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INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
Geneva

COUNCIL

Fiftieth Ordinary Session
Geneva, October 28, 2016

FINANCIAL STATEMENTS FOR 2015

Document prepared by the Office of the Union

Disclaimer: this document does not represent UPOV policies or guidance

1. The Financial Statements of UPOV for the year ended December 31, 2015 are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/4), which requires that the Council examines and approves the financial statements. The Financial Statements for 2015 are presented in the Annex to this document. Document C/50/14 contains the audit report of the External Auditor.

2. The Financial Statements for 2015 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV, beginning with the financial period starting in 2012 (see document C/45/18 “Report”, paragraph 9(b)). The Financial Statements for 2015 constitute the fourth set of financial statements to be prepared in accordance with IPSAS.

3. The Council is invited to examine and approve the Financial Statements for 2015.

[Annex follows]

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Financial Statements for the year ended December 31, 2015

Contents

INTRODUCTION

1. The financial statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2015 are submitted to the Council of UPOV in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/4):

   Regulation 6.5

   (1) The annual financial statements for each calendar year of the financial period shall be submitted by the Secretary-General to the External Auditor no later than March 31 following the end of the calendar year to which they relate.

   (2) Within eight months after the end of each calendar year the Secretary-General shall submit the annual financial statements and the audit report of the External Auditor to the Council.

   (3) The Council shall examine the annual financial statements. It may identify adjustments to the share of UPOV in common expenditures, if it finds that this share has not been correctly estimated and assessed by the Secretary-General. In such a case, after having consulted the Coordination Committee of WIPO, the Council shall establish the final allocation.

   (4) The Council shall approve the annual financial statements, after they have been audited in accordance with Article 24 of the 1961 Convention, Article 25 of the 1978 Act and Article 29(6) of the 1991 Act.

2. The report of the External Auditor on the audit of the 2015 financial statements, together with his opinion on the financial statements, is also submitted to the Council of UPOV as prescribed under Regulation 6.5 and Annex II of the Financial Regulations and Rules of UPOV.

3. The 2015 financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV beginning with the financial period starting in 2012 (document C/45/18 "Report", paragraph 9(b)). This agreement led to the replacement of the previously applied United Nations System Accounting Standards (UNSAS) with IPSAS which are internationally recognized. The 2015 financial statements constitute the fourth set of UPOV financial statements to have been prepared in accordance with IPSAS.

FINANCIAL RESULTS FOR THE YEAR

PREPARATION OF THE FINANCIAL STATEMENTS UNDER IPSAS

4. IPSAS requires the application of the full accrual basis of accounting. Accrual basis accounting means the recognition of transactions and events when they occur. As such they are recorded in the accounting records and reported in the financial statements of the financial periods to which they relate, and not only when cash or its equivalent is received or paid.

5. Under IPSAS, revenue for both contributions and extrabudgetary funds (funds in trust) is recognized when UPOV has a right to receive the contribution. Where contributions are due to UPOV, a receivable balance is shown, but the total balance is reduced to reflect amounts still outstanding from prior periods. Extrabudgetary fund arrangements are analyzed to see if UPOV needs to meet performance conditions, and if these are present, revenue is only recognized when the conditions are fulfilled.

6. The value of future employee benefits (for example, accumulated annual leave, repatriation grants and After-Service Health Insurance (ASHI)) that UPOV staff have earned but not yet received is recorded to capture the full cost of employing staff.

7. The application of IPSAS does not currently impact the preparation of the Program and Budget, which is still presented on a modified accrual basis. As this basis differs from the full accrual basis applied to the financial statements, a reconciliation between the budget and the principal financial statements is provided in accordance with the requirements of IPSAS.

8. IPSAS requires more detailed disclosures to be included in the notes to the financial statements in the interests of transparency. As such, UPOV provides information on the remuneration of key management personnel.

FINANCIAL PERFORMANCE

9. UPOV's results showed a deficit for the year of 201,904 Swiss francs, with total revenue of 3,875,618 Swiss francs and total expenses of 4,077,522 Swiss francs. This can be compared to a surplus of 118,110 Swiss francs in 2014, with total revenue of 3,515,087 Swiss francs and total expenses of 3,396,977 Swiss francs.

10. The financial statements provide detail of financial performance by segment within the segment information disclosures, and this is summarized below:

Table 1. Summary Financial Performance by Segment

	Regular Program and Budget 2015	Funds in Trust 2015	Special Project Fund	Inter-Segment Transactions 2015	TOTAL UPOV 2015	TOTAL UPOV 2014
			(in Swiss francs)			
TOTAL REVENUE	3,408,746	518,898	-	-52,026	3,875,618	3,515,087
TOTAL EXPENSES	3,496,499	518,898	114,151	-52,026	4,077,522	3,396,977
SURPLUS/(DEFICIT) FOR THE YEAR	-87,753	-	-114,151	-	-201,904	118,110

11. UPOV's activities are financed mainly from two sources - contributions and extrabudgetary funds (funds in trust). Contributions of 3,344,506 Swiss francs represent approximately 86.3 per cent of UPOV's total revenue for 2015. Revenue recognized from extrabudgetary funds (funds in trust) totaled 518,886 Swiss francs for the year, representing 13.4 per cent of total revenue. UPOV also has balances of 244,834 Swiss francs relating to contributions received in advance. These balances are currently shown as liabilities, and will be recorded as revenue in the year to which they relate.

12. Personnel expenditure of 2,200,249 Swiss francs represents 54.0 per cent of total expenses of 4,077,522 Swiss francs for the year 2015. As already highlighted, accrual accounting for post-employment and other long-term employee benefits requires the cost of the schemes to be recorded as the benefits are earned by staff, rather than on a pay-as-you-go basis. The total interest and service cost for the year relating to ASHI and repatriation benefits is 108,746 Swiss francs. This methodology allows UPOV to better account for the true cost of employing its staff on an annual basis.

FINANCIAL POSITION

13. UPOV has net assets of 1,663,834 Swiss francs as at December 31, 2015, compared to 1,864,071 at the end of 2014. The financial position of UPOV by segment can be summarized as follows:

Table 2. Summary Financial Position by Segment

	Regular Program and Budget 2015	Funds in Trust 2015	Special Project Fund	Inter-Segment Balances 2015	TOTAL UPOV 2015	TOTAL UPOV 2014
			(in Swiss francs)			
TOTAL ASSETS	4,378,431	596,287	36,262	-312,469	4,698,511	4,814,936
TOTAL LIABILITIES	2,600,446	596,287	150,413	-312,469	3,034,677	2,950,865
NET ASSETS	1,777,985	-	-114,151	-	1,663,834	1,864,071

14. The net working capital (current assets less current liabilities) of UPOV is 2,843,956 Swiss francs as at December 31, 2015 (2,989,264 Swiss francs as at December 31, 2014). Cash and cash equivalent balances decreased from 4,790,460 Swiss francs as at December 31, 2014 to 4,503,112 Swiss francs as at December 31, 2015.

15. Total accounts receivable at December 31, 2015 were 195,399 Swiss francs, compared to 24,476 as at December 31, 2014. The balance at the end of 2015 includes contributions of 46,444 Swiss francs and extrabudgetary funds (funds in trust) of 148,955 Swiss francs.

16. UPOV has total employee benefit liabilities of 1,358,508 Swiss francs as at December 31, 2015, compared to 1,300,232 Swiss francs as at December 31, 2014. For the liabilities relating to ASHI and

repatriation benefits, actuarial valuations have been used. The main liability, relating to ASHI, amounts to 1,070,019 Swiss francs as at December 31, 2015. This shows an increase of 56,389 Swiss francs from the balance as at December 31, 2014.

17. In 2015, 183,824 Swiss francs representing the amount of the reserve fund exceeding 15 per cent of the total income for the 2012-2013 Biennium have been transferred to a Special Project Fund to complete specific projects. Of the 183,824 Swiss francs, 114,151 Swiss francs have been expensed during 2015. As at December 31, 2015, the Special Project Fund balance of 69,673 Swiss francs is part of UPOV net assets.

BUDGETARY PERFORMANCE

18. The budget of UPOV continues to be prepared on a modified accrual basis, and is presented in the financial statements as statement V, Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the Statement of Financial Performance is included in the notes to the financial statements.

19. The budget for the year 2015 showed income and expenditure of 3,397,000 Swiss francs. This compares to actual income and actual expenditure on a comparable basis (before Funds in Trust, Special Project Fund and IPSAS adjustments) of 3,408,746 Swiss francs and 3,517,394 Swiss francs respectively. The budget for the biennium 2014-2015 showed income and expenditure of 6,794,000 Swiss francs. This compares to actual income and actual expenditure on a comparable basis of 6,793,043 Swiss francs and 6,792,481 Swiss francs respectively. The actual surplus for the biennium 2014-2015 on a comparable basis is equal to 563 Swiss francs (a surplus of 109,211 Swiss francs in 2014 and a deficit of 108,648 Swiss francs in 2015). The principal variations between the 2015 budget and actual numbers on a comparable basis are explained in the following paragraphs.

20. Contributions: actual contributions of 3,344,506 Swiss francs are in line with budget, which is based on contributions from 74 members of the Union in 2015.

21. Interest: actual income from interest of 495 Swiss francs is lower than the budgeted figure of 10,000 Swiss francs. The interest rate earned on monies placed with the Swiss Federal Finance Administration (AFF) is 0.000 percent since January 31, 2015.

22. Personnel resources: the overall actual expenditure for 2015 of 2,221,144 Swiss francs is in line with the budgeted figure of 2,212,000 Swiss francs. Expenditure on posts was lower than expected, due to one member of staff returning to work on a part-time basis after maternity leave and the planned upgrade of a post in the General Service category to the Professional category not taking place within the Biennium. However, this was offset by higher than budgeted expenditure on temporary staff following the recruitment of a temporary staff member to work on the Electronic Application Form project.

23. Travel and fellowships: actual expenditure of 199,046 Swiss francs is lower than the budgeted figure for 2015 of 295,000 Swiss francs. A significant proportion of the reduction in travel costs was a result of the introduction of an online booking tool, which led to a reduction in average ticket fares between 2013 and 2015. Furthermore, expenditure on travel and fellowships from the regular budget was substantially supplemented by an exceptional overall level of extra-budgetary funding arising from the Special Project Fund, the Funds-in-Trust provided by the Japanese Government, the funds provided by the Government of the Netherlands and the funds provided by the United States Patent and Trademark Office (USPTO).

24. Contractual services: actual expenditure in 2015 on contractual services of 475,448 Swiss francs is higher than the budgeted figure of 238,000 Swiss francs. The need to provide cover for maternity leave and part-time work after maternity leave of one staff member increased the agency staff expenditure. Furthermore, as the level of extra-budgetary funds available for activities in the Biennium was substantially higher than anticipated, the resulting additional administrative work on these activities has been performed by agency workers. Finally, the cost of certain IT projects was higher than budgeted.

25. Operating expenses: actual expenditure of 621,713 Swiss francs is broadly in line with the budgeted figure of 633,000 Swiss francs.

26. Other expenditure: 2015 other expenditure (supplies, materials, furniture and equipment) was only 43 Swiss francs, compared to the budgeted figure of 19,000 Swiss francs.

27. The Special Project Fund expenditures amount to 114,151 Swiss francs for 2015. This corresponds to 105,718 Swiss francs for travel and fellowships and 8,433 Swiss francs for contractual services. This expenditure was spread over five training and workshop events during the year.

STATEMENT I: STATEMENT OF FINANCIAL POSITION
as at December 31, 2015
(in Swiss francs)

		December 31, 2015	December 31, 2014
ASSETS	**Note**		
Current assets			
Cash and cash equivalents	3	4,503,112	4,790,460
Accounts receivable (non-exchange transactions)	4	195,399	23,446
Accounts receivable (exchange transactions)	4	-	1,030
		4,698,511	4,814,936
Non-current assets			
Equipment	5	-	-
		-	-
TOTAL ASSETS		**4,698,511**	**4,814,936**
LIABILITIES			
Current liabilities			
Employee benefits	6	178,386	175,039
Advance receipts	7	462,744	719,376
Other current liabilities	8	1,213,425	931,257
		1,854,555	1,825,672
Non-current liabilities			
Employee benefits	6	1,180,122	1,125,193
		1,180,122	1,125,193
TOTAL LIABILITIES		**3,034,677**	**2,950,865**
Reserve Fund	10	1,050,816	1,322,393
Special Project Fund	10	69,673	-
Working Capital Fund	10	543,345	541,678
NET ASSETS		**1,663,834**	**1,864,071**

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2015
(in Swiss francs)

	Note	2015	2014
REVENUE	12		
Contributions		3,344,506	3,333,778
Extrabudgetary funds (funds in trust)		518,886	147,765
Publications revenue		-	270
Investment revenue		495	14,557
Other/miscellaneous revenue		11,731	18,717
TOTAL REVENUE		**3,875,618**	**3,515,087**
EXPENSES	13		
Personnel expenditure		2,200,249	2,134,016
Travel and fellowships		583,816	413,738
Contractual services		671,540	217,362
Operating expenses		621,874	621,611
Supplies and materials		43	10,250
TOTAL EXPENSES		**4,077,522**	**3,396,977**
SURPLUS/(DEFICIT) FOR THE YEAR		**-201,904**	**118,110**

STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS
for the year ended December 31, 2015
(in Swiss francs)

	Note	Reserve Fund	Special Project Fund	Working Capital Fund	Net Assets Total
Net Assets at January 1, 2014		**1,204,283**	**-**	**540,011**	**1,744,294**
Items recognized directly in net assets		-	-	1,667	1,667
Surplus for the year 2014		118,110	-	-	118,110
Net Assets at December 31, 2014	10	**1,322,393**	**-**	**541,678**	**1,864,071**
Transfer to Special Project Fund		**-183,824**	**183,824**	**-**	**-**
Items recognized directly in net assets		-	-	1,667	1,667
Total of items recognized directly in Net Assets in 2015		**-**	**-**	**1,667**	**1,667**
Deficit for the current year 2015		-87,753	-114,151	-	-201,904
Net Assets at December 31, 2015	10	**1,050,816**	**69,673**	**543,345**	**1,663,834**

STATEMENT IV: STATEMENT OF CASH FLOW
for the year ended December 31, 2015
(in Swiss francs)

	Note	2015	2014
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	-201,904	118,110
Increase (decrease) in employee benefits	6	58,276	92,812
(Increase) decrease in receivables	4	-170,923	142,897
Increase (decrease) in advance receipts	7	-256,632	316,728
Increase (decrease) in other liabilities	8	282,168	389,316
Net cash flows from operating activities		**-289,015**	**1,059,863**
Cash flows from investing activities			
Acquisition of equipment	5	-	-
Disposal of equipment	5	-	-
Net cash flows from investing activities		**-**	**-**
Cash flows from financing activities			
Contributions to Working Capital Fund	10	1,667	1,667
Net cash flows from financing activities		**1,667**	**1,667**
Net increase (decrease) in cash and cash equivalents		**-287,348**	**1,061,530**
Cash and cash equivalents at beginning of year	3	**4,790,460**	**3,728,930**
Cash and cash equivalents at end of year	3	**4,503,112**	**4,790,460**

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended December 31, 2015
(in thousands of Swiss francs)

	Original Budget 2015 (1)	Final Budget 2015 (1)	Actual Amounts on comparable basis 2015	Difference 2015 (2)
Income				
Contributions	3,339	3,339	3,345	6
Publications	5	5	-	-5
Interest	10	10	-	-10
Other	43	43	64	21
Total income	**3,397**	**3,397**	**3,409**	**12**
Expenditure				
Personnel resources	2,212	2,212	2,221	9
Travel and fellowships	295	295	199	-96
Contractual services	238	238	475	237
Operating expenses	633	633	622	-11
Supplies and materials	10	10	-	-10
Furniture and equipment	9	9	-	-9
Total expenditure	**3,397**	**3,397**	**3,517**	**120**
Result	**-**	**-**	**-108**	**-108**

Funds in Trust (before IPSAS adjustments)	-400
Expenditures financed from Special Project Fund	-115
IPSAS adjustments to Regular Program and Budget (3)	21
IPSAS adjustments to Funds in Trust (3)	400
Adjusted net deficit per IPSAS (Statement II)	**-202**

(1) – represents the second year of the approved 2014-2015 biennial budget;
(2) – represents the difference between the final (revised) budget and actual income and expense on a comparable basis (before IPSAS adjustments);
(3) – the IPSAS adjustments to the surplus are detailed in Note 11 of these financial statements.

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS for the biennium 2014-2015

(in thousands of Swiss francs)

	Original Budget 2014-2015 (1)	Final Budget 2014-2015 (1)	Actual Amounts on comparable basis to December 31, 2015	Difference 2014-2015 (2)
Income				
Contributions	6,678	6,678	6,679	1
Publications	10	10	-	-10
Interest	20	20	14	-6
Other	86	86	100	14
Total income	**6,794**	**6,794**	**6,793**	**-1**
Expenditure				
Personnel resources	4,424	4,424	4,364	-60
Travel and fellowships	590	590	482	-108
Contractual services	476	476	692	216
Operating expenses	1,266	1,266	1,244	-22
Supplies and materials	20	20	10	-10
Furniture and equipment	18	18	-	-18
Total expenditure	**6,794**	**6,794**	**6,792**	**-2**
Result	**-**	**-**	**1**	**1**

Funds in Trust (before IPSAS adjustments)	-97
Expenditures financed from Special Project Fund	-115
IPSAS adjustments to Regular Program and Budget (3)	30
IPSAS adjustments to Funds in Trust (3)	97
Adjusted net deficit per IPSAS (Statement II)	**-84**

(1) – represents the approved 2014-2015 biennial budget;
(2) – represents the difference between the final (revised) budget and actual income and expense on a comparable basis (before IPSAS adjustments);
(3) – the IPSAS adjustments to the surplus are detailed in Note 11 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES, GOVERNANCE AND BUDGET OF THE UNION

The International Union for the Protection of New Varieties of Plants (UPOV) is an intergovernmental organization with headquarters in Geneva. UPOV's mission is to provide and promote an effective system of plant variety protection, with the aim of encouraging the development of new varieties of plants, for the benefit of society.

UPOV was established by the International Convention for the Protection of New Varieties of Plants (the UPOV Convention), which was signed in Paris in 1961. The Convention entered into force in 1968. It was revised in Geneva in 1972, 1978 and 1991. The 1991 Act entered into force on April 24, 1998. The main objectives of UPOV are, in accordance with the UPOV Convention, to:

- provide and develop the legal, administrative and technical basis for international cooperation in plant variety protection;
- assist States and organizations in the development of legislation and the implementation of an effective plant variety protection system; and
- enhance public awareness and understanding of the UPOV system of plant variety protection.

In accordance with Article 25 of the 1991 Act and Article 15 of the 1978 Act, the Council and the Office of the Union are the permanent organs of UPOV.

The Council governs UPOV, and consists of the representatives of the members of the Union. The Council is responsible for safeguarding the interests and encouraging the development of UPOV, for adopting its program and budget and for taking all necessary decisions to ensure the efficient functioning of UPOV. The Council meets once a year in ordinary session. If necessary, it is convened to meet in extraordinary session. The Council has established a number of bodies, which meet once or twice a year.

The Office of the Union is the Secretariat of UPOV, and is under the direction of the Secretary-General. The staff of the Office of UPOV, other than the Vice Secretary-General, is under the direction of the Vice Secretary-General of UPOV. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and the World Intellectual Property Organization (WIPO), a Specialized Agency of the United Nations. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. The Vice Secretary-General is responsible for the delivery of the results indicated in the approved program and budget. Under the Agreement, WIPO satisfies the requirements of UPOV with regard to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV.

UPOV is funded by contributions and extrabudgetary funds (funds in trust) from members of the Union. UPOV operates within the framework of a biennial program and budget. The proposed program and budget covers estimates for income and expenditure for the financial period to which it relates. It is submitted by the Secretary-General to the Consultative Committee for discussion, comments and recommendations, including possible amendments. The Council adopts the program and budget after consideration of the proposed program and budget and the recommendations of the Consultative Committee.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Swiss francs, which is the reporting and functional currency of UPOV. The accounting policies have been applied consistently to all years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flow is prepared using the indirect method. The financial statements are prepared on an accrual and going-concern basis.

IPSAS Standards 34, 35, 36, 37 and 38 become applicable with effect from January 1, 2017 and are currently under consideration. UPOV has analyzed the scope of consolidation for the Union and no impact on the financial statements has been identified to date.

In January 2016 the IPSAS Board released Exposure Draft 59, Amendments to IPSAS 25, *Employee Benefits*. The Exposure Draft proposes amendments to IPSAS 25, including the removal of the corridor approach for the recognition of actuarial gains and losses. UPOV currently applies the corridor approach in relation to its liability for After-Service Health Insurance (ASHI). If approved, the removal of the corridor approach would potentially impact UPOV's financial statements as it would require the recognition of currently unrecognized actuarial losses (see Note 6).

Foreign Currency

The functional currency of UPOV is the Swiss franc and these financial statements are presented in that currency. All transactions occurring in other currencies are translated into Swiss francs using the United Nations Operational Rates of Exchange (UNORE) which represent those prevailing at the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than UPOV's functional currency are recognized in the Statement of Financial Performance.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At UPOV, segment information is based on the principal activities and sources of financing of UPOV. As such, UPOV reports separate financial information for three segments: (1) the Regular Program and Budget, (2) Funds in Trust, and (3) the Special Project Fund.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, deposits held up to 90 days and other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value.

Receivables

Contributions are recognized as revenue at the beginning of the financial year. An allowance for receivables is recorded equal to the contributions arrears for years prior to the current biennium.

Inventories

Inventories may include the value of publications held for sale and publications distributed free of charge. The total value of finished publications is determined by using an average cost per printed page (excluding costs of marketing and distribution) multiplied by the number of pages of publications held in the publications inventory, adjusted to reflect the lower of cost or net realizable value. The value of publications that are withdrawn from sale or from free distribution is written off during the year in which they become obsolete.

A perpetual inventory is maintained of the publications for sale and sample physical counts are undertaken throughout the year to verify inventory balances. At the end of each year items removed from the catalogue of publications for sale or free distribution, along with items for which it is anticipated that there will be no further free distribution or anticipated sales, are taken out of the inventory and their value is written down to zero.

Equipment

Equipment is valued at cost less accumulated depreciation and impairment. Equipment is recognized as an asset if it has a cost of 5,000 Swiss francs or more per unit. Depreciation is charged so as to write off the full cost of equipment over its estimated useful life using the straight-line method on the following basis:

Class	Estimated useful life
Communications and IT equipment	5 years
Furniture and fixtures	10 years

The carrying values of equipment are reviewed for impairment if events or changes in circumstances indicate that the book value of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment.

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 UPOV are capitalized as an intangible asset. Direct costs include the software development employee costs. As at December 31, 2015, no costs have been capitalized as intangible assets.

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 over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

Class	Estimated useful life
Software acquired externally	5 years
Software internally developed	5 years
Licenses and rights	Period of license/right

Employee Benefits

Liabilities are established for After-Service Health Insurance (ASHI) and separation benefits payable (repatriation grants and travel) as determined by an independent actuary on an annual basis utilizing the projected unit credit methodology of valuation. For the ASHI liability actuarial gains and losses are recognized utilizing the corridor approach and amortized over the average years of future service of active staff. In addition, liabilities are established for the value of accumulated leave and overtime earned but unpaid at the reporting date.

In accordance with the WIPO/UPOV Agreement signed on November 26, 1982, the staff members of UPOV participate in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UPOV and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UPOV'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 UPOV has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25.

UPOV's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Provisions

Provisions are recognized when UPOV has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

Revenue Recognition

Revenue from non-exchange transactions such as extrabudgetary funds (funds in trust) supported by enforceable agreements is recognized as revenue at the time the agreement becomes binding unless the agreement includes conditions related to specific performance or the return of unexpended balances. Such agreements require initial recognition of a liability to defer revenue recognition and then revenue is recognized as the liability is discharged through performance of the specific conditions included in the agreement.

Contributions are recognized as revenue at the beginning of each year of the budget period to which the contribution relates.

In-kind contributions of services are not recognized in the financial statements.

Expense Recognition

Expenses are recognized as goods are received and services delivered.

Financial Instruments

Financial Assets

Initial recognition and measurement:
Financial assets within the scope of IPSAS 29 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. UPOV determines the classification of its financial assets at initial recognition. UPOV's financial assets include: cash, short-term deposits and receivables.

Subsequent measurement*:*
The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit
Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition:
UPOV derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived.

Impairment of financial assets:
UPOV assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets 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 asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial Liabilities

Initial recognition and measurement:
Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. UPOV determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. UPOV's financial liabilities include trade and other payables.

Subsequent measurement:
The subsequent measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit
Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in surplus or deficit.

Loans and borrowing
After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition:
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Change in Accounting Policies and Estimates

UPOV recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI and repatriation grant and travel (the value of which is calculated by an independent actuary), other employee benefit liabilities, financial risk on accounts receivable, accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Deposits with banks	388,604	349,509
Funds invested with AFF	3,418,261	3,419,433
Total unrestricted cash	**3,806,865**	**3,768,942**
Funds invested with AFF - working capital funds	543,345	541,678
Deposits with banks - funds in trust	152,902	479,840
Total restricted cash	**696,247**	**1,021,518**
TOTAL CASH AND CASH EQUIVALENTS	**4,503,112**	**4,790,460**

Cash deposits are generally held in instant access bank accounts, interest-bearing accounts and short-term investments (90 day deposits).

UPOV continues to hold deposit accounts with the Swiss Federal Finance Administration (AFF). Following the implementation of new provisions by the AFF relating to the opening and keeping of deposit accounts, UPOV had been informed that from the end of 2015 it would no longer be able to hold deposits with them, however, this deadline was subsequently extended to December 15, 2017. The interest rate on deposits held with the AFF was 0.15 per cent during January 2015, and thereafter 0.00 per cent for the remainder of the year.

Working Capital Fund balances are considered as restricted, although interest received on Working Capital Fund balances is credited to the general fund of UPOV. From September 1, 2014, UPOV's unrestricted and restricted balances with the AFF have been held in the same account. Funds in trust held on behalf of donors of extrabudgetary funds (funds in trust) are deposited in the currency in which expenditures will be reported, based upon agreements with donors.

NOTE 4: ACCOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Receivable non-exchange transactions		
Contributions	46,444	23,446
Extrabudgetary funds (funds in trust)	148,955	-
	195,399	23,446
Receivable exchange transactions		
Swiss taxes reimbursable	-	1,030
	-	1,030
TOTAL ACCOUNTS RECEIVABLE	**195,399**	**24,476**

Contributions represent uncollected revenue related to the UPOV contribution system. The amount of the annual contribution of each member of the Union is calculated on the basis of the number of contribution units applied to it (Article II of the 1972 Act, Article 26 of the 1978 Act and Article 29 of the 1991 Act of the Convention). When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts due from periods prior to the reporting year.

NOTE 5: EQUIPMENT

All equipment in the inventory is valued at cost less depreciation based upon the straight-line basis. Furniture and fixtures are depreciated over a ten year useful life. All other equipment is depreciated over a five year useful life.

Movement 2015	Equipment	Furniture & Fixtures	Total
		(in Swiss francs)	
December 31, 2014			
Gross carrying amount	-	-	**-**
Accumulated depreciation	-	-	**-**
Net carrying amount	-	-	**-**
Movements in 2015:			
Additions	-	-	**-**
Disposals	-	-	**-**
Disposals depreciation	-	-	**-**
Depreciation	-	-	**-**
Total movements in 2015	-	-	**-**
December 31, 2015			
Gross carrying amount	-	-	**-**
Accumulated depreciation	-	-	**-**
Net carrying amount	**-**	**-**	**-**

Movement 2014	Equipment	Furniture & Fixtures	Total
		(in Swiss francs)	
December 31, 2013			
Gross carrying amount	5,975	-	**5,975**
Accumulated depreciation	-5,975	-	**-5,975**
Net carrying amount	-	-	**-**
Movements in 2014:			
Additions	-	-	**-**
Disposals	-5,975	-	**-5,975**
Disposals depreciation	5,975	-	**5,975**
Depreciation	-	-	**-**
Total movements in 2014	-	-	**-**
December 31, 2014			
Gross carrying amount	-	-	**-**
Accumulated depreciation	-	-	**-**
Net carrying amount	**-**	**-**	**-**

NOTE 6: EMPLOYEE BENEFITS

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Accumulated leave - posts	18,249	34,962
Accumulated leave - temporary positions	441	3,438
Repatriation grant and travel	20,555	19,868
Home leave	5,518	4,635
Accrued overtime	6,297	7,929
Education grants	2,369	15,329
After-Service Health Insurance	124,957	88,878
Total current employee benefit liabilities	**178,386**	**175,039**
Accumulated leave	103,770	95,124
Repatriation grant and travel	131,290	105,317
After-Service Health Insurance	945,062	924,752
Total non-current employee benefit liabilities	**1,180,122**	**1,125,193**
TOTAL EMPLOYEE BENEFIT LIABILITIES	**1,358,508**	**1,300,232**

Employee benefits comprise:

Short-term employee benefits that include salary, allowances, grant on initial assignment, grants for the education of dependent children, paid annual leave, paid sick leave, accident and life insurance;

Long-term employee benefits (or after-service employee benefits) which include post-employment benefits such as After-Service Health Insurance (ASHI), and other long-term employee benefits such as separation benefits consisting of grants upon repatriation, repatriation travel and shipping of personal effects.

Short-Term Employee Benefits

UPOV has recognized liabilities for the following short-term benefits, the value of which is based on the amount payable to each staff member at the reporting date:

Accumulated leave: staff members are eligible for 30 days annual leave. Under the Staff Regulations and Rules (SRR), staff members may accumulate up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. Although annual leave is a short-term employee benefit, as staff have the right to accumulate unused annual leave and receive payment in lieu thereof on separation from service, a portion of accumulated leave is classed as a non-current liability. The total outstanding liability at the reporting date is 122,460 Swiss francs (133,524 Swiss francs at December 31, 2014).

Home leave: certain internationally recruited staff members are eligible for home leave for themselves and their dependents to the country in which they have their home every second year. The total outstanding liability at the reporting date is 5,518 Swiss francs (4,635 Swiss francs at December 31, 2014).

Overtime: certain staff members are eligible to be paid in cash for overtime accrued after the expiry of a period established in the SRR. The total amount payable at the reporting date is 6,297 Swiss francs (7,929 Swiss francs at December 31, 2014).

Education grants: certain internationally recruited staff members, other than those living in their home country, are eligible to receive a grant covering 75 per cent of the costs of education for dependent children until the fourth year of post-secondary school studies, but not beyond the end of the school year in which the child reaches the age of 25. The liability for education grants payable relates to the number of months which have elapsed between the start of the school year/university year and December 31, 2015 for which fees are therefore due. The total liability at the reporting date is 2,369 Swiss francs (15,329 Swiss francs as at December 31, 2014).

Long-Term Employee Benefits

Repatriation grant and travel: UPOV has a contractual obligation to provide benefits such as repatriation grants and travel for certain internationally recruited staff members at the time of their separation from service. On the basis of an actuarial valuation carried out in December 2015 by an independent actuary, the obligation was estimated as follows at the reporting date:

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Current liability	20,555	19,868
Non-current liability	131,290	105,317
Total liability for repatriation grant and travel	**151,845**	**125,185**

After-Service Health Insurance (ASHI): UPOV also has a contractual obligation to provide post-employment medical benefits for its staff members in the form of insurance premiums for the collective medical insurance plan. Staff members (and their spouses, dependent children and survivors) retiring from service are eligible for ASHI coverage if they continue to participate in the ASHI scheme after separation from service. In accordance with the Staff Regulations and Rules, a share of 65% of the monthly medical insurance premium is paid by UPOV. From January 1, 2016, monthly medical premiums amount to 552 Swiss francs for adults and 246 Swiss francs for children (previously 538 Swiss francs and 240 Swiss francs for adults and children respectively). The present value of the defined benefit obligations for post-employment medical benefits is determined using the projected unit credit method including discounting the estimated future cash outflows using a discount rate based upon both Swiss franc high grade corporate bonds and Swiss government bonds. The plan is unfunded and no plan assets are held in a long-term employee benefit fund. On the basis of an actuarial valuation carried out in December 2015 by an independent office, this liability was estimated as follows at the reporting date:

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Current liability	124,957	88,878
Non-current liability	945,062	924,752
Total liability for After-Service Health Insurance (ASHI)	**1,070,019**	**1,013,630**

The table below details the expense for ASHI recognized in the statement of financial performance:

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Interest cost	13,542	24,933
Current service cost	75,336	55,327
Amortization of net actuarial (gain)/loss	1,077	-
Expense recognized in the statement of financial performance	**89,955**	**80,260**

UPOV applies the corridor method for the recognition of actuarial gains and losses for ASHI. Under this accounting policy, a portion of net actuarial gains and losses is recognized if the net cumulative unrecognized gains and losses at the end of the previous reporting period exceed 10 per cent of the present value of the defined benefit obligation at that date. The table below details the changes in the ASHI defined benefit obligation, and reconciles the defined benefit obligation to the liability recognized in the statement of financial position:

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Defined benefit obligation at beginning of year	1,145,526	1,015,107
Interest cost	13,542	24,933
Current service cost	75,336	55,327
Contribution paid	-33,566	-34,445
Actuarial (gain)/loss on obligation	376,355	84,604
Defined benefit obligation at end of year	**1,577,193**	**1,145,526**
Net actuarial gain/(loss) unrecognized	-507,174	-131,896
Liability recognized in the statement of financial position	**1,070,019**	**1,013,630**

Contributions paid by the Organization for ASHI totaled 33,566 Swiss francs for 2015 (34,445 Swiss francs in 2014). Expected contributions to ASHI in 2016 are 34,932 Swiss francs. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2015 and the previous four years:

	2015	2014	2013	2012	2011
			(in Swiss francs)		
Defined benefit obligation	1,577,193	1,145,526	1,015,107	1,031,739	884,576
Experience (gain)/loss adjustments on plan liability	-1,159	-78,243	-44,201	-3,542	-307,627

The principal assumptions used in determining the ASHI liability and defined benefit obligation were as follows:

	December 31, 2015	December 31, 2014
Weighted-average assumptions to determine benefit obligations		
Discount rate	1.00%	1.20%
Rate of salary increase	3.38%	3.52%
Rate of sickness premium increase	2.75%	3.00% as of 2012 then linear decrease to 2.50% as of 2017 then constant
Weighted-average assumptions to determine net cost		
Discount rate	1.20%	2.50%
Rate of salary increase	3.52%	3.36%
Rate of sickness premium increase	3.00% as of 2012 then linear decrease to 2.50% as of 2017 then constant	3.00% as of 2012 then linear decrease to 2.50% as of 2017 then constant

Assumed healthcare cost trends have a significant effect on the amounts calculated for the ASHI liability. A one percentage point change in assumed healthcare cost trends would have the following effects:

After-Service Health Insurance (ASHI)	1 per cent decrease in assumed health care trend rate	Assumed health care trend rate as applied	1 per cent increase in assumed health care trend rate
		(in Swiss francs)	
Defined benefit obligation as at December 31, 2015	1,289,542	1,577,193	1,960,685
Per cent variation	-18.2%		24.3%
Service and interest cost for the year to December 31, 2015	67,563	88,878	118,528
Per cent variation	-24.0%		33.4%

United Nations Joint Staff Pension Fund

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.

UPOV'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 per cent for participants and 15.8 per cent 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.

The actuarial valuation performed as of December 31, 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve a balanced position as of December 31, 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted based on the position at December 31, 2015, and is not available at the time of preparation of these financial statements.

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

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

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 January 1, 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 is reflected in the actuarial valuation of the Fund as of December 31, 2013.

During 2015, UPOV's contributions paid to UNJSPF amounted to 277,809 Swiss francs (2014: 257,286 Swiss francs). Expected contributions due in 2015 are 269,143 Swiss francs.

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 7: ADVANCE RECEIPTS

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Advance payment of contributions	244,834	249,866
Non-exchange revenue deferred	217,910	469,510
TOTAL ADVANCE RECEIPTS	**462,744**	**719,376**

Contributions received in advance are recorded as advance receipt liabilities and are recognized as revenue in the year to which they relate. Extrabudgetary funds from donors to Funds in Trust containing conditions requiring UPOV to provide services to recipient governments or other third parties are treated as deferred revenue until the services covered by the extrabudgetary funds (funds in trust) are performed, whereupon revenue is recognized.

NOTE 8: OTHER CURRENT LIABILITIES

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Amounts payable to WIPO	1,213,425	931,257
TOTAL OTHER CURRENT LIABILITIES	**1,213,425**	**931,257**

Other current liabilities are amounts payable to WIPO, which relate to services provided under the WIPO/UPOV Agreement.

NOTE 9: RELATED PARTY TRANSACTIONS

The Council of UPOV consists of the representatives of the members of the Union. They do not receive remuneration from UPOV.

UPOV has no ownership interest in associates or joint ventures and no controlled entities. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and WIPO. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. Under the Agreement, WIPO satisfies the requirements of UPOV as regards to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV. In accordance with the Agreement, the Office of the Union exercises its functions in complete independence of WIPO.

The key management personnel are the Secretary-General, the Vice Secretary-General and officers in posts. The current Director General of WIPO has declined any salary or allowance from his function as Secretary-General of UPOV. The other key management personnel are remunerated by UPOV. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel and other entitlements paid in accordance with the Staff Regulations and Rules. Key management personnel are members of the UN Joint Service Pension Fund (UNJSPF) to which the personnel and UPOV contribute and are also eligible for participation in the collective medical insurance plan.

Key management personnel and their aggregate remuneration were as follows (note that the table does not include the Secretary-General as he does not receive remuneration from UPOV):

	2015		2014	
	Number of Individuals	**Aggregate remuneration**	**Number of Individuals**	**Aggregate remuneration**
	(as an average)	*(in Swiss francs)*	*(as an average)*	*(in Swiss francs)*
Key management personnel	5.00	1,121,421	5.00	1,167,022

There was no other remuneration or compensation to key management personnel or to their close family members.

NOTE 10: NET ASSETS

	December 31, 2013	Working Capital Fund contributions	Program and Budget Surplus for the Year (before IPSAS adjustments)	Funds In Trust Surplus for the Year (before IPSAS adjustments)	Special Project Fund Expenditures (before IPSAS adjustments)	IPSAS adjustments for the year	Transfer to Reserve Fund	December 31, 2014
				(in Swiss francs)				
Program and Budget Surplus/(Deficit)	-	-	109,211	-	-	8,899	-118,110	-
Funds in Trust Surplus/(Deficit)	-	-	-	303,346	-	-303,346	-	-
Reserve Fund	1,204,283	-	-	-	-	-	118,110	1,322,393
Special Project Fund	-	-	-	-	-	-	-	-
Working Capital Fund	540,011	1,667	-	-	-	-	-	541,678
NET ASSETS	**1,744,294**	**1,667**	**109,211**	**303,346**	**-**	**-294,447**	**-**	**1,864,071**

	December 31, 2014	Transfer to Special Project Fund	Working Capital Fund contributions	Program and Budget Surplus for the Year (before IPSAS adjustments)	Funds In Trust Surplus for the Year (before IPSAS adjustments)	Special Project Fund Expenditures (before IPSAS adjustments)	IPSAS adjustments for the year	Transfer to Reserve Fund	December 31, 2015
					(in Swiss francs)				
Program and Budget Surplus/(Deficit)	-	-	-	-108,648	-	-	20,895	87,753	-
Funds in Trust Surplus/(Deficit)	-	-	-	-	-400,555	-	400,555	-	-
Reserve Fund	1,322,393	-183,824	-	-	-	-	-	-87,753	1,050,816
Special Project Fund	-	183,824	-	-	-	-114,151	-	-	69,673
Working Capital Fund	541,678	-	1,667	-	-	-	-	-	543,345
NET ASSETS	**1,864,071**	**-**	**1,667**	**-108,648**	**-400,555**	**-114,151**	**421,450**	**-**	**1,663,834**

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2015, the Working Capital Fund stands at 543,345 Swiss francs. As per Regulation 4.2, the purposes for which the Working Capital Fund is utilized are:

(a) to meet budgeted expenditure pending the receipt of the contributions of members of UPOV;
(b) to meet unavoidable unforeseen expenses arising from the execution of the approved program;
(c) to meet such other expenses as may be determined by the Council.

Advances made from the Working Capital Fund to meet the expenditure requirements listed above are to be reimbursed in accordance with Regulation 4.2.

The Reserve Fund represents the accumulated surpluses and deficits of UPOV. In accordance with Regulation 4.6 of the UPOV Financial Regulations and Rules, the use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the amount in excess shall be reimbursed to the members of UPOV, unless otherwise decided by the Council.

Any member of UPOV may request that the reimbursement attributed to it be deposited in a special account or trust fund as specified by the member.

In 2015, 183,824 Swiss francs representing the amount of the reserve fund exceeding 15 per cent of the total income for the 2012-2013 Biennium have been transferred to a Special Project Fund to complete specific projects. Of the 183,824 Swiss francs, 114,151 Swiss francs have been expensed during 2015. As at December 31, 2015, the Special Project Fund balance of 69,673 Swiss francs is part of UPOV net assets.

NOTE 11: RECONCILIATION OF STATEMENT OF BUDGETARY COMPARISON (STATEMENT V) AND STATEMENT OF FINANCIAL PERFORMANCE (STATEMENT II)

The UPOV Program and Budget is established on a modified accrual basis in accordance with the UPOV Financial Regulations and Rules, and is approved by the Council. The Regular Program and Budget for the 2014-2015 Biennium established a budget estimate of income and expenditure for the biennium of 6,794,000 Swiss francs.

For 2015, the second year of the biennium, the original and final budget estimate for income and expenditure was 3,397,000 Swiss francs. Actual income on a modified accrual basis for the second year of the biennium was 3,408,746 Swiss francs. Actual expense on a modified accrual basis for the first year of the biennium was 3,517,394 Swiss francs. The analysis of budgetary performance on page 4 of these financial statements provides an explanation of the material differences between the budget and the actual amounts.

UPOV's budget and financial accounts are prepared using two different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified accrual basis.

As required by IPSAS-24, a reconciliation is provided between the actual amounts on a comparable basis with the budget as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. UPOV's budget is adopted by the Council on a biennial basis, however, separate estimates are prepared for each of the two annual periods. Therefore there are no timing differences to report. Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the full recognition of employee benefit costs, allowances and provisions. Entity differences represent the inclusion in UPOV's financial accounts of Funds in Trust and the Special Project Fund, which are not included in UPOV's Regular Program and Budget. Presentation differences where applicable may represent the treatment of acquisitions of equipment as investing activities in Statement IV rather than as operating activities in Statement V.

	2015			
	Operating	Investing	Financing	Total
	(in Swiss francs)			
Actual amount on comparable basis (Statement V)	**-108,648**	-	-	**-108,648**
Changes in allowances for receivables	-	-	-	-
Changes in employee benefit liabilities	20,895	-	-	20,895
Deferral of revenue Funds in Trust	400,555	-	-	400,555
Total Basis differences	**421,450**	**-**	**-**	**421,450**
Funds in Trust	-400,555		-	-400,555
Expenditures financed from Special Fund	-114,151			-114,151
Total Entity differences	**-514,706**		**-**	**-514,706**
Actual amount in the Statement of Financial Performance (Statement II)	**-201,904**	**-**	**-**	**-201,904**

	2014-2015			
	Operating	Investing	Financing	Total
	(in Swiss francs)			
Actual amount on comparable basis (Statement V)	**563**	-	-	**563**
Changes in allowances for receivables	-	-	-	-
Changes in employee benefit liabilities	29,794	-	-	29,794
Deferral of revenue Funds in Trust	97,209	-	-	97,209
Total Basis differences	**127,003**	**-**	**-**	**127,003**
Funds in Trust	-97,209		-	-97,209
Expenditures financed from Special Fund	-114,151			-114,151
Total Entity differences	**-211,360**		**-**	**-211,360**
Actual amount in the Statement of Financial Performance (Statement II)	**-83,794**	**-**	**-**	**-83,794**

NOTE 12: REVENUE

	Regular Program and Budget 2015	Funds in Trust 2015	Special Project Fund 2015	Inter-Segment Transactions 2015	TOTAL UPOV 2015	TOTAL UPOV 2014
			(in Swiss francs)			
REVENUE						
Contributions	3,344,506	-	-	-	3,344,506	3,333,778
Extrabudgetary funds (funds in trust)	-	518,886	-	-	518,886	147,765
Publications revenue	-	-	-	-	-	270
Investment revenue	495	-	-	-	495	14,557
Other/miscellaneous revenue	11,719	12	-	-	11,731	18,717
Program support charges	52,026	-	-	-52,026	-	-
TOTAL REVENUE	**3,408,746**	**518,898**	**-**	**-52,026**	**3,875,618**	**3,515,087**

Contributions under the Regular Program and Budget represent amounts payable in January 2015. Extrabudgetary funds under Funds in Trust represent revenue received in connection with contributions made by donors to individual projects not included in the Regular Program and Budget. Revenue from extrabudgetary funds (funds in trust) is deferred until earned through the delivery of the specific services provided in the plan of work agreed with the donor.

NOTE 13: EXPENSES

	Regular Program and Budget 2015	Funds in Trust 2015	Special Project Fund 2015	Inter-Segment Transactions 2015	TOTAL UPOV 2015	TOTAL UPOV 2014
			(in Swiss francs)			
EXPENSES						
Personnel expenditure	2,200,249	-	-	-	2,200,249	2,134,016
Travel and fellowships	199,046	279,053	105,717	-	583,816	413,738
Contractual services	475,447	187,659	8,434	-	671,540	217,362
Operating expenses	621,714	160	-	-	621,874	621,611
Supplies and materials	43	-	-	-	43	10,250
Program support costs	-	52,026	-	-52,026	-	-
TOTAL EXPENSES	**3,496,499**	**518,898**	**114,151**	**-52,026**	**4,077,522**	**3,396,977**

Personnel expenditure includes short-term employee benefits such as base salary, post adjustment, dependents' allowance, pension contribution, health and other insurance contributions, home leave and other entitlements for posts and temporary positions. As a result of the implementation of IPSAS, personnel expenditure also includes amounts for the movements in employee benefit liabilities.

Travel and fellowships include the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business and travel for participants and lecturers in connection with training activities. Contractual services include translators, interpreters and other non-staff service agreements. Operating expenses include items such as premises rent, maintenance and bank charges.

NOTE 14: FINANCIAL INSTRUMENTS

UPOV is exposed to certain liquidity, interest rate, foreign currency exchange and credit risks which arise in the normal course of its operations. This note presents information about UPOV's exposure to each of the above risks and the policies and processes for measuring and managing risk. Unless otherwise agreed by the Council, UPOV's investment policy shall be the same as the investment policy of WIPO. The authority to make and prudently manage investments in accordance with the investment policy is delegated to the Controller of WIPO.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of UPOV's financial instruments.

	Carrying amount	Fair Value
Financial assets	*(in Swiss francs)*	
2015		
Receivables	195,399	195,399
Cash and cash equivalents	4,503,112	4,503,112
	4,698,511	**4,698,511**
2014		
Receivables	24,476	24,476
Cash and cash equivalents	4,790,460	4,790,460
	4,814,936	**4,814,936**

	Carrying amount	Fair Value
Financial Liabilities	*(in Swiss francs)*	
2015		
Accounts payable	-	-
Other current liabilities	1,213,425	1,213,425
	1,213,425	**1,213,425**
2014		
Accounts payable	-	-
Other current liabilities	931,257	931,257
	931,257	**931,257**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, receivables from exchange transactions and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Receivables from non-exchange transactions are evaluated by UPOV based on parameters such as interest rates and risk characteristics. When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts due from periods prior to the reporting year.

Credit risk

Credit risk is the risk of financial loss to UPOV if counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from receivables, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31, 2015 was:

	December 31, 2015	December 31, 2014
	(in Swiss francs)	
Receivables	195,399	24,476
Cash and cash equivalents	4,503,112	4,790,460
Maximum exposure to credit risk	**4,698,511**	**4,814,936**

UPOV's accounts receivable are almost exclusively from members of the Union representing sovereign governments, and therefore risks related to credit are considered minor.

Cash and cash equivalents may only be held with institutions with a minimum short-term credit rating of A-2/P-2 or a minimum long-term credit rating of A-/A3. Accordingly, the credit ratings attached to cash and cash equivalents as at December 31, 2015 is as follows:

	AAA	A	Unrated (cash on hand)	Total
December 31, 2015		*(in Swiss francs)*		
Cash and Cash Equivalents	3,961,606	541,506	-	**4,503,112**
Percent	88.0%	12.0%	0.0%	100.0%

Liquidity risk

Liquidity risk is the risk of UPOV not being able to meet its obligations as they fall due. UPOV does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. The investment policy has been developed to ensure that investments are held primarily in liquid short-term deposits.

Currency risk

UPOV may receive revenue from extrabudgetary funds (funds in trust) in currencies and incur expenses in currencies other than its functional currency, the Swiss franc and as a result is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. The Union does not use derivative financial instruments to hedge exchange risk.

Market risk

Market risk is the risk of changes in market prices, such as interest rates, affecting the Union's income or the value of its financial instrument holdings. UPOV is to a limited extent exposed to the risk of falling interest rates, since only 0.29 per cent of its operating budget is financed from revenue derived from investment income. UPOV does not use financial instruments to hedge interest rate risk.

The interest rates and the maturity profile on financial instruments as at December 31, 2015 and December 31, 2014, are as follows:

	Interest rate at reporting date	Within one year	1-5 years	Later than 5 years	Total
December 31, 2015	%		*(in Swiss Francs)*		
Financial assets					
Funds invested with AFF	0.000	3,961,606	-	-	3,961,606

	Interest rate at reporting date	Within one year	1-5 years	Later than 5 years	Total
December 31, 2014	%		*(in Swiss Francs)*		
Financial assets					
Funds invested with AFF	0.150	3,961,111	-	-	3,961,111

Interest rate sensitivity analysis

If the average interest rate during 2015 and 2014 had been 50 basis points higher or lower, the interest income would have been affected as follows (calculation based on the actual interest income for the year):

	Increase (+) / decrease (-) in basis points	Effect on surplus
		(in Swiss Francs)
2015		
Financial assets		
Funds invested with AFF	+50	19,806
	-50	-19,806
2014		
Financial assets		
Funds invested with AFF	+50	17,074
	-50	-17,074

NOTE 15: EVENTS AFTER THE REPORTING DATE

UPOV’s reporting date is December 31, 2015 and its financial statements were authorized for issuance on July 1, 2016. No material events, favorable or unfavorable, which would have impacted upon the statements have been incurred between the reporting date and the date on which the financial statements were authorized for issue.

NOTE 16: SEGMENT REPORTING

Segment information is based on the principal activities and sources of financing of UPOV. UPOV reports separate financial information for three segments: the Regular Program and Budget, Funds in Trust (extrabudgetary funds) and the Special Project Fund. Funds in Trust represent amounts administered by UPOV on behalf of individual donors to carry out programs consistent with the policies, aims and activities of UPOV. The Special Project Fund represents the amount of the reserve fund exceeding 15 percent of the total income for the previous biennium which is used to finance extrabudgetary projects agreed by the Council. The Regular Program and Budget, Funds in Trust and the Special Project Fund are accounted for separately in the financial accounting system.

Statement of Financial Position by Segment
as at December 31, 2015
(in Swiss francs)

	Regular Program and Budget	Funds in Trust	Special Project Fund	Inter-Segment Balances	TOTAL UPOV 2015	TOTAL UPOV 2014
ASSETS						
Current assets						
Cash and cash equivalents	4,350,210	152,902	-	-	4,503,112	4,790,460
Accounts receivable (non-exchange transactions)	46,444	148,955	-	-	195,399	23,446
Accounts receivable (exchange transactions)	-18,223	-	18,223	-	-	1,030
Other current assets	-	294,430	18,039	-312,469	-	-
	4,378,431	596,287	36,262	-312,469	4,698,511	4,814,936
Non-current assets						
Equipment	-	-	-	-	-	-
	-	-	-	-	-	-
TOTAL ASSETS	**4,378,431**	**596,287**	**36,262**	**-312,469**	**4,698,511**	**4,814,936**
LIABILITIES						
Current liabilities						
Employee benefits	178,386	-	-	-	178,386	175,039
Advance receipts	244,834	217,910	-	-	462,744	719,376
Other current liabilities	997,104	378,377	150,413	-312,469	1,213,425	931,257
	1,420,324	596,287	150,413	-312,469	1,854,555	1,825,672
Non-current liabilities						
Employee benefits	1,180,122	-	-	-	1,180,122	1,125,193
	1,180,122	-	-	-	1,180,122	1,125,193
TOTAL LIABILITIES	**2,600,446**	**596,287**	**150,413**	**-312,469**	**3,034,677**	**2,950,865**
Reserve Fund	1,050,816	-	-	-	1,050,816	1,322,393
Special Project Fund	183,824	-	-114,151	-	69,673	-
Working Capital Fund	543,345	-	-	-	543,345	541,678
NET ASSETS	**1,777,985**	-	**-114,151**	-	**1,663,834**	**1,864,071**

Statement of Financial Performance by Segment for the year ended December 31, 2015
(in Swiss francs)

	Regular Program and Budget	Funds in Trust	Special Project Fund	Inter-Segment Transactions	TOTAL UPOV 2015	TOTAL UPOV 2014
REVENUE						
Contributions	3,344,506	-	-	-	3,344,506	3,333,778
Extrabudgetary funds (funds in trust)	-	518,886	-	-	518,886	147,765
Publications revenue	-	-	-	-	-	270
Investment revenue	495	-	-	-	495	14,557
Other/miscellaneous revenue	11,719	12	-	-	11,731	18,717
Program support charges	52,026	-	-	-52,026	-	-
TOTAL REVENUE	**3,408,746**	**518,898**	**-**	**-52,026**	**3,875,618**	**3,515,087**
EXPENSES						
Personnel expenditure	2,200,249	-	-	-	2,200,249	2,134,016
Travel and fellowships	199,046	279,053	105,717	-	583,816	413,738
Contractual services	475,447	187,659	8,434	-	671,540	217,362
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Supplies and materials	43	-	-	-	43	10,250
Program support costs	-	52,026	-	-52,026	-	-
TOTAL EXPENSES	**3,496,499**	**518,898**	**114,151**	**-52,026**	**4,077,522**	**3,396,977**
SURPLUS/(DEFICIT) FOR THE YEAR	**-87,753**	**-**	**-114,151**	**-**	**-201,904**	**118,110**

[End of Annex and of document]