

2012 Financial Seminar



Structure of seminar

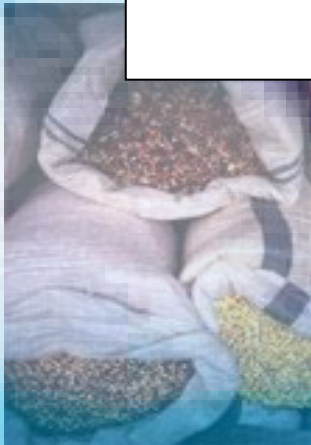
- 1. Preparation of the 2011 Financial Statements**
- 2. Highlights of the 2011 Financial Statements**
- 3. Financial Performance for the Year ended 31 December 2011**
- 4. Financial Position as of 31 December 2011**

2012 Financial Seminar



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Preparation of the 2011 Financial Statements



Preparation of the 2011 Financial Statements

- Full set of draft Financial Statements including Notes submitted to CAG on 24 Feb
- Presented to Audit Committee on 21 March
- Signed by Executive Director on 28 March
- Reviewed by FAO Finance Committee on 14 May and recommended Executive Board to approve
- Key steps in 2011 Financial Statement preparation:
 1. Oversight of financial reporting risks throughout 2011
 2. Q1/Q2/Q3 unaudited quarterly Financial Statements and analysis for EMC
 3. Annual Financial Statement Guidelines circulated to all staff
 4. Attendance of RM senior staff at all CD and FO meetings in 2011
 5. Monitoring of Financial Statement-related oversight work (CAG India and OSA)
 6. Review of Letters of Representation received from senior managers

Key financial statement-related recommendations - CAG

- Q1/Q2/Q3 financial statements available
- Focus on implementation of CAG recommendations made in 2010 audit:
 1. Implementation of detailed comparison of replacement cost/historic cost of commodity inventory;
 2. Disclosure of CP-held commodity inventory;
 3. Internal Loans and Borrowings reconciliation;
 4. Adopt monetary threshold policy for disclosure of contingent assets and contingent liabilities;
 5. Elaborate allowance for doubtful accounts policy for other receivables;
 6. Improve monitoring process for assets under construction;
 7. Input to development of LESS.
- Training provided to all CAG audit staff on Business Processes and WINGSII; delivered through WFP India and HQ

Limited audit of Q2 financial statements:

- Covered process area of Financial Management and Reporting – overall medium risk
- Two recommendations relating to Financial Statements
 1. CP-held stock disclosure
 2. Review of other Accounts Receivable
- Four low risk observations
 1. Review of VAT receivable
 2. Review of allowance for doubtful accounts for other Accounts Receivable
 3. Ensure proper cut-off for Contributions Receivable and Contribution Revenue
 4. Clear outstanding balances in Contributions Receivable and Treasury Clearing Accounts.

Review of 2011 Accounting Policies

Review of continued compliance of WFP Accounting Policies with IPSAS

- In 2011, IPSAS 32 *Service Concession Arrangements: Grantor* has been issued. At initial review, this IPSAS is not applicable to WFP
- Continued membership of UN IPSAS Task Force provides WFP additional assurance that Accounting Policies remain valid

Result: No changes to WFP's Accounting Policies in 2011
Accounting Policies remain IPSAS-compliant

2011 Financial Seminar



2 Highlights of the 2011 Financial Statements



Structure of WFP Financial Statements

1. Executive Director's Statement provides overview of:

- ❖ Financial and Budget Highlights
- ❖ Enhancing Transparency and Accountability
- ❖ Enterprise Risk Management and Financial Risk Management

2. Statement of Internal Control

- ❖ The Internal Control Framework and Enterprise Risk Management
- ❖ Review of the Effectiveness of Internal Control
- ❖ Significant Risk and Internal Control Matters

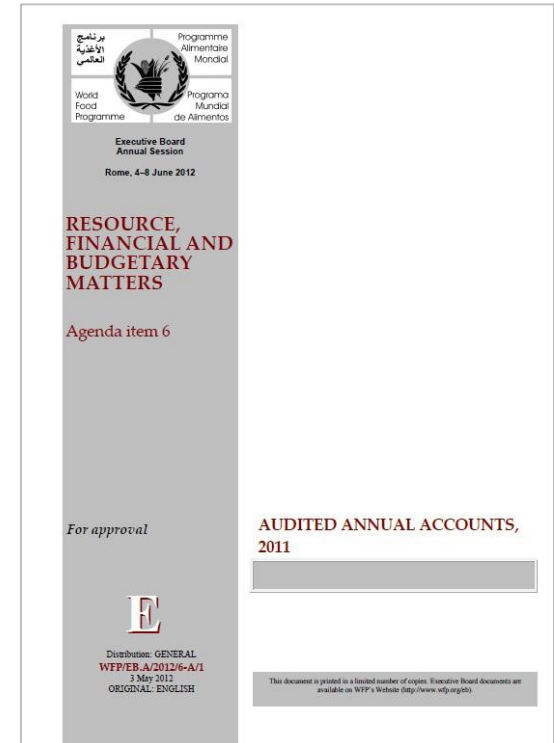
3. Financial Statements I to V provide financial views on WFP's operations. Key statements are:

- ❖ Statement I – states the financial position of WFP as of 31.12.2011
- ❖ Statement II – states the financial performance of WFP for 2011
- ❖ Statement V – compares WFP's Actual performance against Budget

4. Notes to the Financial Statements

- ❖ Disclose WFP's accounting policies (Note 1)
- ❖ Provide explanatory detail to elements of the Financial Statements (Notes 2 – 12)

5. CAG Audit Opinion and Report



Key Financial Data and Operational Metrics

KEY FINANCIAL DATA (in millions)	2011	2010	Change (\$M)	Change (%)
Total Cash and Investments	1,937.0	1,577.3	359.7	23
Contributions Receivable	1,825.1	2,470.5	(645.4)	(26)
Inventories	776.6	700.2	76.4	11
Fund Balance	3,550.2	3,834.7	(284.5)	(7)
Operational Fund Balance	2,836.0	3,051.1	(215.1)	(7)
Contribution Revenue	3,596.5	4,129.8	(533.3)	(13)
Expenses	4,016.8	4,237.7	(220.9)	(5)
Surplus (Deficit)	(280.7)	28.5	(309.2)	(1085)

KEY OPERATIONAL METRICS (in millions)	2011	2010	Change	Change (%)
MT food distributed in the period	3.8	4.6	(0.8)	(17)
MT food held in inventory at period end	1.2	1.3	(0.1)	(8)
Total Beneficiaries	99.1	109.2	(10.1)	(9)
Beneficiaries - Cash and Vouchers	4.4	3.1	1.3	42

Key Financial Ratios

KEY FINANCIAL RATIOS	2011	2010	Change	Change (%)
Operational cash balances held (in months)	3.7	2.2	1.5	70
Average collection period for Contributions Receivable (in months)	6.3	7.6	(1.3)	(17)
Average Inventory balances held (in months)	4.1	3.5	0.6	16
Employee Benefit Funding Ratio	64%	59%		
Operational Fund Balance held (in months)	7.1	6.8	0.3	4
% of Losses over total assets	0.2%	0.3%		

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3 Financial Performance for the Year ended 31 December 2011



Relationship between Key Financial Statements

Statement I
Statement of
Financial Position
Opening Balance 1/1/2011

Opening Position

Fund Balances and Reserves - 4,094.1m

Net Assets - 4,094.1m



Statement II
Statement of
Financial Performance

2011 PERFORMANCE

- Deficit of income over expenses of 280.7m
- Unrealized losses of 25.9m *

Total decrease in Fund Balances and Reserves 306.6m



Statement I
Statement of
Financial Position
Closing balance 31/12/2011

Closing Position

Fund Balances and Reserves - 3,787.5m

Net Assets - 3,787.5m

* The unrealized losses of 25.9 m of the investments is recorded directly in the statement of changes in net assets.

Statement II - Statement of Financial Performance

(Financial Statements 2011, Statement II, page 20)

(US\$ million)	01.01.2011 to 31.12.2011	01.01.2010 to 31.12.2010
REVENUE		
Monetary contributions	2,979.0	3,546.7
In-Kind contributions	617.5	583.1
Other revenue	139.6	136.4
TOTAL REVENUE	3,736.1	4,266.2
EXPENSES		
Cash and vouchers distributed	120.7	60.3
Food commodities distributed	2,061.2	2,254.6
Distribution and related services	532.9	659.0
Wages, salaries, employee benefits and other staff costs	680.4	646.4
Supplies, consumables and other running costs	148.1	152.5
Contracted and other services	387.2	374.3
Finance Costs	2.7	2.7
Depreciation and amortization	37.1	25.1
Other expenses	46.5	62.8
TOTAL EXPENSES	4,016.8	4,237.7
SURPLUS (DEFICIT) FOR THE YEAR	(280.7)	28.5

Contribution revenue decreased by 13%

Total expenses decreased by 5%

Cash and vouchers distributed doubled

Cost of food commodities distributed and distribution and related services decreased by 11%

Contribution Revenue

(Financial Statements 2011, Note 3, pages 53-54)

The decline in the contribution revenue of US\$533.3 million can be attributed to:

- A tighter fiscal policy in some donor countries
- The impact of receiving two significant contributions from a donor in 2010. These contributions were recognized in 2010 as per IPSAS 23

To note that, the Programme of Work in 2011 (US\$6.0 billion) was lower than in 2010 (US\$6.7 billion) reflecting a reduced number of large scale emergencies in 2011

Other revenue

(Financial Statements 2011, Note 3, pages 53-54)

	01.01.2011 to 31.12.2011	01.01.2010 to 31.12.2010	Change (\$M)	Change (%)
Currency exchange differences	(0.5)	7.3	(7.8)	(107)
Return on investments	27.5	22.6	4.9	22
Other revenue	112.6	106.5	6.1	6
Total other revenue	139.6	136.4	3.2	2

Limited impact of currency exchange differences in 2011 led to a small loss

Net 2011 investment performance reflects:
 (i) low yield market environment and
 (ii) realised gains on rebalancing of long term investments

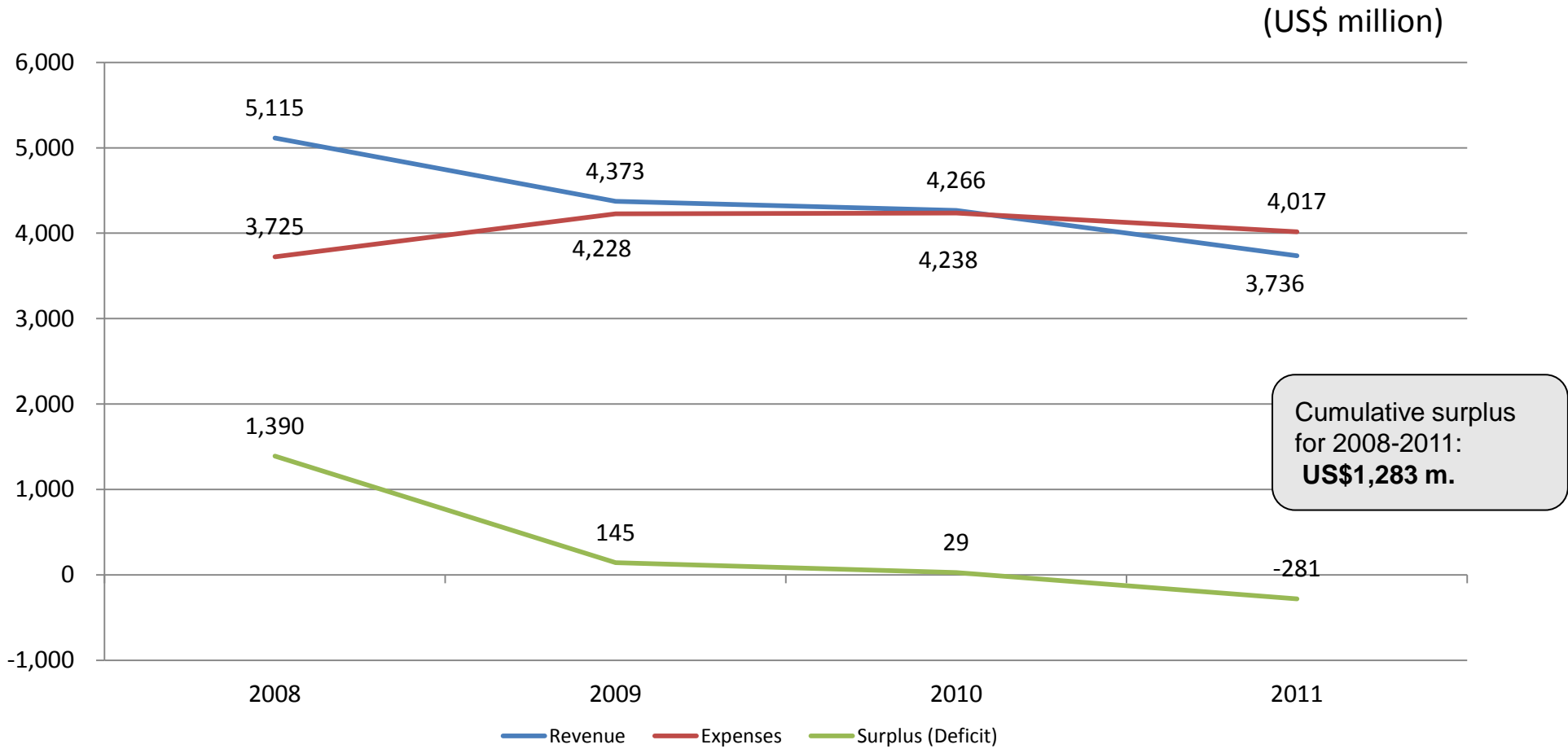
Other revenue increased mainly because of higher level of activity delivered through Special Accounts

Expenses

(Financial Statements 2011, Note 4, pages 55-56)

	01.01.2011 to 31.12.2011		01.01.2010 to 31.12.2010		Change	Change	
	US\$ million	%	US\$ million	%	(\$M)	(%)	
Cash and vouchers distributed	120.7	3	60.3	1.4	60.4	100	Cost of cash and vouchers distributed doubled
Food commodities distributed	2,061.2	51	2,254.6	53	(193.4)	(9)	Decrease in cost of food commodities distributed and distribution and related services due to decrease in food delivered of 0.8m MT.
Distribution and related services	532.9	13	659.0	16	(126.1)	(19)	
Wages, salaries, employee benefits and other staff costs	680.4	17	646.4	15	34.0	5	
Supplies, consumables and other running costs	148.1	4	152.5	4	(4.4)	(3)	Increase in wages, salaries, employee benefits and other staff costs mainly due to increase in employee benefits cost, temporary staff and other increases
Contracted and other services	387.2	10	374.3	9	12.9	3	
Finance costs	2.7	-	2.7	-	-	-	
Depreciation and amortization	37.1	0.9	25.1	0.6	12.0	48	
Other expenses	46.5	1.2	62.8	1.5	(16.3)	(26)	
Total expenses	4,016.8		4,237.7		(220.9)	(5)	

Surplus (Deficit) Evolution 2008-2011: Revenue less Expenses



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4 Financial Position as of 31 December 2011



Statement I - Statement of Financial Position

(Financial Statements 2011, Statement I, page 19)

US\$ million	31.12.2011	31.12.2010
Cash and cash equivalents	659.6	550.5
Short-term investments	996.3	778.6
Contributions receivable	1,625.7	2,352.6
Inventories	776.6	700.2
Other receivables	122.0	186.4
TOTAL Current Assets	4,180.2	4,568.3
Contributions receivable	199.4	117.9
Long-term investments	281.1	248.2
Property, plant and equipment	100.9	85.1
Intangible assets	30.8	36.5
TOTAL Non-current Assets	612.2	487.7
TOTAL Assets	4,792.4	5,056.0
Payables and accruals	535.2	522.0
Provisions	7.8	19.0
Employee benefits	19.9	22.2
Current portion of long-term loan	5.8	-
Total Current Liabilities	568.7	563.2
Employee benefits	329.1	286.4
Long-term loan	107.1	112.3
Total Non-current Liabilities	436.2	398.7
Total Liabilities	1,004.9	961.9
TOTAL NET ASSETS	3,787.5	4,094.1
Fund Balances	3,550.2	3,834.7
Reserves	237.3	259.4
TOTAL FUND BALANCES AND RESERVES	3,787.5	4,094.1

This Statement is important in assessing WFP's financial health.

Main elements:-

- Contributions receivable
- Cash and investments
- Inventories
- Employee benefit liabilities
- Fund balances and reserves

Contributions receivable

(Financial Statements 2011, Notes 2.3, pages 30-32)

	31.12.2011	31.12.2010	Change(\$M)	Change (%)
Current portion (receivable within one year)	1,625.7	2,352.6	(726.9)	(31)
Non-current portion (receivable beyond one year)	199.4	117.9	81.5	69
Total Net Contributions Receivable	1,825.1	2,470.5	(645.4)	(26)

	31.12.2011	31.12.2010	Change (\$M)	Change (%)
Monetary contributions	1,721.4	2,456.2	(734.8)	(30)
In-kind contributions	181.5	159.8	21.7	14
Total Contributions Receivable before allowance	1,902.9	2,616.0	(713.1)	(27)
Allowance for reductions in contribution revenue	(68.6)	(136.2)	67.6	(50)
Allowance for doubtful accounts	(9.2)	(9.3)	0.1	(1)
Total Net Contributions Receivable	1,825.1	2,470.5	(645.4)	(26)

Contributions are recognized when confirmed in writing by donors.

Total contributions receivable amounted to US\$1,825.1 million in 2011, 26% decrease over 2010 level. The decrease is due to the collection in 2011 of significant contributions receivable balances outstanding in 2010 and prior years.

Allowances made were reduced from the levels at end 2010 due to reduced levels of actual write-offs and write-downs in recent years.

Contributions receivable - collection period

(Financial Statements 2011, Notes 2.3, pages 30-32)

Year of confirmation	31.12.2011		31.12.2010	
	\$M	%	\$M	%
2011	1,338.9	70	-	-
2010	413.5	21	1,862.1	72
2009 and earlier	166.8	9	740.2	28
Subtotal	1,919.2	100	2,602.3	100
Revaluation (non-US\$ contribution receivables)	(16.3)	-	13.7	-
Total Contributions Receivable before allowance	1,902.9	100	2,616.0	100

Average collection period decreased from 7.6 months in 2010 to 6.3 months in 2011

There were no write-offs of contributions receivable in 2011 and 2010.

Food and non-food inventory and Food inventory turnover ratio

(Financial Statements 2011, Notes 2.4, pages 32-34)

- The value of food and non-food inventory at end of 2011 decreased by US\$76.4 million from 2010

	31.12.2011	31.12.2010	Change (\$M)	Change (%)
Food Inventory	758.6	680.1	78.5	12
Non-food items	18.0	20.1	(2.1)	(10)
Total Inventory	776.6	700.2	76.4	11

- Inventory turnover ratio shows that WFP has on average 4.1 months of inventory on hand.

	31.12.2011	31.12.2010
Food distributed in MT	3.8	4.6
Average MT held	1.2	1.4
Inventory balance held in months	4.1	3.5

Food inventory

(Financial Statements 2011, Notes 2.4, pages 32-34)

Food Commodities	2011 (US\$M)	MT	2010 (US\$M)	MT
Opening Inventory	680.1	1.3	720.7	1.4
Add back: impairment allowance	3.0	-	2.9	-
Commodities purchased	1,228.8	2.5	1,142.8	2.9
In-kind commodities received	600.8	1.2	655.7	1.6
Transport and related costs	306.1	-	405.2	-
Total Inventory available for distribution	2,818.8	5.0	2,927.3	5.9
Less: Food commodities distributed	(2,056.7)	(3.8)	(2,244.2)	(4.6)
Allowance for impairment - Food	(3.5)	-	(3.0)	-
Total Food Commodities	758.6	1.2	680.1	1.3

WFP distributed 17% less in MT food commodities compared to 2010.

Despite a reduction in tonnage held at the end of 2011, the value of food inventory increased due to an increase in the average price of commodity inventory.

4.1 months of food inventory on hand end 2011 using 2011 distribution figures (2010 – 3.5)

69 % of food inventory is located in the following top 10 locations

Inventory by location	2011		2010			
	000 MT	US\$ millions	000 MT	US\$ millions		
Sudan	169	88.4	317	112.6		
Kenya	141	84.9	64	36.6		
Somalia	106	74.9	39	21.6		
Ethiopia	88	60.4	146	55.5		
Pakistan	71	57.4	97	55.4		
Chad	57	45.6	90	55.5		
North Korea	54	29.8	15	9.3		
Italy, Brindisi	48	24.6	-	-		
Afghanistan	40	21.0	48	28.9		
South Sudan	33	14.6	-	-		
Total of selected locations	807	69% [▼] 501.6	66%	816	62% [▼] 375.4	55%
TOTAL inventory	1,167	758.6	1,306	680.1		

Exact location of commodity is known at any point in time in WINGS

94% of food inventory is held in the following top 10 commodity types

Inventory by commodity type	2011				2010			
	000 MT		US\$ millions		000 MT		US\$ millions	
Sorghum/Millet	213	85.1			271	88.2		
Rice	161	91.9			97	51.9		
Wheat	155	62.1			278	85.1		
Maize	108	40.7			128	40.4		
Split Peas	103	66.1			88	49.7		
Corn Soya Blend	102	77.9			105	67.1		
Vegetable Oil	87	128.5			90	117.9		
Beans	54	49.2			39	25.1		
Maize Meal	55	35.4			58	30.2		
Wheat Flour	54	25.8			56	21.0		
Total of selected commodity types	1,092	662.7	94%	87%	1,210	576.6	93%	85%
TOTAL inventory	1,167	758.6			1,306	680.1		

Exact commodity type is known at any point in time in WINGS

Allowances and Losses and Write-Offs

(Financial Statements 2011, Note 9, page 62)

- Allowances in the Financial Statements:-

	2011	2010	2011	2010
	Provisions		Utilization	
Contributions receivable - Allowance for reductions in contribution revenue (note 2.3)	68.6	136.2	103.8	39.0
Contributions receivable - Allowance for doubtful accounts (note 2.3)	9.2	9.3	-	-
Contributions - Provision for refunds (note 2.10)	7.2	18.1	11.5	3.5
Inventory - Allowance for impairment - FOOD (note 2.4)	3.5	3.0	2.2	1.1
Inventory - Allowance for impairment - non-FOOD (note 2.4)	0.2	0.2	-	-
Other receivables - Allowance for doubtful accounts (note 2.5)	49.8	45.4	-	-

- The table below details the losses and write-offs incurred by WFP in the period:

	2011	2010
Food commodity losses	9.0	12.9
Non-food item losses	-	-
Other assets and cash losses	1.0	1.0
	10.0	13.9
 Total assets	 4,792.4	 5,056.0
 Loss % over total assets	 0.2%	 0.3%

Losses of all types of assets are 0.2% of total assets

Increase in total cash and cash equivalents, short-term and long-term investments

(Financial Statements 2011, Notes 2.1, 2.2, 2.6, pages 29-30, 35-36)

	31.12.2011	31.12.2010	Change (\$M)	Change (%)
Cash and cash equivalents	659.6	550.5	109.1	20
Short-term investments	996.3	778.6	217.7	28
Long-term investments	281.1	248.2	32.9	13
Total Cash and Investments	1,937.0	1,577.3	359.7	23

- Increase in total cash and investments is due to the collection in 2011 of significant contributions receivable balances outstanding in 2010 and prior years and an improvement in the average time taken to receive cash from donors.
- Increase in short term investments against cash is due to specific cash management and investment policy decisions:
 1. Minimise field cash balances; and
 2. In view of low yields on money market funds, the amount of US\$300m re-allocated to short-term investments.

Employee Benefit Liabilities

(Financial Statements 2011, Note 2.11, pages 39-47; and Note 2.6, pages 35-36)

Liabilities

US\$m	2011	2010
Short-term	19.9	22.2
Post employment	262.9	234.3
Other Long-term	66.2	52.1
TOTAL	349.0	308.6

Increase in value of liability mainly result of:

- a. Decreased discount rate
- b. Increased earned benefit entitlement
- c. Changes in assumptions on medical costs

WFP's employee benefit liability increased by 13% mainly due to an decrease in discount rate used and increase in earned benefit entitlements

Assets

At December 2011, 64% of the total employee benefits are funded (59% in 2010)

Cash and long term investments (bonds and equities) have been set aside for the long-term employee benefit liabilities and include incremental annual funding of US\$7.5 million.

	2011	2010
Cash	20.9	17.0
Bonds	96.5	76.9
Equity	104.6	87.6
TOTAL	222.0	181.5

Despite increase in liability, because of the funding plan, now funded 64% (59% in 2010)

Other receivables - VAT

(Financial Statements 2011, Note 2.5, pages 34-35)

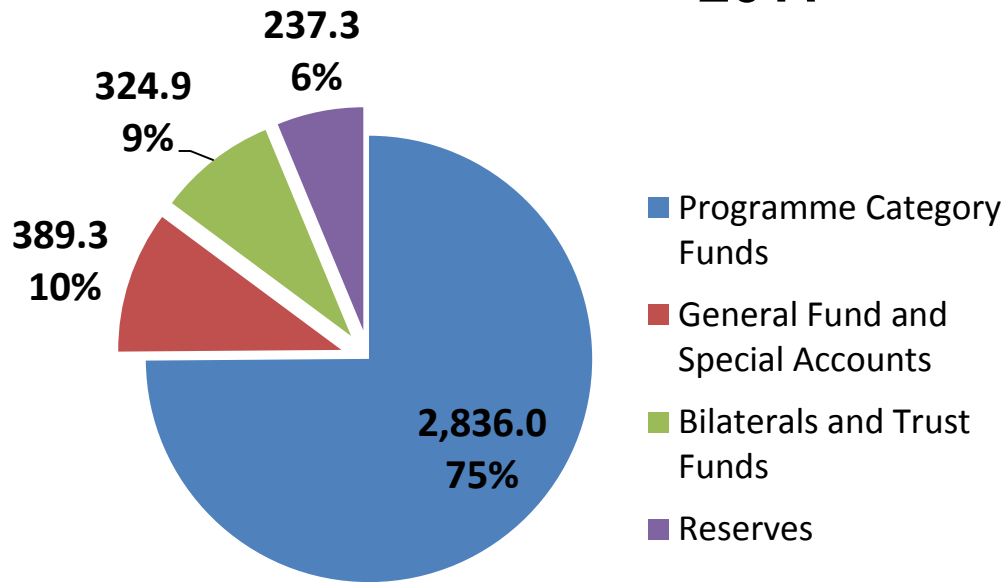
Country	2011	Allowance	NET
Sudan	43.3	(43.3)	-
Mozambique	5.5	(5.5)	-
Uganda	1.8	-	1.8
Malawi	0.8	-	0.8
Kyrgyzstan	0.8	-	0.8
Palestine	0.3	-	0.3
Rwanda	0.2	-	0.2
South Africa	0.2	-	0.1
Other	0.6	(0.1)	0.6
Total VAT Receivable	53.6	(48.9)	4.6

- The VAT receivables from Sudan, Mozambique have been fully provided for, although collection efforts are still on-going.

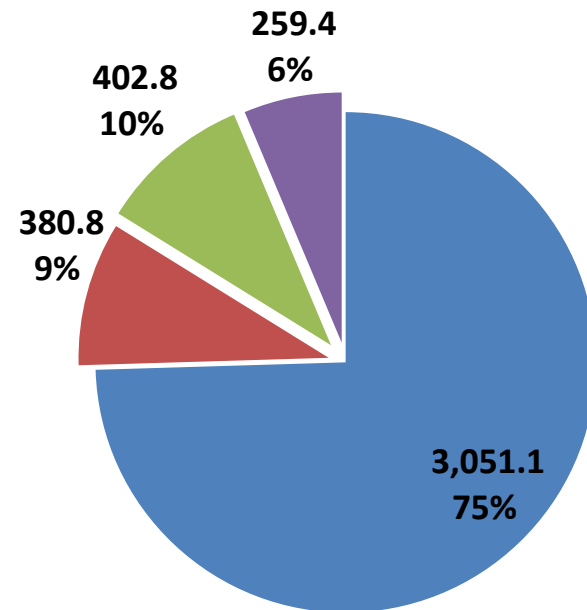
WFP's fund and reserve balances

(Financial Statements 2011, Note 2.14, pages 50-53)

2011



2010



Fund balance and reserves represent contributions received but not yet distributed to beneficiaries.

Total fund and reserve balances decreased by US\$306.6m from US\$4,094.1m in 2010 to US\$3,787.5m in 2011.

WFP's Fund Balance and Reserves

The fund balance and reserves were held as follows:

Cash, ST and LT investments	1,937.0
Contributions receivable	1,825.1
Inventories	776.6
Other receivables	122.0
PP&E and Intangible assets	131.7
Payables and accruals and Provisions	(543.0)
Employee benefits	(349.0)
Long-term loan	(112.9)
Fund balance and reserves	3,787.5

A substantial portion of the fund balance is directed to specific projects as approximately 90% of WFP's contributions are directed multilateral

Reserves are earmarked for specific purposes

Surplus (Deficit) 2008-2011

2006-2011 Fund Balances and Reserves (US\$ million)	2008	2009	2010	2011
Opening fund balance and reserves	2,516.0	3,900.1	4,058.1	4,094.1
Revenue	5,114.7	4,373.3	4,266.2	3,736.1
Expenses	3,725.0	4,228.1	4,237.7	4,016.8
Surplus (Deficit)	1,389.7	145.2	28.5	(280.7)
Other movements during the period	(5.6)	12.8	7.5	(25.9)
Closing fund balance and reserves	3,900.1	4,058.1	4,094.1	3,787.5

After the surplus in periods 2008-2010, WFP made a deficit in 2011

Allocation of Cash and Investment at 31 Dec 2011

	US\$mn	Composition
Cash and short-term investments and Long-term investments	1,937.0	100.0%
less:		
Programme Category Funds	1,065.3	55.0%
Bilateral Operations and Trust Funds	223.2	11.5%
Remaining cash and investments	648.5	33.5%
less:		
Cash set aside to cover Employee Benefits Liabilities	20.9	1.1%
Long term investment set aside to cover Employee Benefits Liabilities	201.1	10.4%
Long term investment set aside to cover Long Term Loan	80.0	4.1%
Remaining cash and investments	346.5	17.9%
less:		
Reserves (Operational, IRA and PSA Equalization account)	237.3	12.3%
Cash allocated in the General Fund	109.20	5.6%

Statement V - Comparison of Budget and Actual Amounts

(Financial Statements 2011, Statement V, page 23)

US\$ million	Budget Amount		Actual on comparable basis	Difference: final budget and actual
	Original	Final		
Cost components				
Food	2,006.8	2,897.6	1,827.8	1,069.8
External transport	349.9	434.0	194.0	240.0
Landside transport, storage and handling	892.3	991.2	588.8	402.4
Other direct operational costs	283.2	617.4	363.1	254.3
Direct support costs	530.5	770.7	509.0	261.7
Subtotal direct costs	4,062.7	5,710.9	3,482.7	2,228.2
Regular PSA	238.0	237.7	235.9	1.8
Capital and capacity funds	45.9	39.8	34.8	5.0
Indirect costs	283.9	277.5	270.7	6.8
TOTAL	4,346.6	5,988.4	3,753.4	2,235.0

Prepared on a Commitment basis – ‘Actual’ includes goods and services received and commitments outstanding at year end

Statement V - Comparison of Budget and Actual Amounts

(Financial Statements 2011, Statement V, page 23)

- The original 2011 Programme of Work of U\$4,346.6 million was presented to the Board in November 2009. By the end of 2011, it has expanded to reflect the changes due to emergency operations in Pakistan, the Horn of Africa and countries affected by the Arab Spring events.
- The Final budget of US\$5,988.4 million is the budget that includes newly approved operations and revisions of project needs, which had previously been approved in the original management plan, supplemental operational appropriations as well as revisions to the PSA budget.
- In 2011, WFP utilized US\$3,753.4 or 63 % of its total final Programme of Work.
- Utilization is limited by the availability of resources made to fund the Programme of Work. WFP's business model involves a time-lag between when a contribution is confirmed and when it is used.