

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017**

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**STATEMENT OF THE SECRETARY-GENERAL'S
RESPONSIBILITIES**

AND

PRESENTATION OF THE FINANCIAL STATEMENTS

The Secretary-General's Responsibilities

The Secretary-General is required by the Financial Regulations to maintain such accounts as are necessary and to prepare financial statements for each year showing: the statement of the Organization's income and expenditure for all funds; the status of appropriations; statements of the Organization's assets and liabilities at the close of the year. He is also required to give such other information as may be necessary to indicate the Organization's current financial position.

To fulfil this responsibility, the Secretary-General is responsible for establishing detailed financial rules and procedures to ensure: effective financial administration; the exercise of economy; and the effective custody of the Organization's physical assets. The Secretary-General is also required to maintain an internal financial control which shall provide an effective examination of financial transactions to ensure: the regularity of the receipt, custody and disbursement of all funds; and the conformity of commitments or obligations with the appropriations or other financial provisions voted by the Executive Council, or with the purposes, rules or provisions relating to the Fund concerned.

Presentation of the Financial Statements for the year 2017

The following appended financial statements, comprising Statements I, II, III, IV and V, and Notes to the Financial Statements were properly prepared in accordance with the Financial Regulations and the International Public Sector Accounting Standards, and are hereby certified correct.

Signed
(W. Zhang)
Assistant Secretary-General
15 May 2018

Signed
(P. Taalas)
Secretary-General

DRAFT

STATEMENT ON INTERNAL CONTROL FOR 2017

1. Scope of responsibility

As Secretary-General of the World Meteorological Organization (WMO), I am accountable, in accordance with the responsibility assigned to me, in particular, in Article 22 (a) of the Convention, Regulation 200 (1) of the General Regulations and Article 13 of the Financial Regulations, for maintaining a sound system of internal control that supports the achievement of the Organization's policies, aims and objectives, as set by the WMO Members.

2. Purpose of the system of internal control

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the Organization's objectives. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. WMO Secretariat is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of WMO in a manner that provides the governing bodies with reasonable assurance that:

- The Organization's plan, programs, goals, and objectives are achieved;
- Resources are acquired economically and employed profitably;
- The Secretariat's resources (including its people, systems, data/information) are adequately protected;
- The actions of directors, officers, and employees are in compliance with the Organization's policies, standards, plans and procedures, and all relevant laws and regulations;
- Data and information published either internally or externally is accurate, reliable, and timely.

Risk management and the management of internal controls are functions of management and are an integral part of the overall process of managing operations. As such, it is the responsibility of WMO Secretariat at all levels to:

- Identify and evaluate the exposures to possible risks that relate to their particular sphere of operations;
- Specify and propose policies, plans, operating standards, procedures, and systems to be used to minimize, and/or mitigate the risks associated with the exposures identified;
- Establish practical controlling processes that require and encourage employees to carry out their duties and responsibilities in a manner that helps achieve the control objectives outlined in the preceding paragraph;
- Maintain the effectiveness of the controlling processes that have been established and foster continuous improvement to these processes.

Though this is not yet a widely spread practice for United Nations System agencies, I have committed to issue a Statement on Internal Controls (SIC) on a voluntary basis complying with best practice.

3. Capacity to handle risk

The WMO Enterprise Risk Management (ERM) process, initiated in 2006 as an integral part of the system of internal control, has matured and is integrated in planning, monitoring and evaluation processes. The ERM is based on the WMO Risk Management Policy approved by the Executive Council in 2011 and on the Risk Management Framework introduced in 2012. The Risk Management Committee, established in 2010, continues to monitor and advise the Secretary-General on high risks and their mitigation and dynamics. Risk identification and management has been integrated in activity and project planning and implementation at operational level as well as in departments' objectives and performance appraisal.

The WMO Strategic Plan defines Organization-wide priorities and the Operating Plan provides a single reference for all constituencies and is a single source for regular budget and departmental allotments as well as for monitoring and evaluation (M&E). The strategic and operational planning process has been further streamlined. The draft new Strategic Plan 2020-2023 is clear on the Organization's priorities, goals and objectives. The new Operating Plan is being developed in a way to clearly define actions and responsibilities of WMO constituent bodies and the Secretariat in the implementation. The Operating Plan contains revised Key Performance Indicators. Continuous efforts are being made to improve mechanisms to collect monitoring data, primarily the Country Profile Database and monitoring tools of operational systems, such as WIGOS; Member surveys are being streamlined and linked to the Database.

The Investment Committee regularly monitors the investments of WMO to ensure they are consistent with the WMO Investment Policy, and reports to Secretary-General any variations from the policy, the reasons therefor and remedial actions. The WMO cash position during 2017 continued to remain sound. The exchange rate fluctuations as well as interest rates were carefully monitored to limit risks of investment.

The Project Management Board has continued to work towards development of a sound project management framework, mechanisms and tools to monitor extra budgetary project implementation and assess and mitigate associated risks. It specifically monitors large and complex projects involving considerable funding of several millions of Swiss Francs, which are implemented by many departments. The project management guidelines and a handbook, promulgated in the Secretariat in 2016, serve as regulation for project management. The Project Management Board manages the programme Support Cost Special Account operational since 2016. The Project Management Board has started developing the Project Support Strategy, and monitoring exceptions to the WMO Programme Support Policy to ensure they are justified and properly documented as recommended by the External Auditor.

The Procurement and Contracts Committee has continued to review relevant procurement cases and advises the Secretary-General on appropriate procurement actions.

The Publications Board advises the Secretary-General on the production schedule and associated risks. The current production planning system ensures timeliness and quality of publications and efficient use of resources. This publishing process is streamlined and well documented.

4. Review of effectiveness

My review of the effectiveness of the system of internal controls is informed by the work of programme managers within the WMO Secretariat, who have responsibility for the identification and maintenance of the internal control framework in their areas of responsibility. I derive assurance from statements on internal control signed by key WMO managers/officers. These statements recognize their responsibility for having and maintaining in their areas well-functioning system of internal controls aimed at preventing and/or detecting instances of fraud and major errors. The statement includes their actions taken on identified risks in WMO Corporate Risk Register, departmental risk registers as well as their actions taken on IOO, JIU and External Audit recommendations.

The WMO Secretariat is subject to internal audit by IOO. The work of the IOO is informed by an assessment of the risks to which the Secretariat is exposed, and annual internal audit plans are noted by the WMO Audit Committee and approved by me. The Director of IOO provides me with an annual accountability report, which also includes an opinion on adequacy of governance, risk management and internal controls. The Audit Committee and the External Auditor of WMO review this report. The opinion of the Director of IOO is also based on the results of assurance engagements performed in 2017 (see Annex). The Director of IOO has concluded that the systems of governance, risk management, and internal controls provide reasonable assurance that the more significant risks are managed within organizational tolerance. He has also drawn attention to a few areas where some improvements could still be achieved.

I am further advised by the WMO Audit Committee, responsible for assessing whether major issues reported by the IOO and the External Auditor have been satisfactorily addressed. The Audit Committee reports to the Executive Council on important matters pertaining to the Organization's controlling processes.

5. Significant internal control matters arising during the year

The internal feedback process and internal and external audits identified areas of concern in project management, budget process, physical security of WMO building, functioning of internal controls in procurement and management of IT solutions, and some weaknesses in application of controls in the processing of staff separation payments during 2017. I have initiated measures to address these concerns.

I have also noted potential weakness in application of expenditure control and payment approval process, which will be audited by the Internal Oversight Office in 2018.

The recommendations of the IOO and the External Auditor are being addressed to further strengthen the system of internal controls. Generally, I consider that the areas that are not yet fully addressed do not impair my capacity to issue the Statement on Internal Controls.

6. Statement

I am committed to ensure continuous improvement of the system of internal controls and to address weaknesses in internal controls noted during the year. I am also encouraged by the continuing implementation of oversight recommendations during the past year. However, even effective internal control, no matter how well designed has inherent limitations, including the possibility of circumvention, and therefore can provide only reasonable assurance. Further, because of changes of conditions, the effectiveness of internal control may vary over time. Based on the above, I conclude that the WMO Secretariat had an adequate system of internal control for the year ended 31 December 2017, and up to the date of the approval of the financial statements.

Signed
(P. Taalas)
Secretary-General
15 May 2018

Internal assurance reports issued in 2017

| | |
|----------------|--|
| Report 2017-01 | Evaluation of DRR Activities |
| Report 2017-02 | Internal Audit of Haiti Project |
| Report 2017-03 | Internal Audit of Children Education Grant |
| Report 2017-04 | Internal Audit of temporary contracts |
| Report 2017-05 | Internal Audit of Payroll |
| Report 2017-06 | Internal Audit of Budgeting Process (Preparation and Implementation) |
| Report 2017-07 | Follow-up of recommendations in IT and Procurement |

SECRETARY-GENERAL'S STATEMENT

INTRODUCTION

1. In accordance with Article 14 of the Financial Regulations, I have the honour to submit to the Executive Council (hereinafter "the Council"), for approval, the financial statements of the World Meteorological Organization (WMO) for the year ended 31 December 2017. The External Auditor has given his opinion and report on the 2017 financial statements, both of which are also submitted to the Council, as required by Financial Regulation 15.10 and the Annex to the Financial Regulations.

FINANCIAL ANALYSIS

Summary

2. WMO has serviced its Members in 2017 on the basis of its dedicated staff. By the end of 2017, the total number of fixed-term and permanent staff employed by the WMO Secretariat was 314 as compared to 302 a year ago.

3. WMO operates in accordance with International Public Sector Accounting Standards (IPSAS) under which revenues are recognized in the year to which they relate, in accordance with the accounting policy, and expenses in the year in which the goods or services are delivered. Consequently, expenses in any one year may be higher or lower than the revenue in that year. Table 1 below provides a high-level summary of the results for 2017. These figures include all activities for both the General Fund and Trust Funds with separate figures highlighted for the General Fund.

Table 1: Financial Highlights (*Swiss Francs thousands*)

| | 2017 | 2016 |
|--------------------------------------|-------------|-------------|
| Total revenue | 91,820 | 82,447 |
| Total expenditure | 105,518 | 98,380 |
| Surplus/(deficit) | (13,698) | (15,933) |
| Net assets | 25,861 | 39,261 |
| Assessed contributions receivable | 24,639 | 12,372 |
| General Fund IPSAS surplus (deficit) | (7,498) | (4,608) |
| General Fund IPSAS net assets | (6,050) | 1,151 |
| General Fund cash | 16,783 | 27,231 |

Financial Performance

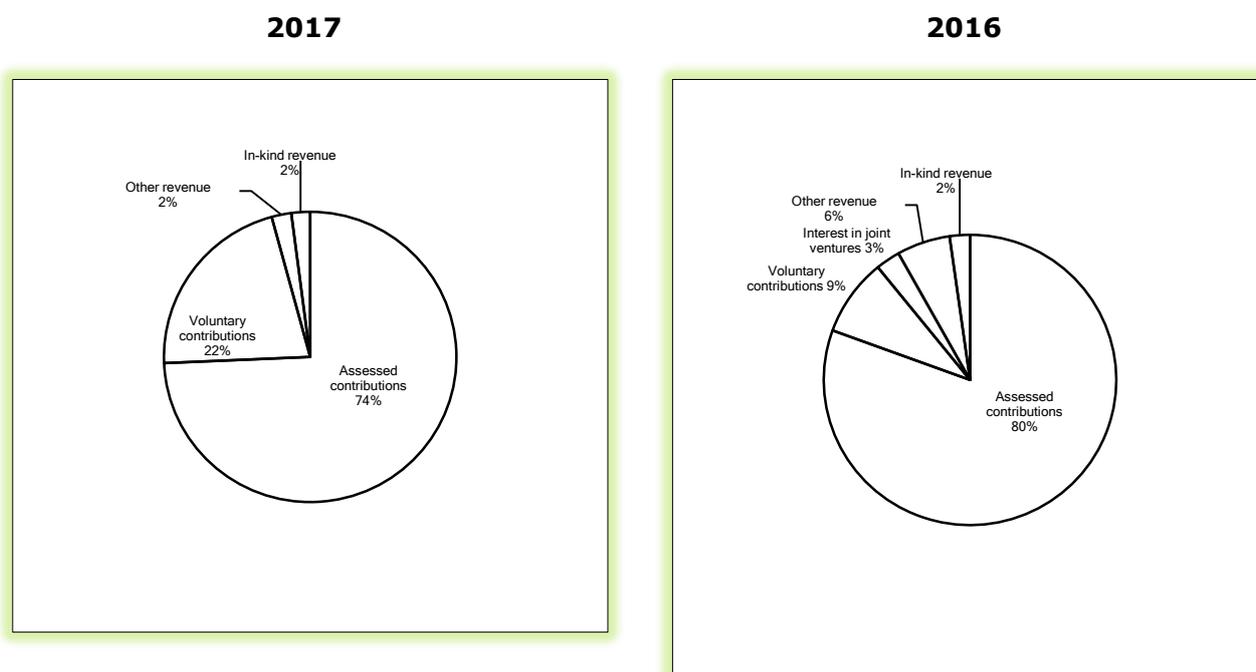
4. The financial performance for 2017 is disclosed in Statement II - Statement of Financial Performance. This shows that the overall IPSAS deficit was CHF 13.7 million in 2017, representing a decrease of CHF 2.2 million (13.8%) from the IPSAS deficit of CHF 15.9 million in 2016. The decreased deficit resulted mainly from an increase of CHF 9.4 million (11.4%) in revenue, while expenditure increased by a lower amount of CHF 7.1 million (7.3%). These movements are explained in the following paragraphs.

5. The increase in revenue results primarily from an increase of CHF 12.4 million (170.7%) in voluntary contributions, and a decrease of CHF 3.1 million (62.0%) in other revenue, which, in turn, resulted mainly from currency losses.

6. The increase in expenditure resulted from (a) recognizing depreciation expense on WMO Headquarters Building of CHF 4.2 million more in 2017 than in 2016, following a professional revaluation of the useful lives of the components of the building, (b) expenditure on salaries and benefits of CHF 1.4 million more than in 2016, representing one-time payments to certain staff members under Early Retirement and Voluntary Separation Programmes, (c) expenditure on voluntary projects of CHF 2.4 million more in 2017 than in 2016, and (d) finance costs of CHF 1.8 million more in 2017 than in 2016, caused mainly by an increased provision for delays in settlement of assessed contributions from Members. These increases were offset by a decrease of CHF 1.7 million (17.9%) in office running expenditure.

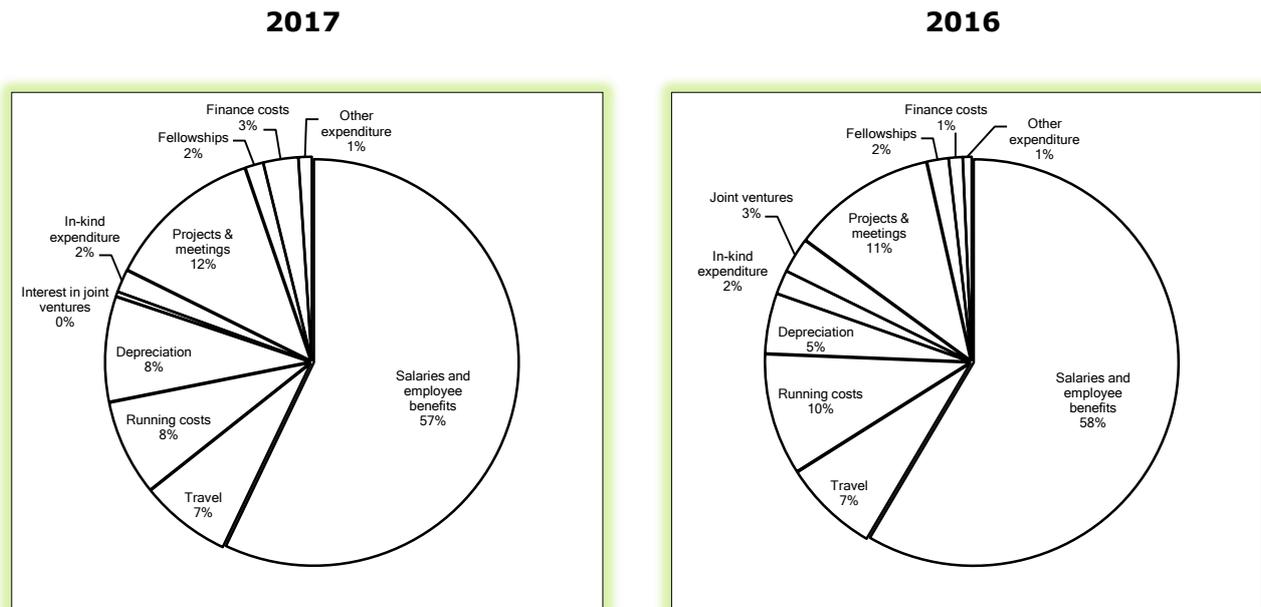
7. During 2017, total revenue of CHF 91.8 million comprised assessed contributions of CHF 68.3 million (representing 74.4%), voluntary contributions of CHF 19.7 million (21.5%), in-kind contributions of CHF 1.9 million (2.1%), and other revenue of CHF 1.9 million (2.0%). It includes the components presented in Figure 1 below.

Figure 1: Revenue Sources



8. During 2017, total expenditure of CHF 105.5 million comprised salaries and benefits of CHF 60.2 million (representing 57.1%), project expenditure and meetings of CHF 13.1 million (12.4%), depreciation and amortization of CHF 8.8 million (8.3%), secretariat running costs of CHF 8.0 million (7.6%), travel costs of CHF 7.6 million (7.2%), finance costs of CHF 2.9 million (2.7%), expenditure in kind of CHF 1.9 million (1.8%), fellowships of CHF 1.5 million (1.4%) and other expenditure of CHF 1.5 million (1.5%). Total expenditure includes the components presented in Figure 2.

9. During 2017, in-kind contributions have been recognized in respect of land and an interest-free loan provided by the Swiss authorities, in accordance with IPSAS. WMO also receives services in-kind from Members related to the support provided for WMO meetings held in their countries and support from Members to the regional WMO offices.

Figure 2: Expenditure

10. All of the amounts recorded as contributions receivable, revenues and or deferred revenues may not ultimately be received. For this reason, WMO recognizes adequate and appropriate provisions for doubtful accounts and provision for refunds to donors¹ in accordance with IPSAS.

11. IPSAS has also created a focus on entities over which WMO does or does not exercise full operational and financial control. While the entities are administered by WMO, two entities are included as Joint Ventures and five entities are not included in WMO's financial statements. More details are provided in Notes 3.14 and 3.15.

12. Following the introduction of IPSAS in 2010 the financial statements provide information by segment. A segment is a distinguishable activity or group of activities for which financial information is reported separately. WMO classifies all projects, operations and fund activities into five segments (i) General Fund; (ii) Regular Programme Support Funds; (iii) Event Funds; (iv) Development, Technical Assistance and Technical Cooperation Funds; and (v) National Technical Support Funds. WMO reports on the transactions of each segment for the year and on the balances held in each segment at the end of the year. Further details can be found in Note 8.

Financial Position

13. The financial position as at 31 December 2017 is disclosed in Statement I - *Statement of Financial Position*. The statement is showing that the net assets/worth of the Organisation decreased by CHF 13.4 million (34.1%) (2016: CHF 24.8 million (38.7%)). The reduction resulted mainly from an overall deficit of CHF 13.7 million from operations in 2017. WMO had CHF 18.8 million in total fund balances and reserves (2016: CHF 32.3 million), of which a deficit of CHF 12.6 million relates to the General Fund (2016: deficit of CHF 5.4 million).

14. The Statement of Financial Position as at 31 December 2017 shows that contributions receivable increased by CHF 22.1 million (109.4%) from CHF 20.2 million at 31 December 2016 to CHF 42.2 million at 31 December 2017. The increase represents increases of (a) CHF 10.4 million in net assessed contributions receivable, and (b) CHF 11.6 million in net voluntary contributions.

¹ Provision for delayed collection of assessed contributions from Members is shown in Note 3.2.

15. Cash holdings decreased by CHF 6.9 million from CHF 74.9 million at 31 December 2016 to CHF 68.0 million at 31 December 2017. The Segment Reporting in Note 8.1 shows that the cash holding for the General Fund amounted to CHF 28.1 million (2016: CHF 40.2 million) which includes cash of CHF 11.4 million (2016: 13.0 million) held in trust for the unconsolidated entities and joint ventures and associates housed in WMO, giving net cash holding for the General Fund as at 31 December 2017 of CHF 16.7 million (2016: 27.2 million), which is sufficient for operations of three months. By the end of February 2018, payments of arrears of assessed contributions amounting to CHF 13.8 million, relating to 2017 and prior years, were received. The General Fund cash balance is comprised of the following:

| | Swiss francs (millions) | |
|---|-------------------------|------|
| | 2017 | 2016 |
| Assessed contributions received in advance from Members | 10.7 | 11.2 |
| Advances to Working Capital Fund | 6.6 | 6.6 |
| Accounts payable | 1.8 | 3.7 |
| Open commitments | - | 5.7 |
| Borrowings from Working Capital Fund | (2.4) | - |
| Total General Fund cash balance 31 December | 16.7 | 27.2 |

16. The Working Capital Fund was fully utilized as at 31 December in support of the General Fund. It was replenished in full as of 1 January 2018 by 2018 assessed contribution income. Payments received during the first two months of 2018 restored the balance to CHF 6.6 million.

17. Trust funds had strong cash balances due to the budgetary policy in respect to voluntary funded projects. Expenditure cannot commence until respective pledged contributions have been received and a withholding of 5% of the amount is made to cover any fluctuations that may arise in respect to obligations and commitments. Cash balances relating to voluntary funded contributions increased by CHF 5.3 million from CHF 34.6 million at the end of 2016 to CHF 39.9 million at 31 December 2017, primarily due to increased voluntary contributions in 2017.

18. WMO's liabilities for employee benefits, the value of which was established on the basis of a professional actuarial valuation undertaken by independent actuaries, totalled CHF 78.1 million at 31 December 2017, up by CHF 1.1 million (1.4%) from CHF 77.2 million at 31 December 2016. The sources of the increase in the liability are (a) an increase of 4.5% arising from one additional year of service and interest on liabilities; (b) a decrease of 2.6% following payment of benefits amounting to CHF 2.0 million; (c) a decrease of 3.2% caused by adjustments of mortality tables, turnover tables and earlier retirement tables of the United Nations Joint Staff Pension Fund; (d) an increase of 6.1% due to an increase in the salary increase rate; and (e) a decrease of 3.6% arising from a change in participants.

19. The employee benefits liabilities are not funded. Further information on employee benefits is provided in Note 3.9.

Net Assets/Equity

20. The changes in net assets and equity are disclosed in Financial Statement III – *Statement of changes in Net Assets/Equity*. The movement in net assets during the year is summarized in Table 2.

Table 2: Movement in Net Assets
(Swiss Francs thousands)

| | 2017 | 2016 |
|---|---------------|---------------|
| Net Assets at 1 January | 39,261 | 64,019 |
| Change in liability for employee benefits during year (Deficit) during year, including movement in Working Capital Fund | 545 | (8,596) |
| Other changes during year | (13,698) | (15,933) |
| Net Assets at 31 December | (247) | (229) |
| | <u>25,861</u> | <u>39,261</u> |

21. The Organization's total current assets of CHF 114.2 million is adequate to cover its total current liabilities of CHF 63.2 million (see Statement I) at 31 December 2017 nearly two times.

Working Capital

22. In Resolution 42 (Cg-XV), Congress fixed the principal of the Working Capital Fund at CHF 7.5 million. The balance of the fund was CHF 6.6 million at 31 December 2017. The shortfall is being funded from interest earned on short-term investments of the capital. During 2017, the fund earned zero interest. Unpaid advances to this Fund due from Members amounted to CHF 601 at 31 December 2017 (CHF 601 at 31 December 2016).

Cash Flow

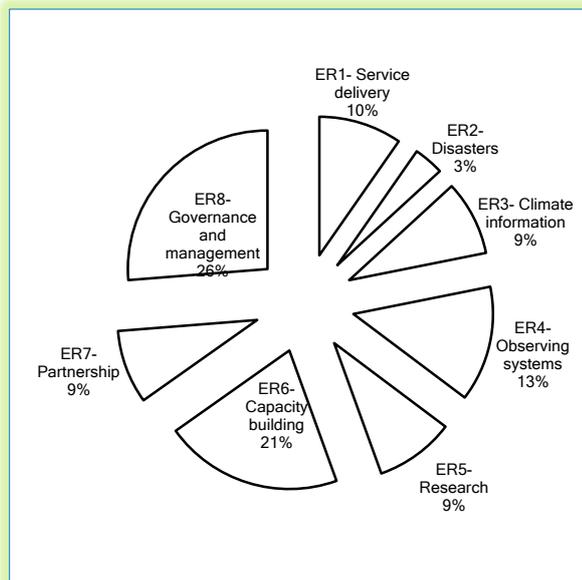
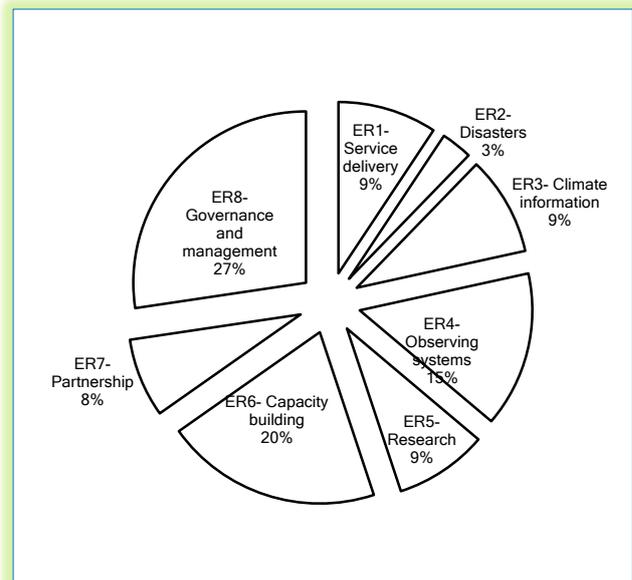
23. The cash flow is disclosed in Statement IV - *Statement of Cash Flow*. Overall, the cash balance held to support WMO's requirements decreased by CHF 6.9 million (9.3%) from CHF 74.9 million at 31 December 2016 to CHF 68.0 million a year later. The Statement of Cash Flow summarizes the cash inflows and outflows during the year.

BUDGETARY ANALYSIS

24. The budget figures for the General Fund are disclosed in Statement V - Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2017.

25. The 2017 annual budget has been prepared on the modified cash basis. Under the modified cash basis and as shown in Statement V, expenditure is recognized when purchase orders/contracts are issued to suppliers/contractors. Expenditure in Statement II - *Statement of Financial Performance* - is recognized in accordance with IPSAS in the year in which the goods or services are received. In order to facilitate comparison between expenditure in Statements II and V, a Statement of Comparison is shown in Note 7 which reconciles the expenditure recognized on the modified cash basis to expenditure on the IPSAS basis.

26. Statement V shows that WMO General Fund expenditure amounted to CHF 68.4 million in 2017, or 105.0% of the revised budget of CHF 65.2 million. The implementation rates by Expected Result varied from 96.6 % for Expected Result 5 to 110.6% for Expected Result 7. Figure 3 shows the relative compositions of total expenditure by Expected Result during 2017 and 2016.

Figure 3: Expenditure by Expected Results**2017****2016**

Explanations of variances in Statement V between the 2016 revised approved budget and the actual expenditure in 2017

27. The overexpenditure of CHF 3.3 million resulted from: (i) increased requirements mainly under Expected Results 1, 3, 6, 7 and 8; (ii) increased administrative costs by CHF 1.4 million; and (iii) uncertified expenditures of CHF 1.3 million incurred for the Voluntary Separation Programme (VSP) and the Early Retirement Programme (ERP), as compared to the initial budget. The overexpenditure in 2017 is entirely offset by the underexpenditure in 2016. The overall biennial unspent balance amounts to CHF 0.8 million.

28. *Expected Result 1*

More emphasis was placed on the service delivery aspects of WMO activities (including GFCS), while capacity development aspects were fully taken in account, during their implementation. The expenditure contains the uncertified costs of CHF 124,900 incurred for VSP/ERP.

29. *Expected Result 2*

Activities were implemented as planned. The expenditure contains the uncertified costs of CHF 28,600 incurred for VSP/ERP.

30. *Expected Result 3*

More staff resources were required to programme level development and management of extrabudgetary projects, partly offset by reduced requirements for non-staff cost items. The expenditure contains the uncertified costs of CHF 86,500 incurred for VSP/ERP.

31. *Expected Result 4*

The underexpenditure is due to staff vacancy in the WMO Satellite Programme and lower level staff costs requirements in the area of information and communication system programme. The programme activities were implemented as planned. The expenditure contains the uncertified costs of CHF 112,100 incurred for VSP/ERP.

32. *Expected Result 5*

The underexpenditure is due to staff vacancies, in spite of which programme activities were implemented as planned. The expenditure contains the uncertified costs of CHF 52,400 incurred for VSP/ERP.

33. *Expected Result 6*

The overexpenditure is due to Country Profile Database (CPDB) activities that are high priority activities not foreseen in the initial budget. Staff positions initially to be funded from other regular resources were accommodated within the overall budget without any negative impact on the programme implementation. The expenditure contains the uncertified costs of CHF 443,800 incurred for VSP/ERP.

34. *Expected Result 7*

The overexpenditure is due to increased requirements for activities pertaining to strengthened partnerships and communication/public affairs activities. The expenditure contains the uncertified costs of CHF 146,500 incurred for VSP/ERP.

35. *Expected Result 8*

The overexpenditure is due to increase requirements for policy dialogue, legal affairs, and ICT charges. Increased costs of temporary assistance for WMO publications (preparation and issuance) were partly offset by savings from staff vacancies. The expenditure contains the uncertified costs of CHF 332,100 incurred for VSP/ERP.

36. *Administrative costs*

The budgetary provisions for Administration are attributed to all the Expected Results proportionately to the amounts of their respective direct costs. The expenditure is charged accordingly on a pro rata basis against all the Expected Result. Increased administrative costs by CHF 1.7 million (13.1 per cent) resulted from: (i) increased ICT costs (including costs of a New Financial Portal project not foreseen in the initial budget); (ii) the uncertified expenditures of CHF 0.3 million incurred for VSP/ERP; and (iii) bank charges of CHF 93,000 included in the Statement V in 2017.

ENHANCING TRANSPARENCY AND ACCOUNTABILITY

37. For the eighth year, WMO has prepared the financial statements in accordance with IPSAS. In accordance with IPSAS requirements, and reflecting the nature of WMO's business, revenue from assessed contributions, voluntary contributions received as well as pledges of voluntary contributions confirmed in writing are recognized as revenue or deferred revenue. In accordance with the accrual basis of accounting, expenditure recognition occurs at the time of delivery of goods or services by the supplier or service provider and are recorded in the accounting records and recognized in the financial statements of the year to which they relate. By adopting and implementing IPSAS in 2010 and consolidating its implementation in the following years, WMO enhanced its ability to produce relevant and useful financial information, thereby improving the transparency and accountability with which it manages its resources.

38. Continued compliance with IPSAS remains a priority. The scope of IPSAS is constantly updated to reflect best practice.

39. During 2017, WMO maintained a number of measures to enhance transparency and accountability described below:

- On a monthly basis, WMO senior management received financial, budgetary and other briefings on resource management, with a focus on risk management;
- During regular meetings of the Management (former Comité de Direction), which are chaired by the Secretary-General, financial and budget matters were considered;
- Every quarter, the Investment Committee, chaired by the Director of Resource Management, continued to meet to review the Organization's cash situation, based on which appropriate treasury decisions were made as well as recommendations for changes to the investment policy, where necessary, were made.

- Online budget and finance information by departments/offices and Expected Results was provided through the WMO portal to managers and staff.

40. WMO's framework of oversight includes the Internal Oversight Office, dealing with internal audit, inspections and investigations; the WMO Audit Committee and the External Auditor. The Secretary-General issues a Statement on Internal Control in the context of the presentation of the annual financial statements. Internal controls are designed to maximize the effective and efficient use of resources and to safeguard its assets.

RISK MANAGEMENT

41. WMO manages risk proactively. A risk profile and register have been constructed for the Organization to identify any major risks affecting its strategy and mandate. The profile presents the potential impact and likelihood of risks to WMO. The risk register also allows WMO to identify appropriate mitigation actions and assigns responsibility for managing and mitigating risks.

42. WMO's activities expose it to a variety of financial risks. Financial risk management is carried out by a central treasury function using guidelines set out by the Investment Committee. WMO's financial risk management policies seek to minimize, where feasible, potential adverse effects on the financial performance of WMO. Established policies cover areas of risk such as foreign exchange, interest rate and the investing of funds. The objectives of the investment policy are the preservation of capital, provide liquidity and to increase income through rates of return. The major emphasis of this policy is the preservation of the value of cash resources.

43. WMO's treasury policy on liquidity ensures the maintenance of sufficient cash to meet WMO's commitments as and when they fall due. As at 31 December 2017 all cash balances were available within one day's notice to provide maximum liquidity and enable WMO to react quickly to any signs of a financial crisis.

44. WMO's credit risk is minimized by ensuring that cash is placed with major financial institutions that have been accorded acceptable investment grade ratings by a primary rating agency. Contributions receivable comprise primarily amounts due from sovereign nations. WMO's market risk is low since the implementation of WMO's plan and budget is not dependent on or impacted by interest earnings. Currency risks are mitigated through implementation of the foreign currency management policy. Balances are received and held primarily in Swiss Francs which is the predominant currency of payment and the official currency of WMO. Further information is provided in Note 4 to the Financial Statements.

SUSTAINABILITY

45. WMO continues to evaluate the consequences of any potential reduction in contributions, and whether it would lead to a consequential reduction in the scale of operations and number of beneficiaries assisted. Having considered WMO's projected activities and the corresponding risks, I continue to be confident that WMO has adequate resources to continue to operate in the medium term. For this reason we will continue to report on the "going concern" basis in preparing WMO's financial statements.

46. This assertion is supported by: (i) the increase in approved maximum expenditures for 2016-2019; (ii) the net assets held at the end of the period and contributions received in 2016; (iii) the projected level of contributions for the year 2018; and (iv) the trend in donor support that has been sustaining WMO's mandate since its inception in 1950.

RESPONSIBILITY

47. As required under Article 14 of the Financial Regulations, I am pleased to submit the following financial statements which have been prepared in accordance with IPSAS. I certify, that to the best of my knowledge and information, all transactions during the year have been properly entered in the accounting records and that these transactions together

with the following financial statements and notes, details of which form part of this document, fairly present the financial position of WMO at 31 December 2017:

Statement I - Statement of Financial Position as at 31 December 2017

Statement II - Statement of Financial Performance for the Year Ended 31 December 2017

Statement III - Statement of Changes in Net Assets for the Year Ended 31 December 2017

Statement IV - Statement of Cash Flow for the Year Ended 31 December 2017

Statement V - Statement of Comparison of Budget and Actual Amounts for the Year Ended
31 December 2017

Notes to the Financial Statements

Signed
(P. Taalas)
Secretary-General
15 May 2018

EXTERNAL AUDITOR'S AUDIT OPINION

To the WMO Executive Council

Opinion

The SFAO has audited the financial statements of the World Meteorological Organization (the Organization), which comprise the statement of financial position as at December 31, 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the opinion of the SFAO, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and the Organization's Financial Regulations.

Basis for Opinion

The SFAO conducted its audit in accordance with International Standards on Auditing (ISAs). Its responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of its report. The SFAO is independent of the Organization in accordance with the ethical requirements that are relevant to its audit of the financial statements in Switzerland, and it has fulfilled its other ethical responsibilities in accordance with these requirements.

The SFAO believes that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

Responsibilities of the Secretary-General and those charged with governance for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and the WMO's Financial Regulations, and for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General 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 the Secretary-General 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.

Auditor's responsibilities for the audit of the financial statements

Its objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes its 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 financial statements.

As part of an audit in accordance with ISAs, the SFAO exercises professional judgment and maintains professional scepticism throughout the audit. It also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for its 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.

- Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.
- Concludes on the appropriateness of Secretary-General'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 the SFAO concludes that a material uncertainty exists, the SFAO is required to draw attention in its auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify its opinion. Its conclusions are based on the audit evidence obtained up to the date of its auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The SFAO communicates 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 it identifies during its audit.

Berne, 16 April 2018

SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Signed
Eric-Serge Jeannet
Deputy Director

Signed
Didier Monnot
Mandate Officer



WMO OMM

World Meteorological Organization
Organisation météorologique mondiale
Organización Meteorológica Mundial
Всемирная метеорологическая организация
المنظمة العالمية للأرصاد الجوية
世界气象组织

Secrétariat

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Signed
Petteri Taalas
Secretary-General
15 May 2018

STATEMENT I

WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017
(in thousands of Swiss Francs)

| | <u>Note</u> | <u>2017</u> | <u>31.12.2016</u> |
|---|-------------|----------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 3.1 | 68,024 | 74,887 |
| Assessed contributions receivable | 3.2 | 17,093 | 6,843 |
| Voluntary contributions receivable | 3.2 | 20,319 | 9,481 |
| Inventories | 3.3 | 63 | 75 |
| Advances for projects and meetings | 3.4 | 3,341 | 9,420 |
| Other receivables | 3.5 | 5,365 | 3,978 |
| | | 114,205 | 104,684 |
| Non-current assets | | | |
| Assessed contributions receivable | 3.2 | 387 | 199 |
| Voluntary contributions receivable | 3.2 | 4,426 | 3,644 |
| Property, plant and equipment | 3.6 | 78,084 | 86,623 |
| Intangible assets | 3.7 | 311 | 513 |
| Interest in joint ventures and associates | 3.15 | 1,594 | 1,970 |
| | | 84,802 | 92,949 |
| TOTAL ASSETS | | 199,007 | 197,633 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables and accruals | 3.8 | 2,923 | 3,689 |
| Employee benefits | 3.9 | 3,098 | 4,233 |
| Contributions received in advance | 3.10 | 10,715 | 11,026 |
| Deferred income | 3.11 | 33,619 | 16,762 |
| Borrowings | 3.12 | 1,442 | 1,442 |
| Provisions | 3.13 | 31 | 479 |
| Funds held in trust | 3.14 | 11,361 | 13,013 |
| | | 63,189 | 50,644 |
| Non-current liabilities | | | |
| Employee benefits | 3.9 | 75,021 | 72,928 |
| Deferred income | 3.11 | 4,465 | 3,644 |
| Borrowings | 3.12 | 30,471 | 31,156 |
| | | 109,957 | 107,728 |
| TOTAL LIABILITIES | | 173,146 | 158,372 |
| NET ASSETS | | 25,861 | 39,261 |
| FUND BALANCES AND RESERVES | | | |
| Capital fund | | 7,022 | 7,022 |
| Accumulated surplus | Stat.III | 18,555 | 32,253 |
| Employee benefits reserve | 3.16 | 284 | (14) |
| TOTAL FUND BALANCES AND RESERVES | | 25,861 | 39,261 |

The accompanying notes form an integral part of these financial statements.

STATEMENT II

WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Swiss Francs)

| | Note | 2017 | 2016 |
|--|-------------|-----------------|-----------------|
| REVENUE | | | |
| Assessed contributions (Non-exchange) | 5.1 | 68,279 | 68,279 |
| Voluntary contributions (Non-exchange) | 5.2 | 19,702 | 7,278 |
| Other revenue | 5.3 | 1,969 | 5,020 |
| In-kind contributions (services) (Non-exchange) | 5.4 | 1,870 | 1,870 |
| TOTAL REVENUE | | 91,820 | 82,447 |
| EXPENDITURE | | | |
| Salaries and employee benefits | 6.1 | 60,189 | 58,823 |
| Travel | 6.2 | 7,648 | 7,615 |
| Implementing partner projects and meetings | 6.4 | 13,085 | 11,526 |
| Supplies, consumables and other running costs | 6.3 | 7,993 | 9,736 |
| Depreciation and amortization | 3.6/3.7 | 8,801 | 4,775 |
| Other expenditure | 6.7 | 1,229 | 1,359 |
| Finance costs | 6.6 | 2,854 | 1,116 |
| Interest in joint ventures and associates | 3.15 | 388 | 535 |
| In-kind expenditure (services) | 6.5 | 1,870 | 1,870 |
| Fellowships | | 1,473 | 1,702 |
| Movement in share of Net Assets/Equity of Joint Ventures | 3.15 | (12) | (677) |
| TOTAL EXPENDITURE | | 105,518 | 98,380 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | (13,698) | (15,933) |

The accompanying notes form an integral part of these financial statements

STATEMENT III

WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF CHANGES IN NET ASSETS/EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Swiss Francs)

| | Capital fund | Accumulated surplus | Employee benefits reserve (Note 3.16) | Total net assets |
|--|-----------------|------------------------|--|---------------------|
| Net assets at 31 December 2016 | 7,022 | 32,253 | (14) | 39,261 |
| Movements in fund balances and reserves in 2017: | | | | |
| Payments against reserves | | | (4,152) | (4,152) |
| Service charge for employee benefits | | | 3,905 | 3,905 |
| Gain (loss) arising from actuarial valuation of liability for employee benefits at 31 December 2017, amortized against Employee Benefits Reserve | | | 545 | 545 |
| Surplus/(deficit) for the period | | (13,698) | | (13,698) |
| Total movements during the period | - | (13,698) | 298 | (13,400) |
| Net assets at 31 December 2017 | 7,022 | 18,555 | 284 | 25,861 |

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

FOR YEAR ENDED 31 DECEMBER 2016

(in thousands of Swiss Francs)

| | Capital Fund | Accumulated surplus | Employee benefits reserve | Total net assets |
|--|--------------|------------------------|---------------------------------|---------------------|
| Net assets 31 December 2015 | 7,022 | 48,186 | 8,811 | 64,019 |
| Movements in fund balances and reserves in 2016: | | | | |
| Payments against reserves | - | - | (3,189) | (3,189) |
| Service charge for employee benefits | - | - | 2,960 | 2,960 |
| Gain (loss) arising from actuarial valuation of liability for employee benefits at 31 December 2016, amortized against Employee Benefits Reserve | - | - | (8,596) | (8,596) |
| Surplus for year | - | (15,933) | - | (15,933) |
| Total movements during the year | - | (15,933) | (8,825) | (24,758) |
| Net assets 31 December 2016 | 7,022 | 32,253 | (14) | 39,261 |

The accompanying notes form an integral part of these financial statements.

STATEMENT IV

WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of Swiss Francs)

| | 2017 | 31.12.2016 |
|--|----------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus/ (deficit) for the period | (13,698) | (15,933) |
| Net unrealized (gain) loss on discounting long-term loan | 821 | 808 |
| Loss on replacement of asset | - | 524 |
| Depreciation and amortization | 8,801 | 4,775 |
| Service charge and interest cost for employee benefits | 3,905 | 2,960 |
| Payment of premiums of after-service health insurance against reserves | (4,152) | (3,189) |
| Actuarial interest and service cost | 1,503 | 1,137 |
| Increase (decrease) in provision for doubtful receivables | 1,913 | 118 |
| Interest in joint ventures | 376 | (142) |
| (Increase) decrease in inventories | 12 | 16 |
| (Increase) decrease in gross short-term contributions receivable | (22,915) | 8,715 |
| (Increase) decrease in gross long-term contributions receivable | (1,011) | 373 |
| (Increase) decrease in advances for projects and meetings | 6,079 | - |
| Increase (decrease) in contributions received in advance | (311) | 629 |
| Increase (decrease) in deferred income | 17,678 | 4,145 |
| Increase (decrease) in funds held in trust | (1,652) | (1,269) |
| (Increase) decrease in other receivables | (1,470) | (531) |
| Increase (decrease) in payables and accruals | (766) | (6) |
| Increase (decrease) in provisions | (448) | 185 |
| Other | 9 | 5 |
| Net cash flows from operating activities | (5,326) | 3,320 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in cost of property, plant and equipment | (60) | (77) |
| (Increase) decrease in cost of intangible assets | - | (540) |
| Net cash flows from investing activities | (60) | (617) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in undiscounted long-term borrowing | (1,477) | (1,477) |
| Net cash flows from financing activities | (1,477) | (1,477) |
| Net increase (decrease) in cash and cash equivalents | (6,863) | 1,226 |
| Cash and cash equivalents at beginning of year | 74,887 | 73,661 |
| Cash and cash equivalents at 31 December 2017 | 68,024 | 74,887 |

The accompanying notes form an integral part of these financial statements.

STATEMENT V**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2017***(in thousands of Swiss Francs)*

| Expected Result | 2017 budget | Expenditure* on comparable basis | % of annual budget spent | Differences: ** final budget and actual |
|---|--------------------|---|---|--|
| 1 Enhanced capabilities of Members to deliver and improve access to high quality weather, climate and water and related environmental predictions, information and services in response to users' needs and to enable their use in decision-making by all relevant societal sectors | 6,017.1 | 6,587.8 | 109.5 | (570.7) |
| 2 Enhanced capabilities of Members to reduce risks and potential impacts of hazards caused by weather, climate and water and related environmental elements | 2,345.0 | 2,390.0 | 101.9 | (45.0) |
| 3 Enhanced capabilities of Members to produce better weather, climate, water and related environmental information, predictions and warnings to support in particular climate impact and adaptation strategies | 5,738.5 | 5,967.1 | 104.0 | (228.6) |
| 4 Enhanced capabilities of Members to access, develop, implement and use integrated and inter-operable Earth- and space-based systems for weather, climate and hydrological observations, as well as related environmental and space weather observations based on world standards set by WMO | 9,160.7 | 9,216.8 | 100.6 | (56.1) |
| 5 Enhanced capabilities of Members to contribute to and draw benefits from the global research capacity for weather, climate, water and environmental services and technology development | 6,522.2 | 6,300.9 | 96.6 | 221.3 |
| 6 Enhanced capabilities of National Meteorological and Hydrological (NMHSs), in particular in developing and least developed countries, to fulfill their mandates | 13,437.1 | 14,119.1 | 105.1 | (682.0) |
| 7 New and strengthened partnerships and cooperation activities to improve NMHSs' performance in delivering services and to increase the value of the contributions of WMO within the United Nations system, relevant international conventions and national strategic issues | 5,307.9 | 5,872.4 | 110.6 | (564.5) |
| 8 An effective and efficient Organization | 16,623.2 | 17,976.8 | 108.1 | (1,353.6) |
| Total expenditure | 65,151.7 | 68,430.9 | 105.0 | (3,279.2) |

* Includes actuals and obligations

** Explanations are provided in the Secretary-General's Statement

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements at 31 December 2017

NOTE 1: PURPOSES OF THE ORGANIZATION

- (a) To facilitate world-wide cooperation in the establishment of networks of stations for the making of meteorological observations as well as hydrological and other geophysical observations related to meteorology, and to promote the establishment and maintenance of centres charged with the provision of meteorological and related services.
- (b) To promote the establishment and maintenance of systems for the rapid exchange of meteorological and related information.
- (c) To promote standardization of meteorological and related observations and to ensure the uniform publication of observations and statistics.
- (d) To further the application of meteorology to aviation, shipping, water problems, agriculture and other human activities.
- (e) To promote activities in operational hydrology and to further close cooperation between Meteorological and Hydrological Services.
- (f) To encourage research and training in meteorology and, as appropriate, in related fields and to assist in coordinating the international aspects of such research and training.

NOTE 2: ACCOUNTING POLICIES

Basis of Preparation

1. The financial statements of the World Meteorological Organization (WMO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention modified by the inclusion of long-term receivables and long-term borrowings at amortized cost.

2. During 2017, WMO adopted the following International Public Sector Accounting Standards and have been applied in the financial statements for 2017:

IPSAS 34 – Separate Financial Statements

IPSAS 35 – Consolidated Financial Statements, which replaced IPSAS 6 – Consolidated and Separate Financial Statements;

IPSAS 36 – Investments in Associates and Joint Ventures;

IPSAS 37 – Joint Arrangements; and

IPSAS 38 – Disclosure of Interests in Other Entities.

3. As of 31 December 2017, the date of the financial position, the following IPSASes had been issued, but had not taken effect:

IPSAS 39 – Employee Benefits, which replaces IPSAS 25; and

IPSAS 40 – Public Sector Combinations.

IPSAS 39 took effect on 1 January 2018; IPSAS 40 will take effect on 1 January 2019, but it is not expected to apply to WMO.

4. In accordance with IPSAS requirements, and reflecting the nature of WMO's business, revenue from assessed contributions, voluntary contributions received as well as pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions as per IPSAS 23 - Revenue from Non-Exchange Transactions. WMO considers that there are restrictions on the use of all contributions, and that some of these restrictions do meet the definition of a condition as described under IPSAS 23.

5. In accordance with the accrual basis of accounting, expenditure recognition occurs at the time of delivery of goods or services by the supplier or service provider and are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.

6. The Cash Flow Statement is prepared using the indirect method.

7. The functional and reporting currency of WMO is the Swiss Franc (CHF). Transactions in currencies other than CHF are translated into CHF at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities in currencies other than CHF are translated into CHF at the prevailing UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Cash and Cash Equivalents

8. Cash and cash equivalents are held at nominal value and comprise cash on hand and cash at banks.
9. Interest revenue is recognized as it accrues.

Financial Instruments

10. Financial instruments are recognized when WMO becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and WMO has transferred substantially all the risks and rewards of ownership.
11. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables comprise contributions receivable in cash and other receivables. Receivables are stated at amortized cost.
12. All non-derivative financial liabilities including borrowings are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

Contributions and Receivables

13. Assessed contributions are recognized as revenue on the first day of the year to which they relate. Full provision is made against all unpaid contributions of Members who are deprived of the right to vote at sessions of WMO's constituent bodies.
14. Revenue from non-exchange transactions such as voluntary contributions is recognized as revenue at the time the agreement with the donor becomes binding unless the agreement includes conditions related to specific performance of services and the return of unexpended balances is the norm. Agreements containing such conditions require initial recognition of a liability and deferral of revenue recognition until such time as the liability is discharged through performance of the specific conditions included in the agreement.
15. Receivables are valued at amortized cost less allowances for estimated irrecoverable amounts and discounted if cash flows are not expected within 12 months from the reporting date.
16. In-kind contributions of services that directly support approved operations and activities, which have budgetary impact, and can be reliably measured, are recognized and valued at fair value. These contributions include use of premises, utilities, transport and personnel. They are treated as both revenue and expense in the Financial Statements.
17. Donated Property, Plant and Equipment are valued at fair market value and recognized as fixed assets and revenue, except heritage assets, which are not recognized.

Inventories

18. WMO's publications (which are distributed free) and souvenirs on hand at the end of the financial year are recorded as inventories. Publications are valued at lower of cost or current replacement cost, and souvenirs at lower of cost or net realizable value.
19. Publications and souvenirs are expensed when they are sold or distributed.

20. Inventory is reviewed at the end of each financial year for obsolescence. Obsolete publications are held at nil value until their disposal. Slow moving publications are considered to be impaired and are reduced by 50% to reflect expected replacement cost.

Property, Plant and Equipment

21. Property, Plant and Equipment (PPE) costing CHF 5,000 and above are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for PPE over their estimated useful lives using the straight line method. The useful lives utilized in the calculation of depreciation for the headquarters building and its components commenced with the adoption of IPSAS on 1 January 2010. The estimated useful lives for PPE classes are as follows:

| Class | Component | Useful life (in years) |
|---------------------------------|--------------------|-------------------------------|
| Communications and IT equipment | | 3 |
| Vehicles | | 5 |
| Machinery and equipment | | 5 |
| Furniture and fixtures | | 8 |
| Headquarters Building | Various components | 5 - 99 |

22. Impairment reviews for all PPE are undertaken on a regular basis; there was no indication of impairment during 2017.

Intangible Assets

23. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses.

24. Publications titles are not considered to be intangible assets as they do not meet the provisions of IPSAS 31 – 'Intangible Assets'. Consequently, development costs for new titles are expensed as they are incurred in accordance with IPSAS 12 – "Inventories".

25. Amortization is provided over the estimated useful life using the straight line method. The estimated useful lives for intangible asset classes are as follows:

| Classes | Estimated useful life (years) |
|-------------------------------|--------------------------------------|
| Software externally acquired | 3 |
| Software internally developed | 6 |
| Licenses and rights | 3 |

Operating Leases

26. Leases which are not categorized as finance leases, with the balance of risk and reward remaining with lesser, are considered to be operating leases.

27. Expenditure incurred under an operating lease is charged on a straight-line basis over the life of the lease.

Employee Benefits

28. WMO recognizes the following categories of employee benefits:

- Short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

Employee benefits are recognized as expenses on an accrual basis. Similarly, terminal payments to staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

29. WMO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

30. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. WMO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WMO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence WMO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. WMO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

31. Unrealized actuarial gains/losses are taken directly to reserves in the period in which they occur.

Provisions and Contingent Liabilities

32. Provisions are made for future liabilities and charges where WMO has a present legal or constructive obligation as a result of past events and it is probable that WMO will be required to settle the obligation.

33. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of WMO.

Fund Accounting and Segment Reporting

34. The financial statements are based on a fund accounting basis, showing at the end of the period the consolidated position of all WMO funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives. Fund balances represent the accumulated residual of revenue and expenses.

35. A segment is a distinguishable activity or group of activities for which financial information is reported separately. WMO classifies all projects, operations and fund activities into five segments: (i) General Fund; (ii) Regular Programme Support Funds; (iii) Event Funds; (iv) Development, Technical Assistance and Technical Cooperation Funds; and (v) National Technical Support Funds. WMO reports on the transactions of each segment during the financial period, and on the balances held at the end of the period.

36. Under the General Fund, the Organization provides services to support Members and to support the implementation of the Purposes of the Organization in Note 1. These activities are funded by assessed contributions and miscellaneous income. The General Fund segment includes: (a) the accounting entity established in accordance with WMO Financial Regulation 9.1 for the purpose of accounting for contributions and advances of Members and expenditures authorized against them; (b) indirect support cost recoveries; (c) sales of publications and souvenirs; (d) rental of office space, conference facilities and parking space; (e) miscellaneous income; (f) the Working Capital Fund, which is established in accordance with Financial Regulations 9.3 to 9.6; (g) contributions received which are not designated to a specific programme category or project; and (h) the Recruitment and Termination Benefits Reserve and the Post-Retirement Benefits Reserve.

37. Regular Budget Support Funds encompass contributions from Members, usually National Meteorological and Hydrological Services (NMHSs), which complement limited regular resources to enable WMO to implement technical programmes, projects, awards and prizes. The provision of funds is usually supported by a general letter of agreement or memorandum of understanding between WMO and contributing Members, who are represented in the governance bodies of such activities.

38. Event Funds support specific events and activities. They represent one-time contributions from various sources towards specific events, in Geneva or in Member countries. The cooperation is based on exchanges of letters. Reporting is through acknowledgment letters showing contributions toward the overall achievement of the events.

39. Development, Technical Assistance, and Technical Cooperation Funds represent projects for activities in countries or groups of countries. Contributions are from Members' NMHSs, governments, and development agencies under specific agreements with elaborate project plans. The projects require rigorous monitoring of financial and program implementation. WMO's obligations are defined and detailed with regard to management of, and reporting on, resources provided and project achievements.

40. National Technical Support Funds represent technical support activities which are defined by contributing countries, in coordination with WMO. Contributions of Members are used in accordance with the specific terms of the agreement establishing the fund, often in support of modernization of domestic NMHSs, the foreign aid policies and to support WMO-related activities of the contributing country. Funding may exceed the cost of activities identified, in anticipation of future activities to be elaborated. Contributions may be provided on a one-time basis or augmented periodically according to national budget processes and taking into account spend rates and/or identified requirements. Funds may also be used to contribute to activities under other segments (as may be agreed by the contributor).

41. Inter-segment transfers include revenue and expense arising from transfers between segments. Such transfers are accounted for at cost and eliminated on consolidation.

42. Joint ventures are accounting entities established jointly by WMO and other international public sector organizations in pursuit of objectives of mutual interest under arrangements that specify each venture's ownership interest. WMO accounts for its share of the ownership of each joint venture's net assets, as an asset if positive or liability if negative, based on WMO's proportion of the annual contributions made by all owner entities.

Budget Comparison

43. WMO's budget is prepared on a commitment basis and the financial statements are prepared on an accrual basis. In the Statement of Financial Performance (Statement II), expenses are classified based on the nature of expenses whereas in the Statement of Comparison of Budget and Actual Amounts (Statement V) expenditures are classified by the expected result in which the expenditures have to be charged.

44. The Executive Council approves the biennial budget which includes budgeted amounts for direct costs, programme support costs and management and administration. Budgets may be subsequently amended by the Executive Council.

45. The Statement of Comparison of Budget and Actual Amounts, Statement V, compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 7 provides a reconciliation between the actual amounts presented in Statement V to the actual amounts presented in the Statement of Financial Performance, Statement II.

Critical Accounting Estimates

46. Preparing financial statements in accordance with IPSAS requires WMO to make estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; provisions, contingent assets and liabilities. Changes in estimates are reflected in the year in which they become known.

47. Expenditure includes estimated expenditure by project implementing partners who were not able to provide complete statements of expenditure in 2017 against advances made to them. Where deferred income was released based on such estimated expenditure, income from voluntary contributions was estimated to the same extent.

48. In preparation of the 2017 financial statements, some minor adjustments with immaterial effect were made to prior year comparative numbers in order to remove rounding differences. Small rounding differences may occur due to the presentation of some amounts in millions of Swiss francs.

49. The Organization's equity consists of accumulated surplus and reserves which form its net assets. The equity is managed in accordance with the Financial Regulations adopted by the World Meteorological Congress. Investment guidelines issued by the Secretary-General

provide that primary consideration be given to the security of the assets with due regard to maximizing revenue earned from investments. Funds not needed for immediate cash flow requirements may be invested in short-term deposits.

NOTE 3: ASSETS AND LIABILITIES**Note 3.1: Cash and Cash Equivalents**

| | 2017 | 2016 |
|--|---------------------------------|---------------|
| | <i>Swiss Francs (thousands)</i> | |
| Unrestricted cash: | | |
| Cash on hand | 35 | 17 |
| Deposits with banks – Swiss Francs | 16,748 | 27,214 |
| Deposits with banks – other currencies | - | - |
| Total unrestricted cash | 16,783 | 27,231 |
| Restricted cash: | | |
| Deposits with banks – Swiss Francs | 30,811 | 4,549 |
| Deposits with banks – other currencies | 20,430 | 13,107 |
| Total restricted cash | 51,241 | 47,656 |
| Total cash | 68,024 | 74,887 |

50. Restricted cash is for projects as well as funds held in trust for entities to which WMO provides administrative support but which are not under WMO's control, as shown in Note 8.1.

51. WMO Investment policy uses Moody's Baseline Credit Assessment (BCA) to measure the financial strength of banks. WMO have deposited funds in line with this policy with an aim to avoid negative interest where possible. The WMO Investment Committee meets at least once per quarter and monitors the investments of WMO to ensure they are in line with WMO Investment Policy. The following table provides an analysis of cash balances by rating of the financial institutions:

| Baseline Credit Assessment (BCA) | aaa | % | aa3-a- | % | baa3-baa | % | ba-ba1 | % | Cash on hand | Total |
|----------------------------------|-----|---|--------|----|----------|----|--------|---|--------------|--------|
| 2017* | 712 | 1 | 20,435 | 30 | 46,727 | 69 | 115 | . | 35 | 68,024 |
| 2016* | 930 | 1 | 8,184 | 11 | 63,460 | 85 | 2,296 | 3 | 18 | 74,888 |

(* Amounts in thousands of Swiss Francs)

52. Cash required for immediate disbursement is maintained in cash and bank current accounts. Balances held in deposit accounts are available at short notice. Cash and deposits are held on behalf of the Organization, including General Fund; Regular Programme Support Funds; Event Funds; Development, Technical Assistance and Technical Cooperation Funds; National Technical Support Funds and non-WMO entities administered by WMO.

Note 3.2: Contributions Receivable

| | 2017 | 2016 |
|--|---------------------------------|----------------------|
| | <i>Swiss francs (thousands)</i> | |
| Current receivables (non-exchange revenue): | | |
| Assessed contributions with restrictions | 24,252 | 12,175 |
| Less: provision for delayed collection | <u>(7,159)</u> | <u>(5,332)</u> |
| Sub total: current assessed contributions | <u>17,093</u> | <u>6,843</u> |
| Voluntary contributions with conditions | 16,974 | 6,632 |
| Voluntary contributions with restrictions | 3,345 | 2,849 |
| Less: provision for delayed collection | - | - |
| Sub-total: current voluntary contributions | <u>20,319</u> | <u>9,481</u> |
| Total current contributions receivable | <u>37,412</u> | <u>16,324</u> |
| Non-current receivables (non-exchange revenue): | | |
| Assessed contributions with restrictions | 387 | 197 |
| Plus: discounting of cash flow not expected within 12 months | 0 | 2 |
| Sub-total: non-current assessed contributions | <u>387</u> | <u>199</u> |
| Voluntary contributions with conditions | 4,465 | 3,644 |
| Less: provision for delayed collection | | |
| Less: discounting of cash flow not expected within 12 months | (39) | |
| Sub-total: non-current voluntary contributions | <u>4,426</u> | <u>3,644</u> |
| Total non-current contributions receivable | <u>4,813</u> | <u>3,843</u> |
| Total net contributions receivable | <u>42,245</u> | <u>20,167</u> |

53. Contributions receivable (net of provisions for delayed collection and discounting) show an overall increase of CHF 22.1 million, mainly resulting from an increase of CHF 10.5 million in unpaid assessed contributions from CHF 7.0 million at 31 December 2016 to CHF 17.5 million at 31 December 2017, as well as an increase of CHF 11.6 million in unpaid voluntary contributions confirmed in writing from CHF 13.1 million at 31 December 2016 to CHF 24.7 million at 31 December 2017.

54. Voluntary contributions with restrictions relate to funding which is received for specific trust funds.

55. The movement of the provision for delayed collection of contributions is as follows:

| | 2016 | Utilization | Increased (Decreased) | 2017 |
|-------------------------|---------------------------------|--------------------|----------------------------------|--------------|
| | <i>Swiss Francs (thousands)</i> | | | |
| Assessed contributions | 5,332 | - | 1,827 | 7,159 |
| Voluntary contributions | - | - | - | - |
| Total | <u>5,332</u> | <u>-</u> | <u>1,827</u> | <u>7,159</u> |

56. The age analysis of the unpaid assessments from Members is as follows:

**Contributions outstanding from the Eighth to the Seventeenth Financial
Periods as at
31 December 2017**

| <i>Swiss Francs (thousands)</i> | | | | | |
|---------------------------------|-------------------------|-------------|-------------|-------------|--------------|
| | (1980- 2014) | 2015 | 2016 | 2017 | Total |
| Total | 4,725 | 906 | 1,245 | 17,763 | 24,639 |

**Contributions outstanding from the Eighth to the Seventeenth Financial
Periods as at 31 December 2016**

| <i>Swiss Francs (thousands)</i> | | | | | |
|---------------------------------|-------------------------|-------------|-------------|-------------|--------------|
| | (1980- 2013) | 2014 | 2015 | 2016 | Total |
| Total | 4,314 | 617 | 989 | 6,451 | 12,371 |

57. Provisions are made against all unpaid contributions due from Members who were deprived of their right to vote at sessions of WMO's constituent bodies as of 31 December 2017. Any Member in arrears for more than two consecutive years is subject to the provisions of Resolution 37 (Cg-XI), Suspension of Members for failure to meet financial obligations. Members' contributions are not written off, nor are the Members released from their obligations.

58. Current contributions receivable are for confirmed contributions that are due within twelve months while non-current contributions receivable are those that are due after 12 months from the date of the financial statements, and include agreements signed between WMO and some Members concerning payment of arrears of their assessed contributions, in accordance with Financial Regulation 8.8. Of the total receivables from voluntary contributions, CHF 3.3 million are subject to restrictions requiring that the contribution be utilized to support WMO administered trust funds designated by the donor. The remaining receivables from voluntary contributions totalling CHF 21.4 million contain conditions requiring specific performance and the return of funds not utilized in accordance with the agreement with the donor, are offset by a liability (deferred revenue).

59. There were contingent assets at 31 December 2017 in the amount of CHF 16.0 million (2016: CHF 0.9 million). This represents agreements which had been entered into with donors for contributions for future years but where the funding for that future year is still subject to some parliamentary budget approval.

Note 3.3: Inventories

60. The following tables show the movements of inventory items during the period. The first table shows the total value of inventories – publications and souvenirs – as presented in the Statement of Financial Position. The second table shows a reconciliation of inventories which reflects the opening balance and the additions during the period reduced by the value of items sold or distributed and write offs/impairments made during the year.

| <u>Inventories</u> | 2017 | 2016 |
|---------------------------|---------------------------------|-------------|
| | <i>Swiss Francs (thousands)</i> | |
| Publications | 8 | 7 |
| Souvenirs | 55 | 68 |
| Total | 63 | 75 |

| <u>Inventory Reconciliation</u> | 2017 | 2016 |
|---|-------------|-------------|
| Opening inventory | 75 | 91 |
| Purchases | 2 | - |
| Total Inventory available for sale or distribution | 77 | 91 |
| Less : Sold or distributed | 14 | 16 |
| Closing inventory | 63 | 75 |

61. For publications, valuation includes costs incurred up to the point of sale or distribution. They include paper, CDs, editing and outsourcing where relevant.

62. Inventory on hand up to and including 3 years is valued at the lower of cost or current replacement cost for publications, and at lower of cost or net realisable value for souvenirs; inventory on hand for 4 and 5 years is valued at 50% of cost ; inventory on hand over 5 years is fully provided for.

Note 3.4: Advances for projects and meetings

| | 2017 | 2016 |
|---|---------------------------------|--------------|
| | <i>Swiss Francs (thousands)</i> | |
| Advances for projects | 2,913 | 9,364 |
| Advances for organization of meetings | 428 | 56 |
| Total advances for projects and meetings | 3,341 | 9,420 |

63. Advances for projects and meetings represent operating advances to projects and support to institutions for the organization of WMO meetings held outside of Geneva, based on Letters of Agreement in which the recipient organization commits, inter alia, to providing an accounting for the advance within three months of the conclusion of the meeting. The advances are recognized as expenditure at the point in time when either the accounting is received, or the project is completed or the meeting is held.

Note 3.5: Other receivables

| | 2017 | 2016 |
|---------------------------------|---------------------------------|--------------|
| | <i>Swiss Francs (thousands)</i> | |
| Sundry debtors | 444 | 226 |
| Education grant advances | 513 | 579 |
| Refunds due on taxes | 2,159 | 2,004 |
| Prepaid expenses | 691 | 344 |
| Deposits with UNDP Headquarters | 1,118 | 822 |
| Other assets | 612 | 92 |
| | 5,537 | 4,067 |
| Less : Provision for write-offs | (172) | (89) |
| Total other receivables | 5,365 | 3,978 |

The movement of the provision for write-offs during 2017 is as follows:

| | 2016 | Utilization | Increased (Decreased) | 2017 |
|--------------------------|---------------------------------|--------------------|----------------------------------|-------------|
| | <i>Swiss Francs (thousands)</i> | | | |
| Provision for write-offs | 89 | - | 83 | 172 |

64. Sundry debtors are amounts due from Members for costs of the Organization's constituent body sessions in excess of costs of the same sessions if they had been held in Geneva.

65. Employees of WMO are entitled to grants for the education of their eligible dependents. Staff may request an advance at the beginning of the school year. The amount of the advance which is accrued at the end of the year is based on the number of months of attendance relative to the school year.

66. Refunds due on taxes represent: (a) advances made to enable staff to pay income taxes required by their home country governments; and (b) taxes withheld by governments from interest earned on deposit accounts that are domiciled in their jurisdictions.

67. Receivables from unconsolidated funds represent liabilities borne by WMO for long-term benefits of staff members of the Intergovernmental Panel on Climate Change and Group on Earth Observations as employment contracts of all staff members of these entities are issued by WMO.

68. Prepaid expenses include advance payments to providers of IT services, telecommunications services, advance payments of stipends to fellows, etc.

69. Deposits to UNDP Headquarters represent required advance payments to enable any UNDP country office to provide services requested by WMO, as well as costs incurred by WMO in implementing UNDP projects. The services include arrangements for travel of participants sponsored by WMO to WMO events, most of them international.

70. Other assets include amounts recoverable from other United Nations System Organizations under secondment arrangements, amounts receivable from Members under agreements for hosting sessions of WMO constituent bodies.

Note 3.6: Property, Plant and Equipment (PPE)

| 2017 | | | | | | |
|---|----------------------------------|-------------------------------|---------------------------------------|------------------------------------|-----------------|-----------------|
| | Headquarters Building | Computer Equipment | Furniture and Fixtures | Machinery and Equipment | Vehicles | Total |
| <i>Swiss Francs (thousands)</i> | | | | | | |
| Cost | | | | | | |
| Opening balance 01.01.2017 | 107,215 | 813 | 245 | 3,101 | 572 | 111,946 |
| Additions | | | | | 60 | 60 |
| Disposals/Adjustment | | | | (66) | (74) | (140) |
| Closing balance 31.12.2017 | 107,215 | 813 | 245 | 3,035 | 558 | 111,866 |
| Accumulated depreciation | | | | | | |
| Opening balance 01.01.2017 | (21,060) | (808) | (245) | (2,692) | (518) | (25,323) |
| Disposals/Adjustment | | | | 66 | 74 | 140 |
| Depreciation charge for the year | (8,278) | (5) | - | (295) | (21) | (8,599) |
| Closing balance 31.12.2017 | (29,338) | (813) | (245) | (2,921) | (465) | (33,782) |
| Net book value/ (closing balance) 31.12.2017 | 77,877 | - | - | 114 | 93 | 78,084 |
| 2016 | | | | | | |
| | Headquarters Building | Computer Equipment | Furniture and Fixtures | Machinery and Equipment | Vehicles | Total |
| <i>Swiss Francs (thousands)</i> | | | | | | |
| Opening balance 01.01.2016 | 107,879 | 813 | 245 | 3,123 | 542 | 112,602 |
| Less: Accumulated Depreciation | (17,019) | (779) | (245) | (2,331) | (473) | (20,847) |
| Net book value 01.01.2016 | 90,860 | 34 | - | 792 | 69 | 91,755 |
| Additions | - | - | - | 47 | 30 | 77 |
| Disposals/Adjustment | (664) | - | - | (69) | - | (733) |
| Depreciation | (4,041) | (29) | - | (361) | (45) | (4,476) |
| Closing balance 31.12.2016 | 86,155 | 5 | - | 409 | 54 | 86,623 |

71. During 2017, the useful lives of the components of the Headquarters Building were reviewed by an expert. Based on the expert's report, the useful lives changed significantly, resulting in a depreciation expense for 2017 that was more twice as that for 2016.

72. PPE are capitalized if their cost is equal to or greater than the threshold limit set at CHF 5,000. They are depreciated over the asset's estimated useful life using the straight line method. The threshold level is reviewed periodically.

73. Assets are reviewed annually to determine if there is any impairment in their value. The reviews that were undertaken in 2017 did not result in any of the PPE being impaired in value.

Note 3.7: Intangible Assets

| | | 2017 | | | |
|----------------------------------|----------------|------------------------------------|--|---|------------------------------------|
| | | Licenses and Rights | Software Internally developed | Software Externally acquired | Total Intangible Assets |
| | | <i>Swiss Francs (thousands)</i> | | | |
| Cost | | | | | |
| Opening | balance | 100 | 81 | 1,775 | 1,956 |
| 01.01.2017 | | | | | |
| Additions | | | | | - |
| Disposals | | | | | - |
| Closing | balance | 100 | 81 | 1,775 | 1,956 |
| 31.12.2017 | | | | | |
| Accumulated Amortization | | | | | |
| Opening | balance | (100) | (81) | (1,262) | (1,443) |
| 01.01.2017 | | | | | |
| Disposals/adjustments | | | | | |
| Amortization charge for the year | | | | (202) | (202) |
| Closing | Balance | (100) | (81) | (1,464) | (1,645) |
| 31.12.2017 | | | | | |
| Net book value/ | | | | | |
| (closing | | | | | |
| Balance) 31.12.2017 | | - | - | 311 | 311 |
| 2016 | | | | | |
| | | Licenses and Rights | Software Internally developed | Software Externally acquired | Total Intangible Assets |
| | | <i>Swiss Francs (thousands)</i> | | | |
| Opening | balance | 100 | 81 | 1,235 | 1,416 |
| 01.01.2016 | | | | | |
| Less: Accumulated Amortization | | (95) | (81) | (1,176) | (1,352) |
| Net book value | | 5 | - | 59 | 64 |
| 01.01.2016 | | | | | |
| Additions | | - | - | 540 | 540 |
| Disposals | | - | - | - | - |
| Amortization | | (5) | - | (86) | (91) |
| Closing | balance | 5 | - | 513 | 513 |
| 31.12.2016 | | | | | |

74. Intangible assets are capitalized if their cost exceeds the threshold of CHF 5,000 except for internally developed software where the threshold is CHF 50,000. The capitalized

value of the internally developed software excludes those costs related to research and maintenance costs.

Note 3.8: Payables and Accruals

| | 2017 | 2016 |
|------------------------------------|---------------------------------|--------------|
| | <i>Swiss Francs (thousands)</i> | |
| Vendor payables | 1,770 | 2,110 |
| Accruals | 959 | 1,579 |
| Other liabilities | 193 | - |
| Total payables and accruals | 2,923 | 3,689 |

75. Payables to vendors relate to amounts due for goods and services for which invoices have been received.

76. Accruals are liabilities for the cost of goods and services that have been received or provided to WMO and which have not been invoiced by suppliers as of the reporting date.

Note 3.9: Employee Benefits

Employee benefits comprise:

- **Post-Employment Benefits**

77. Post-employment benefits are defined benefit plans consisting of United Nations Joint Staff Pension Fund (UNJSPF), After-Service Health Insurance Plan (ASHI) and Repatriation Grant and related benefits including accrued annual leave.

78. Arrangements relating to the UNJSPF are set out in paragraphs 98 to 108.

79. ASHI is a plan that allows eligible retirees and their eligible family members to participate in the United Nations Staff Mutual Insurance Society (UNSMIS).

80. Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. The Organization pays the amounts due for repatriation grant, travel and relocation expenses for the entitled staff members.

- **Other Long-Term Employee Benefits**

81. Other long-term employee benefits include accrued unused annual leave and where applicable compensation payments in the case of death, injury or illness attributable to performance of duties.

82. Although annual leave is a short-term employee benefit, the right to receive payment for unused annual leave, and consequently the Organization's liability for this balance, is shown as a long-term employee benefit as that right only crystallizes on separation, typically more than twelve months from the reporting date.

| | 2017 | 2016 |
|--|----------------------|----------------------|
| After-service health insurance | 69,471 | 68,492 |
| Annual leave accrued on retirement | 3,208 | 3,269 |
| Repatriation grant | 5,438 | 5,399 |
| | <u>78,119</u> | <u>77,160</u> |
| Composition | | |
| Current liabilities - Short-term benefits | 3,098 | 4,233 |
| Non-current liabilities - Long-term benefits | 75,021 | 72,927 |
| Total benefits | <u>78,119</u> | <u>77,160</u> |

Actuarial Valuations of Post – Employment and Other Separation – Related Benefits

83. Liabilities arising from post-employment benefits and other separation-related benefits are determined by a consulting independent professional actuary. These employee benefits are established for staff members who are entitled to such benefits under WMO Staff

Regulations and Staff Rules. Full actuarial valuations are undertaken every two years, the most recent having been completed at 31 December 2016.

84. The sources of the increase of CHF 1.0 million are:
- An increase of 4.5% arising from one additional year of service and interest on liabilities;
 - A decrease of 2.6% following payment of benefits amounting to CHF 2.0 million;
 - A decrease of 3.2% caused by adjustments of mortality tables, turnover tables and earlier retirement tables of the United Nations Joint Staff Pension Fund;
 - An increase of 6.1% due to an increase in the salary increase rate; and
 - A decrease of 3.6% arising from a change in participants.

85. The accrued benefit obligation represents that portion of the present value of future benefits that had been accrued from the staff members' date of entry on duty until 31 December 2017, the date of valuation. Active staff members' benefits are considered fully accrued when they reach their dates of full eligibility for benefits.

Actuarial Assumptions and Methods

86. During each actuarial study, WMO in conjunction with the actuary, reviews and selects assumptions that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for WMO's after-service benefit plans (post-employment benefits and other separation-related benefits and unused annual leave).

87. The following assumptions have been used to determine the value of post-employment and other separation-related employee liabilities for WMO at 31 December 2017:

- *Economics assumptions*

ASHI

Discount rate: 0.60 % (2016: 0.6%)

The discount rate is estimated as about the single equivalent rate such that the present value of the plan's cash flows (i.e. expected as from 31 December 2017) using the single rate equals the present value of those cash flows using the spot rate at each maturity of the AAA and AA in CHF denominated Corporate Bonds yield as at 31 December 2017. The spot rates were provided by the UN Headquarters.

Salary increase rate:

The salary increase rate as per UNJSPF salary scale has been applied, as per following sample rates:

| Age | General service staff | Professional staff |
|-----|-----------------------|--------------------|
| 20 | 6.83% | 9.07% |
| 30 | 6.47% | 7.07% |
| 40 | 5.27% | 5.27% |
| 50 | 4.87% | 4.27% |
| 60 | 4.47% | 3.97% |
| 70 | 3.47% | 3.97% |

Healthcare cost increase rate:

As at 31 December 2017, the health care cost increase rate was adjusted to a constant rate of 3.50% for the future, supported by the long-term rate set up for the previous year's valuation.

Claim cost/ contribution rate:

As at 31 December 2017, following adjustments made by the administrator of WMO's health insurance scheme, the following contribution rates have been applied

| | Payable by insured person | Payable by WMO |
|---|---------------------------|----------------|
| Retired member only | 3.4% | 6.8% |
| Retired member with one dependent | 4.4% | 8.8% |
| Retired member with more than one dependent | 4.8% | 9.6% |

Repatriation

Discount rate: 3.20% (2016: 3.40%)
 Travel and shipping cost increase rate: 2.00% (2016: 2:00%)

Annual leave

Discount rate: 3.10% (2016: 3.20%)
 Annual leave balance increase rate:

| Years of service | Annual rate [%] |
|------------------|-----------------|
| 1 | 15.0 |
| 2 - 6 | 6.5 |
| 7 + | 0.1 |
| Max | 60 days |

- *Demographic assumptions*

The updated 2017 tables of the "UNJSPF" have been applied as regards mortality, turnover and early retirement ages, as these are based on the demographic experience of the UNJS Pension Fund, including the following:

Disability: none

Mortality: UNJSPF tables

The post retirement mortality (i.e. generational) includes the following scale of forecast decrease:

| | Male | Female |
|----------------|-------|--------|
| 60 and younger | 1.00% | 2.00% |
| 65 | 1.50% | 2.00% |
| 70 | 2.00% | 2.00% |
| 75 | 1.60% | 1.60% |

Percentage married: 60% of future retirees are assumed married at retirement and elect coverage for their spouse

Age differences of spouses: Males are assumed to be 3 years older than females

Turnover : UNJSPF tables

Retirement : UNJSPF tables

88. Reconciliation of Defined Benefit Obligation for 2017

| | After service health insurance | Repatriation | Annual leave | Total |
|--|-----------------------------------|--------------|--------------|---------|
| <i>(Swiss Francs thousands)</i> | | | | |
| Benefit obligation at 31 December 2016 | 68,492 | 5,399 | 3,269 | 77,160 |
| Service cost for 2017 | 2,022 | 541 | 278 | 2,841 |
| Interest cost for 2017 | 418 | 175 | 98 | 691 |
| Benefits paid in 2017 | (1,445) | (110) | (473) | (2,028) |
| Actuarial (gain)/loss | (14) | (567) | 36 | (545) |
| Benefit obligation at 31 December 2017 | 69,473 | 5,438 | 3,208 | 78,119 |

89. Reconciliation of Defined Benefit Obligation for 2016

| | After service health insurance | Repatriation | Annual leave | Total |
|---|-----------------------------------|--------------|--------------|---------|
| <i>(Swiss Francs thousands)</i> | | | | |
| Benefit obligation at 31 December 2015 | 58,508 | 5,497 | 3,423 | 67,427 |
| Service cost for 2016 | 1,525 | 491 | 263 | 2,279 |
| Interest cost for 2016 | 592 | 168 | 93 | 853 |
| Benefits paid in 2016 | (1,419) | (255) | (321) | (1,995) |
| Actuarial (gain)/loss | 9,286 | (501) | (189) | 8,596 |
| Benefit obligation at 31 December 2016 | 68,492 | 5,399 | 3,269 | 77,160 |

90. Reconciliation of recognized actuarial gains / losses

| | After service health insurance | Repatriation | Annual leave | Total |
|--|-----------------------------------|--------------|--------------|---------|
| <i>(Swiss Francs thousands)</i> | | | | |
| Actuarial gains (losses) at 31 December 2016 | (2,946) | 708 | (177) | (2,415) |
| Movement in reporting period (WMO) | 14 | 567 | (36) | 545 |
| Actuarial gains/(losses) at 31 December 2017 | (2,932) | 1,275 | (213) | (1,870) |

91. In the 2017 valuation of employee benefits liabilities, the actuaries have determined gross actuarial gains under post-employment benefits and other separation-related benefits of CHF 0.5 million.

92. The total actuarial gain of CHF 0.5 million represents a gain of CHF 0.6 million relating to Repatriation Grants and After Service Health Insurance, and a loss of CHF 0.1 million relating to accrued annual leave. After taking into account service costs, interest costs, and benefits paid, the net movement in the employee benefits liability was an increase of CHF 1.0 million during 2017 (increase of CHF 9.7 million in 2016).

93. Annual Expense

| | 2017 | 2016 |
|---------------|---------------------------------|--------------|
| | <i>(Swiss Francs thousands)</i> | |
| Service cost | 2,841 | 2,279 |
| Interest cost | 691 | 853 |
| Total | 3,532 | 3,132 |

After-Service Health Insurance – Sensitivity Analysis

94. Two of the principal assumptions in the valuation of the After-Service Health Insurance are: (i) the rate at which medical costs are expected to increase in the future; and (ii) the discount rate used to determine the present value of benefits that will be paid from the plan in the future.

95. A sensitivity analysis was undertaken to determine the impact of the above assumptions on the liability and service cost under IPSAS 25.

96. The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates are shown below:

| Benefit Obligation at 31 December 2017 | Healthcare cost increase assumed | Healthcare cost increase +1% | Healthcare cost increase -1% |
|---|---|-------------------------------------|-------------------------------------|
| Active staff | 29,587 | 36,459 | 25,101 |
| Pensioners | 39,885 | 45,454 | 34,384 |
| Total | 69,472 | 81,913 | 59,485 |
| Effect | - | 12,441 | (9,987) |
| Benefit Obligation at 31 December 2016 | Healthcare cost increase assumed | Healthcare cost increase +1% | Healthcare cost increase -1% |
| Active staff | 28,663 | 34,748 | 23,875 |
| Pensioners | 39,829 | 45,844 | 34,833 |
| Total | 68,492 | 80,592 | 58,708 |
| Effect | - | 12,100 | (9,784) |
| Service cost and interest cost 2017 | Healthcare cost increase assumed | Healthcare cost increase +1% | Healthcare cost increase -1% |
| Amount | 2,440 | 2,950 | 2,043 |
| Effect | - | 510 | (397) |
| Service cost and interest cost 2016 | Healthcare cost increase assumed | Healthcare cost increase +1% | Healthcare cost increase -1% |
| Amount | 2,116 | 2,549 | 1,783 |
| Effect | - | 433 | (333) |

Expected Costs during 2018

97. The expected contribution of WMO in 2018 to the employee benefit plan is CHF 3.0 million.

United Nations Joint Staff Pension Fund (UNJSPF)

98. WMO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Fund is a funded multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

99. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. WMO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Agency's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, WMO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25 - Employee Benefits. WMO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

100. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

101. WMO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

102. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 financial statements. An actuarial valuation as of 31 December 2017 is currently being performed.

103. The roll forward of the participation data as of 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1% (127.5% in the 2013 valuation). The funded ratio was 101.4% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

104. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

105. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2014, 2015 and 2016) amounted to USD 6,750.98 million, of which 0.4% was contributed by WMO.

106. During 2017, contributions paid to UNJSPF amounted to CHF 11.7 million (2016 CHF 11.3 million), of which CHF 7.8 million was borne by WMO, and CHF 3.9 million by staff members. Expected contributions due in 2018 are CHF 11.7 million.

107. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

108. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board and to the United Nations General Assembly on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

Note 3.10: Contributions received in advance

| | 2017 | 2016 |
|--|---------------------------------|---------------|
| | <i>Swiss Francs (thousands)</i> | |
| Assessed contributions received in advance | 10,712 | 11,010 |
| Other advance receipts | 3 | 13 |
| Contributions received in advance | 10,715 | 11,023 |

109. Assessed contributions received in advance are for 2018 and later years.

Note 3.11: Deferred revenue

| | 2017 | 2016 |
|---|---------------------------------|---------------|
| | <i>Swiss Francs (thousands)</i> | |
| Current: | | |
| Contributions received | 16,345 | 10,131 |
| Contribution pledged | 16,973 | 6,489 |
| Office rental advances | 301 | 142 |
| Total current deferred revenue | 33,619 | 16,762 |
| Non-current: | | |
| Contributions pledged | 4,465 | 3,644 |
| Total non-current deferred revenue | 4,465 | 3,644 |
| Total deferred revenue | 38,084 | 20,406 |

110. Deferred revenue represents voluntary contributions which have been received or pledges of voluntary contributions when the written agreement with the donor becomes binding. These revenues are deferred if the agreement included conditions related to specific performance of services to third parties and where the return of unexpended balances is the normal experience with the donor.

Note 3.12: Borrowings

| | 2017 | 2016 |
|-------------------------|---------------------------------|---------------|
| | <i>Swiss Francs (thousands)</i> | |
| Current | 1,442 | 1,442 |
| Non-current (amortized) | 30,471 | 31,156 |
| Total Borrowings | 31,913 | 32,598 |

111. The headquarters building loan consists of borrowings made by WMO from the "Foundation des Immeubles pour les Organisations Internationales" (FIPOI). The balance of the loan outstanding at 31 December 2017 was CHF 45,797,424 (CHF 47,274,724 at 31 December 2016). Of this amount, CHF 1,477,300 is payable in 2018, and the balance in subsequent years. The loan repayment period is 50 years, ending in 2048. No interest is payable on this loan. The long-term portion of the loan is updated using the historical discount rate of 2.43%.

Note 3.13: Provisions

| | 2017 | 2016 |
|------------------------------------|---------------------------------|-------------|
| | <i>Swiss Francs (thousands)</i> | |
| Litigation | - | 453 |
| Contributions refundable to donors | 31 | 26 |
| Total provisions | 31 | 479 |

112. At 31 December 2017 there were no proceedings against the Organization which are expected to result in an outflow of resources.

3.14: Funds Held in Trust

113. Funds held in trust and joint ventures and associates are for entities for which WMO provides accounting and other administrative support, but of which the Organization has shared or no control under IPSAS 35. The financial statements of such entities are not consolidated in WMO's financial statements. WMO acts as a bank for all those funds since they do not maintain their own bank accounts. The balance towards these funds represents the cash held by WMO for these funds. At 31 December 2017, WMO held funds in trust for the Intergovernmental Panel on Climate Change (IPCC), the Group on Earth Observations (GEO), , the Typhoon Committee – ESCAP, and the Tropical Cyclones Panel. WMO had joint control with other organizations over , the Joint WMO/ICSU/IOC Climate Research Fund (JCRF), the Global Climate Observing System (GCOS), and the Data Buoy Cooperation Panel (DBCP)

114. WMO has working relationships with the GEO, DBCP, the Typhoon Committee – ESCAP, the Tropical Cyclones Panel, IPCC, JCRF and GCOS. The Organization provides space, personnel administration, financial administration, procurement services and other administrative support to each of these entities which in turn provide technical and programmatic efforts in areas that assist WMO in carrying out its mandate. WMO negotiated agreements with each entity to set up the reimbursement for the cost of services provided based on percentage charges.

115. WMO provides, without charge, space including meeting facilities and administrative support services to the Intergovernmental Panel on Climate Change (IPCC) which was established jointly by WMO and the United Nations Environment Programme. WMO provides financial support to IPCC including financing the salary of the IPCC Secretary. The services to JCRF and GCOS are also free of charge.

Note 3.15: Interest in Joint Ventures and Associates

116. The Organization has no ownership interest in associates and no controlled entities. WMO is part-owner of joint ventures including the Joint WMO/ICSU/IOC Climate Research Fund (JCRF), the Global Climate Observing System (GCOS), and the Data Buoy Cooperation Panel (DBCP). In accordance with IPSAS, only those funds or entities of which WMO has control or joint control are consolidated by applying the equity method.

Proportion of Ownership

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Funds included as Joint Ventures: | | |
| • Joint WMO/ICSU/IOC Climate Research Fund | 85% | 85% |
| • Global Climate Observing System | 52% | 50% |
| Funds included as Associates: | | |
| • Data Buoy Cooperation Panel | 50% | - |

117. The share of ownership is based either on the proportion of contributions made to each entity by contributors, where such method is defined in the arrangement, as is the case with the Joint WMO/ICSU/IOC Climate Research Fund and the Global Climate Observing System, or on an equal basis where the method of determining the share of ownership is not defined in the arrangement, as is the case with the Data Buoy Cooperation Panel.

WMO's share of Joint Ventures and Associates

| | <u>2017</u> | <u>2016</u> |
|---|---------------------------------|--------------------|
| | <i>Swiss Francs (Thousands)</i> | |
| Revenue | 2,394 | 2,302 |
| Expenditures | <u>(2,782)</u> | <u>(2,837)</u> |
| | (388) | (535) |
| Add/ (minus): | | |
| Movement in WMO's share in net assets/ equity | <u>12</u> | <u>678</u> |
| Surplus/(deficit) for period | (376) | 143 |
| Add: | | |
| Opening balance of WMO's share of net assets/ equity 1 January | 1,970 | 1,827 |
| Closing balance of WMO's share of net assets/ equity 31 December | <u>1,594</u> | <u>1,970</u> |

118. Funds for Awards and Prizes are funded with interest earned on the capital. They comprise the International Meteorological Organization (IMO) Fund, the Dobrilovic Fund, the Vaisala Funds, and the Professor Mariolopoulos Fund.

Note 3.16: Employee Benefits Reserves

| | 2017 | 2016 |
|---|---------------------------------|-------------|
| | <i>Swiss Francs (thousands)</i> | |
| Recruitment and termination benefits reserve | - | 192 |
| Post-retirement benefits reserve | 2,153 | 2,209 |
| Net actuarial loss arising from Actuarial Valuations of Employee Benefits | (1,869) | (2,415) |
| Total employee benefits reserves | 284 | (14) |

119. Two reserves have been established by the Executive Council as facilities for funding and/or financing specific activities under specific circumstances. There are currently: the Recruitment and Termination Benefits Reserve and the Post-Retirement Benefits Reserve.

120. The Recruitment and Termination Benefits Reserve was established by Resolution 20 (EC-XXVII) to meet end-of-contract and recruitment costs, which are not specifically budgeted. The Reserve is funded from a 4 percent charge on payroll costs in accordance with Resolution 14 (EC-LXI). Following the establishment at 1 January 2010 of a liability for repatriation costs and accrued annual leave, the purpose of this reserve is now to fund recruitment costs only.

121. The Reserve for Post-Retirement Benefits was established by Resolution 7 (EC-LII) to meet after-service health insurance (ASHI) benefits of WMO's staff on a pay-as-you-go basis. It is funded from a 3 percent charge on payroll costs, with effect from 1 January 2009, in accordance with Resolution 14 (EC-LXI).

122. The Reserve for Employee Benefits also includes net actuarial gains and losses arising from the actuarial valuations of employee benefits which are determined by a professional actuary at the end of each financial period. During 2017, the actuary assessed a net actuarial gain of CHF 0.5 million.

NOTE 4: RISK ANALYSIS

123. WMO was exposed to the following financial instruments at the reporting date, none of which represent derivative financial instruments:

| | 2017 | 2016 |
|--|---------------------------------|---------------|
| | <i>Swiss francs (thousands)</i> | |
| Financial Instruments | | |
| Cash and cash equivalents (at fair value) | 68,024 | 74,887 |
| Short-term deposits (at fair value) | | |
| Assessed contributions receivable (at amortized cost) | 17,480 | 7,043 |
| Voluntary contributions receivable (at amortized cost) | 24,745 | 13,125 |
| Other receivables (at fair value) | 445 | 228 |
| Sub-total financial assets | 105,881 | 95,284 |
| Accounts payable (at fair value through surplus and deficit) | 1,770 | 2,115 |
| Loans payable (at amortized cost) | 31,913 | 32,598 |
| Sub-total financial liabilities | 33,683 | 34,713 |
| Financial instruments - net exposure | 72,198 | 60,571 |

Credit Risk

124. Credit risk and liquidity risk associated with cash and cash equivalents are minimized substantially by ensuring that cash assets are placed with major financial institutions that have been accorded suitable investment grade ratings by a primary rating agency.

125. Contributions receivable comprise primarily amounts due from sovereign nations. Details of contributions receivable, including allowances for reductions in contribution revenue and doubtful accounts, are provided in Note 3.2. WMO does not hold any securities against contributions receivable. During 2017, 74% of receivables (assessed contributions) were paid in full (91% at 31 December 2016). CHF 24.6 million of receivables were past due (CHF 12.4 million at 31 December 2016). A provision for delayed collection of assessed contributions of CHF 7.1 million existed at 31 December 2017 (CHF 5.3 million at 31 December 2016) and WMO had entered into Payment Agreements with Members involving arrears of contributions amounting to CHF 0.9 million (CHF 1.0 million in 2016).

126. Projects funded with voluntary contributions are implemented when contributions are received, thereby eliminating any liquidity risk.

127. During 2017, 100.0% of the regular budget was funded with assessed contributions, of which 68% was assessed on 10 Members (the same as 2016). The Organization faces a liquidity risk if those Members delay the payment of their contributions. Of the unpaid assessed contributions of CHF 24.7 million at 31 December 2017 (CHF 12.4 million at 31 December 2016), 60% represented contributions from one Member (18% in 2016).

Liquidity Risk

128. WMO's total of cash and equivalents at 31 December 2017 of CHF 68.0 million (CHF 74.9 million at 31 December 2016) was sufficient to meet its current liabilities at that date of CHF 61.3 million (CHF 50.7 million in 2016). On an on-going basis, it is anticipated that WMO will have sufficient liquidity to pay all debts due. The maturity of the final liabilities is reflected in Statement I – Statement of Financial Position.

129. Implementation of WMO's regular budget for the General Fund is done against the receipt of assessed contributions. In the event that a shortfall of contributions arises then the

Organization can draw funding down from the Working Capital Fund (Note 3.15) pending receipt of assessed contributions.

130. Implementation of activities in Regular Budget Support Funds; Event Funds; Development, Technical Assistance and Technical Cooperation Funds; and National Technical Support Funds are funded by voluntary contributions and cannot commence until the contribution has been received. Budgets are only allotted to the level of contributions received after a withholding of ten per cent is made to cover any fluctuations that may arise against legal obligations and commitments entered into.

131. These procedures are adequate to ensure that there is sufficient cash to meet contractual liabilities. A quarterly cash flow forecast is reviewed by the WMO Investment Committee. The cash flow shows actual to date and forecast for the rest of the financial period.

Market Risk

Interest Risk

132. There was no exposure to interest rate risk during 2017, except normal exposure to bank interest.

Currency Risk

133. The WMO budget is funded by assessed contributions in Swiss Francs (CHF), the functional and reporting currency of the Organization. As at 31 December 2017, CHF 47.5 million (70%) of the total cash balance of CHF 68.0 million was held in CHF (Note 3.1). The remaining balance of CHF 20.4 million was held in other currencies (CHF 13.1 million at 31 December 2016). Currencies held will be used to make payments in those respective currencies during the next quarter. An increase or decrease of between 5 and 10 per cent of the levels of foreign currency to CHF can be summarized as follows:

| Effect of exchange rate fluctuations between the Swiss Franc on other currencies | | | | | |
|---|---|--------|---|---|------------|
| <i>(Amounts in thousands)</i> | | | | | |
| Currency | Balance in foreign currency at 31 December: | | CHF equivalent of balance at 31 December 2017 | Effect in CHF of increase / decrease in the value of foreign currency | |
| | 2017 | 2016 | | of +/- 5% | of +/- 10% |
| USD | 20,435 | 12,533 | 19,985 | 1,000 | 1,999 |
| NOK | - | - | - | - | - |
| JPY | 17,488 | 17,572 | 153 | 8 | 15 |
| GBP | 307 | 85 | 404 | 20 | 40 |
| EUR | 2 | 0 | 3 | | 0 |
| Other | | | | | |
| Total | | | 20,545 | 1,028 | 2,054 |

134. WMO's net assets consist of its accumulated surplus, reserves for employee benefits, the capital of the Working Capital Fund, and the capital of award and prize funds. The surplus of the General Fund is managed in accordance with the provisions of Article 9 (Funds) of the Financial Regulations of WMO. Surplus arising from activities funded with voluntary contributions is managed in accordance with donor agreements. Reserves for employee benefits are managed in accordance with resolutions of the Executive Council. The Working Capital Fund is set aside to maintain sufficient levels of liquidity and to cover operational deficits should they occur.

NOTE 5: REVENUE

| | 2017 | 2016 |
|--|---------------|---------------|
| 5.1 Assessed contributions | 68,279 | 68,279 |
| 5.2 Voluntary contributions: | | |
| Voluntary contributions settled | 19,423 | 9,130 |
| Voluntary contributions unsettled | 628 | 12 |
| Less: Refund of contributions | (349) | (1,864) |
| Total voluntary contributions | 19,702 | 7,278 |
| 5.3 Other revenue: | | |
| Currency exchange differences: | | |
| Realized gain/(loss) | (249) | 531 |
| Unrealized gain/(loss) | (799) | 591 |
| Total gain/(loss) | (1,048) | 1,122 |
| Rental of office facilities | 1,934 | 1,983 |
| Programme support cost income | 220 | 204 |
| Interest | 16 | 23 |
| Recovery of expenditure or (income) of prior years | 529 | 990 |
| Publications | 27 | 94 |
| Inter-fund contributions | 291 | 604 |
| Total other revenue | 1,969 | 5,020 |
| 5.4 In-kind contributions (services) | 1,870 | 1,870 |

135. Of the total voluntary contributions of CHF 19.7 million in 2017, CHF 4.9 million was subject to restrictions which in general relate to funds received for specific trust funds.

136. During 2017 in-kind contributions have been recognized in respect of land and an interest free loan provided by the Swiss Authorities (FIPOI). In-kind contributions are expensed at the same time as they are recognized as revenue.

137. WMO also receives services in-kind from Members which are not recognized in these accounts as WMO did not have control over the services in-kind and could not measure the fair value of these services. The services in-kind which are provided by Members relate to the support provided for WMO meetings held in their countries.

138. WMO has offices in seven countries. Six of the Host Governments provide various services in-kind in relation to these offices including the provision of office premises, furniture and equipment, vehicles, support staff and support services. As the fair values of these in-kind services could not be measured accurately they are not recognized in these accounts.

NOTE 6: EXPENDITURE

| | 2017 | 2016 |
|---|---------------------------------|---------------|
| | <i>Swiss Francs (thousands)</i> | |
| 6.1 Salaries and employee benefits: | | |
| Staff costs | 52,086 | 51,118 |
| Consultancy costs | 2,694 | 3,640 |
| Employee benefits | 5,409 | 4,065 |
| Total salaries and employee benefits | 60,189 | 58,823 |
| 6.2 Travel | | |
| Staff travel | 2,471 | 2,387 |
| Travel of permanent representatives with WMO | 228 | 199 |
| Other third parties | 4,949 | 5,021 |
| Total travel | 7,648 | 7,615 |
| 6.3 Supplies, consumables and other running costs: | | |
| Purchase of furniture and equipment (non-capitalized) | 2,760 | 1,738 |
| Building maintenance and security | 1,712 | 1,852 |
| IT – services, software and equipment (non-capitalized) | 2,733 | 5,015 |
| Stationery and supplies | 248 | 368 |
| Other running costs | 411 | 572 |
| Utilities | 129 | 191 |
| Total supplies, consumables and other running costs | 7,993 | 9,736 |
| 6.4 Meetings and Projects | | |
| Project expenditure | 9,556 | 7,131 |
| Organization of meetings | 3,529 | 4,395 |
| Total meetings and projects | 13,085 | 11,526 |
| 6.5 In-kind expenditure | | |
| Rental value of land and interest on FIPOI loan | 1,870 | 1,870 |
| 6.6 Finance costs | | |
| Increase/(decrease) in provision for delay in collection of receivables | 1,913 | 118 |
| Discounting long-term receivables and loan | 821 | 811 |
| Write-offs | - | 72 |
| Bank charges | 120 | 115 |
| Total finance costs | 2,854 | 1,116 |
| 6.7 Other expenditure: | | |
| Loss on disposal of fixed assets | - | 524 |
| Public information | 151 | 138 |
| Insurances | 217 | 207 |
| Auditor's remuneration | 115 | 122 |
| Hospitality | 55 | 23 |
| Staff training and development | 59 | 27 |
| Other | 632 | 318 |
| Total other expenditure | 1,229 | 1,359 |

NOTE 7: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

139. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. WMO's budget and accounts are prepared using a different basis. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full IPSAS accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a commitment accounting basis.

140. As required by IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

141. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for WMO for purposes of comparison of budget and actual amounts.

142. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Under entity differences, bilateral operations and trust funds form part of WMO activities and are reported in the financial statements although they are excluded from the budgetary process.

143. Presentation differences are due to differences in the format and classification schemes adopted for presentation of the Statement of Financial Performance by Segment (Note 8.2) and Statement V - Statement of Comparison of Budget and Actual Amounts.

144. The WMO Budget in Statement V applies only to the Regular Budget/General Fund as shown in Segment Reporting Note 8.2. The reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance by Segment (Note 8.2) for the period ended 31 December 2017 is presented below:

| | | 2017 | 2016 |
|--|-------------|---------------------------------|---------------|
| | Note | <i>Swiss Francs (thousands)</i> | |
| Actual amount on comparable basis (Statement V) | | 68,431 | 67,302 |
| Plus : | | | |
| years | | | |
| Basis difference - obligations for prior | | 1,213 | 4,704 |
| Depreciation and amortization | 8.2 | 8,801 | 4,775 |
| Write offs | | - | 102 |
| Expenditure in-kind | 6.5 | 1,870 | 1,870 |
| Employee benefits: interest and current service cost less benefits paid | 3.9 | 1,503 | 1,137 |
| Loss on discounting long-term liabilities | | 794 | 811 |
| Loss on disposal of fixed assets | | - | 524 |
| Exchange differences | | - | 94 |
| Provisions | | 1,471 | 118 |
| Transfers from Regular Budget to Special Accounts of General Fund (recorded as expenditure in Statement V) | | (3,860) | (4,307) |
| Expenditure of Special Accounts outside regular budget (not in Statement V) | | 4,987 | 5,050 |
| Other adjustments | | 9 | 76 |
| Less : | | | |
| Basis difference - obligations for goods and services not received in 2017 | | 1,765 | 1,042 |
| Loan repayment | 3.11 | 1,477 | 1,477 |
| Actual amount in the Statement of Financial Performance by segment (General Fund Note 8.2) | | 81,959 | 79,737 |

145. Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as Basis differences. Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as presentation differences.

146. Budget amounts have been presented on a functional classification basis in accordance with the 2016-2017 biennium budget which presents a breakdown of the budget by year for purposes of the above comparison.

NOTE 8: SEGMENT REPORTING**Note 8.1: STATEMENT OF FINANCIAL POSITION BY SEGMENT
AS AT 31 DECEMBER 2017**

(in thousand of Swiss Francs)

| | GENERAL FUND | REG'L BUDGET SUPPORT FUNDS | EVENT FUNDS | DEVELOPMENT, TECH. ASS. & T- COOP FUNDS | NATIONAL TECH. ASS. FUNDS | TOTAL | 2016 |
|---|-----------------|----------------------------------|----------------|---|------------------------------------|----------------|----------------|
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | 28,144 | 12,766 | 237 | 26,425 | 452 | 68,024 | 74,887 |
| Assessed contributions receivable | 17,093 | - | - | - | - | 17,093 | 6,843 |
| Voluntary contributions receivable | - | 3,312 | - | 17,007 | - | 20,319 | 9,481 |
| Inventories | 63 | - | - | - | - | 63 | 75 |
| Advances for projects and meetings | 148 | 359 | - | 2,598 | 236 | 3,341 | 9,420 |
| Other receivables | 3,897 | (3) | - | 1,446 | 25 | 5,365 | 3,978 |
| Total current assets | 49,345 | 16,434 | 237 | 47,476 | 713 | 114,205 | 104,684 |
| Non-current assets | | | | | | | |
| Assessed contributions receivable | 387 | - | - | - | - | 387 | 199 |
| Voluntary contributions receivable | - | 3,440 | - | 986 | - | 4,426 | 3,644 |
| Property, plant and equipment | 78,084 | - | - | - | - | 78,084 | 86,623 |
| Intangible assets | 311 | - | - | - | - | 311 | 513 |
| Interest in joint ventures and associates | - | - | - | 1,594 | - | 1,594 | 1,970 |
| Total non-current assets | 78,782 | 3,440 | - | 2,580 | - | 84,802 | 92,949 |
| Total assets | 128,127 | 19,874 | 237 | 50,056 | 713 | 199,007 | 197,633 |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Payables and accruals | 1,768 | 106 | - | 1,012 | 37 | 2,923 | 3,689 |
| Employee benefits | 3,098 | - | - | - | - | 3,098 | 4,233 |
| Contributions received in advance | 10,715 | - | - | - | - | 10,715 | 11,026 |
| Deferred income | 301 | 7,353 | 103 | 25,862 | - | 33,619 | 16,762 |
| Borrowings | 1,442 | - | - | - | - | 1,442 | 1,442 |
| Provisions | - | 12 | (1) | 20 | - | 31 | 479 |
| Funds held in trust | 11,361 | - | - | - | - | 11,361 | 13,013 |
| Total current liabilities | 28,685 | 7,471 | 102 | 26,894 | 37 | 63,189 | 50,644 |
| Non-current liabilities | | | | | | | |
| Employee benefits | 75,021 | - | - | - | - | 75,021 | 72,928 |
| Deferred income | - | 3,440 | - | 1,025 | - | 4,465 | 3,644 |
| Borrowings | 30,471 | - | - | - | - | 30,471 | 31,156 |
| Total non-current liabilities | 105,492 | 3,440 | - | 1,025 | - | 109,957 | 107,728 |
| Total liabilities | 134,177 | 10,911 | 102 | 27,919 | 37 | 173,146 | 158,372 |
| Net assets | (6,050) | 8,963 | 135 | 22,137 | 676 | 25,861 | 39,261 |
| NET ASSETS/EQUITY | | | | | | | |
| Capital funds | 6,595 | 427 | - | - | - | 7,022 | 7,022 |
| Accumulated surplus | (12,929) | 8,536 | 135 | 22,137 | 676 | 18,555 | 32,253 |
| Employee benefits reserves | 284 | - | - | - | - | 284 | (14) |
| Total net assets/equity | (6,050) | 8,963 | 135 | 22,137 | 676 | 25,861 | 39,261 |

Note 8.2 WORLD METEOROLOGICAL ORGANIZATION
STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

| | GENERAL FUND | REG'L BUDGET SUPPORT FUNDS | EVENT FUNDS | DEVELOPMENT, TECH. ASS. & TECH-COOP FUNDS | NATIONAL TECH. ASS. FUNDS | INTER-SEGMENT ELIMINATIONS | TOTAL | 31.12.2016 |
|---|----------------|----------------------------|--------------|---|---------------------------|----------------------------|-----------------|-----------------|
| REVENUE | | | | | | | | |
| Assessed contributions | 68,279 | - | - | - | - | | 68,279 | 68,279 |
| Voluntary contributions: | | | | | | | | |
| Voluntary contributions received | 68 | 4,709 | 116 | 14,271 | 259 | | 19,423 | 9,131 |
| Voluntary contributions pledged | - | 278 | - | 350 | - | | 628 | 12 |
| Less provision for voluntary contributions refundable | - | (157) | (2) | (190) | - | | (349) | (1,865) |
| Total voluntary contributions | 68 | 4,830 | 114 | 14,431 | 259 | - | 19,702 | 7,278 |
| Other revenue | 4,244 | (666) | (23) | (1,342) | (54) | (190) | 1,969 | 5,020 |
| In-kind contributions | 1,870 | - | - | - | - | | 1,870 | 1,870 |
| Total revenue | 74,461 | 4,164 | 91 | 13,089 | 205 | (190) | 91,820 | 82,447 |
| EXPENSES: | | | | | | | | |
| Salaries and employee benefits | 54,663 | 2,744 | 59 | 2,435 | 288 | | 60,189 | 58,823 |
| Travel | 5,254 | 770 | 84 | 1,529 | 11 | | 7,648 | 7,615 |
| Meetings | 1,983 | 1,959 | 72 | 8,986 | 210 | (125) | 13,085 | 11,526 |
| Fellowships | 907 | 383 | - | 183 | - | | 1,473 | 1,702 |
| Supplies, consumables and other running costs | 4,826 | 71 | - | 3,042 | 119 | (65) | 7,993 | 9,736 |
| Finance costs | 2,808 | 5 | 1 | 39 | 1 | | 2,854 | 1,116 |
| Depreciation and amortization | 8,801 | - | - | - | - | | 8,801 | 4,775 |
| Interest in joint ventures and associates | - | - | - | 388 | - | | 388 | 535 |
| In-kind expenditures | 1,870 | - | - | - | - | | 1,870 | 1,870 |
| Other expenditures | 847 | 170 | - | 212 | - | | 1,229 | 1,359 |
| Movement in share of Net Assets/Equity of JVs | - | - | - | (12) | - | | (12) | (677) |
| Total expenses | 81,959 | 6,102 | 216 | 16,802 | 629 | (190) | 105,518 | 98,380 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | (7,498) | (1,938) | (125) | (3,713) | (424) | - | (13,698) | (15,933) |

147. Some internal activities lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these financial statements.

148. Contributions for operations and other activities are recognized as revenue, or deferred revenue, when these contributions are confirmed in writing. Expenses are incurred gradually over time according to projects' and beneficiaries' needs.

149. Accumulated fund balances under programme category funds and bilateral operations and trust funds represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements of the programmes.

Note 9: Legal or Contingent Liabilities

150. There were no legal liabilities at 31 December 2017 (2016: CHF 453,000). WMO was contingently liable for long-term liabilities related to employee benefits of persons who have been hired by WMO for entities which are administered by WMO, in accordance with recent judgments of the Administrative Tribunal of the International Labour Office. As of 31 December 2017, that liability amounted to CHF 2.4 million (2016: none).

NOTE 10: LOSSES, EX-GRATIA PAYMENTS AND WRITE-OFFS

151. WMO Financial Regulation 13.4 provides that "The Secretary-General may with the approval of the President make such ex-gratia payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Executive Council with the financial statements as detailed in Article 14.1". During 2017, ex-gratia payments amounting to CHF 702,000 were made representing salaries for three months in lieu of notice for thirteen staff members under Early Retirement and Voluntary Separation Programmes.

152. WMO Financial Regulation 13.5 provides that "The Secretary-General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, except unpaid contributions to the regular budget, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the financial statements". During 2017, there were no write-offs (2016: CHF 72,000).

NOTE 11: COMMITMENTS**NOTE 11.1 Operating Leases (WMO Lessee)**

| | 2017 | 2016 |
|--------------------|---------------------------------|-------------------|
| | <i>Swiss Francs (thousands)</i> | |
| Under 1 year | 88 | 86 |
| 1 – 5 years | 20 | - |
| Beyond 5 years | - | - |
| Total | <u>108</u> | <u>86</u> |
| Expense recognized | <u><u>157</u></u> | <u><u>261</u></u> |

153. The leases cover 28 heavy-duty photocopiers and 2 heavy-duty printers. The leases for the photocopiers commenced in 2006 and have been renewed two times since. The current leases commenced in April 2013 for three years, renewable for a further two years. The leases for the printers commenced in April 2013 and were revised in August 2014. Payments amounting to CHF 157,000 were made in 2017 representing CHF 101,000 for rental fees and CHF 56,000 for photocopies. The total amount is much less than the total payments made in 2016 which amounted to CHF 261,000 (CHF 164,000 for rental fees and CHF 96,000 for photocopies).

NOTE 11.2 Operating Leases (WMO Lessor)

| | 2017 | 2016 |
|-------------------|---------------------------------|---------------------|
| | <i>Swiss Francs (thousands)</i> | |
| Under 1 year | 1,649 | 1,649 |
| 1 – 5 years | 485 | 485 |
| Beyond 5 years | - | - |
| Total | <u>2,134</u> | <u>2,134</u> |
| Income recognized | <u><u>1,916</u></u> | <u><u>1,721</u></u> |

154. At 31 December 2017, WMO was leasing out office space to four tenants (four also in 2016) for which it recognized income amounting to CHF 1,916,000 (CHF 1,721,000 in 2016). Revenue from rent increased in 2017 due to higher rental fees and additional office space leased out. Annual rent is adjusted based on the Swiss cost of living index for certain contracts.

NOTE 11.3 Other Commitments

155. At 31 December 2017, WMO had commitments for the acquisition of goods and services contracted but not delivered amounting to CHF 10.7 million (2016: CHF 14.8 million).

156. Under IPSAS 1 on accrual accounting and on the basis of the delivery principle, commitments for future expenses are not recognized in the financial statements. Such commitments will be settled from the unexpended portion of contributions after receipt of the related goods or services.

NOTE 12: RELATED PARTY AND OTHER SENIOR MANAGEMENT DISCLOSURE**NOTE 12.1: Key Management Personnel**

| | Number of posts | Compensation and post adjustment | Entitlements | Pension and health plans | Termination indemnities | Total remuneration | Outstanding advances against entitlements at 31.12.2017 | Outstanding loans at 31.12.2017 |
|---------------------------------------|---------------------|----------------------------------|--------------|--------------------------|-------------------------|--------------------|---|---------------------------------|
| | <i>Swiss Francs</i> | | | | | | | |
| Key management personnel, 2017 | 3 | 842,852 | 111,589 | 195,194 | - | 1,149,635 | - | - |
| Key management personnel, 2016 | 3 | 853,597 | 271,119 | 171,462 | 284,272 | 1,580,450 | 13,185 | - |

157. Key management personnel are the Secretary-General, the Deputy Secretary-General, and the Assistant Secretary-General, as they have the authority and responsibility for planning, directing and controlling the activities of WMO. The Executive Council is composed of 37 directors of National Meteorological or Hydrometeorological Services, serving in an individual capacity as representatives of the Organization and not as representatives of particular Members thereof.

158. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, employer pension and current health insurance contributions, and termination indemnities.

159. Key management personnel are also qualified for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified.

160. Key management personnel are ordinary participants of the United Nations Joint Staff Pension Fund.

NOTE 13: EVENTS AFTER REPORTING DATE

161. WMO's reporting date is 31 December 2017. On the date of signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the Statement of Financial Position date and the date when the financial statements have been authorized for issue that would have impacted these statements.

Authorization for issue

162. These financial statements are certified by the Secretary-General and Director of the Resource Management Department of WMO, in accordance with the WMO Financial Regulations and Rules.

| | Name | Address |
|---------------|--|--|
| WMO | World Meteorological Organization | 7 bis, avenue de la Paix 1211 Geneva 2 Switzerland |
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| Actuaries | Mercer | avenue Reverdil 8-10 1260 Nyon Switzerland |
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