

FINANCIAL STATEMENTS



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The Global Crop Diversity Trust

Marie Haga
Platz der Vereinten Nationen
53113 Bonn

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Global Crop Diversity Trust, which comprise the statement of financial position as at 31 December 2013 and the statements of activities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of the Global Crop Diversity Trust in accordance with the accounting policies outlined in note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies outlined in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

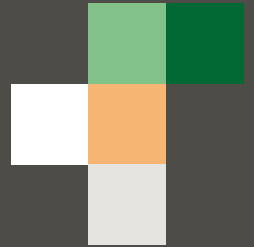
Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

FINANCIAL STATEMENTS



Opinion

In our opinion the financial statements of the Global Crop Diversity Trust for the year ended 31 December 2013 are prepared, in all material respects, in accordance with the accounting policies outlined in note 2 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the accounting policies adopted by the Global Crop Diversity Trust. The accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of International Financial Reporting Standards. The financial statements are prepared to comply with the accounting policies defined by the Global Crop Diversity Trust. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Global Crop Diversity Trust and should not be distributed to or used by any other party.

Cologne, May 30, 2014

**PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft**

Hans-Peter Kreibich
Wirtschaftsprüfer

ppa. Thorsten Weigand
Wirtschaftsprüfer

GLOBAL CROP DIVERSITY TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013



	Note	31/12/13 USD	31/12/12 USD
ASSETS			
Current Assets			
Cash & cash equivalents		11,968,853	-
Accounts receivable	3		
Donor		4,986,748	13,400,814
Host organizations		141,187	10,932,771
Verdis		331,034	-
Prepaid expenses		76,842	179,758
Total Current Assets		17,504,664	24,513,344
Non Current Assets			
Cash & cash equivalents		2,100	-
Endowment fund	6	169,312,143	-
Held in trust by host organization in the form of:			
Cash & cash equivalents		-	1,658,263
Endowment fund		-	137,968,230
Total Non Current Assets		169,314,243	139,626,493
TOTAL ASSETS		186,818,907	164,139,836
LIABILITIES & NET ASSETS			
Current Liabilities			
Accounts payable	4		
Grants		7,689,614	13,196,167
Other		310,411	28,550
Total Current Liabilities		8,000,025	13,224,717
Non Current Liabilities			
		-	-
Total Liabilities		8,000,025	13,224,717
Net Assets			
Unrestricted	5	4,266,745	5,065,884
Temporarily restricted	5	4,998,678	6,222,743
Permanently restricted	5	169,553,458	139,626,493
Total Net Assets		178,818,881	150,915,119
TOTAL LIABILITIES & NET ASSETS		186,818,907	164,139,836

The accompanying notes are an integral part of this statement.

GLOBAL CROP DIVERSITY TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2013



	Note	2013 USD	2012 USD
CHANGES IN UNRESTRICTED NET ASSETS			
Income			
Contributions	2,4	4,032	1,014,453
		4,032	1,014,453
Net Assets Released from Restrictions			
Satisfaction of program restrictions	2,4	22,579,376	18,588,696
Income released from endowment fund		2,000,000	502,158
		24,579,376	19,090,854
Expenditure			
GRANT EXPENDITURE			
Conservation grants	7	2,482,196	2,438,667
Global system development grants		18,225,826	13,603,611
Salaries & benefits		2,109,361	1,890,607
Professional services		381,348	278,566
Travel		150,254	404,455
		23,348,985	18,615,905
OPERATIONAL EXPENDITURE			
Salaries & benefits		880,616	611,535
Travel		89,315	5,158
Governance		137,316	286,571
Fundraising & communications		250,006	174,765
Professional services		225,379	262,780
Facilities		450,929	34,064
		2,033,561	1,374,875
Increase/(Decrease) in Unrestricted Net Assets		(799,139)	114,528
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Contributions		21,355,311	20,117,766
Net assets released from restrictions		(22,579,376)	(18,588,696)
Increase/(Decrease) in Temporarily Restricted Net Assets		(1,224,065)	1,529,070
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS			
Contributions		24,167,176	11,891,585
Investment income		-	1,706
Net gain/(loss) on endowment fund		7,759,790	8,259,009
Net assets released from restrictions		(2,000,000)	(502,158)
Increase in Permanently Restricted Net Assets		29,926,966	19,650,142
INCREASE IN NET ASSETS		27,903,762	21,293,740
Net Assets as at 01/01		150,915,119	129,621,379
Net Assets as at 31/12		178,818,881	150,915,119

The accompanying notes are an integral part of this statement.

GLOBAL CROP DIVERSITY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013



	2013 USD	2012 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from temporarily restricted contributions	29,769,377	6,743,879
Cash received from unrestricted contributions	4,032	1,014,453
Cash released from endowment fund	2,000,000	500,000
Cash paid for program and operations	(4,546,955)	(4,492,361)
Grants paid	(26,049,185)	(4,051,998)
Net Cash from Operating Activities	1,177,269	(286,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for the endowment fund	24,167,176	11,891,585
Cash invested	(25,823,339)	(12,765,752)
Interest earned	-	1,706
Net Cash from Financing Activities	(1,656,163)	(872,461)
(Increase)/Decrease in Accounts Receivable (Hosted)	10,791,584	286,026
(Increase)/Decrease in Cash & Cash Equivalents (Hosted)	1,658,263	872,461
(Increase)/Decrease in Cash & Cash Equivalents	(2,100)	-
Net Increase in Cash & Cash Equivalents	12,447,747	-
Cash & Cash Equivalents as at 01/01	-	-
Cash & Cash Equivalents as at 31/12	11,968,853	-
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	27,903,762	21,293,740
Adjustments		
Endowment fund (gain)/loss	(7,759,790)	(8,259,009)
Contributions received for the endowment fund	(24,167,176)	(11,891,585)
Interest earned on endowment fund	-	(1,706)
Endowment Fund fees accrued	(91,818)	-
Income released from the endowment fund	2,000,000	502,158
Increase/(Decrease) in accounts payable	(5,224,692)	11,445,577
(Increase)/Decrease in accounts receivable (donor)	8,414,066	(13,373,886)
(Increase)/Decrease in prepaid expenses	102,917	(1,315)
Net Cash from Operating Activities	1,177,269	(286,026)

The accompanying notes are an integral part of this statement.

GLOBAL CROP DIVERSITY TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in United States dollars unless otherwise stated)



1. STATEMENT OF PURPOSE

The Global Crop Diversity Trust (hereinafter referred to as the “Crop Trust” or the “Organization”) is an autonomous international fund established under international law. The international status of the Crop Trust is conferred under an Establishment Agreement, which has been signed by 28 countries. The Crop Trust was established on 21 October 2004 and operates within the framework of the International Treaty on Plant Genetic Resources for Food and Agriculture as an essential element of its Funding Strategy.

Mission

The mission of the Crop Trust is to ensure the conservation and availability of crop diversity for food security worldwide.

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

These financial statements have been reviewed by the Finance & Investment Committee and approved by the Executive Board of the Crop Trust.

Relocation and reorganization

Upon establishment in 2004, the Crop Trust was jointly hosted by Food & Agriculture Organization (FAO) and Bioversity International in Rome, Italy, pending negotiation of a permanent host country agreement. Following the signing of a headquarters agreement with the German government in June 2012, which included a promise of support at the highest political levels for the Crop Trust’s mission, the Crop Trust achieved legal status as an independent entity in Germany following full ratification in December 2012.

In January 2013 the Crop Trust moved to its new headquarters located in Bonn, Germany. The headquarters move and corresponding staff reorganization has coincided with major changes in both the Executive Board and the management of the Crop Trust. The new Board Chair is Ambassador Walter Fust, former head of Switzerland Agency for Development and Cooperation. In March 2013, Ms Marie Haga took up the position of Executive Director, following the retirement of Prof. Cary Fowler in 2012. Ms Haga has held three ministerial positions in Norway and was a member of the Crop Trust’s Board from 2010 to 2012.

As at 31 December 2013 the Crop Trust employed 23 full time staff members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Crop Trust are prepared with reference to International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). However, since existing IFRS do not cover issues unique to not-for-profit organizations, the Crop Trust has drawn from other widely used standards (such as the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)) to provide guidance on issues of importance that are not yet addressed by existing IFRS. The significant accounting policies followed are described below.

2.1 Accounts Receivable

All receivable balances are valued at their net realizable value, that is, the gross amount receivable less an allowance for doubtful accounts where appropriate.

Allowances for doubtful accounts are provided in an amount equal to the total receivables shown, or reasonably estimated to be doubtful of collection. The amount in the allowance is based on past experience and on a continuous review of receivable reports and other relevant factors. When an account receivable is deemed doubtful of collection, an allowance is provided during the year the account is deemed doubtful. Any receivable, or portion of receivable judged to be un-collectible is written off. Write-offs of receivables are done via allowance for doubtful accounts after all efforts to collect have been exhausted.

The Crop Trust did not have any doubtful accounts during the year.

2.2 Non Current Assets

This relates mostly to a permanently restricted endowment fund established by the Crop Trust to support the effective conservation and ready availability of the biological basis of agriculture.

The endowment fund investments are recorded as non-current assets at fair market value. The fair value of financial assets and liabilities is determined with reference to quoted market prices. Changes in the market value of the fund are net of investment management fees and are reported as an increase or decrease in permanently restricted net assets.

2.3 Accounts Payable

These are short-term liabilities reflecting amounts owed in respect of services received during the year, grants payable for the year and liabilities with respect to staff vacation leave earned but not yet taken.

2.4 Revenue Recognition

Contributions received by the Crop Trust fall into three categories:

- 1) Unrestricted – contributions not subject to donor-imposed restrictions.
- 2) Temporarily restricted – contributions subject to donor-imposed time or use restrictions.
- 3) Permanently restricted – contributions subject to donor-imposed restrictions that the funds be invested in perpetuity.

Unrestricted contributions are recorded in full upon receipt of funds as contribution income in the period received.

Temporarily restricted contributions are recorded upon receipt of funds, or upon expenditure of project costs for which contributions have been pledged, as temporarily restricted net assets and are subsequently recognized as revenue to the extent grant conditions have been met. The amount recognized as income for the year is reported in the statement of activities as net assets released from restrictions. Contributions pledged for project expenditure but not yet received are accrued among donor receivables to the extent expenditures have been made.

Permanently restricted contributions are recorded in full upon receipt of funds as permanently restricted net assets. In accordance with the Investment Objectives and Policies approved by the Executive Board of the Crop Trust, up to 4% of the average market value of the endowment fund over the previous twelve quarters may be withdrawn to cover program and operational expenses of the Crop Trust. Funds withdrawn are reported in the statement of activities under net assets released from restrictions.

Total annual income and support less expenditure is reported as an increase or decrease in unrestricted net assets.

2.5 Foreign Currency Transactions

The Crop Trust conducts its operations in several currencies and maintains its accounting records in United States dollars.

Assets and liabilities held in currencies other than United States dollars have been translated at the year-end exchange rate. Revenue and expense items in currencies other than United States dollars have been recorded at the UN monthly exchange rate.

2.6 Expenditure

The activities of the Crop Trust have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between grant expenditure and operational expenditure. Expenses are recorded on an accrual basis in the statement of activities in the period in which the cost is incurred.

In prior years, with the exception of direct investment management expenses which are released from the investment fund, all expenditures were paid by the host organizations, FAO and Bioversity International, on behalf of the Crop Trust. These expenditures were recorded by the Crop Trust at cost plus overhead, and because this overhead charge was regarded as inherent to the operations of the Crop Trust, it was recorded in the related expenditure line item.

Since 1 January 2013 the Crop Trust has operated independently of the host organizations with all expenditure being recorded in the Crop Trust's financial statements.

2.7 Fixed Assets

Office equipment and furniture are recorded at cost and depreciated over the estimated useful lives of the respective assets (three to five years) on a straight-line basis where the asset has an original cost greater than USD 2,000. Items with an original cost lower than this amount are charged directly to operating expenses in the period in which they are incurred.

The Organization did not record any fixed assets at cost during the year.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise 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 are reported as non current assets. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2.9 Subsequent Events

The Organization has evaluated events and transactions up to 24 April 2014 for potential recognition or disclosure in the financial statements. No further subsequent events have been recognized or disclosed.

3. ACCOUNTS RECEIVABLE

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Organization. Total accounts receivable represent 3% of total assets. However, the Organization does not have any significant credit risk exposure as amounts receivable consist of amounts held with the host organizations, FAO and Bioversity International, which are highly reputable international organizations; amounts receivable from the CGIAR Consortium and an amount receivable from Verdis Investment Managers.

(A) Accounts Receivable - Donor

Accounts receivable from donors consists of claims for expenses paid on behalf of restricted projects in excess of the amount received. Accounts receivable from donors at year-end amounted to USD 4,986,748 (31 December 2012: USD 13,400,814). This relates entirely to the CRP project, which the Crop Trust entered into in 2012; 100% of accounts receivable at year-end had been received by 24 April, 2014.

(B) Accounts Receivable – Host Organizations

This balance relates to amounts received by the host organizations, FAO and Bioversity International, on behalf of the Crop Trust that have not yet been expended. Details of the accounts receivable are presented in the table below.

	2013	2012
Bioversity International		
Balance as at 1/1	10,811,384	11,190,335
Investment Income	-	500,000
Funds received	11,485,338	7,903,662
Disbursements	(22,296,721)	(8,782,613)
Accounts Receivable from Bioversity International	-	10,811,384
Food And Agriculture Organization of the UN (FAO)		
Balance as at 1/1	121,387	28,462
Funds received	23,441	450,215
Disbursements	(3,641)	(357,290)
Accounts Receivable from FAO	141,187	121,387
TOTAL	141,187	10,932,771

(C) Accounts Receivable – Endowment Fund

This balance relates to an amount of USD 331,034 being held by investment manager Verdis as at 31 December 2013. This amount was held back by Verdis on the redemption of the Crop Trust's financial position with them pending their final net asset value review in June 2014.

4. ACCOUNTS PAYABLE

This balance consists mainly of amounts payable at the year-end in respect of conservation and global system development grants. The decrease relates to the CRP project which the Crop Trust entered into during the year, 88% of grants payable had been paid by 24 April 2014. It also includes amounts payable for supplies and services received during the year. All balances are payable within twelve months.

	31/12/13	31/12/12
Grants Payable		
Conservation grants	-	-
Global system development grants	7,689,614	13,196,167
Total	7,689,614	13,196,167
Other		
Investment management fee	-	-
Supplies & services	310,411	28,550
Total	310,411	28,550
TOTAL	8,000,025	13,224,717

5. NET ASSET BALANCES

Resources are classified for accounting and reporting purposes into net asset classes according to the restriction imposed. The following tables show the changes in net assets during the year.

<i>Unrestricted Net Assets</i>				
	2013		2012	
Balance as at 1/1	5,065,884		4,951,356	
Contributions	4,031		1,014,453	
Net assets released from restrictions	24,579,376		19,090,853	
Expenditure	(25,382,546)		(19,990,779)	
Balance as at 31/12	4,266,745		5,065,884	
<i>Temporarily Restricted Net Assets</i>				
	2013		2012	
Balance as at 1/1	6,222,743		4,693,673	
Contributions	21,355,311		20,117,766	
Expenditure	(22,579,376)		(18,588,696)	
Balance as at 31/12	4,998,678		6,222,743	
<i>Permanently Restricted Net Assets</i>				
Donors	Balance 1 Jan 2013	Contributions	Other movements	Balance 31 Dec 2013
Australia	16,316,296			16,316,296
Dupont/ Pioneer Hi-bred	1,000,000			1,000,000
Egypt	25,000			25,000
Ethiopia	25,000			25,000
Gates Foundation/UN Foundation	7,500,486	502,632		8,003,118
Germany	10,200,000			10,200,000
India	50,000			50,000
International Seed Federation	30,000			30,000
Ireland	4,144,250			4,144,250
Norway	15,176,617	16,314,544		31,491,161
New Zealand	50,000			50,000
Slovak Republic	20,000			20,000
Spain	2,629,650			2,629,650
Sweden	11,886,620			11,886,620
Switzerland	10,262,704			10,262,704
Syngenta AG	1,000,000			1,000,000
United Kingdom	19,468,582			19,468,582
United States	31,800,000	7,350,000		39,150,000
Private	750			750
Interest Earned	1,628,730		(294)	1,628,436
Realized & unrealized gain on investment fund (change in market value)				
less management fees	17,607,080		7,760,084	25,367,164
Income withdrawn			(2,000,000)	(2,000,000)
Realized Gains	(11,195,273)			(11,195,273)
Total	139,626,493	24,167,175	5,759,790	169,553,458

Further detail can be found in Note 6.

6. ENDOWMENT FUND

The Crop Trust manages an endowment fund, which is used to fund the effective conservation and ready availability of the biological basis of agriculture. An endowment fund provides a permanent source of financial support matching the long-term nature of conservation with long-term secure and sustainable funding.

Funds are invested in accordance with Investment Objectives and Policies approved by the Executive Board. The Finance and Investment Committee implements the investment strategy adopted by the Executive Board. The Crop Trust also retains the services of an independent financial advisor, Cambridge Associates, to assist in all areas of investment management including the provision of advice on the ethical policies adopted by the Crop Trust.

The Organization is an official signatory to the United Nations Principles for Responsible Investment (UNPRI), an international framework for incorporating sustainability into investment decision-making. The Crop Trust is actively working with its investment advisors and managers to find areas in which the UNPRI principles can be integrated into the decision making, manager selection and due diligence processes of the Crop Trust. As part of that process, the Crop Trust are considering UNPRI factors for its investment policy statement to ensure that it addresses risks and opportunities of Environmental, Social and Governance (ESG) factors in the management of the Crop Trust's assets.

Cash & Cash Equivalents

Cash and cash equivalents comprise 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 2,100 (31 December 2012: USD 1,658,263) are reported as non current assets. In the prior year, the balance represented cash restricted for investment held in trust by the host organization, Bioversity International which has since been transferred to the Crop Trust. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Endowment Fund

The investment funds were originally set-up in the name of Bioversity on behalf of the Global Crop Diversity Trust. Following the signing of the headquarters agreement and the establishment of the Crop Trust as an independent international organization in its own right, all endowment funds were transferred into the name of Global Crop Diversity Trust and this process was completed in 2013.

The permanently restricted net assets at year-end of USD 169,553,458 (31 December 2012: USD 139,626,493) represent the endowment funds - principal together with changes in market value less management fees and income released – and cash and cash equivalents. The endowment fund total is represented by changes in the market value of the funds and interest earned are reported as an increase or decrease in permanently restricted net assets.

The following schedule represents the composition of the market value of the invested portion of the endowment fund including amounts held in trust in the form of cash and cash equivalents:

	31/12/13	31/12/12
Equities	58,792,095	46,860,189
Bonds	41,088,436	52,449,576
Hedge Funds	37,789,674	27,858,232
Commodities	4,694,726	7,077,815
Cash	27,188,527	5,380,679
Total	169,553,458	139,626,493

The following table provides an analysis of changes to non-current assets during the year:

	Note	2013	2012
Balance as at 1/1		139,626,493	119,976,350
Contributions	a	24,167,176	11,891,585
Endowment Fund Gain/(Loss)	b	7,759,790	8,259,009
Income Released	c	(2,000,000)	(502,158)
Endowment fund in current assets	d	(331,034)	
Investment Manager fee accrual	e	91,818	
Investment Income	f		1,706
Balance as at 31/12		169,314,243	139,626,493

Notes:

- a. Contributions during the year were received from government agencies and the Gates Foundation. See also Note 5.
- b. Endowment fund gain/(loss) represents the change in the market value of the fund and is reported as an increase/(decrease) to permanently restricted net assets.
- c. The Investment Objectives and Policies of the Crop Trust permit the annual withdrawal of up to 4% of the average market value of the fund over the previous twelve quarters. During the year the Trust did not require the entire 4%, approximately 1.5% was withdrawn with the balance being retained in the fund. The amount released is reported in the statement of activities under net assets released from restrictions.
- d. Transfer of Verdis investment from non current assets to current assets during the year.
- e. Investment Managers fees accrued for 2013 not yet netted against endowment funds.
- f. Interest income relates to amounts earned during the year on cash and cash equivalents.

Investment Risk & Risk Management

The Organization invests in a professionally managed portfolio that contains equities, bonds, hedge funds, commodities and cash. Since investment outcomes are inherently uncertain, a critical part of the advice received from Cambridge Associates is an assessment of the risks incurred by the Crop Trust in pursuing its investment goals, as well as analysis of whether the expected returns justify the risks taken. Some of the risks faced by the Crop Trust include, but are not limited to:

- ▶ **Volatility** of investment returns, including the probability of losing money during any given time period. In the investment planning work for the Crop Trust, Cambridge Associates found that the policy asset allocation adopted by the Crop Trust has a 5% chance of losing more than 10% over a single year (in inflation-adjusted terms). Over a five-year period, there is a 5% chance of losing 2% or more. In manager recommendations and portfolio monitoring, Cambridge Associates gives consideration to how suggestions would impact the expected characteristics of the policy portfolio. **Equity risk, or beta**, is the primary component of the volatility in the Crop Trust’s asset allocation.
- ▶ The risk that **purchasing power is depleted** over time, or the **risk that the portfolio fails to achieve a specified investment return**. In their investment planning work Cambridge Associates found that the policy asset allocation adopted by the Crop Trust has a 58% chance of achieving at least a 4% real compound return over a given 5-year period. In other words, it is more likely than not that the Crop Trust’s portfolio will return more than its maximum allowable spending amount over a 5-year period.

- ▶ The Crop Trust faces **currency risk** along at least two dimensions. The first is that, as of year-end 2013, approximately 31% of the portfolio was held in non-US Dollar-denominated instruments (or, if held in other currencies, not hedged back to the dollar). To the extent that the Crop Trust measures its investment results in dollars, and requires dollars for its spending, a depreciation of these currencies against the dollar would have an adverse impact on investment returns. The second risk is the portfolio's 69% concentration in dollar exposure. Should the dollar experience a sharp depreciation relative to other currencies, this would have an adverse impact on the Crop Trust's purchasing power in other currencies. Cambridge Associates believe the current currency mix provides ample diversification against these outcomes; it also reflects the prevalence of dollar-denominated instruments in global investment markets.
- ▶ **Liquidity risk**, such as being unable to sell assets to meet spending requirements or being forced to sell assets at unfavorable prices. 63% of the portfolio was available within one week as of 31 December 2013. Cambridge Associates monitors the Crop Trust's liquidity on a regular basis and believes that the current position is consistent with the Crop Trust's stated preferences and liquidity needs.
- ▶ **Macroeconomic risks**, including unexpected inflation and deflation. Cambridge Associates found that the Crop Trust's policy portfolio would be expected to lose approximately 14% in value during a severe economic contraction, and approximately 13% in the event of a surprise spike in inflation.
- ▶ **Concentration risk** due to excessive holdings in one or more securities or investment types, or manager risk due to individual manager underperformance or volatility. This is mitigated in part by the requirement in the investment policy statement that no single manager account for more than 20% of the portfolio. Since the Crop Trust holds a diversified portfolio of different managers and asset classes, Cambridge Associates believes that the risk of a single manager causing undue harm to the portfolio is well controlled.

7. GRANT AND OPERATING EXPENDITURE

The Crop Trust continued its program of providing long-term sustainable funding to the world's most important collections of crop diversity; collections of banana, barley, bean, cassava, chickpea, edible aroids, faba bean, forages, grasspea, lentil, maize, pearl millet, rice, sorghum, sweet potato, wheat and yam were supported in 2013. Grant expenditure increased from USD 18,615,905 in 2012 to USD 23,348,985 as the Crop Trust continued to work with international Genebanks under the agreement with the Consortium of International Agricultural Research Centers and Bioversity International for the program 'CRP In Trust for the International Community: Plan and partnership for managing and sustaining CGIAR-held Collections (Genebanks). This is a five-year agreement for the period 2012-2016 with an approximate budget of USD 92.7 million.

The Crop Trust also concluded Phase 1 of a three phase project, Crop Wild Relatives, an agreement with the Norwegian Agency for Development Co-operation, and Phase II commenced in January 2014.

All of the technical activities of the Crop Trust, which are currently packaged in the above two projects, are designed to develop and support an effective and efficient global system for the ex situ conservation of crop diversity.

In 2013, implementation of the new Fundraising Strategy was started by reaching out to a range of current and potential donor governments as well as foundations, corporations and other private donors. The Crop Trust retains the services of a government affairs company in Washington DC to assist with the process of securing funding from United States government sources. In addition, in 2013 the foundations for a new communications effort was put in place to help strengthen relationships with donors, strategic partners and policy makers. Visual materials were created to support the fundraising work carried out by the Partnerships Office. Also, as done in prior years, the Communications Office retained the services of a public relations company to assist in raising general public awareness for the Organization and its mission, and the wide-ranging benefits of crop diversity.



Marie Haga

On behalf of the Executive Board



Michael Koch

July 2014

Date