



联合国
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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

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الغذية والزراعة
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CONFERENCE

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Rome, 22-29 June 2019

Audited Accounts - FAO 2016

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FINANCIAL STATEMENTS for 2016

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 2019/5 B.



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

To the FAO Conference of Member Nations

Opinion

We have audited the financial statements of the Food and Agriculture Organization of the United Nations (FAO), which comprise the statement of financial position as at 31 December 2016, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FAO as at 31 December 2016, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the FAO in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the FAO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the FAO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the FAO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economics decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 FAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the FAO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. Aginaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
24 June 2017

FINANCIAL STATEMENTS 2016

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

23 June 2017

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 2016 prepared in accordance with International Public Sector Accounting Standards (IPSAS) and FAO's Financial Rules and Regulations.

IPSAS adoption is strengthening the financial reporting of FAO in the areas of Assets and Liabilities, which were a historically weak area of reporting across the UN system organizations.

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.

Following last year's introduction of the FAO Internal Control Framework the Organization has made significant efforts towards the formal issuance of the Statement of Internal Controls starting in the year 2017. The Framework establishes the 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.

The Organization continues to strengthen its commitment towards transparency and safeguarding of funds entrusted to the Organization through progressing on improvements to process of safeguarding of assets, strengthening the Accountability Policy and diversified and prudent investment strategies.

STATEMENT I – STATEMENT OF FINANCIAL POSITION			
AS AT 31 DECEMBER 2016			
<i>(thousands of US dollars)</i>	Note	31-Dec-16	31-Dec-15
Assets			
Current assets			
Cash and cash equivalents	3	684,713	567,466
Investments and derivative financial instruments	4	524,801	521,830
Receivables from non-exchange transactions	5	174,281	200,816
Receivables from exchange transactions	6	8,076	3,935
Prepayments and other current assets	7	32,217	46,462
Inventories	8	9,347	14,597
		1,433,435	1,355,106
Non-current assets			
Investments	4	442,950	407,489
Receivables from non-exchange transactions	5	890	624
Prepayments and other non-current assets	7	995	418
Property, plant and equipment	9	24,526	23,195
Intangible assets	10	4,770	5,518
		474,131	437,244
Total assets		1,907,566	1,792,350
Liabilities			
Current liabilities			
Accounts payable	11	25,960	23,804
Accrued expenses	11	106,231	122,861
Payments received in advance	12	487,435	585,450
Employee benefit obligations	13	13,097	14,686
Provisions	16	1,407	5,400
Other current liabilities	17	5,207	5,218
		639,337	757,419
Non-current liabilities			
Employee benefit obligations	13	1,319,199	1,124,780
Other non-current liabilities	17	51,929	51,108
		1,371,128	1,175,888
Total liabilities		2,010,465	1,933,307
Net assets		(102,899)	(140,957)
Equity			
Accumulated surplus / (deficit)		(165,086)	(338,334)
Reserves	18	62,187	197,377
Total equity		(102,899)	(140,957)

STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2016			
<i>(thousands of US dollars)</i>	Note	31-Dec-16	31-Dec-15
Revenue			
Revenue from non-exchange transactions			
Assessments of Member Nations under Regular Programme	19	487,424	496,623
Voluntary contributions	19	897,750	902,805
Other non-exchange revenue	19	63,723	65,810
		1,448,897	1,465,238
Revenue from exchange transactions			
Exchange revenue	19	7,267	8,765
		7,267	8,765
Total revenue		1,456,164	1,474,003
Expenses			
Employee benefits and other personnel costs	20	389,408	412,335
Consultants	20	230,621	216,384
Travel costs	20	94,251	105,463
Depreciation, amortization and impairment of long-lived assets	20	7,989	5,778
Training expenses	20	34,366	34,622
Contractual services	20	271,307	281,824
Grants and other transfer payments	20	24,300	15,205
Supplies and consumables used	20	162,990	188,708
Other expenses	20	25,586	14,844
Total expenses		1,240,818	1,275,163
Non-operating income and expenses			
Investment income	21	(7,847)	184
Foreign exchange gains / (losses)	21	3,290	(15,156)
Finance income / (expenses)	21	(37,541)	(40,568)
Total non-operating income and expenses		(42,098)	(55,540)
Surplus		173,248	143,300

STATEMENT III – STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016						
<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)
Balance year ended 31 Dec 2015		(338,334)	17,559	169,903	9,915	(140,957)
Actuarial gains / (losses)	18	-	-	(170,330)	-	(170,330)
Unrealized holding gains / (losses)	18	-	-	-	35,140	35,140
Net revenue recognized directly in equity		-	-	(170,330)	35,140	(135,190)
Surplus for the period		173,248	-	-	-	173,248
Balance year ended 31 Dec 2016		(165,086)	17,559	(427)	45,055	(102,899)

STATEMENT IV – CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016		
<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Cash flows from operating activities		
Surplus / (deficit) for the period	173,248	143,300
Adjustments required to reconcile surplus / (deficit) for the period to cash flows from operating activities:		
Depreciation and amortization	7,989	5,778
Receipts of in-kind donations	0	0
Provision for doubtful accounts	5,607	(3,535)
Provision for contingent liabilities	(3,672)	1,178
Internal Project Support Costs	(493)	445
(Gains) / losses on sale or disposal of fixed assets	416	73
(Gains) / losses on trading and derivative investments	(1,668)	(3,105)
(Gains) / losses on Available-for-sale investments	9,514	5,515
Changes in assets and liabilities:		
Receivables from non-exchange transactions	20,873	(58,318)
Receivables from exchange transactions	(3,978)	448
Inventories	5,250	1,657
Other current and non-current assets	12,753	(3,334)
Accounts payable and accrued expenses	(14,478)	(22,935)
Staff related liabilities	23,970	38,586
Advances	(98,015)	(156,954)
Other current and non-current liabilities	810	(25,019)
Net cash flows from operating activities	138,126	(30,350)
Cash flows from investing activities		
Net purchases of property, plant and equipment	(8,435)	(11,849)
Purchases of intangible assets	(626)	(1,904)
Net purchases / sales of trading and derivative investments	(1,998)	(66,491)
Net purchases / sales of available-for-sale investments	(9,820)	(9,544)
Net cash flows from investing activities	(20,879)	(89,788)
Net increase / (decrease) in cash and cash equivalents	117,247	(120,138)
Cash and cash equivalents at beginning of period	567,466	687,604
Cash and cash equivalents at end of period	684,713	567,466

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 2016

<i>(thousands of US dollars)</i>											
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	42,195	329	-	-	42,524	(7,249)	42,822	1,465	37,038	5,486
2	Increase and improve provision of goods and services from agriculture, forestry and fisheries in a sustainable manner	100,367	586	-	-	100,953	(18,636)	106,631	3,644	91,639	9,314
3	Reduce rural poverty	32,853	142	-	-	32,995	(4,586)	32,793	1,098	29,305	3,690
4	Enable more inclusive and efficient agricultural and food systems at local, national and international levels	52,633	120	-	-	52,753	(13,783)	59,046	2,011	47,274	5,479
5	Increase the resilience of livelihoods to threats and crises	25,420	104	-	-	25,524	(5,379)	28,057	943	23,621	1,903
6	Technical Quality, Knowledge and Services	29,608	-	-	-	29,608	(713)	24,879	892	25,058	4,550
7	Technical Cooperation Programme	69,066	79,461	-	(81,505)	67,022	-	66,048	974	67,022	-
8	Outreach	38,870	-	-	-	38,870	(3,258)	36,212	1,347	34,301	4,569
9	Information Technology	17,719	11	-	-	17,730	(5,471)	18,548	1,080	14,157	3,573
10	FAO Governance, Oversight and Direction	38,492	805	-	-	39,297	(9,934)	39,138	1,785	30,989	8,308
11	Efficient and Effective Administration	35,638	836	-	-	36,474	(22,493)	51,783	3,021	32,311	4,163
12	Contingencies	300	-	-	-	300	-	-	-	-	300
13	Capital Expenditure	8,446	-	-	(6,086)	2,360	-	2,307	53	2,360	-
14	Security Expenditure	11,210	332	-	-	11,542	(5,680)	16,762	460	11,542	-
	Sub-total	502,817	82,726	-	(87,591)	497,952	(97,182)	525,026	18,773	446,617	51,335
	Transfer to Tax Equalization Fund	45,050	-	(45,050)	-	-	-	-	-	-	-
	TCP deferred income (Chapter 15)	79,461	(79,461)	-	81,505	81,505	-	-	-	-	81,505
	Transformational Change deferred income	5,567	(2,933)	-	-	2,634	-	-	-	-	2,634
	Capital expenditure account	26,160	-	-	6,086	32,246	-	-	-	-	32,246
	Security expenditure account	18,740	(332)	-	-	18,408	-	-	-	-	18,408
	Total	677,795	-	(45,050)	-	632,745	(97,182)	525,026	18,773	446,617	186,128

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Actual expenses as per Statement V	525,026	585,074
Basis differences		
In-kind / in-service expenses	39,462	43,382
Accruals basis	15,851	(15,779)
PP&E, intangibles and inventory	(424)	(4,224)
Total basis differences	54,889	23,379
Presentation differences		
Provision expenses	1,935	(2,357)
SCV and Pool distributions	(715)	(349)
Classification of income / expenditure items	6,310	26,766
Total presentation differences	7,530	24,060
Entity differences		
Expenses under Other Fund, excluding TCP	21,019	12,217
Expenses under Trust Fund and UNDP	674,452	685,973
Total entity differences	695,471	698,190
Expenses and non-operating income and expenses as per the Statement of Financial Performance	1,282,916	1,330,703
Of which: Total expenses	1,240,818	1,275,163
Non-operating income and expenses	42,098	55,540

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 6/2015 net appropriation of USD 1,005.6 million with budget distribution by Chapter reflecting redistribution of unidentified further efficiency gains and savings of USD 2.7 million (CR 6/2015) and other adjustments as approved by Council in Adjustments to PWB 2016-17 (CL 153/3 and CL 153/REP Report of the 153rd Council, page 1, para 8b). As authorised by the Conference Resolution 6/2015, which allows for any unspent balance of the 2014-15 appropriations to be carried forward for any additional expenditures of a one-time nature associated with consolidation of transformational change, USD 5.6 million is brought forward as deferred income (C 2015/REP Report of the Conference, page 23 para 2 and C 2017/6A Statement VA).

(c) USD 79.5 million of TCP 2014-15 appropriation deferred until 2016 (at 2014-15 budget rate of exchange). USD 2.9 million of the USD 5.6 million unspent balance of the 2014-15 appropriation carried forward as authorized by Conference Resolution 6/2015 was applied towards 2016 one-time nature costs associated with consolidation of transformational change in Strategic and Functional Objectives, thereby reducing the amount of the 2016 budget to fund these costs. None of the USD 26.2 million unspent balance from 2014-15 in the Capital Expenditure Facility (Chapter 13) was made available for use in 2016, and USD 0.3 million of the USD 18.7 million unspent balance from 2014-15 in the Security Expenditure Facility (Chapter 14) was made available for use in 2016.

(d) The Tax Equalization Fund was established as of 1 January 1972. In line with the practice followed since 1972-73, the 2016 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 81.5 million of TCP 2016 appropriation deferred until 2017 (at budget rate of exchange). USD 6.1 million deferred until 2017 under Capital Expenditure Facility (at budget rate of exchange).

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

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Voluntary contributions	67,289	61,848
Funds received under inter-organizational arrangements	228	236
Jointly financed activities	19,918	18,874
Other sundry income	9,747	10,957
Total actual other income	97,182	91,915

(g) Represents amounts charged to the Regular Programme budget and the TCP prior biennium appropriation (USD 459 million and USD 66 million, respectively, for 2016). The Organization accounts for payments for health insurance premiums on behalf of retirees differently for financial reporting than for budgetary reporting. For the 2016, USD 10.6 million (USD 9.9 million in 2015) 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 expenditure 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 2016, carried forward to the second year of the biennium, 2017.

STATEMENT V – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2015											
<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	
1	Contribute to the eradication of hunger, food insecurity and malnutrition	47,308	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	99,340	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	35,233	(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

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 third 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 within reserves are recognized 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 (the UNJSPF or the Pension Fund), 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 Pension Fund 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 Pension Fund 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.

Changes in accounting policies

IPSAS 39, Employee Benefits

2.59 The Organization has chosen to early adopt IPSAS 39, *Employee Benefits*, which replaces IPSAS 25, *Employee Benefits*, as part of its 2016 financial statements. These changes primarily affect the recognition, presentation and disclosure of the financial statements. None of the amendments had a material effect on the Organization's financial statements.

Note 3. Cash and cash equivalents

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Cash at banks and money market funds	88,764	80,769
Short-term time deposits	455,002	341,002
Cash equivalents held with investment managers	140,947	145,695
Total cash and cash equivalents	684,713	567,466

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. The increase in value of short-term time deposits is due to the accelerated receipt of cash in 2016.

3.2 Of the total cash and cash equivalents, USD 0.2 million (USD 2.5 million in 2015) 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 0.7 million (USD 1.0 million in 2015) 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>	31-Dec-16	31-Dec-15
Current		
Held-for-trading investments		
Government bonds	492,937	488,756
Corporate bonds	26,173	23,545
Mortgage backed securities	8,681	7,674
Other	-	-
Total held-for-trading investments	527,791	519,975
Derivative financial instruments	(2,990)	1,855
Total current	524,801	521,830
Non-current		
Available-for-sale investments		
Government bonds	171,226	155,689
Corporate bonds	37,674	35,605
Equities	234,050	216,195
Total available-for-sale investments	442,950	407,489
Total non-current	442,950	407,489

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- 15	Net additions / (deductions)	Management fees	Interest received	Realized	Unrealized Gains/ (Losses) change other	Unrealized Gains/ (Losses) change FX	Balance 31-Dec- 16
Held-for-trading investments								
Fixed income	519,975	4,082	(713)	6,496	(4,037)	1,988	-	527,791
Available-for-sale investment								
Equities	216,195	2,438	(398)	5,606	6,832	3,377	-	234,050
Fixed income	191,294	11,385	(298)	3,389	3,470	27,773	(28,113)	208,900
Total investments	927,464	17,905	(1,409)	15,491	6,265	33,138	(28,113)	970,741

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-16			31-Dec-15		
	Cost	Unrealized gains / (losses) on available-for-sale investments	Fair value	Cost	Unrealized gains / (losses) on available-for-sale investments	Fair value
Available-for-sale investments						
Government bonds	176,579	(5,353)	171,226	163,657	(7,967)	155,690
Corporate bonds and other	39,746	(2,072)	37,674	38,713	(3,109)	35,604
Equities	219,808	14,242	234,050	205,330	10,865	216,195
Total available-for-sale investments	436,133	6,817	442,950	407,700	(211)	407,489

4.6 The unrealized gains of USD 6.8 million as at 31 December 2016 (USD 0.2 million loss in 2015) are the result of overall favourable market conditions affecting equities and fixed income investments. This was partly offset by the unfavourable EUR / USD foreign rate impact on the fixed income investment portfolio during 2016, as the EUR lost approximately 3 % of its value to the USD over the year. Unrealized gains of USD 45.1 million are recorded within equity and the cumulative remainder USD 38.3 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>	31-Dec-16		31-Dec-15	
	Face value	Fair value	Face value	Fair value
Assets				
Forward contracts	6,457	27	946	5
Swaps	-	-	269,303	1,850
Total derivative financial asset instruments	6,457	27	270,249	1,855
Liabilities				
Forward contracts	-	-	-	-
Swaps	(352,551)	(3,017)	-	-
Total derivative financial liability instruments	(352,551)	(3,017)	-	-

Note 5. Receivables from non-exchange transactions

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Current receivables		
Assessed contributions receivable		
Assessments on Member Nations	74,798	105,639
Working Capital Fund	36	36
Special Reserve Account	2,288	2,288
Allowance for doubtful accounts	(19,951)	(14,888)
Total assessed contributions receivable	57,171	93,075
Voluntary contributions receivable		
Voluntary contributions	124,741	115,594
Allowance for doubtful accounts	(8,545)	(8,257)
Total voluntary contributions receivable	116,196	107,337
Other receivables		
Other receivables	4,223	3,667
Allowance for doubtful accounts	(3,309)	(3,263)
Total other receivables	914	404
Total current receivables	174,281	200,816
Non-current assessed contributions receivable		
Assessment of Member Nations under Regular Programme	890	624
Total non-current assessed contributions receivable	890	624
Total receivables from non-exchange transactions	175,171	201,440

5.1 Certain Member Nations have payment plans for their assessments which are due after more than one year from 31 December 2016. Amounts due subsequent to 31 December 2017 of USD 0.9 million, have been classified as non-current. The decrease of USD 30.8 million in the value of outstanding assessments on Member Nations from 31 December 2015 is primarily due to the timely payment by the Organization's major donors in 2016 of their current assessments.

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>	Balance at 31-Dec-15	Increase	Amounts written off	Allowance reversed	Balance at 31- Dec-16
Assessed contributions receivable					
Assessments on Member Nations	(12,671)	(4,957)	-	-	(17,628)
Working Capital Fund	(35)			-	(35)
Special Reserve Account	(2,182)	(106)	-	-	(2,288)
Total assessed contributions receivable	(14,888)	(5,063)	-	-	(19,951)
Voluntary contributions receivable					
Voluntary contributions	(8,257)	(288)	-	-	(8,545)
Total voluntary contributions receivable	(8,257)	(288)	-	-	(8,545)
Other receivables					
Other receivables	(3,263)	(75)	29	-	(3,309)
Total other receivables	(3,263)	(75)	29	-	(3,309)
Total allowance for doubtful accounts	(26,408)	(5,426)	29	-	(31,805)

5.4 The aging of receivables is:

<i>(thousands of US dollars)</i>	Carrying amount	< 1 year	1 – 3 years	3 – 5 years	> 5 years
Current receivables					
Assessed contributions receivable					
Assessments on Member Nations	74,798	48,726	13,232	1,137	11,703
Working Capital Fund	36	-	-	-	36
Special Reserve Account	2,288	-	-	-	2,288
Allowance for doubtful accounts	(19,951)	-	(4,787)	(1,137)	(14,027)
Total assessed contributions receivable	57,171	48,726	8,445	-	-
Voluntary contributions receivable					
Voluntary contributions	124,741	46,323	46,639	13,698	18,081
Allowance for doubtful accounts	(8,545)	-	-	-	(8,545)
Total voluntary contributions receivable	116,196	46,323	46,639	13,698	9,536
Other receivables					
Other receivables	4,223	763	367	71	3,022
Other allowance for doubtful accounts	(3,309)	-	(216)	(71)	(3,022)
Total other receivables	914	763	151	-	-
Total current receivables	174,281	95,812	55,235	13,698	9,536
Non-current assessed contributions receivable					
Assessment of Member Nations under Regular Programme	890	890	-	-	-
Total non-current assessed contributions receivable	890	890	-	-	-
Total receivables	175,171	96,702	55,235	13,698	9,536

5.5 Contributions in arrears related to 17 countries facing voting rights issues amount to USD 4.7 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 5.4 million recorded during 2016 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>	31-Dec-16	31-Dec-15
Due from UN and other organizations	9,299	5,321
Less: Allowance for doubtful accounts	(1,223)	(1,386)
Total current	8,076	3,935
Non-current	-	-
Total non-current	-	-
Total receivables from exchange transactions	8,076	3,935

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>	Balance at 31-Dec-15	Expense	Amounts written off	Allowance reversed	Balance at 31-Dec-16
Due from UN and other organizations	(1,386)	-	64	99	(1,223)
Total allowance for receivables from exchange transactions	(1,386)	-	64	99	(1,223)

6.2 The aging of receivables is:

<i>(thousands of US dollars)</i>	Carrying amount	< 1 year	1 – 3 years	3 – 5 years	> 5 years
Due from UN and other organizations	9,299	7,310	1,054	516	419
Less: Allowance for doubtful accounts	(1,223)		(459)	(484)	(280)
Total receivables from exchange transactions	8,076	7,310	595	32	139

Note 7. Prepayments and other assets

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Employee receivables	13,642	26,577
Prepayments	13,143	13,998
Other assets	7,733	7,490
Less: Allowance for doubtful accounts	(1,306)	(1,185)
Total prepayments and other assets	33,212	46,880
Total current	32,217	46,462
Total non-current	995	418
Total prepayments and other assets	33,212	46,880

7.1 The total prepayments and other assets as of 31 December 2016 consist of employee receivables, prepayments and other assets. The employee receivables represents advances given to employees such as salary advances, education grants, and travel advances, whereas 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>	Balance at 31-Dec-15	Expense	Amounts written off	Allowance reversed	Balance at 31-Dec-16
Employee receivables	(596)	(123)	-	13	(706)
Other assets	(589)	(11)	-	-	(600)
Total allowance for prepayments and other assets	(1,185)	(134)	-	13	(1,306)

Note 8. Inventories

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Project inputs	8,296	13,474
Publications	931	1,045
Other	120	78
Total inventories	9,347	14,597

8.1 For the year ended 31 December 2016, the Organization recognizes USD 143.2 million (USD 167.4 million in 2015) in expense associated with project inputs and USD 2.3 million (USD 2.3 million in 2015) associated with publications utilized during the period. The project inputs consumed include donated inventories of USD 0.8 million (USD 0.3 million in 2015) and USD 0.3 million (USD 0.3 million in 2015) of agricultural inputs becoming obsolete due to changes in project requirements.

Note 9. Property, plant and equipment

<i>(thousands of US dollars)</i>	Balance at 31-Dec-15	Additions	Disposals / Transfers	Depreciation	Balance at 31-Dec-16
Cost of PP&E					
Office furniture and fixtures	2,110	83	(375)	-	1,818
Machinery and equipment	4,562	681	(416)	-	4,827
Computer and IT equipment	16,829	1,169	(2,421)	-	15,577
Motor vehicles	46,686	7,269	(5,540)	-	48,415
Buildings	3,330	45	(18)	-	3,357
Leasehold improvements	2,989	340	(41)	-	3,288
Assets under construction	247	289	(25)	-	511
Total cost of PP&E	76,753	9,876	(8,836)	-	77,793
Accumulated depreciation					
Office furniture and fixtures	(1,818)	-	362	(62)	(1,518)
Machinery and equipment	(3,339)	-	397	(343)	(3,285)
Computer and IT equipment	(14,732)	-	2,160	(1,424)	(13,996)
Motor vehicles	(33,249)	-	4,047	(4,502)	(33,704)
Buildings	(281)	-	17	(153)	(417)
Leasehold improvements	(138)	-	1	(210)	(347)
Total accumulated depreciation	(53,557)	-	6,984	(6,694)	(53,267)
Net PP&E	23,195	9,876	(1,852)	(6,694)	24,526

9.1 The Organization is applying transitional provisions under IPSAS 17. In 2016 a total of USD 13.3 million was transitioned (USD 35.4 million in 2015), comprising office furniture and fixtures with a cost and accumulated depreciation of USD 0.4 million, machinery and equipment with a cost and accumulated depreciation of USD 0.3 million, computer and IT equipment with a cost and accumulated depreciation of USD 1.0 million, and motor vehicles with a cost and accumulated depreciation of USD 11.6 million all 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 2016, no construction in process was completed and placed in service (USD 2.7 million in 2015).

9.3 Additions of USD 9.9 million were purchased in 2016 (USD 12.7 million in 2015). 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 1.2 million are made during the year (USD 0.8 million in 2015). The remainder are obsolescence, casualty losses and other write-offs. Fully-depreciated assets with a cost of USD 26 million are in use at the end of 2016 (USD 33.6 million in 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 2016 is USD 0.2 million (USD 0.5 million in 2015). Assets on the financial statements of the Organization that are being held for disposal have a total cost and accumulated depreciation of USD 0.3 million (USD 0.4 million in 2015).

Note 10. Intangible Assets

<i>(thousands of US dollars)</i>	Balance at 31-Dec-15	Additions	Disposals / Transfers	Amortization	Balance at 31-Dec-16
Cost of intangible assets					
Software acquired separately	756	138	(115)	-	779
Software internally developed	5,642	487	-	-	6,129
Intangible assets under development	391	407	(407)	-	391
Total cost of intangible assets	6,789	1,032	(522)	-	7,299
Accumulated amortization					
Software acquired separately	(237)	-	33	(145)	(349)
Software internally developed	(1,034)	-	-	(1,146)	(2,180)
Total accumulated amortization	(1,271)	-	33	(1,291)	(2,529)
Net intangible assets	5,518	1,032	(489)	(1,291)	4,770

10.1 At 31 December 2016, the cost and related accumulated amortization of intangible assets purchased or developed by the Organization are USD 7.3 million (USD 6.8 million in 2015) and USD 2.5 million (USD 1.3 million in 2015) respectively. During 2016, USD 0.4 million of software development projects were completed and placed in service (USD 2.1 million in 2015).

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>	31-Dec-16	31-Dec-15
Accounts payable	25,960	23,804
Accrued expenses		
Purchase order accrued expenses	71,973	78,727
NSHR accrued expenses	22,203	23,401
Travel accrued expenses	6,219	12,923
Payroll accrued expenses	401	3,959
Other accruals	5,435	3,851
Total accrued expenses	106,231	122,861
Total accounts payable and accrued expenses	132,191	146,665

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 for payment.

Note 12. Payments received in advance

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Assessments on Member Nations received in advance	30,040	19,746
Voluntary contributions received in advance	411,384	512,098
SFERA contributions	46,011	53,606
Total payments received in advance	487,435	585,450

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>	31-Dec-16	31-Dec-15
Current employee benefit obligations		
Annual leave	11,661	13,215
Home leave travel	1,436	1,471
Total current employee benefit obligations	13,097	14,686
Non-current employee benefit obligations		
Post-employment benefit obligations		
After Service Medical Coverage	1,192,347	989,590
Termination Payment Fund	59,947	60,817
Separation Payment Scheme	49,368	56,225
Total post-employment benefit obligations	1,301,662	1,106,632
Other non-current employee benefit obligations		
Compensation Payment Fund	17,537	18,148
Total non-current employee benefit obligations	1,319,199	1,124,780
Total employee benefit obligations	1,332,296	1,139,466

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 2016, total employee benefit obligations amounted to USD 1,332.3 million (USD 1,139.5 million in 2015), of which USD 1,319.2 million (1,124.8 million in 2015) were calculated by the actuaries and USD 13.1 million (14.7 million in 2015) 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 1/12th of the staff member's Final Net Annual Salary rate multiplied by years of service between 1 January 1975 and 31 December 1990, plus 1/13.5th 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, cost of repatriation travel and the removal of household goods for all eligible staff, and death grant. TPF are subject to actuarial review to ascertain the related liabilities and recommend rates of contribution. Termination indemnity is not included in the valuation, in accordance with IPSAS.

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. During 2016, the Organization amended the eligibility requirements of the plan so that those who have a normal retirement age of 65 will need to attain age 58 and 10 years of service in order to participate in the ASMC.

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	
Actuarial Methods			
ASMC		Projected Unit Credit Cost with service prorate.	
SPS		Projected Unit Credit Cost method.	
TPF			
CPF		One Year Term Cost.	
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.			
Discount rates		2016	2015
SPS		1.2%	1.8%
TPF		2.8%	3.1%
ASMC		2.7%	3.3%
CPF		4.1%	4.2%
General Inflation rate	2.5% per year		
Medical cost inflation rate	5.0% for 2017, decreasing 0.1% every 2 years to 4.4% in 2029, and then decreasing 0.1% every 3 years to 4.0% in 2041 and later years.		
Year-end spot rate €/USD	1.046		
Life Expectancy	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
Net defined benefit obligation at 31-Dec-15	989,590	60,817	56,225	18,148	1,124,780
Service cost for year ended 31 Dec 2016	26,680	6,504	3,272	430	36,886
Past Service (credit) / cost	(2,628)	-	-	-	(2,628)
Interest cost for year ended 31 Dec 2016	32,165	1,760	977	732	35,634
Actual gross benefit payments for the year 31 Dec 2016	(24,355)	(9,633)	(10,046)	(1,655)	(45,689)
Remeasurements (demographic) for the year ended 31 Dec 2016	(14,680)	631	(99)	1,170	(12,978)
Remeasurements (financial) for the year ended 31 Dec 2016	185,575	(132)	(961)	(1,288)	183,194
Net defined benefit obligation at 31-Dec-16	1,192,347	59,947	49,368	17,537	1,319,199
Unfunded portion of obligation at 31-Dec-16	815,611	59,947	-	-	875,558

Change to IPSAS 39, *Employee Benefits*

13.9 The Organization early adopted IPSAS 39, Employee benefits in 2016. The transitional provision requires the impact to be adjusted retrospectively and to the prior period (2015) comparatives. However, given the low value impact of USD 1.8 million due to the change, FAO chooses to make the adjustment within the 2016 accounts. The 'After Service Medical Coverage' under 'Post employment benefit obligations' (in the above table) has been adjusted for the 'unrecognized past service credit / (cost)' outstanding at the end of 2015 has been adjusted in 2016.

Annual expense recognized

13.10 The annual expense amounts recognized in the Statement of Financial Performance, within employee benefits and other personnel costs, and finance income / (expenses), and are as follows:

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Service cost	36,886	46,854
Past Service (credit) / cost / Prior Service (credit) recognition	(2,628)	(5,337)
Interest cost	35,634	38,823
Total expense recognized	69,892	80,340

13.11 During 2016, the Organization changed its Past Service (credit) / cost for contributions from fixed premiums to a percentage of the salary, causing a past service credit of USD 2.6 million.

ASMC plan – sensitivity analysis

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

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

13.13 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
1.046 USD per EUR	2.7%	1,192,347	1,443,861
1.046 USD per EUR	2.7%	1,266,816	1,534,038
1.046 USD per EUR	1.7%	1,458,762	1,766,473
1.046 USD per EUR	1.7%	1,549,869	1,876,799

13.14 A 1% change in the discount and medical inflation rate would have the following effects on the current service cost:

<i>(thousands of US dollars)</i>		Ultimate medical inflation rate	
Exchange rate	Discount rate	4% per year	5% per year
1.046 USD per EUR	2.7%	33,038	45,600
1.046 USD per EUR	2.7%	35,101	48,448
1.046 USD per EUR	1.7%	45,764	63,165
1.046 USD per EUR	1.7%	48,622	67,110

Future funding

13.15 The ASMC Funding for 2016-17 was assessed in both EUR (67%) and USD (33%) in line with the currency mix of the liability. Assessed funds were transferred into the investment portfolio based on the percentage of total Member contributions actually received. Following this methodology, USD 2.7 million and EUR 4.6 million were transferred to the long term portfolio in 2016. Long-term investments and any generated income are applied first to ensure the adequacy of funding of the SPS and CPRF. Any additional investments and related income then is earmarked for the ASMC and subsequently for the TPF. As of 31 December 2016, both the ASMC and TPF continue to be underfunded. The earmarking of the long-term investments and the SPS advances to the plans is shown in the below table:

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Fully funded by earmarked long-term investments		
CPF	17,536	18,148
SPS	49,368	56,226
Total fully funded by earmarked long-term investments	66,904	74,374
Partially funded by earmarked long-term investments		
ASMC	376,736	340,468
Total partially funded by earmarked long-term investments	376,736	340,468
Unfunded by earmarked long-term investments		
TPF	-	-
Total unfunded by earmarked long-term investments	-	-
Total funded liabilities	443,640	414,842

13.16 During 2017, USD 7.1 million was assessed for the ASMC liability from member nations. The diversification of asset classes, currency composition and duration of FAO's long term investments is determined in accordance with the parameters effecting the valuation of its liabilities.

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 2015 revealed an actuarial deficit of 0.16% (0.72% in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was 23.54% of pensionable remuneration, compared to the actual contribution rate of 23.70%. 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 2017.

14.4 At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1% (127.5% in the 2013 valuation). The funded ratio was 100.9% (91.2% in the 2013 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 2015, 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 2016, FAO's contributions paid to UNJSPF amounted to USD 52.5 million (USD 54.1 million in 2015). Expected contributions due in 2016 are USD 52.9 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.

Note 15. Operating lease commitments

15.1 For the year ended 31 December 2016, total rental expense under operating leases are USD 7.6 million (USD 6.6 million in 2015). At 31 December 2016, obligations for property leases to be paid in the subsequent years aggregated to USD 4.7 million (USD 5.5 million in 2015). 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>	31-Dec-16	31-Dec-15
Within twelve months	2,819	2,847
More than one to five years	1,696	2,039
Beyond five years	226	567
Total lease commitments	4,741	5,453

Note 16. Provisions and contingencies

16.1 The provisions of the Organization are comprised of:

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Labour-related and other claims	1,347	3,854
Pending negotiations and arbitrations	60	1,225
Other provisions	-	321
Total provisions and contingencies	1,407	5,400

16.2 The movement in the provisions during 2016 were as follows:

<i>(thousands of US dollars)</i>	Balance at 31-Dec-15	Increases	Amounts charged	Amounts reversed	Balance at 31-Dec-16
Labour-related and other claims	3,854	369	(356)	(2,520)	1,347
Pending negotiations and arbitrations	1,225	15	-	(1,180)	60
Other provisions	321	-	-	(321)	-
Total provisions	5,400	384	(356)	(4,021)	1,407

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 1.3 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 0.1 million.

Note 17. Other liabilities**Other liabilities**

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Current		
Settlements with employees	2,902	3,057
Payables for medical insurance	1,912	1,777
Other accounts payables	393	384
Total current	5,207	5,218
Non-current		
Voluntary contributions received in advance	6,148	3,703
Staff fiduciary accounts	20,036	21,660
Working Capital Fund	25,745	25,745
Total non-current	51,929	51,108
Total other liabilities	57,136	56,326

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>	31-Dec-16	31-Dec-15
Authorized level at beginning and end of period	25,793	25,793
Balance at beginning and end of period	25,745	25,745

17.3 During 2016 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>	31-Dec-16	31-Dec-15
Special Reserve Account	17,559	17,559
Unrealized gains on investments	45,055	9,915
Actuarial gains / (losses) reserve	(427)	169,903
Total reserves	62,187	197,377

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 2016.

18.2 Unrealized gains on investments relate to the available-for-sale portfolios. USD 35.1 million unrealized gains on investments (USD 28.6 million losses in 2015) are recognized in equity. The cumulative foreign exchange rate portion of unrealized gains arising on debt portfolios amounted to USD 38.3 million (USD 10.1 million at 31 December 2015), and has been charged to the Statement of Financial Performance in line with accounting standards in the period in which it has arisen. The increase 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 170.3 million (USD 306.1 million gains in 2015) actuarial losses recognized in equity during the year ended 31 December 2016, and a further USD 0.1 million of loss (USD 0.2 million loss in 2015) was recognized in the Statement of Financial Performance in relation to the CPF.

Note 19. Revenue

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Non-exchange revenue		
Assessments on Member Nations	487,424	496,623
Voluntary contributions		
TF contributions	897,546	901,584
UNDP contributions	204	1,221
Total voluntary contributions	897,750	902,805
Other non-exchange revenue		
Associate Member Assessments	20	20
Jointly Financed Activities	18,887	19,051
Government counterpart cash contributions	1,633	1,037
In-kind donations	43,183	45,702
Total other non-exchange revenue	63,723	65,810
Total non-exchange revenue	1,448,897	1,465,238
Exchange revenue	7,267	8,765
Total revenue	1,456,164	1,474,003

19.1 Assessments from Member Nations Conference Resolution CR 6/2015 approved appropriations of USD 1,005.6 million to be used for the Programme of Work as proposed by the Director General for 2016-17. 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 1,014.8 million. The contributions are comprised of split assessments in US Dollars of USD 546.1 million and in Euros of 384.2 million (equivalent to USD 468.7 million at the budget rate of exchange of USD 1.22 to Euros 1.00). The difference between actual Assessments on Member Nations of USD 487.4 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 384.2 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 2016 was approximately 54% and 46%, respectively (2015; 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 26.5 million (USD 30.8 million in 2015) and USD 15.2 million (USD 13.9 million in 2015) 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 41.7 million (USD 44.7 million in 2015) is recorded as in-kind donated facilities.

19.4 Of the remainder in-kind donated goods of USD 1.5 million (USD 1.0 million in 2015), USD 0.7 million (USD 0.8 million in 2015) relates to donated interest revenue on the Working Capital Fund concessionary loan of USD 25.7 million (USD 25.7 million in 2015) granted by Member Nations. A counterpart expense of USD 0.7 million (USD 0.8 million in 2015) is recorded in interest expense calculated at 2.7% (3.3% in 2015) using the ASMC discount rate. Other donated goods received include USD 0.8 million (USD 0.2 million in 2015) 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 Employee benefits and other personnel costs include all compensation entitlements for Regular Programme and Project Professional and General Service category staff.

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Employee benefits and other personnel costs		
Base salary	189,551	195,114
Post adjustment	49,361	52,257
Staff medical insurance	26,692	35,087
Pension plan	52,535	54,101
Staff Compensation Plan	427	475
Staff Termination Plan	6,510	11,916
Staff Separation Scheme	3,199	4,070
Education grant	20,739	14,568
Locally hired non-professional staff	2,426	3,573
Entitlement travel	6,636	6,550
Income Tax Reimbursement	2,555	4,279
Dependents Allowance	5,401	5,581
Installation, assignment and mobility allowance	9,514	9,024
Other employee benefits and staff costs	13,862	15,739
Total employee benefits and other personnel costs	389,408	412,335

20.2 During 2016, the Organization adopted IPSAS 39 – Employee Benefits, causing a past service credit / (cost) of USD 2.6 million to staff medical insurance.

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Consultants		
Internationally recruited	85,737	79,062
Locally recruited	80,388	69,885
National projects personnel	61,206	64,063
Other consultants expenses	3,290	3,374
Total consultants	230,621	216,384

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Travel costs		
Duty travel	22,259	24,213
Consultants	35,117	43,455
Governing body meetings	31,923	31,465
Other travel costs	4,952	6,330
Total travel costs	94,251	105,463

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Depreciation, amortization and impairment of long-lived assets		
Depreciation of PP&E	6,694	4,839
Amortization of intangible assets	1,291	939
Impairment of long-lived assets	4	-
Total depreciation, amortization and impairment of long-lived assets	7,989	5,778

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Training expenses		
In-service	5,936	7,817
Other training expenses	28,430	26,805
Total training expenses	34,366	34,622

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>	31-Dec-16	31-Dec-15
Contractual services		
Services	55,341	60,824
Repairs and maintenance	30,420	27,032
Rental expense	7,354	6,274
In-kind donated facilities	41,721	44,687
Communications and IT	7,082	7,931
Letters of Agreement	118,867	124,944
Other contracted services	10,522	10,132
Total contractual services	271,307	281,824

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 32.3 million (USD 32.1 million in 2015 in relation to agreements for scientific research services and surveys, USD 22.3 million (USD 23.9 million in 2015) for distribution of inputs and community micro infrastructure, USD 26.4 million (USD 26.2 million in 2015) for training beneficiaries, and USD 18.9 million (USD 21.7 million in 2015) for capacity development of national public institutions.

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Grants and other transfer payments		
National execution with governments	20,692	9,759
Contributions to joint UN administrative activities	3,572	5,353
Other grants and transfer payments	36	93
Total grants and other transfer payments	24,300	15,205

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Supplies and consumables used		
Utilities	3,803	4,206
Vehicles maintenance and running costs	5,282	6,230
Inventories distributed	142,992	167,421
Inventories sold	154	61
Inventories write-down	262	277
Supplies and consumables	10,497	10,513
Total supplies and consumables used	162,990	188,708

20.6 During the year ended 31 December 2016, FAO incurred USD 40.0 million of expenses for Plants and Seeds (USD 44.9 million in 2015), USD 20.2 million of expenses for expendable equipment (USD 25.7 million in 2015), USD 7.3 million of expenses for Fertilizers (USD 15.8 million in 2015), USD 8.1 million for Animal Feed (USD 8.8 million in 2015), USD 15.3 million for Medical and Veterinary Supplies (USD 13.6 million in 2015), USD 12.7 million for Other Field Supplies and Equipment (USD 11.4 million for 2015), and USD 9.0 million for Agricultural tools (USD 16.5 million in 2015). These costs have been included within the category “Inventories distributed”.

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Other expenses		
Provisions for receivables	5,607	(3,535)
Provisions for contingent liabilities	(3,672)	1,178
Actuarial gains / (losses)	-	(249)
Insurance	1,373	1,569
Bank charges	1,323	1,083
Other operating expenses	20,955	14,798
Total other expenses	25,586	14,844

20.7 The increase in other operating expenses is primarily due to an exercise undertaken in 2016 to close finalized Trust Fund projects, resulting in a higher volume of projects closed with cash balances repayable to donors.

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 2016.

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Return on investments, held-for-trading		
Interest income	7,865	7,051
(Losses) on disposal	(3,734)	(2,320)
Fees and commissions charged	(713)	(889)
Unrealized gains / (losses)	2,625	(2,365)
Total return on investments, held-for-trading	6,043	1,477
Return on investments, available-for-sale		
Interest and dividend income	8,992	8,874
Unrealized foreign exchange gains / (losses)	(28,113)	1,001
Gains / (losses) on disposal	10,302	(14,029)
Fees and commissions charged	(696)	(1,360)
Total return on investments, available-for-sale	(9,515)	(5,514)
Fair value loss on derivative financial instruments		
Fair value gains / (losses) on derivative financial instruments	(4,375)	4,221
Total fair value gains / (losses) on derivative financial instruments	(4,375)	4,221
Total investment income	(7,847)	184

21.3 FAO's low risk investment style and the continuing near zero interest rate environment in 2016 yielded an annual return of 0.63% on the held-for-trading investment portfolio (0.22% in 2015), exceeding the benchmark return by 0.42%.

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. During 2016 the available-for-sale investment portfolio yielded an annual return of 5.35%, versus a benchmark return of 6.14%.

Foreign exchange gains and losses

21.5 USD 3.3 million (USD 15.2 million loss in 2015) net foreign exchange gains represents the net amount exchange differences incurred by the Organization during the year ended 31 December 2016. 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>	31-Dec-16	31-Dec-15
Interest income / (expenses)	(1,908)	(1,745)
Interest cost of staff related liabilities	(35,633)	(38,823)
Total finance income / (expenses)	(37,541)	(40,568)

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>	31-Dec-16 Fair value & Carrying amount	31-Dec-15 Fair value & Carrying amount
Financial assets		
Held-for-trading financial instruments	527,791	519,975
Available-for-sale financial instruments	442,950	407,489
Derivative financial instruments	(2,990)	1,855
Receivables from non-exchange transactions	175,171	201,440
Receivables from exchange transactions	8,076	3,935
Other assets	8,289	7,490
Cash and cash equivalents	684,713	567,466
Total financial assets	1,844,000	1,709,650
Financial liabilities		
Derivative financial instruments	-	-
Accounts payable and accruals	132,191	146,668
Other liabilities	1,371,624	1,165,635
Total financial liabilities	1,503,815	1,312,303

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 2016, 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-16			Total
	Level 1	Level 2	Level 3	
Current assets				
Financial assets at fair value through surplus or deficit	527,791	-	-	527,791
Financial assets at fair value through equity	442,950	-	-	442,950
Derivative financial instruments	-	(2,990)	-	(2,990)
Current liabilities				
Derivative financial instruments	-	-	-	-
Total financial instruments measured at fair value	970,741	(2,990)	-	967,751

<i>(thousands of US dollars)</i>	31-Dec-15			Total
	Level 1	Level 2	Level 3	
Current assets				
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
Current liabilities				
Derivative financial instruments	-	-	-	-
Total financial instruments measured at fair value	927,464	1,855	-	929,319

22.7 During the reporting period ending 31 December 2016, 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-16				Total
	US Dollar	Euro	Others	Illiquid	
Cash and cash equivalents	673,172	14,352	(2,982)	171	684,713
Held-for-trading investments	527,791	-	-	-	527,791
Available-for-sale investments	217,376	94,049	131,525	-	442,950
Derivative financial instruments	(79,391)	98,547	(22,146)	-	(2,990)
Total financial assets	1,338,948	206,948	106,397	171	1,652,464

<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
Total financial assets	1,236,711	137,335	120,251	2,488	1,496,785

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 2016 and 31 December 2015, the total amount of open derivative positions with the internally managed investment portfolios were as follows:

<i>(thousands of US dollars)</i>	31-Dec-16					
	Currency forward purchased (LCY)	Currency forward purchased (USD)	Unrealized gains / (losses) (USD)	Currency forward sold (LCY)	Currency forward sold (USD)	Unrealized gains / (losses) (USD)
Net purchased/ sold amount						
Euro	-	-	-	(36,114)	(37,996)	(190)
Thai Baht	-	-	-	-	-	-
British Pound Sterling	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-
Hungarian Forint	-	-	-	-	-	-
Total					(37,996)	(190)

<i>(thousands of US dollars)</i>	31-Dec-15					
	Currency forward purchased (LCY)	Currency forward purchased (USD)	Unrealized gains / (losses) (USD)	Currency forward sold (LCY)	Currency forward sold (USD)	Unrealized gains / (losses) (USD)
Net purchased/ sold amount						
Euro	-	-	-	(60,000)	(65,840)	660
Thai Baht	18,000	500	1	-	-	-
British Pound Sterling	100	148	1	-	-	-
Japanese Yen	10,000	83	-	-	-	-
Swiss Franc	100	101	1	-	-	-
Hungarian Forint	63,000	220	3	-	-	-
Total		951	5		(65,840)	660

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 2016 and 31 December 2015 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-16					Unrealized gains / (losses) (USD)	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)			
Australian Dollar	1,947	1,408	(39)	(8,658)	(6,261)	231	192	
Canadian Dollar	984	734	5	(10,242)	(7,642)	150	155	
Danish Krone	-	-	-	(20,624)	(2,937)	28	28	
British Pound sterling	2,323	2,872	(10)	(34,619)	(42,818)	208	198	
Swiss Franc	325	320	(15)	(965)	(951)	16	1	
Euro	147,123	155,502	(4,081)	(17,951)	(18,958)	357	(3,724)	
Japanese Yen	328,275	2,817	(207)	(779,160)	(6,687)	540	333	
Norwegian Krone	9,135	1,061	(16)	(1,177)	(137)	3	(13)	
New Zealand Dollar	1,073	748	(6)	(1,615)	(1,124)	28	22	
Swedish Krona	14,394	1,586	12	(27,906)	(3,080)	5	17	
United States Dollar	57,044	57,044	-	(136,435)	(136,435)	-	-	
Mexican Peso	9,600	465	(6)	(6,489)	(314)	(3)	(9)	
South African Rand	-	-	-	(204)	(15)	-	-	
Total		224,557	(4,363)		(227,359)	1,563	(2,800)	

<i>(thousands of US dollars)</i>		31-Dec-15					Unrealized gains / (losses) (USD)	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)			
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	
Total		204,123	(82)		(202,933)	1,272	1,190	

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>		31-Dec-16					
Sector	Cost	Unrealized gains / (losses)	Market value	Accruals	Market including accruals	% of Equities	% of Total
Equities							
Consumer discretionary	26,903	1,954	28,857	50	28,906	12.3%	1.8%
Consumer staples	21,871	680	22,551	46	22,596	9.6%	1.4%
Energy	8,871	448	9,319	8	9,326	4.0%	0.6%
Financials	33,011	2,027	35,038	56	35,095	15.0%	2.2%
Health care	18,965	953	19,918	21	19,940	8.5%	1.3%
Industrials	27,021	1,129	28,150	22	28,172	12.0%	1.8%
Information technology	27,068	8,768	35,836	12	35,848	15.3%	2.3%
Materials	18,499	544	19,043	60	19,103	8.2%	1.2%
Equities ETF	17,538	(2,972)	14,566	-	14,567	6.2%	0.9%
Telecommunication services	7,448	(173)	7,275	17	7,292	3.1%	0.5%
Utilities	8,189	106	8,295	16	8,310	3.5%	0.5%
Real Estate	4,424	778	5,202	5	5,208	2.2%	0.3%
Other	-	-	-	228	228	0.1%	0.1%
Total equities	219,808	14,242	234,050	541	224,591	100%	14.9%
Non-equities							
All other	-	-	-	-	-	-	-
Fixed income	745,333	(8,643)	736,691	2,401	739,092	-	46.9%
Cash and cash equivalents	602,261	186	602,447	263	602,710	-	38.2%
Derivative financial instruments	-	(2,800)	(2,800)	-	(2,800)	-	-
Total non-equities	1,347,594	(11,257)	1,336,338	2,664	1,339,002	-	85.1%
Total assets in externally managed portfolios	1,567,402	2,985	1,570,388	3,205	1,563,593	-	100.0%

<i>(thousands of US dollars)</i>		31-Dec-15					
Sector	Cost	Unrealized gains / (losses)	Market value	Accruals	Market including accruals	% of Equities	% of Total
Equities							
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)		
Total equities	205,910	10,284	216,194	217	216,411	100.0%	15.0%
Non-equities							
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%
Total non-equities	1,237,575	(13,543)	1,224,032	3,661	1,227,693		85.0%
Total assets in externally managed portfolios	1,443,485	(3,259)	1,440,226	3,878	1,444,104		100.0%

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 2016, the Organization earned a total return of 0.63% for the year (0.22% in 2015) on its trading portfolio versus 0.21% for the benchmark, whilst the non-current portfolio designated as available-for-sale earned 5.35%, versus a benchmark of 6.14%. 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 2016 and 31 December 2015 are:

<i>(thousands of US dollars)</i>	31-Dec-16	31-Dec-15
Investments	736,691	711,266
Cash and cash equivalents	684,713	567,466
Receivables for non-exchange transactions	175,171	201,441
Receivables for exchange transactions	8,076	3,935
Other assets	8,289	7,490
Maximum exposure to credit risk	1,612,940	1,491,598

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-16						Short Term Rating Moody's / S&P P- 1/A-1	Total by Instrument
	Aaa	Aa	A	Baa	NR			
Corporate bonds	3,701	10,083	24,472	22,591	3,000	-	63,847	
Government agencies	144,561	88,996	40,915	-	-	-	274,472	
Government bonds	42,970	194,818	-	4,581	-	-	242,369	
Index linked government bonds	10,949	102,155	2,510	5,135	-	-	120,749	
Government MBS	2,275	3,021	3,384	-	-	-	8,681	
Municipal / provincial bonds	17,597	5,956	3,020	-	-	-	26,573	
Total instruments	222,053	405,029	74,301	32,307	3,000	-	736,691	

<i>(thousands of US dollars)</i>	31-Dec-15						Short Term Rating Moody's / S&P P- 1/A-1	Total by Instrument
	Aaa	Aa	A	Baa	NR			
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	
Total instruments	453,144	79,342	10,491	18,189	150,099	-	711,265	

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-16	
	Increase / (decrease) in basis points	Effect on surplus / (deficit)
Held-for-trading	100	3,123
Held-for-trading	(100)	(3,123)
Available-for-sale investments	100	21,797
Available-for-sale investments	(100)	(21,797)

<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)

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 2016 and 31 December 2015 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-16	
	Increase / (decrease) in USD/EUR exchange rate	Effect on surplus / (deficit)
Available-for-sale investments (fixed income only)	5%	10,513
Available-for-sale investments (fixed income only)	(5%)	(10,513)

<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)

Equity price risk

22.25 If the equity market risk at 31 December 2016 and 31 December 2015 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>	31-Dec-16	
	Increase / (decrease) in Equity Market Risk	Effect on surplus / (deficit)
Available-for-sale investments	10%	23,062
Available-for-sale investments	(10%)	(23,062)

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

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 2016, the Organization acquired for the General Fund and the Trust Fund and UNDP, PP&E for internal use amounting to USD 4.9 million (USD 8.2million in 2015) and USD 5.0 million (USD 4.6 million in 2015), 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 2016 and 31 December 2015, on a segment basis, are as follows:

<i>(thousands of US dollars)</i>	31-Dec-16		Total
	General and Related	Trust and UNDP	
Assets			
Current assets			
Cash and cash equivalents	179,843	504,870	684,713
Investments and derivative financial instruments	(2,991)	527,792	524,801
Receivables from non-exchange transactions	58,084	116,197	174,281
Receivables from exchange transactions	8,076	-	8,076
Prepayments and other current assets	27,434	4,783	32,217
Inventories	1,788	7,559	9,347
	272,234	1,161,201	1,433,435
Non-current assets			
Investments	442,950	-	442,950
Receivables from non-exchange transactions	890	-	890
Prepayments and other non-current assets	995	-	995
Property, plant and equipment	16,266	8,260	24,526
Intangible assets	4,668	102	4,770
	465,769	8,362	474,131
Total assets	738,003	1,169,563	1,907,566
Liabilities			
Current liabilities			
Accounts payable	25,960	-	25,960
Accrued expenses	25,580	80,651	106,231
Payment received in advance	29,969	457,466	487,435
Derivative financial instruments	-	-	-
Employee benefits obligations	13,097	-	13,097
Provisions	1,407	-	1,407
Other current liabilities	5,208	(1)	5,207
	101,221	538,116	639,337
Non-current liabilities			
Employee benefit obligations	1,319,199	-	1,319,199
Other non-current liabilities	45,782	6,147	51,929
	1,364,981	6,147	1,371,128
Total liabilities	1,466,202	544,263	2,010,465
Net assets	(728,199)	625,300	(102,899)
Equity			
Accumulated surplus / (deficit)	(790,386)	625,300	(165,086)
Reserves	62,187	-	62,187
Total equity / (deficit)	(728,199)	625,300	(102,899)

<i>(thousands of US dollars)</i>	31-Dec-15		
	General and Related	Trust and UNDP	Total
Assets			
Current assets			
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
Non-current assets			
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
Total assets	772,012	1,020,338	1,792,350
Liabilities			
Current liabilities			
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
Non-current liabilities			
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
Total liabilities	1,278,660	654,647	1,933,307
Net assets	(506,648)	365,691	(140,957)
Equity			
Accumulated surplus/(deficit)	(704,025)	365,691	(338,334)
Reserves	197,377	-	197,377
Total equity / (deficit)	(506,648)	365,691	(140,957)

23.8 The Statement of Financial Performance for the year ended 31 December 2016 and 31 December 2015, on a segment basis, are as follows:

<i>(thousands of US dollars)</i>	General and Related	31-Dec-16 Trust and UNDP	Total
Revenue			
Revenue from non-exchange transactions			
Assessments of Member Nations under Regular Programme	487,424	-	487,424
Voluntary contributions	77,274	820,476	897,750
Other non-exchange revenue	60,116	3,607	63,723
	624,814	824,083	1,448,897
Revenue from exchange transactions			
Exchange revenue	7,091	176	7,267
	7,091	176	7,267
Total revenue	631,905	824,259	1,456,164
Expenses			
Staff related costs	294,926	94,482	389,408
Consultants	90,674	139,947	230,621
Travel costs	33,107	61,144	94,251
Depreciation, amortization and impairment of long-lived assets	5,417	2,572	7,989
Training expenses	8,086	26,280	34,366
Contracted services	99,710	171,597	271,307
Grants and other transfer payments	2,718	21,582	24,300
Supplies and consumables used	24,451	138,539	162,990
Other expenses	6,695	18,891	25,586
Total expenses	565,784	675,034	1,240,818
Non-operating income and expenses			
Investment income / (expenses)	(9,218)	1,371	(7,847)
Foreign exchange gains / (losses)	2,707	583	3,290
Finance income / (expenses)	(36,169)	(1,372)	(37,541)
Total non-operating income and expenses	(42,680)	582	(42,098)
Surplus	23,441	149,807	173,248

<i>(thousands of US dollars)</i>	General and Related	31-Dec-15 Trust and UNDP	Total
Revenue			
Revenue from non-exchange transactions			
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
Revenue from exchange transactions			
Exchange revenue	8,605	160	8,765
	8,605	160	8,765
Total revenue	646,465	827,538	1,474,003
Expenses			
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
Total expenses	588,422	686,741	1,275,163
Non-operating income and expenses			
Investment income	(728)	912	184
Foreign exchange gains / (losses)	(15,924)	768	(15,156)
Finance income / (expenses)	(39,656)	(912)	(40,568)
Total non-operating income and expenses	(56,308)	768	(55,540)
Surplus	1,735	141,565	143,300

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, income and expenditures are recognized when a commitment to purchase the goods or services 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 6/2015 and the budget distribution by chapter was approved by Council in Adjustments to PWB 2016-17 in December 2015. The approved budget represents the “net appropriation” for the fiscal biennial period from 1 January 2016 to 31 December 2017 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” budget¹ at 50% of the biennial budget. The actual expenditures, prepared on the same basis as the budget,

¹ The breakdown of the approved budget between 2016 and 2017 takes account of the one-time costs associated with consolidation of transformational change, which were incurred in 2016, and assumes that all other programmes incur expenditures evenly throughout the biennium.

represent actual expenditures for the year ended 31 December 2016 on the modified cash basis of accounting.

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 2016 and 31 December 2015, 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-16			Total
	Operating	Investing	Financing	
Actual amount on comparable basis	525,026	-	-	525,026
Basis differences	54,889	-	-	54,889
Presentation differences	(1,137,260)	(20,879)	-	(1,158,139)
Entity differences	695,471	-	-	695,471
Actual amount on the Cash Flow Statement	138,126	(20,879)	-	117,247

<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
Actual amount on the Cash Flow Statement	(30,350)	(89,788)	-	(120,138)

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 Material differences between the approved budget and the revised budget represent only the amounts brought forward from the previous biennium and the amounts carried forward to 2017, as there are no annual chapter transfers effected in 2016. Budget utilization levels in 2016 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 2016-17 (FC 166/7).

24.8 In 2016 there was a shortfall in expenditure of USD 51.3 million compared with the revised budget, which implies an overall expenditure of 90%. Spending in the first year of the biennium is habitually lower than in the second 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 under-expenditure is also influenced by shifts in implementation.

24.9 Budget holders confirmed that they will spend their 2017 share of 2016-17 planned budgets, including the carry-over of the 2016 funds.

24.10 The spending by budgetary chapter in 2016 follows the biennial forecasted trends reported to the Finance Committee in March 2017 (FC 166/6). These spending patterns when compared to the revised “calendarised” budget are due to the realignment of detailed work plans to address implementation realities.

Accordingly, the budget utilization level in 2016 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 37 million, representing 87.1% of the revised budget of USD 42.5 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 91.6 million, representing 90.8% of the revised budget of USD 101 million;
- iii) Chapter 3 “Reduce rural poverty” budget rate net expenditure amounted to USD 29.3 million, representing 88.8% of the revised budget of USD 33 million;
- iv) Chapter 4 “Enable more inclusive and efficient agricultural and food systems” budget rate net expenditure amounted to USD 47.3 million, representing 89.6% of the revised budget of USD 52.8 million;
- v) Chapter 5 “Increase the resilience of livelihoods to threats and crises” budget rate net expenditure amounted to USD 23.6 million, representing 92.5% of the revised budget of USD 25.5 million;
- vi) Chapter 6 “Technical Quality, Knowledge and Services” budget rate net expenditure amounted to USD 25 million, representing 84.6% of the revised budget of USD 29.6 million;
- vii) Chapter 8 “Outreach” budget rate net expenditure amounted to USD 34.3 million, representing 88.2% of the revised budget of USD 38.9 million;
- viii) Chapter 9 “Information Technology” budget rate net expenditure amounted to USD 14.2 million, representing 79.8% of the revised budget of USD 17.7 million;
- ix) Chapter 10 “FAO governance, oversight and direction” budget rate net expenditure amounted to USD 31 million, representing 78.9% of the revised budget of USD 39.3 million; and
- x) Chapter 11 “Efficient and effective administration” budget rate net expenditure amounted to USD 32.3 million, representing 88.6% of the revised budget of USD 36.5 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 until 2017 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 2016 and 31 December 2015 were as follows:

(thousands of US dollars)

Employee Group	Number of Individuals	Number of Positions	Compensation	Entitlements	Pension and Health Plans	Total Compensation	Outstanding Loans
2016	3	4	814	198	152	1,164	18
2015	3	3	811	147	152	1,110	29

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. During 2016, a new Deputy Director-General Programmes was created, with the Deputy Director-General Operations position being temporarily filled by an Officer-in-Charge.

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 2016 for the 2016 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.