CENTER FOR POVERTY ANALYSIS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE CENTRE FOR POVERTY ANALYSIS

Report on the Financial Statements

We have audited the accompanying financial statements of Centre for Poverty Analysis, ("the Company"), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in funds and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for small and Medium-Sized Entities.

KPMG

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

Kpmg

CHARTERED ACCOUNTANTS

Colombo

03 June 2015

CENTRE FOR POVERTY ANALYSIS
STATEMENT OF FINANCIAL POSITION

As at 31 December,	Note	2014 Rs.	2013 Rs.
Assets			
Non-current assets			
Property, plant and equipment	2	4,492,016	6,171,824
Intangible assets	3	587,136	1,359,466
Deferred tax asset	4	833,636	909,593
Total non current assets		**5,912,788**	**8,440,883**
Current assets			
Receivables	5	9,115,853	14,261,132
Withholding tax recoverable	6	742,960	1,023,298
Income tax recoverable		57,138	-
Investments	7	93,012,540	83,918,554
Cash and cash equivalents	8	34,025,066	35,198,055
Total current assets		**136,953,557**	**134,401,039**
Total assets		**142,866,345**	**142,841,922**
Funds and liabilities			
Funds			
CEPA Development fund	9	90,239,228	83,063,688
CEPA Reserves		8,917,248	11,173,786
Innovation fund	10	5,337,050	7,565,393
Total funds		**104,493,526**	**101,802,867**
Non-current liabilities			
Employee benefit	11	8,174,007	8,390,870
Capital grant	12	4,310,675	7,190,734
Total non current liabilities		**12,484,682**	**15,581,604**
Current liabilities			
Other payables	13	2,746,994	6,988,638
Income received in advance	14	23,141,143	16,680,195
Income tax payable	15	-	1,638,377
Bank overdraft	8	-	150,241
Total current liabilities		**25,888,137**	**25,457,451**
Total liabilities		**38,372,819**	**41,039,055**
Total funds and liabilities		**142,866,345**	**142,841,922**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

I certify that these financial statements are prepared in compliance with the requirements of the companies Act No. 07 of 2007.

....
Financial Officer

The Board of Directors is responsible for the preparation of these financial statements in accordance with SLFRS for SME's.
Approved and signed for and on behalf of the Board of Directors;

....
Director Director
03 June 2015
Colombo

CENTRE FOR POVERTY ANALYSIS
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December,		2014	2013
	Note	Rs.	Rs.
Revenue	16	110,492,758	106,579,403
Direct cost	17	(45,387,386)	(31,911,668)
Gross profit		**65,105,372**	**74,667,735**
Other income	18	2,019,048	2,943,077
Transferred from restricted funds		2,708,466	1,121,072
Administrative expenses		(14,664,897)	(14,484,688)
Staff cost		(48,181,479)	(47,050,216)
Publications, seminars and Workshops		(2,170,595)	(4,231,479)
Finance costs	19	(3,910,653)	(185,760)
Utilization of restricted funds		(2,708,466)	(1,121,072)
(Loss)/ profit before taxation	20	**(1,803,204)**	**11,658,669**
Tax expense	21	(453,334)	(2,516,463)
(Loss)/ profit for the year		**(2,256,538)**	**9,142,206**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

CENTER FOR POVERTY ANALYSIS
STATEMENT OF CHANGES IN FUNDS

For the year ended 31 December,

	Development Fund							
	Donor Contribution	Appropriation CEPA	Development Fund Reserves	10% CEPA Programme Fund	Friends of CEPA	CEPA Reserves	Innovation Fund	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 December 2012	**22,772,783**	**25,290,636**	**7,044,888**	**11,732,911**	**2,048,038**	**5,686,841**	**5,163,673**	**79,739,770**
(Loss)/ profit for the year	-	-	-	-	-	9,142,206	-	9,142,206
Investment returns earned for the year	-	-	9,184,935	-	334,236	-	-	9,519,171
Contribution towards Development Fund	-	-	-	-	1,000,000	-	-	1,000,000
Appropriation to CEPA Development fund	-	3,655,261	-	-	-	(3,655,261)	-	-
Additions for Restricted Funds	-	-	-	-	-	-	3,522,792	3,522,792
Utilization of Restricted Funds	-	-	-	-	-	-	(1,121,072)	(1,121,072)
Balance as at 31 December 2013	**22,772,783**	**28,945,897**	**16,229,823**	**11,732,911**	**3,382,274**	**11,173,786**	**7,565,393**	**101,802,867**
Loss for the year	-	-	-	-	-	(2,256,538)	-	(2,256,538)
Investment returns earned for the year	-	-	6,678,388	-	229,652	-	-	6,908,040
Appropriation to CEPA Development fund	-	-	-	-	267,500	-	-	267,500
Additions for Restricted Funds	-	-	-	-	-	-	480,123	480,123
Utilization of Restricted Funds	-	-	-	-	-	-	(2,708,466)	(2,708,466)
Balance as at 31 December 2014	**22,772,783**	**28,945,897**	**22,908,211**	**11,732,911**	**3,879,426**	**8,917,248**	**5,337,050**	**104,493,526**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

CENTRE FOR POVERTY ANALYSIS

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December,	Note	2014	2013
		Rs.	Rs.
Cash flows from operating activities			
(Loss)/ profit before taxation		(1,803,204)	11,658,669
Adjustments for non-cash income and expenses:			
Depreciation of property, plant and equipment		2,751,857	1,996,021
Amortization of intangibles		772,330	1,042,015
Gain on fixed assets disposals		-	(204,165)
Intangible asset write off		-	1,120,000
Finance cost		176,905	185,760
Provision for gratuity		487,549	2,524,275
Operating profit before working capital changes		**2,385,437**	**18,322,575**
Changes in working capital			
Decrease in trade and other receivables		5,368,476	779,734
Increase in trade and other payables		2,219,304	4,562,068
Cash generated from operating activities		**9,973,217**	**23,664,377**
Cash generated from operating activities			
Finance cost		(176,905)	(185,760)
Gratuity paid		(704,412)	-
Income tax paid		(2,015,753)	(1,066,294)
Net cash generated from operating activities		**7,076,147**	**22,412,323**
Cash flows from investing activities			
Proceeds on disposal of fixed assets		-	204,165
Acquisition of property plant and equipment		(1,072,049)	(5,559,702)
Acquisition of intangible assets		-	(1,133,288)
Investment made during the year		(9,093,986)	(8,769,575)
Net cash used in investing activities		**(10,166,035)**	**(15,258,400)**
Cash flows from financing activities			
Increase in development fund		7,175,540	10,519,171
(Decrease)/ Increase in innovation funds		(2,228,343)	2,401,720
(Decrease)/ Increase in capital grant		(2,880,059)	2,549,588
Net cash generated from financing activities		**2,067,138**	**15,470,479**
Net (decrease)/ increase in cash and cash equivalents		(1,022,750)	22,624,402
Cash and cash equivalents at the beginning of the year		35,047,816	12,423,414
Cash and cash equivalents at the end of the year	8	**34,025,066**	**35,047,816**

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

1 General information

1.1 Reporting entity

The Centre for Poverty Analysis is a Company Limited by Guarantee incorporated under the Companies Act, No 07 of 2007. In the event that the Company is wound up the liability of members is limited to Rs.1000/- per member. The registered office of the Company is located at 29, Gregory's Road, Colombo 7, Sri Lanka.

Principal activities

The principal activities of the Company were providing services on Applied Research, Advisory Services, Training, Dialogue and Exchange under the following skill based programmes.

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

1.2 Basis of preparation and accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium – Sized Entities (SLFRS for SMEs).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. No adjustments have been made for inflationary factors in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with SLFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only the financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

1.3 Foreign currency transaction

Transactions in foreign currencies are translated to Sri Lankan rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan rupees at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

1.4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

(i) Recognition and measurement *(Cont.)*

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the Statement of Comprehensive Income.

(ii) Depreciation

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the asset.

The estimated useful lives for the current and comparative periods are as follows;

	Years
Computers	3
Office equipment	3
Office interiors	3
Furniture and fittings	4
Motor vehicles	4

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

(b) Intangible Assets

(i) Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets can be measured reliably in accordance with the SLFRS for SMEs on intangible assets. Accordingly, these assets are stated in the Statement of the Financial Position at cost less accumulated amortization and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed as incurred.

(iii) Amortization

The useful lives of intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with the finite useful life are reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by adjusting or changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income.

Intangible assets are stated at cost less accumulated amortization. Amortization is done as follows:

	Years
Computer software	3

(iv) Impairment

The unamortized balances of intangible assets with finite life are reviewed at each year end date for impairment when there is an indication for impairment and recognized as an expense in the statement of comprehensive income to the extent that they are no longer probable of being recovered from the expected future benefits.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is de-recognized.

(c) Accounts receivables
Accounts receivables are stated at cost less provision for bad and doubtful debts.

(d) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits held at call with bank, and investments in money market instruments with a maturity period of less than 3 months.
For the purpose of the statement of cash flow, cash and cash equivalents comprise cash in hand, deposits held at call with bank, and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in current liabilities where applicable.

Cash flow statement
Cash flow statement has been prepared using the indirect method.

(e) Restricted funds
Where fund are received for use in an identified activity, such funds are held in a restricted fund account and transferred to the Statement of Comprehensive Income to match with expenses incurred in respect of the identified activities.

(f) Capital grants
Grants related to assets, including non-monetary grants at fair value is deferred in the Statement of the Financial Position and credited to the statement of comprehensive income over the useful life of the related asset.

Grants related to revenue nature are recognized in the Statement of Comprehensive Income in the period in which it is received.

(g) Employee benefit
Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions in to a separate entity and has no legal constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered services by employees.

Defined benefit plan
Provision has been made for retirement gratuities from the first year of service of all employees in conformity with SLFRS for SMEs section 28 - Employee Benefits. However, according to the Gratuity Act No.12 of 1983, payment of the liability arises only on completion of five years of continued service.

(h) Liabilities and provisions
Liabilities are recognized in the statement of financial position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditors or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Revenue
i. Fee based income
Fee based income is recognized to Statement of Comprehensive Income in proportion to the stage of completion of the project. Each project has a pre agreed budget which comprise of staff time and the direct costs. On signing a contract the initial recognition of such will be to the Statement of financial position through a deferred Income Account. Subsequently based on the percentage completion of the project, Revenue will be recognized to the Statement of Comprehensive Income.

i. Fee based income *(Cont.)*
Percentage completion was measured based on actual spent staff time and direct costs incurred.

Incomplete projects deferred in the Statement of Financial Position are recognized as income over the period of the project.

ii. Programme Funds
Restricted programme funds are recognised as income in which period the expenditure is incurred in respect of the identified activities.

ii. Core Grants
Core grants are initially recognised in client advances and recognised to the Statement of comprehensive income based on the actual cost incurred.
In the instance where the Company has acquired capital assets from the received funds, the cost of such assets will be initially transferred to "Capital grant account" and will be recognised to the Statement of comprehensive Income in par with the depreciation amortised as expenditure.

(f) Investment income
Interest income on investments is recognised on an accrual basis, while the investments are recorded at amortised cost. Donations are recognised on cash basis.

(g) Expenses
All expenses relating to the period have been charged to the Statement of Comprehensive Income.

(h) Taxation
i. Income taxation
The liability for taxation has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and its amendments thereto.

ii. Deferred taxation
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the year end date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each year end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Comparative information
Where necessary, comparative figures have been rearranged to conform to the current year's presentation.

(j) Events occurring after the reporting date
All material events occurred after reporting date have been considered and where appropriate adjustments to or disclosures in the financial statements.

(k) Commitments and contingencies
Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

As at,

2 Property, plant and equipment

	Office furniture Rs.	Computers Rs.	Office equipment Rs.	Office interior Rs.	Total Rs.
Cost					
Balance as at 1 January 2014	1,914,429	6,284,179	5,717,051	531,298	14,446,957
Additions during the year	177,500	756,450	138,099	-	1,072,049
Balance as at 31 December 2014	**2,091,929**	**7,040,629**	**5,855,150**	**531,298**	**15,519,006**
Accumulated depreciation					
Balance as at 1 January 2014	1,291,362	4,827,371	1,625,106	531,298	8,275,133
Charge for the year	266,896	941,421	1,543,540	-	2,751,857
Balance as at 31 December 2014	**1,558,258**	**5,768,792**	**3,168,646**	**531,298**	**11,026,990**
Carrying amount					
As at 31 December 2014	**533,671**	**1,271,837**	**2,686,504**	-	**4,492,016**
As at 31 December 2013	623,067	1,456,808	4,091,945	-	6,171,824

As at 31 December,	2014 Rs.	2013 Rs.
3 Intangible assets		
Cost		
Balance as at 1 January	4,361,830	4,348,544
Acquired during the period	-	1,133,288
Asset written off	-	(1,120,000)
Balance as at 31 December	**4,361,830**	**4,361,830**
Accumulated amortization		
Balance as at 1 January	3,002,364	1,960,349
Amortization charged for the year	772,330	1,042,015
Balance as at 31 December	**3,774,694**	**3,002,364**
Carrying amount	**587,136**	**1,359,466**
4 Deferred tax asset		
Balance as at 1 January	909,593	596,584
Charge/ (reversal) during the year	(75,957)	313,009
Balance as at 31 December	**833,636**	**909,593**
Deferred tax liabilities	82,474	-
Deferred tax assets	(916,110)	909,593
	(833,636)	**909,593**

As at 31 December,	2014	2013
	Rs.	Rs.
4 Deferred tax asset *(Cont.)*		
Property, plant and equipment	82,474	81,540
Employee benefits	(817,401)	828,053
Tax loss	(98,709)	-
Net tax (assets)/ liabilities	**(833,636)**	**909,593**
5 Receivables		
Accounts receivable *(Note 5.1)*	4,294,051	8,778,445
Deposits, advances and prepayments	4,034,604	4,279,638
Staff loans	749,290	593,944
VAT receivable	-	474,819
General receivable	37,908	134,286
	9,115,853	**14,261,132**
5.1 Accounts receivable		
- Oxford University - Diaspora Engagement in Conflict Settings	-	1,203,868
- University Of Sussex - Charity, Philanthropy and Development in Colombo, Sri Lanka	-	3,937
- World Bank - GEF Country Portfolio Evaluation	-	1,517,800
- MFS II International Lobby and Advocacy Evaluation	-	200,032
- World Bank Enhancing Women Entrepreneurs 'Productive Use of Finance in South Asia	-	1,273,923
- Overseas Development Institute - Establishment and functioning of the "Livelihoods in fragile states RPC" -3rd Year	-	187,902
- GIGA - Survey on Employment, Empowerment and Living Standard	-	692,228
- SDC-Assessment of Possible Indebtedness among SDC Housing Beneficiaries in Jaffna and Kilinochchi	-	2,491,523
- SDC- Matching Funds for NSA CLAPP and Symposium	-	367,086
- Individual Consultancy	-	631,098
- Open University - Research for UNDP national human development	-	209,048
- ODI 3ie Policy Influence Monitoring	715,349	-
- International Development Research Centre - Think Tank Initiative (Core Grant) 2013-2014	3,314,982	-
- Southern Voice on the Post Development Goals	263,720	-
	4,294,051	**8,778,445**
6 Withholding tax recoverable		
CEPA Development fund investments	650,172	976,387
General investments	84,502	46,911
CEPA Innovation fund invetsments	8,286	-
	742,960	**1,023,298**
7 Investments		
Development fund investments		
Investment in portfolio *(Note 7.1)*	79,335,599	69,378,516
Investment in fixed deposits	9,613,721	8,873,641
	88,949,320	**78,252,157**
Innovation fund investments		
Investment in repurchase agreements and commercial papers *(Note 7.2)*	2,601,131	4,292,287
Investment in fixed deposits	1,462,089	1,374,110
	4,063,220	**5,666,397**
Total investments as at the year end	**93,012,540**	**83,918,554**

Market value of the portfolio investment as at balance sheet date is higher than the Investment value recorded on accrual basis and no diminution of value has been identified.

As at 31 December,

7 Investments *(Cont.)*

7.1 Development fund investments

CEPA Development fund have been invested in a Portfolio managed by Asset Trust Management Pvt Ltd (ATML). ATML has been granted a Power of Attorney to invest the fund within the terms and conditions of the investment agreement. An overdraft facility of Rs.6 million on the CEPA current account is secured against the Fixed Deposit of the Development Fund. The income earned by the Development Fund is restricted for use and is governed by the Trust Deed of the CEPA Development fund.

7.2 Innovation fund investments

CEPA Innovation fund has been invested in Repurchase Agreements (REPO) against Treasury bonds through Safe Holdings Pvt Ltd.

As at 31 December,	2014	2013
	Rs.	Rs.
8 Cash and cash equivalents		
Short term deposits	13,820,329	2,832,222
Cash at bank *(Note 8.1)*	20,167,152	32,330,333
Cash in hand	37,585	35,500
	34,025,066	**35,198,055**
Overdraft	-	(150,241)
	34,025,066	**35,047,814**
8.1 Cash at bank		
CEPA Development fund - Savings Account	344,337	335,472
Innovation fund - Current Account	534,879	465,059
Cash at bank	19,287,936	31,529,802
	20,167,152	**32,330,333**

9 CEPA Development fund

CEPA Development fund is a trust established by CEPA with the objective of supporting the longer term financial stability and professional independence of the organization.

CEPA Development fund consists of;

- Donor contributions

This represent the Initial contributions made by donors.

- Appropriation from CEPA

Appropriation from CEPA represent the contribution made by the CEPA for the CEPA Development fund.

- Development Fund Reserves

Reserves consist of investment income earned by the fund which has been reinvested in the fund.

- 10% CEPA Programme Fund

Prior to 2011 CEPA allocated 10% of programme funds received to this fund. Currently appropriations are decided on by the Board based on surplus earned.

- Friends of CEPA

This is the contribution made by different stake holders such as former staff, Board of Directors and Members of CEPA who are considered as Friends of CEPA.

The CEPA Development fund is restricted in use for the purpose specified above.

CEPA has amalgamated the financial statements of CEPA Development Fund with that of CEPA based on a legal opinion obtained.

10 Innovation fund

Innovation fund was created for the purpose of encouraging initiatives that adopt an original approach to addressing the issues of poverty.

Innovation fund is restricted in use for the purpose specified above.

As at 31 December,	2014	2013
	Rs.	Rs.
11 Employee benefit obligations		
Balance as at 1 January	8,390,870	5,866,596
Current service cost	1,459,970	1,455,589
Actuarial loss/ (gain)	(1,503,008)	553,333
Interest cost	530,587	515,352
Payment during the year	(704,412)	-
Balance as at 31 December	**8,174,007**	**8,390,870**

Provision has been made for retiring gratuity for all employees. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is calculated based on the gratuity formula method.

Retirement age is 60 years (Company recruits employees on 2 years contracts. As such it does not have a formal age for retirement of employees. However the Company pays gratuity for employees who have completed 5 years of continuing service with the Company. For the purpose of the above computation the company has assumed the retirement age to be 60.

The following key assumptions were made in arriving at the above figure using the gratuity formula method:
The discount rate is 7.05% per annum (2013: 9%)
Salary increment rate is 8% per annum (2013: 10%)
Staff turnover factor is 15.71% per annum (2012: 10%)
The Company will continue as a going concern

Number of employees

Number of employees of the Company as at 31 December 2013 was 30 (2013: 34) respectively.

As at 31 December,	2014	2013
	Rs.	Rs.
12 Capital grant		
Balance as at 1 January	7,190,734	4,641,146
Grant received during the year	904,500	5,727,410
Amortization of capital assets	(3,784,559)	(3,177,822)
Balance as at 31 December	**4,310,675**	**7,190,734**

Capital grant include the assets purchased through funds granted from the Secure Livelihood Research Consortium Project and Core Funding.

13 Other payables		
Client advances *(Note 13.1)*	-	1,706,818
Accrued expenses	2,724,584	5,206,820
VAT payable	21,145	-
General advance	-	75,000
Other payable	1,265	-
	2,746,994	**6,988,638**

13.1 Client advances		
International Development Research Center - Core grant	-	1,706,818
	-	**1,706,818**

As at 31 December,	2014	2013
	Rs.	Rs.
14 Income received in advance		
- ODI 3ie Policy Influence Monitoring	-	10,566,995
- ACTED - CSO-LA Action and Partnership Programme	732,735	1,417,630
- IDRC-Reimagining Development: Continuing the discourse	-	4,139,759
- IDRC-Making Sustainability the next Metric	-	555,811
- CAFOD - Contribution for Building capacity of Active Citizens Development Network	157,743	-
- Overseas Development Institute - Establishment and functioning of the "Livelihoods in fragile states RPC" -4th Year	7,231,766	-
- TTI Phase II - Core Grant	8,840,803	-
- UNEP - United National Environment Programmer-Ingredients for success:Scaling up the APFED Showcase	315,388	-
- Commonwealth - Re imagining Development: an Initiative to Create Multiple Models of Participatory Governance on Sustainable energy	2,426,122	-
- ODI - CDD Livelihoods in FCS in South Asia	1,010,386	
- SLRC Track - II - ODI - SLRC Additional funding - Reseach under the Track 2 Component	2,426,200	-
	23,141,143	**16,680,195**
15 Income tax (receivable)/ payable		
Balance as at 1 January	1,638,377	(124,801)
Income tax provision for the year	377,376	2,829,472
Notional tax credit	-	(606,096)
Payments made during the year	(2,072,890)	(460,198)
Balance as at 31 December	**(57,138)**	**1,638,377**

For the year ended 31 December,	2014	2013
	Rs.	Rs.
16 Revenue		
Fee based services	43,353,289	39,969,746
Programme funds	36,641,216	39,777,115
Core grants	30,498,253	26,832,542
	110,492,758	**106,579,403**
17 Direct cost		
Assignment expenses	31,013,919	25,501,836
Programme/Thematic expenses	14,373,467	6,409,832
	45,387,386	**31,911,668**
18 Other income		
Investment income	867,467	758,013
Miscellaneous income	1,151,581	251,498
Gain on fixed assets disposals	-	204,165
Exchange gain	-	1,729,401
	2,019,048	**2,943,077**
19 Finance costs		
Bank charges and interest on overdraft	176,905	185,760
Exchange loss	3,733,748	-
	3,910,653	**185,760**

For the year ended 31 December,	2014	2013
	Rs.	Rs.
20 (Loss)/ profit before taxation		
The following items have been recognized as expenses in determining profit before tax:		
Depreciation	2,751,857	1,996,021
Amortization	772,330	1,042,015
Audit fee	175,396	184,900
Tax fee	296,100	263,525
Provision for gratuity	487,549	2,524,275
Bad debt written off	-	453,038
Asset written off	-	1,120,000
Staff cost :		
Salaries and wages	33,171,442	30,758,189
EPF, ETF	5,326,146	4,438,549
Portfilo expenses	1,662,324	451,117

21 Tax expense

	2014	2013
Current period	293,467	2,246,946
Under/ (Over) provision in respect of prior years	83,909	582,526
Deferred tax charge/ (reversal) during the year	75,957	(313,009)
	453,334	**2,516,463**

The liability for taxation has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and its amendments thereto.

Reconciliation of the accounting profit and income tax expense

	2014	2013
(Loss)/ profit before taxation	(1,803,204)	11,658,669
Disallowbale expenses	1,167,142	6,975,432
Allowable expenses	(2,200,480)	(4,670,903)
Adjusted profit from business	**(2,836,542)**	**13,963,198**
Net income for the CEPA Development Fund	6,908,040	9,519,171
Disallowable expenses on CEPA Development Fund	1,662,824	453,189
CEA Development Fund investment income	8,570,864	9,972,360
Interest income for the Company	867,467	758,013
Tax exempted investment income	(2,963,165)	(243,535)
WHT paid @ 10%	(1,191,038)	(1,480,581)
Interest income liable to Income Tax	**5,284,128**	**9,006,257**
Total statutory income	**5,284,128**	**22,969,455**
Deductions under section 32	(1,849,457)	-
Assessable income	3,434,671	22,969,455
Tax free allowance	(500,000)	(500,000)
Taxable income	2,934,671	22,469,455
Income tax on current year profits	**293,467**	**2,246,946**

For the year ended 31 December,

22 Related party transactions

22.1 Transactions with key management personnel

The Company considers its Board of Directors and members of the Management Committee as the key management personnel. Compensation paid to the members of the Management Committee are as follows:

	2014 Rs.	2013 Rs.
Short term employee benefits	13,465,790	11,634,187

22.2 Transactions with related parties

The aggregate value of transactions relating to entities over which key management personnel have control or significant influence over were as follows:

Name of the Company	Nature of the Transaction	Transaction Value 2014 Rs.	Balance as at 31 December 2014 Rs.
Ravaya Publishers Limited	Programme expenses	450,000	-
Young Asia Television	Programme expenses	893,993	-
The Asia Foundation	Assignments undertaken	683,350	-
John Keels office automation	Office maintenance	71,658	-

23 Commitments

There are no contingent liability outstanding as at the reporting date.

24 Commitments and contingent liabilities

The Company has no significant commitments and contingent liabilities as at 31 December 2014 which require adjustments to or disclosure in the financial statements.

25 Litigation and claims

There are no litigations or claims against the Company as at the reporting date.

26 Comparative information

Comparative figures have been rearranged to confirm to the year ended 31 December 2014 classification.

27 Events after the end of the reporting period

There were no material events occurring after the year end date which require adjustments to or disclosures in the financial statements.

28 Board of Director's responsibility

The Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standard for Small and Medium sized Enterprises (SLFRS for SMEs).

29 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 03 June 2015.