



联合国  
粮食及  
农业组织

Food and Agriculture  
Organization of the  
United Nations

Organisation des Nations  
Unies pour l'alimentation  
et l'agriculture

Продовольственная и  
сельскохозяйственная организация  
Объединенных Наций

Organización de las  
Naciones Unidas para la  
Alimentación y la Agricultura

منظمة  
الغذية والزراعة  
للأمم المتحدة

# CONFERENCE

## Fortieth Session

Rome, 3-8 July 2017

**Audited Accounts - FAO 2015**

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**FINANCIAL STATEMENTS for 2015**

**of the**

**Food and Agriculture Organization**

**of the**

**United Nations**



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## **PART B**

### **Report of the External Auditor**

The Report of the External Auditor is available under Conference document reference number C 2017/6 B.



# INDEPENDENT AUDITOR'S REPORT

## The FAO Conference of Member Nations

### Report on the Financial Statements

We have audited the accompanying financial statements of the Food and Agriculture Organization of the United Nations, which comprise the Statement of Financial Position as at 31 December 2015, and the Statement of Financial Performance, Statement of Changes in Equity, Statement of Cash Flow, Statement of Comparison of Budget and Actual Amounts for the year then ended, and the Notes to the Financial Statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *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 International Standards on Auditing. 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 and fair presentation of the financial statements 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 management, 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 present fairly, in all material respects, the financial position of the Food and Agriculture Organization of the United Nations as at 31 December 2015, and its financial performance, changes in equity, cash flow and comparison of budget and actual amounts for the year then ended, in accordance with IPSAS.

## Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the Food and Agriculture Organization of the United Nations that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the FAO Financial Regulations.

In accordance with Article 12.9 of the Financial Regulations, we have also issued a long-form report on our audit of the Food and Agriculture Organization of the United Nations.

**Michael G. Aguinaldo**  
**Chairperson, Commission on Audit**  
**Republic of the Philippines**  
**External Auditor**

**Quezon City, Philippines**  
**5 July 2016**





# FINANCIAL STATEMENTS 2015

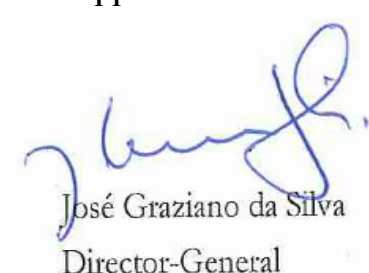
## CERTIFICATION OF FINANCIAL STATEMENTS

The amounts shown in the statements properly reflect the recorded financial transactions for the period:



Fernanda Guerrieri  
Assistant Director-General  
Corporate Services Department

Approved:



José Graziano da Silva  
Director-General

*29 June 2016*

## **DIRECTOR-GENERAL'S STATEMENT**

In accordance with Financial Regulation XI of the Food and Agriculture Organization of the United Nations (FAO), I have the honour to submit for adoption by the Conference the Financial Statements for the year ended 31 December 2015 prepared in accordance with International Public Sector Accounting Standards (IPSAS) and FAO's Financial Rules and Regulations.

IPSAS adoption is already showing improved quality, comparability and credibility of the financial reporting of FAO. It has also led to greater harmonization in the presentation of financial statements between UN system organizations and better comparability of financial statements with other international organizations and national governments.

Under Financial Regulation X.1, the Director-General is accountable to the Governing Bodies for the internal control of the Organization, in order to ensure effective financial administration and exercise of economy, and effective custody of the physical assets of the Organization.

Internal control and accountability processes are exercised continually at all levels within the organization in line with the requirements established in FAO's Accountability Policy. The Accountability Policy lays out the elements of FAO's system of internal control.

I have introduced the FAO Internal Control Framework establishing accountability for the operation of the internal control system in FAO, by specifying policy objectives and benefits; the components of internal control, with the policies, procedures, tools and responsible units that support the components; and the respective responsibilities of managers and staff for the development, implementation, monitoring and improvement of the policies and tools.

With IPSAS, the Accountability Policy and the introduction of the FAO Internal Control Framework, the organization has strengthened its commitment to further safeguard the funds entrusted to the Organization towards the implementation of its goals and objectives.

STATEMENT I – STATEMENT OF FINANCIAL POSITION			
AS AT 31 DECEMBER 2015			
<i>(thousands of US dollars)</i>	Note	31-Dec-15	31-Dec-14
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	567,466	687,604
Investments and derivative financial instruments	4	521,830	455,951
Receivables from non-exchange transactions	5	200,816	141,883
Receivables from exchange transactions	6	3,935	4,383
Prepayments and other current assets	7	46,462	43,128
Inventories	8	14,597	16,254
		1,355,106	1,349,203
<b>Non-current assets</b>			
Investments	4	407,489	428,007
Receivables from non-exchange transactions	5	624	1,239
Prepayments and other non-current assets	7	418	418
Property, plant and equipment	9	23,195	16,111
Intangible assets	10	5,518	4,580
		437,244	450,355
<b>Total assets</b>		<b>1,792,350</b>	<b>1,799,558</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	11	23,804	26,291
Accrued expenses	11	122,861	97,439
Payments received in advance	12	585,450	742,405
Derivative financial instruments	4	-	2,594
Employee benefit obligations	13	14,686	16,374
Provisions	16	5,400	4,222
Other current liabilities	17	5,218	4,364
		757,419	893,689
<b>Non-current liabilities</b>			
Employee benefit obligations	13	1,124,780	1,390,564
Other non-current liabilities	17	51,108	76,981
		1,175,888	1,467,545
<b>Total liabilities</b>		<b>1,933,307</b>	<b>2,361,234</b>
<b>Net assets</b>		<b>(140,957)</b>	<b>(561,676)</b>
<b>Equity</b>			
Accumulated surplus / (deficit)		(338,334)	(481,634)
Reserves	18	197,377	(80,042)
<b>Total equity</b>		<b>(140,957)</b>	<b>(561,676)</b>

STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2015			
<i>(thousands of US dollars)</i>	Note	31-Dec-15	31-Dec-14
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Assessments of Member Nations under Regular Programme	19	496,623	527,095
Voluntary contributions	19	902,805	972,435
Other non-exchange revenue	19	65,810	62,066
		1,465,238	1,561,596
<b>Revenue from exchange transactions</b>			
Exchange revenue	19	8,765	11,139
		8,765	11,139
<b>Total revenue</b>		<b>1,474,003</b>	<b>1,572,735</b>
<b>Expenses</b>			
Staff related costs	20	412,335	442,747
Consultants	20	216,384	205,915
Travel costs	20	105,463	104,634
Depreciation, amortization and impairment of long-lived assets	20	5,778	2,330
Training expenses	20	34,622	32,777
Contracted services	20	281,824	251,497
Grants and other transfer payments	20	15,205	6,495
Supplies and consumables used	20	188,708	181,156
Other expenses	20	14,844	28,477
<b>Total expenses</b>		<b>1,275,163</b>	<b>1,256,028</b>
<b>Non-operating income and expenses</b>			
Investment income	21	184	8,236
Foreign exchange gains / (losses)	21	(15,156)	(7,616)
Finance income / (expenses)	21	(40,568)	(50,945)
<b>Total non-operating income and expenses</b>		<b>(55,540)</b>	<b>(50,325)</b>
<b>Surplus</b>		<b>143,300</b>	<b>266,382</b>

STATEMENT III – STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015						
<i>(thousands of US dollars)</i>						
	Note	Accumulated surplus / (deficit)	Special Reserve Account	Actuarial gains & (losses) reserve	Cumulative unrealized gains / (losses) on available- for-sale investments	Total equity / (deficit)
<b>Balance year ended 31 Dec 2014</b>		<b>(481,634)</b>	<b>17,559</b>	<b>(136,155)</b>	<b>38,554</b>	<b>(561,676)</b>
Actuarial gains / (losses)	18	-	-	306,058	-	306,058
Unrealized holding gains / (losses)	18	-	-	-	(28,639)	(28,639)
<b>Net revenue recognized directly in equity</b>		<b>-</b>	<b>-</b>	<b>306,058</b>	<b>(28,639)</b>	<b>277,419</b>
<b>Surplus for the period</b>		<b>143,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,300</b>
<b>Balance year ended 31 Dec 2015</b>		<b>(338,334)</b>	<b>17,559</b>	<b>169,903</b>	<b>9,915</b>	<b>(140,957)</b>

<b>STATEMENT IV – CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015</b>		
<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Cash flows from operating activities</b>		
Surplus / (deficit) for the period	<b>143,300</b>	<b>266,382</b>
Adjustments required to reconcile surplus / (deficit) for the period to cash flows from operating activities:		
Depreciation and amortization	5,778	2,330
Receipts of in-kind donations	0	(166)
Provision for doubtful accounts	(3,535)	5,153
Provision for contingent liabilities	1,178	3,580
Internal Project Support Costs	445	151
(Gains) / losses on sale or disposal of fixed assets	73	-
(Gains) / losses on trading and derivative investments	(3,105)	2,132
(Gains) / losses on Available-for-sale investments	5,515	(10,368)
Changes in assets and liabilities:		
Receivables from non-exchange transactions	(58,318)	(1,604)
Receivables from exchange transactions	448	213
Inventories	1,657	(3,482)
Other current and non-current assets	(3,334)	(9,948)
Accounts payable and accrued expenses	22,935	(19,754)
Staff related liabilities	38,586	37,592
Advances	(156,954)	(143,289)
Other current and non-current liabilities	(25,019)	8,779
<b>Net cash flows from operating activities</b>	<b>(30,350)</b>	<b>137,701</b>
<b>Cash flows from investing activities</b>		
Net purchases of property, plant and equipment	(11,849)	(16,349)
Purchases of intangible assets	(1,904)	(4,684)
Net purchases / sales of trading and derivative investments	(66,491)	(98,073)
Net purchases / sales of available-for-sale investments	(9,544)	(2,231)
<b>Net cash flows from investing activities</b>	<b>(89,788)</b>	<b>(121,337)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(120,138)</b>	<b>16,364</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>687,604</b>	<b>671,240</b>
<b>Cash and cash equivalents at end of period</b>	<b>567,466</b>	<b>687,604</b>

Please note that there were no cash flows from financing activities during the year.

**STATEMENT V – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (a)**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

FOR THE PERIODS OF DISBURSEMENT											
(thousands of US dollars)											
	Chapter	Approved Budget (b)	Amounts brought forward (c)	Transfers (d)	Amounts carried forward (e)	Revised Budget	Actual Other Income (f)	Actual Expenditure (g)	Currency variance (h)	Budget rate net expenditure (i)	Budget vs. actual variance (j)
1	Contribute to the eradication of hunger, food insecurity and malnutrition	47,309	369	(7,250)	-	40,428	(7,462)	51,788	2,728	47,054	(6,626)
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	99,341	874	3,200	-	103,415	(19,222)	124,837	6,913	112,528	(9,113)
3	Reduce rural poverty	31,071	276	1,150	-	32,497	(4,446)	37,771	1,898	35,223	(2,726)
4	Enable more inclusive and efficient agricultural and food systems at local, national and international levels	57,609	493	(8,000)	-	50,102	(14,048)	66,156	3,865	55,973	(5,871)
5	Increase the resilience of livelihoods to threats and crises	18,953	177	8,850	-	27,980	(3,712)	28,326	1,538	26,152	1,828
6	Technical Quality, Knowledge and Services	27,373	224	(8,850)	-	18,747	(678)	21,811	1,440	22,573	(3,826)
7	Technical Cooperation Programme	67,361	85,187	-	(79,461)	73,087	-	70,998	2,089	73,087	-
8	Outreach	32,356	267	9,050	-	41,673	(1,301)	37,614	2,402	38,715	2,958
9	Information Technology	17,751	104	(600)	-	17,255	(5,188)	25,100	1,660	21,572	(4,317)
10	FAO Governance, Oversight and Direction	40,107	688	6,600	-	47,395	(9,838)	48,707	3,539	42,408	4,987
11	Efficient and Effective Administration	40,846	750	(4,150)	-	37,446	(21,186)	59,159	5,605	43,578	(6,132)
12	Contingencies	300	-	-	-	300	-	-	-	-	300
13	Capital Expenditure	10,943	-	-	(5,977)	4,966	-	4,387	579	4,966	-
14	Security Expenditure	11,509	109	-	(7,385)	4,233	(4,834)	8,420	647	4,233	-
	Sub-total	502,829	89,518	-	(92,823)	499,524	(91,915)	585,074	34,903	528,062	(28,538)
	Transfer to Tax Equalization Fund	52,200	-	(52,200)	-	-	-	-	-	-	-
	TCP deferred income (Chapter 15)	85,171	(85,171)	-	79,461	79,461	-	-	-	-	79,461
	Transformational Change deferred income	4,364	(4,347)	-	-	17	-	-	-	-	17
	Capital expenditure account	20,183	-	-	5,977	26,160	-	-	-	-	26,160
	Security expenditure account	11,355	-	-	7,385	18,740	-	-	-	-	18,740
	Total	676,102	-	(52,200)	-	623,902	(91,915)	585,074	34,903	528,062	95,840

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Actual expenses as per Statement V</b>	<b>585,074</b>	<b>553,770</b>
<b>Basis differences</b>		
In-kind / in-service expenses	43,382	40,859
Accruals basis	(15,779)	(763)
PP&E, intangibles and inventory	(4,224)	(6,425)
<b>Total basis differences</b>	<b>23,379</b>	<b>33,671</b>
<b>Presentation differences</b>		
Provision expenses	(2,357)	9,054
SCV and Pool distributions	(349)	(478)
Classification of income / expenditure items	26,766	16,702
<b>Total presentation differences</b>	<b>24,060</b>	<b>25,278</b>
<b>Entity differences</b>		
Expenses under Other Fund, excluding TCP	12,217	24,418
Expenses under Trust Fund and UNDP	685,973	669,216
<b>Total entity differences</b>	<b>698,190</b>	<b>693,634</b>
<b>Expenses and non-operating income and expenses as per the Statement of Financial Performance</b>	<b>1,330,703</b>	<b>1,306,353</b>
<b>Of which: Total expenses</b>	<b>1,275,163</b>	<b>1,256,028</b>
<b>Non-operating income and expenses</b>	<b>55,540</b>	<b>50,325</b>

Refer to Note 24 for further information on the Statement of Comparison of Budget and Actual Amounts.

#### **Notes to Statement V: Statement of Comparison of Budget and Actual Amounts**

(a) The budget and accounting basis is different. This statement of Comparison of Budget and Actual Amounts is prepared on the budget basis. The budget is prepared on a modified cash basis.

(b) Annualized share (at 50%) of the Conference resolution 7/2013 net appropriation of USD 1,005.6 million with budget distribution by Chapter reflecting redistribution of unidentified further efficiency gains and savings of USD 22.6 million (CR 7/2013) and other adjustments as approved by Council in Adjustments to PWB 2014-15 (CL 148/3 and CL 148/REP Report of the 148th Council, page 2, para 8b). As authorised by the Conference Resolution 7/2013, which allows for any unspent balance of the 2012-13 appropriations to be carried forward for any additional expenditures of a one-time nature associated with transformational change, USD 4.3 million of the total USD 9.4 million unspent balance of the 2012-13 appropriation is brought forward as deferred income (C 2013/REP Report of the Conference, page 20 para 2 and C 2015/5A Statement IV).

(c) USD 76.8 million of TCP 2012-13 appropriation deferred until 2015 (at 2012-13 budget rate of exchange). USD 4.3 million of the USD 9.4 million unspent balance of the 2012-13 appropriation carried forward as authorized by Conference Resolution 7/2013 was applied towards 2015 one-time nature costs associated with transformational change in Strategic and Functional Objectives, thereby reducing the amount of the 2015 budget used to fund these costs. None of the USD 20.2 million unspent balance from 2014 in the Capital Expenditure Facility (Chapter 13) and none of the USD 11.4 million unspent balance from 2014 in the Security expenditure account (Chapter 14) was made available for use in 2015.

(d) Finance Committee approved transfers (CL 154/4, para 14c). These amounts represent biennial transfers as there were no annual chapter transfers effected in 2014 (C 2017/5 A Statement V). The Tax Equalization



Fund was established as of 1 January 1972. In line with the practice followed since 1972-73, the 2015 budget is presented on a gross basis, by adding to the total effective working budget an appropriation for staff assessment. This has no effect on the contributions payable by Members not levying tax on FAO staff emoluments; their full share of the staff assessment appropriation is refunded by deduction from the contributions payable by them. Members which levy tax on FAO staff emoluments have their shares of the appropriation for staff assessment reduced by the amount estimated to be required to meet claims from the FAO staff concerned for tax reimbursement.

(e) USD 79.5 million of TCP 2015 appropriation deferred until 2016-17 (at budget rate of exchange). USD 6.0 million deferred until 2016-17 under Capital Expenditure Facility (at budget rate of exchange). USD 7.4 million deferred until 2016-17 under Security Expenditure Facility (at budget rate of exchange). The difference in the TCP closing balance and the Capital Expenditure and Security Expenditure Facilities is attributable to the currency variance.

(f) Actual Other Income is comprised of the following items:

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Voluntary contributions	61,848	69,255
Funds received under inter-organizational arrangements	236	317
Jointly financed activities	18,874	16,661
Other sundry income	10,957	10,440
<b>Total actual other income</b>	<b>91,915</b>	<b>96,673</b>

(g) Represents amounts charged to the Regular Programme budget and the TCP prior biennium appropriation (USD 514.1 million and USD 71.0 million, respectively, for 2015). The Organization accounts for payments for health insurance premiums on behalf of retirees differently for financial reporting than for budgetary reporting. For 2015, USD 9.9 million (USD 10.5 million in 2014) of payments for health insurance premiums on behalf of retirees are recognized as expenditure but are recorded as reduction of ASMC liability for financial reporting purposes.

(h) Currency Variance represents adjustments to the actual to reflect the translation of Euro-denominated transactions at the Budget Rate of Exchange rather than the UN Operational Rate of exchange in effect at the date of the transactions.

(i) Budget rate net expenditure represents actual net expenditure adjusted by currency variance.

(j) Variance between adjusted net budget and budget rate net expenditure in 2015. The 2014-15 biennial variance, shown in the Biennial Statement VA, is carried forward to the 2016-17 biennium, as authorized by Conference Resolution 6/2015, which allows for any unspent balance of the 2014-15 appropriations to be used in 2016-17 to cover additional expenditures of a one-time nature associated with consolidation of transformational change.

STATEMENT V – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014										
<i>(thousands of US dollars)</i>										
Chapter	Approved Budget	Amounts brought forward	Transfers	Amounts carried forward	Revised Budget	Actual Other Income	Actual Expenditure	Currency variance	Budget rate net expenditure	Budget vs. actual variance
<b>1</b> Contribute to the eradication of hunger, food insecurity and malnutrition	47,308	284	-	-	47,592	(7,647)	44,245	(335)	36,263	11,329
<b>2</b> Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	99,340	304	-	-	99,644	(20,042)	111,441	(917)	90,482	9,162
<b>3</b> Reduce rural poverty	31,071	125	-	-	31,196	(4,894)	33,602	(249)	28,459	2,737
<b>4</b> Enable more inclusive and efficient agricultural and food systems at local, national and international levels	57,609	114	-	-	57,723	(9,125)	61,456	(506)	51,825	5,898
<b>5</b> Increase the resilience of livelihoods to threats and crises	18,952	48	-	-	19,000	(4,843)	25,838	(201)	20,794	(1,794)
<b>6</b> Technical Quality, Knowledge and Services	27,373	81	-	-	27,454	(1,221)	25,061	(227)	23,613	3,841
<b>7</b> Technical Cooperation Programme	67,360	76,769	-	(85,171)	58,958	-	59,300	(342)	58,958	-
<b>8</b> Outreach	32,356	495	-	-	32,851	(1,986)	38,125	(354)	35,785	(2,934)
<b>9</b> Information Technology	17,751	637	-	-	18,388	(5,478)	19,632	(110)	14,044	4,344
<b>10</b> FAO Governance, Oversight and Direction	40,107	2,616	-	-	42,723	(8,384)	56,522	(474)	47,664	(4,941)
<b>11</b> Efficient and Effective Administration	40,846	339	-	-	41,185	(27,227)	62,708	(463)	35,018	6,167
<b>12</b> Contingencies	300	-	-	-	300	-	-	-	-	300
<b>13</b> Capital Expenditure	10,943	-	-	(9,469)	1,474	-	1,443	31	1,474	-
<b>14</b> Security Expenditure	11,508	25	-	(3,061)	8,472	(5,826)	14,397	(99)	8,472	-
<b>Sub-total</b>	<b>502,824</b>	<b>81,837</b>	<b>-</b>	<b>(97,701)</b>	<b>486,960</b>	<b>(96,673)</b>	<b>553,770</b>	<b>(4,246)</b>	<b>452,851</b>	<b>34,109</b>
Transfer to Tax equalization Fund	52,200	-	(52,200)	-	-	-	-	-	-	-
TCP deferred income (Chapter 15)	76,767	(76,767)	-	85,171	85,171	-	-	-	-	85,171
Transformational Change deferred income	9,434	(5,070)	-	-	4,364	-	-	-	-	4,364
Capital expenditure account	10,714	-	-	9,469	20,183	-	-	-	-	20,183
Security expenditure account	8,294	-	-	3,061	11,355	-	-	-	-	11,355
<b>Total</b>	<b>660,233</b>	<b>-</b>	<b>(52,200)</b>	<b>-</b>	<b>608,033</b>	<b>(96,673)</b>	<b>553,770</b>	<b>(4,246)</b>	<b>452,851</b>	<b>155,182</b>

**STATEMENT VA – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE BIENNIUM ENDED 31 DECEMBER 2015**

STATEMENT VA – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE BIENNIUM ENDED 31 DECEMBER 2015											
(thousands of US dollars)											
		Approve d Budget	Amounts brought forward	Transfers	Amounts carried forward	Revised Budget	Actual Other Income	Actual Expenditure	Currency variance	Budget rate net expenditure	Budget vs. actual variance
1	Contribute to the eradication of hunger, food insecurity and malnutrition	94,617	653	(7,250)	-	88,020	(15,109)	96,033	2,393	83,317	4,703
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	198,681	1,178	3,200	-	203,059	(39,264)	236,278	5,996	203,010	49
3	Reduce rural poverty	62,142	401	1,150	-	63,693	(9,340)	71,373	1,649	63,682	11
4	Enable more inclusive and efficient agricultural and food systems at local, national and international levels	115,217	607	(8,000)	-	107,824	(23,173)	127,612	3,359	107,798	26
5	Increase the resilience of livelihoods to threats and crises	37,905	225	8,850	-	46,980	(8,555)	54,164	1,337	46,946	34
6	Technical Quality, Knowledge and Services	54,746	305	(8,850)	-	46,201	(1,899)	46,872	1,213	46,186	15
7	Technical Cooperation Programme	134,721	76,785	-	(79,461)	132,045	-	130,298	1,747	132,045	-
8	Outreach	64,712	762	9,050	-	74,524	(3,287)	75,739	2,048	74,500	24
9	Information Technology	35,501	741	(600)	-	35,642	(10,666)	44,732	1,550	35,616	26
10	FAO Governance, Oversight and Direction	80,213	3,304	6,600	-	90,117	(18,222)	105,229	3,065	90,072	45
11	Efficient and Effective Administration	81,691	1,089	(4,150)	-	78,630	(48,413)	121,867	5,142	78,596	34
12	Contingencies	600	-	-	-	600	-	-	-	-	600
13	Capital Expenditure	21,886	-	-	(15,446)	6,440	-	5,830	610	6,440	-
14	Security Expenditure	23,017	134	-	(10,446)	12,705	(10,660)	22,817	548	12,705	-
Sub-total		1,005,649	86,184	-	(105,353)	986,480	(188,588)	1,138,844	30,657	980,913	5,567
Transfer to Tax equalization Fund		104,400	-	(104,400)	-	-	-	-	-	-	-
TCP deferred income (Chapter 15)		76,767	(76,767)	-	79,461	79,461	-	-	-	-	79,461
Transformational Change deferred income		9,434	(9,417)	-	-	17	-	-	-	-	17
Capital expenditure account		10,714	-	-	15,446	26,160	-	-	-	-	26,160
Security expenditure account		8,294	-	-	10,446	18,740	-	-	-	-	18,740
Total		1,215,258	-	(104,400)	-	1,110,858	(188,588)	1,138,844	30,657	980,913	129,945

This Biennium Statement VA is the culmination of 2015 and 2014 Annual Statement V.

## **Note 1. *The Organization***

### ***Objectives and activities***

1.1 The Food and Agriculture Organization of the United Nations ('FAO' or 'the Organization'), was established pursuant to its Constitution originally adopted on 16 October 1945. The headquarters of the Organization is located in Rome, Italy. In addition, there are Representation Offices throughout the world, in charge of implementing the values, mission and vision of the Organization. The purpose of the Organization is to raise levels of nutrition and standards of living, secure improvements in the efficiency of the production and distribution of all food and agricultural products, better the condition of rural populations and thus contribute toward an expanding world economy and ensure humanity's freedom from hunger.

### ***Funding***

1.2 The Organization's "Regular Programme" Programme of Work is approved by the Conference of Member Nations. The related budget appropriations voted are financed by annual contributions based on an assessment on Member Nations and Associate Members by the Conference. Unutilized appropriations at the close of the financial period are cancelled, except for the Technical Cooperation Programme (TCP) appropriation which remains available for obligations during the financial period following that for which the funds were voted and Capital Expenditure and Security Expenditure appropriations, which are transferred to the Capital Expenditure Account and the Security Expenditure Account, respectively, to be carried forward for use in subsequent financial periods.

1.3 Voluntary contributions for special purposes, which are consistent with the policies, aims and activities of the Organization, may be accepted by the Director-General and Trust and Special Funds established accordingly. In addition, the Organization receives funds under an inter-organizational arrangement with the United Nations Development Programme (UNDP) to participate as an executing agency for UNDP technical cooperation projects or act as implementing agency for UNDP funded projects executed by other executing agencies. Voluntary contributions and funds received include payment towards recovering certain costs relating to technical, managerial and administrative services (support costs) which are a necessary part of extra-budgetary projects.

1.4 The statements on segment reporting by fund provide further detail on how these activities are managed and financed.

## **Note 2. *Significant accounting policies***

### ***Basis of preparation***

2.1 These are the second set of financial statements prepared on the accrual basis of accounting in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) using the historic cost convention, other than certain investments and liabilities for employee benefits which are carried at fair value. The Cash Flow Statement has been prepared using the indirect method.

2.2 The accounting policies set out below are applied consistently in the preparation and presentation of these financial statements.

### ***Use of estimates***

2.3 The financial statements include certain reasonable estimates based on nature and assumptions by management. Estimates include, but are not limited to: fair value of donated goods, other post-employment benefits obligations, amounts for litigations, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Changes in estimates are reflected in the period in which they become known.

***Functional currency***

2.4 The financial statements are presented in United States Dollars, which is the functional currency of the Organization.

***Presentation***

2.5 These financial statements present the results of FAO as a single entity consisting of: (a) General and Related Funds and (b) Trust and UNDP Funds.

***Foreign currency transactions***

2.6 Foreign currency transactions are translated into United States Dollars using the United Nations Operational Rate of Exchange (UNORE), which approximates the exchange rates prevailing at the dates of the transactions. The UNORE are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

2.7 Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars using the closing rate of the UNORE as at the end of the reporting period. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date when the item was recognized and non-monetary items held at fair value are translated using the exchange rate at the date of the re-valuation.

2.8 Realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

***Cash and cash equivalents***

2.9 Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly-liquid investments with original maturities of three months or less.

2.10 Bank overdrafts for which the right of offset does not exist are recorded within other current liabilities on the Statement of Financial Position.

***Investments******Classification***

2.11 The Organization classifies its investments in the following two categories:

- i) *Held-for-trading* investments are acquired principally for the purpose of selling in the short-term and classified as current assets; and
- ii) *Available-for-sale* investments are not considered trading or the Organization does not have the ability or intent to hold until maturity. They are designated to fund the Organization's post-employment liabilities and classified as non-current assets.

***Accounting treatment of investments***

2.12 Purchases and sales of investments are recognized on the trade-date, which is the date on which the Organization enters into a legally binding agreement to purchase or sell the investment. Investments are initially recognized at fair value. The carrying value of Held-for-trading investments and Available-for-sale investments are subsequently adjusted to reflect the current fair market value on a periodic basis. Gains and losses arising from changes in the market value of Held-for-trading investments are recognized in the Statement of Financial Performance during the period in which they arise. Changes in the market value of Available-for-sale investments are recorded as unrealized gains and losses within reserves in the Statement of Financial Position with the exception of unrealized foreign exchange gains and losses on debt securities, which are recognised in the Statement of Financial Performance during the period in which they occur. When Available-for-sale investments are subsequently sold or impaired, any cumulative market value

adjustments previously recognized in the unrealized gains and losses account are recognized within reserves in the Statement of Financial Performance.

2.13 Interest on Available-for-sale fixed income investments and dividends on Available-for-sale equity investments are recognized in the Statement of Financial Performance during the period earned and when the right to receive dividend payments is established, respectively.

2.14 The fair values of all investments are based on quoted prices in active financial markets.

### ***Derecognition***

2.15 The Organization derecognizes an investment when:

- a) The rights to receive cash flows from the investment have expired or are waived; or
- b) The Organization has transferred its rights to receive cash flows from the investment or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:
  - (a) the Organization has transferred substantially all the risks and rewards of the asset; or
  - (b) the Organization has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### ***Impairment of investments***

2.16 The Organization assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired, other than those classified as Held-for-trading investments. An investment or a group of investments is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the investment (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the investment or a group of investments that can be reliably estimated.

2.17 The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

2.18 For Available-for-sale financial assets at each reporting date, the Organization assesses whether there is objective evidence that an investment or a group of investments is impaired. In the case of investments classified as Available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value was below its original cost. Where there is evidence of impairment, the cumulative loss that had been recognized directly in Net Assets / Equity – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that investment previously recognized in the surplus or deficit – is removed from the reserve in net assets and recognized in surplus or deficit.

### ***Derivative financial instruments***

2.19 Derivative financial instruments are financial instruments that contains all three of the following characteristics:

- i) value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- ii) requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

iii) settled at a future date.

2.20 Derivative financial instruments are recognized at fair value on their trade-date. The carrying value of derivative financial instruments is adjusted to reflect the current fair market value on a periodic basis. Gains and losses arising from changes in the market value of derivative financial instruments are recorded directly in the Statement of Financial Performance.

### ***Receivables***

2.21 The Organization classifies its receivables as 'loans and receivables'. Receivables are stated at nominal value unless the effect of discounting is material.

### ***Allowance for doubtful accounts***

2.22 The Organization records an allowance for doubtful accounts for voluntary contributions based on a review of receivables at the reporting date when there is objective evidence of its impairment. Assessed contributions are provided for after being outstanding for more than two years. Other allowances can be calculated individually or by application of a statistical method.

2.23 The Organization reports allowance for doubtful accounts in the Statement of Financial Position. The recognition of an allowance for doubtful accounts and the recognition of an expense associated with the write-off of a receivable are both reflected as expenses within the Statement of Financial Performance.

### ***Prepaid and other assets***

2.24 The Organization classifies its prepayments and other assets as 'loans and receivables'. These items are recognized in the Statement of Financial Position at their nominal value unless the effect of discounting is material. Agreements with Service Providers or beneficiaries that require the provision of service, will be recognized on a pro-rata temporis method straight-lined over the estimated period.

### ***Inventories***

2.25 Inventories are stated at the lower of cost, current replacement cost or net realizable value. Current replacement cost, is utilized for inventories to be distributed to beneficiaries and is the cost the Organization would incur to acquire the asset on the reporting date. Net realizable value, which is utilized for inventories to be sold by the Organization, is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Estimated freight costs for inventories is added to the cost of project inputs when calculating the total value.

2.26 Inventories held for distribution for specific projects shall be measured utilizing the specific identification method. Inventories held for sale not identified for use by a specific project shall be measured utilizing the FIFO method. Field office publications will not be valued as inventory.

2.27 If recorded value of the inventories falls below the current replacement costs due to obsolescence, damage, price changes, etc. then impairment is recorded in the Statement of Financial Performance in the year in which the inventories are deemed to be impaired.

### ***Property, plant and equipment***

2.28 Property, plant and equipment (PP&E) are stated at historical cost less accumulated depreciation and any recognized impairment loss. For donated assets, fair value as of the date of acquisition is utilized as a proxy for historical cost. Heritage assets are not capitalized.

2.29 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they incur.

2.30 Depreciation is charged to write off the cost of assets over their estimated useful lives using the straight-line method. The useful lives of major classes of PP&E are:

Class	Estimated useful lives
Office furniture and fixtures	5 – 7 years
Machinery and equipment	5 – 7 years
Computer and IT equipment	3 years
Motor vehicles	3 – 5 years
Buildings	5 – 40 years
Leasehold improvements	Shorter of lease term or useful life

2.31 FAO utilizes the transitional provision to recognize items of PP&E gradually over the five-year transition period. Assets purchased starting 2014 will be recognized on the financial statements, while assets purchased before will be transitioned in over the next five years.

2.32 The cost, accumulated depreciation and accumulated impairment losses of an item of PP&E shall continue to be reflected in the financial statements until the time the item meets the criteria for derecognition. An item of PP&E shall be derecognized from the financial statements when the item is disposed or no future economic benefit or service potential is expected from its use or disposal.

2.33 Project assets are derecognized upon final disposal or upon transfer to designated beneficiaries, by FAO. Vehicles (automobiles, station wagons or vans) in the field will only be derecognized when title and restrictions on use as documented in mutual agreements, have officially been transferred from FAO to a government, an Implementing Partner or a beneficiary. Gains or losses on the disposal or derecognition of items of PP&E shall be disclosed through surplus or deficit when the asset is derecognized.

### ***Intangible assets***

2.34 Intangible assets are carried at historical cost less accumulated amortization and any recognized impairment loss. For donated intangible assets, fair value as of the date of acquisition is utilized as a proxy for historical cost.

### ***Amortization***

2.35 Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values. Residual values in most cases are expected to be zero. The useful lives of major classes of intangible assets are:

Class	Estimated useful life
Software acquired separately	Contractual obligation or up to 5 years
Software internally developed	Based on business case up to 5 years
Intangible assets under development	No amortization
Other intangible assets	Based on expected asset life

### ***Software acquisition and development***

2.36 Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by the Organization are capitalized as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2.37 Gains or losses on the disposal or derecognition of items of intangible assets shall be disclosed through surplus or deficit when the asset is derecognized.

2.38 FAO utilizes the transitional provision to recognize intangible assets purchased or put to use starting in 2014.



***Impairment***

2.39 Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

***Leases******Operating leases***

2.40 Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Expenditures incurred under operating leases are charged to the Statement of Financial Performance as expense, on a straight-line basis, over the period of the lease.

***Borrowings***

2.41 Borrowings are accounted for on the amortized cost basis and borrowing costs are expensed as incurred. Where the Organization holds interest-free loans or does not pay interest on loans, the benefit to FAO of the arrangement is treated as an in-kind contribution.

***Provisions and contingencies***

2.42 Provisions are recognized for contingent liabilities when the Organization has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

2.43 The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision is the present value of the expected expenditures to settle the obligation.

2.44 Contingent liabilities for which the possible obligations are uncertain, or yet to be confirmed whether the Organization has a present obligation that could lead to an outflow of resources, are disclosed.

***Employee benefit obligations***

2.45 The organization recognises expenses and liabilities in respect of the following employee benefits:

- i) *Short-term employee benefits* comprise of wages, salaries, allowances, paid annual leave and paid sick leave. They are due to be settled within 12 months after the end of the period in which the employees render the related service and are measured at their value based on accrued entitlements at current rates of pay;
- ii) *Post-employment benefits* are employee benefits that are payable after the completion of employment. They comprise of defined benefit plans, consisting of the Separation Payments Scheme (SPS), the Terminal Payments Fund (TPF) and the After Service Medical Coverage plan (ASMC). The post-employment benefit obligations are calculated annually by independent actuaries. All actuarial gains and losses are recognized immediately in reserves; and
- iii) *Other non-current employee benefits* comprise of Compensation Payments which are due to staff members and their dependents in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the United Nations Joint Staff Pension Fund. The Compensation Payments benefit obligations are calculated annually by independent actuaries. All actuarial gains and losses are recognized immediately in the Statement of Financial Performance.

2.46 FAO recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

### ***United Nations Joint Staff Pension Fund***

2.47 FAO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

2.48 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. FAO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify FAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan, with sufficient reliability for accounting purposes. Hence FAO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. FAO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

### ***Revenue recognition***

#### ***Non-exchange revenue***

2.49 Assessed contributions are assessed and approved for a two-year budget period. The amount of these contributions is then apportioned between the two years for invoicing and payment. Assessed contributions are recognized as revenue at the beginning of the apportioned year in the relevant two-year budget period.

2.50 Voluntary contributions and other transfers which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on the transferred asset that requires recognition of a liability. In such cases, revenue is recognized as the conditional liability is discharged.

2.51 FAO uses the IPSAS 23 transitional provision for voluntary contributions. These contributions are classified under the following three classes: Pre 2014 – scheduled for completion pre 2017, Pre 2014 – scheduled for completion post 2016, and Post 2013 and are based on the classes determined by FAO for the three-year period allowed under the standards. It is expected that by the end of the transitional phase, all classes will be fully IPSAS compliant.

#### ***Donated and in-kind contributions***

2.52 In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized at fair value. These contributions include the use of premises, project inputs, utilities and interest on concessionary loans under the Working Capital Fund.

2.53 The Organization is provided the use of buildings and facilities for no or nominal charge from the government owning such facilities. The Organization recognizes this "right to use" of such buildings and facilities as a donated operating lease. As such, revenue and expense will be recorded equally based on rental market value. As each of the facilities and the related agreements to utilize such facilities, is unique,

fair value of right to use agreements is generally determined based upon valuation techniques such as local market conditions and estimated cash flows, assuming an arms-length transaction.

2.54 Certain services are donated or provided in-kind to the Organization to assist the Organization in carrying out its mandate. These in-kind contributions of services are not recognized on the financial statements, due primarily to the practical challenges of estimating the fair value of such donations and related uncertainties associated with determining the Organization's control over them. These services primarily include:

- Administrative and security personnel provided by host governments, primarily in the Organization's decentralized offices;
- Technical staff provided by either Member Nations and educational institutions;
- Volunteer staff providing primarily administrative support;
- Services of volunteers;
- Maintenance and repair for the Organization's facilities.

### ***Exchange revenue***

2.55 Revenue from exchange transactions are measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

### ***Unearned revenue***

2.56 The Organization receives funds in the form of voluntary contributions, which are used to finance specific projects agreed between the Organization and the donor. Some agreements have conditions such that the Organization has a present obligation to return the funds or related assets to the donor to the extent that the conditions are not met. Consequently, where such conditions exist, a corresponding liability is recognized upon receipt of the funds. This liability is reduced as the conditions are satisfied.

### ***Expense recognition***

#### ***Exchange expense***

2.57 The Organization recognizes exchange expense arising from the purchase of goods and services at the point the supplier performs its contractual obligations, which is when the goods and services are delivered and accepted. For some service contracts, this process may occur in stages.

#### ***Non-exchange expense***

2.58 Transactions with service providers and beneficiaries requiring the provision of service will be recognized under the pro-rata temporis method and agreements with beneficiaries without the provision of service will be recognized upon payment. Project inventories are recognized upon delivery to beneficiaries.

**Note 3. Cash and cash equivalents**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Cash at banks and money market funds	80,769	87,155
Short-term time deposits	341,002	403,102
Cash equivalents held with investment managers	145,695	197,347
<b>Total cash and cash equivalents</b>	<b>567,466</b>	<b>687,604</b>

3.1 Due to the short-term, highly liquid nature of cash and cash equivalents, there is no significant interest rate or credit risk associated with these balances.

3.2 Of the total cash and cash equivalents, USD 2.5 million (USD 1.7 million in 2014) is held in currencies that are not readily convertible into other currencies. These balances are held in order to satisfy general business and project-related requirements in the various countries in which the Organization operates. Approximately, USD 1.0 million of cash at banks is currently restricted due to various operational reasons.

**Note 4. Investments and derivative financial instruments****Investments**

4.1 The investments of the Organization are comprised of:

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Current</b>		
<b>Held-for-trading investments</b>		
Government bonds	488,756	424,610
Corporate bonds	23,545	21,246
Mortgage backed securities	7,674	6,192
Other	-	3,549
<b>Total held-for-trading investments</b>	<b>519,975</b>	<b>455,597</b>
<b>Derivative financial instruments</b>	<b>1,855</b>	<b>354</b>
<b>Total current</b>	<b>521,830</b>	<b>455,951</b>
<b>Non-current</b>		
<b>Available-for-sale investments</b>		
Government bonds	155,689	168,571
Corporate bonds	35,605	39,626
Equities	216,195	219,810
<b>Total available-for-sale investments</b>	<b>407,489</b>	<b>428,007</b>
<b>Total non-current</b>	<b>407,489</b>	<b>428,007</b>

4.2 The held-for-trading investments are current investments at year-end due to the fact that these investments are managed on a short-term basis to ensure preservation of capital for Trust Fund donors while providing a return. Additionally, these investments are generally available and required for use in current operations and carried at fair value. The unrealized gains and losses on the trading portfolio are recognized in the Statement of Financial Performance as incurred.

4.3 The Organization's available-for-sale investments are classified as non-current investments at year-end and carried at fair value. The unrealized gains and losses on the available-for-sale investments are recognized in the Statement of Financial Position. The available-for-sale investments are not for use in the Organization's current operations and have been designated for funding the Organization's post-employment benefits. The investments are not subject to separate legal restrictions and do not qualify as Plan Assets as defined in IPSAS 25, *Employee Benefits*.

4.4 Principal movements in all investments during the year were:

<i>(thousands of US dollars)</i>	Balance 31-Dec- 14	Net additions / (deductions)	Management fees	Interest received	Realized	Unrealized change other	Unrealized change FX	Balance 31-Dec- 15
<b>Held-for-trading investments</b>								
Fixed income	455,597	65,434	(889)	5,070	(2,394)	(2,843)	-	519,975
<b>Available-for-sale investment</b>								
Equities	219,810	1,962	(974)	5,593	6,867	(17,063)	-	216,195
Fixed income	208,197	7,583	(389)	3,586	(20,896)	(7,788)	1,001	191,294
<b>Total investments</b>	<b>883,604</b>	<b>74,979</b>	<b>(2,252)</b>	<b>14,249</b>	<b>(16,423)</b>	<b>(27,694)</b>	<b>1,001</b>	<b>927,464</b>

4.5 The cost, unrealized gains or losses and fair value of the available-for-sale investments by investment type were:

<i>(thousands of US dollars)</i>	31-Dec-15			31-Dec-14		
	Cost	Unrealized gains / (losses) on available-for-sale investments	Fair value	Cost	Unrealized gains / (losses) on available-for-sale investments	Fair value
<b>Available-for-sale investments</b>						
Government bonds	163,657	(7,967)	155,690	168,551	20	168,571
Corporate bonds and other	38,713	(3,109)	35,604	40,146	(520)	39,626
Equities	205,330	10,865	216,195	191,883	27,927	219,810
<b>Total available-for-sale investments</b>	<b>407,700</b>	<b>(211)</b>	<b>407,489</b>	<b>400,580</b>	<b>27,427</b>	<b>428,007</b>

4.6 The unrealized losses of USD 0.2 million as at 31 December 2015 (USD 27.4 million gain in 2014) are the result of unfavourable market conditions. The EUR / USD foreign exchange rate unfavourably impacted the investment performance over the year 2015, as the EUR lost approximately 10.2 % of its value to the USD over the year. Unrealized gains of USD 9.9 million are recorded within equity and the cumulative remainder USD 10.1 million of unrealized foreign exchange net losses generated on the debt portfolios are recorded directly in the Statement of Financial Performance during the period in which they occur.

### Derivative financial instruments

4.7 The Organization uses derivative financial instruments within its investment portfolio for the purpose of mitigating the foreign currency risk in the portfolio. The Organization utilizes forward contracts, options and swaps in order to mitigate this risk. There are no non-current derivatives in this category.

4.8 The face value represents the value of the contract. The face value and the fair value of the derivative financial instruments are as follows:

<i>(thousands of US dollars)</i>		<b>31-Dec-15</b>		<b>31-Dec-14</b>	
		<b>Face value</b>	<b>Fair value</b>	<b>Face value</b>	<b>Fair value</b>
<b>Assets</b>					
Forward contracts		946	5	2,790	17
Swaps		269,303	1,850	35,086	337
<b>Total derivative financial asset instruments</b>		<b>270,249</b>	<b>1,855</b>	<b>37,876</b>	<b>354</b>
<b>Liabilities</b>					
Forward contracts		-	-	272,872	(2,594)
<b>Total derivative financial liability instruments</b>		<b>-</b>	<b>-</b>	<b>272,872</b>	<b>(2,594)</b>

**Note 5. Receivables from non-exchange transactions**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Current receivables</b>		
<b>Assessed contributions receivable</b>		
Assessments on Member Nations	105,639	81,881
Working Capital Fund	36	36
Special Reserve Account	2,288	2,289
Allowance for doubtful accounts	(14,888)	(18,848)
<b>Total assessed contributions receivable</b>	<b>93,075</b>	<b>65,358</b>
<b>Voluntary contributions receivable</b>		
Voluntary contributions	115,594	80,304
Allowance for doubtful accounts	(8,257)	(7,742)
<b>Total voluntary contributions receivable</b>	<b>107,337</b>	<b>72,562</b>
<b>Other receivables</b>		
Other receivables	3,667	7,443
Allowance for doubtful accounts	(3,263)	(3,480)
<b>Total other receivables</b>	<b>404</b>	<b>3,963</b>
<b>Total current receivables</b>	<b>200,816</b>	<b>141,883</b>
<b>Non-current assessed contributions receivable</b>		
Assessment of Member Nations under Regular Programme	624	1,239
<b>Total non-current assessed contributions receivable</b>	<b>624</b>	<b>1,239</b>
<b>Total receivables from non-exchange transactions</b>	<b>201,440</b>	<b>143,122</b>

5.1 Certain Member Nations have payment plans for their assessments which are due after more than one year from 31 December 2015. Amounts due subsequent to 31 December 2016 of USD 0.6 million, have been classified as non-current.

5.2 The increase in the value of outstanding receivables due from voluntary contributions is resulting primarily from the increase in voluntary funding, during the year.

5.3 The allowance for doubtful amounts is based on the estimate of amounts that are not probable of collection under the original terms of the receivables.

<i>(thousands of US dollars)</i>	<b>Balance at 31-Dec-14</b>	<b>Expense</b>	<b>Amounts written off</b>	<b>Allowance reversed</b>	<b>Balance at 31- Dec-15</b>
<b>Assessed contributions receivable</b>					
Assessments on Member Nations	(16,525)	(4,266)	-	8,120	(12,671)
Working Capital Fund	(34)	(11)	-	10	(35)
Special Reserve Account	(2,289)	(2,030)	-	2,137	(2,182)
<b>Total assessed contributions receivable</b>	<b>(18,848)</b>	<b>(6,307)</b>		<b>10,267</b>	<b>(14,888)</b>
<b>Voluntary contributions receivable</b>					
Voluntary contributions	(7,742)	(515)	-	-	(8,257)
<b>Total voluntary contributions receivable</b>	<b>(7,742)</b>	<b>(515)</b>	<b>-</b>	<b>-</b>	<b>(8,257)</b>
<b>Other receivables</b>					
Other receivables	(3,480)	(26)	-	243	(3,263)
<b>Total other receivables</b>	<b>(3,480)</b>	<b>(26)</b>	<b>-</b>	<b>243</b>	<b>(3,263)</b>
<b>Total allowance for doubtful accounts</b>	<b>(30,070)</b>	<b>(6,848)</b>	<b>-</b>	<b>10,510</b>	<b>(26,408)</b>

5.4 The aging of receivables is:

<i>(thousands of US dollars)</i>	<b>Carrying amount</b>	<b>&lt; 1 year</b>	<b>1 – 3 years</b>	<b>3 – 5 years</b>	<b>&gt; 5 years</b>
<b>Current receivables</b>					
<b>Assessed contributions receivable</b>					
Assessments on Member Nations	105,639	87,246	7,275	1,060	10,058
Working Capital Fund	36	-	-	-	36
Special Reserve Account	2,288	-	-	-	2,288
Allowance for doubtful accounts	(14,888)	-	(1,525)	(1,060)	(12,303)
<b>Total assessed contributions receivable</b>	<b>93,075</b>	<b>87,246</b>	<b>5,750</b>	<b>-</b>	<b>79</b>
<b>Voluntary contributions receivable</b>					
Voluntary contributions	115,594	64,612	39,057	8,994	2,931
Allowance for doubtful accounts	(8,257)	-	-	(5,326)	(2,931)
<b>Total voluntary contributions receivable</b>	<b>107,337</b>	<b>64,612</b>	<b>39,057</b>	<b>3,668</b>	<b>-</b>
<b>Other receivables</b>					
Other receivables	3,667	206	265	59	3,137
Other allowance for doubtful accounts	(3,263)	-	(67)	(59)	(3,137)
<b>Total other receivables</b>	<b>404</b>	<b>206</b>	<b>198</b>	<b>-</b>	<b>-</b>
<b>Total current receivables</b>	<b>200,816</b>	<b>152,064</b>	<b>45,005</b>	<b>3,668</b>	<b>79</b>
<b>Non-current assessed contributions receivable</b>					
Assessment of Member Nations under Regular Programme	624	624	-	-	-
<b>Total non-current assessed contributions receivable</b>	<b>624</b>	<b>624</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total receivables</b>	<b>201,440</b>	<b>152,688</b>	<b>45,005</b>	<b>3,668</b>	<b>79</b>

5.5 Contributions in arrears related to 8 countries facing voting rights issues amount to USD 3.7 million for assessed contributions. FAO does not have collateral for any of the assessments, however, FAO rules and regulations require that Member Nations cannot be in arrears in payment of its financial contributions to the Organization in an amount equal to or exceeding the contributions due from it for the two preceding calendar years. Actions specified by the rules and procedures include a loss of voting rights, ineligibility for election to the Council and loss of seat in the Council.

5.6 The net additional provisions of USD 4.0 million recorded during 2015 are mainly the result of assessments on Member Nations.

5.7 The main types of other receivables are in relation to GCCC and jointly financed projects with other international organizations, in which the Organization makes payments on behalf of such third parties.



**Note 6. Receivables from exchange transactions**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Due from UN and other organizations	5,321	5,607
Less: Allowance for doubtful accounts	(1,386)	(1,224)
<b>Total current</b>	<b>3,935</b>	<b>4,383</b>
Non-current	-	-
<b>Total non-current</b>	<b>-</b>	<b>-</b>
<b>Total receivables from exchange transactions</b>	<b>3,935</b>	<b>4,383</b>

6.1 Receivables from exchange transactions are in relation to recoveries due from the Rome based international organizations, e.g. IFAD and World Food Programme for the administrative services which FAO provides; utility recharges to be recovered from businesses which have offices within the FAO headquarters e.g. the bookshop, the travel agent etc., and others.

**Allowance for doubtful accounts**

<i>(thousands of US dollars)</i>	<b>Balance at 31-Dec-14</b>	<b>Expense</b>	<b>Amounts written off</b>	<b>Allowance reversed</b>	<b>Balance at 31-Dec-15</b>
Due from UN and other organizations	(1,224)	(164)	2	-	(1,386)
<b>Total allowance for receivables from exchange transactions</b>	<b>(1,224)</b>	<b>(164)</b>	<b>2</b>	<b>-</b>	<b>(1,386)</b>

**Note 7. Prepayments and other assets**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Employee receivables	26,577	26,284
Prepayments	13,998	13,273
Other assets	7,490	5,150
Less: Allowance for doubtful accounts	(1,185)	(1,161)
<b>Total prepayments and other assets</b>	<b>46,880</b>	<b>43,546</b>
Total current	46,462	43,128
Total non-current	418	418
<b>Total prepayments and other assets</b>	<b>46,880</b>	<b>43,546</b>

7.1 The total prepayments and other assets as of 31 December 2015 relate primarily to employee receivables, including advances to staff members for travel and education grant payments. Prepayments are primarily comprised of advances to service providers under the approved Letters of Agreements. Other assets are predominantly accrued interest income on the Organizations cash and cash equivalents and investment portfolios.

7.2 Current commitments are expected to be utilized or collected within a year of the balance sheet date.

**Allowance for doubtful accounts**

<i>(thousands of US dollars)</i>	<b>Balance at 31-Dec-14</b>	<b>Expense</b>	<b>Amounts written off</b>	<b>Allowance reversed</b>	<b>Balance at 31-Dec-15</b>
Employee receivables	(611)	(3)	-	18	(596)
Other assets	(550)	(39)	-	-	(589)
<b>Total allowance for prepayments and other assets</b>	<b>(1,161)</b>	<b>(42)</b>	<b>-</b>	<b>18</b>	<b>(1,185)</b>

**Note 8. Inventories**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Project inputs	13,474	14,685
Publications	1,045	1,434
Other	78	135
<b>Total inventories</b>	<b>14,597</b>	<b>16,254</b>

8.1 For the year ended 31 December 2015, the Organization recognizes USD 167.4 million (USD 156.5 million in 2014) in expense associated with project inputs and USD 2.3 million (USD 2.4 million in 2014) associated with publications utilized during the period. The project inputs consumed include donated inventories of USD 0.3 million (USD 0.6 million in 2014) and USD 0.3 million (USD 0.2 million in 2014) of agricultural inputs becoming obsolete due to changes in project requirements.

**Note 9. Property, plant and equipment**

<i>(thousands of US dollars)</i>	<b>Balance at 31-Dec-14</b>	<b>Additions</b>	<b>Disposals / Transfers</b>	<b>Depreciation</b>	<b>Balance at 31-Dec-15</b>
<b>Cost of PP&amp;E</b>					
Office furniture and fixtures	1,807	251	(347)	-	1,711
Machinery and equipment	3,557	939	(200)	-	4,296
Computer and IT equipment	14,227	1,931	(302)	-	15,856
Motor vehicles	29,931	6,995	(1,860)	-	35,066
Buildings	1,831	1,569	(70)	-	3,330
Leasehold improvements	411	2,578	-	-	2,989
Assets under construction	1,865	2,074	(3,692)	-	247
<b>Total cost of PP&amp;E</b>	<b>53,629</b>	<b>16,337</b>	<b>(6,471)</b>	<b>-</b>	<b>63,495</b>
<b>Accumulated depreciation</b>					
Office furniture and fixtures	(1,710)	-	347	(57)	(1,420)
Machinery and equipment	(3,040)	-	178	(211)	(3,073)
Computer and IT equipment	(12,829)	-	254	(1,184)	(13,759)
Motor vehicles	(19,733)	-	1,206	(3,102)	(21,629)
Buildings	(190)	-	70	(161)	(281)
Leasehold improvements	(16)	-	-	(122)	(138)
<b>Total accumulated depreciation</b>	<b>(37,518)</b>	<b>-</b>	<b>2,055</b>	<b>(4,837)</b>	<b>(40,300)</b>
<b>Net PP&amp;E</b>	<b>16,111</b>	<b>16,337</b>	<b>(4,416)</b>	<b>(4,837)</b>	<b>23,195</b>

9.1 The Organization is applying transitional provisions under IPSAS 17. In 2015 office furniture and fixtures with a cost of USD 1.7 million and accumulated depreciation of USD 1.7 million, machinery and equipment with a cost of USD 3.0 million and accumulated depreciation of USD 3.0 million, computer and IT equipment with a cost of USD 12.4 million and accumulated depreciation of USD 12.4 million and motor vehicles with a cost of USD 18.3 million and accumulated depreciation of USD 18.3 million were transitioned onto the financial statements and included in the opening balances. Major classes of PP&E not yet transitioned include office furniture and fixtures, machinery and equipment and vehicles acquired after 2009 and prior to 2014 and computer and IT equipment acquired after 2011 and before 2014. FAO will be using the entire five years under transition to ensure the underlying process is in place to support complete and accurate information regarding those PP&E.

9.2 In 2015, USD 3.6 million of construction in process including USD 2.2 million in leasehold improvements and USD 1.4 million in buildings were completed and placed in service.

9.3 The remaining USD 12.7 million consist of additions purchased in 2015 (USD 16.3 million in 2014). Disposals from PP&E relate to assets in specific projects subsequently disposed through donation to host governments, NGOs or other recipient organizations involved in the project. Property transfers to beneficiaries for USD 0.8 million are made during the year. The remainder are obsolescence, casualty losses and other write-offs. Fully-depreciated assets with a cost of USD 33.6 million is in use at the end of 2015.

9.4 The Organization reviews PP&E for indicators of impairment. These reviews did not identify any impairment during the year.

9.5 Accrual for purchase commitments for PP&E at 31 December 2015 is USD 0.5 million (USD 1.1 million in 2014). Assets on the financial statements of the Organization that are being held for disposal have a total cost of USD 0.4 million and accumulated depreciation of USD 0.4 million.

**Note 10. Intangible Assets**

<i>(thousands of US dollars)</i>	<b>Balance at 31-Dec-14</b>	<b>Additions</b>	<b>Disposals / Transfers</b>	<b>Amortization</b>	<b>Balance at 31-Dec-15</b>
<b>Cost of intangible assets</b>					
Software acquired separately	655	132	(31)	-	756
Software internally developed	3,375	2,267	-	-	5,642
Intangible assets under development	885	1,570	(2,064)	-	391
<b>Total cost of intangible assets</b>	<b>4,915</b>	<b>3,969</b>	<b>(2,095)</b>	<b>-</b>	<b>6,789</b>
<b>Accumulated amortization</b>					
Software acquired separately	(77)	-	3	(163)	(237)
Software internally developed	(258)	-	-	(776)	(1,034)
<b>Total accumulated amortization</b>	<b>(335)</b>	<b>-</b>	<b>3</b>	<b>(939)</b>	<b>(1,271)</b>
<b>Net intangible assets</b>	<b>4,580</b>	<b>3,969</b>	<b>(2,092)</b>	<b>(939)</b>	<b>5,518</b>

10.1 At 31 December 2015, the cost and related accumulated amortization of intangible assets purchased or developed by the Organization are USD 6.8 million (USD 4.9 million in 2014) and USD 1.3 million (USD 0.3 million in 2014) respectively. During 2015, USD 2.1 million of software development projects were completed and placed in service.

10.2 FAO performs an impairment review when conditions arise indicating the need as such.

**Note 11. Accounts payable and accrued expenses**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Accounts payable</b>	<b>23,804</b>	<b>26,291</b>
<b>Accrued expenses</b>		
Purchase order accrued expenses	78,727	52,899
NSHR accrued expenses	23,401	21,114
Travel accrued expenses	12,923	12,568
Payroll accrued expenses	3,959	225
Other accruals	3,851	10,633
<b>Total accrued expenses</b>	<b>122,861</b>	<b>97,439</b>
<b>Total accounts payable and accrued expenses</b>	<b>146,665</b>	<b>123,730</b>

11.1 Accounts payable constitute amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to FAO during the period but not invoiced or formally agreed with the suppliers.

**Note 12. Payments received in advance**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Assessments on Member Nations received in advance	19,746	2,136
Voluntary contributions received in advance	512,098	681,639
SFERA contributions	53,606	58,630
<b>Total payments received in advance</b>	<b>585,450</b>	<b>742,405</b>

12.1 Assessments on Member Nations received in advance are funds received from Member Nations against future year's assessment.

12.2 Voluntary contributions received in advance represent funds received from donors related to a contribution agreement.

12.3 Voluntary contributions received which are subject to conditions will be recognized as revenue, as and when the conditions are satisfied.

12.4 The Trust Funds also include activities under the Special Fund for Emergency and Rehabilitation Activities (SFERA), which was established in May 2003 to support a rapid response to emergency and rehabilitation activities. The SFERA is funded by voluntary contributions.

**Note 13. Employee benefit obligations**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Current employee benefit obligations</b>		
Annual leave	13,215	14,472
Home leave travel	1,471	1,902
<b>Total current employee benefit obligations</b>	<b>14,686</b>	<b>16,374</b>
<b>Non-current employee benefit obligations</b>		
<b>Post-employment benefit obligations</b>		
After Service Medical Coverage	989,590	1,239,735
Termination Payment Fund	60,817	64,417
Separation Payment Scheme	56,225	67,480
<b>Total post-employment benefit obligations</b>	<b>1,106,632</b>	<b>1,371,632</b>
<b>Other non-current employee benefit obligations</b>		
Compensation Payment Fund	18,148	18,932
<b>Total non-current employee benefit obligations</b>	<b>1,124,780</b>	<b>1,390,564</b>
<b>Total employee benefit obligations</b>	<b>1,139,466</b>	<b>1,406,938</b>

**Valuation of employee benefit obligations**

13.1 Employee benefit obligations for post-employment and other non-current employee benefit obligations are determined by independent professional actuaries. Current employee benefit obligations are calculated by FAO based on personnel data and past payment experience. As at 31 December 2015, total employee benefit obligations amounted to USD 1,139 million (USD 1,406.9 million in 2014), of which USD 1,124.8 million (1,390.6 million in 2014) were calculated by the actuaries and USD 14.7 million (16.4 million in 2014) were calculated by FAO. FAO has elected to report all the actuarially valued employee benefit

obligations within non-current liabilities due to the impracticality of allocating these using an alternative method.

### **Current employee benefit obligations**

13.2 Current employee benefit obligations relate to wages, salaries, allowances, paid annual leave and paid sick leave.

### **Post-employment benefit obligations**

#### **Separation Payments Scheme**

13.3 Separation Payments Scheme (SPS) are due to General Service category staff at Headquarters who are entitled to receive a separation payment equivalent to 1/12<sup>th</sup> of the staff member's Final Net Annual Salary rate multiplied by years of service between 1 January 1975 and 31 December 1990, plus 1/13.5<sup>th</sup> of the staff member's Final Net Annual Salary rate multiplied by years of service after January, 1, 1991. SPS are subject to actuarial review to ascertain the liabilities and recommend rates of contribution.

#### **Terminal Payments Fund**

13.4 Terminal Payments Fund (TPF) relate to payment of accrued annual leave, repatriation grant, termination indemnity, cost of repatriation travel and the removal of household goods for all eligible staff. TPF are subject to actuarial review to ascertain the related liabilities and recommend rates of contribution.

#### **After Service Medical Coverage**

13.5 After Service Medical Coverage (ASMC) provides for worldwide coverage of necessary medical expenses of eligible former staff members and their eligible dependants. The ASMC liability represents the present value of the share of the Organization's medical insurance costs for retirees and active staff post-retirement benefits accrued to-date. ASMC is subject to actuarial review to ascertain the related liabilities and recommend rates of contribution.

### **Other non-current employee benefit obligations**

#### **Compensation Payments Fund**

13.6 Compensation Payments Fund (CPF) are due to staff members and their dependants in case of death, injury or illness attributable to the performance of official duties and, in certain circumstances, to supplement the disability and survivors' pensions paid by the United Nations Joint Staff Pension Fund. CPF are subject to actuarial review to ascertain the liabilities and recommend rates of contribution.

### Actuarial Assumptions and Methods

13.7 The following assumptions and methods have been used to determine the value of post-employment benefit obligations and other non-current employee benefit obligations:

Details																
<b>Actuarial Methods</b>																
ASMC	Projected Unit Credit Cost with service prorate.															
SPS	Projected Unit Credit Cost with service prorate.															
TPF	Commutation of Accrued leave and Repatriation Travel and Removal use projected unit credit with an attribution period from the entry on duty date to separation; Repatriation Grant, Death Grant and Termination Indemnity payable before retirement eligibility use projected unit credit with an attribution based on the actual benefit formula; Termination Indemnity payable after retirement eligibility is excluded from the valuation and accounted for as it occurs.															
CPF	Liability for current expenditure annuitants, plus one year term cost for active participants.															
FAO used a yield curve approach based on Aon Hewitt AA Bond Universe Curve outside of the Euro Zone and the iBoxx Euro Zone curve for the discount rate in the Euro Zone.																
<b>Discount rates</b>	<table><tr><th></th><th>2015</th><th>2014</th></tr><tr><td>SPS</td><td>1.8%</td><td>1.4%</td></tr><tr><td>TPF</td><td>3.1%</td><td>2.8%</td></tr><tr><td>ASMC</td><td>3.3%</td><td>2.9%</td></tr><tr><td>CPF</td><td>4.2%</td><td>3.7%</td></tr></table>		2015	2014	SPS	1.8%	1.4%	TPF	3.1%	2.8%	ASMC	3.3%	2.9%	CPF	4.2%	3.7%
	2015	2014														
SPS	1.8%	1.4%														
TPF	3.1%	2.8%														
ASMC	3.3%	2.9%														
CPF	4.2%	3.7%														
<b>General Inflation rate</b>	2.5% per year															
<b>Medical cost inflation rate</b>	4.5% for 2016 to 2020, decreasing 0.1% per year for subsequent five-year periods, until the rate reaches 4.0% for 2041 and later years.															
<b>Year-end spot rate €/USD</b>	1.094															
<b>Life Expectancy</b>	Based on the mortality tables of the UN Joint Staff Pension Fund															

### Reconciliation of defined benefit obligation

13.8 The following tables provide additional information and analysis in relation to employee benefit obligations, as calculated by the actuaries:

<i>(thousands of US dollars)</i>	ASMC	TPF	SPS	CPF	Total
<b>Net defined benefit obligation at 31-Dec-14</b>	<b>1,239,735</b>	<b>64,417</b>	<b>67,480</b>	<b>18,932</b>	<b>1,390,564</b>
Service cost for year ended 31 Dec 2015	35,345	6,868	4,163	478	<b>46,854</b>
Prior Service (credit) recognition	(5,337)	-	-	-	<b>(5,337)</b>
Interest cost for year ended 31 Dec 2015	35,549	1,688	912	674	<b>38,823</b>
Actual gross benefit payments for the year 31 Dec 2015	(23,635)	(9,027)	(5,511)	(1,689)	<b>(39,862)</b>
Actuarial (gains) for the year ended 31 Dec 2015	(292,067)	(3,129)	(10,818)	(248)	<b>(306,262)</b>
<b>Net defined benefit obligation at 31-Dec-15</b>	<b>989,590</b>	<b>60,817</b>	<b>56,226</b>	<b>18,147</b>	<b>1,124,780</b>
<b>Unfunded portion of obligation at 31-Dec-15</b>	<b>649,122</b>	<b>60,817</b>	<b>-</b>	<b>-</b>	<b>709,939</b>

### Annual expense recognized

13.9 The annual expense amounts recognized in the Statement of Financial Performance, within staff related costs, and finance income / (expenses), and are as follows:

<i>(thousands of US dollars)</i>	31-Dec-15	31-Dec-14
Service cost	46,854	38,165
Prior Service (credit) recognition	(5,337)	-
Interest cost	38,823	49,723
<b>Total expense recognized</b>	<b>80,340</b>	<b>87,888</b>

13.10 During 2015, the Organization changed its Plan Provisions for contributions from fixed premiums to a percentage of the salary, causing a prior service credit of USD 5.3 million.

### ASMC plan – sensitivity analysis

13.11 Following are the three principal assumptions in the valuation of the ASMC plan:

- exchange rate between the Euro and the US Dollar;
- discount rate used to determine the present value of benefits that will be paid from the plan in the future; and
- medical inflation rate.

13.12 A 1% change in the discount and medical inflation rate would have the following effects on the defined benefit obligation:

<i>(thousands of US dollars)</i>		Ultimate medical inflation rate	
Exchange rate	Discount rate	4% per year	5% per year
1.094 USD per EUR	3.3%	987,832	1,186,298
1.194 USD per EUR	3.3%	1,045,738	1,255,838
1.094 USD per EUR	2.3%	1,196,408	1,436,779
1.194 USD per EUR	2.3%	1,266,541	1,521,002



**Note 14. United Nations Joint Staff Pension Fund**

14.1 The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

14.2 FAO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

14.3 The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. The next actuarial valuation will be conducted as of 31 December 2015 with results expected to be released in mid-2016.

14.4 At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130.0% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

14.5 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

14.6 In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Fund as of 31 December 2013.

14.7 During the year ended 31 December 2015, FAO's contributions paid to UNJSPF amounted to USD 54.1 million (USD 56.3 million in 2014). Expected contributions due in 2016 are USD 53.0 million.

14.8 The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org).

**Note 15. Operating lease commitments**

15.1 For the year ended 31 December 2015, total rental expense under operating leases are USD 6.6 million (USD 5.0 million in 2014). At 31 December 2015, obligations for property leases to be paid in the subsequent years aggregated to USD 5.5 million (USD 5.9 million in 2014). The commitments below do not include nominal lease transactions. The total aggregate lease payments for the periods are due to be paid as follows:

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Within twelve months	2,847	2,238
One to five years	2,039	2,751
Beyond five years	567	893
<b>Total leave commitments</b>	<b>5,453</b>	<b>5,882</b>

#### **Note 16. Provisions and contingencies**

16.1 The provisions of the Organization are comprised of:

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Labour-related and other claims	3,854	2,721
Pending negotiations and arbitrations	1,225	1,180
Other provisions	321	321
<b>Total provisions and contingencies</b>	<b>5,400</b>	<b>4,222</b>

16.2 The movement in the provisions during 2015 were as follows:

<i>(thousands of US dollars)</i>	<b>Balance at 31-Dec-14</b>	<b>Increases</b>	<b>Amounts charged</b>	<b>Amounts reversed</b>	<b>Balance at 31-Dec-15</b>
Labour-related and other claims	2,721	1,263	(104)	(26)	3,854
Pending negotiations and arbitrations	1,180	45	-	-	1,225
Other provisions	321	-	-	-	321
<b>Total provisions</b>	<b>4,222</b>	<b>1,308</b>	<b>(104)</b>	<b>(26)</b>	<b>5,400</b>

#### **Labour-related and other claims**

16.3 As part of its normal ongoing operations, FAO receives claims related to labor or contract disputes. The Organization intends to defend itself fully in all cases, however the possibility that it will incur liabilities related to these complaints is not remote. The total amount of possible losses is approximately USD 3.9 million.

#### **Pending negotiations and arbitrations**

16.4 The Organization has two pending litigations with suppliers. In the event that the Organization has to settle these litigations, the maximum exposure has been estimated at USD 1.2 million.

#### **Other provisions**

16.5 Other provisions relate to liability of specific projects for potential reimbursements.

**Note 17. Other liabilities****Other liabilities**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Current</b>		
Settlements with employees	3,057	3,198
Payables for medical insurance	1,777	941
Other accounts payables	384	225
<b>Total current</b>	<b>5,218</b>	<b>4,364</b>
<b>Non-current</b>		
Voluntary contributions received in advance	3,703	15,238
Staff fiduciary accounts	21,660	35,958
Deferred payables	0	40
Working Capital Fund	25,745	25,745
<b>Total non-current</b>	<b>51,108</b>	<b>76,981</b>
<b>Total other liabilities</b>	<b>56,326</b>	<b>81,345</b>

17.1 Settlements with employees are employee payroll related benefits due to or on behalf of employees within the period. Payables for medical insurance are the staff fiduciary liability.

17.2 The purposes of the Working Capital Fund are (i) to advance money on a reimbursable basis to the General Fund in order to finance budgetary expenditures pending receipt of contributions to the budget, (ii) finance emergency expenditures not provided for in the current budget, and (iii) make loans for such purposes as the Council may authorize in specific cases. The authorized level for the Fund was set by Conference resolution 15/91 at USD 25 million and is increased by the Working Capital Assessments on new Member Nations. The Fund is presented as a liability since it is refundable to Member Nations who withdraw from the Organization, after liquidation of any financial obligations such nation may have to the Organization.

**Working Capital Fund**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Authorized level at beginning and end of period</b>	<b>25,793</b>	<b>25,793</b>
<b>Balance at beginning and end of period</b>	<b>25,745</b>	<b>25,745</b>

17.3 During 2015 no new Member Nations joined the Organization and the Working Capital Fund was not utilized during the year. The authorized level is part of the assessments to Member Nations and the balance comprises of the receipts of those assessments.

**Note 18. Reserves**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Special Reserve Account	17,559	17,559
Unrealized gains on investments	9,915	38,554
Actuarial gains / (losses) reserve	169,903	(136,155)
<b>Total reserves</b>	<b>197,377</b>	<b>(80,042)</b>

18.1 The purpose of the Special Reserve Account (SRA) is to protect the Organization's Programme of Work against the effects of unbudgeted extra costs arising from adverse currency fluctuations and unbudgeted inflationary effects. The authorized level of the SRA is set by Conference Resolution 13/81 at up to 5% of the effective working budget for the respective subsequent biennium, amounting to USD 50.3 million at 31 December 2015.

18.2 Unrealized gains on investments relate to the available-for-sale portfolios. The cumulative foreign exchange rate portion of unrealized gains arising on debt portfolios amounted to USD 10.1 million (USD 11.2 million at 31 December 2014), and has been charged to the Statement of Financial Performance in line with accounting standards in the period in which it has arisen. The decrease in the value of unrealized gains on investments is due to current market values.

18.3 Actuarial gains and losses reserve results from the increase or decrease in either the present value of a defined benefit obligation or the fair value of any related plan assets. There were USD 306.1 million (USD 149.6 million losses in 2014) actuarial gains recognized in equity during the year ended 31 December 2015, and a further USD 0.2 million (USD 1.1 million loss in 2014) was recognized in the Statement of Financial Performance in relation to the CPF.

**Note 19. Revenue**

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Non-exchange revenue</b>		
Assessments on Member Nations	<b>496,623</b>	<b>527,095</b>
<b>Voluntary contributions</b>		
TF contributions	901,584	970,304
UNDP contributions	1,221	2,131
<b>Total voluntary contributions</b>	<b>902,805</b>	<b>972,435</b>
<b>Other non-exchange revenue</b>		
Associate Member Assessments	20	22
Jointly Financed Activities	19,051	18,103
Government counterpart cash contributions	1,037	889
In-kind donations	45,702	43,052
<b>Total other non-exchange revenue</b>	<b>65,810</b>	<b>62,066</b>
<b>Total non-exchange revenue</b>	<b>1,465,238</b>	<b>1,561,596</b>
<b>Exchange revenue</b>	<b>8,765</b>	<b>11,139</b>
<b>Total revenue</b>	<b>1,474,003</b>	<b>1,572,735</b>

19.1 Assessments from Member Nations Conference Resolution CR 7/2013 approved appropriations of USD 1,005.6 million to be used for the Programme of Work as proposed by the Director General for 2014-15. Such appropriations, plus an amount of USD 14.1 million to fund the amortization of ASMC, minus estimated Miscellaneous Income of USD 5.0 million, were budgeted to be financed by contributions from Member Nations of USD 1,014.7 million. The contributions are comprised of split assessments in US Dollars of USD 518.9 million and in Euros of 381.5 million (equivalent to USD 495.9 million at the budget rate of exchange of USD 1.30 to Euros 1.00). The difference between actual Assessments on Member Nations of USD 496.6 million and amounts approved under the Conference Resolution, of USD 1,005.6 million, reflect the recognition of only one year of the biennial revenue and the difference between the average UNORE of USD 1.22 to Euros 1.00 at the time the Euros 381.5 million was assessed and the rate of exchange applied in the budget.

19.2 The split assessment arrangement was approved by Conference Resolution 11/03, in 2003 and this arrangement was first used for the assessments on Member Nations in 2004-05. Based on total assessments expressed in USD as reported in the Statement of Financial Performance, the actual split of assessments in USD and Euro for 2015 was approximately 49% and 51%, respectively (2014; 49% and 51% respectively).

19.3 Other Non-exchange revenue is driven by the recognition of income for in-kind donated facilities located in Rome of USD 30.8 million (USD 29.3 million in 2014) and USD 13.9 million (USD 12.6 million in 2014) for in-kind donated facilities world-wide; and Jointly Financed Activities, principally established with the African Development Bank and the Asian Development Bank. A counterpart expense of USD 44.7 million (USD 41.7 million in 2014) is recorded as in-kind donated facilities.

19.4 Of the remainder in-kind donated goods of USD 1.0 million (USD 0.9 million in 2014), USD 0.8 million (USD 0.7 million in 2014) relates to donated interest revenue on the Working Capital Fund concessionary loan of USD 25.7 million (USD 25.7 million in 2014) granted by Member Nations. A counterpart expense of USD 0.8 million (USD 0.7 million in 2014) is recorded in interest expense calculated at 3.3% (2.9% in 2014) using the ASMC discount rate. Other donated goods received include USD 0.2 million (USD 0.4 million in 2014) in inventory.

19.5 Exchange revenue mainly represents payments to the Organization of expenditure incurred on behalf of third parties, including other international organizations to which services such as medical, social security, legal and administrative are provided.

19.6 Voluntary contributions revenue in the 'Pre 2014 – scheduled for completion pre 2017' and the 'Pre 2014 – scheduled for completion post 2016' classes continue to be recognized under the previous accounting standard until the completion of the transitional provision. Voluntary contributions revenue in the 'Post 2013' class are recognized using the IPSAS accounting policy and standards.

## **Note 20. Expenses**

20.1 Staff costs include all compensation entitlements for Regular Programme and Project Professional and General Service category staff.

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Staff related costs</b>		
Base salary	195,114	205,299
Post adjustment	52,257	75,694
Staff medical insurance	35,087	31,879
Pension plan	54,101	56,273
Staff Compensation Plan	475	410
Staff Termination Plan	11,916	8,712
Staff Separation Scheme	4,070	4,233
Education grant	14,568	15,925
Locally hired non-professional staff	3,573	2,682
Entitlement travel	6,550	7,859
Income Tax Reimbursement	4,279	4,358
Dependents Allowance	5,581	6,417
Installation, assignment and mobility allowance	9,024	9,046
Other employee benefits and staff costs	15,739	13,960
<b>Total staff related costs</b>	<b>412,335</b>	<b>442,747</b>

20.2 During 2015, the Organization changed its Plan Provisions for contributions from fixed premiums to a percentage of the salary, causing a prior service credit of USD 5.3 million to staff medical insurance.

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Consultants</b>		
Internationally recruited	79,062	69,211
Locally recruited	69,885	65,627
National projects personnel	64,063	66,601
Other consultants expenses	3,374	4,476
<b>Total consultants</b>	<b>216,384</b>	<b>205,915</b>

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Travel costs</b>		
Duty travel	24,213	23,942
Consultants	43,455	45,093
Governing body meetings	31,465	29,867
Other travel costs	6,330	5,732
<b>Total travel costs</b>	<b>105,463</b>	<b>104,634</b>

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Depreciation, amortization and impairment of long-lived assets</b>		
Depreciation of PP&E	4,839	1,995
Amortization of intangible assets	939	335
<b>Total depreciation, amortization and impairment of long-lived assets</b>	<b>5,778</b>	<b>2,330</b>

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Training expenses</b>		
In-service	7,817	7,283
Other training expenses	26,805	25,494
<b>Total training expenses</b>	<b>34,622</b>	<b>32,777</b>

20.3 In-service training represents the cost of on-site training carried out at the local office in relation to projects in the field. Other training expenses include the costs of training materials and expenses incurred with participation in off-site training courses, including lodging and daily subsistence.

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Contracted services</b>		
Services	60,824	51,644
Repairs and maintenance	27,032	22,774
Rental expense	6,274	5,489
In-kind donated facilities	44,687	41,938
Communications and IT	7,931	9,788
Letters of Agreement	124,944	108,733
Other contracted services	10,132	11,131
<b>Total contracted services</b>	<b>281,824</b>	<b>251,497</b>

20.4 Services mainly represented contracts entered into by projects, and include amongst others statistical services, contracts for environmental protection and waste, agriculture, crop protection and irrigation services, and fisheries and aquaculture services.

20.5 Letters of agreement mainly comprise of the following items; USD 32.1 million (USD 25.0 million in 2014) in relation to agreements for distribution of inputs and community micro infrastructure, USD 23.9 million (USD 20.9 million in 2014) for scientific research services and surveys, USD 26.2 million (USD 15.4 million in 2014) for training beneficiaries, and USD 21.7 million (USD 14.7 million in 2014) for capacity development of national public institutions.

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Grants and other transfer payments</b>		
National execution with governments	9,759	220
Contributions to joint UN administrative activities	5,353	6,245
Other grants and transfer payments	93	30
<b>Total grants and other transfer payments</b>	<b>15,205</b>	<b>6,495</b>

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Supplies and consumables used</b>		
Utilities	4,206	4,051
Vehicles maintenance and running costs	6,230	7,325
Inventories distributed	167,421	156,543
Inventories sold	61	208
Inventories write-down	277	208
Supplies and consumables	10,513	12,821
<b>Total supplies and consumables used</b>	<b>188,708</b>	<b>181,156</b>

20.6 During the year ended 31 December 2015, FAO incurred USD 44.9 million of expenses for Plants and Seeds, USD 25.7 million of expenses for expendable equipment, USD 15.8 million of expenses for Fertilizers, USD 8.8 million for Animal Feed, USD 13.6 million for Medical and Veterinary Supplies, and USD 16.5 million for Agricultural tools. These costs have been included within the category “Inventories distributed”.

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Other expenses</b>		
Provisions for receivables	(3,535)	5,153
Provisions for contingent liabilities	1,178	3,901
Actuarial gains / (losses)	(249)	1,061
Insurance	1,569	1,551
Bank charges	1,083	1,580
Other operating expenses	14,798	15,231
<b>Total other expenses</b>	<b>14,844</b>	<b>28,477</b>

## **Note 21. Non-operating income and expenses**

### **Investment income**

21.1 The investment income recorded within other income and expenses represents the returns earned on the held-for-trading and the available-for-sale investment portfolios, inclusive of the cash and cash equivalent portion reallocated in the Statement of Financial Position to cash and cash equivalents, as well as the losses in fair value of derivative financial instruments.

21.2 Net returns generated on the held-for-trading and available-for-sale investment portfolios represent the investment income earned, in addition to gains and losses of market value realized in 2015.



<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Return on investments, held-for-trading</b>		
Interest income	7,051	4,039
(Losses) on disposal	(2,320)	(1,970)
Fees and commissions charged	(889)	(734)
Unrealized (losses)	(2,365)	(435)
<b>Total return on investments, held-for-trading</b>	<b>1,477</b>	<b>900</b>
<b>Return on investments, available-for-sale</b>		
Interest and dividend income	8,874	9,113
Unrealized foreign exchange gains / (losses)	1,001	(17,304)
Gains on disposal	(14,029)	19,810
Fees and commissions charged	(1,360)	(1,251)
<b>Total return on investments, available-for-sale</b>	<b>(5,514)</b>	<b>10,368</b>
<b>Fair value loss on derivative financial instruments</b>		
Fair value loss on derivative financial instruments	4,221	(3,032)
<b>Total fair value loss on derivative financial instruments</b>	<b>4,221</b>	<b>(3,032)</b>
<b>Total investment income</b>	<b>184</b>	<b>8,236</b>

21.3 FAO's low risk investment style and the continuing near zero interest rate environment in 2015 yielded an annual return of 0.22% on the held-for-trading investment portfolio, exceeding the benchmark return by 0.19%.

21.4 The available-for-sale investment portfolio represents the accumulated assets set aside over a period of decades to fund the Organization's share of staff-related liabilities. The current investment guidelines for the long-term portfolio have an asset allocation of approximately 50% equities and 50% fixed income. The fixed income portion is in Euros, while the equities are in US Dollars.

### Foreign exchange gains and losses

21.5 USD 15.2 million (USD 7.6 million in 2014) net foreign exchange loss represents the net amount exchange differences incurred by the Organization during the year ended 31 December 2015. The majority of the exchange differences have been generated by the Euro portion of the Assessments on Member Nations and the revaluation of monetary assets and liabilities at the reporting date.

### Finance income and expenses

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Interest income / (expenses)	(1,745)	(1,222)
Interest cost of staff related liabilities	(38,823)	(49,723)
<b>Total finance income / (expenses)</b>	<b>(40,568)</b>	<b>(50,945)</b>

21.6 The finance expenses of the Organization are predominantly borne in relation to operating the staff related schemes. These costs represent the increase in the present value of the defined benefit obligation because the benefits are one period closer to settlement.

**Note 22. Financial instruments**

22.1 This note presents information about the Organization's exposure to various risks, policies and processes for measuring and managing the risks, and its management of capital. Further quantitative disclosures are included throughout these financial statements.

**Value of financial instruments**

<i>(thousands of US dollars)</i>	<b>31-Dec-15 Fair value &amp; Carrying amount</b>	<b>31-Dec-14 Fair value &amp; Carrying amount</b>
<b>Financial assets</b>		
Held-for-trading financial instruments	519,975	455,597
Available-for-sale financial instruments	407,489	428,007
Derivative financial instruments	1,855	354
Receivables from non-exchange transactions	201,440	143,122
Receivables from exchange transactions	3,935	4,383
Other assets	7,490	5,150
Cash and cash equivalents	567,466	687,604
<b>Total financial assets</b>	<b>1,709,650</b>	<b>1,724,217</b>
<b>Financial liabilities</b>		
Derivative financial instruments	-	2,594
Accounts payable and accruals	146,668	123,730
Other liabilities	1,165,635	1,455,447
<b>Total financial liabilities</b>	<b>1,312,303</b>	<b>1,581,771</b>

22.2 The fair value of the financial assets and liabilities are included at the amount at which the instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The fair value and carrying amounts of the investment portfolio are the same because they are marked to market. The item "Other liabilities" excludes non-cash items such as advances and accruals for annual leave that are not settled in the short term with cash payments.

22.3 The following methods and assumptions are used to estimate the fair values:

- i) Cash and short-term deposits, trade receivables, trade payables and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- ii) Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Organization based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics. Based on this evaluation, allowances are taken to account for the incurred losses of these receivables and market related interest rates. As at 31 December 2015, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values;
- iii) Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities; and
- iv) Fair value of financial assets is derived from quoted market prices in active markets.

### The fair value hierarchy

22.4 The fair value hierarchy represents the categorization of market pricing to indicate the relative ease with which the value of investments held can be realized.

22.5 The Organization uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- i) Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
- iii) Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

22.6 The majority of FAO's financial instruments have quoted prices in active markets and are classified as Level 1. Derivative instruments that are "over-the-counter" are classified as Level 2 because their fair value is observable either directly as a price, or indirectly after being derived from prices. The instruments shown under the Level 2 fair value measurement category consist of the forward contracts for foreign currency hedges and the derivative contracts in the externally managed portfolios.

### Financial instruments measured at fair value

<i>(thousands of US dollars)</i>		31-Dec-15		
	Level 1	Level 2	Level 3	Total
<b>Current assets</b>				
Financial assets at fair value through surplus or deficit	519,975	-	-	519,975
Financial assets at fair value through equity	407,489	-	-	407,489
Derivative financial instruments	-	1,855	-	1,855
<b>Current liabilities</b>				
Derivative financial instruments	-	-	-	-
<b>Total financial instruments measured at fair value</b>	<b>927,464</b>	<b>1,855</b>	<b>-</b>	<b>929,319</b>

<i>(thousands of US dollars)</i>		31-Dec-14		
	Level 1	Level 2	Level 3	Total
<b>Current assets</b>				
Financial assets at fair value through surplus or deficit	455,597	-	-	455,597
Financial assets at fair value through equity	428,007	-	-	428,007
Derivative financial instruments	-	354	-	354
<b>Current liabilities</b>				
Derivative financial instruments	-	(2,594)	-	(2,594)
<b>Total financial instruments measured at fair value</b>	<b>883,604</b>	<b>(2,240)</b>	<b>-</b>	<b>881,364</b>

22.7 During the reporting period ending 31 December 2015, there were no transfers between level 1 and level 2 fair value measurements.

### Financial risks of the Organization

22.8 FAO has developed risk management policies in accordance with its Financial Rules and Regulations. The Organisation is exposed to a variety of financial risks, including market (foreign currency exchange and price), liquidity, interest rate and credit risks. The primary objective of the Investment Policy of FAO is to

maximise the long term return on the portfolio. The Organization considers the maximisation of risk-adjusted returns and the use of applicable benchmarks to evaluate investment manager performance.

### Financial risk management

22.9 The Organization's financial risk management is carried out by a central treasury function using guidelines set out by the FAO Investment Committee and advice from the World Bank. The Organization manages the risks associated with its investment portfolio through providing strict guidelines, and then actively managing compliance with these guidelines, to each of the Organization's investment managers who are responsible for the management of assets in the equity and fixed-income markets. These guidelines include limits on the investment managers' level of exposure to currencies, asset classes, interest rate risk, credit quality, credit concentration of equity investments and their level of investment in derivative financial instruments. Additionally, a detailed strategic asset allocation review for non-current investments is conducted by specialized firms within the context of an Asset and Liability study (ALM). Reviews are conducted approximately every five years and the last study was undertaken and finalized in 2013.

### Foreign currency exchange risk

22.10 FAO's principal headquarters is located in the Euro zone and the Organization operates field offices on a global level, where it incurs expenses in local currency. Consequently, a significant amount of FAO's expenses are in other currencies (principally Euro), and the Organization is therefore exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates. In 2003, in order to mitigate its foreign currency risk associated with Regular Programme Euro denominated expenses, the Organization began assessing a portion of Member Nation contributions in US Dollars and a portion in Euro. With the introduction of split assessments on Member Nations, the Organization has entered into US Dollar / Euro swaps with banks as counterparty, to fund delays of Euro receipts of these assessments. Given the world-wide geographical representation of the Organization, FAO maintains a minimum level of assets in local currencies, and holds accounts in US dollars, Euros and other currencies at Headquarters.

22.11 Additionally, the Organization receives voluntary contributions in both US Dollars and other currencies. The Organization generally converts these amounts to US Dollars immediately upon receipt of the funds. Expenditures under projects funded by voluntary contributions are made in both US Dollars and other currencies. The US Dollar funds held are converted to local currency when necessary, to satisfy the obligations of the organization. No derivative financial instruments are utilized to mitigate the risk associated.

22.12 The carrying amount of the Organization's foreign currency denominated financial assets and financial liabilities, translated to US Dollars at the year-end are set out below. Some of the financial assets are denominated in difficult to use currencies ('illiquid currencies') that cannot be readily converted to US dollars:

<i>(thousands of US dollars)</i>	31-Dec-15				Total
	US Dollar	Euro	Others	Illiquid	
Cash and cash equivalents	519,853	49,601	(4,476)	2,488	567,466
Held-for-trading investments	519,975	-	-	-	519,975
Available-for-sale investments	196,883	87,070	123,536	-	407,489
Derivative financial instruments	-	664	1,191	-	1,855
<b>Total financial assets</b>	<b>1,236,711</b>	<b>137,335</b>	<b>120,251</b>	<b>2,488</b>	<b>1,496,785</b>

<i>(thousands of US dollars)</i>	31-Dec-14				Total
	US Dollar	Euro	Others	Illiquid	
Cash and cash equivalents	678,910	12,498	(2,149)	(1,655)	<b>687,604</b>
Held-for-trading investments	455,597	-	-	-	<b>455,597</b>
Available-for-sale investments	185,000	89,284	153,723	-	<b>428,007</b>
Derivative financial instruments	-	(4,675)	2,435	-	<b>(2,240)</b>
<b>Total financial assets</b>	<b>1,319,507</b>	<b>97,107</b>	<b>154,009</b>	<b>(1,655)</b>	<b>1,568,968</b>

22.13 FAO enters into forward foreign exchange contracts and swap contracts to manage short-term cash flows of foreign currency balances to minimize the foreign currency transaction risk. At 31 December 2015 and 31 December 2014, the total amount of open derivative positions with the internally managed investment portfolios were as follows:

<i>(thousands of US dollars)</i>	31-Dec-15					Unrealized gains / (losses) (USD)
	Currency forward purchased (LCY)	Currency forward purchased (USD)	Unrealized gains / (losses) (USD)	Currency forward sold (LCY)	Currency forward sold (USD)	
<b>Net purchased/ sold amount</b>						
Euro	-	-	-	(60,000)	(65,840)	<b>660</b>
Thai Baht	18,000	500	<b>1</b>	-	-	-
British Pound Sterling	100	148	<b>1</b>	-	-	-
Japanese Yen	10,000	83	-	-	-	-
Hungarian Forint	63,000	220	<b>3</b>	-	-	-
<b>Total</b>		<b>951</b>	<b>5</b>		<b>(65,840)</b>	<b>660</b>

<i>(thousands of US dollars)</i>	31-Dec-14					Unrealized gains / (losses) (USD)
	Currency forward purchased (LCY)	Currency forward purchased (USD)	Unrealized gains / (losses) (USD)	Currency forward sold (LCY)	Currency forward sold (USD)	
<b>Net purchased/ sold amount</b>						
Euro	-	-	-	30,392	37,118	<b>347</b>
Thai Baht	15,000	455	<b>(0)</b>	-	-	-
British Pound Sterling	150	233	<b>4</b>	-	-	-
Japanese Yen	10,000	83	<b>(1)</b>	-	-	-
Swiss Franc	100	101	<b>1</b>	-	-	-
Hungarian Forint	62,000	240	<b>3</b>	-	-	-
<b>Total</b>	-	<b>1,112</b>	<b>7</b>	-	<b>37,118</b>	<b>347</b>

22.14 In accordance with the investment guidelines set up for each externally managed portfolio, the external investment managers use forward foreign exchange contracts to manage the currency risk of groups of securities within each portfolio. The net values of these instruments as at 31 December 2015 and 31 December 2014 that were in place to hedge foreign exchange risk in the available-for-sale investment portfolios have been reclassified to “derivative financial instruments” in the Statement of Financial Position and summarized below:

<i>(thousands of US dollars)</i>		31-Dec-15					Total unrealized gains / (losses) (USD)
Net purchased / sold amount	Currency forward bought (LCY)	Currency forward bought (USD)	Un- realized gains / (losses) (USD)	Currency forward sold (LCY)	Currency forward sold (USD)	Unrealized gains / (losses) (USD)	
Australian Dollar	1,280	930	18	(5,177)	(3,757)	(14)	4
Canadian Dollar	619	446	1	(5,128)	(3,692)	179	180
Danish Krone	-	-	-	(22,104)	(3,224)	(37)	(37)
British Pound sterling	4,252	6,267	(209)	(25,722)	(37,916)	1,304	1,095
Swiss Franc	297	297	(1)	(301)	(301)	(5)	(6)
Euro	131,887	143,446	36	(14,211)	(15,450)	(30)	6
Japanese Yen	327,801	2,727	35	(516,638)	(4,298)	(37)	(2)
Norwegian Krone	5,095	575	(18)	(5,191)	(586)	1	(17)
New Zealand Dollar	1,925	1,315	46	(3,767)	(2,572)	(58)	(12)
Swedish Krona	7,682	912	10	(27,652)	(3,285)	(39)	(29)
United States Dollar	47,208	47,208	-	(127,638)	(127,638)	-	-
Mexican Peso	-	-	-	(3,699)	(214)	8	8
<b>Total</b>		<b>204,123</b>	<b>(82)</b>		<b>(202,933)</b>	<b>1,272</b>	<b>1,190</b>

<i>(thousands of US dollars)</i>		31-Dec-14					Total unrealized gains / (losses) (USD)
Net purchased / sold amount	Currency forward bought (LCY)	Currency forward bought (USD)	Un- realized gains / (losses) (USD)	Currency forward sold (LCY)	Currency forward sold (USD)	Unrealized gains / (losses) (USD)	
Australian Dollar	7,712	6,295	(346)	(8,587)	(9,881)	536	190
Canadian Dollar	932	804	(24)	(3,000)	(5,084)	145	121
Danish Krone	-	-	-	(11,000)	(2,680)	88	88
British Pound sterling	2,748	4,284	(92)	(11,654)	(47,382)	1,346	1,254
Swiss Franc	769	774	(21)	-	(974)	19	(2)
Euro	143,802	174,059	(6,629)	(7,693)	(39,361)	1,608	(5,022)
Japanese Yen	610,941	5,096	(196)	(135,380)	(8,361)	468	272
Norwegian Krone	5,548	740	(59)	-	(732)	65	6
New Zealand Dollar	1,779	1,388	(0)	(945)	(3,303)	(19)	(19)
Swedish Krona	5,906	754	(43)	(56,469)	(9,549)	561	518
United States Dollar	79	78,677	-	(148)	(148,160)	-	-
<b>Total</b>	<b>-</b>	<b>272,871</b>	<b>(7,410)</b>	<b>-</b>	<b>(275,466)</b>	<b>4,816</b>	<b>(2,594)</b>

22.15 Foreign exchange exposures on future payroll costs are hedged by the Organization through the utilization of the split assessment regime. Consequently, the Organization does not use financial instruments to mitigate the foreign currency exposure associated with payroll costs. The Organization does not use financial instruments to hedge the foreign exchange exposures on receivables and payables. Currency exchange risk also arises as a result of the differences in timing of recording the foreign currency receivables or payables and the cash receipt or payment in subsequent periods. Any receipts in currencies other than the United States Dollar are exchanged in the spot market.

### Equity price risk

22.16 Equity price risk is the risk of a decline in the value of a security or a portfolio, and is dependent on the volatility of the securities held within a portfolio. The Organization seeks to mitigate this risk by maintaining well-diversified equity investment portfolios. The table below shows the diversification of the

Organization's equity portfolios as at the period end, as well as the asset allocation between other types of externally managed investments:

<i>(thousands of US dollars)</i>							
Sector	31-Dec-15						% of Total
	Cost	Unrealized gains / (losses)	Market value	Accruals	Market including accruals	% of Equities	
<b>Equities</b>							
Consumer discretionary	22,451	2,795	25,246	27	25,273	11.6%	1.7%
Consumer staples	18,760	815	19,575	27	19,602	9.0%	1.4%
Energy	12,673	(1,366)	11,307	20	11,327	5.2%	0.8%
Financials	38,455	3,508	41,963	37	42,000	19.4%	2.9%
Health care	22,129	5,220	27,349	24	27,373	12.6%	1.9%
Industrials	22,928	1,324	24,252	12	24,264	11.2%	1.7%
Information technology	20,367	6,926	27,293	37	27,330	12.6%	1.9%
Materials	11,650	(2,600)	9,050	8	9,058	4.2%	0.6%
Equities ETF	16,852	(5,075)	11,777	-	11,777	5.4%	0.8%
Telecommunication services	7,560	107	7,667	19	7,686	3.5%	0.5%
Utilities	8,962	(1,042)	7,920	6	7,926	3.7%	0.6%
Other	3,123	254	3,377	-	3,377	1.6%	0.2%
Performance fee accrual		(582)	(582)		(582)		
<b>Total equities</b>	<b>205,910</b>	<b>10,284</b>	<b>216,194</b>	<b>217</b>	<b>216,411</b>	<b>100.0%</b>	<b>15.0%</b>
<b>Non-equities</b>							
All other							
Fixed income	726,072	(14,806)	711,266	3,396	714,662		49.5%
Cash and cash equivalents	511,503	73	511,576	265	511,841		35.4%
Derivative financial instruments	-	1,190	1,190	-	1,190		0.1%
<b>Total non-equities</b>	<b>1,237,575</b>	<b>(13,543)</b>	<b>1,224,032</b>	<b>3,661</b>	<b>1,227,693</b>		<b>85.0%</b>
<b>Total assets in externally managed portfolios</b>	<b>1,443,485</b>	<b>(3,259)</b>	<b>1,440,226</b>	<b>3,878</b>	<b>1,444,104</b>		<b>100.0%</b>

<i>(thousands of US dollars)</i>							
Sector	31-Dec-14						% of Total
	Cost	Unrealized gains / (losses)	Market value	Accruals	Market including accruals	% of Equities	
<b>Equities</b>							
Consumer discretionary	18,085	3,095	21,180	35	21,215	9.6%	1.4%
Consumer staples	16,882	1,344	18,226	23	18,249	8.3%	1.2%
Energy	11,306	312	11,618	18	11,636	5.3%	0.8%
Financials	36,865	6,001	42,866	73	42,939	19.5%	2.9%
Health care	24,024	6,965	30,989	20	31,008	14.1%	2.1%
Industrials	18,994	2,741	21,735	15	21,750	9.9%	1.5%
Information technology	21,838	8,752	30,590	37	30,627	13.9%	2.1%
Materials	11,714	(96)	11,618	8	11,626	5.3%	0.8%
Equities ETF	16,432	(1,568)	14,874	-	14,874	6.8%	1.0%
Telecommunication services	8,990	673	9,663	22	9,685	4.4%	0.6%
Utilities	7,280	(301)	6,979	2	6,981	3.2%	0.5%
Performance fee accrual		(528)	(528)		(528)		
<b>Total equities</b>	<b>192,410</b>	<b>27,400</b>	<b>219,810</b>	<b>253</b>	<b>220,063</b>	<b>100%</b>	<b>14.8%</b>
<b>Non-equities</b>							
All other	-	-	-	-	-	-	-
Fixed income	665,659	(1,865)	663,794	2,684	666,478	-	44.7%
Cash and cash equivalents	605,265	74	605,339	288	605,627	-	40.6%
Derivative financial instruments	-	(2,594)	(2,594)	-	(2,594)	-	(0.2)%
<b>Total non-equities</b>	<b>1,270,924</b>	<b>(4,385)</b>	<b>1,266,539</b>	<b>2,972</b>	<b>1,269,511</b>	<b>-</b>	<b>85.2%</b>
<b>Total assets in externally managed portfolios</b>	<b>1,463,334</b>	<b>23,015</b>	<b>1,486,349</b>	<b>3,225</b>	<b>1,489,574</b>	<b>-</b>	<b>100.0%</b>

### Interest rate risk

22.17 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization seeks to earn a competitive market rate of return on its investment portfolio, however, capital preservation and liquidity are emphasized over the rate of return.

22.18 The investing horizon is based upon the anticipated liquidity needs of the Organization, including the requirement that the principal objective of the Organization's non-current available-for-sale investment portfolio is to fund the Organization's share of staff-related liabilities. Within this context and following FAO's prudent, conservative, low risk investment style and the prevailing market conditions in 2015, the Organization earned a total return of 0.22% for the year on its trading portfolio versus 0.03% for the benchmark, whilst the non-current portfolio designated as available-for-sale earned (6.61%). The Organization is exposed to changes in interest rates on floating rate financial and fixed income assets.

### Credit risk

22.19 Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to FAO, and it arises principally on the Organization's investments, loans, receivables, and cash and cash equivalents. The maximum exposure to credit risk at 31 December 2015 and 31 December 2014 are:



<i>(thousands of US dollars)</i>	31-Dec-15	31-Dec-14
Investments	711,266	663,794
Cash and cash equivalents	567,466	687,604
Receivables for non-exchange transactions	201,441	143,122
Receivables for exchange transactions	3,935	4,383
Other assets	7,490	5,150
<b>Maximum exposure to credit risk</b>	<b>1,491,598</b>	<b>1,504,053</b>

### Organizational policy on allowable financial instruments

22.20 To manage credit risk, the Organization assesses the credit quality of those parties with whom the Organization invests in based on the investment policy that restricts investments to particular types of financial instruments along with investment ceilings per issuer depending on the credit quality of the issuer.

22.21 Credit risk associated with cash and cash equivalents is managed through specific bank selection criteria designed to evaluate the bank security, reputation, adherence and compliance to local and international laws and regulations, and where applicable, ratings of recognized rating agencies. The table below shows the Organization's concentration of credit risk by credit rating:

<i>(thousands of US dollars)</i>	31-Dec-15						
Instrument	Aaa	Aa	Aa	Baa	NR	Short Term Rating Moody's / S&P P-1/A-1	Total by Instrument
Corporate bonds	5,108	12,492	4,732	7,665	29,150	-	59,147
Government agencies	145,606	-	4,028	-	113,237	-	262,871
Government bonds	216,684	4,408	-	2,977	-	-	224,069
Index linked government bonds	68,063	43,495	1,731	7,547	1,181	-	122,017
Government MBS	1,121	22	-	-	6,531	-	7,674
Non-government backed C.M.O.s							
Municipal / provincial bonds	16,562	18,925	-	-	-	-	35,487
<b>Total instruments</b>	<b>453,144</b>	<b>79,342</b>	<b>10,491</b>	<b>18,189</b>	<b>150,099</b>	<b>-</b>	<b>711,265</b>

<i>(thousands of US dollars)</i>	31-Dec-14						
Instrument	Aaa	Aa	Aa	Baa	NR	Short Term Rating Moody's / S&P P-1/A-1	Total by Instrument
Corporate bonds	12,050	5,487	4,897	11,155	27,088	-	60,677
Government agencies	109,307	11,059	4,089	-	66,515	46,304	237,274
Government bonds	167,209	1,706	1,163	5,650	-	-	175,728
Index linked government bonds	79,844	54,837	1,107	1,096	-	-	136,884
Index linked corporate bonds	-	-	-	-	-	196	196
Government MBS	1,913	26	-	-	4,253	-	6,192
Non-government backed C.M.O.s	-	-	-	-	3,549	-	3,549
Municipal/ provincial bonds	18,146	25,148	-	-	-	-	43,294
<b>Total instruments</b>	<b>388,469</b>	<b>98,263</b>	<b>11,256</b>	<b>17,901</b>	<b>101,405</b>	<b>46,500</b>	<b>663,794</b>

### Liquidity risk

22.22 Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial assets. The liquidity risk of the Organization is primarily managed on an individual fund basis. For the Extra Budgetary Programme, commitment can generally only be made once funds are available and therefore liquidity risk is minimal. For the Regular Programme, the appropriation based budget for incurring expenditures ensures that expenses do not exceed revenue streams for any given year, and monthly cash flow forecasting ensures that the Organization has sufficient cash on demand to meet expected operating expenses as they arise. Furthermore, the Working Capital Fund and the Special Reserve Account can both advance monies to the General Fund on a reimbursement basis to finance expenditures pending receipt of assessed contributions and in the event of adverse currency fluctuations and unbudgeted inflationary trends. The combined balance on the Working Capital Fund and the Special Reserve Account provides a liquidity cushion to the Organization's Regular Programme of approximately one month. The contractual policy of both the Organization's receivables and payables is within 30 days of invoice.

### Interest rate risk

22.23 If the weighted average interest rate had been 100 basis points higher or lower, the value of the investment portfolios would have been affected as follows in the sensitivity analysis:

<i>(thousands of US dollars)</i>		31-Dec-15
	Increase / (decrease) in basis points	Effect on surplus / (deficit)
Held-for-trading	100	3,223
Held-for-trading	(100)	(3,223)
Available-for-sale investments	100	22,895
Available-for-sale investments	(100)	(22,895)

<i>(thousands of US dollars)</i>		31-Dec-14
	Increase / (decrease) in basis points	Effect on surplus / (deficit)
Held-for-trading	100	3,039
Held-for-trading	(100)	(3,039)
Available-for-sale investments	100	23,318
Available-for-sale investments	(100)	(23,318)

### Foreign exchange rate risk

22.24 All of the Organization's foreign currency investments in the fixed income available-for-sale investment portfolios that are non US Dollar denominated are hedged to the Euro. If the USD / Euro exchange rate at 31 December 2015 and 31 December 2014 had been 5% higher or lower the value of the Euro denominated investment portfolios would have been affected as follows:

<i>(thousands of US dollars)</i>		31-Dec-15
	Increase / (decrease) in USD/EUR exchange rate	Effect on surplus / (deficit)
Available-for-sale investments (fixed income only)	5%	10,931
Available-for-sale investments (fixed income only)	(5%)	(10,931)

<i>(thousands of US dollars)</i>	<b>31-Dec-14</b>	
	<b>Increase / (decrease) in USD/EUR exchange rate</b>	<b>Effect on surplus / (deficit)</b>
Available-for-sale investments (fixed income only)	5%	10,846
Available-for-sale investments (fixed income only)	(5%)	(10,846)

### Equity price risk

22.25 If the equity market risk at 31 December 2015 and 31 December 2014 had been 10% higher or lower, the value of the equity investment portfolios would have been affected as follows:

<i>(thousands of US dollars)</i>	<b>31-Dec-15</b>	
	<b>Increase / (decrease) in Equity Market Risk</b>	<b>Effect on surplus / (deficit)</b>
Available-for-sale investments	10%	20,678
Available-for-sale investments	(10%)	(20,678)

<i>(thousands of US dollars)</i>	<b>31-Dec-14</b>	
	<b>Increase / (decrease) in Equity Market Risk</b>	<b>Effect on surplus / (deficit)</b>
Available-for-sale investments	10%	22,622
Available-for-sale investments	(10%)	(22,622)

### Note 23. Segments

23.1 The Organization operates, and generally reports financial information to the Director-General and the Governing Bodies in two segments, the General and Related Fund and the Trust Funds and UNDP.

23.2 Amounts received by the Organization with respect to the General and Related Fund are utilized in the execution of the Organization's mandate based upon the Programme of Work supporting the appropriations approved by the Member Nations and funded through assessed contributions.

23.3 Amounts received by the Organization with respect to the Trust Funds and UNDP are utilized in the execution of the Organization's mandate based upon specific project activities in addition to the Programme of Work and are funded through voluntary contributions from countries, other organization and under an inter-organizational arrangement with the UNDP.

23.4 For the year ended 31 December 2015, the Organization acquired for the General Fund and the Trust Fund and UNDP, PP&E for internal use amounting to USD 8.2 million (USD 6.3 million in 2014) and USD 4.6 million (USD 10 million in 2014), respectively.

23.5 The accumulated deficit under the General and Related Fund represents the unfunded liability associated with the After Service Medical Coverage Plan, offset in part by the unexpended portion of assessed contributions, including cash received and accounts receivable from Member Nations, to be utilized for future operational requirements.

23.6 The accumulated surplus under the Trust Funds and UNDP represented the unexpended portion of voluntary contributions to be utilized for future project related operational requirements.

23.7 The Statement of Financial Position at 31 December 2015 and 31 December 2014, on a segment basis, are as follows:

<i>(thousands of US dollars)</i>			
	<b>31-Dec-15</b>		
	<b>General and Related</b>	<b>Trust and UNDP</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	204,436	363,030	567,466
Investments and derivative financial instruments	1,856	519,974	521,830
Receivables from non-exchange transactions	93,568	107,248	200,816
Receivables from exchange transactions	3,935	-	3,935
Prepayments and other current assets	39,299	7,163	46,462
Inventories	1,307	13,290	14,597
	344,401	1,010,705	1,355,106
<b>Non-current assets</b>			
Investments	407,489	-	407,489
Receivables from non-exchange transactions	624	-	624
Prepayments and other non-current assets	418	-	418
Property, plant and equipment	13,660	9,535	23,195
Intangible assets	5,420	98	5,518
	427,611	9,633	437,244
<b>Total assets</b>	<b>772,012</b>	<b>1,020,338</b>	<b>1,792,350</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	24,401	(597)	23,804
Accrued expenses	37,020	85,841	122,861
Payment received in advance	19,746	565,704	585,450
Derivative financial instruments	-	-	-
Employee benefits obligations	14,686	-	14,686
Provisions	5,400	-	5,400
Other current liabilities	5,230	(12)	5,218
	106,483	650,936	757,419
<b>Non-current liabilities</b>			
Employee benefit obligations	1,124,780	-	1,124,780
Other non-current liabilities	47,397	3,711	51,108
	1,172,177	3,711	1,175,888
<b>Total liabilities</b>	<b>1,278,660</b>	<b>654,647</b>	<b>1,933,307</b>
<b>Net assets</b>	<b>(506,648)</b>	<b>365,691</b>	<b>(140,957)</b>
<b>Equity</b>			
Accumulated surplus / (deficit)	(704,025)	365,691	(338,334)
Reserves	197,377	-	197,377
<b>Total equity / (deficit)</b>	<b>(506,648)</b>	<b>365,691</b>	<b>(140,957)</b>

<i>(thousands of US dollars)</i>			
	<b>31-Dec-14</b>		
	<b>General and Related</b>	<b>Trust and UNDP</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	189,039	498,565	687,604
Investments and derivative financial instruments	354	455,597	455,951
Receivables from non-exchange transactions	69,321	72,562	141,883
Receivables from exchange transactions	4,383	-	4,383
Prepayments and other current assets	39,888	3,240	43,128
Inventories	1,507	14,747	16,254
	304,492	1,044,711	1,349,203
<b>Non-current assets</b>			
Investments	428,007	-	428,007
Receivables from non-exchange transactions	1,239	-	1,239
Prepayments and other non-current assets	418	-	418
Property, plant and equipment	7,881	8,230	16,111
Intangible assets	4,470	110	4,580
	442,015	8,340	450,355
<b>Total assets</b>	<b>746,507</b>	<b>1,053,051</b>	<b>1,799,558</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	26,544	(253)	26,291
Accrued expenses	23,731	73,708	97,439
Payment received in advance	2,136	740,269	742,405
Derivative financial instruments	2,594	-	2,594
Employee benefits obligations	16,374	-	16,374
Provisions	4,222	-	4,222
Other current liabilities	4,365	(1)	4,364
	79,966	813,723	893,689
<b>Non-current liabilities</b>			
Employee benefit obligations	1,390,564	-	1,390,564
Other non-current liabilities	61,743	15,238	76,981
	1,452,307	15,238	1,467,545
<b>Total liabilities</b>	<b>1,532,273</b>	<b>828,961</b>	<b>2,361,234</b>
<b>Net assets</b>	<b>(785,766)</b>	<b>224,090</b>	<b>(561,676)</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	(705,724)	224,090	(481,634)
Reserves	(80,042)	-	(80,042)
<b>Total equity / (deficit)</b>	<b>(785,766)</b>	<b>224,090</b>	<b>(561,676)</b>

23.8 The Statement of Financial Performance for the year ended 31 December 2015 and 31 December 2014, on a segment basis, are as follows:

<i>(thousands of US dollars)</i>			
	<b>General and Related</b>	<b>31-Dec-15 Trust and UNDP</b>	<b>Total</b>
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Assessments of Member Nations under Regular Programme	496,623	-	496,623
Voluntary contributions	77,428	825,377	902,805
Other non-exchange revenue	63,809	2,001	65,810
	637,860	827,378	1,465,238
<b>Revenue from exchange transactions</b>			
Exchange revenue	8,605	160	8,765
	8,605	160	8,765
<b>Total revenue</b>	<b>646,465</b>	<b>827,538</b>	<b>1,474,003</b>
<b>Expenses</b>			
Staff related costs	315,588	96,747	412,335
Consultants	85,594	130,790	216,384
Travel costs	42,201	63,262	105,463
Depreciation, amortization and impairment of long-lived assets	3,567	2,211	5,778
Training expenses	10,281	24,341	34,622
Contracted services	99,091	182,733	281,824
Grants and other transfer payments	4,872	10,333	15,205
Supplies and consumables used	26,446	162,262	188,708
Other expenses	782	14,062	14,844
<b>Total expenses</b>	<b>588,422</b>	<b>686,741</b>	<b>1,275,163</b>
<b>Non-operating income and expenses</b>			
Investment income / (expenses)	(728)	912	184
Foreign exchange gains / (losses)	(15,924)	768	(15,156)
Finance income / (expenses)	(39,656)	(912)	(40,568)
<b>Surplus</b>	<b>1,735</b>	<b>141,565</b>	<b>143,300</b>

<i>(thousands of US dollars)</i>		31-Dec-14	
	General and Related	Trust and UNDP	Total
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Assessments of Member Nations under Regular Programme	527,095	-	527,095
Voluntary contributions	82,745	889,690	972,435
Other non-exchange revenue	60,323	1,743	62,066
	670,163	891,433	1,561,596
<b>Revenue from exchange transactions</b>			
Exchange revenue	11,145	(6)	11,139
	11,145	(6)	11,139
<b>Total revenue</b>	<b>681,308</b>	<b>891,427</b>	<b>1,572,735</b>
<b>Expenses</b>			
Staff related costs	337,406	105,341	442,747
Consultants	71,004	134,911	205,915
Travel costs	35,368	69,266	104,634
Depreciation, amortization and impairment of long-lived assets	1,139	1,191	2,330
Training expenses	7,463	25,314	32,777
Contracted services	91,493	160,004	251,497
Grants and other transfer payments	4,989	1,506	6,495
Supplies and consumables used	25,587	155,569	181,156
Other expenses	12,855	15,622	28,477
<b>Total expenses</b>	<b>587,304</b>	<b>668,724</b>	<b>1,256,028</b>
<b>Non-operating income and expenses</b>			
Investment income	7,733	503	8,236
Foreign exchange gains / (losses)	(7,124)	(492)	(7,616)
Finance income / (expenses)	(50,442)	(503)	(50,945)
<b>Surplus</b>	<b>44,171</b>	<b>222,211</b>	<b>266,382</b>

**Note 24. Statement of Comparison of Budget and Actual Amounts (Statement V)**

24.1 The budget is prepared and approved on a modified cash basis. Under the modified cash basis of accounting, expenditures are recognized when a commitment to purchase the goods has been raised. The expenditures are classified by chapter as designated and approved in the Programme of Work. The budget level was approved in Conference Resolution 7/2013 and the budget distribution by chapter was approved by Council in Adjustments to PWB 2014-15 in December 2013. The approved budget represents the “net appropriation” for the fiscal biennial period from 1 January 2014 to 31 December 2015 and provides funding for the Regular Programme activities of the Organization. The expenditures recorded on the Trust Fund and UNDP accounts are included in Statement II of this document. As the approved budget covers a fiscal biennial period, the budgets presented in Statement V are based upon “calendarised” budget<sup>1</sup> at 50% of the biennial budget. The actual expenditures, prepared on the same basis as the budget, represent actual expenditures for the year ended 31 December 2015 on the modified cash basis of accounting.

<sup>1</sup> The breakdown of the approved budget between 2014 and 2015 takes account of the one-time costs associated with transformational change which were incurred in 2014, and assumes that all other programmes incur expenditures evenly throughout the biennium.

### Reconciliation between the actual amounts on a comparable basis and the cash flow statement

24.2 The financial statements have been presented on an accrual basis. Under the accrual basis of accounting, income and expenses are recognized when the underlying transactions occur. Additionally, the financial statements are classified based upon the nature of the transactions. As a result, the budget and the accounting bases differ. For the year ended 31 December 2015 and 31 December 2014, the actual amounts prepared on the same basis as the revised budget have been reconciled to the actual amounts presented in the Cash Flow Statement. The reconciliations are presented here:

<i>(thousands of US dollars)</i>	31-Dec-15			Total
	Operating	Investing	Financing	
Actual amount on comparable basis	585,074	-	-	585,074
Basis differences	23,379	-	-	23,379
Presentation differences	(1,336,993)	(89,788)	-	(1,426,781)
Entity differences	698,190	-	-	698,190
<b>Actual amount on the Cash Flow Statement</b>	<b>(30,350)</b>	<b>(89,788)</b>	<b>-</b>	<b>(120,138)</b>

<i>(thousands of US dollars)</i>	31-Dec-14			Total
	Operating	Investing	Financing	
Actual amount on comparable basis	553,769	-	-	553,769
Basis differences	33,670	-	-	33,670
Presentation differences	(1,143,372)	(121,337)	-	(1,264,709)
Entity differences	693,634	-	-	693,634
<b>Actual amount on the Cash Flow Statement</b>	<b>137,701</b>	<b>(121,337)</b>	<b>-</b>	<b>16,364</b>

24.3 Basis differences occurred due to differences between the modified cash basis supporting the actual amounts on a comparable basis to the budget and the accrual basis supporting the financial statements.

24.4 Timing differences have arisen as the current year cash flows include expenditures budgeted for in the prior period.

24.5 Presentation differences occurred due to differences in the format and classification methods adopted for presentation of the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts, including the use of the budget rate of exchange in the Statement of Comparison of Budget and Actual Amounts. Presentation differences also include those resulting for classes of transactions not included within the budget. The most significant component of presentation differences arise from the fact that revenues are not included in the budget. Additionally, few investing activities and no financing activities are budgeted for by the Organization.

24.6 The entity differences arise due to the fact that all funds are required to be reported for financial reporting purposes, but are not included in the approved final budget. For example, the Trust Funds and UNDP are not included in the approved final budget, however they are presented in these financial statements.

### Budget to actuals variance analysis

24.7 Budget utilization levels in 2015 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity requirements; and (c) implementation of the FAO Programme of Work and Budget 2014-15 (FC 157/8, FC 160/7, FC 161/5).

24.8 In 2015 there was an excess of expenditure of USD 28.5 million compared with the revised “calendarised” budget, which implies an overall delivery of 105.7%. Spending in the second year of the



biennium is habitually higher than in the first year. This is partly due to the management of budget on biennial basis on account of actions such as carry-over of divisional under-spending, through the allotments, into the second year of the biennium. The over-expenditure is also influenced by shifts in implementation. For the biennial view please refer to Statement VA – Statement of Comparison of Budget and Actual Amounts for the Biennium Ended 31 December 2015 above.

24.9 The spending by budgetary chapter in 2015 follows the biennial trends reported to the Finance Committee (FC 157/7, FC 157/8, FC 160/7, FC 161/5). These spending patterns when compared to the revised “calendarised” budget are due to the carry-over of divisional under-spending in 2014 and realignment of work plans to address the implementation realities in 2015.

24.10 Accordingly, the budget utilization level in 2015 for all chapters is the difference between the revised budget and budget rate net expenditure, as follows:

- i) Chapter 1 “Contribute to the eradication of hunger, food insecurity and malnutrition” budget rate net expenditure amounted to USD 47.1 million, representing 116.4% of the revised budget of USD 40.4 million;
- ii) Chapter 2 “Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner” budget rate net expenditure amounted to USD 112.5 million, representing 108.8% of the revised budget of USD 103.4 million;
- iii) Chapter 3 “Reduce rural poverty” budget rate net expenditure amounted to USD 35.2 million, representing 108.4% of the revised budget of USD 32.5 million;
- iv) Chapter 4 “Enable more inclusive and efficient agricultural and food systems” budget rate net expenditure amounted to USD 56.0 million, representing 111.7% of the revised budget of USD 50.1 million;
- v) Chapter 5 “Increase the resilience of livelihoods to threats and crises” budget rate net expenditure amounted to USD 26.2 million, representing 93.5% of the revised budget of USD 28.0 million;
- vi) Chapter 6 “Technical Quality, Knowledge and Services” budget rate net expenditure amounted to USD 22.7 million, representing 120.4% of the revised budget of USD 18.7 million;
- vii) Chapter 8 “Outreach” budget rate net expenditure amounted to USD 38.7 million, representing 92.9% of the revised budget of USD 41.7 million;
- viii) Chapter 9 “Information Technology” budget rate net expenditure amounted to USD 21.6 million, representing 125.0% of the revised budget of USD 17.3 million;
- ix) Chapter 10 “FAO governance, oversight and direction” budget rate net expenditure amounted to USD 42.4 million, representing 89.5% of the revised budget of USD 47.4 million; and
- x) Chapter 11 “Efficient and effective administration” budget rate net expenditure amounted to USD 43.6 million, representing 116.4% of the revised budget of USD 37.4 million.

24.11 The unspent balances on Chapter 7 Technical Cooperation Programme, Chapter 13 Capital Expenditure, and Chapter 14 Security Expenditure are fully carried forward for use in the subsequent financial period in line with the Financial Regulations, and therefore do not result in a variance against budget.

**Note 25. Related parties**

25.1 Total compensation and remuneration to key management personnel and other senior management for the year ended 31 December 2015 and 31 December 2014 were as follows:

<i>(thousands of US dollars)</i>							
Employee Group	Number of Individuals	Number of Positions	Compensation	Entitlements	Pension and Health Plans	Total Compensation	Outstanding Loans
2015	3	3	811	147	152	1,110	29
2014	3	3	939	125	152	1,216	22

25.2 Key management personnel include the Director-General and the Deputy Director-Generals, as they have the authority and responsibility for planning, directing and controlling the activities of the Organization. The Conference consists of 194 Member Nations without personal appointment.

25.3 Compensation includes net salaries and post adjustment. Entitlements include allowances such as assignment and other grants, rental subsidies, education grants and personal effect shipment costs. Pension and health plans include the Organization's contribution with respect to the pension plan and health plan.

25.4 Each of the key management personnel, their close family members and other senior management are also qualified for other post-employment benefits at the same level as other employees. These personnel are also ordinary members of the UNJSPF. As these benefits cannot be reliably quantified on an individual or sub-group level, they have not been included in the above disclosure.

25.5 Advances are those made against entitlements, such as education grants, in accordance with staff rules and regulations and none have been made to the key management personnel. Such advances are widely available to the Organization's staff.

**Note 26. Events after the reporting date**

26.1 The Organization's reporting date is 31 December 2015 for the 2015 IPSAS Financial Statements. On the date of approval and signing of these accounts, there have been no material events, favorable or unfavorable, incurred between the reporting date and the date when the financial statements were authorized for issuance that would have impacted these statements.