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INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS
Geneva

COUNCIL

Forty-Eighth Ordinary Session
Geneva, October 16, 2014

FINANCIAL STATEMENTS FOR 2013

Document prepared by the Office of the Union

Disclaimer: this document does not represent UPOV policies or guidance

1. The Financial Statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2013, and the audit report are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/3), which requires that the Council examines and approves the financial statements. The Financial Statements for 2013 are presented in the Annex to this document. Document C/48/14 contains the audit report of the External Auditor.

2. The Financial Statements for 2013 have been prepared in accordance with the 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 2013 constitute the second set of financial statements to be prepared in accordance with IPSAS.

3. The Council is invited to examine and approve the Financial Statements for 2013.

[Annex follows]

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Financial Statements for the year ended December 31, 2013

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, 2013 are submitted to the Council of UPOV in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/3).

2. The report of the External Auditor on the audit of the 2013 financial statements, together with his opinion on the financial statements, are 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 2013 financial statements have been prepared in accordance with the 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 2013 financial statements constitute the second 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, a significant change from the modified accrual basis of accounting applied under UNSAS. 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 now recorded to capture the full cost of employing staff. Prior to the 2012 financial statements, these types of benefits were shown as an expense only when paid.

7. The implementation 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 now provides information on the remuneration of key management personnel.

9. 2013 represents the first year that UPOV has applied IPSAS 28-30 Financial Instruments in its financial statements, in accordance with the effective dates of these Standards. As such, the 2013 financial statements include additional disclosures concerning financial instruments.

FINANCIAL PERFORMANCE

10. UPOV’s results showed a surplus for the year of 107,008 Swiss francs, with total revenue of 3,750,438 Swiss francs and total expenses of 3,643,430 Swiss francs. This can be compared to a surplus of 397,199 Swiss francs in 2012, with total revenue of 3,597,337 Swiss francs and total expenses of 3,200,138 Swiss francs.

11. 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 2013	Funds in Trust 2013	Inter-Segment Transactions 2013	TOTAL UPOV 2013	TOTAL UPOV 2012
			(in Swiss francs)		
TOTAL REVENUE	3,403,218	395,195	-47,975	3,750,438	3,597,337
TOTAL EXPENSES	3,296,210	395,195	-47,975	3,643,430	3,200,138
SURPLUS FOR THE YEAR	**107,008**	**-**	**-**	**107,008**	**397,199**

12. UPOV's activities are financed mainly from two sources - contributions and extrabudgetary funds (funds in trust). Contributions of 3,323,050 Swiss francs represent approximately 88.6 per cent of UPOV's total revenue for 2013. Revenue recognized from extrabudgetary funds (funds in trust) totaled 395,128 Swiss francs for the year, representing 10.5 per cent of total revenue. UPOV also has balances of 236,484 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.

13. Personnel expenses of 2,077,237 Swiss francs represent 57.0 per cent of total expenses of 3,643,430 Swiss francs for the year 2013. 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 94,325 Swiss francs. This methodology allows UPOV to better account for the true cost of employing its staff on an annual basis.

FINANCIAL POSITION

14. UPOV has net assets of 1,744,294 Swiss francs as at December 31, 2013, compared to 1,637,286 at the end of 2012. The financial position of UPOV by segment can be summarized as follows:

Table 2. Summary Financial Position by Segment

	Regular Program and Budget 2013	Funds in Trust 2013	Inter-Segment Balances 2013	TOTAL UPOV 2013	TOTAL UPOV 2012
			(in Swiss francs)		
TOTAL ASSETS	3,530,823	365,480	-	3,896,303	3,388,206
TOTAL LIABILITIES	1,786,529	365,480	-	2,152,009	1,750,920
NET ASSETS	**1,744,294**	**-**	**-**	**1,744,294**	**1,637,286**

15. The net working capital (current assets less current liabilities) of UPOV is 2,799,189 Swiss francs as at December 31, 2013 (2,626,696 Swiss francs as at December 31, 2012). Cash and cash equivalent balances increased from 3,316,037 Swiss francs as at December 31, 2012 to 3,728,930 Swiss francs as at December 31, 2013.

16. Total contributions receivable at December 31, 2013 were 167,248 Swiss francs, compared to 70,273 as at December 31, 2012. The increase in contributions receivable was due to a receivable balance from extrabudgetary funds (funds in trust) which was subsequently paid in January 2014.

17. UPOV has total employee benefit liabilities of 1,207,420 Swiss francs as at December 31, 2013, compared to 1,146,994 Swiss francs as at December 31, 2012. For the liabilities relating to ASHI and repatriation benefits, actuarial valuations have been used. The main liability, relating to ASHI, amounts to 967,815 Swiss francs as at December 31, 2013. This shows an increase of 52,082 Swiss francs from the balance as at December 31, 2012.

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 2013 showed income and expenditure of 3,404,000 Swiss francs. This compares to actual income on a comparable basis (before Funds in Trust and IPSAS adjustments) of 3,403,218 Swiss francs and actual expenditure on a comparable basis of 3,329,902 Swiss francs. The principal variations between the 2013 budget and actual numbers on a comparable basis are explained in the following paragraphs.

20. Contributions: actual contributions of 3,323,050 Swiss francs are in line with budget, which is based on contributions from 70 members of the Union in 2013.

21. Interest: actual income from interest of 17,456 Swiss francs is lower than the budgeted figure of 35,000 Swiss francs, due to low average interest rates on interest bearing accounts (notably the average interest rate earned on monies placed with the Swiss National Bank was 0.558 per cent in 2013).

22. Personnel resources: the actual expenditure for 2013 of 2,110,930 Swiss francs is lower than the budgeted figure of 2,274,000 Swiss francs. The reduced expenditure in personnel resources is the result of one of the posts in the professional category being vacant and changes of grade due to personnel changes.

23. Travel and fellowships: actual expenditure of 252,239 Swiss francs is lower than the budgeted figure for 2013 of 281,000 Swiss francs. However, over the 2012-2013 Biennium, travel costs were broadly in line with budgeted costs.

24. Contractual services: actual expenditure in 2013 on contractual services of 322,227 Swiss francs is greater than the budgeted figure of 215,000 Swiss francs. However, the contractual services actual expenditure for the 2012-2013 biennium of 437,139 Swiss francs is broadly in line with the biennium budget of 430,000 Swiss francs. Expenditure on information technology experts in relation to the development of an electronic application form and an electronic template for Test Guidelines, which was initially expected to be incurred in 2012, actually took place in 2013. Furthermore, in 2013 there was significant expenditure on experts to supplement the work of UPOV staff, for example in relation to the development of the advanced distance learning training course.

25. Operating expenses: actual expenditure of 621,953 Swiss francs is broadly in line with the budgeted figure of 619,000 Swiss francs.

26. Other expenditure: 2013 other expenditure on supplies, materials, furniture and equipment is slightly higher than the 2013 budgeted figure, although this expenditure is not significant for the 2012-2013 biennium. Furthermore, other expenditure over the 2012-2013 biennium is in line with the budgeted figures.

STATEMENT I: STATEMENT OF FINANCIAL POSITION
as at December 31, 2013
(in Swiss francs)

ASSETS	Note	December 31, 2013	December 31, 2012
Current assets			
Cash and cash equivalents	3	3,728,930	3,316,037
Accounts receivable (non-exchange transactions)	4	167,248	70,273
Accounts receivable (exchange transactions)	4	125	229
		3,896,303	3,386,539
Non-current assets			
Equipment	5	-	-
Accounts receivable (non-exchange transactions)	4	-	1,667
			1,667
TOTAL ASSETS		**3,896,303**	**3,388,206**
LIABILITIES			
Current liabilities			
Accounts payable	6	-	1,162
Employee benefits	7	152,525	155,917
Advance receipts	8	402,648	443,136
Other current liabilities	9	541,941	159,628
		1,097,114	759,843
Non-current liabilities			
Employee benefits	7	1,054,895	991,077
		1,054,895	991,077
TOTAL LIABILITIES		**2,152,009**	**1,750,920**
Reserve Fund	11	1,204,283	1,097,275
Working Capital Fund	11	540,011	540,011
NET ASSETS		**1,744,294**	**1,637,286**

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2013
(in Swiss francs)

	Note	2013	2012
REVENUE	13		
Contributions		3,323,050	3,334,768
Extrabudgetary funds (funds in trust)		395,128	220,170
Publications revenue		-	3,810
Investment revenue		17,523	11,874
Other/miscellaneous revenue		14,737	26,715
TOTAL REVENUE		**3,750,438**	**3,597,337**
EXPENSES	14		
Personnel expenditure		2,077,237	1,986,080
Travel and fellowships		584,920	471,785
Contractual services		336,686	117,062
Operating expenses		622,033	620,737
Supplies and materials		22,554	691
Furniture and equipment		-	3,783
TOTAL EXPENSES		**3,643,430**	**3,200,138**
SURPLUS/DEFICIT FOR THE YEAR		**107,008**	**397,199**

STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS
for the year ended December 31, 2013
(in Swiss francs)

	Note	Reserve Fund	Working Capital Fund	Net Assets Total
Net Assets at January 1, 2012		**700,076**	**536,677**	**1,236,753**
Items recognized directly in net assets		-	3,334	3,334
Surplus for the year 2012		397,199	-	397,199
Net Assets at December 31, 2012	11	**1,097,275**	**540,011**	**1,637,286**
Items recognized directly in net assets		-	-	-
Total of items recognized directly in Net Assets in 2013		**-**	**-**	**-**
Surplus for the current year 2013		107,008	-	107,008
Net Assets at December 31, 2013	11	**1,204,283**	**540,011**	**1,744,294**

STATEMENT IV: STATEMENT OF CASH FLOW
for the year ended December 31, 2013
(in Swiss francs)

	Note	2013	2012
Cash flows from operating activities			
Surplus for the year	Statement II	107,008	397,199
Increase (decrease) in employee benefits	7	60,426	-133,585
(Increase) decrease in receivables	4	-95,204	225,462
Increase (decrease) in advance receipts	8	-40,488	-84,815
Increase (decrease) in accounts payable	6	-1,162	-25,411
Increase (decrease) in other liabilities	9	382,313	-279,863
Net cash flows from operating activities		**412,893**	**98,987**
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		-	3,334
Net cash flows from financing activities		**-**	**3,334**
Net increase (decrease) in cash and cash equivalents		**412,893**	**102,321**
Cash and cash equivalents at beginning of year	3	**3,316,037**	**3,213,716**
Cash and cash equivalents at end of year	3	**3,728,930**	**3,316,037**

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS for the year ended December 31, 2013 (in thousands of Swiss francs)

	Original Budget 2013 (1)	Final Budget 2013 (1)	Actual Amounts on comparable basis December 2013	Difference 2013 (2)
Income				
Contributions	3,334	3,334	3,323	-11
Publications	5	5	-	-5
Interest	35	35	17	-18
Other	30	30	63	33
Total income	**3,404**	**3,404**	**3,403**	**-1**
Expenditure				
Personnel resources	2,274	2,274	2,111	-163
Travel and fellowships	281	281	252	-29
Contractual services	215	215	322	107
Operating expenses	619	619	622	3
Supplies and materials	10	10	23	13
Furniture and equipment	5	5	-	-5
Total expenditure	**3,404**	**3,404**	**3,330**	**-74**
Result	**-**	**-**	**73**	**73**

Funds in Trust (before IPSAS adjustments)	-45
IPSAS adjustments to Regular Program and Budget (3)	34
IPSAS adjustments to Funds in Trust (3)	45
Adjusted net surplus per IPSAS (Statement II)	**107**

(1) – represents the second year of the approved 2012-2013 biennial budget;
(2) – represents the difference between the final (revised) budget and actual expense on a comparable basis (before IPSAS adjustments);
(3) – the IPSAS adjustments to the surplus are detailed in Note 12 of these financial statements.

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the biennium 2012-2013
(in thousands of Swiss francs)

	Original Budget (1)	Final Budget (1)	Actual Amounts on comparable basis	Difference (2)
Income				
Contributions	6,657	6,657	6,646	-11
Publications	10	10	4	-6
Interest	70	70	29	-41
Other	61	61	113	52
Total income	**6,798**	**6,798**	**6,792**	**-6**
Expenditure				
Personnel resources	4,542	4,542	4,048	-494
Travel and fellowships	560	560	529	-31
Contractual services	430	430	437	7
Operating expenses	1,236	1,236	1,243	7
Supplies and materials	20	20	24	4
Furniture and equipment	10	10	4	-6
Interest	-	-	-	-
Other/miscellaneous	-	-	-	-
Total expenditure	**6,798**	**6,798**	**6,285**	**-513**
Result	**-**	**-**	**507**	**507**

Funds in Trust (before IPSAS adjustments)	-62
IPSAS adjustments to Regular Program and Budget (3)	-3
IPSAS adjustments to Funds in Trust (3)	62
Adjusted net surplus per IPSAS (Statement II) (4)	**504**

(1) – represents the approved 2012-2013 biennial budget;
(2) – represents the difference between the final (revised) budget and actual expense on a comparable basis (before IPSAS adjustments);
(3) – the IPSAS adjustments to the surplus are detailed in Note 12 of these financial statements.
(4) – represents the biennial adjusted net surplus per IPSAS (397 thousand Swiss francs for 2012 and 107 thousand Swiss francs for 2013)

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 himself, 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 on an accrual and going-concern basis and the accounting policies have been applied consistently throughout the period. The statements comply with the requirements of International Public Sector Accounting Standards (IPSAS).

These are the second financial statements prepared in compliance with IPSAS.

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 UN exchange rates 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 two segments: (1) the Regular Program and Budget; and (2) Funds in Trust.

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 year.

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.

Fixed Assets

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 fixed assets over their estimated useful lives 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 fixed assets 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. Fixed assets currently held by UPOV have a total net book value of zero.

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, 2013, 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. 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.

Application of IPSAS 28-30 Financial Instruments

UPOV has applied IPSAS 28-30 Financial Instruments for the first time in its financial statements for 2013, in accordance with the effective dates of these Standards. These Standards require retrospective application, including adjustment of the opening balance of accumulated surplus or deficit for the earliest prior period presented where applicable. Application of IPSAS 28-30 has not resulted in the adjustment of UPOV's accumulated surplus for the prior periods presented in the 2013 financial statements.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: defined benefit medical insurance and other post-employment benefit obligations (the value of which is calculated by an independent actuary), 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, 2013	**December 31, 2012**
	(in Swiss francs)	(in Swiss francs)
Deposits with banks	308,821	612,007
Funds invested with BNS	2,653,708	1,887,532
Total unrestricted cash	**2,962,529**	**2,499,539**
Funds invested with BNS restricted working capital funds	543,026	542,035
Deposits with banks restricted funds in trust	223,375	274,463
Total restricted cash	**766,401**	**816,498**
TOTAL CASH AND CASH EQUIVALENTS	**3,728,930**	**3,316,037**

Cash deposits are generally held in instant access bank accounts, interest-bearing accounts and short-term investments (90 day deposits). The average rate of interest earned on interest bearing accounts and investments held with the Swiss National Bank was 0.558 per cent in 2013. Working Capital Fund balances are held in a separate account. Interest received on the Working Capital Fund is credited to the general fund of UPOV. 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, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Receivable non-exchange transactions		
Contributions	12,447	70,273
Extrabudgetary funds (funds in trust)	154,801	-
	167,248	70,273
Receivable exchange transactions		
Swiss taxes reimbursable	125	229
	125	229
Total current accounts receivable	**167,373**	**70,502**
Working Capital Fund contributions	-	1,667
Total non-current accounts receivable	**-**	**1,667**
TOTAL ACCOUNTS RECEIVABLE	**167,373**	**72,169**

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 2013	**Equipment**	**Furniture & Fixtures**	**Total**
		(in Swiss francs)	
December 31, 2012			
Gross carrying amount	5,975	-	**5,975**
Accumulated depreciation	-5,975	-	**-5,975**
Net carrying amount	-	-	**-**
Movements in 2013:			
Additions	-	-	**-**
Disposals	-	-	**-**
Disposals depreciation	-	-	**-**
Depreciation	-	-	**-**
Total movements in 2013	-	-	**-**
December 31, 2013			
Gross carrying amount	5,975	-	**5,975**
Accumulated depreciation	-5,975	-	**-5,975**
Net carrying amount	**-**	**-**	**-**

Movement 2012	Equipment	Furniture & Fixtures	Total
		(in Swiss francs)	
January 1, 2012			
Gross carrying amount	5,975	-	**5,975**
Accumulated depreciation	-5,975	-	**-5,975**
Net carrying amount	-	-	-
Movements in 2012:			
Additions	-	-	-
Disposals	-	-	-
Disposals depreciation	-	-	-
Depreciation	-	-	-
Total movements in 2012	-	-	-
December 31, 2012			
Gross carrying amount	5,975	-	**5,975**
Accumulated depreciation	-5,975	-	**-5,975**
Net carrying amount	-	-	-

NOTE 6: ACCOUNTS PAYABLE

	December 31, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Miscellaneous creditors	-	1,162
TOTAL ACCOUNTS PAYABLE	**-**	**1,162**

NOTE 7: EMPLOYEE BENEFITS

	December 31, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Accumulated leave - fixed term	29,551	28,653
Accumulated leave - short-term and consultants	-	20,665
Repatriation grant and travel	16,127	11,884
Home leave not taken	-	6,202
Accrued overtime	14,533	6,069
Education grants	12,054	-
Post-employment medical benefits	80,260	82,444
Total current employee benefit liabilities	**152,525**	**155,917**
Accumulated leave	75,967	75,544
Repatriation grant and travel	91,373	82,244
Post-employment medical benefits	887,555	833,289
Total non-current employee benefit liabilities	**1,054,895**	**991,077**
TOTAL EMPLOYEE BENEFIT LIABILITIES	**1,207,420**	**1,146,994**

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;

Post-employment benefits which include separation benefits consisting of grants upon repatriation, repatriation travel and shipping of personal effects and after service medical insurance.

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) in force until December 31, 2012, staff were able to accumulate up to 90 days leave of which up to 60 days is payable on separation from service. Under the revised SRR in force from January 1, 2013, staff members may accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. The total outstanding liability at the reporting date is 105,518 Swiss francs (124,862 Swiss francs at December 31, 2012).

- Home Leave – internationally recruited staff members are eligible for home leave for themselves and their dependents to the country from which they were recruited every second year. There was no outstanding liability for home leave earned but not taken at the reporting date (6,202 Swiss francs at December 31, 2012).

- Overtime – staff members are eligible to be paid in cash for overtime accrued after the expiry of a period established in the Staff Regulations and Rules. The total amount payable at the reporting date is 14,533 Swiss francs (6,069 Swiss francs at December 31, 2012).

- Education grants – international staff, 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 end of the school year in which the child reaches the age of 25. The provision 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, 2013 for which fees are therefore due. The total provision at the reporting date is 12,054 Swiss francs.

Post-Employment 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 2013 by an independent actuary, the obligation was estimated as follows at the reporting date:

	December 31, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Liability for repatriation grant and travel	107,500	94,128

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 medical and accident 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. The current monthly medical premium amounts to 552 Swiss francs as at December 31, 2013. 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 2013 by an independent office, this liability was estimated as follows at the reporting date:

	December 31, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Liability for post-employment medical benefits (ASHI)	967,815	915,733

The actuarial assumptions and calculations applicable to the ASHI liability as at December 31, 2013 are disclosed in the following table:

	December 31, 2013 (in Swiss francs)	December 31, 2012 (in Swiss francs)
Change in benefit obligation		
Benefit obligation at beginning of year	1,031,739	884,576
Current service cost	60,086	37,396
Interest cost	22,355	23,900
Benefits paid from plan/company	-31,214	-30,139
Past service cost	-	-
Actuarial (gain) / loss	-67,859	116,006
Benefit obligation at end of year	1,015,107	1,031,739
Amounts recognized in the statement of financial position		
Plans that are wholly unfunded and plans that are wholly or partly funded		
Present value of unfunded obligations	1,015,107	1,031,739
Actuarial gain (loss) unrecognized	-47,292	-116,006
	967,815	915,733
Amounts in the statement of financial position		
Liabilities	967,815	915,733
Components of pension cost		
Amounts recognized as personnel expenditure on Statement of Financial Perfomance		
Current service cost	60,086	37,396
Interest cost	22,355	23,900
Past service cost (short-term employees)	-	-
Amortization of net (gain) / loss	855	-
Total pension cost recognized in Statement of Financial Performance	83,296	61,296
Policy for amortizing actuarial (gains) losses	**Corridor Method**	**Corridor Method**
Actuarial gain (loss)		
Unrecognized balance at beginning of reporting period	-116,006	-
Movement in reporting period	68,714	-116,006
Unrecognized gain (loss) at end of reporting period	-47,292	-116,006
History of experience (gains) losses		
Experience (gain) loss on plan liabilities	-44,201	-3,542
(Gain) loss on plan liabilities due to assumptions changes	-24,513	119,548
	-68,714	116,006
Principal actuarial assumptions		
Weighted-average assumptions to determine benefit obligations		
Discount rate	2.50%	2.20%
Rate of compensation increase	3.36%	3.44%
Rate of sickness premium increase	3.00% as of 2013	3.00% as of 2012
	2.50% as of 2018	2.50% as of 2017
	2.50% as of 2028	2.00% as of 2027
Weighted-average assumptions to determine net cost		
Discount rate	2.20%	2.75%
Rate of compensation increase	3.44%	3.80%
Rate of sickness premium increase	3.00% as of 2013	3.00% as of 2012
	2.50% as of 2018	2.50% as of 2017
	2.00% as of 2028	2.00% as of 2027
Components of projected pension expense		
Projected plan contributions for 2014	35,581	

The unrecognized actuarial gain for the year is 68,714 Swiss francs. This represents the impact of an actuarial gain of 24,513 Swiss francs resulting from the increase in the discount rate and the updating of demographic tables, and a gain of 44,201 Swiss francs resulting from experience adjustments. The cumulative actuarial loss is amortized over the estimated remaining working lives of the employees covered by after service health insurance. The portion of the liability recognized on the Statement of Financial Performance is the amount of the amortized actuarial gain or loss exceeding ten percent of the present value of the defined benefit liability at the reporting date in accordance with the corridor method of recognition.

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:

Sensitivity information for post-employment medical benefits (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, 2013	862,570	1,015,107	1,210,200
Per cent variation	-15.0%		19.2%
Service and interest cost for the year to December 31, 2013	65,280	82,441	105,589
Per cent variation	-20.8%		28.1%

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, 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of December 31, 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. 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 December 31, 2013.

At December 31, 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 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, 2011, 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 July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. 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 will be reflected in the actuarial valuation of the Fund as of December 31, 2013.

During 2013, UPOV's contributions paid to UNJSPF amounted to 255,439 Swiss francs (2012: 227,844 Swiss francs). Expected contributions due in 2014 are 246,766 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 8: ADVANCE RECEIPTS

Note 8: Advance receipts

	December 31, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Advance payment of contributions	236,484	232,400
Non-exchange revenue deferred	166,164	210,736
TOTAL ADVANCE RECEIPTS	**402,648**	**443,136**

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 goods or 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 9: OTHER CURRENT LIABILITIES

	December 31, 2013	December 31, 2012
	(in Swiss francs)	(in Swiss francs)
Amounts payable to WIPO	541,941	159,628
TOTAL OTHER CURRENT LIABILITIES	**541,941**	**159,628**

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

NOTE 10: 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. 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 contributes and are also eligible for participation in the Staff Health Insurance Scheme including the after service medical insurance scheme if they meet the eligibility requirements.

Key management personnel and their aggregate remuneration were as follows:

	2013		**2012**	
	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	5.19	1,047,215	5.30	1,110,489

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

NOTE 11: RESERVE AND WORKING CAPITAL FUNDS

	December 31, 2012			**December 31, 2013**
	Opening balance	**Working Capital Fund contributions**	**Surplus for the year**	**IPSAS net assets**
Reserve Fund	1,097,275	-	107,008	1,204,283
Working Capital Fund	540,011	-	-	540,011
NET ASSETS	**1,637,286**	**-**	**107,008**	**1,744,294**

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2013, the Working Capital Fund stands at 540,011 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.

NOTE 12: 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 2012-2013 Biennium established a budget estimate of income and expenditure for the biennium of 6,798,000 Swiss francs.

For 2013, the second year of the biennium, the original and final budget estimate for income and expenditure was 3,404,000 Swiss francs. Actual income on a modified accrual basis for the second year of the biennium was 3,403,218 Swiss francs. Actual expense on a modified accrual basis for the second year of the biennium was 3,329,902 Swiss francs. The section 'Financial results for the year' on pages 4-5 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, 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 expenses in Statement V.

	2013			
	Operating	**Investing**	**Financing**	**Total**
	(in Swiss francs)			
Actual amount on comparable basis (Statement V)	**73,316**	-	-	**73,316**
Changes in allowances for receivables	-	-	-	-
Changes in employee benefit liabilities	33,692	-	-	33,692
Deferral of revenue Funds in Trust	44,573	-	-	44,573
Total Basis differences	**78,265**	**-**	**-**	**78,265**
Funds in Trust	-44,573		-	-44,573
Total Entity differences	**-44,573**		**-**	**-44,573**
Actual amount in the Statement of Financial Performance (Statement II)	**107,008**	**-**	**-**	**107,008**

	2012-2013			
	Operating	Investing	Financing	Total
	(in Swiss francs)			
Actual amount on comparable basis (Statement V)	**507,639**	-	-	**507,639**
Changes in allowances for receivables	11,718	-	-	11,718
Changes in employee benefit liabilities	-15,150	-	-	-15,150
Deferral of revenue Funds in Trust	61,214	-	-	61,214
Total Basis differences	**57,782**	**-**	**-**	**57,782**
Funds in Trust	-61,214		-	-61,214
Total Entity differences	**-61,214**		**-**	**-61,214**
Actual amount in the Statement of Financial Performance (Statement II)	**504,207**	**-**	**-**	**504,207**

NOTE 13: REVENUE

	Regular Program and Budget 2013	Funds in Trust 2013	Inter-Segment Transactions 2013	TOTAL UPOV 2013	TOTAL UPOV 2012
	(in Swiss francs)				
REVENUE					
Contributions	3,323,050	-	-	3,323,050	3,334,768
Extrabudgetary funds (funds in trust)	-	395,128	-	395,128	220,170
Publications revenue	-	-	-	-	3,810
Investment revenue	17,456	67	-	17,523	11,874
Other/miscellaneous revenue	14,737	-	-	14,737	26,715
Program support charges	47,975	-	-47,975	-	-
TOTAL REVENUE	**3,403,218**	**395,195**	**-47,975**	**3,750,438**	**3,597,337**

Contributions under the Regular Program and Budget represent amounts payable in January 2013. 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 14: EXPENSE

	Regular Program and Budget 2013	Funds in Trust 2013	Inter-Segment Transactions 2013	TOTAL UPOV 2013	TOTAL UPOV 2012
	(in Swiss francs)				
EXPENSES					
Personnel expenditure	2,077,237	-	-	2,077,237	1,986,080
Travel and fellowships	252,239	332,681	-	584,920	471,785
Contractual services	322,227	14,459	-	336,686	117,062
Operating expenses	621,953	80	-	622,033	620,737
Supplies and materials	22,554	-	-	22,554	691
Furniture and equipment	-	-	-	-	3,783
Program support costs	-	47,975	-47,975	-	-
TOTAL EXPENSES	**3,296,210**	**395,195**	**-47,975**	**3,643,430**	**3,200,138**

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 permanent and short-term staff. As a result of the implementation of IPSAS, personnel expenditure also includes amounts for the movements in provisions for employee benefit liabilities (33,692 Swiss francs).

Travel and fellowships includes the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business and travel for participants, lecturers and fellows 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 15: 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.

Financial assets	Carrying amount (in Swiss francs)	Fair Value
2013		
Receivables	167,373	167,373
Cash and cash equivalents	3,728,930	3,728,930
	3,896,303	**3,896,303**
2012		
Receivables	72,169	72,169
Cash and cash equivalents	3,316,037	3,316,037
	3,388,206	**3,388,206**

Financial Liabilities	Carrying amount (in Swiss francs)	Fair Value
2013		
Accounts payable	-	-
Other current liabilities	541,941	541,941
	541,941	**541,941**
2012		
Accounts payable	1,162	1,162
Other current liabilities	159,628	159,628
	160,790	**160,790**

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, 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, 2013 was:

	December 31, 2013	December 31, 2012
	(in Swiss francs)	
Receivables	167,373	72,169
Cash and cash equivalents	3,728,930	3,316,037
Maximum exposure to credit risk	**3,896,303**	**3,388,206**

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

Investments are held in banks with sovereign risk or with credit ratings of AA- or higher. UPOV minimizes the credit risk to its cash and cash equivalents by holding its funds in banks with high or upper medium grade credit ratings. Accordingly, the credit ratings attached to cash and cash equivalents are as follows:

	AAA	A	Unrated (cash on hand)	Total
December 31, 2013		(in Swiss francs)		
Cash and Cash Equivalents	3,196,734	532,196	-	**3,728,930**
Percent	85.7%	14.3%	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 1.03 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 weighted average interest rates and maturity profile on financial instruments are as follows:

	Weighted average interest rate	Within one year	1-5 years	Later than 5 years	Total
December 31, 2013	%	(in Swiss Francs)			
Financial assets					
Funds invested with the BNS	0.558	3,196,734	-	-	3,196,734

	Weighted average interest rate	Within one year	1-5 years	Later than 5 years	Total
December 31, 2012	%	(in Swiss Francs)			
Financial assets					
Funds invested with the BNS	0.375	2,429,567	-	-	2,429,567

Interest rate sensitivity analysis

If the weighted average interest rate at December 31, 2013 had been 50 basis points higher or lower, the interest income or interest expense would have been affected as follows:

	Increase (+) / decrease (-) in basis	Effect on surplus (in Swiss Francs)
2013		
Financial assets		
Funds invested with BNS	+50	15,984
	-50	-15,984
2012		
Financial assets		
Funds invested with BNS	+50	12,148
	-50	-9,111

NOTE 16: EVENTS AFTER THE REPORTING DATE

UPOV's reporting date is December 31, 2013 and its financial statements were authorized for issuance on July 7, 2014. 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 17: SEGMENT REPORTING

Segment information is based on the principal activities and sources of financing of UPOV. UPOV reports separate financial information for two segments: the Regular Program and Budget and Funds in Trust (extrabudgetary funds). 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 Regular Program and Budget and Funds in Trust are accounted for separately in the financial accounting system.

Statement of Financial Position by Segment as at December 31, 2013 (in Swiss francs)

ASSETS	Regular Program and Budget	Funds in Trust	Inter-Segment Balances	TOTAL UPOV 2013	TOTAL UPOV 2012
Current assets					
Cash and cash equivalents	3,505,555	223,375	-	3,728,930	3,316,037
Accounts receivable (non-exchange transactions)	12,447	154,801	-	167,248	70,273
Accounts receivable (exchange transactions)	101	24	-	125	229
Other current assets	12,720	-	-12,720	-	-
	3,530,823	378,200	-12,720	3,896,303	3,386,539
Non-current assets					
Equipment	-	-	-	-	-
Accounts receivable (non-exchange transactions)	-	-	-	-	1,667
	-	-	-	-	1,667
TOTAL ASSETS	**3,530,823**	**378,200**	**-12,720**	**3,896,303**	**3,388,206**
LIABILITIES					
Current liabilities					
Accounts payable	-	-	-	-	1,162
Employee benefits	152,525	-	-	152,525	155,917
Advance receipts	236,484	166,164	-	402,648	443,136
Other current liabilities	342,625	212,036	-12,720	541,941	159,628
	731,634	378,200	-12,720	1,097,114	759,843
Non-current liabilities					
Employee benefits	1,054,895	-	-	1,054,895	991,077
	1,054,895	-	-	1,054,895	991,077
TOTAL LIABILITIES	**1,786,529**	**378,200**	**-12,720**	**2,152,009**	**1,750,920**
Reserve Fund	1,204,283	-	-	1,204,283	1,097,275
Working Capital Fund	540,011	-	-	540,011	540,011
NET ASSETS	**1,744,294**	**-**	**-**	**1,744,294**	**1,637,286**

Statement of Financial Performance by Segment for the year ended December 31, 2013 (in Swiss francs)

	Regular Program and Budget	Funds in Trust	Inter-Segment Transactions	TOTAL UPOV 2013	TOTAL UPOV 2012
REVENUE					
Contributions	3,323,050	-	-	3,323,050	3,334,768
Extrabudgetary funds (funds in trust)		395,128	-	395,128	220,170
Publications revenue	-	-	-	-	3,810
Investment revenue	17,456	67	-	17,523	11,874
Other/miscellaneous revenue	14,737	-	-	14,737	26,715
Program support charges	47,975	-	-47,975	-	-
TOTAL REVENUE	**3,403,218**	**395,195**	**-47,975**	**3,750,438**	**3,597,337**
EXPENSES					
Personnel expenditure	2,077,237	-	-	2,077,237	1,986,080
Travel and fellowships	252,239	332,681	-	584,920	471,785
Contractual services	322,227	14,459	-	336,686	117,062
Operating expenses	621,953	80	-	622,033	620,737
Supplies and materials	22,554	-	-	22,554	691
Furniture and equipment	-	-	-	-	3,783
Program support costs	-	47,975	-47,975	-	-
TOTAL EXPENSES	**3,296,210**	**395,195**	**-47,975**	**3,643,430**	**3,200,138**
SURPLUS FOR THE YEAR	**107,008**	**-**	**-**	**107,008**	**397,199**

[End of Annex and of document]