A/3/11

International Renewable Energy Agency

14 January 2013

INTERNATIONAL RENEWABLE ENERGY AGENCY
Third session of the Assembly
Abu Dhabi, 13 – 14 January 2013

Audited Financial Statements of the Agency for 2011

International Renewable Energy Agency

Financial Statements
For the period ended December 31, 2011

Principal business address:

PO Box 236
Abu Dhabi
United Arab Emirates

International Renewable Energy Agency

Financial Statements
For the period ended December 31, 2011

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DIRECTOR – GENERAL'S STATEMENT

1 INTRODUCTION

1.1 In accordance with interim financial regulation 13.2, I have the honor to submit to the Assembly, for examination and approval, the financial statements of the International Renewable Energy Agency (IRENA) for the period 6 April until 31 December 2011.

1.2 These financial statements reflect the final amounts of assets and liabilities transferred from the liquidation of the Preparatory Commission for IRENA. The audited liquidation financial statements of the Preparatory Commission for IRENA covering the period from 1 January 2011 to 5 April 2011 are being submitted in a separate report to the Assembly.

1.3 The Report of the External Auditor on the audit of the financial statements for the period ended 31 December 2011, together with the External Auditor's opinion thereon, is also being submitted to the Assembly along with these financial statements.

1.4 The financial statements provide information to Members about the sources, allocation and uses of financial resources. They also help to measure the financial implementation of the approved programme budget. The financial statements cover the assessed contributions and expenditure approved by the Assembly at its first session under decision A/1/DC/8 and financed from voluntary contributions.

1.5 Details are also provided about the assets and liabilities of the Agency, together with cash flow and equity, in order to give a complete picture of the financial position of the Agency as at 31 December 2011.

1.6 IRENA was officially established on 6 April 2011. According to Article II of the Agency's Statute, IRENA's objective is to "promote the widespread and increased adoption and the sustainable use of all forms of renewable energy". IRENA is headquartered in Abu Dhabi, United Arab Emirates. The Agency has an office in Bonn, Germany (the IRENA Innovation and Technology Centre).

1.7 In 2011, the Agency's core budget activities were funded by assessed contributions from Members and Signatories. These are calculated according to an IRENA Scale of Contributions for 2011. In addition to this, the Agency received financial and in-kind contributions from the respective host countries, the United Arab Emirates and Germany, as well as in-kind contributions from other Members.

1.8 The key management personnel are the Director-General and three Division Directors. They have the authority and responsibility for planning, directing and controlling the activities of the Agency.

2 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

2.1 Several key financial definitions under IPSAS are presented below to enhance the usability and understanding of these financial statements.

a. **Assets** are resources controlled by the Agency as a result of past events in which future economic benefits or service potentials are expected to flow to the Agency.

b. **Liabilities** are present obligations arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.

c. **Net Assets** are the residual interest in the assets of the Agency after deducting all its liabilities.

d. **Revenue** is the gross inflow of economic benefits or service potential during the reporting period in the form of inflows that result in an increase in net assets.

e. **Expenses** are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

f. **Non-exchange transactions** are those transactions for which IRENA either receives from or gives value to another entity without directly giving or receiving the approximately equal value in exchange.

g. **Monetary items** are units of currency held and assets and liabilities to be received or paid in fixed or determinable amounts.

h. **Surplus for the period** is the excess of all items of revenue over expense recognized in a period.

2.2 Under the accrual basis of accounting, revenues and expenses are recognised in the financial statements in the period to which they relate. IRENA recognizes revenues from assessed contributions as well as pledges of voluntary contributions confirmed in writing as non-exchange revenue transactions. Expenses are recognized when goods or services are delivered. The excess of revenues over expenses results in a surplus, which is apportioned among Members and contributing Signatories to the Core Budget in proportion to their contributions for 2011, as per Assembly decision A/1/DC/8. For voluntary contributions the accumulated fund balances are carried forward representing the unexpended portion of the contributions to be utilized in future operational requirements of the Agency.

2.3 Under IPSAS, the matching principle of revenue and expenses does not apply for non-exchange transactions. The focus of IPSAS is on the financial position, which is evidenced by the recognition of assets when there is sufficient control, and of liabilities, when the criteria to recognize liabilities exist.

2.4 Outstanding commitments raised against accumulated fund balances do not meet the recognition criteria of expenses under the delivery principle outlined in paragraph 2.2 above. These commitments, from a budgetary point of view, are addressed through the provision of interim financial regulation 4.7, which allows the carry forward of committed items into the following financial period.

2.5 The attached financial statements and the accompanying notes are presented in United States Dollar (USD) throughout, as required by interim financial regulation 13.6. This allows for an overview of the Agency’s financial position in one single currency.

3 FINANCIAL AND BUDGET PERFORMANCE HIGHLIGHTS

3.1 The net assets position presented in Statement I: Statement of financial position shows a healthy financial situation for the Agency with a closing net assets position of USD 5,583,521, a minor decrease of USD 149,946 from the opening balance on 6 April 2011 amounting to USD 5,733,467.

3.2 The closing net assets position shows strong financial standing of the Agency at the year-end and consists of net assets of USD 737,442 related to core budget activities and USD 4,846,074 related to voluntary funded activities.

3.3 The increase in cash and cash equivalents during 2011 shows that a significant amount of contributions, especially voluntary contributions, had been received at the end of the year. Most of these contributions would be utilised for programme implementation in 2012.

3.4 The increase in contributions receivable (from USD 306,031 on 6 April 2011 to USD 1,195,404 on 31 December 2011) primarily relates to the establishment of receivables for outstanding amounts due from Members in respect of their mandatory assessed contributions for 2011. No receivables were established in respect of the voluntary assessed contributions.

3.5 The value of property, plant and equipment has decreased during the year reflecting decreases due to depreciation charged during the period and nominal level of investment in new assets. The intangible assets value had not changed significantly as a portion of the software licenses had been renewed during the period. The renewal of a share of information technology equipment and furniture as well as some investment in additional office space is projected for 2012.

3.6 Significant increase in current and non-current payables and accruals relate to reapportionment of operating reserve of 2009 and 2010 of the Preparatory Commission for IRENA and cash surplus in the 2011 core budget. As of 31 December 2011 total of USD 1,119,603 pertained to current balances and USD 3,967,028 to non-current balances due to Members and Signatories. The increase in payable to vendors of USD 1,064,477 is mostly attributable to general increase of programme implementation activities towards the end of 2011.

3.7 The increase in deferred revenue relates to provision by the Host Country of voluntary contributions towards the end of year for which no implementation activities had taken place in 2011. The deferred revenue will be recognised as revenue in 2012 when the Agency will implement activities in specified areas of work in accordance with contribution agreements.

3.8 According to the interim financial regulation 9.5, a Working Capital Fund (WCF) shall be established to ensure continuity of operations in the event of short-term liquidity problems pending receipt of assessed contributions. The level of WCF shall be determined by the Assembly based on a projection of financing requirements. As of 31 December 2011 the level of WCF had not yet been determined and therefore the WCF was not established. The Director General is again submitting proposal for establishment of the WCF to the third Assembly.

3.9 As presented in the Statement V – Statement of comparison of budget and actual amounts, the Agency’s expenditures for 2011 of USD 18,782,306 represent 81.4% implementation rate from 2011 approved budget of USD 23,083,600.

3.10 Report of the Director-General on the Implementation of the Work Programme and Budget for 2011 (A/2/4) provided to the Second session of the Assembly presents detailed account of the progress made in the implementation of the Work Programme and Budget for 2011.

4 SUSTAINABILITY AND GOING CONCERN

4.1 In consideration of the Agency's financial sustainability, I have evaluated the consequences of any significant delays in payments from Members or any reductions in contributions from donors in the context of the global economic and financial crisis, and whether it would lead to a consequential reduction in the scale of operations and/or the delivery of programme of work. Having considered IRENA's projected activities and the corresponding risks, I am confident that the Agency has adequate resources at its disposal to continue its operation and accordingly the "going concern" basis in preparing the financial statements has been applied.

4.2 My above assertion is supported by a strong net asset value at the end of 2011 and the support of the Members in the second Assembly of IRENA which is demonstrated by approval of an increased budget for 2012 at the level of USD 28,400,000 including a core budget of USD 16,000,000.

5 RESPONSIBILITY FOR FINANCIAL STATEMENTS AND CERTIFICATION

5.1 The Director-General is required by the Interim Financial Regulations to maintain such accounts as are necessary, and to prepare financial statements for each financial year showing:

- The income and expenditure of all funds;
- The status of appropriations, including:
    a) the original appropriations and supplementary appropriations, if any;
    b) the appropriations after modification by any transfers;
    c) credits, if any, other than appropriations approved by the Assembly;
    d) the expenditures charged against those appropriations and/or other credits;
    e) the unused balances of appropriations and of other credits;
- The assets and liabilities of the Agency; and
- Such other information as may be appropriate to indicate the current financial position of the Agency.

5.2 The Director-General is responsible for establishing detailed financial procedures in order to ensure effective financial administration and the exercise of utmost economy. The Director-General is also required to maintain an internal financial control which shall provide for an effective examination and review of financial transactions in order to ensure the regularity of receipt, custody and disbursement of all funds; and the conformity of obligations and expenditures with the appropriations or other financial provisions applicable to the Agency or with the purposes and procedures relating to dedicated trust funds and accounts.

5.3 As required under interim financial regulations 13.2, I am pleased to submit the annexed financial statements prepared under IPSAS. I certify that, to the best of my knowledge and information, all transactions during the reporting period have been properly entered in the accounting records of the Agency and that these transactions, together with the financial statements and notes, details of which form part of this document, fairly present the financial position of the Agency as at 31 December 2011.

- Statement I – Statement of financial position as at 31 December 2011
- Statement II – Statement of financial performance for the period 6 April 2011 to 31 December 2011

- Statement III – Statement of changes in net assets for the period 6 April 2011 to 31 December 2011
- Statement IV – Statement of cash flow for the period 6 April 2011 to 31 December 2011
- Statement V – Statement of comparison of budget and actual amounts for the period 6 April 2011 to 31 December 2011
- Notes to the financial statements

Adnan Z. Amin

Adnan Z. Amin
Director-General
Date:

REPORT BY THE INDEPENDENT EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF IRENA – THE INTERNATIONAL RENEWABLE ENERGY AGENCY.

According to the contract between the International Renewable Energy Agency (IRENA) and the Office of the Auditor General of Norway (OAGN) dated 24 January 2012 - Clause 4.2, the OAGN assumed the responsibility for the audit of the Financial Statements for the period 6 April - 31 December 2011.

The main task of the External Auditor is to examine and audit the Final Statements of IRENA. Furthermore to report whether the Financial Statements present fairly, in all material respects, the financial position of IRENA as of 31 December 2011, and the result of its operations during the period 6 April to 31 December 2011.

The Financial Statements submitted to the external auditor in accordance with the Assembly decision A/1/DC/6 Interim Financial Regulations are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). These Financial Statements comprise as of 31 December 2011:

i. Statement of financial position;
ii. Statement of financial performance;
iii. Statement of changes in net assets;
iv. Statement of cash flow;
v. Statement of comparison of budget and actual amounts; and
vi. Associated notes with summary of significant accounting policies and other explanations.

We report to you whether, in our opinion, the Financial Statements of IRENA present the Agency's financial positions as of 31 December 2011. Furthermore we report whether information disclosed in the accompanying notes and related annexes is consistent with the Financial Statements as of 31 December 2011. We also report whether in all material respect the expenditure and income for the given period 6 April to 31 December 2011 have been spent for the purposes intended, and whether the financial transactions conform to the authorities which govern them.

Basis for the audit Opinion

The audit of the Financial Statement of the International Renewable Energy Agency, covering the period of 6 April – 31 December 2011, has been carried out in accordance with internationally accepted auditing standards. Those standards require that audit is planned and performed in a way that gives reasonable assurance whether the Financial Statements are free from material misstatements. As part of our audit we have undertaken verification of the documentation of assets and liabilities as they are presented in the balance sheet and accompanying notes per 31 December 2011. The audit includes examinations on a test basis, collections of evidence for the amounts, disclosures and regularity of financial transactions included in the accounts. We have assessed the accounting principles used and significant estimates made by the management and evaluated the overall presentation of the Financial Statements, and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for the audit opinion.

Questions and audit findings, e.g. issues regarding the presentation of 2011 cash surplus, have been continuously communicated to and discussed with IRENA, and necessary and agreed corrections have been made accordingly in the accounts, whereupon updated Financial Statements have been submitted. We take this opportunity to mention that IRENA has shown significant progress since it was established as an organization one year ago, especially by implementing internal procedures to ensure financial issues to be handled in accordance with Financial Regulations and Staff Regulations. This will certainly help IRENA enhancing its financial reporting.

Finally, and based upon the audit field work performed and the corrections agreed upon in the accounts, we are able to verify that in our opinion, income, expenditure, assets, liabilities and changes in equity disclosed in the statements are presented according to IPSAS and best accounting practice. This also includes underlying documentation of assets and liabilities as well as for changes in equity.

Audit opinion:

- The Financial Statements properly present the financial performance and the financial position of IRENA for the period 6 April - 31 December 2011.
- Information and explanations given within the period in the accounts and accompanying notes are consistent with the Financial Statements of IRENA as of 31 December 2011.
- In our opinion, in all material respect, expenditure and income for IRENA for the given period have been spent for the purposes intended, and the financial transactions conform to the authorities which govern them.

Signed at the Office of the Auditor General of Norway in Oslo, on 14 May 2012

Hans Conrad Hansen
Director General

Johannes Heltne
Assistant Director General

Arve Kenneth Christiansen
Audit Adviser

International Renewable Energy Agency
Statement I
Statement of financial position
As at December 31, 2011
(thousands of United States dollars)

	Notes	31 December 2011	6 April 2011*
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	12,541	6,040
Contributions receivable	4.2	1,195	306
Other assets	4.3	954	502
Total current assets		**14,690**	**6,848**
Non-current Assets			
Property, plant and equipment	4.4	2,312	2,987
Intangible assets	4.5	222	220
Total non-current assets		**2,534**	**3,207**
TOTAL ASSETS		**17,224**	**10,055**
LIABILITIES			
Current liabilities			
Payables and accruals	4.6	2,593	1,425
Deferred revenues	4.7	3,863	1,743
Employee benefits	4.8	393	337
Total current liabilities		**6,849**	**3,505**
Non-current liabilities			
Non-current payables	4.9	3,967	-
Housing advance fund	4.10	824	817
Total non-current liabilities		**4,791**	**817**
TOTAL LIABILITIES		**11,640**	**4,322**
NET ASSETS		**5,584**	**5,733**
FUND BALANCES AND RESERVES			
Fund balances	4.11	3,449	3,449
Accumulated surplus	4.11	2,135	1,135
Operating reserve	4.9, 4.11, 4.12	-	1,149
TOTAL FUND BALANCES AND RESERVES		**5,584**	**5,733**

The accompanying notes form an integral part of these financial statements.
** As per Assembly Decision A/1/DC/2 all assets and liabilities of the Preparatory Commission for IRENA have been transferred to the International Renewable Energy Agency. The opening balance is as per closing balance of the Liquidation financial statements of the Preparatory Commission for IRENA as of 5 April 2011 and has been restated to exclude assets and liabilities of the Staff Provident Fund which are reflected in a separate set of financial statements.*

Adnan Z. Amin

Adnan Z. Amin,
Director General of IRENA

International Renewable Energy Agency
Statement II
Statement of financial performance

For the period 6 April 2011 to 31 December 2011
(thousands of United States dollars)

	Notes	31 December 2011
REVENUE	5	
Assessed mandatory and voluntary contributions to core budget	5.1	9,514
Contributions specified for a purpose	5.2	5,688
In-kind contributions	5.3	8,390
Miscellaneous income	5.4	68
TOTAL REVENUE		**23,660**
EXPENSES	5	
Staff costs		6,304
Consultants and contractual services		2,156
Travel expenses		1,832
Meetings		3,762
Other operating expenses		4,752
Depreciation		746
Amortisation		99
Currency exchange loss		191
TOTAL EXPENSES		**19,842**
SURPLUS FOR THE PERIOD		**3,818**

The detailed breakup of revenue and expenses is disclosed in Note 5 to the financial statements.
The accompanying notes form an integral part of these financial statements.

International Renewable Energy Agency
Statement III
Statement of changes in net assets

For the period 6 April 2011 to 31 December 2011
(thousands of United States dollars)

	Notes	Fund balance	Undistributed surplus	Operating reserve	Total net assets
BALANCE AT 6 APRIL 2011	4.11, 4.12	**3,449**	**1,135**	**1,149**	**5,733**
Apportionment of PC 2009 operating reserve	4.9, 4.12, 6.1	-	-	(307)	(307)
Apportionment of PC 2010 operating reserve	4.9, 4.12, 6.2	-	-	(842)	(842)
Surplus during the period		-	3,818	-	3,818
Apportionment of 2011 core budget surplus	4.11, 10.1		(2,818)		(2,818)
Total movements during the period		**-**	**1,000**	**(1,149)**	**(149)**
BALANCE AT 31 DECEMBER 2011		**3,449**	**2,135**	**-**	**5,584**

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

International Renewable Energy Agency
Statement IV
Statement of cash flow

For the period 6 April 2011 to 31 December 2011
(thousands of United States dollars)

	Notes	31 December 2011
Cash flows from operating activities		
Surplus for the period		**3,818**
Adjustments for non-cash items		
Depreciation of property, plant and equipment	4.4	746
Amortisation of intangible assets	4.5	99
Total adjustments for non-cash items		845
Net changes in working capital		
Increase in contributions receivable	4.2	(889)
Increase in other assets	4.3	(452)
Increase in payables and accruals	4.6	1,168
Increase in deferred revenues	4.7	2,120
Increase in employee benefits	4.8	56
Increase in non-current payables	4.9	3,967
Increase in housing advance fund	4.10	7
Total net changes in working capital		5,977
Net cash from operating activities		**10,640**
Cash flows from investing activities		
Acquisition of property and equipment	4.4	(71)
Acquisition of intangible assets	4.5	(101)
Net cash used in investing activities		**(172)**
Cash flows from financing activities		
Apportionment of Preparatory Commission's operating reserves	4.11, 6.1, 6.2	(1,149)
Apportionment of 2011 core budget surplus	4.11, 10.1	(2,818)
Net cash used in financing activities		**(3,967)**
Net change in cash and cash equivalents		**6,501**
Cash and cash equivalents, beginning of year	4.1	**6,040**
Cash and cash equivalents, end of year	4.1	**12,541**

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

International Renewable Energy Agency
Statement V
Statement of comparison of budget and actual amounts

For the period 6 April 2011 to 31 December 2011
(thousands of United States dollars)

	Original budget [a]	Actual amounts on comparable basis [a]	Variances: final budget and actual amounts
Contributions [b]			
Assessed contributions to core budget	11,641	9,514	2,127
Voluntary contributions from the UAE bid [c]	8,343	9,030	(687)
Voluntary contributions from Germany	3,100	4,871	(1,771)
Other income	-	26	(26)
Total projected and actual receipts	**23,084**	**23,441**	**(357)**
Expenditures [b]			
Core budget			
Posts	7,183	3,882	3,301
Other staff costs	50	73	(23)
Consultants	1,560	837	723
Seconded personnel	584	696	(112)
Experts	615	607	8
Travel of staff	479	365	114
Contractual services	765	390	375
General operating expenses	200	369	(169)
Hospitality	5	13	(8)
Supplies and materials	200	114	86
Total projected and actual core budget expenditures	**11,641**	**7,346**	**4,295**
UAE bid			
Operations	2,840	3,988	(1,148)
Research	2,900	724	2,176
Workshops and conferences	1,600	2,612	(1,012)
Information technology	1,003	1,677	(674)
Total UAE bid related projected and actual expenditures	**8,343**	**9,001**	**(658)**
IITC related projected and actual expenditures	**3,100**	**2,435**	**665**
Total projected and actual expenditures	**23,084**	**18,782**	**4,302**
Net result	**-**	**4,659**	**(4,659)**

[a] Budget amounts are on the modified accrual basis adopted in the budget preparation and approved by the Assembly and the actual amounts are restated on the same basis as the budget amounts. The reconciliation is provided in Note 7.
[b] Classification of contributions and expenditures generally follows the same basis as the approved budget and is modified from the classification shown in Statement II which represents it by nature/function.
[c] Term "bid" refers to the proposal of the United Arab Emirates to host the Interim Seat of the Secretariat for the International Renewable Energy Agency.

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

International Renewable Energy Agency
Notes to the financial statements
For the period 6 April 2011 to 31 December 2011

Note 1 Reporting entity

1 The International Renewable Energy Agency (IRENA) was officially established on 6 April 2011 with its Headquarters located in Abu Dhabi, U.A.E. Prior to the establishment of IRENA, the Preparatory Commission for the International Renewable Energy Agency (Commission) was established in Bonn on 26 January 2009 to prepare the institutional structures and implement first activities before the Agency's formal establishment. Through its Statute, IRENA is mandated to promote the widespread and increased adoption and sustainable use of all forms of renewable energy including all forms of energy produced from renewable sources in a sustainable manner, which include bioenergy, geothermal energy, hydropower, ocean, solar, and wind energy.

2 The Agency's Headquarters are located in Abu Dhabi, United Arab Emirates. IRENA's Innovation and Technology Centre is located in Bonn, Germany.

Note 2 Significant accounting policies

3 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the entire reporting period.

Basis of preparation

4 These financial statements have been prepared on the accrual and going concern basis and comply with the requirements of International Public Sector Accounting Standards (IPSAS). Where IPSAS is silent concerning any specific issue, the appropriate International Financial Reporting Standards (IFRS) are applied. The historic cost convention has been applied with exception for financial instruments which are carried at fair value.

5 The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires IRENA management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in **Note 3** ***Critical Accounting Estimates and Judgments***.

6 Reporting period of the Agency is one calendar year. However these financial statements cover the period 6 April 2011 to 31 December 2011, from the establishment of Agency until the end of first calendar year of operations. Based on decision of the Assembly, all assets and liabilities of the Preparatory Commission for IRENA have been transferred to IRENA as per the Liquidation Financial Statements covering the period 1 January to 5 April 2011.

7 Since this is the first set of IRENA financial statements comparative information has not been provided for the Statement of Financial Performance and the Statement of Cash Flow.

Foreign currency transactions

8 The functional and reporting currency of IRENA is United States Dollars (USD). All values in financial statements are presented in thousands of USD ($000), unless stated otherwise. These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

9 Transactions in currencies other than USD are converted into USD at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities held at the period end in currencies other than USD are converted into USD at the prevailing UNORE period end closing rate. Resulting gains or losses are accounted for in the Statement of financial performance.

Cash flow statement

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

Cash and cash equivalents

11 Cash and cash equivalents are held at nominal value and comprise cash on hand and cash in banks.

Financial instruments

12 The Agency uses non-derivative financial instruments only as part of its normal operations. These financial instruments consist of bank accounts, accounts receivable and accounts payable.

13 All financial instruments are recognised in the statement of financial position at their fair values. The historical cost-carrying amount of receivables and payables subject to normal trade credit terms approximates the fair value of the transaction.

Financial risks

14 The Agency has instituted prudent risk management policies and procedures in accordance with its Interim Financial Regulations. In the normal course of business, the Agency is exposed to a variety of financial risks, such as market risk (foreign currency exchange and interest rate), and counterparty risks. The Agency does not use any hedging instruments to hedge risk exposures.

- **Currency risk:** The Agency received contributions from Members, Signatories and States in accession of the Agency in currencies other than USD and was therefore exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates.

- **Credit risk:** The Agency had no significant exposure to credit risk because its contributing members were generally of high credit standing. However, an allowance would be established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that IRENA will not be able to collect all amounts due according to the original terms of the receivables.

- **Counter-party risk:** The Agency had its cash deposited with one bank and could therefore have been exposed to the risk that a bank may default in its obligation towards the Agency, however, the bank is an international bank, which has attained top credit rating in the UAE market.

Revenue and contributions

15 Assessed contributions represent a legal obligation of Members of IRENA. These contributions are treated as revenue from non-exchange transactions in the year for which the assessments are levied as per IPSAS 23.

16 The accounting treatment of voluntary contributions is determined on a case-by-case basis following the provisions of IPSAS 23 - ‘Revenue from Non-Exchange Transactions’. Contributions specified for purpose are recognised as an asset when received from the Members, with revenue normally being recognised at the same point. However, in some cases a Member places conditions over the application of funds to a specific activity so that a deferred income is recognised along with the asset and revenue is only recognised as the activity is delivered.

17 In-kind contributions of goods are valued at fair market value and are recognised as revenue and as assets when received. In-kind contributions comprise remuneration paid to personnel seconded by members to the Agency, the use of premises and other services provided by host countries.

Receivables

18 Receivables are stated at nominal value less allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that the Agency will not be able to collect all amounts due according to the original terms of the receivables.

Property, plant and equipment

19 Property, plant and equipment (PP&E) are stated at historical cost less accumulated depreciation and any impairment losses.

Additions - initial and subsequent costs

20 The cost of an item of PP&E is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably. In most instances, an item of PP&E is recognised at its cost. When an asset is donated, it is recognised at fair value as at the date of acquisition. The Agency applies thresholds when considering whether to capitalise PP&E additions. PP&E is recognised as an asset if it has a cost or fair value of USD 1,000 or more per unit.

Disposals

21 Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the statement of financial performance.

Depreciation

22 Depreciation is provided for PP&E over their estimated useful life using the straight line method. The estimated useful lives for PP&E classes are as follows:

• Furniture and fixtures	5 years
• Communication and IT equipment	3 years
• Office equipment	3 - 5 years
• Motor vehicles	5 years

23 Leasehold improvements are recognised as assets and valued at cost, and depreciated over the lesser of the remaining useful life of the improvements or the lease term.

24 Impairment reviews are undertaken for all assets at least once annually.

Intangible assets

25 Intangible assets are stated at historical cost less accumulated amortisation and any impairment losses. Intangible assets are capitalised in the financial statements if they have costs equal or exceeding USD 1,000.

26 Amortisation is provided over the estimated useful life using the straight line method. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Leases

Finance leases

27 Leases under which substantially all of the risk and reward of ownership have been transferred to the Agency through the lease agreement are treated as finance leases.

Operating leases

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

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

Employee benefits liabilities

30 The Agency recognises the following categories of employee benefits:

- short-term employee benefits which fall due wholly within 12 months after the end of the accounting period in which employees render the related service; and
- post - employment benefits.

Provisions and contingent liabilities

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

32 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 would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which were not wholly within the control of the Agency.

Comparison of budget and actual amounts

33 The Assembly approved the budgets of the Agency which included core and voluntary funded budgets. Statement V: *Comparison of budget and actual amounts* compares the 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 reconciliation between the actual amounts presented in the Statement V to the actual amounts presented in Statement IV: *Statement of cash flow*.

Note 3 Critical accounting estimates and judgments

34 The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgment. The areas where estimates, assumptions or judgement are significant to the Agency's financial statements include, but are not limited to: financial risk on receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Note 4 Assets and liabilities

4.1 Cash and cash equivalents

	31 December 2011	6 April 2011
	USD '000	**USD '000**
Cash on hand	36	1
Cash in bank	12,505	6,039
Total cash and cash equivalents	**12,541**	**6,040**

35 Cash required for disbursement was maintained in cash and bank accounts.

36 The Agency did not place investments in deposits, bonds or shares, nor did it make use of money market facilities such as hedging.

4.2 Contributions receivable

	31 December 2011	6 April 2011
	USD '000	**USD '000**
Assessed contributions receivable (Annex I)	532	-
Bid contributions receivable		
UAE - Housing allowance	353	107
UAE - ICT services	94	-
UAE - Relocation grant	150	50
UAE - Internet access	66	84
UAE – Research	-	47
UAE - Operational services	-	18
Total contributions receivable	**1,195**	**306**

37 The First Session of the Assembly of IRENA decided that the appropriation for the Agency's 2011 core budget will include contributions from Members and from Signatories. Further, the Assembly underlined that Members' contributions shall be mandatory while Signatories' contributions are voluntary. Assessed contributions receivable include outstanding amounts due from Members in respect of their mandatory assessed contributions for 2011 as shown in Annex I. No receivables are established in respect of the voluntary assessed contributions.

38 Bid contributions receivable include amounts due from the host country government under signed donor agreements but not yet received. The bid agreement was signed between the Agency and the host government on 22 June 2010. The listed contributions receivable relate to this agreement. As the qualifying expense was approved, income (if expenditure had already been incurred) or deferred revenue (if expenditure had not yet been incurred) were recognised. At the same time a corresponding receivable was raised.

39 The employee housing allowance agreement signed with the host government on 7 March 2010 is applicable to all professional grade and seconded staff with an allowance ranging from 25% to 45% of the total rent amount including agency fees. The allowable rental amount is capped depending on the grade of the staff member. These allowances are claimed by the Agency on behalf of staff members from the host government on a periodic basis.

4.3 Other assets

	31 December 2011	6 April 2011
	USD '000	**USD '000**
Employee housing advances	400	313
Prepaid expenses	303	130
Education grant advances to staff	186	-
Other staff receivables	58	57
Other advances and receivables	7	2
Total other assets	**954**	**502**

40 The host government funded the employees' annual housing advances (see Note 4.10). The corresponding employee housing advances were advanced to employees to settle annual rental advances and recovered from the housing allowances (see Note 4.2) and the employees on a monthly basis.

41 Staff receivables at 6 April and 31 December 2011 include an amount of USD 56,784 overpaid to a former employee. Vigorous attempts are being made to recover this amount.

4.4 Property, plant and equipment

	Furniture and fittings	Communication and IT equipment	Office equipment	Motor vehicles	Leasehold improvements	Total
			USD '000			
Cost						
Balance at 6 April 2011	2,494	1,430	74	-	-	3,998
Additions during the period	1	12	24	32	2	71
Balance at 31 December 2011	**2,495**	**1,442**	**98**	**32**	**2**	**4,069**
Accumulated						
Balance at 6 April 2011	(533)	(463)	(15)	-	-	(1,011)
Charges during the period	(374)	(358)	(12)	(2)	-	(746)
Balance at 31 December 2011	**(907)**	**(821)**	**(27)**	**(2)**	**-**	**(1,757)**
Carrying amounts						
6 April 2011	1,961	967	59	-	-	2,987
31 December 2011	**1,588**	**621**	**71**	**30**	**2**	**2,312**

42 Additions to property, plant and equipment were capitalised. The asset's value, less any estimated disposal price, is depreciated over the asset's estimated useful life using the straight line method. Additions for total amount of $70,757 were funded under core budget amounting to $23,778, UAE bid amounting to $44,901 and IITC funding amounting to $2,078.

43 Assets are reviewed annually to determine if there was any impairment in their value.

44 The Agency headquarters offices are not part of property, plant and equipment as the Agency is a tenant in the building under a lease which is deemed to be an operating lease under the provisions of IPSAS 13.

4.5 Intangible assets

	Software Licenses
Cost	**USD '000**
Balance at 6 April 2011	377
Additions during the period	101
Balance at 31 December 2011	**478**
Accumulated amortisation	
Balance at 6 April 2011	(157)
Charges during the period	(99)
Balance at 31 December 2011	**(256)**
Carrying amounts	
6 April 2011	220
31 December 2011	**222**

45 Additions during the period were funded under core budget.

4.6 Payables and accruals

	Notes	31 December 2011	6 April 2011
		USD '000	USD '000
Payable to vendors and staff		1,267	203
Apportionment of PC 2009 cash surplus	Annex II	114	624
Apportionment of PC 2010 cash surplus	Annex III	49	49
Overpayments of assessed contributions		498	452
Voluntary contributions pending clarification		458	-
Payable to Staff Provident Fund		172	-
Accruals		35	97
Total payables and accruals		**2,593**	**1,425**

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

47 Cash surplus of the Preparatory Commission for 2009 and 2010 had been applied against any mandatory assessed contributions of relevant Members for 2011 and 2012. Clarifications will be requested on use of cash surplus apportionment from Signatories who are eligible to receive them.

48 Accruals represent the value of goods or services received, which have not yet been invoiced and for which the cost is not yet certain, and liabilities for goods and services received or provided to the Agency during the period under agreed contracts but which have not yet been invoiced.

4.7 Deferred revenues

	31 December 2011	6 April 2011
	USD '000	USD '000
Deferred UAE bid contributions	3,863	906
Deferred German IITC contributions	-	836
Deferred assessed contributions	-	1
Total deferred revenue	**3,863**	**1,743**

49 The Agency recognises as deferred revenue liability conditions attached to voluntary contributions. The conditions are imposed on the use of contributions and include a performance obligation to use the donation in a specified manner. The UAE bid and German IITC contributions had attached conditions for use in specified areas of work in accordance with the contribution agreements. Where related expense was not incurred by the end of reporting period, deferred revenue was recognised. As the Agency satisfied the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability was reduced and an amount of revenue equal to that reduction was recognised.

4.8 Employee benefits

	31 December 2011	6 April 2011
	USD '000	USD '000
Annual leave accrual	225	150
Education grant accrual	103	102
Salaries payable	65	85
Total employee benefits liabilities	**393**	**337**

50 Short-term employee benefits liabilities are expected to be settled within 12 months after the end of the period in which the employees render the related service and are measured at their nominal values based on established rates and actual claims satisfied the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability was reduced and an amount of revenue equal to that reduction was recognised.

4.9 Non-current payables

	Notes	31 December 2011	6 April 2011
		USD '000	USD '000
Apportionment of PC 2009 operating reserve	6.1	307	-
Apportionment of PC 2010 operating reserve	6.2	842	-
Apportionment of 2011 core budget surplus	10.1, Annex IV	2,818	-
Total non-current payables		**3,967**	**-**

51 As per financial regulation 4.5 of the Interim Financial Regulations for the Preparatory Commission, the operating reserve accumulated in 2009 and 2010 is apportioned to Members and

Signatories who had contributed to it. Apportioned amounts will be surrendered to the respective Members and Signatories of PC as of 1 January 2013.

52 According to financial regulation 4.5 (a) of IRENA, any cash surplus in the budget at the close of any financial period shall be apportioned among Members in proportion to their mandatory contributions for the financial year to which the surplus relates. However, the Assembly decision A/1/DC/8 states that any cash surplus at the close of financial year 2011 shall be apportioned among Members and contributing Signatories, in proportion to their contributions for 2011, notwithstanding financial regulation 4.5 (a). Accordingly, based on financial regulation 4.5 (b) apportioned cash surplus balances will be made available to Members and contributing Signatories as of 1 January 2013.

4.10 Housing advance fund

53 The host government funded the employees' annual housing advances. An amount of USD 824 thousand (AED 3 millions) was received by the Agency in two instalments on the 27 July 2010 and 4 August 2010. These funds were advanced for the sole purpose of enabling the Agency to fund the employees net cash flows related to their rental advances.

4.11 Fund balances and reserves

	Balance at beginning of period	**Surplus during the period**	**Transfers during the period**	**Balance at end of period**
	USD '000			
Fund balances				
Capitalisation reserve				
Core budget	-	-	-	-
Bid activities	3,088	-	-	3,088
IITC activities	119	-	-	119
Retained surpluses/(deficits)				
Core budget	-	-	-	-
Bid activities	243	-	-	243
IITC activities	(1)	-	-	(1)
Total fund balances	**3,449**	**-**	**-**	**3,449**
Accumulated surplus/(deficits)				
Core budget	1,362	2,194	(2,818)	738
Bid activities	(286)	(780)	-	(1,066)
IITC activities	59	2,404	-	2,463
Total accumulated surplus	**1,135**	**3,818**	**(2,818)**	**2,135**
Operating reserve	**1,149**	**-**	**(1,149)**	**-**
Total fund balances and reserves	**5,733**	**3,818**	**(3,967)**	**5,584**

54 Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Agency. These are Agency’s residual interest in the assets after deducting all its liabilities.

55 Fund balances and reserves related to bid and IITC activities are accumulated from contributions of the UAE and Germany in accordance with the bid agreement and conditional funding for the IITC programme in Bonn.

56 Capitalisation reserve represents non-depreciated share of acquisitions of PP&E and intangible assets already made. When PP&E and intangible assets are purchased they are capitalised and they initially form capitalisation reserve, which is depleted as these assets are depreciated and amortised.

57 Retained surpluses and deficits balance represents accumulated income to cover prepaid expenses and currency exchange gains and losses, which are not offset by corresponding income or expense in the same accounting period.

4.12 Operating reserve

58 In accordance with regulation 11.1 of the Interim Financial Regulations of the Preparatory Commission of IRENA, an operating reserve was required to be established to ensure continuity of operations.

59 Pursuant to PC decisions PC.2/DC.2, PC.2/DC.3 and PC.4/DC.6, the operating reserve remains the property of the Signatories that have contributed to it. Therefore, as a result of the liquidation of the Commission, the operating reserves for 2009 and 2010, which have been transferred to IRENA, are due to Members and Signatories who had contributed to them and is apportioned to Members and Signatories who had contributed to it. (see Notes 6.1 and 6.2).

Note 5 Financial performance

	Core Budget	Bid and in-kind contributions from the UAE	IITC and in-kind contributions from Germany	Other in-kind contributions	Total
			USD '000		
Revenue					
Assessed contributions	9,514	-	-	-	9,514
Contributions specified for a purpose	-	1,863	3,825	-	5,688
In -kind contributions	-	7,125	1,046	219	8,390
Miscellaneous income	26	42	-	-	68
Total revenue	**9,540**	**9,030**	**4,871**	**219**	**23,660**
Expenses					
Staff costs	4,697	444	944	219	6,304
Consultants and contractual services	810	801	545	-	2,156
Travel expenses	364	1,269	199	-	1,832
Meetings	962	2,759	41	-	3,762
Other operating expenses	388	3,728	636	-	4,752
Depreciation	1	715	30	-	746
Amortisation	3	94	2	-	99
Currency exchange loss	121	-	70	-	191
Total expenses	**7,346**	**9,810**	**2,467**	**219**	**19,842**
Surplus/ (deficit)	**2,194**	**(780)**	**2,404**	**-**	**3,818**

5.1 Assessed contributions to the core budget

60 The Assembly decided to appropriate USD 13.26 million for the Agency's core budget. Contributions to the core budget (Annex I) comprise mandatory contributions made by Members and voluntary contributions made by the Signatories and States in accession to membership during the year on the basis of the indicative IRENA adjusted scale of contributions. The out of scale contribution income is from the European Union (USD 686,681), which does not have assigned assessment factor.

5.2 Contributions specified for a purpose

61 Contributions specified for purpose comprise contributions from the host country governments which have earmarked funds for specific use.

5.3 In – kind contributions

62 The estimated fair value of the contributions in kind provided to regular activities based on the lease contracts or actual disbursements are as follows:

Member	**31 December 2011**
	USD '000
United Arab Emirates	7,125
Germany	1,046
Italy	110
Republic of Korea	107
Poland	2
Total in-kind contributions	**8,390**

5.4 Miscellaneous income

63 Mandatory contributions from a new Member - New Zealand (USD 25,464) were recognised as miscellaneous income since contributions from new Members are not included in the core budget appropriation and their shares of assessment are determined by the Assembly following the end of reporting year.

Note 6 Changes in net assets

6.1 Apportionment of Preparatory Commission (PC) 2009 operating reserve

PC Member	**2009 PC contributions received USD**	**2009 PC operating reserve due to Members USD**
Azerbaijan	1,985	114
France	1,500,000	86,045
Germany	1,792,000	102,796
Kenya	2,074	119
Lichtenstein	1,870	107
Norway	100,000	5,736
Somalia	169	10
Republic of Korea	169,000	9,694
Spain	743,350	42,641
Sweden	260,000	14,915
United Arab Emirates	773,671	44,381
Totals	**5,344,119**	**306,558**

64 As indicated in Note 4.12 the Preparatory Commission's operating reserve remains the property of the Members and Signatories that have contributed to it. Therefore, as a result of the liquidation of the Commission the operating reserve has been transferred to IRENA. As per financial regulation 4.5 of the Interim Financial Regulations for the Preparatory Commission, the operating reserve accumulated in 2009 amounting to USD 306,558 is apportioned to Members and Signatories who had contributed to it. Apportioned amounts will be surrendered to the respective Members and Signatories of PC as of 1 January 2013.

6.2 Apportionment of Preparatory Commission (PC) 2010 operating reserve

PC Member	2010 PC contributions received USD	2010 PC operating reserve due to Members USD
Angola	1,344	168
Armenia	965	120
Austria	77,220	9,634
Azerbaijan	2,593	324
Bahrain	6,767	844
Bangladesh	1,354	169
Bosnia and Herzegovina	2,434	304
Brunei Darussalam	4,827	602
Bulgaria	6,608	824
Chad	15,791	1,970
Denmark	127,980	15,967
Finland	243,419	30,370
France	1,064,700	132,836
Georgia	1,028	128
Germany	1,394,213	173,947
Ghana	4,960	619
Guinea-Bissau	8,877	1,108
India	92,840	11,583
Iraq	3,463	432
Jordan	2,412	301
Kenya	2,063	257
Libya	22,431	2,799
Liechtenstein	1,565	195
Luxembourg	68,814	8,586
Mali	477	60
Malta	2,915	364
Monaco	502	63
Mongolia	137	17
Montenegro	112	14
Morocco	9,793	1,222
Nicaragua	507	63
Niger	308	38
Nigeria	19,960	2,490
Norway	151,454	18,896
Philippines	15,635	1,951
Poland	15,985	1,994
Republic of Korea	392,981	49,030
Samoa	97	12
Serbia	6,434	803
Seychelles	696	87
Sierra Leone	137	17
South Africa	66,946	8,353
Spain	334,151	41,690

6.2 Apportionment of PC 2010 operating reserve (continued)

PC Member	2010 PC contributions received USD	2010 PC operating reserve due to Members USD
Sudan	1,355	169
Sweden	185,014	23,083
Togo	112	14
Tonga	137	17
Uganda	865	108
UK	1,148,339	143,271
Tanzania	1,324	165
Yemen	1,329	166
Zimbabwe	497	62
European Union	328,308	40,961
2009 surplus waivers applied as 2010 contributions		
Liechtenstein	1,405	175
Republic of Korea	126,991	15,844
Sweden	195,370	24,375
United Arab Emirates	581,355	72,532
TOTAL	**6,750,296**	**842,193**

65 As indicated in Note 4.12 the Preparatory Commission's operating reserve remains the property of the Members and Signatories that have contributed to it. Therefore, as a result of the liquidation of the Commission the operating reserve has been transferred to IRENA. As per financial regulation 4.5 of the Interim Financial Regulations for the Preparatory Commission, the operating reserve accumulated in 2010 amounting to USD 842,193 is apportioned to Members and Signatories who had contributed to it. Apportioned amounts will be surrendered to the respective Members and Signatories of PC as of 1 January 2013.

Note 7 Statement of comparison of budget and actual expenditure

66 The Agency's budget and accounts are prepared on different basis. The Statement II: *Statement of financial performance* is prepared on a full accrual basis using a classification based on the nature of expenses, whereas the Statement V: *Statement of comparison of budget and actual amounts* is prepared on a modified accrual (a commitment accounting) basis.

67 Reconciliation between the actual amounts on a comparable basis in the Statement V and the actual amounts in the Statement IV: *Statement of cash flow* for the period ended December 31, 2011 is presented below.

68 Budget amounts have been presented in accordance with the approved budget for 2011. The amount of surplus per Statement V of USD 4,659,100 has been reconciled to the net increase in cash and cash equivalents in Statement IV of USD 6,501,153. Details on the reconciliation between the actual amounts on a comparable basis in the Statement V and the actual amounts in the Statement IV for the period ended December 31, 2011 is presented in the table below.

	Adjustments pertaining to the cash flows from:			
	Operating activities	**Financing activities**	**Investing activities**	**Total**
	USD '000			
Actual amounts based on comparable basis (Statement V)	**4,659**	-	-	**4,659**
Basis differences	-	-	(172)	(172)
Presentation differences	5,981	(3,967)	-	2,014
Actual amounts in Statement IV	**10,640**	**(3,967)**	**(172)**	**6,501**

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

70 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For the Agency, the budget was prepared on the commitment basis and the financial statements were prepared on the accrual basis. For example, entire property and equipment values are expensed in the budget at acquisition while in the financial statements these are capitalised and PP&E depreciation is charged monthly thus expensing their full value over their useful lives.

71 Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. 2011 budget was split into budget of the Preparatory Commission for IRENA from 1 January to 5 April 2011 and budget for IRENA from 6 April to 31 December 2011. Certain actual income and expenditure items occurred in the period other than projected in the budget split for 2011.

72 Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement IV and Statement V. With exception of General Fund and voluntary contributions from the UAE bid, the extra-ordinary activities funded by other donors are not included in Statement V, the amounts related to those revenues and expenses are classified as presentation differences.

73 The actual amounts on a comparable basis in the Statement V relate to the sources of funding as presented in the table below.

	Core budget	Voluntary contributions from the UAE bid	Voluntary contributions from Germany	Total actual amounts on comparable basis
	USD '000			
Receipts				
Assessed contributions	9,514	-	-	9,514
Voluntary contributions from the UAE bid	-	9,030	-	9,030
Voluntary contributions from Germany	-	-	4,871	4,871
Other income	26	-	-	26
Total actual receipts	**9,540**	**9,030**	**4,871**	**23,441**
Expenditures				
Core budget				
Posts	3,882	-	-	3,882
Other staff costs	73	-	-	73
Consultants	837	-	-	837
Seconded personnel	696	-	-	696
Experts	607	-	-	607
Travel of staff	365	-	-	365
Contractual services	390	-	-	390
General operating expenses	369	-	-	369
Hospitality	13	-	-	13
Supplies and materials	114	-	-	114
UAE bid				
Operations	-	3,988	-	3,988
Research	-	724	-	724
Workshops and conferences	-	2,612	-	2,612
Information technology	-	1,677	-	1,677
Germany voluntary contributions	**-**	-	2,435	2,435
Total actual expenditures	**7,346**	**9,001**	**2,435**	**18,782**
Net result	**2,194**	**29**	**2,436**	**4,659**

7.1 Variances - final budget and actual amounts

74 Variances in assessed contributions for core budget arose due to uneven distribution of contributions receipts during 2011. Assessed contributions amounting to USD 3,093,780 were received during 1 January to 5 April 2011 and were recognised as revenue in the financial statements of the Preparatory Commission for IRENA and reflected in the Liquidation financial statements as of 5 April 2011.

Note 8 Commitments and contingencies

8.1 Commitments

75 At 31 December 2011, IRENA's commitments included purchase orders, service and consultancy contracts contracted but not delivered as follows:

	31 December 2011
	USD
Commitments: purchase of goods and services	
Core budget 2011 commitments	615,309
Core budget 2012 commitments	812,231
UAE bid contributions	1,941,692
IITC contributions from Germany	328,271
Total open commitments	**3,697,503**

76 Under IPSAS 1 on accrual basis of accounting and on the basis of the delivery principle, commitments for future expenses are not recognised in the financial statements. Such commitments will be settled from the transfer of budget provision for committed items from 2011 into 2012 as an obligation against current appropriations under Financial Regulation 4.2 that states that appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to liquidate outstanding legal obligations of the financial period for which they were appropriated.

8.2 Legal or contingent liabilities

77 There are no contingent liabilities arising from legal actions and claims that are likely to result in any significant liability to the Agency.

Note 9 Related parties and key management personnel

9.1 Key management personnel

Number of Individuals	Compensation and post adjustment	Entitlements	Staff Provident Fund	Total remuneration during the year	Outstanding advances against entitlements	Outstanding housing advances
	USD '000					
4	557	248	104	909	114	8

78 Key management personnel of the Agency were the Director-General and the Division Directors. They had the authority and responsibility for planning, directing and controlling the activities of the Agency.

79 The aggregate remuneration paid to key management personnel included: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment, education and other grants, rental subsidy, personal effect shipment costs, and Staff Provident Fund contributions. Outstanding housing advances included advances granted to settle annual rental advances. The advances were recovered from the housing allowances and the employees on a monthly basis. Advances against entitlements were made in respect of education grant entitlements and will be fully offset when education grant claim is settled at the end of scholastic year.

9.2 Related party transactions

80 Except as otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with third parties occur at fair value within a normal relationship of supplier or client and at arm's-length terms and conditions.

Note 10 Core budget surplus

10.1 Summary of core budget surplus

81 According to Financial Regulation 4.5 (a) any cash surplus in the budget at the close of any financial period shall be apportioned among Members in proportion to their mandatory contributions for the financial year to which the surplus relates. However, the Assembly decision A/1/DC/8 states that any cash surplus at the close of financial year 2011 shall be apportioned among Members and contributing Signatories, in proportion to their contributions for 2011, notwithstanding Financial Regulation 4.5 (a). Accordingly, based on Financial Regulation 4.5 (b) apportioned cash surplus balances as summarised below and detailed in Annex IV, shall be made available to Members and contributing Signatories as of 1 January 2013.

	31 December 2011
	USD
Preparatory Commission cash surplus 1 January to 5 April 2011 (Note 4.11)	1,361,739
Agency cash surplus 6 April to 31 December 2011 (Note 5)	2,193,980
Open commitments under 2011 core budget (Note 8.1)	(615,309)
Net acquisitions of PP&E under core budget - allocation to capitalisation reserve (Notes 4.4 and 5)	(23,206)
Net acquisitions of intangible assets under core budget - allocation to capitalisation reserve (Notes 4.5 and 5)	(98,927)
Core budget (cash) surplus for 2011	**2,818,277**

10.2 Core budget surplus details

82 Core budget surplus of 2011 is based on net combined variances of receipts and expenditures for both the Preparatory Commission (1January to 5 April 2011) and IRENA (6 April to 31 January 2011) including commitments made under 2011 core budget as presented in the table below and summarised in Note 10.1 above.

	Original budget	Actual amounts on comparable basis	2011 Commitments	Total receipts/ expenditures and commitments	Variance: final budget and actual amounts
			USD '000		
Receipts					
Preparatory Commission 1 January to 5 April 2011					
Assessed contributions to core budget	1,619	3,094	-	3,094	(1,475)
Other income	-	87	-	87	(87)
Total PC receipts	1,619	3,181	-	3,181	(1,562)
IRENA 6 April to 31 December 2011					
Assessed contributions to core budget	11,641	9,514	-	9,514	2,127
Other income	-	26	-	26	(26)
Total IRENA receipts	11,641	9,540	-	9,540	2,101
Total combined projected and actual receipts of PC and IRENA	**13,260**	**12,721**	**-**	**12,721**	**539**
Expenditures					
Preparatory Commission 1 January to 5 April 2011	1,619	1,819	-	1,819	(200)
IRENA 6 April to 31 December 2011					
Posts	7,183	3,882	-	3,882	3,301
Other staff costs	50	73	-	73	(23)
Consultants	1,560	837	317	1,154	406
Seconded personnel	584	696	-	696	(112)
Experts	615	607	-	607	8
Travel of staff	479	365	-	365	114
Contractual services	765	390	158	548	217
General operating expenses	200	369	140	509	(309)
Hospitality	5	13	-	13	(8)
Supplies and materials	200	114	1	115	85
PP&E and intangible assets acquisitions	-	122	-	122	(122)
Total IRENA expenditures	11,641	7,468	616	8,084	3,557
Total projected and actual core budget expenditures	**13,260**	**9,287**	**616**	**9,903**	**3,357**
Core budget 2011 surplus	**-**	**3,434**	**(616)**	**2,818**	**(2,818)**

Note 11 Events after the reporting date

83 IRENA's reporting date is as at 31 December 2011. On the date of signing of these accounts, there had been no material events, favourable or unfavourable, that have occurred between the reporting date and the date when financial statements have been authorized for issue that would have impacted these statements.

Annex I

Status of assessed contributions to the Core Budget (in United States dollars) as at 31 December 2011

		Contributions payable			Collections 1 January to 5 April 2011	Collections 6 April to 31 December 2011		
Members, Signatories and States in accession	**Scale of assessment**	**Indicative scale of contribution**	**Income from assessed contributions (prior to 6 April)**	**Income from assessed contributions (6 April onwards)**	**Current Period**	**Current Period**	**Overpayments**	**Due from Members as of 31 December 2011**
Mandatory assessed member contributions								
Albania	0.012%	1,606		1,606		1,606		
Antigua and Barbuda	0.002%	321		321		321		
Armenia	0.006%	803		803		803		
Australia	2.341%	310,418	310,418		310,666		248	
Bangladesh	0.010%	1,326		1,326		1,326		
Belarus	0.051%	6,745		6,745		6,745		
Bosnia and Herzegovina	0.017%	2,248		2,248		2,248		
Brunei Darussalam	0.034%	4,496	4,439	56	4,439			56
Bulgaria	0.046%	6,102	6,102		6,102			
Cameroon	0.013%	1,766		1,766				1,766
Cape Verde	0.001%	133		133		137	4	
Croatia	0.117%	15,577		15,577		15,577		
Cyprus	0.056%	7,387		7,387		7,387		
Czech Republic	0.423%	56,045		56,045		32,657		23,388
Denmark	0.891%	118,193	118,183	10	118,183	10		
Djibouti	0.001%	133		133				133
Dominican Republic	0.051%	6,745		6,745				6,745
Ecuador	0.048%	6,424		6,424		6,424		
Eritrea	0.001%	133		133				133
Fiji	0.005%	642		642		642		
Finland	0.685%	90,893		90,893		90,893		
France	7.415%	983,284		983,284		655,523		327,761
Gambia	0.001%	133		133				133
Georgia	0.007%	964		964		964		
Germany	9.710%	1,287,599	1,287,599		1,287,599			
Grenada	0.001%	133		133				133
Iceland	0.051%	6,745	6,710	35	6,710	35		

Annex I (continued)								
Status of assessed contributions to the Core Budget (in United States dollars) as at 31 December 2011								
		Contributions payable			**Collections 1 January to 5 April 2011**	**Collections 6 April to 31 December 2011**		
Members, Signatories and States in accession	**Scale of assessment**	**Indicative scale of contribution**	**Income from assessed contributions (prior to 6 April)**	**Income from assessed contributions (6 April onwards)**	**Current Period**	**Current Period**	**Overpayments**	**Due from Members as of 31 December 2011**
India	0.647%	85,754	85,739	15	85,739	15		
Israel	0.465%	61,666		61,666		61,666		
Japan	15.175%	2,012,175		2,012,175		2,012,175		
Kenya	0.015%	1,927		1,927		1,927		
Latvia	0.046%	6,102	6,102		12,695		6,593	
Lesotho	0.001%	133		133				133
Liechtenstein	0.011%	1,445	1,430	15	1,430	15		
Lithuania	0.079%	10,438		10,438		10,438		
Luxembourg	0.109%	14,453		14,453		14,453		
Malaysia	0.306%	40,629		40,629		69,834	29,205	
Maldives	0.001%	133		133		985	852	
Mali	0.004%	482	482		515		33	
Malta	0.021%	2,730		2,730				2,730
Marshall Islands	0.001%	133		133		133		
Mauritius	0.013%	1,766		1,766		1,766		
Mexico	2.853%	378,347		378,347		378,347		
Monaco	0.004%	482		482		482		
Mongolia	0.002%	321		321		321		
Montenegro	0.005%	642		642				642
Mozambique	0.004%	482		482		482		
Nauru	0.001%	133		133		133		
Netherlands	2.247%	297,892		297,892		297,892		
Nicaragua	0.004%	482		482		507	25	
Niger	0.002%	321		321		321		
Nigeria	0.094%	12,526		12,526		5,000		7,526
Norway	1.055%	139,873		139,873		139,873		
Oman	0.104%	13,811		13,811		28,765	14,954	
Palau	0.001%	133	133		259		126	
Philippines	0.109%	14,453		14,453		14,453		

Annex I (continued)								
Status of assessed contributions to the Core Budget (in United States dollars) as at 31 December 2011								
		Contributions payable			**Collections 1 January to 5 April 2011**	**Collections 6 April to 31 December 2011**		
Members, Signatories and States in accession	**Scale of assessment**	**Indicative scale of contribution**	**Income from assessed contributions (prior to 6 April)**	**Income from assessed contributions (6 April onwards)**	**Current Period**	**Current Period**	**Overpayments**	**Due from Members as of 31 December 2011**
Poland	1.003%	132,967		132,967		132,967		
Portugal	0.619%	82,061		82,061		82		81,979
Qatar	0.163%	21,679		21,679		21,679		
Republic of Korea	2.737%	362,930		362,930		362,930		
Republic of Moldova	0.002%	321		321		321		
Romania	0.214%	28,424		28,424				28,424
Samoa	0.001%	133		133				133
Senegal	0.007%	964		964				964
Serbia	0.045%	5,942		5,942		5,942		
Seychelles	0.002%	321		321		321		
Sierra Leone	0.001%	133		133				133
Slovakia	0.172%	22,804		22,804		22,804		
Slovenia	0.125%	16,541		16,541				16,541
South Africa	0.466%	61,827	61,827		61,827			
Spain	3.848%	510,190		510,190		510,190		
Sri Lanka	0.023%	3,051		3,051		3,051		
Sudan	0.010%	1,326		1,326				1,326
Swaziland	0.004%	482		482				482
Sweden	1.289%	170,866		170,866		170,866		
Switzerland	1.369%	181,465		181,465		181,465		
The former Yugoslav Republic of Macedonia	0.008%	1,124		1,124				1,124
Togo	0.001%	133		133				133
Tonga	0.001%	133		133		133		
Tunisia	0.036%	4,818		4,818		5,202	384	
United Arab Emirates	0.474%	62,790	62,790		500,000		437,210	
United States of America	22.000%	2,917,200		2,917,200		2,917,200		
Uruguay	0.033%	4,336		4,336				4,336

Annex I (continued)								
Status of assessed contributions to the Core Budget (in United States dollars) as at 31 December 2011								
		Contributions payable			**Collections 1 January to 5 April 2011**	**Collections 6 April to 31 December 2011**		
Members, Signatories and States in accession	**Scale of assessment**	**Indicative scale of contribution**	**Income from assessed contributions (prior to 6 April)**	**Income from assessed contributions (6 April onwards)**	**Current Period**	**Current Period**	**Overpayments**	**Due from Members as of 31 December 2011**
Voluntary assessed contributions from states in accession								
Afghanistan	0.005%	642						
Algeria	0.155%	20,555						
Angola	0.010%	1,326	1,326		2,667		1,341	
Argentina	0.348%	46,089		46,089		46,089		
Austria	1.031%	136,661						
Azerbaijan	0.018%	2,409		2,394		2,394		
Bahrain	0.047%	6,263		6,238		6,238		
Benin	0.004%	482						
Burkina Faso	0.004%	482						
Cambodia	0.004%	482		325		325		
Central African Republic	0.001%	133						
Chad	0.002%	321						
Chile	0.286%	37,899						
Colombia	0.174%	23,125						
Comoros	0.001%	133						
Congo	0.004%	482		482		521	39	
Costa Rica	0.041%	5,460						
Cote D'Ivoire	0.012%	1,606		1,606		1,624	18	
Democratic Republic of the Congo	0.004%	482						
Egypt	0.114%	15,095						
Estonia	0.048%	6,424						
Ethiopia	0.010%	1,285						
Gabon	0.017%	2,248						
Ghana	0.007%	964						
Greece	0.837%	110,967						
Guatemala	0.034%	4,496						
Guinea	0.002%	321						

Annex I (continued)

Status of assessed contributions to the Core Budget (in United States dollars) as at 31 December 2011

		Contributions payable			Collections 1 January to 5 April 2011	Collections 6 April to 31 December 2011		
Members, Signatories and States in accession	Scale of assessment	Indicative scale of contribution	Income from assessed contributions (prior to 6 April)	Income from assessed contributions (6 April onwards)	Current Period	Current Period	Overpayments	Due from Members as of 31 December 2011
Guinea-Bissau	0.001%	133		118		118		
Honduras	0.010%	1,285						
Iran (Islamic Republic of)	0.282%	37,417						
Iraq	0.024%	3,212		3,197		3,197		
Ireland	0.603%	79,973	79,973		86,483		6,510	
Italy	6.054%	802,782						
Jordan	0.017%	2,248		2,205		2,205		
Kazakhstan	0.092%	12,205						
Kiribati	0.001%	133						
Kuwait	0.319%	42,235						
Kyrgyzstan	0.001%	133						
Lebanon	0.040%	5,299						
Liberia	0.001%	133						
Libya	0.156%	20,716						
Madagascar	0.004%	482						
Mauritania	0.001%	133		133		1,158	1,025	
Morocco	0.070%	9,314						
Nepal	0.007%	964						
Pakistan	0.099%	13,168						
Panama	0.027%	3,533		3,508		3,508		
Papua New Guinea	0.002%	321						
Peru	0.109%	14,453						
Rwanda	0.001%	133						
Saint Vincent and the Grenadines	0.001%	133						
Sao Tome and Principe	0.001%	133						
Somalia	0.001%	133		133		133		
Syrian Arab Republic	0.030%	4,015						
Tajikistan	0.002%	321						
Timor-Leste	0.001%	133						

Annex I (continued)								
Status of assessed contributions to the Core Budget (in United States dollars) as at 31 December 2011								
		Contributions payable			**Collections 1 January to 5 April 2011**	**Collections 6 April to 31 December 2011**		
Members, Signatories and States in accession	**Scale of assessment**	**Indicative scale of contribution**	**Income from assessed contributions (prior to 6 April)**	**Income from assessed contributions (6 April onwards)**	**Current Period**	**Current Period**	**Overpayments**	**Due from Members as of 31 December 2011**
Turkey	0.747%	99,083		99,083		99,083		
Uganda	0.007%	964						
United Kingdom of Great Britain and Northern Ireland	7.998%	1,060,527	1,060,527		1,060,527			
United Republic of Tanzania	0.010%	1,326		1,168		1,168		
Uzbekistan	0.012%	1,606						
Vanuatu	0.001%	133						
Yemen	0.010%	1,326						
Zambia	0.005%	642		627		627		
Zimbabwe	0.004%	482		457		457		
Out of Scale Contributions								
European Union[1]	-			686,681		686,681		
New Zealand[2]	-			25,464				25,464
Totals	100%	**13,260,013**	**3,093,780**	**9,539,773**	**3,545,841**	**9,053,960**	**498,567**	**532,318**

Notes

1. EU contribution was 480,000 EUR based on IRENA decision A/1/DC/L8 of Apr 4 2011 & EU decision 2010/385/EU of 24 June 2010; EU is not included in the scale of assessment, which is based on the United Nations General Assembly Resolution 64/248 dated 24 December 2009 on "Scale of assessments for the apportionment of expenses" among UN member states.

2. New Zealand joined IRENA as a Member during 2011; its share of assessment was determined by the second session of the Assembly of IRENA in January 2012 and recognised as miscellaneous income.

Annex II

Apportionment of 2009 general fund surplus of the Preparatory Commission (PC)

PC Member	2009 PC contributions received	2009 PC general fund cash surplus	2009 surplus apportioned to members during PC	2009 surplus balance due at 04/06/11	Surplus applied to voluntary contribution	Due to members as of 12/31/11
			USD '000			
	A	B	C	D = B+C	E	F=D+E
Azerbaijan	1,985	1,492	-	1,492	-	1,492
France	1,500,000	1,127,137	(1,064,700)	62,437	-	62,437
Germany	1,792,000	1,346,552	(1,346,552)	-	-	-
Kenya	2,074	1,558	-	1,558	-	1,558
Lichtenstein	1,870	1,405	(1,405)	-	-	-
Norway	100,000	75,143	(75,143)	-	-	-
Somalia	169	127	-	127	-	127
Republic of Korea	169,000	126,991	(126,991)	-	-	-
Spain	743,350	558,571	-	558,571	(510,190)	48,381
Sweden	260,000	195,370	(195,370)	-	-	-
United Arab Emirates	773,671	581,355	(581,355)	-	-	-
Total	**5,344,119**	**4,015,701**	**(3,391,516)**	**624,185**	**(510,190)**	**113,995**

Annex III

Apportionment of 2010 general fund surplus of the Preparatory Commission (PC)

PC Member	2010 PC contributions received	2010 PC surplus due to Members
Member contributions	**USD**	**USD**
Angola	1,344	10
Armenia	965	7
Austria	77,220	556
Azerbaijan	2,593	19
Bahrain	6,767	49
Bangladesh	1,354	10
Bosnia and Herzegovina	2,434	17
Brunei Darussalam	4,827	35
Bulgaria	6,608	48
Chad	15,791	114
Denmark	127,980	922
Finland	243,419	1,753
France	1,064,700	7,667
Georgia	1,028	7
Germany	1,394,213	10,040
Ghana	4,960	36
Guinea-Bissau	8,877	64
India	92,840	669
Iraq	3,463	25
Jordan	2,412	17
Kenya	2,063	15
Libya	22,431	161
Liechtenstein	1,565	11
Luxembourg	68,814	496
Mali	477	3
Malta	2,915	21
Monaco	502	4
Mongolia	137	1
Montenegro	112	1
Morocco	9,793	70
Nicaragua	507	4
Niger	308	2
Nigeria	19,960	144
Norway	151,454	1,091
Philippines	15,635	113
Poland	15,985	115
Republic of Korea	392,981	2,830

Annex III
Apportionment of 2010 general fund surplus of PC – (continued)

PC Member	**2010 PC contributions received**	**2010 PC surplus due to Members**
Member contributions		
Samoa	97	1
Serbia	6,434	46
Seychelles	696	5
Sierra Leone	137	1
South Africa	66,946	482
Spain	334,151	2,406
Sudan	1,355	10
Sweden	185,014	1,332
Togo	112	1
Tonga	137	1
Uganda	865	6
UK	1,148,339	8,269
Tanzania	1,324	9
Yemen	1,329	10
Zimbabwe	497	4
European Union	328,308	2,364
2009 surplus waivers applied as 2010 contributions		
Liechtenstein	1,405	10
Republic of Korea	126,991	914
Sweden	195,370	1,407
United Arab Emirates	581,355	4,186
Total	**6,750,296**	**48,611**

Annex IV

Apportionment of 2011 core budget surplus

Members and states in accession	Contributions for 2011	2011 core budget surplus due to Members and contributing states in accession
Mandatory assessed Member contributions	**USD**	**USD**
Albania	1,606	358
Antigua and Barbuda	321	72
Armenia	803	179
Australia	310,418	69,247
Bangladesh	1,326	296
Belarus	6,745	1,505
Bosnia and Herzegovina	2,248	501
Brunei Darussalam	4,496	1,003
Bulgaria	6,102	1,361
Cameroon	1,766	394
Cape Verde	133	30
Croatia	15,577	3,475
Cyprus	7,387	1,648
Czech Republic	56,045	12,502
Denmark	118,193	26,366
Djibouti	133	30
Dominican Republic	6,745	1,505
Ecuador	6,424	1,433
Eritrea	133	30
Fiji	642	143
Finland	90,893	20,276
France	983,284	219,349
Gambia	133	30
Georgia	964	215
Germany	1,287,599	287,235
Grenada	133	30
Iceland	6,745	1,505
India	85,754	19,130
Israel	61,666	13,756
Japan	2,012,175	448,873
Kenya	1,927	430
Latvia	6,102	1,361
Lesotho	133	30
Liechtenstein	1,445	322
Lithuania	10,438	2,328
Luxembourg	14,453	3,224
Malaysia	40,629	9,063
Maldives	133	30
Mali	482	107
Malta	2,730	609
Marshall Islands	133	30

Annex IV

Apportionment of 2011 core budget surplus (continued)

Members and states in accession	Contributions for 2011	2011 core budget surplus due to Members and contributing states in accession
Mandatory assessed Member contributions	**USD**	**USD**
Mauritius	1,766	394
Mexico	378,347	84,401
Monaco	482	107
Mongolia	321	72
Montenegro	642	143
Mozambique	482	107
Nauru	133	30
Netherlands	297,892	66,453
New Zealand	25,464	5,680
Nicaragua	482	107
Niger	321	72
Nigeria	12,526	2,794
Norway	139,873	31,203
Oman	13,811	3,081
Palau	133	30
Philippines	14,453	3,224
Poland	132,967	29,662
Portugal	82,061	18,306
Qatar	21,679	4,836
Republic of Korea	362,930	80,962
Republic of Moldova	321	72
Romania	28,424	6,341
Samoa	133	30
Senegal	964	215
Serbia	5,942	1,326
Seychelles	321	72
Sierra Leone	133	30
Slovakia	22,804	5,087
Slovenia	16,541	3,690
South Africa	61,827	13,792
Spain	510,190	113,812
Sri Lanka	3,051	681
Sudan	1,326	296
Swaziland	482	107
Sweden	170,866	38,116
Switzerland	181,465	40,481
The former Yugoslav Republic of Macedonia	1,124	251
Togo	133	30
Tonga	133	30
Tunisia	4,818	1,075
United Arab Emirates	62,790	14,007
United States of America	2,917,200	650,764
Uruguay	4,336	967

Annex IV
Apportionment of 2011 core budget surplus (continued)

Members and states in accession	Contributions for 2011	2011 core budget surplus due to Members and contributing states in accession
Voluntary assessed contributions from states in accession	**USD**	**USD**
Angola	1,326	296
Argentina	46,089	10,281
Azerbaijan	2,394	534
Bahrain	6,263	1,397
Cambodia	325	72
Congo	482	107
Cote D'Ivoire	1,606	358
Guinea-Bissau	118	26
Iraq	3,197	713
Ireland	79,973	17,840
Jordan	2,205	492
Mauritania	133	30
Panama	3,508	783
Somalia	133	30
Turkey	99,083	22,103
United Kingdom of Great Britain and Northern Ireland	1,060,527	236,581
United Republic of Tanzania	1,168	261
Zambia	627	140
Zimbabwe	457	102
Out of scale Member contributions		
European Union	686,681	153,184
TOTALS	**12,633,578**	**2,818,277**