

**Centro Internacional de Mejoramiento
de Maíz y Trigo Internacional and Centro
Internacional de Mejoramiento
de Maíz y Trigo, A. C.**

Combined Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Contents

Combined Statements of Financial Position	1
Combined Statements of Activities	2
Combined Statements of Changes in Net Assets	3
Combined Statements of Cash Flows	4
Notes to the Combined Financial Statements	5 to 37



Independent Auditors' Report

The Boards of Trustees of Centro Internacional de Mejoramiento de Maíz y Trigo Internacional and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.:

Opinion

We have audited the accompanying combined financial statements of Centro Internacional de Mejoramiento de Maíz y Trigo Internacional and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C. (collectively "the Organization"), both of which are under common management, which comprise the combined statement of financial position as at December 31, 2016 and 2015, the combined statements of activities, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the Centro Internacional de Mejoramiento de Maíz y Trigo Internacional and of the Centro Internacional de Mejoramiento de Maíz y Trigo, A. C. as at December 31, 2016, and 2015, and of its combined financial performance and its combined cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

(Continued)



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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(Continued)



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG CARDENAS DOSAL, S. C.

A handwritten signature in black ink, appearing to read 'R. Basurto Escobar', written over a faint, illegible stamp or background.

Rodolfo Basurto Escobar

July 31, 2017.

CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO INTERNACIONAL AND CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO, A. C.

Combined Statements of Financial Position

As of December 31, 2016 and 2015

(In thousands of U.S. Dollars)

ASSETS	Note	<u>2016</u>	<u>2015</u>	LIABILITIES AND NET ASSETS	Note	<u>2016</u>	<u>2015</u>
Current assets:				Current liabilities:			
Cash and cash equivalents	6	\$ 90,990	93,295	Short-term employee benefits		\$ 723	1,018
Program related cash and cash equivalents	7	4,898	4,756	Program related accounts payable	7	5,609	5,518
Accounts receivable, net	9	13,916	13,870	Accounts payable, net	11	51,903	53,363
Inventory and supplies, net		<u>1,255</u>	<u>1,362</u>	Deferred revenue	12	<u>27,401</u>	<u>29,640</u>
Total current assets		<u>111,059</u>	<u>113,283</u>	Total current liabilities		<u>85,636</u>	<u>89,539</u>
Non-current assets:				Non-current liabilities:			
Property and equipment, net	10	49,433	51,200	Employee benefits	13	12,702	7,918
Intangible assets		33	103	Provisions	20	<u>120</u>	<u>227</u>
Prepaid rent		<u>500</u>	<u>500</u>	Total non-current liabilities		<u>12,822</u>	<u>8,145</u>
Total non-current assets		49,966	51,803	TOTAL LIABILITIES		<u>98,458</u>	<u>97,684</u>
				Net assets:			
				Unrestricted			
				Actuarial losses		(476)	(496)
				Designated	14(a)	22,190	22,753
				Undesignated	14(b)	<u>40,853</u>	<u>45,145</u>
				TOTAL UNRESTRICTED NET ASSETS		<u>62,567</u>	<u>67,402</u>
TOTAL ASSETS		<u>\$ 161,025</u>	<u>165,086</u>	TOTAL LIABILITIES AND NET ASSETS		<u>\$ 161,025</u>	<u>165,086</u>

See accompanying notes to combined financial statements.

**CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO INTERNACIONAL
AND CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO, A. C.**

Combined Statements of Activities and Other Comprehensive Income

Years ended December 31, 2016 and 2015

(In thousands of U.S. Dollars)

	Note		<u>2016</u>	<u>2015</u>
Grant revenue	15 (a)	\$	134,053	134,610
Other revenue	15 (b)		<u>358</u>	<u>425</u>
Total revenue			<u>134,411</u>	<u>135,035</u>
Research expenses			78,592	76,455
CGIAR collaboration expenses			11,033	12,978
Non-CGIAR collaboration expenses			32,658	31,024
General and administration expenses			13,468	13,426
Other expenses (income), net			<u>3,041</u>	<u>(3,114)</u>
Total expenses	16A		<u>138,792</u>	<u>130,769</u>
Operating surplus (deficit)			(4,381)	4,266
Finance income			265	227
Finance costs			786	986
Gain on sale of assets			<u>47</u>	<u>-</u>
Net finance costs	16C		<u>(474)</u>	<u>(759)</u>
(Deficit) Surplus for the year			<u>(4,855)</u>	<u>3,507</u>
Other comprehensive income (deficit)			<u>20</u>	<u>(545)</u>
Total comprehensive surplus / (deficit) for the year		\$	<u><u>(4,835)</u></u>	<u><u>2,962</u></u>

See accompanying notes to combined financial statements.

**CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO INTERNACIONAL
AND CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO, A. C.**

Combined Statements of Changes in Net Assets

Years ended December 31, 2016 and 2015

(In thousands of U.S. Dollars)

	<u>Designated net assets</u>	<u>Undesignated net assets</u>	<u>Other comprehensive income</u>	<u>Total</u>
Balances December 31, 2014	\$ 22,356	42,035	49	64,440
Fixed assets adjustments, net	397	(397)	-	-
Surplus and other comprehensive income for the year	<u>-</u>	<u>3,507</u>	<u>(545)</u>	<u>2,962</u>
Balances December 31, 2015	22,753	45,145	(496)	67,402
Fixed assets adjustments, net	(563)	563	-	-
Deficit and other comprehensive income for the year	<u>-</u>	<u>(4,855)</u>	<u>20</u>	<u>(4,835)</u>
Balances December 31, 2016	<u>\$ 22,190</u>	<u>40,853</u>	<u>(476)</u>	<u>62,567</u>

See accompanying notes to combined financial statements.

**CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO INTERNACIONAL
AND CENTRO INTERNACIONAL DE MEJORAMIENTO DE MAIZ Y TRIGO, A. C.**

Combined Statements of Cash Flows

Years ended December 31, 2016 and 2015

(In thousands of U.S. Dollars)

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities:		
Surplus / (Deficit) of the year:	\$ (4,855)	3,507
Adjustments for:		
Depreciation	4,793	5,566
Amortization	70	97
Employee benefit finance cost, net	5,149	268
Gain on sale of properties and equipment	-	35
Provisions	<u>(107)</u>	<u>5</u>
Subtotal	5,050	9,478
Change in:		
Short-term employee benefits	(295)	322
Accounts receivable, net	(46)	9,806
Inventory and supplies, net	107	155
Accounts payable, net	(1,460)	1,005
Employee termination benefits	(345)	(1,707)
Actuarial losses	-	(545)
Program related activities	(51)	(1,711)
Deferred revenue	<u>(1,356)</u>	<u>(1,367)</u>
Net cash from operating activities	1,604	15,436
Cash flow from investing activities:		
Proceeds from sale of property and equipment	60	65
Acquisition of properties and equipment	(3,969)	(4,519)
Acquisition of intangibles	<u>-</u>	<u>(135)</u>
Net cash from investing activities	<u>(3,909)</u>	<u>(4,589)</u>
Net change in cash and cash equivalents	(2,305)	10,847
Beginning of year	<u>93,295</u>	<u>82,448</u>
End of year	<u>\$ 90,990</u>	<u>93,295</u>

See accompanying notes to combined financial statements.

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to the Combined Financial Statements

For the Years ended December 31, 2016 and 2015

(In thousands of U.S. Dollars)

(1) Reporting entity-

The Centro Internacional de Mejoramiento de Maíz y Trigo Internacional (CIMMYT Int.) was created through an agreement signed by the United Nations Development Programme and the International Bank for Reconstruction and Development, both cosponsors of the CGIAR System, and is a not-for profit, scientific and training organization engaged in the improvement of maize and wheat cropping systems in developing countries. Centro Internacional de Mejoramiento de Maíz y Trigo, A.C. (“CIMMYT, A. C.”) is a Civil Association (Asociacion Civil) chartered under Mexican law. CIMMYT, A. C. does not carry out any activities and only holds part of the land and buildings where CIMMYT Int. carries out its activities. The registered address for these two entities is Carretera Mexico Veracruz Km. 45, El Batan, Texcoco, C.P. 56237, Mexico. These two entities, which are under common management, are referred to collectively in this document as the “Organization”.

A Host Country Agreement signed by the Government of Mexico on May 9, 1988 and ratified by the Mexican Senate on December 22, 1988, recognized CIMMYT Int. as having the status of an international organization. A revised agreement between the Government of Mexico and CIMMYT Int. concerning the establishment of the headquarters of the Center in Mexico was signed on June 27, 2003 with retroactive effect from January 1, 2003. Due to its status as an international not-for-profit organization, the Organization is exempt from income taxes.

CGIAR Research Programs (CRPs)-

In 2012, CGIAR System Organization introduced a new programmatic approach to doing business. The Donors of the CGIAR System Organization approved the creation of fifteen CGIAR Research Programs (CRPs), each to be led by a designated Center which is responsible, through a Program Implementation Agreement (PIA), for overseeing the implementation of the CRP by program participants and for all payments to and reporting from program participants. Program participants include other Centers who are subcontracted by the Lead Center via a Program Participant Agreement (PPA) or other suitable contracting arrangement.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(2) Basis of accounting-

The accompanying combined financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

In accordance with the General Corporations Law and the bylaws of CIMMYT, A.C., the entity’s Board of Directors is empowered to modify the CIMMYT, A.C. financial schedules after issuance. The accompanying combined financial statements would be submitted to the next CIMMYT Int. Board of Trustees’ meeting for approval should any change to the CIMMYT, A.C. financial schedules require an amendment to the accompanying financial statements.

(3) Functional and presentation currency-

The accompanying combined financial statements are presented in U.S. Dollars (“Dollar” or “\$”) which is the Organization’s functional currency and the currency in which these combined financial statements are presented. Except otherwise noted, all financial information presented in U.S. Dollars has been rounded to the nearest thousand.

(4) Use of estimates and judgements-

Preparation of these combined financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(a) Judgements-

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the combined financial statements is included in the following note:

- Note 5g (iii) - useful lives of property and equipment.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(b) Assumptions and estimation uncertainties-

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2016 is included in the following note:

Note 13 (c) - measurement of defined benefit obligations: key actuarial assumptions.

(5) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements, unless otherwise indicated.

(a) Cash and cash equivalents-

Cash and cash equivalents are comprised of cash on hand, bank current accounts, fixed term interest bearing bank deposits and publicly listed securities. The Organization considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash is detailed in note 6.

(b) Foreign currency-

i. Foreign currency transactions-

Transactions in foreign currencies are translated to the respective functional currencies of each foreign branch at the exchange rates prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate in effect when the fair value was determined. Foreign currency differences are generally recognized in the statement of activities.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

ii. Foreign operations-

The assets and liabilities of foreign operations are translated to U.S. Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. Dollars at the exchange rates in effect at the dates of the transactions.

Foreign currency differences are recognized in OCI (Other Comprehensive Income) and accumulated in the translation reserve. Due to materiality reasons, no currency translation effects were recognized during the periods presented.

(c) Employee benefits-

i. Short-term benefits-

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Organization has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Defined contribution plans-

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity with no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of activities in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

iii. Seniority premiums-

In accordance with Mexican Labour Law, the Organization provides seniority premium benefits to its Mexican Locally Recruited Staff (LRS) under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. Costs associated with these benefits are provided for based on actuarial computations using the projected unit credit method.

iv. Other long-term employee benefits-

The Organization's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Organization provides subsidy for post-employment health care benefits to certain retired Internationally Recruited Staff (IRS) and their dependents. Employees become eligible for post-employment benefits after meeting certain age and service requirements. The defined benefit plan contains cost-sharing features, such as deductibles and coinsurance. Retired IRS have varying contribution requirements. Costs associated with these benefits are provided for based on actuarial computations using the projected unit credit method.

v. Termination benefits-

Termination benefits are recognized as an expense when the Organization is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Organization has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

End of service benefits for IRS such as costs of return flights and shipment of personal effects are accrued during the duration of the employment contract. Because of the unstable political and security context in countries where the organization operates, a provision for end of service benefits for international staff has been included.

(d) Income tax-

CIMMYT Int. is tax-exempt and CIMMYT, A.C. is a non-for profit Civil Association (Asociacion Civil); accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

(e) Biological assets-

Biological assets are measured at fair value less costs to sell, with any change therein recognized in the statement of activities. For the periods presented, biological assets are immaterial.

(f) Inventories-

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle. Inventories are assets held in the form of materials or supplies to be consumed in the Organization's operations or in the rendering of services. They comprise materials and supplies not directly expended at the time of their purchase, such as scientific supplies, automotive parts, building materials, petroleum products, office and other general supplies.

Inventories are valued at average cost. The cost of inventories applied to operations is based on the average method, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Inventories are written down to net realizable value on an item-by-item basis. The allowance for inventory obsolescence is deducted from the related asset. The amount of write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write down or loss occurs.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(g) Property and equipment-

i. Recognition and measurement-

Land and buildings are initially recorded at acquisition cost.

The Organization considers as equipment to be capitalized items with an estimated useful life beyond one year and costs in excess of \$2.5 or its equivalent.

Equipment is recorded at acquisition cost. Cost includes the purchase price and all other incremental costs incurred in bringing the asset to its present location and condition for its intended use.

Any gain or loss on disposal of an item of property and equipment is recognized in the statement of activities.

ii. Subsequent expenditure-

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Organization.

iii. Depreciation-

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the statement of activities on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

Estimated useful life for property and equipment is as follows:

	<u>Years</u>
Buildings	40
Agricultural equipment	10
Leasehold improvements	10
Furniture and office equipment	5
Laboratory equipment	5
Vehicles	4
Computers	3
Other equipment	5

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate (see note 10).

Property and equipment acquired through the use of grants restricted for a certain project is recorded as an asset. Such assets are depreciated over the shorter of the project life or their useful lives.

(h) Intangible assets-

i. Recognition and measurement-

Intangible assets that are acquired by the Organization and have finite useful lives are measured at cost less accumulated amortization.

ii. Subsequent expenditure-

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

iii. Amortization-

Amortization is calculated to write off the cost of intangible assets less the estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit and loss.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The estimated useful life of the software is three years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software acquired through the use of grants restricted for a certain project is recorded as an asset. Such assets are depreciated over the shorter of the project life or their useful lives.

(i) Prepaid expenses-

Mainly include prepaid expenses for the purchase of services that are received after the date of the combined statement of financial position and in the ordinary course of operations.

(j) Advance grant payments from donors-

Represent grant payments received in advance from donors for restricted grants, for which the grant conditions have not yet been met. It also includes amounts payable to donors when donors require reimbursement of unexpended grant balances.

(k) Other accounts payable and accruals-

These represent amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(l) Provisions-

A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Financial instruments-

Non-derivative financial instruments comprise cash and cash equivalents, restricted cash, accounts receivable and accounts payable.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The Organization initially recognises accounts receivable and accounts payable on the date that they are originated.

Financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets and liabilities are measured at amortised cost using the effective interest method.

The Organization derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Organization derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if, and only if, the Organization has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(n) Impairment-

i. Financial assets-

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The Organization considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of activities and reflected in an allowance account against receivables. Interest on the impaired asset, if any, continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of activities.

ii. Non-financial assets-

The carrying amounts of the Organization's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of activities. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(o) Revenue recognition-

The Organization recognizes revenue in accordance with IFRS as follows:

i. Rendering of services-

Income for rendered services is recognized in the accounting period in which the services are rendered.

ii. CGIAR Research Programs (CRPs)-

The Lead Center of a CRP is required to include in its statement of activity expenses incurred by subcontracted centers and the corresponding revenue.

Partners Centers must include in their statements of activity, expenses incurred for each CRP and the corresponding revenue.

Funding Windows

Fund Donors may designate use of the funds they contribute to the CGIAR System in three ways:

Window 1 (W1)- These funds are allocated to CRPs by the CGIAR System Organization.

Window 2 (W2)- These funds are directed by Fund Donors to specific CRPs proposed by the CGIAR System Organization as eligible to receive Window 2 subaccount funding. For each CRP, funds received into Window 2 are limited to the total budget amount approved for that CRP.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

Window 3 (W3)- These funds are directed by Fund Donors to individual Centers. Fund Donors may designate specific amounts to specific Centers for use in accordance with signed agreements.

iii. Sale of goods-

Sales revenue is recognized when certain conditions have been satisfied:

- (a) The Organization has transferred to the buyer the significant risk and rewards of ownership of the goods;
- (b) The Organization does not retain effective control over the goods sold;
- (c) The amount of revenues can be reliably measured;
- (d) It is probable that the economic benefits will flow to the Organization; and
- (e) The costs incurred in respect of the transaction can be measured reliably.

iv. Commissions-

If the Organization acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount of commission made by the Organization.

v. Finance income and finance cost-

The Organization's finance income and finance cost include interest income, interest expense and foreign exchange effects. Interest income or expense is recognized using the effective interest method.

vi. Government grants-

Government grants are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and that the Organization will comply with the conditions associated with the grant; they are then recognized in the statement of activities as income on a systematic basis over the useful life of the asset.

Grants that compensate the Organization for expenses incurred are recognized in the statement of activities on a systematic basis in the periods in which the expenses are recognized.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(p) **Donor accounts receivable-**

Donor accounts receivable represent amounts recoverable from donors for restricted grants promised or pledged for which any conditions have already been met. Donor accounts receivable are stated at their gross principal amounts, less any allowance for doubtful accounts. The allowance for doubtful accounts is initially created once the recoverability of collectible balances becomes doubtful based on the management's periodic review and analysis of the receivable balances from Donors accounts, as well as an assessment of the prevailing and anticipated economic conditions. If subsequently, as part of the periodic analysis of Donors accounts, the management confirms that a previously created doubtful account becomes uncollectible, the outstanding grant receivable balance is removed from the books through the allowance for doubtful accounts.

(6) Cash and cash equivalents-

		<u>2016</u>	<u>2015</u>
Cash on hand and in banks	\$	33,363	20,927
Short-term cash investments		<u>57,627</u>	<u>72,368</u>
Total	\$	90,990	93,295
		=====	=====
Cash on hand in banks:			
Cash and bank accounts in USD	\$	23,519	12,187
Cash and bank accounts in MXN		2,772	3,155
Cash and bank accounts in GBP		2,069	1,648
Cash and bank accounts in EUR		1,045	595
Petty cash		48	67
Cash in regional offices		<u>3,910</u>	<u>3,275</u>
Total	\$	33,363	20,927
		=====	=====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

Investments

Excess funds not required for operation purposes are invested in accordance with the Board approved investment policy for the purpose of capital preservation, reducing risk exposure and optimizing investment returns, where possible, and ensuring diversification of the investment portfolio.

All cash investments are held in the form of deposits with reputable financial institutions.

Short term investments are as follows:

	2016					
	<u>Currency</u>	<u>Yield</u>	<u>Type of investment</u>	<u>Investment</u>	<u>Date of Maturity</u>	<u>Amount</u>
Standard Chartered Bank	USD	0.45%	Time Deposit	6-Dec-16	3-Jan-17	\$ 4,100
Standard Chartered Bank	USD	0.70%	Time Deposit	13-Dec-16	10-Jan-17	3,000
Standard Chartered Bank	USD	0.65%	Time Deposit	23-Dec-16	17-Jan-17	4,500
Standard Chartered Bank	USD	0.70%	Time Deposit	23-Dec-16	24-Jan-17	4,624
JP Morgan	USD	0.20%	Money Market	1-Dec-16	31-Dec-17	8,500
Scotiabank	USD	0.35%	Certificate of Deposit	5-Dec-16	9-Jan-17	3,336
Scotiabank	USD	0.47%	Certificate of Deposit	12-Dec-16	16-Jan-17	3,404
Scotiabank	USD	0.47%	Certificate of Deposit	19-Dec-16	23-Jan-17	6,016
Scotiabank	USD	0.30%	Certificate of Deposit	23-Dec-16	2-Jan-17	3,205
Santander	USD	0.15%	Time Deposit	1-Dec-16	5-Jan-17	3,000
Santander	USD	0.15%	Time Deposit	23-Dec-16	12-Jan-17	3,350
Santander	USD	0.15%	Time Deposit	23-Dec-16	19-Jan-17	4,200
Santander	USD	0.15%	Time Deposit	23-Dec-16	26-Jan-17	4,300
Banorte	MXN	4.50%	Time Deposit	23-Dec-16	2-Jan-17	349
Banorte	MXN	4.50%	Time Deposit	22-Dec-16	2-Jan-17	775
Santander	MXN	2.98%	Time Deposit	25-Jan-16	20-Jan-17	968
						\$ 57,627
						=====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

2015						
	<u>Currency</u>	<u>Yield</u>	<u>Type of investment</u>	<u>Date of</u>		<u>Amount</u>
				<u>Investment</u>	<u>Maturity</u>	
Deutsche Bank	USD	0.45%	Time Deposit	6-Dec-15	25-Jan-16	\$ 14,043
Standard Chartered Bank	USD	0.70%	Time Deposit	13-Dec-15	28-Jan-16	14,800
JP Morgan	USD	0.20%	Money Market	1-Dec-15	31-Dec-15	11,880
Scotiabank	USD	0.35%	Certificate of Deposit	5-Dec-15	25-Jan-16	14,019
Santander	USD	0.15%	Time Deposit	1-Dec-16	18-Jan-16	13,009
Banorte	USD	3.00%	Time Deposit	23-Dec-16	4-Jan-16	2,018
Banorte	MXN	2.85%	Overnight	23-Dec-16	2-Jan-16	289
Banorte	MXN	3.01%	Time Deposit	23-Dec-16	23-Feb-16	96
Banorte	MXN	1.22%	Overnight	23-Dec-16	2-Jan-16	109
Banorte	MXN	3.01%	Time Deposit	23-Dec-16	23-Feb-16	35
Banorte	MXN	3.02%	Time Deposit	23-Dec-16	21-Jan-16	683
Santander	MXN	2.98%	Time Deposit	25-Jan-16	15-Jan-16	<u>1,387</u>
						\$ 72,368
						=====

(7) Program-related cash and liabilities-

		<u>2016</u>	<u>2015</u>
Funds held for Integrated Breeding Platform	\$	4,898	4,756
		=====	=====
Liabilities to Integrated Breeding Platform:			
Advanced grant payments - Donors	\$	5,190	5,093
Accounts payable - Others (Due by CIMMYT)		<u>419</u>	<u>425</u>
	\$	5,609	5,518
		=====	=====

The Integrated Breeding Platform (the “IBP”) is an initiative of the Generation Challenge Program which ended December 2015. The IBP is hosted by the Organization.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The aim of the IBP is to support and promote the use of advanced plant breeding technologies and knowledge in order to increase agricultural productivity, enhance food security, and improve the livelihoods of smallholder farmers throughout the developing world.

The IBP is supported by the Bill & Melinda Gates Foundation and the World Bank (collectively, the “Supporter Organizations”) and is governed by an independent Board of Trustees.

The Organization, as host agent of the IBP assumes fiduciary responsibility and has duties of care, loyalty and impartiality in its role and is reimbursed by the IBP for direct and indirect costs associated with its operations. The Organization acts on instructions from the IBP with regard to disbursement of funds based on a plan of work and attendant budget that has been approved by the Board of Trustees of the IBP.

The liability due to the IBP in the combined statements of financial position represents the resources provided by the Supporter Organizations that are held in the Organization’s bank accounts and managed by the Organization as a host agent until the Board of Trustees of the IBP determines their distribution or application.

The activity of the IBP is recorded in the Program accounting records, and therefore such activity is not presented in these combined financial statements.

The Combined Statements of Activities of the Organization does not include the project transactions of the IBP, these are accounted through changes of the funds in trust in the financial position. Exhibit 5 provides a breakdown of the program expenditures.

(8) Related parties-

The Organization’s related parties include its key management personnel and related party as shown as it follows:

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

Compensation paid to key management personnel-

Key management of the Organization relates to selected Management Committee members of CIMMYT Int. and members of CIMMYT Int.'s Board of Trustees.

		<u>2016</u>	<u>2015</u>
Short and long-term benefits	\$	3,380	2,692
		=====	=====

(9) Accounts receivable-

(a) Accounts receivable- Donors consist of the following:

		<u>2016</u>	<u>2015</u>
Restricted	\$	11,041	11,323
IBP (see note 7)		-	10
		11,041	11,333
Less allowance for doubtful accounts - donors		<u>1,700</u>	<u>1,195</u>
Total donors	\$	<u>9,341</u>	<u>10,138</u>
		=====	=====

(b) Accounts receivable- CGIAR System consist of the following:

		<u>2016</u>	<u>2015</u>
CGIAR Trust Fund- W1 & W2	\$	2,852	275
CGIAR Centers- Other		<u>539</u>	<u>2,018</u>
Total CGIAR System	\$	<u>3,391</u>	<u>2,293</u>
		=====	=====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(c) *Accounts receivable- Others consist of the following:*

	<u>2016</u>	<u>2015</u>
BISA (1) \$	1,643	1,324
VAT receivable	714	745
Regional offices	295	485
Employees	54	93
AIARC (2) - International		
Salaries	18	35
Other	<u>103</u>	<u>81</u>
	2,827	2,763
Less allowance for doubtful accounts- BISA	<u>1,643</u>	<u>1,324</u>
Total other	<u>1,184</u>	<u>1,439</u>
Total accounts receivable \$	<u>13,916</u>	<u>13,870</u>

(1) The Borlaug Institute for South Asia (BISA) is a separate legal entity constituted in India for the purpose of initiating a platform for agricultural research across South Asia and establishing collaborative research efforts between the Indian Council of Agricultural Research (ICAR), three state governments of India, and the Organization. BISA's specific objective is to contribute to food security in the South Asia region by harnessing the latest technology in agriculture to improve farm productivity and sustainability to meet the food demands of the fast growing populations in South Asia.

During the start-up phase the Organization provided working capital to BISA which was later consolidated into a loan. Currently there has been created a provision for the entire loan, the loan was partly written-off in 2014. The parties will continue to address the outstanding amount as BISA activities continue in 2017.

(2) The Payroll administration and payment of International staff salaries is outsourced to the Association of International Agricultural Research Centers (AIARC).

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(10) Property and equipment-

Details of the Organization's property and equipment and their carrying amount are as follows:

<u>Cost</u>	<u>December 31, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2016</u>
Land	\$ 15,681	-	-	15,681
Buildings	37,318	604	-	37,922
Office equipment	1,434	4	-	1,438
Vehicles	14,745	1,196	(401)	15,540
Farm equipment	9,120	469	-	9,589
Labs & scientific equipment	12,112	847	(2)	12,957
Auxiliary units	1,847	274	(4)	2,117
Maintenance equipment	304	-	-	304
Computers	4,183	575	(21)	4,737
Work in process	<u>54</u>	<u>151</u>	<u>-</u>	<u>205</u>
Total	\$ 96,798 =====	4,120 =====	(428) =====	100,490 =====
 <u>Accumulated depreciation</u>				
Buildings	\$ (6,263)	(1,550)	-	(7,813)
Office equipment	(1,328)	(66)	-	(1,394)
Vehicles	(13,319)	(1,220)	192	(14,347)
Farm equipment	(8,178)	(530)	-	(8,708)
Labs & scientific equipment	(11,268)	(1,410)	2	(12,676)
Auxiliary units	(1,273)	(476)	4	(1,745)
Maintenance equipment	(111)	(30)	-	(141)
Computers	<u>(3,858)</u>	<u>(395)</u>	<u>20</u>	<u>(4,233)</u>
Total	<u>(45,598)</u>	<u>(5,677)</u>	<u>218</u>	<u>(51,057)</u>
Net book value	\$ 51,200 =====	(1,557) =====	(210) =====	49,433 =====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(11) Accounts payable-

(a) Advance grant payments from Donors-

		<u>2016</u>	<u>2015</u>
Restricted	\$	40,120	38,782
		=====	=====

(b) Advance grant payments from CGIAR System-

		<u>2016</u>	<u>2015</u>
CGIAR Trust Fund- W1 & W2	\$	2,834	6,014
CGIAR Centers- Other		705	192
CGIAR System Costs 2%		<u>255</u>	<u>252</u>
Total CGIAR System	\$	3,794	6,458
		=====	=====

(c) Accounts payable to Others-

		<u>2016</u>	<u>2015</u>
Suppliers	\$	4,703	5,027
Employees personal accounts		1,589	1,361
Payroll taxes and social security		511	517
Workshop		427	310
Others		<u>89</u>	<u>63</u>
Total others	\$	7,319	7,278
		=====	=====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(d) *Accruals-*

	<u>2016</u>	<u>2015</u>
Project accruals	\$ 550	718
Others	<u>120</u>	<u>127</u>
Total accruals	<u>670</u>	<u>845</u>
Total accounts payable	\$ 51,903	53,363
	=====	=====

(12) Deferred revenue-

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 29,640	31,007
Fixed asset acquisitions	2,773	2,595
Current year depreciation	<u>(5,012)</u>	<u>(3,962)</u>
	\$ 27,401	29,640
	=====	=====

(13) Employee benefits-

The cost, obligations and other elements of the post-employment benefits mentioned in note 5(c) have been determined based on computations prepared by independent actuaries for Mexican LRS and for IRS at December 31, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Defined benefit obligations Mexican LRS (DBO)	\$ 3,897	4,656
Defined benefit obligations IRS	<u>8,805</u>	<u>3,262</u>
Net defined benefit (asset)/ liability	\$ 12,702	7,918
	=====	=====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(a) *Change in the present value of the defined benefit obligations (DBO) as of December 31, 2016 and 2015 are as follows-*

	<u>2016</u>	<u>2015</u>
<u>Mexican locally recruited staff</u>		
DBO at 1 January	\$ 4,656	4,961
Current service cost	177	182
Interest cost	289	268
Actuarial (gain)/ losses	476	545
Benefits paid directly by the Organization	<u>(1,700)</u>	<u>(1,300)</u>
DBO at December 31	\$ 3,897 =====	4,656 =====
<u>Internationally recruited staff</u>		
DBO at 1 January	\$ 3,262	4,396
Current service cost	1,493	1,535
Medical plan	4,100	-
Benefits paid directly by the Organization	(50)	(1,472)
Excess in provision	<u>-</u>	<u>(1,197)</u>
DBO at December 31	\$ 8,805 =====	3,262 =====

(b) *Expense recognized in the statement of activities as of December 31, 2016 and 2015 is as follows:*

	<u>2016</u>	<u>2015</u>
<u>Mexican locally recruited staff</u>		
Current service costs	\$ 177	182
Finance cost	<u>289</u>	<u>268</u>
	\$ 466 =====	450 =====
<u>Internationally recruited staff</u>		
Current service costs	\$ 1,493	1,535
Medical plan cost	<u>4,100</u>	<u>-</u>
	\$ 5,593 =====	1,535 =====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(c) *Actuarial assumptions-*

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2016</u>	<u>2015</u>
<u>Mexican locally recruited staff</u>		
Discount rate at December 31	8.00%	8.00%
Price inflation	3.50%	3.50%
Rate of salary increase	5.00%	5.50%
<u>Internationally recruited staff</u>		
Discount rate at December 31	8.00%	-
Medical inflation rate	5.00%	-
Rate of salary increase	5.00%	-

(d) *Sensitivity analysis-*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the Mexican LRS defined benefit obligation by the amounts shown below:

		<u>Seniority premium</u>
Discount rate 9%	1% increase	410
Discount rate 7%	1% decrease	(458)
Salary increase 6.5%	1% increase	-
Salary increase 4.5	1% decrease	-
		====

(14) Net assets-

Net assets represent the residual balances of total assets minus total liabilities. The net assets are further classified on the next page.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

- a) *Unrestricted, designated net assets*- Represent net assets the use of which is not restricted by donors but restricted by the Organization's management for specific purposes. The amount represents the accumulated costs of infrastructure investments, property and equipment, net of accumulated depreciation.
- b) *Unrestricted, undesignated net assets*- Represent the Organization's accumulated surplus. These funds are intended to ensure availability of sufficient working capital to provide continuity to the Organization's operations, to cover additional investments in the upgrade or expansion of the Organization's infrastructure and potentially for the orderly closure of the Organization, if so required.

(15) Revenue-

- a) *Grants*- Funds received from donors are used to support the Organization's programs. Programs must fall within the mandate of the Organization. Grants are restricted and are used to support the Organization's general activities, but they must be used for the activities mutually agreed upon between the Organization and the donor.

Included in the Combined Statements of Activities as supplementary funding are W3 & Bilateral Grants, which are related to, but not strategically aligned with the CRPs, funding that typically supports scale-out and accelerates the impact pathway of a CRP. This type of funding includes a significant number of country-specific, downstream projects (Supplementary Projects included in the 'Restricted Non-CRP' column of the Combined Statements of Activities) that were not envisioned in the original CRP proposals.

- b) *Other revenues*- For the years ended December 31, 2016 and 2015, other revenues are:

	<u>2016</u>	<u>2015</u>
Management fee - Integrated Breeding Platform	\$ 323	360
Other income CIMMYT, A.C.	35	35
Management fee Generation Challenge Program	—	<u>30</u>
Total other revenues	\$ 358	<u>425</u>
	====	====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The Organization acts as a host agent for a fee. In the absence of specific guidance in IFRS on distinguishing between an agent and a principal, management considered the following:

- The Organization does not take title to the goods and has no responsibility in respect of the goods sold.
- Although the Organization collects the revenue from the final customer, all credit risk is borne by the supplier of the goods.
- The Organization cannot vary the selling prices set by the supplier by more than one percent.

(16) Expenses and losses -

Program-related expenses – These comprise the following main categories of expenses:

- Total expenses and losses***- These comprise the research expenses incurred in direct research operations by the following programs: Global Wheat; Global Maize; Genetic Resources; and Impacts Targeting and Assessment, as well as the Collaboration (both intra-CGIAR System and other), Research Support and General and Administration expenses.
- Research support***- These expenses are incurred in direct support of research activities undertaken in the research programs listed above.
- General and administration expenses***- These expenses comprise general administration expenses of the Organization, including expenditures applicable to the Board of Trustees, Management, Finance, Human Resources, Purchasing, Supplies, Building Maintenance, Security, General Services and Housing.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

For the years ended December 31, 2016 and 2015, expenses and losses are broken down as it follows:

	<u>2016</u>	<u>2015</u>
A. Total expenses and losses by function		
Personnel costs	\$ 47,167	47,781
CGIAR collaboration costs	11,033	12,978
Other collaboration costs	32,658	31,024
Supplies and services	37,072	33,317
Travel	4,786	5,013
Depreciation	5,716	3,888
Cost sharing percentage	<u>360</u>	<u>(148)</u>
Total expenses and losses	<u>138,792</u>	<u>133,853</u>
B. Financial costs		
Finance income	(265)	(227)
Finance costs	786	986
Gain on sale of assets	<u>(47)</u>	<u>-</u>
Total financial costs	<u>474</u>	<u>759</u>
C. Total expenses and losses by function		
Personnel costs	\$ 9,616	9,071
Other collaboration costs	-	1
Supplies and services	10,279	9,779
Operation travel	828	443
Depreciation	1,160	1,295
Cost sharing percentage	70	(83)
Cost allocation / chargeback	(9,061)	(7,426)
Reversal provisions	276	(2,269)
VAT recovery	(19)	(815)
Provision BISA loan	<u>319</u>	<u>1,324</u>
	13,468	11,320
Indirect cost recovery	<u>(11,861)</u>	<u>(13,232)</u>
Net general and administration expenses	\$ <u>1,607</u>	<u>(1,912)</u>

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

(17) Financial instruments and risk management-

(a) Overview-

The Organization has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the Organization's exposure to each of the above risks, the Organization's objectives, policies and processes for measuring and managing risk, and the Organization's management of net assets. Further quantitative disclosures are included throughout these combined financial statements.

Risk management framework

The Organization is a not-for-profit organization that neither actively engages in the trading of financial assets for speculative purposes nor write options. The most significant financial risks to which the Organization is exposed are described below.

The Organization's Board of Trustees has overall responsibility for the establishment and oversight of the Organization's risk management framework. Management has a Risk Management Committee, which is responsible for developing and monitoring the Organization's risk management policies. Management reports regularly to the Board of Trustees on this Committee's activities, findings and recommendations.

The Organization's risk management policies are established to identify and analyze the risk faced by the Organization, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Organization's activities. The Organization, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The Organization's Audit, Finance and Risk Committee oversees how management monitors compliance with the Organization's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Organization. The Organization's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Market risk-

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The functional currency of the Organization is the U.S. dollar. However, the organization is also engaged in foreign currency transactions.

With respect to monetary assets and liabilities denominated in foreign currencies, the Organization's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following significant exchange rates have been applied during the year.

	<u>Year-end spot rate</u>	
	<u>2016</u>	<u>2015</u>
MXN	\$ 20.6640	17.3398
	=====	=====

For the period presented, the Organization does not have any variable interest rate financial instruments.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

Sensitivity analysis

The Organization executes transactions in different foreign currencies, such as the US Dollar, Canadian Dollar, Australian dollar, Euro, Indian Rupee, Mexican Peso, among other currencies. In addition, it maintains foreign currency bank balances, mainly in Mexican Peso. The volume and amount of transactions executed in Mexican Peso is considered material as is related to the location of the Organization's HQ in Mexico. Management has not quantified the potential impact on the statement of activities and net assets based on fluctuations of the exchange rate (sensitivity analysis), but the Organization is reducing its foreign currency exposure by maintaining its foreign currencies balances in relation to the expected operational cash flow in that currency.

(c) ***Credit risk-***

Credit risk is the risk of financial loss to the Organization if a donor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organization's receivables from donors and investments and cash equivalents.

i. ***Accounts receivable-***

The Organization's exposure to credit risk is influenced mainly by the individual characteristics of each donor.

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency ratings.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is shown below:

	<u>Carrying amount</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 90,990	93,295
Loans and receivables	<u>14,416</u>	<u>14,370</u>
	\$ 105,406	107,665
	=====	=====

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

ii. Impairment-

At December 31, 2016, the ageing of accounts receivable balances that were impaired was as follows:

	<u>Accounts receivable</u>	<u>Impairment</u>
Neither past due nor impaired	13,916	-
Past due 1 year	824	(824)
Past due 2 year	1,574	(1,574)
Past due 3 years	<u>945</u>	<u>(945)</u>
	17,259	(3,343)
	=====	=====

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	<u>Allowance for doubtful accounts receivable</u>
Balance at 31 December 2015	\$ 2,519
Increase in allowance	<u>824</u>
Balance at 31 December 2016	\$ 3,343
	=====

At December 31, 2016 and 2015, there was an allowance for doubtful accounts receivable of \$1,700 and \$1,195, respectively, related to contributions from several donors that have indicated they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. Additionally, an allowance of \$1,643 and \$1,324 related to the BISA loan was recognized.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

a) *Liquidity risk-*

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

At December 31, 2016 and 2015, the Organization did not have any available lines of credit.

(18) Net assets management-

The Organization presently follows the CGIAR's Account Reserves Policy Guidelines to maintain sufficient net assets for meeting the Organization's operational and strategic needs and to maintain confidence of donors. This is achieved with efficient cash management, constant monitoring of Organization's revenues and long-term investment plans mainly financed by the Organization's operating cash flows.

(19) Commitments-

The Organization believes that it has complied with all aspects of contractual agreements, grants and donor restrictions that could have an effect on the combined financial statements.

(20) Contingencies-

The Organization is involved in a number of mostly labour-related lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Organization's financial position and results of operations.

(Continued)

**Centro Internacional de Mejoramiento de Maíz y Trigo Internacional
and Centro Internacional de Mejoramiento de Maíz y Trigo, A. C.**

Notes to Combined Financial Statements

(In thousands of U.S. Dollars)

The Mexican Government undertook audit processes of the MASAGRO project for the 2012 and 2013 fiscal years, for which audit reports were published in February 2013 and February 2014, respectively. The Organization has invested considerable time and effort in collaboration with the Mexican Government Auditors to clarify the reported issues. The final audit findings for the 2012 audit have been received with results in the Organization's favor regarding all issues raised. Although the final audit findings for the 2013 audit are pending, we have been given indications of the likelihood of a similar resolution in the Organization's favor.