku M. Gouverden

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Director

M. M. D. D. D.

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Director

The accounting policies and notes on pages 6 through 17 form an integral part of the financial statements.



05 April 2013
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 Rs.	2011 Rs.
Revenue	3	83,766,974	58,656,472
Administrative Expenses		(39,869,424)	(24,636,221)
Staff Costs		(38,989,101)	(40,902,193)
Marketing and Promotional Expenses		(385,678)	(1,000,373)
Finance Costs	5	<u>(211,725)</u>	<u>(261,426)</u>
Surplus/(Deficit) for the Year Before Tax from Operations		4,311,046	(8,143,741)
Other Income	6	14,691,678	7,927,191
Total Comprehensive Income		<u>19,002,724</u>	<u>(216,550)</u>
Taxation	7	(1,105,632)	462,569
Surplus/(Deficit) for the year after tax		<u><u>17,897,092</u></u>	<u><u>246,019</u></u>

The accounting policies and notes on pages 6 through 17 form an integral part of the financial statements.

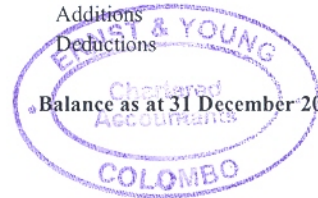


Centre for Poverty Analysis (CEPA)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

Description	A Development Fund				Friends of CEPA	CEPA Reserves	Innovation Fund	Solidarity Fund	Poverty Symposium Fund	Total
	Donor Contribution	Appropriations CEPA	Development Fund Reserves	10% CEPA Programme Fund						
	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2011	22,772,783	24,000,000	-	13,845,884	-	(403,680)	3,809,335	1,386,942	250,395	65,661,659
Net Surplus for the period	-	-	-	-	-	246,019	-	-	-	246,019
Contribution from third party	-	-	-	-	1,760,810	-	-	-	-	1,760,810
Contribution towards Development Fund	-	-	-	-	-	2,112,973	-	-	-	2,112,973
Contribution towards Innovation Fund	-	-	-	-	-	(236,345)	-	-	-	(236,345)
Contribution towards Capital Fund	-	-	-	(2,112,973)	-	-	-	-	-	(2,112,973)
Restricted Funds										
Additions	-	-	-	-	-	-	129,847	6,811	-	136,658
Deductions	-	-	-	-	-	-	(2,073,804)	(1,393,753)	(250,395)	(3,717,952)
Balance as at 31 December 2011	22,772,783	24,000,000		11,732,911	1,760,810	1,718,967	1,865,378	-	-	63,850,849
Net Surplus for the period	-	-	-	-	-	17,897,092	-	-	-	17,897,092
Transfer of investment returns earned			7,044,888		287,228	(7,332,116)				
Contribution towards Innovation Fund	-	-	-	-	-	(746,190)	-	-	-	(746,190)
Contribution towards Development Fund	-	771,725	-	-	-	(771,725)	-	-	-	-
Restricted Funds										
Additions	-	-	-	-	-	-	5,716,875	-	-	5,716,875
Deductions	-	-	-	-	-	-	(2,418,580)	-	-	(2,418,580)
Balance as at 31 December 2012	22,772,783	24,771,725	7,044,888	11,732,911	2,048,038	10,766,028	5,163,673	-	-	84,300,046

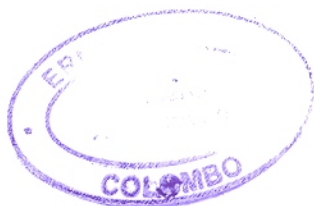


CASH FLOW STATEMENT

Year ended 31 December 2012

	Note	2012 Rs.	2011 Rs.
Cash Flows From / (Used in) Operating Activities			
Net Surplus/(Deficit) before Income Tax Expense		19,002,724	(216,550)
Adjustments for			
Disposal Loss /(Gain)		(29,259)	(29,721)
Depreciation	9	1,366,963	1,083,449
Amortisation	10	810,481	141,039
Finance Costs	5	211,725	261,426
Provision for Defined Benefit Plans	14	1,103,312	1,321,775
Operating Surplus/(Deficit) before Working Capital Changes		22,465,945	2,561,418
(Increase)/ Decrease in Trade and Other Receivables		1,116,404	4,435,785
Increase/ (Decrease) in Trade and Other Payables		1,792,981	(1,768,340)
Cash Generated from Operations		25,375,331	5,228,863
Finance Costs Paid		(211,725)	(261,426)
Gratuity paid		(1,390,061)	-
Income Tax Received/(Paid)		(775,398)	(558,474)
Net Cash From/(Used in) Operating Activities		22,998,147	4,408,964
Cash Flows from / (Used in) Investing Activities			
Proceeds on Disposal of Fixed Assets		34,764	31,930
Acquisition of Property, Plant and Equipment	9	(1,906,536)	(1,144,818)
Acquisition of Intangible Assets	10	(2,303,701)	(753,800)
Investment (Made)/Released during the year		(19,374,458)	6,551,094
Net Cash Flows from/(Used in) Investing Activities		(23,549,931)	4,684,406
Cash Flows from /(Used in) Financing Activities			
Funds received from Restricted Programme Fund		3,298,295	(3,581,294)
Funds Received from Friends of CEPA		-	1,760,810
Payment to Innovation Fund		(746,190)	(236,345)
Net Cash Flows from/(Used in) Financing Activities		2,552,105	(2,056,829)
Net Increase/(Decrease) in Cash and Cash Equivalents		2,000,322	7,036,541
Cash and Cash Equivalents at the beginning of the year	13	10,423,092	3,386,551
Cash and Cash Equivalents at the end of the year	13	12,423,414	10,423,092

The accounting policies and notes on pages 6 through 17 form an integral part of the financial statements.



1. CORPORATE INFORMATION

1.1 General

The Centre for Poverty Analysis is a Company Limited by Guarantee incorporated under the Companies Act, No 07 of 2007. The registered office of the Company is located at 29, Gregory's Road, Colombo 7, Sri Lanka.

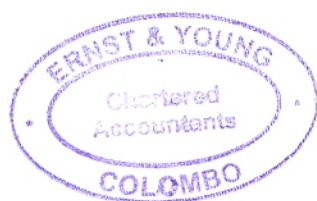
1.2 Principal Activities and Nature of Operations

The principal activities of the Company were providing services on Applied Research, Advisory Services, Training, Dialogue and Exchange and implementation of the following Programmes.

- Poverty Impact Monitoring
- Poverty Assessment and Knowledge Management
- Communication and Policy Influence

1.3 Date of Authorization for Issue

The Financial Statements of Centre for Poverty Analysis for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 05 April 2013.



2. GENERAL POLICIES

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Financial Statements have been prepared on a historical cost basis unless and otherwise indicated. The Financial Statements are presented in Sri Lanka Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007

2.2 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income and Cash Flow Statement, together with Accounting Policies and Notes, ("Financial Statements") of the entity as at 31 December 2012 and for the year then ended, comply in all material respects with the applicable Sri Lanka Accounting Standards for Small and Medium-sized Entities (hereafter "SLFRS for SMEs").

2.3 Comparative Information

The accounting policies have been consistently applied by the entity and are consistent with those used in the previous year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4.2 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

b) Deferred Taxation

Deferred taxation is provided on the liability method. The tax effect of all timing differences which occur where items are allowed for income tax purposes in a period different from that when they are recognised in Financial Statements is included in the provision for deferred taxation at current rates of taxation.



2.4.2 Taxation (Contd.)

Deferred tax assets are recognised for all deductible timing differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred tax asset is reviewed at each date of the statement of financial position and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

2.4.3 Receivables

Receivables and dues from Related Parties are initially recognised at cost. If receivables extend beyond the normal credit terms, those receivables are measured at amortized cost using the effective interest rate at the end of each reporting period.

2.4.4 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.4.5 Property, Plant and Equipment**a) Cost**

Property, Plant and Equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

An item of property, plant and equipment is derecognised 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 is included in the Statement of Comprehensive Income in the year the asset is derecognised.

b) Depreciation

The provision for depreciation is calculated by using a straight line method on the cost of all property, plant and equipment, in order to write off such amounts over the following estimated useful lives by equal installments.

Computers	Over 3 years
Office Equipment	Over 3 years
Office Interiors	Over 3 years
Furniture and Fittings	Over 4 years
Motor Vehicles	Over 4 years

Property, Plant and Equipment are depreciated from the date the assets are available for use over their estimated useful lives.



2.4.6 Intangible Assets

2.4.6.1 An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard No. 38 on 'Intangible Assets'. Accordingly, these assets are stated in the Financial Position at cost less accumulated amortization and accumulated impairment loss, if any. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed when incurred.

2.4.6.2 Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic life as given below;

Computer Software	Over 3 years
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2.4.7 Impairment of Assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the entity makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years, such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.4.8 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.4.9 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the income statement, after making due adjustment for payments made .



2.4.9 Retirement Benefit Obligations (Cond.)

The gratuity liability is not funded nor actuarially valued. This item is grouped under Employee Benefit Liability in the Statement of Financial Position.

b) Defined Contribution Plans – Employees’ Provident Fund & Employees’ Trust Fund

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12 % and 3% of the gross emoluments of employees to Employees’ Provident Fund and Employees’ Trust Fund respectively.

2.4.10 Revenue Recognition

a) Fee based income

Fee based income is recognized on a prorata basis over the period of the project activity and the income on incomplete projects deferred in the Balance Sheet to be recognized as income over the period of project implementation.

b) Restricted Programme Funds

Restricted programme funds are recognised in the financial year in which the expenditure authorised under such grant is incurred.

c) Restricted Core Grants

Restricted core grants are recognised in the financial year to which it relates to.

d) Others

Other income is recognized on an accrual basis.

2.4.11 Expenditure Recognition

a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the surplus/deficit for the year.

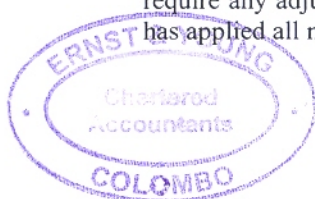
b) For the purpose of presentation of the Income Statement, the Directors are of the opinion that the function of expenses method presents fairly the elements of the Company’s performance, and hence such a presentation method is adopted.

2.4.12 Transition to the SLFRS for SMEs

Basis of Transition

The financial statements of the Company, for the year ended 31st December 2012 are the first annual financial statements prepared to comply with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs).

The date of transition is the 1 of January 2011. The opening balances of the financial statements did not require any adjustment to comply with the new standards. In preparing these financial statements the entity has applied all mandatory exceptions.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. REVENUE	2012	2011
Summary	Rs.	Rs.
Fee based Services	40,401,767	18,342,333
Programme Funds	25,405,496	13,286,761
Core Grants (3.1)	16,756,981	23,559,820
Designated Funds (19)	1,202,730	3,467,558
	<u>83,766,974</u>	<u>58,656,472</u>
3.1 Core Grants		
The revenue recognized out of the grant received from IDRC (International Development Research Centre) for Institutional Support granted for Policy Research Organizations in South Asia		
4. SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	2012	2011
Stated after charging -	Rs.	Rs.
Auditor's Remuneration - Charge for the year	150,000	125,022
- Under/(Over) provision for previous year	9,855	6,227
Depreciation	1,366,963	1,083,449
Amortisation	810,481	141,039
Staff Costs include -		
Gratuity	1,103,312	1,321,775
EPF and ETF	4,122,410	3,587,422
Other Staff Costs	33,763,379	35,992,996
Management Fees	153,492	121,472
Portfolio Expenses	24,667	83,571
	<u>24,667</u>	<u>83,571</u>
5. FINANCE COST	2012	2011
	Rs.	Rs.
Interest on Overdrafts	211,725	261,426
	<u>211,725</u>	<u>261,426</u>
6. OTHER INCOME	2012	2011
	Rs.	Rs.
Other Income (6.1)	14,691,678	7,927,191
	<u>14,691,678</u>	<u>7,927,191</u>
6.1 Unearned Exchange Gain		
of		
which Rs.5,708,041/- is unrealised.		
7. INCOME TAX EXPENSE	2012	2011
Current Income Tax	Rs.	Rs.
Current Tax Expense on Ordinary Activities for the year (7.1)	927,121	507,193
Tax deducted at source	-	43,887
Under/(Over) provision of taxes in respect of prior years	(227,517)	-
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (8)	406,028	(1,013,649)
Income tax expense reported in the Income Statement	<u>1,105,632</u>	<u>(462,569)</u>

7. INCOME TAX EXPENSE (Contd.)

7.1.1 Reconciliation between Current Tax Expenses/(Income) and product of Accounting Profit/(Loss)

	2012	2011
Accounting Profit/(Loss) (before Tax)	19,002,724	(216,550)
Aggregate Disallowed Items	6,488,215	2,565,792
Aggregate Allowable Expenses	(23,541,831)	(7,190,378)
Taxable Profit/(Loss) from operations	1,949,108	(4,841,136)
Taxable Income - Interest Income		
Treasury Bills / Treasury Bond	7,275,453	5,016,688
Staff Loan	46,648	55,244
	9,271,209	5,071,932
Statutory Tax Rate	10%	10%
Tax Expense	927,121	507,193
Tax deducted at Source	-	43,887
Under/(Over) provision of taxes in respect of prior years	(227,517)	-
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (8)	406,028	(1,013,649)
Income tax expense reported in the Income Statement	1,105,632	(462,569)

8. DEFERRED TAX LIABILITIES / ASSETS

Deferred tax liabilities and assets are calculated on all temporary differences under the liability method using a principal tax rate of 10%.

The movement on the deferred income tax account was as follows:

	2012 Rs.	2011 Rs.
Deferred tax assets		
At the beginning of the year	1,013,649	Nil
Release/(charge) to the Income Statement	(406,029)	1,088,412
At the end of the year	607,620	1,088,412
Deferred tax liabilities		
At the beginning of the year	-	Nil
Charge to the Income Statement	-	(74,763)
At the end of the year	-	(74,763)
Deferred Income Tax Assets	607,620	1,013,649

Deferred tax assets and liabilities and deferred tax charge / (release) to the income statement are attributable to provision for retirement benefit obligations, tax losses carried forward and accelerated tax depreciation.

9. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.01.2012 Rs.	Additions during the Year Rs.	Disposals/ Write off during the Year Rs.	Balance as at 31.12.2012 Rs.
9.1 Gross Carrying Amounts At Cost				
Office Furniture	1,317,464	215,406	(62,617)	1,470,253
Computers	6,036,890	1,314,040	(1,943,052)	5,407,878
Office Equipment	2,296,690	377,090	(806,814)	1,866,966
Office Interiors	531,298	-	-	531,298
	10,182,342	1,906,536	(2,812,483)	9,276,395
9.2 Depreciation				
At Cost				
Office Furniture	976,552	119,141	(62,617)	1,033,076
Computers	4,357,153	1,167,737	(1,938,417)	3,586,473
Office Equipment	2,251,502	72,718	(806,814)	1,517,407
Office Interiors	530,209	7,367	(6,278)	531,298
	8,115,416	1,366,963	(2,814,125)	6,668,254
9.3 Net Book Values				
Office Furniture			437,177	340,912
Computers			1,821,405	1,679,737
Office Equipment			349,559	45,188
Office Interiors			-	1,089
Total Carrying Amount of Property, Plant and Equipment			2,608,141	2,066,926

During the financial year, the organisation acquired Property, Plant and Equipment to the aggregate value of Rs. 1,906,535/- on cash basis. (2011- Rs. 1,144,818/=)

Property, Plant and Equipment includes fully depreciated assets having a cost of Rs. 4,418,792/- as of 31.12.12. (31.12.11- Rs. 6,967,307/=)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

10. INTANGIBLE ASSETS	Balance	Additions	Disposals	Balance
	as at 01.01.2012 Rs.	during the Year Rs.	during the Year Rs.	as at 31.12.2012 Rs.
Cost				
Computer Software	3,939,180	1,903,701	(1,894,337)	3,948,544
	Balance	Charge	Charge	Balance
	as at 01.01.2012 Rs.	for the Year Rs.	on Disposals Rs.	as at 31.12.2012 Rs.
Depreciation/Amortisation				
Computer Software	3,037,058	810,481	(1,887,190)	1,960,349
			2012	2011
Net Book Value			Rs.	Rs.
Capital work -in-progress			1,988,195	-
			400,000	-
			2,388,195	902,122

During the financial year, the organisation acquired Intangible assets to the aggregate value of Rs. 1,903,701/- on cash basis. (2011- Rs.753,800/=)

The entity was entered in to an agreement with Lanka Communication Services (Pvt) Ltd for the development of CEPA Website and Poverty portal.

An advance paid to the website developer amounting to Rs 400,000/- has been shown under capital work in progress.

Intangible assets includes fully depreciated assets having a cost of Rs. 1,035,841/- as of 31.12.12.(31.12.11 -Rs. 2,842,979/=)

11. RECEIVABLES	2012	2012	2012	2011
	Current Rs.	Non Current Rs.	Rs.	Rs.
Receivable from Investments	5,087,369		5,087,369	3,312,061
Funds Receivable (18)	4,930,981	63,430,997	68,361,978	24,416,402
Provision for doubtful debt	-	-	-	(100,000)
Deposits, Advances and Prepayments	4,250,651	-	4,250,651	3,417,791
Loans to Company Officers (11.1)	486,861	-	486,861	812,805
Deferred Revenue (11.2)	-	(63,430,997)	(63,430,997)	(16,003,063)
VAT Recoverable	158,503	-	158,503	178,026
Provision for VAT Recoverable	(158,503)	-	(158,503)	(158,503)
Other Receivable	3,253	-	3,253	-
	14,759,115	-	14,759,115	15,875,519

11.1 Loans to Company Officers	2012	2011
	Rs.	Rs.
Balance as at the beginning of the year	812,805	540,111
Add : Loans granted during the year	1,003,179	1,399,611
Less : Repayments during the year	(1,329,123)	(1,126,917)
Balance as at the end of the year	486,861	812,805

11.2 Deferred Revenue	2012	2011
	Rs.	Rs.
Fee based income and programme funding (18)	63,430,997	16,003,063

Above balance represents the income on the component of incomplete projects . It is to be recognised as income when projects are completed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

12. INVESTMENTS	2012 Rs.	2011 Rs.		
Investment in Repurchase Agreements (Repo) and Commercial papers (12.1)	53,413,766	42,126,318		
Investments - Fixed Deposit	8,939,434	7,444,203		
Investments in Repurchase Agreements (12.2)	<u>7,708,410</u>	<u>1,116,631</u>		
	<u>70,061,610</u>	<u>50,687,152</u>		
12.1 CEPA Development Fund has been invested in Repurchase Agreements (Repo) against Treasury Bonds and in Commercial Papers through Asset Trust Management (Pvt) Ltd (ATML). ATML has been granted a Power of Attorney to invest the fund within the terms & conditions of the investment agreement.				
12.2 CEPA's Innovation Fund has been invested in Repurchase Agreements (Repo) against Treasury Bonds through Safe Holdings (Pvt) Limited.				
13. CASH AND CASH EQUIVALENTS	2012	2011		
Component of Cash and Cash Equivalents	Rs.	Rs.		
Favourable Cash & Cash Equivalent Balance				
Cash and Bank Balances (13.1)	13,145,430	10,423,092		
Unfavourable Cash & Cash Equivalent Balance				
Bank Overdrafts	<u>(722,016)</u>	<u>-</u>		
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	<u>12,423,414</u>	<u>10,423,092</u>		
13.1 Favorable Cash and Cash Equivalent Balance	2012	2011		
	Rs.	Rs.		
Funds in Interest bearing Deposits	12,895,200	7,851,986		
Funds in Current Accounts	214,730	2,545,606		
Cash in Hand	<u>35,500</u>	<u>25,500</u>		
	<u>13,145,430</u>	<u>10,423,092</u>		
13.2 Unfavorable Cash and Cash Equivalent Balance				
Overdrafts- Current Accounts	<u>(722,016)</u>	<u>-</u>		
The above overdraft secured by a Fixed deposit amounting to Rs.7,723,584/32.				
14. EMPLOYMENT RETIREMENT BENEFITS	Balance as at 01.01.2012 Rs.	Charge for the year Rs.	Payments Rs.	Balance As at 31.12.2012 Rs.
Retirement Benefit Obligations - Gratuity	<u>6,042,983</u>	<u>1,103,312</u>	<u>(1,390,061)</u>	<u>5,756,234</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

15. PAYABLES	2012 Rs.	2011 Rs.
Advances (15.1)	8,434,580	3,753,603
Sundry Creditors including Accrued Expenses	2,009,859	1,664,231
VAT Payable	199,865	79,679
Innovation Fund (15.2)	2,676,140	6,029,950
	<u>13,320,444</u>	<u>11,527,463</u>

15.1 Advances

International Development Research Centre (IDRC)	7,053,950	1,182,740
The World Bank (WB)- SDCSF Benefit Monitoring Project	170,032	1,337,944
The World Bank (WB)- CSF Off the Page	-	488,666
US Embassy- Youth Empowerment Programme	-	744,253
Asia Foundation	1,210,598	-
	<u>8,434,580</u>	<u>3,753,603</u>

Advances represents the portion of donor funds received but in respect of which work has not been performed and expenditure has not been incurred as at the year end.

15.2 Innovation Fund (19)

Above value represents an internal apportionment and is not payable to an external party.

16. COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Company has entered into but not incurred the following capital expenditure at the balance sheet date.

	Rs.
Total Contract value for CEPA website developer :	1,120,000
Less: Advance paid (Refer Note 09)	<u>(400,000)</u>
Capital Commitment as of Balance Sheet date	<u>720,000</u>

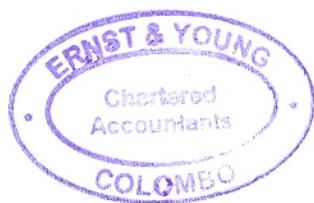
17. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.



18. MOVEMENT OF RESTRICTED FUNDS - FROM 01 JANUARY 2012 TO 31 DECEMBER 2012

Name of the Client & Project	Balance of advances as at 01 January 2012	Earned / Utilised and Receivable as at 01 January 2012	Un-earned/ Un utilised contract value as at 01 January 2012	Receivable Balance b/f as at 01 January 2012 {B+C-A = D}	New contracts/grants pledged during 2012	Earned / Utilised contract value 2012 (Excluding VAT)	Earned / Utilised VAT 2012	Exchange Gain on Unearned/Un utilised contract value as at 31 December 2012	Un-earned/ Un utilised contract value as at 31 December 2012/Deferred Incomeless advances {C + E - F - G + H = I}	Funds received during 2012	Exchange gain or Loss at the end of period	Adjustments in 2012	Net Receivable Balance as at 31 December 2012 (A+B+F+G-J+K-L)	Balance of advances as at 31 December 2012	Earned / Utilised and Receivable as at 31 December 2012	Balance as at 31 December 2012 (I + O)
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Lanka Forum for Rural Transport Development	-	100,000.00	-	100,000.00	-	-	-	-	-	-	-	100,000.00	-	-	-	-
Colombo Municipal Council - Study on Focus City	-	1,207,775.50	-	1,207,775.50	-	-	-	-	-	1,207,775.50	-	-	-	-	-	-
Overseas Development Institute - ehpdn SA	-	1,299,245.85	-	1,299,245.85	-	-	-	-	-	1,479,486.75	180,240.90	-	0.00	-	-	-
Asian Development Bank - Poverty Network Project	-	532,950.00	-	532,950.00	-	-	-	-	-	538,655.50	5,705.50	-	-	-	-	-
International Development Research Centre - Think Tank Initiative (Core Grant)	1,182,739.52	-	-	(1,182,739.52)	16,756,981.28	16,756,981.28	-	-	-	22,628,192.63	-	-	(7,053,950.87)	7,053,950.87	(7,053,950.87)	(7,053,950.87)
Berendina (Cte) Ltd	1,337,944.88	40,000.00	-	40,000.00	-	-	-	-	-	-	-	40,000.00	-	170,031.00	(170,031.00)	(170,031.00)
World Bank - Continuous Benefit Monitoring of Roads	-	-	1,337,944.88	-	-	1,167,913.88	-	-	-	-	-	-	(170,031.00)	-	(170,031.00)	(170,031.00)
US Embassy - Linking Spaces : promoting alternative discourse amongst youth	744,252.14	-	744,252.14	-	-	664,510.72	79,741.30	-	0.12	-	-	-	(0.12)	0.12	(0.12)	-
World Bank - Off the page project on Gender and demographic Change in Sri Lanka	488,665.98	-	488,665.98	-	-	488,665.98	-	-	0.00	-	-	-	(0.00)	0.00	(0.00)	-
FES - Poverty Portal	-	65,060.00	-	65,060.00	-	-	-	-	-	65,060.00	-	-	-	-	-	-
IA - Diaspora Voices for Peace	-	332,052.39	-	332,052.39	-	-	-	-	-	342,635.00	10,582.61	-	(0.00)	-	-	-
UN HABITAT - Report on Colombo City Urban Livelihood Assessment	-	645,934.01	1,277,825.99	1,923,760.00	-	1,140,916.07	136,909.92	-	(0.00)	1,923,760.00	-	-	0.00	-	0.00	0.00
ILO Green Jobs Foundation Train	-	167,969.00	-	167,969.00	-	-	-	-	-	167,969.00	-	-	-	-	-	-
Sewalanka Foundation to carry out a mid term review of USAID PPAs	-	171,000.00	-	171,000.00	-	-	-	-	-	171,000.00	-	-	-	-	-	-
Overseas Development Institute - Establishment and functioning of the "Livelihoods in fragile states RPC" during the inception period	-	3,117,281.30	2,904,706.67	6,021,987.97	-	2,904,706.67	-	-	0.00	6,984,553.29	962,565.32	-	(0.00)	-	-	0.00
Oxford University - Diaspora Engagement in Conflict Settings: the Sri Lankan Case	-	734,070.57	9,249,667.67	9,983,738.24	-	5,157,671.92	-	595,284.34	4,687,280.09	5,450,856.20	700,335.75	-	1,141,222.04	-	1,141,222.04	5,828,502.13
Overseas Development Institute - Establishment and functioning of the "Livelihoods in fragile states RPC"- 2nd Year	-	-	-	-	30,309,669.60	17,629,594.74	-	(50,987.20)	12,629,087.66	21,353,691.87	151,347.35	-	(3,572,749.78)	-	(3,572,749.78)	9,056,337.88
ODI 3ie Policy Influence Monitoring	-	-	-	-	50,477,030.54	14,477,564.51	-	4,903,929.83	40,903,395.86	18,831,214.89	2,140,078.77	-	(2,213,571.61)	-	(2,213,571.61)	38,689,824.25
ACTED/EU - Community Driven Development and Pro-poor Economic Growth for Conflict Affected Population in Northern & Eastern Sri Lanka	-	-	-	-	3,825,015.78	3,140,328.31	-	28,192.30	712,879.77	1,888,920.00	58,766.58	-	1,310,174.89	-	1,310,174.89	2,023,054.66
Oxfam AU -Research on Land Acquisition, Livelihoods and Food Security in SL	-	-	-	-	1,181,960.69	1,055,322.15	126,638.54	-	0.00	1,181,960.00	(0.69)	-	(0.00)	-	(0.00)	(0.00)
WUSC SL -Study on Social Welfare and Labour Productivity in the Plantation Sector	-	-	-	-	3,450,765.03	2,677,006.16	309,961.09	30,596.34	494,394.12	1,827,303.85	165,966.23	-	1,325,629.63	-	1,325,629.63	1,820,023.75
Ministry of Health - Baseline Survey	-	-	-	-	1,726,487.00	1,586,604.62	139,882.33	-	0.05	308,301.20	-	-	1,418,185.75	-	1,418,185.80	1,418,185.80
CARE International - Facilitating workshop for CARE Sri Lanka on emerging challenges for the plantation sector	-	-	-	-	783,408.00	674,989.92	-	-	108,418.08	258,524.64	-	-	416,465.28	-	416,465.28	524,883.36
FES - Migration Portal	-	-	-	-	1,332,139.00	1,332,139.00	-	-	-	1,332,139.00	-	-	-	-	-	-
University of Sussex - Philanthropy project	-	-	-	-	7,067,826.00	3,513,923.74	-	9,769.32	3,563,671.58	3,262,033.00	(53,161.97)	-	198,728.77	-	198,728.77	3,762,400.35
Oxfam AU - Joint Country Analysis	-	-	-	-	1,227,092.92	1,095,618.68	131,474.24	-	-	1,227,092.05	(0.87)	-	(0.00)	-	(0.00)	(0.00)
World Bank - WS on policies	-	-	-	-	635,771.06	635,771.06	-	-	-	635,771.06	-	-	-	-	-	-
Asia Foundation	-	-	-	-	142,306.00	142,306.00	-	-	-	1,352,904.00	-	-	(1,210,598.00)	1,210,598.00	(1,210,598.00)	(1,210,598.00)
IDRC - Maching Funds	-	-	-	-	5,840,279.00	3,396,750.27	-	-	2,443,528.73	-	-	-	3,396,750.27	-	3,396,750.27	5,840,279.00
World Bank - GEF	-	-	-	-	7,421,440.00	946,768.64	-	(151,750.11)	6,322,921.25	-	(22,189.89)	-	924,578.75	-	924,578.75	7,247,500.00
MFS Evaluation II	-	-	-	-	775,732.09	775,732.09	-	-	-	190,165.10	-	-	585,566.99	-	585,566.99	585,566.99
Total	3,753,602.52	8,413,338.63	16,003,063.32	20,662,799.43	132,953,903.99	81,361,786.41	924,607.42	5,365,034.82	71,865,577.31 (8,434,579.99) 63,430,997.31	94,609,964.53	4,300,235.59	140,000.00	(3,503,599.00)	8,434,579.99	(3,503,599.00)	68,361,978.30
Less: Funds received in advance																
Deferred Income as at 31.12.12																



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

19. DESIGNATED FUNDS

Development Fund

CEPA Development Fund is a Trust established by CEPA with the objective of supporting the longer term stability and professional independence of the organisation. The fund balance consists of:

- Annual appropriations from CEPA
- Contributions from Donors
- 10% of programme funding received by CEPA from 2001 to 2007
- Contributions from Friends of CEPA
- CEPA-Development Fund Reserves.

Innovation Fund

CEPA's "Innovation Fund" was set up to encourage initiatives that adopt an original approach to addressing the issue of poverty. The fund is financed through a 2% contribution from CEPA's annual service fees where the client is in agreement to contribute to this fund.

Solidarity Fund

The Solidarity Fund comprises money that friends of CEPA channeled through the organisation to support people affected by the 2004 tsunami. The fund has supported several initiatives in tsunami affected areas, and in other disaster affected areas.

20. RELATED PARTY DISCLOSURES

	2012 Rs.	2011 Rs.
20.1 Transactions with Key Management Personnel of the Company		
Emoluments	10,397,506	10,429,571
	<u>10,397,506</u>	<u>10,429,571</u>

20.2 Dr. Dushni Weerakoon Director of CEPA is also the Deputy Director and Fellow of the Institute for Policy Studies (IPS). CEPA was contracted by IPS to carry out a training programme on "Qualitative Research Methodologies" for the IPS staff, from which the revenue earned last year amounts to Rs.60,268/=.

20.3 The following Directors of CEPA does not have any direct or indirect interest in contracts of the Company during the year 2012.

- Dr. Indrajit Coomaraswamy
- Prof. Amala De Silva
- Mr. Deva Rodrigo
- Mr. Johann Rebert
- Prof. Hiranya Dias
- Mr. Hilmy Ahamed
- Mr. Asoka Gunawardena
- Prof. Savitri Goonesekere

