

Annex 1 Financial Statements

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AUDITOR'S REPORT

To the Interim Panel of Eminent Experts The Global Crop Diversity Trust

We have audited the accompanying statement of financial position of the Global Crop Diversity Trust as at December 31, 2005 and 2004, and the related statements of activities, changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We concluded our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Global Crop Diversity Trust as of December 31, 2005 and 2004 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as described in Note 2 to the financial statements.

Deloitte & Touche

Rome, Italy
April 10, 2006

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona

Member of
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Sede Legale: Via Tortona, 25 – 20144 Milano
Capitale Sociale: sottoscritto e versato Euro 10.327.940,00 – deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 1720239



Statement of Financial Position for the Year Ended 31 December 2005

| | Notes | 2005 USD | 2004 USD |
|--|-------|-------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Accounts Receivable | 4 | | |
| Donor | | 50,000 | 293,998 |
| Other | | 1,007,611 | 94,695 |
| Total Current Assets | | 1,057,611 | 388,693 |
| Non Current Assets | | | |
| Cash and Cash Equivalents | 3 | 3,613,994 | 9,444,818 |
| Endowment Fund | 7, 8 | 28,176,193 | - |
| Total Non Current Assets | | 31,790,187 | 9,444,818 |
| TOTAL ASSETS | | 32,847,798 | 9,833,511 |
| LIABILITIES & FUND BALANCES | | | |
| Current Liabilities | | | |
| Accounts Payable | 5 | | |
| Donor | | 355,225 | - |
| Other | | 66,864 | 246,636 |
| Total Current Liabilities | | 422,089 | 246,636 |
| Non Current Liabilities | | - | - |
| Total Liabilities | | 422,089 | 246,636 |
| Fund Balances | | | |
| Unrestricted | 6 | 81,065 | (239,084) |
| Temporarily Restricted | | 554,457 | 381,140 |
| Permanently Restricted | | 31,790,187 | 9,444,818 |
| Total Fund Balances | | 32,425,709 | 9,586,874 |
| TOTAL LIABILITIES & FUND BALANCES | | 32,847,798 | 9,833,511 |



Statement of Activities for the Year Ended 31 December 2005

| | Notes | 2005 USD | 2004 USD |
|--|-------|--------------------------|-------------------------|
| INCOME & SUPPORT | | | |
| Investment Income | | | |
| Endowment Fund Gain | | 2,688,209 | - |
| Investment Expenses | | (16,599) | - |
| Interest Income | | 157,087 | 42,641 |
| Net Investment Income | | <u>2,828,697</u> | <u>42,641</u> |
| Contributions to Operational Fund | | | |
| Contributions to operational and fund raising activities | 9 | 844,663 | 964,069 |
| In-Kind Contributions | 10 | - | 205,046 |
| Total Contributions to Operational Fund | | <u>844,663</u> | <u>1,169,115</u> |
| Net Assets released from Restrictions | | | |
| From Capacity Building Fund | | 610,641 | 649,045 |
| From Endowment Fund | | 874,218 | - |
| Total Net Assets released from Restrictions | | <u>1,484,859</u> | <u>649,045</u> |
| TOTAL INCOME & SUPPORT | | 5,158,219 | 1,860,800 |
| GRANT EXPENSE | | | |
| Conservation Strategies | | 391,933 | 261,258 |
| External Review & Consultancies | | 16,607 | - |
| Salaries & Benefits | | 204,295 | 441,091 |
| Capacity Building Grants | | 347,806 | 387,787 |
| Long-term Conservation Grants | | - | - |
| Total Grant Expense | 11 | <u>960,641</u> | <u>1,090,136</u> |
| SUPPORTING EXPENSES | | | |
| Salaries & Benefits | | 484,875 | 645,148 |
| Travel | | 87,415 | 81,913 |
| Governance | | 64,324 | 95,188 |
| Public Awareness & Communications | | 243,565 | 202,762 |
| Professional Services | | 108,552 | 16,085 |
| Facilities | | 60,000 | - |
| Total Supporting Expenses | 12 | <u>1,048,731</u> | <u>1,041,096</u> |
| TOTAL EXPENDITURE | | 2,009,372 | 2,131,231 |
| Net Excess of Income & Support over Expenditure | | 3,148,847 | (270,430) |
| Increase/(Decrease) in Restricted Funds: | | | |
| Capacity Building Fund | | | |
| Contributions | 13 | 783,958 | 680,185 |
| Released from Restrictions | | (610,641) | (649,045) |
| Increase/(Decrease) in Capacity Building Fund | | <u>173,317</u> | <u>31,140</u> |
| Endowment Fund | | | |
| Contributions | 14 | 20,390,889 | 5,946,506 |
| Released from Restrictions | | (874,218) | - |
| Increase/(Decrease) in Endowment Fund | | <u>19,516,671</u> | <u>5,946,506</u> |
| Increase/(Decrease) in Restricted Funds | | 19,689,988 | 5,977,646 |
| Increase/(Decrease) in Fund Balances | | 22,838,835 | 5,707,216 |
| Fund Balances at Beginning of Period | | 9,586,874 | 3,879,659 |
| Fund Balances at End of Period | | <u>32,425,709</u> | <u>9,586,874</u> |



Statement of Changes in Fund Balances for the Year Ended 31 December 2005

| | 2005 USD | 2004 USD |
|-----------------------------------|--------------------------|-------------------------|
| RESTRICTED FUND BALANCES | | |
| Endowment Fund | | |
| Opening Balance | 9,444,818 | 3,455,672 |
| Donations/Contributions | 20,390,889 | 5,946,506 |
| Investment Income | 157,087 | 42,641 |
| Net Endowment Fund Gain | 2,671,611 | - |
| Amount Released | (874,217) | - |
| Closing Balance | <u>31,790,187</u> | <u>9,444,818</u> |
| Capacity Building Fund | | |
| Opening Balance | 381,140 | 350,000 |
| Donations/Contributions | 783,958 | 680,185 |
| Amount Released | (610,641) | (649,045) |
| Closing Balance | <u>554,457</u> | <u>381,140</u> |
| UNRESTRICTED FUND BALANCES | | |
| Operational Fund | | |
| Opening Balance | (239,084) | 73,987 |
| Operating Surplus/(Deficit) | 320,149 | (313,071) |
| Closing Balance | <u>81,065</u> | <u>(239,084)</u> |
| TOTAL FUND BALANCES | <u>32,425,709</u> | <u>9,586,874</u> |



Statement of Cash Flows for the Year Ended 31 December 2005

| | 2005 USD | 2004 USD |
|---|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase/(Decrease) in Unrestricted Fund Balance | 320,149 | (313,071) |
| (Increase)/Decrease in Accounts Receivable | (668,918) | 645,912 |
| Increase/(Decrease) in Accounts Payable | <u>175,452</u> | <u>(363,981)</u> |
| Net Cash Provided By Operating Activities | (173,317) | (31,140) |
| CASH FLOWS FROM RESTRICTED ACTIVITIES | | |
| Increase/(Decrease) in Capacity Building Fund | 173,317 | 31,140 |
| Increase/(Decrease) in Endowment Fund | <u>(5,830,824)</u> | <u>5,989,147</u> |
| Net Cash Provided By Restricted Activities | (5,657,507) | 6,020,287 |
| Increase/(Decrease) in Cash | (5,830,824) | 5,989,147 |
| CASH AT BEGINNING OF YEAR | 9,444,818 | 3,455,672 |
| CASH AT END OF YEAR | <u><u>3,613,994</u></u> | <u><u>9,444,818</u></u> |



Notes to the Financial Statements for the year ended 31 December 2005

1. STATEMENT OF PURPOSE

The Global Crop Diversity Trust (the Trust) is an autonomous international fund established under international law. The international status of the Trust is conferred under an Establishment Agreement which has been signed by 21 countries. The Trust was established on October 21, 2004 and operates as an essential element of the Funding Strategy of the International Treaty, with overall policy guidance from the Governing Body of the International Treaty, and within the framework of the International Treaty.

The Trust is currently located in Rome, hosted by the Food and Agricultural Organization of the United Nations (FAO) and the International Plant Genetic Resources Institute (IPGRI), pending the establishment of a permanent headquarters location.

The objective of the Trust is to ensure the long-term conservation and availability of plant genetic resources for food and agriculture with a view to achieving global food security and sustainable agriculture. To do this, the Trust aims to raise an endowment fund of USD 260 million to support the development of a rational and efficient system for conserving crop diversity around the world.

Donors to the Trust include governments from developing and developed countries, foundations, the private sector and individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Trust are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by International Accounting Standards Board (IASB). Since existing IFRS do not cover issues unique to not-for-profit organizations, the Trust has drawn from other widely used standards (such as FAS 117 of US GAAP) to provide guidance on issues of importance that are not yet addressed by existing IFRS. The significant accounting policies followed are described below:

Revenue recognition

Funding managed by the Trust falls into three categories:

- 1) Endowment fund
- 2) Funds for regional and crop conservation strategies and capacity building grants
- 3) Funds to cover the operational and fundraising activities of the Trust

While some donors provide funds that may be applied to any category and activity at the discretion of the Trust, most donors allocate their funds to a specific category or categories. In certain cases, the Trust may receive funds that are either unrestricted for use within the category concerned or that are restricted or "earmarked" by the donor for a specific purpose or activity.



Unrestricted grants, received and pledged, are recognized as revenues when the conditions imposed by the donor have been substantially met or explicitly waived by the donor.

Restricted grants are recognized as revenue to the extent grant conditions have been met. Grants pledged but not yet received are accrued among receivables only to the extent expended.

Grants in kind are recorded at the fair value of the assets or services received, or the fair value of the liabilities satisfied.

Foreign currency transactions

The Trust conducts its operations in several currencies and maintains its accounting records in United States dollars. The financial statements are expressed in United States dollars solely for the purpose of summarizing the financial position and the results of activities. All items in the Statement of Financial Position, where necessary, have been translated at market rates of exchange at year-end. Revenue and expense items in currencies other than United States dollars have been recorded at the exchange rate prevailing on the transaction date.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in banks denominated in US dollars. It includes contributions received for the endowment fund together with related interest earned. As contributions for the endowment fund are permanently restricted, cash and cash equivalents at year-end of USD 3,613,994 (2004: USD 9,444,818) are reported as non-current assets.

Current year movements are as follows:

| | |
|---------------------------------------|--------------|
| Balance as at January 1, 2005 | 9,445 |
| Contributions (Note 6) | 20,391 |
| Interest Earned | 157 |
| Transfer to Endowment Investment Fund | (26,306) |
| Transfer to Operations | (73) |
| Balance as at Dec 31, 2005 | 3,614 |

4. ACCOUNTS RECEIVABLE

All receivable balances are valued at their net realizable value.

(A) Accounts receivable - donors

Accounts receivable from donors consists of claims for unrestricted grants promised or pledged provided that the conditions attached to the grants have already been met. It also pertains to claims for expenses paid on behalf of restricted projects in excess of the amount received.

Further detail can be found in Exhibit 1.



(B) Accounts receivable – other

This balance relates to amounts received by the host organizations, FAO and IPGRI, on behalf of the Trust which have not yet been expended by the Trust. It also includes income released from the endowment fund which had not been received at the year end.

Further detail can be found in Exhibit 2.

5. ACCOUNTS PAYABLE

(A) Accounts payable - donors

Accounts payable to donors includes unrestricted grants received for which conditions have not yet been met and unexpended funds received in advance for restricted projects.

Further detail can be found in Exhibit 1.

(B) Accounts payable – other

This balance consists of amounts payable at year end in respect of supplies and services received during the year together with amounts expended by the host organizations, FAO and IPGRI, on behalf of the Trust in respect of which contributions have not yet been received.

| | 2005 | 2004 |
|---------------------------|--------|---------|
| Investment Management Fee | 66,684 | - |
| Accounts Payable – IPGRI | - | - |
| Accounts Payable – FAO | - | 246,636 |

Further detail can be found in Exhibit 2.

6. FUND BALANCES

Resources are classified for accounting and reporting purposes into fund categories according to the activities or objectives specified by internal designation or by external restriction.

Unrestricted Fund

The Unrestricted Operational Fund comprises contributions received and expenditure incurred in respect of the operational and fundraising activities of the Trust.

Temporarily Restricted Fund

The Temporarily Restricted Capacity Building Fund comprises contributions received or allocated and expenditure incurred in respect of crop and regional conservation strategies and capacity building grants.

Permanently Restricted Fund

The Permanently Restricted Endowment Fund comprises contributions received for the endowment fund together with the related bank interest earned, changes in market value less management fees and amounts utilized during the year.



Current year contributions to the fund are as follows (amounts in USD/000):

| Donors | Balance Dec 31, 2004 | Contributions | Other movements | Balance Dec 31, 2005 |
|--|-------------------------|---------------|--------------------|-------------------------|
| Australia | 3,456 | 1,538 | | 4,994 |
| Dupont/ Pioneer Hi-bred | 250 | 250 | | 500 |
| Norway | 3,057 | 2,844 | | 5,901 |
| New Zealand | - | 50 | | 50 |
| Sweden | - | 7,265 | | 7,265 |
| Switzerland | 2,640 | 2,443 | | 5,083 |
| Syngenta AG | - | 1,000 | | 1,000 |
| United States | - | 5,000 | | 5,000 |
| Private | - | 1 | | 1 |
| Interest Earned | 42 | | 157 | 199 |
| Realized & unrealized gain on investment fund (change in market value) less management fees of USD17/000 | - | | 2,671 | 2,671 |
| Realized Gains | - | | (874) | (874) |
| Total | 9,445 | 20,391 | 1,954 | 31,790 |

Further detail can be found in Notes 7 & 8.

7. ENDOWMENT FUND

In March 2005 at the Sixth Meeting of the Interim Panel of Eminent Experts (IPEE), the Panel, acting on behalf of the Executive Board, approved the appointment of HSBC as investment managers for the initial USD 50 million received for the Endowment Fund. The investment fund was opened in April 2005 when contributions previously received in the amount of USD 21,150,000 were transferred to the fund.

The endowment fund investments at year-end of USD 28,176,193 represent the principle together with changes in market value less management fees and amounts released during the year. Changes in the market value of the funds and interest earned are reported in the Statement of Activities in the year in which the change occurs.

Further detail can be found in Notes 6 & 8.



8. INVESTMENTS

The investment fund is managed by a third party investment advisor, in accordance with guidelines provided by the Trust.

The following schedule represents the composition of the market value of the investment fund as at December 31:

| | <u>2005</u> |
|-------------|--------------------------|
| Equities | 15,353,696 |
| Bonds | 8,869,964 |
| Hedge Funds | 1,747,406 |
| Real Estate | 923,180 |
| Cash | 1,281,947 |
| Total | <u><u>28,176,193</u></u> |

9. CONTRIBUTIONS TO OPERATIONAL AND FUNDRAISING ACTIVITIES

This amount comprises contributions received from donors and expended by the Trust for operational and fundraising activities.

Further detail can be found in Exhibit 3.

10. IN-KIND CONTRIBUTIONS

The Trust received an in-kind contribution of staff time from IPGRI and FAO during the year. These amounts have not been quantified in the financial statements as it is difficult to estimate the true cost of the support.

Further detail can be found in Exhibit 4.

11. GRANT EXPENDITURE

During the year an amount of USD 960,641 was expended on regional and crop conservation strategies and capacity building grants. An amount of USD 610,641 was released from the capacity building fund in respect of this expenditure.

12. SUPPORTING EXPENDITURE

With the exception of investment management expenses which are released from the investment fund, all supporting expenditures are incurred by the host organizations, FAO and IPGRI, on behalf of the Trust. These costs are charged back to the Trust at cost plus overhead.

During the year the Trust decided to reclassify expenditure in respect of salaries and benefits. Consequently, all staff time spent on technical activities is charged to salaries and benefits under grant expenditure. For the purposes of comparability, the Trust has also reclassified expenditure in respect of salaries and benefits during 2004.



13. CAPACITY BUILDING FUND CONTRIBUTIONS

This balance comprises contributions received for the crop and regional conservation strategies and capacity building grants.

Further detail can be found in Exhibit 3.

14. ENDOWMENT FUND CONTRIBUTIONS

This balance comprises amounts received during the year for the endowment fund.

Further detail can be found in Note 6.



EXHIBIT 1
Statement of Grant Revenue
 as at 31 December 2005

| | Accounts Receivable | Advance Payment | Grant 2005 | Grant 2004 |
|---|------------------------|--------------------|------------------|------------------|
| Donor | | | | |
| <i>Restricted</i> | | | | |
| Grains Research & Development Corporation | - | 355,225 | 411,952 | 383,148 |
| <i>Unrestricted</i> | | | | |
| Canada | - | - | 830,565 | 813,219 |
| Italy | - | - | 300,000 | - |
| Switzerland | - | - | 31,441 | 87,037 |
| Syngenta Foundation | 50,000 | - | 50,000 | 100,000 |
| United Nations Foundation | - | - | - | 160,850 |
| United States | - | - | - | 100,000 |
| Other | - | - | 4,663 | |
| | 50,000 | 355,225 | 1,628,621 | 1,644,254 |



EXHIBIT 2
Accounts Receivable - Other
 as at 31 December 2005

| | <u>2005</u> | <u>2004</u> |
|--|-----------------------|-------------------------|
| | IPGRI | IPGRI |
| Amounts Received | | |
| Previous Year c/f | 94,695 | (610,617) |
| HSBC Investment Income | 506,109 | - |
| Bank Interest | 73,000 | - |
| Canada (CIDA) | 830,565 | 1,583,193 |
| Grains Research & Development Corporation | 900,325 | 250,000 |
| Switzerland (SDC) | 31,441 | 157,037 |
| Syngenta Foundation | - | 150,000 |
| United States (USAID) | - | 125,000 |
| Private Donation | 60 | - |
| | <u>2,436,195</u> | <u>1,654,613</u> |
| Amounts Paid | | |
| Expenditure Incurred | (1,755,378) | (1,559,919) |
| Transfer to FAO | (350,000) | - |
| | <u>(2,105,378)</u> | <u>(1,559,919)</u> |
| Amount Receivable/(Payable) - IPGRI | <u>330,817</u> | <u>94,695</u> |
| | <u>2005</u> | <u>2004</u> |
| | FAO | FAO |
| Amounts Received | | |
| Previous Year c/f | (246,636) | 119,630 |
| United Nations Foundation | 160,850 | - |
| Italy | 300,000 | - |
| Transfer from IPGRI | 500,000 | - |
| Other | 4,603 | - |
| | <u>618,817</u> | <u>119,630</u> |
| Amounts Paid | | |
| Expenditure Incurred | (320,533) | (366,266) |
| | <u>(320,533)</u> | <u>(366,266)</u> |
| Amount Receivable/(Payable) - FAO | <u>398,284</u> | <u>(246,636)</u> |
| | <u>2005</u> | <u>2004</u> |
| | HSBC | HSBC |
| Endowment Fund Income Released | <u>278,510</u> | <u>-</u> |
| ACCOUNTS RECEIVABLE - OTHER | 1,007,611 | 94,695 |



EXHIBIT 3

**Contributions to Operational, Fundraising & Capacity Building Activities
as at 31 December 2005**

| | IPGRI | 2005 FAO | TOTAL CONTRIBUTIONS |
|---|------------------|----------------|------------------------|
| Canada (CIDA) | 830,565 | | 830,565 |
| Grains Research & Development Corporation | 411,952 | | 411,952 |
| Italy | | 300,000 | 300,000 |
| Switzerland (SDC) | 31,441 | | 31,441 |
| Syngenta Foundation | 50,000 | | 50,000 |
| Other | 60 | 4,603 | 4,663 |
| Total Contributions | 1,324,018 | 304,603 | 1,628,621 |
| Contributions to Operational and Fundraising Activities | | | 844,663 |
| Contributions to Capacity Building Fund | | | 783,958 |
| Total Contributions | | | 1,628,621 |



EXHIBIT 4
Statement of In-kind Contributions
as at 31 December 2005

IPGRI

| | |
|---|----|
| Director General | 5% |
| Regional Director SSA | 5% |
| Regional Director Americas | 5% |
| Regional Director APO | 5% |
| Regional Director Europe | 5% |
| Regional Director CWANA | 5% |
| Senior Scientist Conservation Strategies | 5% |
| Senior Scientist SINGER Coordinator | 5% |
| Senior Scientist Genetic Diversity/Conservation | 5% |
| Finance Manager | 5% |
| Honorary Fellow | 5% |

FAO

| | |
|---|-----|
| Director, AGP | 5% |
| Chief, AGPS | 5% |
| Agricultural Officer, AGPS | 10% |
| Senior Officer (Seed & Plant Genetic Resources) | 5% |
| Senior Officer (Cereals & Crop Breeding, AGPC) | 5% |
| Senior Liaison Officer (Genetic Resources) | 10% |