

APAG/ADK/JJ

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CENTRE FOR POLICY ALTERNATIVES (GUARANTEE) LTD**

Report on the Financial Statements

We have audited the accompanying financial statements of Centre for Policy Alternatives (Guarantee) Ltd, ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement comprehensive income, statement of changes in reserves and, statement of cash flow 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 the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (Including Non-Governmental Organisation) (SL SoRP-NPO's [including NGO's]) issued by the Institute of Chartered Accountants of Sri Lanka, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 basis for our audit opinion.

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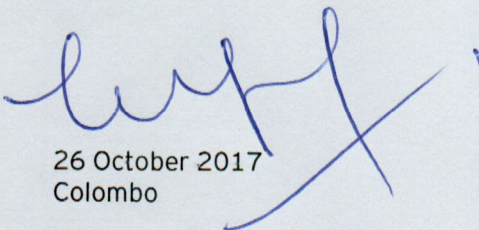
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (Including Non-Governmental Organisation) (SL SoRP-NPO's [including NGO's]) issued by the Institute of Chartered Accountants of Sri Lanka).

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 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,
 - the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No. 7 of 2007


26 October 2017
Colombo

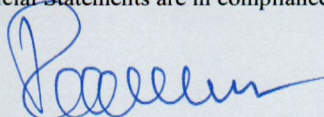
Centre for Policy Alternatives (Guarantee) Ltd

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

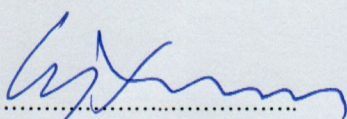
	Notes	2016 Rs.	2015 Rs.
ASSETS			
Non Current Assets			
Property Plant and Equipment	6	5,230,198	3,484,155
		<u>5,230,198</u>	<u>3,484,155</u>
Current Assets			
Receivables	7	22,625,225	33,241,012
Short Term Investments	8	30,668,930	8,659,082
Cash and Bank Balances	17	8,315,583	21,516,166
		<u>61,609,738</u>	<u>63,416,260</u>
Total Assets		<u><u>66,839,936</u></u>	<u><u>66,900,415</u></u>
FUNDING AND LIABILITIES			
Accumulated Funds			
Unrestricted Funds	10	(11,896,630)	(18,072,811)
Restricted Funds	11	45,488,953	55,847,675
Capital Reserve		14,602,004	11,959,845
		<u>48,194,327</u>	<u>49,734,709</u>
Non Current Liabilities			
Retirement Benefit Liability	12	11,168,250	10,025,850
		<u>11,168,250</u>	<u>10,025,850</u>
Current Liabilities			
Payables	9	4,773,947	6,577,921
Tax Payable		523,310	54,670
Bank Overdrafts	17	2,180,102	507,266
		<u>7,477,359</u>	<u>7,139,857</u>
Total Equity & Liabilities		<u><u>66,839,936</u></u>	<u><u>66,900,416</u></u>

These Financial Statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

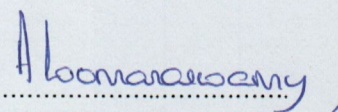


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Finance Manager

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



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Director



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Director

The accounting policies and notes on pages 07 through 19 form an integral part of the Financial Statements.



Centre for Policy Alternatives (Guarantee) Ltd
STATEMENT OF COMPREHENSIVE INCOME
 Year ended 31 December 2016

	Notes	2016 Rs.	2015 Rs.
Incoming Resources	3	<u>162,765,393</u>	<u>205,071,323</u>
Project Expenditure	4		
Staff Costs		32,955,237	41,367,345
Other Direct Costs		80,686,412	88,361,039
Other Indirect Expenditure		<u>38,304,426</u>	<u>60,784,170</u>
Total Project Cost		<u>151,946,075</u>	<u>190,512,554</u>
Net Surplus on Projects		10,819,318	14,558,769
Revenue Earned from Other Activities	13	4,000,826	4,824,346
Administrative Expenses	14	(8,024,918)	(17,722,007)
		<u>6,795,226</u>	<u>1,661,108</u>
Finance Cost	15	(95,735)	(132,131)
Net Surplus Before Tax		<u>6,699,491</u>	<u>1,528,977</u>
Income Tax Expenses	16	(523,310)	(32,900)
Net Surplus for the Year		<u>6,176,181</u>	<u>1,496,077</u>
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income for the Year		<u>6,176,181</u>	<u>1,496,077</u>

The accounting policies and notes on pages 07 through 19 form an integral part of the Financial Statements.



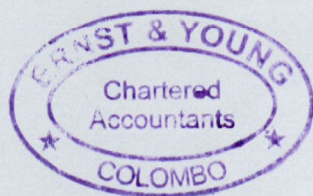
Centre for Policy Alternatives (Guarantee) Ltd

STATEMENT OF CHANGES IN RESERVES

Year ended 31 December 2016

	Restricted Funds Rs.	Unrestricted Funds Rs.	Capital Reserve Rs.	Total Rs.
Balance As At 31 December 2014	60,881,092	(19,568,887)	11,545,205	52,857,409
Additional Funds Received During the Year	188,410,623	-	-	188,410,623
Funds Transferred to Statement of Comprehensive Income	(204,413,824)	-	-	(204,413,824)
Transfer to Unrestricted Funds through Income Statement	(1,383,419)	-	-	(1,383,419)
Project Assets Capitalized through Capital Reserve	-	-	2,900,419	2,900,419
Funds Transferred to Project Funds Payable	(177,964)	-	-	(177,964)
Funds Transferred to Project Funds Receivable	14,178,007	-	-	14,178,007
Funds Returned to Donor	(1,646,840)	-	-	(1,646,840)
Amortization of \ Capital Reserve	-	-	(2,485,779)	(2,485,779)
Net Surplus for the Year	-	1,496,076	-	1,496,076
Balance As At 31 December 2015	<u>55,847,675</u>	<u>(18,072,811)</u>	<u>11,959,845</u>	<u>49,734,709</u>
Additional Funds Received During the Year	156,068,917	-	-	156,068,917
Funds Transferred to Statement of Comprehensive Income	(151,946,075)	-	-	(151,946,075)
Transfer to Unrestricted Funds through Income Statement	(1,394,826)	-	-	(1,394,826)
Project Assets Capitalized through Capital Reserve	-	-	3,994,984	3,994,984
Funds Transferred to Project Funds Payable	(1,341,486)	-	-	(1,341,486)
Funds Transferred to Project Funds Receivable	8,462,437	-	-	8,462,437
Funds Returned to Donor	(20,302,676)	-	-	(20,302,676)
Amortization of \ Capital Reserve	-	-	(1,352,825)	(1,352,825)
Net Surplus for the Year	-	6,176,181	-	6,176,181
Balance As At 31 December 2016	<u>45,393,967</u>	<u>(11,896,630)</u>	<u>14,602,004</u>	<u>48,099,339</u>

The accounting policies and notes on pages 07 through 19 form an integral part of the Financial Statements.



Centre for Policy Alternatives (Guarantee) Ltd

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

Cash Flow From / (Used in) Operating Activates	Notes	2016 Rs.	2015 Rs.
Net Surplus/(Deficit) Before Tax		6,699,491	1,528,977
Adjustments for			
Depreciation	6	2,248,942	2,673,065
Provision for Defined Benefit Plans	12	1,329,200	1,626,476
Loss on Disposal of Property Plant & Equipment		-	(16,400)
Finance Cost	15	95,735	132,131
Interest Earned		(880,365)	(506,148)
Disposal gain		(18,500)	-
Transfer to Unrestricted Funds through Income Statement		(1,394,826)	-
Funds Transferred through Payable		94,986	-
Amortization of Project Assets Capitalized Through Capital Reserve		(1,352,825)	(2,485,779)
		<u>6,821,837</u>	<u>2,952,322</u>
(Increase) / Decrease in Debtors		10,615,786	(15,596,100)
Increase / (Decrease) in Creditors		(3,145,460)	4,366,103
Cash Generated from Operations		<u>14,292,164</u>	<u>(8,277,675)</u>
Tax Paid		(54,670)	(50,488)
Finance Costs Paid		(95,735)	(132,131)
Defined Benefit Plan Costs Paid	12	(186,800)	(382,857)
Net Cash Flow from Operating Activities		<u>13,954,960</u>	<u>(8,843,150)</u>
Cash Flow From/(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	6	-	(230,000)
Sale Proceeds from Property, Plant & Equipment		18,500	16,400
Investment in Government Securities and Fixed Deposits		(22,009,848)	(8,659,082)
Interest Earned		880,365	506,147
Net Cash Flow from Investing Activities		<u>(21,110,983)</u>	<u>(8,366,535)</u>
Cash Flow From / (Used in) Financing Activities			
Cash Received from Donors not Used for Projects		12,585,280	(3,386,577)
Funds Returned to Donor		(20,302,676)	(1,646,840)
Net Cash Flow from Financing Activities		<u>(7,717,396)</u>	<u>(5,033,417)</u>
Net Increase in Cash and Cash Equivalents		(14,873,419)	(22,243,104)
Cash & Cash Equivalents at the Beginning of the Year	17	21,008,900	43,252,003
Cash & Cash Equivalents at the End of the Year	17	<u>6,135,481</u>	<u>21,008,900</u>

The accounting policies and notes on pages 07 through 19 form an integral part of the Financial Statements.

