

# Financial statements

Financial period ending 31 December 2020

Berne, June 2021





**UPU** | UNIVERSAL  
POSTAL  
UNION

# **Universal Postal Union**

Financial statements

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Berne, 28 June 2021



**Foreword**

I have pleasure in presenting to you the financial statements of the Universal Postal Union (UPU), consolidated and certified according to the International Public Sector Accounting Standards (IPSAS) established by the International Public Sector Accounting Standards Board (IPSASB).

The UPU, like the entire United Nations system, has a duty to introduce operating mechanisms that incorporate business accounting principles and methodologies. These principles include the concept of prudence, which requires that all liabilities, including those related to future staff retirements, be taken into account.

Unlike other IPSAS-certified UN organizations, agencies or programmes with defined benefit plans, the UPU can take pride in presenting its financial statements in full compliance with the standards. Indeed, the UPU is the only UN-system organization that has been able to recognize all of its employee benefit liabilities in accordance with the relevant accounting standards. This publication therefore gives a true and fair view of our financial position.

The results presented are in line with our management principles, emphasizing a results-focused approach based on the organization's strategic objectives on the one hand, and the necessary implementation of the decisions of its bodies on the other. In this connection, it is now possible to confirm our results using new information, made available by including among the published financial statements a statement comparing budgeted amounts against actual amounts.

This presentation provides a better picture of the UPU's funding sources. This is very useful at a time when the organization faces the challenge of financing the necessary investments to achieve the expected results. Only through impeccable financial management will the UPU be able to achieve this goal in the future.

Berne, June 2021

Bishar A. Hussein  
Director General



## Introduction

The financial statements of the UPU for the period ending 31 December 2020 are submitted to the UPU Council of Administration (CA) for consideration and approval, in accordance with article 38 of the UPU Financial Regulations.

The External Auditor's opinion on the 2020 financial statements is also submitted to the CA in accordance with article 38 of the Financial Regulations.

The 2020 financial statements have been prepared in accordance with IPSAS. This follows from a United Nations system-wide initiative endorsed by the General Assembly (A/RES/60/283, section IV.1) to replace the existing United Nations System Accounting Standards (UNSAS) with the internationally recognized IPSAS.

## Budget performance highlights

### Explanation of differences between budget and actual amounts in 2020

In accordance with articles 107.1.4 and 145 of the General Regulations, the CA examined and approved the 2020 UPU Programme and Budget (P&B) in December 2019. This budget was revised in February 2020, resulting in savings of 2,068,470 CHF relative to the regular budget. This amount is not reflected in the budget per goal that is used in statement V. The final amount of the regular budget approved at the CA session of February 2020 stood at 38,890,030 CHF.

It should also be noted that intercompany transactions are excluded from the financial statements. This is not the case in the P&B, which is based on the budgets for gross expenditure of each entity. The expenses charged back by the Telematics Cooperative to other entities for its services in 2020 totalled approximately 1.935 million CHF.

2020 was a notable year owing to the coronavirus pandemic, which slowed the implementation of UPU projects and activities. This explains why, in the Programme and Budget for 2020, the statement of use of resources shows a reduction in expenditure of 10,955,000 CHF relative to the budget.

Analysis of the P&B goals shows a reduction in expenditure for goal 1, "Improve the interoperability of network infrastructure", relative to the budget. This goal encompasses primarily the Telematics Cooperative, the EMS Cooperative and important projects such as the Global Monitoring System (GMS), quality improvement and addressing. The slowdown in the implementation of certain projects and the overestimation of the budget for certain extrabudgetary activities, notably in relation to GMS and Telematics Cooperative projects, accounts for savings made in the amount of 3,912,287 CHF. It should be noted that several GMS projects are financed largely by the Quality of Service Fund (QSF) and that this spending is not therefore reflected in the budget.

Goal 2, "Ensure sustainable and modern products", which encompasses projects such as financial inclusion, e-commerce and electronic postal services, and international reply coupons, recorded a lower level of expenditure relative to the forecast figures. This was the result of a slowdown in the activities in question, as well as the overestimation of budgets for certain extrabudgetary activities for 2020, in particular for financial inclusion and .POST projects, which explains the difference of 3,435,950 CHF relative to the forecast budget.

Goal 3, "Foster market and sector functioning", which encompasses programmes relating to the universal service obligation and strategy, as well as extrabudgetary activities such as sustainable development, disaster risk management and emergency aid, recorded a decrease in expenditure relative to 2019 and the 2020 budget, primarily relating to extrabudgetary activities.

Goal 4 (development cooperation as a means of supplementary action) also recorded a reduction in expenditure, in the amount of 969,696 CHF, relative to the forecast budget for 2020. This difference is primarily due to the fact that certain cooperation activities could not be implemented owing to restrictions relating to the coronavirus.

Lastly, goal 5, which covers functional support activities, recorded a significant reduction in expenditure relative to the 2020 budget, with savings of 2,002,990 CHF, primarily relating to Congress being postponed, meetings being held remotely and travel being subject to restrictions.

The statement of comparison of budget and actual amounts by objective is presented in financial statement V.

**Statement I – Statement of financial position at 31 December 2020 (in CHF)**

	<i>Notes</i>	<i>2020</i>	<i>2019</i>
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	3	60,075,614	42,461,675
Investments	7	56,465,725	50,229,628
Accounts receivable (non-exchange transactions)	4	34,999,129	26,068,385
Accounts receivable (exchange transactions)	4	19,632,603	25,256,520
Inventories	5	170,727	180,220
Other current assets	6	4,512,920	5,569,854
		175,856,717	149,766,282
<i>Non-current assets</i>			
Investments	7	41,868,243	66,683,128
Accounts receivable (non-exchange transactions)	4	24,090,073	157,256
Equipment	8	1,091,089	1,815,758
Intangible assets	9	851,959	884,177
Land and buildings	10	21,875,053	22,762,410
Other non-current assets	6	15,500	32,490
		89,791,917	92,335,219
<b>Total assets</b>		<b>265,648,634</b>	<b>242,101,501</b>
<i>Current liabilities</i>			
Accounts payable and accrued expenses	11	19,714,112	25,064,834
Employee benefits	12	3,141,459	2,293,326
Deferred revenue	13	81,083,881	79,056,398
Advance receipts	13	86,346,204	83,877,579
Funds-in-trust held for translation services	16	7,161,514	7,490,490
Loans payable within one year	14	0	375,760
Provisions	15	75,000	150,000
		197,522,171	198,308,386
<i>Non-current liabilities</i>			
Employee benefits	12	280,224,531	278,820,259
Deferred revenue	13	24,000,000	–
Loans payable after one year	14	0	–
		304,224,531	278,820,259
<b>Total liabilities</b>		<b>501,746,701</b>	<b>477,128,644</b>
Accumulated surplus (deficit) Union funds	17	-220,995,992	-221,390,688
Accumulated surplus (deficit) other funds	17	2,791,951	3,150,481
Accumulated surplus (deficit) controlled entities	17	-21,671,988	-20,809,472
Reserves	17	3,777,962	4,022,535
<b>Net assets</b>		<b>-236,098,067</b>	<b>-235,027,143</b>



**Statement II – Statement of financial performance from 1 January to 31 December 2020 (in CHF)**

	<i>Notes</i>	<i>2020</i>	<i>2019</i>
<i>Revenue</i>			
Statutory contributions from member countries	20	37,977,800	36,327,580
Other annual contributions	20	4,734,821	4,633,034
Voluntary contributions	20	23,360,973	13,382,917
Sales	20	11,370,730	13,165,267
Financial revenue	20	2,736,359	4,862,932
Exchange gains	22	1,889,731	1,027,836
Other revenue	20	677,651	1,186,585
<b>Total revenue</b>		<b>82,748,066</b>	<b>74,586,151</b>
<i>Expenses</i>			
Staff costs	21	53,186,506	49,333,746
Travel	21	190,810	1,422,732
Consultants and external contracts	21	4,940,550	4,418,758
Project costs	21	14,593,796	15,021,953
General operating expenses	21	1,112,658	1,350,101
Materials and supplies	21	195,465	347,972
Maintenance and repairs	21	1,879,334	1,701,113
Depreciations	21	1,919,042	2,283,623
Financial costs	21	1,734,151	1,036,352
Exchange losses	22	3,685,043	1,360,799
Other expenses	21	975,372	1,304,697
<b>Total expenses</b>		<b>84,412,728</b>	<b>79,581,846</b>
<b>Net result</b>		<b>-1,664,662</b>	<b>-4,995,694</b>

**Statement III – Statement of changes in net assets at 31 December 2020 (in CHF)**

	<i>Notes</i>	<i>Accumulated surplus (deficit) – Union funds</i>	<i>Accumulated surplus (deficit) – other funds</i>	<i>Accumulated surplus (deficit) – controlled entities</i>	<i>Reserves</i>	<i>Total net assets</i>
<b>Net assets at 31 December 2018</b>		<b>-190,878,916</b>	<b>4,600,359</b>	<b>-15,466,117</b>	<b>4,144,825</b>	<b>-197,599,849</b>
Net result current period		-4,105,127	-955,286	64,718	–	-4,995,694
Recognized actuarial gain (loss) in net assets		-26,479,068	-527,347	-4,837,114	–	-31,843,529
Reclassification between tied own funds and other funds	17	–	–	–	–	–
Use of reserves	17	72,423	49,867	–	-122,289	–
Foreign currency translation		–	-17,095	-570,960	–	-588,055
<b>Net assets at 31 December 2019</b>		<b>-221,390,688</b>	<b>3,150,498</b>	<b>-20,809,473</b>	<b>4,022,536</b>	<b>-235,027,143</b>
Net result current period		-530,568	-567,498	-566,597	–	-1,664,662
Recognized actuarial gain (loss) in net assets		784,971	13,006	145,243	–	943,220
Reclassification between tied own funds and other funds	17	–	–	–	–	–
Use of reserves	17	140,292	104,281	–	-244,573	–
Foreign currency translation		–	91,681	-441,163	–	-349,482
<b>Net assets at 31 December 2020</b>		<b>-220,995,993</b>	<b>2,791,952</b>	<b>-21,671,989</b>	<b>3,777,962</b>	<b>-236,098,067</b>

**Statement IV – Statement of cash flow from 1 January to 31 December 2020 (in CHF)**

	Notes	2020	2019
<b>Net result</b>		<b>-1,664,662</b>	<b>-4,995,694</b>
<i>Cash flow from operating activities</i>			
Depreciation expenses	8 to 10	1,919,042	2,279,002
Amortization of grants	10	-22,346	-22,316
Increase (decrease) in provision for doubtful debts	4	1,613,668	1,159,068
(Increase) decrease in non-exchange transactions receivable	4	-34,484,509	-1,634,957
(Increase) decrease in exchange transactions receivable	4	5,631,198	-16,002,853
(Increase) decrease in inventories	5	9,494	16,105
(Increase) decrease in other assets	6	1,073,924	-1,388,809
Increase (decrease) in payables and accrued expenses	11	-5,350,722	13,379,943
Increase (decrease) in deferred revenue	13	26,422,126	5,738,665
Increase (decrease) in advance receipts	13	2,073,983	-2,814,526
Increase (decrease) in employee benefit liabilities	12	3,195,626	4,869,615
Increase (decrease) in other provisions	15	-75,000	-302,000
Increase (decrease) of amounts due to translation services	16	-328,976	276,374
Entity foreign currency translation differences (operating activities)		1,577,228	-286,369
<b>Net cash flow from operating activities</b>		<b>1,590,073</b>	<b>271,247</b>
<i>Cash flow from investment activities</i>			
(Increase) decrease in investments	7	18,578,787	-8,768,514
(Increase) decrease in equipment and intangible assets	8 and 9	-243,116	-1,106,193
Entity foreign currency translation difference (investment activities)		-9,336	–
<b>Net cash flow from investment activities</b>		<b>18,326,335</b>	<b>-9,874,707</b>
<i>Cash flow from financing activities</i>			
Increase (decrease) in loans	14	-375,760	-362,988
<b>Net cash flow from financing activities</b>		<b>-375,760</b>	<b>-362,988</b>
Net increase (decrease) in cash and cash equivalents		19,540,648	-9,966,448
Cash and cash equivalents, beginning of period		42,461,675	52,731,083
Effect of foreign currency translation on cash and equivalents		-1,926,710	-302,958
Cash and cash equivalents, end of period		60,075,614	42,461,675

**Statement V – Statement of comparison of budget and actual amounts from 1 January to 31 December 2020 (in CHF)**

<i>Objective</i>	<i>Budget 2019</i>	<i>Extrabudgetary programmes 2019</i>	<i>Total budget 2019</i>	<i>Net actual amounts 2019</i>	<i>Difference 2019</i>
Improve the interoperability of network infrastructure	4,112,160	22,705,883	26,818,043	23,367,314	3,450,729
Ensure sustainable and modern products	4,334,660	3,231,900	7,566,560	4,843,444	2,723,116
Foster market and sector functioning	1,343,800	779,400	2,123,200	2,161,987	-38,787
Development cooperation	5,857,280	304,000	6,161,280	6,693,648	-532,368
Functional support	21,587,100	1,190,160	22,777,260	22,374,867	402,393
<b>Total expenses 2019</b>	<b>37,235,000</b>	<b>28,211,343</b>	<b>65,446,343</b>	<b>59,441,258</b>	<b>6,005,085</b>
Intercompany transactions not included	–	–	–	–	-1,922,458
<b>Adjusted budget difference</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,082,627</b>

<i>Objective</i>	<i>Budget 2020</i>	<i>Extrabudgetary programmes 2020</i>	<i>Total budget 2020</i>	<i>Net actual amounts 2020</i>	<i>Difference 2020</i>
Improve the interoperability of network infrastructure	4,223,750	22,035,360	26,259,110	22,346,823	3,912,287
Ensure sustainable and modern products	4,234,200	3,698,569	7,932,769	4,496,819	3,435,950
Foster market and sector functioning	1,299,600	1,352,400	2,652,000	2,017,923	634,077
Development cooperation	5,970,800	326,000	6,296,800	5,327,104	969,696
Functional support	21,506,650	1,308,240	22,814,890	20,811,900	2,002,990
<b>Total expenses 2020</b>	<b>37,235,000</b>	<b>28,720,569</b>	<b>65,955,569</b>	<b>55,000,569</b>	<b>10,955,000</b>
Intercompany transactions not included					-1,934,518
<b>Adjusted budget difference</b>					<b>9,020,482</b>

A reconciliation of revenue and expenses on a budgetary and full accrual basis is included in note 19 to these financial statements. Intercompany transactions are excluded from the financial statements. This is not the case in the P&B, which is based on the budgets for gross expenditure of each entity. The expenses charged back by the Telematics Cooperative to other entities for its services in 2020 totalled approximately 1.935 million CHF; these are not included in the actual amounts above.

Gross expenditure from the regular budget amounted to 37,830,283 CHF, compared to the revised budget of 38,890,030 CHF. This represents an execution rate of 97.3%. The savings originate largely from travel and consultancy costs.

## Notes to the financial statements

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

### Note 1 – Objectives and budget of the organization

Established in 1874, the UPU serves as the primary forum for cooperation between postal sector players. It helps to ensure a truly universal network of up-to-date products and services and fulfils an advisory, mediating and liaison role, and provides technical assistance where needed. It sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail, parcel and financial services volumes, and to improve quality of service for customers.

The Union, which now has 192 member countries, functions in accordance with the provisions of the 1874 Treaty of Berne. The Constitution of the UPU is the fundamental Act containing the organic rules of the Union. It is a diplomatic Act, ratified by the competent authorities of each member country. Amendments to the Constitution can be made only at Congress and are recorded in an Additional Protocol, which is also subject to ratification.

The common rules applicable to the international postal service and the provisions concerning the letter-post and parcel-post services are given in the Convention and its Regulations. The Convention Regulations are agreements concluded by the member countries elected by Congress to the Postal Operations Council (POC), which has the authority to amend the Regulations at its annual sessions. The Convention and its Regulations are binding on all member countries. The Postal Payment Services Agreement and its Regulations are binding only on the countries that are parties to the Agreement.

The UPU is based in Berne, Switzerland, and enjoys the privileges and immunities granted under the Convention on Privileges and Immunities of Specialized Agencies of the United Nations of 1 July 1948, as well as the Headquarters Agreement with the Swiss Federal Council. In particular, the UPU is exempt from most forms of direct and indirect taxes.

The UPU is governed by Congress, the Council of Administration and the Postal Operations Council, its constituent bodies established under the UPU Constitution.

Congress serves as the supreme body of the Union and consists of representatives of the member countries. It meets every four years and elects the Director General and Deputy Director General of the International Bureau, each for a four-year term during the period between two successive Congresses. Congress establishes maximum expenditure levels for the Union's budget and elects the members of the Council of Administration and Postal Operations Council.

The Council of Administration consists of 41 member countries elected during Congress. Traditionally, the other members of the CA elect a Chair from the host country of Congress. The members and the Chair serve for a term of four years between Congresses. The CA meets annually and approves the budget and accounts of the Union, and adopts the Financial Regulations, Staff Regulations and the regulations governing various funds administered by the Union.

The Postal Operations Council consists of 40 member countries elected during Congress, at least one third of which must be renewed during each election. The POC meets annually and is responsible for the operational, economic and commercial aspects of the postal business. It also makes recommendations to member countries regarding standards for technological, operational or other processes within its competence where uniform practices are essential.

In accordance with the Constitution, the UPU is funded by contributions from its member countries. It also receives voluntary contributions from member countries and other donors, and collects fees for products and services provided. The Union operates on the basis of an annual budget, which appropriates the expenditure authorizations approved by the CA. The approval of these appropriations provides the Director General with the authority to commit and authorize expenses, and to make payments for the purposes assigned, within the limits of the appropriations.

In its consolidated financial statements, the Union presents all the revenue and expenses associated with the strategic objectives of the organization, including those of a number of entities. These entities participate fully

in the organization's mission and also benefit from administrative support provided by the International Bureau. They are neither legal entities nor cooperative companies as defined under private law, and direct oversight is exercised by the UPU's bodies. These entities are fully consolidated in the UPU financial statements.

The entities controlled are as follows:

- The EMS Cooperative is a voluntary cooperative established by resolution of the POC (CEP 2/1998). It consists of members that are both importers and exporters of EMS items. The EMS Cooperative promotes cooperation among members with a view to providing high-quality and affordable EMS services worldwide. The members form the General Assembly, which meets annually and elects the EMS Cooperative Board, which meets four times per year. According to the EMS Cooperative Statutes, members pay an annual membership fee based on EMS traffic.
- The Telematics Cooperative is a voluntary cooperative established by the POC in line with Seoul Congress resolution C 27/1994 and confirmed by Beijing Congress resolution C 52/1999. The Cooperative consists of members that are public, semi-public or private postal operators whose countries are members of the Union. The Cooperative promotes cooperation among members with a view to developing and implementing common or compatible information systems and electronic communications. The members form the General Assembly, which meets annually and elects the Telematics Cooperative Management Board. Members pay an annual membership fee based on membership class, as established by the Statutes and Principles of Operation of the Telematics Cooperative. The Cooperative also collects charges for the services that it provides. All products, services and documents financed by the Cooperative, including intellectual property rights, become Union property.
- The Quality of Service Fund (QSF) is a trust established by Congress to help countries improve the quality of the universal postal service. The QSF is governed by a Deed of Trust adopted by the POC. The POC appoints the members of the QSF Board of Trustees to a three-year renewable term. The trustees approve QSF-financed projects and manage QSF investments. The QSF is financed from interest on investments, annual contributions paid by settlor countries, and voluntary contributions from settlor countries and governments. Funds are held on behalf of creditor countries, which may submit proposals for projects to improve the quality of the postal service. In the event of dissolution of the QSF, the balances, after repayment of settlor's assets, shall be paid into the UPU technical cooperation accounts for assignment to projects aimed at improving the quality of the international postal service.

## **Note 2 – Significant accounting policies**

### *Basis of preparation*

These financial statements have been prepared on an accrual and going concern basis, and the accounting policies have been applied consistently throughout the period. They are prepared in accordance with IPSAS.

### *Controlled entities*

The entities controlled by the UPU are fully consolidated from the date of obtaining control. The UPU controls an entity when it is exposed to, or has rights in respect of, variable profits stemming from its involvement in the entity, and when it is in a position to influence these profits by virtue of the power that it exercises over the entity.

### *Transactions eliminated during consolidation*

All transactions and balances, along with unrealized gains and losses internal to the UPU and the controlled entities, are eliminated during consolidation. Revenue, expenses, assets and liabilities thus show the net situation of all inter-entity activities.

### *Reclassifications*

Certain figures from the 2019 financial period have been reclassified to conform to the presentation adopted for the current period. In particular, PPS\*Clearing available assets and guarantees have been classified under advance receipts instead of deferred revenue in note 13. Reclassifications have also been made under notes 11 (Accounts payable and accrued expenses), 21 (Staff costs) and 27 (Segment reporting).

*Borrowing*

Borrowing includes an interest-free loan from the Swiss Confederation valued at its present value by using the effective interest method.

*Cash, investments and other financial assets*

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments which are readily convertible to cash and subject to insignificant risk of changes in market value. Investments (current) include short-term deposits with a maturity period of less than one year. Long-term (non-current) investments are primarily held by an investments manager and include bonds held in United States dollars.

*Employee benefits*

Provisions are established for the liabilities of the Provident Scheme and after-service health insurance (ASHI), both of which are considered defined benefit plans, as well as long-term separation benefits payable (repatriation grants, travel and shipping), as determined by an independent actuary on an annual basis using the projected unit cost method. In addition, provisions are established for the value of accumulated leave and overtime earned but unpaid at the reporting date.

*Expense recognition*

Expenses are recognized as goods received, travel taken and services delivered.

*Financial instruments*

A financial instrument is recognized when the Union agrees to the contractual conditions of the instrument, until the expiry of the right to receive the cash corresponding to this financial asset from another entity or of the obligation to provide cash to another entity to fulfil a financial commitment.

Investments are non-derivative financial assets deemed as held for trading and assessed at fair value through profit or loss, or as held to maturity and assessed at amortized cost. Cash and cash equivalents are short-term financial assets and are stated at their nominal value at the reporting date.

Unconditional receivables are non-derivative financial assets for which payment is fixed or determinable and which are not listed on an active market. They include set contributions and other amounts receivable in cash. Short-term receivables are stated at nominal value. Longer-term receivables covering overdue payments of member countries under sanction that have negotiated a repayment agreement are valued at amortized cost using the effective interest method.

Accounts payable and loans are non-derivative financial liabilities for which payments are fixed and payable in cash and which are not listed on an active market. Loans (borrowing) are stated at amortized cost using the effective interest method. As they are short-term liabilities, accounts payable are stated at nominal value.

*Foreign currency transactions*

The functional currency of the UPU, and the currency of reporting for these financial statements, is the Swiss franc. All transactions in other currencies have been converted into Swiss francs using the official UN exchange rates in effect on the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions, and from the conversion (on the reporting date) of liabilities and net assets denominated in currencies other than the Swiss franc, are recognized on the statement of financial performance.

The functional reporting currency for the QSF, international reply coupons (IRCs) and UPU\*Clearing is the United States dollar. Differences resulting from the conversion (from USD into CHF) of the balance sheet of these entities are recognized directly in the net assets.

Exchange rates used:

<i>1 CHF</i>	<i>USD</i>	<i>EUR</i>
31 December 2020	1.133	0.923
31 December 2019	1.026	0.919

#### *Fixed assets*

Equipment is valued at cost less accumulated depreciation and impairment. Gains and losses on disposal of an asset are determined by comparing the proceeds with the carrying amount and are included on the statement of financial performance.

Occupied buildings are valued at the cost of construction when new, plus the cost of subsequent improvements as determined by an independent expert at 1 January 2010, less accumulated depreciation. Values were determined by an independent external consultant, based on the values of each component at construction, plus improvements existing at the initial recognition date of 1 January 2010 and less accumulated depreciation based on the remaining useful life of each component. Subsequent costs of major renovations and improvements to fixed assets that increase or extend the future economic benefits or service potential are valued at cost.

Heritage assets, including donated works of art, are not valued in the financial statements.

Depreciation is charged so as to write off the full cost of fixed assets, other than land and properties under construction, over their estimated useful lives. This is performed on a straight-line basis as follows:

<i>Category</i>	<i>Estimated useful life (years)</i>	
Equipment	Computer equipment, including screens	4 or 5
	Printers	3 to 5
	Portable computers and servers	3
	Network switches	7
	Other equipment	10
	Office furnishings other than chairs	10
	Chairs	5
	Security and safety equipment	5
	Telephones and fax machines	5
	Central telecommunication equipment	7
	Mobile telephones	2
	Audiovisual equipment	5
	Motor vehicles	8
	Other equipment	5 to 10
Buildings	Structure	100
	Facade	50
	Roof	60
	Floors, walls and stairways	50
	Flooring, wall coverings	40
	Forecourt	40
	Trees and plants	20
	Kitchen equipment	40



<i>Category</i>		<i>Estimated useful life (years)</i>
Buildings (cont.)	Conference rooms	40
	Heating and ventilation	30
	Sanitary facilities	40
	Electrical installations	50
	Lifts	40

The rights to use property in the Canton of Berne, which were acquired without cost and revert to the Canton at the end of the grant, have not been valued in the accounts.

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the book value of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Changes in provisions for impairment are included on the statement of financial performance.

#### *Inventories*

Inventories include the postage stamps (valued at face value) held by the Union for operations, souvenirs held for sale (valued at cost or fair value, whichever is lower), and IRCs held in stock (valued at the cost of production). The inventory of completed publications is considered immaterial, and costs relating to the production of publications are put to account when incurred. The fuel used for heating the headquarters building is considered an administrative cost and is put to account when acquired.

#### *Intangible assets*

The Union capitalizes purchases of computer software from 5,000 CHF upwards. The costs of software and the services of consultants tasked with implementing systems are capitalized and amortized over a useful life of five years. The costs related to internal software development are recognized as expenses when incurred.

#### *Net assets*

Net assets include the unrestricted accumulated surplus and deficit of the Union, reserves established by the Union's governing body, accumulated fund balances of other entities forming part of the Union (IRC, Voluntary Fund and UPU\*Clearing), and accumulated fund balances of entities controlled by the Union which form part of the consolidated financial statements (Telematics Cooperative, EMS Cooperative and QSF). The accumulated fund balance of other entities and controlled entities is primarily dedicated to specific activities. Funds of the translation services do not form part of net assets and have not been consolidated into the financial statements.

#### *Provisions*

Provisions are recognized when the Union has a legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.

#### *Receivables*

Receivables are estimated using the amortized cost method. A valuation adjustment for non-recoverable receivables is established for all amounts two or more years past due (from the date of invoice). Interest of 5% is charged on any unpaid balance over three months past due.

#### *Revenue recognition*

Revenue from exchange transactions, such as the sale of services, is recognized at the time a service covered by a fee has been provided. Revenue from publications is recognized upon full delivery of the goods.

Revenue from non-exchange transactions, such as voluntary contributions to development activities, is recognized as revenue at the time an agreement with a donor becomes binding, unless the agreement contains conditions related to specific performance or the return of unexpended balances, in which case an offsetting

liability is recognized until the conditions have been met. If there is no binding agreement, revenue is recognized upon receipt of the funds.

Statutory contributions are recognized as revenue at the beginning of the financial period to which they relate. Revenue from contributions to cooperatives is recognized at the beginning of the year to which it relates.

### *Segment reporting*

Segment reporting is based upon the major programmes and entities that form part of or are administered by the Union, as follows:

- Union budget, including the Social Fund, Reserve Fund, Special Activities Fund and Building Maintenance Fund.
- Voluntary Fund and development cooperation, including all voluntary funds and funds for development and technical cooperation.
- IRC fund, established to record revenue from the sale of coupons and related expenses.
- Telematics Cooperative.
- EMS Cooperative.
- UPU\*Clearing.
- QSF.

Each segment includes assets, liabilities, revenue, expenses and net assets. The general administrative costs of the Union, including the occupancy of the headquarters building in Berne, are included in the Union segment. They are not allocated to other segments, as there is no available reasonable basis for reallocation of costs to other entities. In the consolidation, contributions made by the Union to the Telematics Cooperative and charges for services provided by the Telematics Cooperative to the Union are eliminated.

### *Use of estimates*

The financial statements necessarily include amounts based on estimates and management assumptions. Estimates include, but are not limited to, defined benefit medical insurance; Provident Scheme and other post-employment benefit obligations, the value of which is calculated by an independent actuary; amounts for litigation; financial risk on accounts receivable, and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected on the statement of financial performance for the period in which they become known.

### *IPSAS implementation*

All standards in force have been applied as of the date of the financial statements.

Furthermore, the IPSAS Board has published the following two new standards:

<i>IPSAS</i>	<i>Name</i>	<i>Date of entry into force</i>
IPSAS 41	Financial instruments	1 January 2023
IPSAS 42	Social benefits	1 January 2023

While IPSAS 42 should not affect the UPU accounts significantly, the adoption of IPSAS 41 will have an impact when it comes into effect in 2023, in particular with regard to valuation methods for investments and provisions for debts.

**Note 3 – Cash and cash equivalents (in CHF)**

	2020	2019
<i>Current assets</i>		
Petty cash	15,565	17,567
<i>Bank accounts</i>		
Credit Suisse	17,691,413	10,086,001
UBS	958,610	1,036,986
PostFinance	13,183,617	4,501,876
BPS	296,528	1,180,446
<i>Subtotal bank accounts</i>	<b>32,130,168</b>	<b>16,805,309</b>
<i>Sight deposits</i>		
Credit Suisse	26,929,321	24,638,241
PostFinance	1,000,559	1,000,559
<i>Subtotal sight deposits</i>	<b>27,929,880</b>	<b>25,638,800</b>
<b>Total cash</b>	<b>60,075,614</b>	<b>42,461,675</b>

Cash deposits are generally held in instant-access bank accounts and interest-bearing accounts (call account, cash deposit account). In 2020, the average rate of interest earned on bank accounts and investments held by the Union was 0.3031% (0.3933% in 2019).

The Union has no confirmed credit lines, but maintains limited and informal overdraft arrangements with the banks with which it has funds on deposit. These arrangements may be withdrawn by the banks at any time. No overdraft facilities were required in 2019 or 2020.

Based on agreements with donors, technical cooperation funds held on their behalf are deposited in the currency in which the expenditures will be reported (USD or CHF).

IRC and QSF funds are held primarily in US dollars (the reporting currency). UPU\*Clearing funds are held primarily in US dollars or euros, which are the currencies in which settlements are made through the system.

The total amounts held, broken down by currency, are as follows:

	<i>31 December 2020</i>	<i>Percentage</i>	<i>31 December 2019</i>	<i>Percentage</i>
CHF	18,082,780	30.1%	28,612,897	67.4%
USD	30,083,741	50.1%	10,526,781	24.8%
EUR	11,909,093	19.8%	3,321,998	7.8%
<b>Total</b>	<b>60,075,614</b>	<b>100.0%</b>	<b>42,461,676</b>	<b>100.0%</b>

At 31 December 2020, of the total amount of cash held, 8,104,035 CHF was unrestricted cash held by the Union. In 2019, that amount stood at 16,070,477 CHF. The balance represents cash held on behalf of other entities and controlled entities included in the consolidated financial statements. The exact amount of the cash held by each entity is shown on the statement of financial position by segment (following note 27).

The Union minimizes its credit risk by holding most of its funds in banks with high Fitch or S&P credit ratings. Balances at the reporting dates are as follows:

	AA+/AA-	A+	A
Balance at 31 December 2020	14,184,176	45,579,344	–
Balance at 31 December 2019	5,502,435	35,761,227	–
	BBB/BBB-	Not rated	Total
Balance at 31 December 2020	296,528	15,565	60,075,614
Balance at 31 December 2019	1,180,446	17,567	42,461,675

#### Note 4 – Accounts receivable, advances and prepayments (in CHF)

	31 December 2020	31 December 2019
<i>Current receivables – non-exchange transactions</i>		
Statutory contributions receivable	25,827,026	24,559,745
USPS contribution 2021 – Provident Scheme and postal security	8,000,000	–
Technical cooperation funds receivable	924,342	393,691
QSF funds receivable	13,346	954,359
EMS Cooperative contributions receivable	74,855	53,470
Telematics Cooperative contributions receivable	159,561	107,121
<i>Total receivables – non-exchange transactions</i>	<b>34,999,129</b>	<b>26,068,385</b>
<i>Current receivables – exchange transactions</i>		
Union receivables	36,030	113,304
PPS contributions receivable	48,000	–
UPU*Clearing receivables	16,856,839	21,516,312
Voluntary Fund receivables	413,361	538,470
IRC receivables	234,807	309,643
Telematics Cooperative receivables	2,043,567	2,778,791
<i>Total receivables – exchange transactions</i>	<b>19,632,603</b>	<b>25,256,520</b>
<b>Total current receivables</b>	<b>54,631,732</b>	<b>51,324,905</b>
<i>Non-current receivables – non-exchange transactions</i>		
Statutory contributions receivable	90,073	157,256
USPS contribution 2021 to 2024 – Provident Scheme and postal security	24,000,000	–
<b>Total receivables</b>	<b>78,721,805</b>	<b>51,482,161</b>

Statutory contributions represent the total amount assessed for financing the budget, as well as arrears from prior financial periods. The value of a contributory unit is fixed in Swiss francs in accordance with the yearly budget adopted by the CA. The amount receivable includes interest charged in accordance with the UPU's General Regulations.

Technical cooperation and voluntary funds receivable represent amounts based on invoices, signed agreements with donors or pledges considered firm in the light of prior experience with donors. Telematics Cooperative and EMS Cooperative receivables represent amounts due in connection with annual membership contributions and the sale of goods and services in accordance with the statutes of those bodies, as adopted by the POC.

Accounts receivable also include the funds to be received from USPS by virtue of the UPU Constitution, as approved by the Extraordinary Congress in Geneva in 2019.

In accordance with the specific agreement signed in 2020, USPS will pay 40 million CHF over five years, of which 16 million CHF will be paid into a tied fund for the implementation of projects relating to electronic advance data exchange and postal security, and 24 million will be used to cover liabilities relating to the UPU's Provident Scheme.

In 2020, USPS paid the first tranche of 8 million CHF, of which, in accordance with its instructions, 6,410,270 CHF was paid into the Provident Scheme and 1,589,730 CHF was paid into the tied fund (see note 20).

The UPU\*Clearing system acts as a payment intermediary. The amounts receivable have not been offset by the amounts payable to creditor countries, which are reflected as a liability (accounts payable).

The ageing analysis of receivables is presented below:

<i>Type of receivable (in CHF)</i>	<i>Until 31 December 2018 and countries under sanctions</i>	<i>Provision for unpaid and doubtful debts</i>	<i>Subtotal of unpaid and doubtful debts</i>	<i>2019/2020</i>	<i>Total accounts receivable (net)</i>
Union receivables	34,979,746	-34,979,746	–	25,953,128	25,953,128
Telematics Cooperative receivables	212,077	-212,077	–	2,203,127	2,203,127
EMS Cooperative receivables	7,889	-7,889	–	74,855	74,855
PPS receivables	–	–	–	48,000	48,000
Voluntary Fund receivables	157,759	-157,759	–	1,337,702	1,337,702
QSF receivables	–	-33,632	-33,632	46,978	13,346
UPU*Clearing receivables	–	–	–	16,856,839	16,856,839
IRC receivables	–	–	–	234,807	234,807
<b>Total</b>	<b>35,357,471</b>	<b>-35,391,103</b>	<b>-33,632</b>	<b>46,755,436</b>	<b>46,721,804</b>
USPS contribution 2021 to 2024 – Provident Scheme and postal security	–	–	–	–	32,000,000
<b>Total including contributions not yet due</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>78,721,805</b>

	<i>31 December 2019 (in CHF)</i>	<i>Increase</i>	<i>Decrease</i>	<i>Use</i>	<i>31 December 2020 (in CHF)</i>
<i>Provisions</i>					
<i>Non-exchange transactions</i>					
Statutory contributions	33,177,721	1,623,255	–	–	34,800,976
Voluntary Fund	14,000	18,881	–	–	32,881

	31 December 2019 (in CHF)	Increase	Decrease	Use	31 December 2020 (in CHF)
Telematics Cooperative	97,628	–	26,074	–	71,554
EMS Cooperative	6,382	1,507	–	–	7,889
QSF funds	30,251	3,381	–	–	33,632
<b>Subtotal non-exchange transactions</b>	<b>33,325,982</b>	<b>1,647,024</b>	<b>26,074</b>	<b>–</b>	<b>34,946,932</b>
<i>Exchange transactions</i>					
Union	164,681	14,089	–	–	178,770
Telematics Cooperative	195,994	–	55,470	–	140,524
Voluntary Fund	90,778	34,100	–	–	124,878
<b>Subtotal exchange transactions</b>	<b>451,453</b>	<b>48,189</b>	<b>55,470</b>	<b>–</b>	<b>444,172</b>
<b>Total provision</b>	<b>33,777,435</b>	<b>1,695,213</b>	<b>81,544</b>	<b>–</b>	<b>35,391,104</b>

#### Note 5 – Inventories (in CHF)

	31 December 2020	31 December 2019
<i>Inventories</i>		
Stock of postage stamps and UPU souvenirs	95,085	96,018
Stock of barcodes	18,876	16,432
Stock of IRCs	56,766	67,770
<b>Total inventories</b>	<b>170,727</b>	<b>180,220</b>

Postage stamps, taken at face value, represent on-hand stock utilized in operations. UPU souvenirs represent items held for resale valued at cost, impaired to reflect damage or out-of-date items. Barcodes are held in a separate fund, for resale to postal services for mailing label purposes. IRCs, which are valued at the cost of production, represent coupons held in stock at the reporting date. A perpetual inventory is maintained for all items, and physical counts are taken at least once per year to verify inventory balances. The value of barcodes and IRCs withdrawn from sale is written off during the year in which they become obsolete. The value of UPU souvenirs, if damaged or obsolete, is written down to reflect net realizable value. No inventories are pledged as security for liabilities.

#### Note 6 – Other current assets (in CHF)

	2020	2019
<i>Other current assets</i>		
Prepaid expenses and deferred charges	2,465,547	3,785,505
Staff advances	927,194	668,130
Other advances	320,225	669,184
Tax advances	799,954	447,034
<b>Total other current assets</b>	<b>4,512,920</b>	<b>5,569,853</b>
<i>Other non-current assets</i>		
Staff advances (Social Fund)	15,500	32,490
<b>Total other assets</b>	<b>4,528,420</b>	<b>5,602,343</b>

Other assets comprise various prepaid expenses and advances.

Staff advances represent the value of salary advances, Social Fund loans, education grants, and mission advances for regional project coordinators and other staff.

Other advances correspond to mission advances for consultants, advances for external consultants and interpreters, petty cash advances for regional project coordinators, the advance for the franking machine in the mailroom, as well as the service clearing account (SCA) with the United Nations Development Programme (UNDP).

Regarding the tax advances, the values include the withholding tax in Swiss francs and US dollars, VAT, stamp duty to be recovered, and US tax advances paid to staff pending receipt of reimbursement by the US government. The amount for tax advances is presented as a net value.

#### Note 7 – Investments (in CHF)

	2020	2019
<i>Current investments</i>		
Deposits and bonds under one year	56,465,725	50,229,628
<b>Subtotal</b>	<b>56,465,725</b>	<b>50,229,628</b>
<i>Non-current investments</i>		
Deposits and bonds over one year	41,868,243	66,683,128
<b>Total investments</b>	<b>98,333,968</b>	<b>116,912,756</b>

Funds are placed in deposits for periods ranging from four to 18 months. The portion of these investments maturing in 2021 is presented under current investments.

The Union invests funds not required for immediate use on behalf of the QSF. The funds are managed by an external fund manager, and are invested in bonds in US dollars. At the reporting date, the value of these bonds was 66,038,218 CHF, of which 24,169,975 CHF will mature in 2021.

These investments are broken down by entity on the statement of financial position following note 27.

All bonds are rated A- to AA+, based on the S&P ratings at 31 December 2020. Deposits held at Credit Suisse are rated A.

#### Note 8 – Equipment (in CHF)

	<i>IT equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost at 1 January 2019	4,153,709	1,993,346	6,147,055
Additions	488,146	59,945	548,091
Disposals	-80,668	–	-80,668
<b>Cost at 31 December 2019</b>	<b>4,561,187</b>	<b>2,053,291</b>	<b>6,614,478</b>
Exchange difference	–	1,257	1,257
Net	4,561,187	2,054,548	6,615,735
<b>Net at 31 December 2019</b>	<b>4,561,187</b>	<b>2,054,548</b>	<b>6,615,735</b>
Additions	47,525	81	47,607
Disposals	–	–	–

	<i>IT equipment</i>	<i>Other equipment</i>	<i>Total</i>
<b>Cost at 31 December 2020</b>	<b>4,608,712</b>	<b>2,054,629</b>	<b>6,663,342</b>
Exchange difference	–	-9,336	-9,336
Net	<b>4,608,712</b>	<b>2,045,293</b>	<b>6,654,006</b>
<b>Accumulated depreciation at 1 January 2019</b>	<b>2,721,397</b>	<b>1,321,117</b>	<b>4,042,514</b>
Depreciation 2019	653,354	184,777	838,131
Disposals	-85,289	–	-85,289
Loss on disposed equipment	4,621	–	4,621
<b>Accumulated depreciation at 31 December 2019</b>	<b>3,294,083</b>	<b>1,505,894</b>	<b>4,799,977</b>
Depreciation 2020	604,098	168,177	772,275
Disposals	–	–	–
Loss on disposed equipment	–	-9,336	-9,336
<b>Accumulated depreciation at 31 December 2020</b>	<b>3,898,181</b>	<b>1,664,735</b>	<b>5,562,916</b>
Net carrying value at 31 December 2019	1,267,105	548,653	1,815,758
<b>Net carrying value at 31 December 2020</b>	<b>710,532</b>	<b>380,557</b>	<b>1,091,089</b>

All equipment in the inventory is valued at acquisition cost less depreciation, based upon the straight-line methodology. Furniture and fixtures (except chairs) are depreciated over a useful life of 10 years. All other equipment, including chairs, is depreciated over a useful life of five years. Heritage assets, including donated works of art and stamp collections, are not recognized as assets on the statement of financial position.

#### Note 9 – Intangible assets (in CHF)

	<i>Intangible assets</i>	<i>Work in progress</i>	<i>Total</i>
Cost at 1 January 2019	1,311,612	–	1,311,612
Additions	124,061	434,040	558,102
Disposals	–	–	–
<b>Cost at 31 December 2019</b>	<b>1,435,673</b>	<b>434,040</b>	<b>1,869,714</b>
Transfers	434,040	-434,040	–
Additions	196,502	8,344	204,846
Disposals	–	–	–
<b>Cost at 31 December 2020</b>	<b>2,066,215</b>	<b>8,344</b>	<b>2,074,560</b>
Accumulated depreciation at 1 January 2019	807,975	–	807,975
Depreciation 2019	177,561	–	177,561
Accumulated depreciation at 31 December 2019	985,536	–	985,536
Depreciation 2020	237,064	–	237,064
Accumulated depreciation at 31 December 2020	1,222,600	–	1,222,600
Net carrying value at 31 December 2019	450,137	434,040	884,177
<b>Net carrying value at 31 December 2020</b>	<b>843,615</b>	<b>8,344</b>	<b>851,959</b>



The costs of contractor services and software acquisition are capitalized over a useful life of five years. The website went live in 2020 (work in progress in 2019 in the amount of 434,040 CHF). The work in progress for 2020, in the amount of 8,344 CHF, relates to investment in the project on the digitization of accounting documents.

#### Note 10 – Land and buildings (in CHF)

	<i>Building</i>	<i>Work in progress</i>	<i>Non-refundable grants</i>	<i>Total</i>
Cost at 1 January 2018	35,283,130	–	-993,403	34,289,727
Additions	4,267	–	–	4,267
Transfer	-56,833	–	–	-56,833
<b>Cost at 31 December 2018</b>	<b>35,230,564</b>	<b>–</b>	<b>-993,403</b>	<b>34,237,161</b>
Additions	–	–	–	–
Transfer	–	–	–	–
<b>Cost at 31 December 2019</b>	<b>35,230,564</b>	<b>–</b>	<b>-993,403</b>	<b>34,237,161</b>
Additions	–	–	–	–
Transfer	–	–	–	–
<b>Cost at 31 December 2020</b>	<b>35,230,564</b>	<b>–</b>	<b>-993,403</b>	<b>34,237,161</b>
Accumulated depreciation at 1 January 2018	9,139,575	–	-135,500	9,004,075
Depreciation 2018	1,251,999	–	-22,316	1,229,683
<b>Accumulated depreciation at 31 December 2018</b>	<b>10,391,574</b>	<b>–</b>	<b>-157,816</b>	<b>10,233,758</b>
Depreciation 2019	1,263,310	–	-22,316	1,240,993
<b>Accumulated depreciation at 31 December 2019</b>	<b>11,654,884</b>	<b>–</b>	<b>-180,132</b>	<b>11,474,751</b>
Depreciation 2020	909,703	–	-22,346	887,357
<b>Accumulated depreciation at 31 December 2020</b>	<b>12,564,587</b>	<b>–</b>	<b>-202,478</b>	<b>12,362,108</b>
Net carrying value at 31 December 2019	23,575,681	–	-813,271	22,762,410
<b>Net carrying value at 31 December 2020</b>	<b>22,665,978</b>	<b>–</b>	<b>-790,925</b>	<b>21,875,053</b>

The Union's headquarters building, constructed between 1968 and 1970, is located at Weltpoststrasse 4, Berne, Switzerland. Extensive renovations, including improvements to the facade and renovation of the conference block, were undertaken between 2010 and 2014.

An independent valuation of the building has been carried out by external consultants. This represents the building's estimated value when new (deemed cost of construction) and includes the estimated value of renovations and major repairs made since original occupancy, less accumulated depreciation up to 1 January 2010. The opening balance at 1 January 2011 includes depreciation up to the end of 2010, as determined by the independent valuation.

The building is located on land used according to rights donated by the City of Berne. The land use rights were acquired at no cost and expire on 1 April 2067. As the Union does not have the right to dispose of the land rights, which revert to the City of Berne unless renewed, no value has been recognized. In 1970, the City of Berne provided the Union with a non-refundable grant of 1 million CHF to assist in the construction of the

headquarters building. The grant has been amortized over the remaining useful life of 40 years, based on the useful life of each of the components of the building.

The non-refundable subsidies were paid by the City of Berne, the "Buildings Programme" and the Building Foundation for International Organizations.

#### Note 11 – Accounts payable and accrued expenses

Accounts payable comprise unsettled invoices received from suppliers, including the revaluation of invoices payable in currencies other than the Swiss franc (values in CHF).

	31 December 2020	31 December 2019
IRC creditors	26,382	18,382
UPU*Clearing creditors	16,872,619	21,505,602
QSF creditors	1,280,419	50,704
Embassy of Finland	4,200	6,300
Embassy of the Dominican Republic	2,100	2,100
Embassy of Belgium	7,667	5,367
UNHCR	13,333	8,000
<b>Total accrued expenses</b>	<b>18,206,720</b>	<b>21,596,455</b>
Accounts payable	1,507,392	3,468,379
<b>Total accounts payable and accrued expenses</b>	<b>19,714,112</b>	<b>25,064,834</b>

#### Note 12 – Employee benefits

Employee benefits comprise the following:

- Short-term employee benefits, including salary and other allowances, assignment grants, education grants for dependent children, paid annual leave, paid sick leave, and medical and accident insurance;
- Post-employment benefits, including separation benefits (repatriation grants, repatriation travel and shipment of personal effects), disability benefits, survivor's insurance, supplementary benefits for elected officials and death benefits;
- Benefits under defined benefit plans, including the Provident Scheme and after-service health insurance (ASHI);
- Termination benefits, including an indemnity payable to staff members holding permanent or fixed-term contracts whose appointment is terminated by the Union prior to the end of their contract.

With effect from 1 January 2011, the Union recognizes liability for employee benefits on its financial statements, as follows (in CHF):

	31 December 2020	31 December 2019
<i>Current liabilities</i>		
Annual leave	3,037,320	2,206,345
Overtime	104,140	86,981
<b>Subtotal current liabilities</b>	<b>3,141,460</b>	<b>2,293,326</b>
<i>Non-current liabilities</i>		
Repatriation – removal and travel	972,168	894,612
Repatriation grant	1,608,754	1,572,956
After-service health insurance	52,601,612	50,935,280

	31 December 2020	31 December 2019
Death benefits	80,885	82,138
<i>Subtotal</i>	<i>55,263,419</i>	<i>53,484,986</i>
Provident Scheme and pension fund	223,415,882	223,437,567
Elected official complementary allowance	1,042,542	1,127,618
Cost-of-living allowance	502,689	770,088
Surviving spouse insurance	–	–
<i>Subtotal Provident Scheme</i>	<i>224,961,113</i>	<i>225,335,273</i>
<b>Subtotal non-current liabilities</b>	<b>280,224,532</b>	<b>278,820,259</b>
<b>Total employee benefits</b>	<b>283,365,992</b>	<b>281,113,585</b>

Defined benefit plans: the Union operates two defined benefit plans providing pension and ASHI benefits, as follows:

- Provident Scheme:
  - The Provident Scheme of the UPU provides retirement, death, disability and related benefits for the staff of the UPU International Bureau and the staff of the translation services (who are employed on the same basis as other IB staff). The Scheme is organized as a foundation within the meaning of articles 80 et seq. of the Swiss Civil Code, and comes under the supervision of the Berne Supervisory Authority for Foundations and Provident Institutions. It is audited by the External Auditor appointed by the Government of the Swiss Confederation. The Scheme's administration costs incurred by the IB Secretariat are borne by the Union. The costs of remunerating the actuary and investing funds in connection with the Scheme are borne by the Scheme itself.
  - The Provident Scheme consists of a Provident Fund and a Pension Fund, administered separately by a Management Board consisting of the Chair of the CA, the Director General of the International Bureau, and a staff member designated by the active participants. The Pension Fund is a closed fund providing benefits to those persons who were members of the Provident Scheme at 31 December 1963. All other staff and retirees are covered by the Provident Fund.
  - Both staff members and the UPU make contributions. The contributions of staff members vary according to the period of contributory service. The UPU contribution is double that of the participant. The UPU is responsible for any unfunded liability.
- After-service health insurance:
  - The Union has a contractual obligation to provide after-service medical benefits to its staff members in the form of insurance premiums for the medical and accident insurance plan. The present value of the defined benefit obligations for this insurance is determined using the projected unit cost method, including discounting the estimated future cash outflows using a discount rate based upon both high-grade corporate bonds in Swiss francs and Swiss Government bonds. The plan is unfunded and no assets are held in a long-term employee benefits fund.
  - Retired staff members and their spouses, dependent children and survivors are eligible for ASHI coverage after separation from service. In accordance with the Union's Staff Regulations and Rules, a share of 50% of the monthly medical insurance premium, including coverage for spouses and dependent children, is paid by the Union.
- Actuarial valuations are prepared annually for the Provident Scheme and ASHI using the projected unit cost method.
- The discount rate used is 0.15%, based on the recommendation of the Swiss Chamber of Pension Fund Experts in relation to the duration of the portfolio. A rate of 0.15% is considered appropriate, given the recommended range for a duration of between 15 and 20 years.
- The expected rate of return on assets is 0.15%, in accordance with IPSAS 39. In this regard, it should be noted that IPSAS 39 no longer allows discrepancies between the expected return and the discount rate when determining pension costs. This explains why, henceforth, the expected returns and the proposed discount rate will be equal.

- Plan assets were invested in the following classes at 31 December 2020:
  - Liquid assets: 2.43%.
  - Bonds in Swiss francs: 16.22%.
  - Bonds in foreign currencies: 10.32%.
  - Shares in Swiss francs: 23.53%.
  - Shares in foreign currencies: 23.78%.
  - Real estate: 23.06%.
  - Loans: 0.65%.
- Employer contributions totalled 17,400,000 CHF in 2020. This includes a payment of 3,723,500 CHF in Union guarantees and the first payment from USPS in the amount of 6,410,270 million CHF (see note 4). The amount of contributions for 2021 is forecast to be around 15,500,000 CHF, which includes guarantees worth 3,723,500 CHF and an additional sum from USPS that is still to be finalized.
- The total liabilities for benefits covered by the two schemes, excluding the liabilities attributable to the translation services, are as follows:

	<i>31 December 2020</i> <i>Provident Scheme</i>	<i>31 December 2020</i> <i>After-service health insurance</i>
Discount rate	0.15%	0.15%
Expected return on plan assets	0.15%	–
Future salary increases	2.00%	–
Future pension increases	–	–
Medical costs inflation	–	3.45%
Probability of outflow	LPP 2020	LPP 2020
Mortality and invalidity	VZ 2015	VZ 2015
Expected average remaining working lives (in years)	18.32	22.58
Present value of obligation at 1 January 2020	476,932,301	50,935,280
Interest costs	1,171,135	126,082
Current service costs	14,978,181	2,438,984
Benefits paid (net of redemptions)	-10,223,063	-1,028,419
Actuarial loss (gain) on obligation	4,790,272	129,685
<b>Value of obligation at 31 December 2020</b>	<b>487,648,826</b>	<b>52,601,612</b>
Fair value of plan assets at 1 January 2020	251,597,028	–
Expected return on plan assets	621,766	–
Employer contributions	16,715,245	–
Employee contributions	3,264,739	–
Benefits paid	-13,487,802	–
Actuarial gains (losses) on plan assets	3,976,737	–
<b>Fair value of plan assets at 31 December 2020</b>	<b>262,687,713</b>	<b>–</b>
<i>Amounts recognized on the statement of financial position</i>		
Present value of obligations at 31 December 2020	487,648,826	52,601,612
Fair value of plan assets at 31 December 2020	-262,687,713	–

	31 December 2020 Provident Scheme	31 December 2020 After-service health insurance
<b>Liability recognized on the statement of financial position</b>	<b>224,961,113</b>	<b>52,601,612</b>
<i>Amounts recognized on the statement of financial performance</i>		
Interest costs	1,171,135	126,082
Current service costs	14,978,181	2,438,984
Expected return on plan assets	-621,766	–
<b>Amount recognized on the statement of financial performance</b>	<b>15,527,550</b>	<b>2,565,066</b>
<i>Amounts recognized in net assets</i>		
Actuarial gain (loss) on changes in demographic assumptions	6,767,563	686,113
Actuarial gain (loss) on changes in financial assumptions	-8,539,474	494,086
Actuarial gain (loss) on experience	-3,018,361	-1,309,884
Actuarial gain (loss) on plan assets	3,976,737	–
<b>Amount recognized in net assets</b>	<b>-813,535</b>	<b>-129,685</b>

	31 December 2019 Provident Scheme	31 December 2019 After-service health insurance
Discount rate	0.25%	0.25%
Expected return on plan assets	0.25%	–
Future salary increases	2.00%	–
Future pension increases	–	–
Medical costs inflation	–	3.60%
Probability of outflow	LPP 2015	LPP 2015
Mortality and invalidity	VZ 2015	VZ 2015
Expected average remaining working lives (in years)	18.46	22.88
Present value of obligation at 1 January 2019	420,478,046	35,386,434
Interest costs	3,507,603	297,040
Current service costs	12,470,760	1,528,749
Benefits paid (net of redemptions)	-10,657,452	-997,496
Actuarial loss (gain) on obligation	51,133,344	14,720,553
<b>Value of obligation at 31 December 2019</b>	<b>476,932,301</b>	<b>50,935,280</b>
Fair value of plan assets at 1 January 2019	215,780,032	–
Expected return on plan assets	1,815,268	–
Employer contributions	10,648,811	–
Employee contributions	3,224,673	–
Benefits paid	-13,882,125	–
Actuarial gain (loss) on plan assets	34,010,369	–

	31 December 2019 Provident Scheme	31 December 2019 After-service health insurance
<b>Fair value of plan assets at 31 December 2019</b>	<b>251,597,028</b>	–
<i>Amounts recognized on the statement of financial position</i>		
Present value of obligations at 31 December 2019	476,932,301	50,935,280
Fair value of plan assets at 31 December 2019	251,597,028	–
<b>Liability recognized on the statement of financial position</b>	<b>225,335,273</b>	<b>50,935,280</b>
<i>Amounts recognized on the statement of financial performance</i>		
Interest costs	3,507,603	297,040
Current service costs	12,470,760	1,528,749
Expected return on plan assets	-1,815,268	–
<b>Amount recognized on the statement of financial performance</b>	<b>14,163,095</b>	<b>1,825,789</b>
<i>Amounts recognized in net assets</i>		
Actuarial gain (loss) on changes in financial assumptions	-48,505,134	-9,244,918
Actuarial gain (loss) on experience	-2,628,210	-5,475,635
Actuarial gain (loss) on plan assets	34,010,369	–
<b>Amount recognized in net assets</b>	<b>-17,122,975</b>	<b>-14,720,553</b>

In accordance with IPSAS 39, paragraph 147 (a), we measured the sensitivity of the present value of obligations and pension liabilities across a number of factors selected for their notable impact. In this case, we chose to measure the impact of a variation in the following:

- Discount rate;
- Future salary increase (on pension scheme only);
- Indexation of benefits (on pension scheme only);
- Longevity;
- Increase in health insurance premiums (on participation in the health insurance premiums only).

The sensitivity of benefit obligations and pension liabilities is as follows:

<i>Sensitivity of Provident Scheme benefit obligations for 2020</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31 December 2020</i>	<i>Impact in %</i>	<i>Service costs expected for 2021</i>	<i>Impact in %</i>
Baseline	–	–	487,648,826		17,461,269	
Discount rate	0.15%	-0.50%	534,219,343	9.55%	19,808,262	13.44%
		+0.50%	447,243,895	-8.29%	15,480,706	-11.34%
Salary growth rate	2.00%	-0.50%	477,892,327	-2.00%	16,611,321	-4.87%
		+0.50%	498,284,458	2.18%	18,387,048	5.30%

<i>Sensitivity of Provident Scheme benefit obligations for 2020</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31 December 2020</i>	<i>Impact in %</i>	<i>Service costs expected for 2021</i>	<i>Impact in %</i>
Pension adjustment	0.00%	+0.50%	521,236,107	6.89%	18,707,144	7.14%
Longevity	VZ2015 Gen	+1 year life expectancy	503,500,837	3.25%	17,914,503	2.60%

<i>Sensitivity of Provident Scheme benefit obligations for 2019</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31 December 2019</i>	<i>Impact in %</i>	<i>Service costs expected for 2020</i>	<i>Impact in %</i>
Baseline	–	–	476,932,302		18,242,920	
Discount rate	0.25%	-0.50%	523,006,290	9.66%	20,753,128	13.76%
		+0.50%	436,984,693	-8.38%	16,129,925	-11.58%
Salary growth rate	2.00%	-0.50%	467,363,406	-2.01%	17,351,012	-4.89%
		+0.50%	487,366,855	2.19%	19,242,382	5.48%
Pension adjustment	0.00%	+0.50%	509,932,589	6.92%	19,558,978	7.21%
Longevity	VZ2015 Gen	+1 year life expectancy	492,483,574	3.26%	18,722,759	2.63%

There is a high level of sensitivity to the discount rate, as well as to assumed pension adjustment.

The sensitivity of the obligation to participate in the health insurance premium is as follows:

<i>Sensitivity of obligation to participate in health insurance premiums in 2020</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31 December 2020</i>	<i>Impact in %</i>	<i>Service costs expected for 2021</i>	<i>Impact in %</i>
Baseline	–	–	52,601,612		2,263,485	
Discount rate	0.15%	-0.50%	58,904,665	11.98%	2,657,453	17.41%
		+0.50%	47,233,506	-10.21%	1,938,220	-14.37%
Future inflation of medical costs	3.45%	-1.00%	43,012,882	-18.23%	1,686,657	-25.48%
		+1.00%	65,406,646	24.34%	3,080,742	36.11%
Longevity	VZ2015 Gen	+1 year life expectancy	55,394,092	5.31%	2,375,719	4.96%

<i>Sensitivity of obligation to participate in health insurance premiums in 2019</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31 December 2019</i>	<i>Impact in %</i>	<i>Service costs expected for 2020</i>	<i>Impact in %</i>
Baseline	–	–	50,935,280	–	2,438,984	–
Discount rate	0.25%	-0.50%	57,153,123	12.21%	2,867,945	17.59%
		+0.50%	45,652,095	-10.37%	2,085,704	-14.48%
Future inflation of medical costs	3.60%	-1.00%	41,507,784	-18.51%	1,813,277	-25.65%
		+1.00%	63,580,352	24.83%	3,329,639	36.52%
Longevity	VZ2015 Gen	+1 year life expectancy	53,642,341	5.31%	2,560,942	5.00%

We can see that the impact of a one-point variation in the assumed inflation rate of medical costs is equivalent to roughly 20% of the present value of the obligation in relation to the contribution to health insurance premiums.

With the adoption of IPSAS 39 in 2018, the Union recognizes actuarial gains and losses related to the Provident Scheme and after-service health insurance directly in a separate section of its net assets. The accumulated amount at 31 December 2020 was 143,588,438 CHF (compared with 144,531,458 CHF at 31 December 2019).

#### **Actuarial (gains) losses in net assets**

<i>After-service health insurance</i>	2020	2019
Actuarial (gains) losses		
– on changes in financial assumptions	494,086	9,244,918
– on changes in demographic assumptions	686,113	–
– on experience	-1,309,884	5,475,635
Amount recognized in net assets	-129,685	14,720,553
<b>Accumulated amount of actuarial (gains) losses in net assets</b>	<b>2,965,787</b>	<b>3,095,472</b>

<i>Provident Scheme</i>	2020	2019
Actuarial (gains) losses		
– on changes in financial assumptions	-8,539,474	48,505,134
– on changes in demographic assumptions	6,767,563	–
– on experience	-3,018,361	2,628,210
(Gain) loss on plan assets	3,976,737	-34,010,369
Amount recognized in net assets	-813,535	17,122,275
<b>Accumulated amount of actuarial (gains) losses in net assets</b>	<b>140,622,451</b>	<b>141,435,986</b>
<b>Total accumulated amount (health insurance and Provident Scheme) in net assets</b>	<b>143,588,238</b>	<b>144,531,458</b>

The organization has a contractual obligation to provide a number of post-employment benefits, including:

- Repatriation grants, repatriation travel and shipment of personal effects for internationally recruited staff members at the time of their separation from service;
- Death benefits providing supplemental allowances to staff members;



- Supplemental retirement benefits for elected officials (a guaranteed minimum level of retirement benefit for the Director General and Deputy Director General);
- Cost-of-living allowance.

On the basis of an actuarial valuation carried out by an independent actuary, these obligations at the reporting date were estimated as follows (in CHF):

	31 December 2020	31 December 2019
Repatriation – removal and travel	972,168	894,612
Repatriation grant	1,608,754	1,572,956
Death benefits	80,885	82,138
Elected official complementary allowance	1,042,542	1,127,618
Cost-of-living allowance	502,689	770,088
<b>Total post-employment benefits</b>	<b>4,207,038</b>	<b>4,447,412</b>

The organization has recognized liabilities for the following short-term benefits, the value of which is based upon the amount payable to each staff member at the reporting date:

- Annual leave: staff members are eligible for 30, and may accumulate up to 60, days of annual leave, of which 30 are payable on separation from service;
- Overtime: staff members are eligible to be paid in cash for overtime accrued after the expiry of a period established in the Staff Regulations and Rules.

	31 December 2020	31 December 2019
Annual leave	3,037,320	2,206,345
Overtime	104,140	86,981
<b>Total post-employment benefits</b>	<b>3,141,460</b>	<b>2,293,326</b>

#### Note 13 – Deferred revenue and advance receipts (in CHF)

	31 December 2020	31 December 2019
Available assets	5,364,279	5,202,034
PPS*Clearing available assets and guarantees	7,043,075	394,642
UPU*Clearing available assets	2,964,157	2,550,722
UPU*Clearing contributions invoiced in advance	238,449	251,833
IRC sales	1,665,773	1,693,117
QSF available assets	69,070,471	74,179,873
<b>Subtotal advance receipts</b>	<b>86,346,204</b>	<b>84,272,221</b>
Statutory contributions invoiced in advance	37,946,200	37,935,800
USPS contribution 2021 to 2024 – Provident Scheme and postal security	32,000,000	
Multi-year integrated projects (MIPs) financed by countries	13,839	64,602
Telematics Cooperative deferred revenue for special projects	93,377	169,021
Voluntary contributions billed in advance (Voluntary Funds)	446,500	412,500
Voluntary Fund (conditional)	8,705,523	6,065,121

	31 December 2020	31 December 2019
Funds on deposit	102,319	126,335
QSF projects in progress	25,776,123	33,888,377
<b>Subtotal deferred revenue</b>	<b>105,083,881</b>	<b>78,661,756</b>
<b>Total deferred revenue and advance receipts</b>	<b>191,430,085</b>	<b>162,933,977</b>

The Union collects statutory contributions covering future financial periods which are recognized at the commencement of the financial period covered by the assessment. In addition, conditional voluntary contributions toward development support (non-exchange transactions) are recognized as revenue when the services covered by the voluntary contribution are performed. All amounts shown represent fair value.

The contribution from USPS is shown as deferred revenue and is due to be received over the next four years.

The UPU receives voluntary contributions subject to certain conditions. Funds received from third parties are used to support the implementation of various projects. These funds are recognized as revenue as and when expenses are incurred. At the end of the period, unused funds are recognized in deferred revenue as conditional voluntary funds.

IRCs are sold to post offices for resale to individual customers. Unused coupons may be returned by the post offices to the UPU.

Available assets within the framework of the PPS\*Clearing system have increased significantly, as countries have allocated larger sums in order to avoid any payment delays that might compromise the smooth operation of the system.

UPU\*Clearing creditors (available assets and assets in transit) represent the total available assets of certain countries that have deposited a sum of money as a security for payment and accrued liabilities for the year.

The QSF holds amounts on behalf of member countries for use in improving the quality of their postal services. The use of such funds is based upon individual projects approved by the Fund's Board of Trustees. Member countries may receive advances to cover up to 80% of the costs of approved projects, and are paid the balance upon acceptance by the Board of Trustees of the final project report. The status of funds held on behalf of creditor member countries at the reporting date is as follows (in CHF):

QSF funds held for projects in progress	31 December 2020	31 December 2019
Capital, projects in progress	54,101,617	58,659,195
Capital advances to projects	-28,325,494	-24,770,817
<b>QSF projects in progress</b>	<b>25,776,123</b>	<b>33,888,378</b>

#### Note 14 – Borrowing

The Union borrowed funds from the Swiss Confederation to build its headquarters building in Berne during the 1968–1970 period. The loan was originally subject to interest payments; however, in 1996, the Swiss Federal Department of External Affairs agreed to waive any further interest payments. The loan was repaid in full in 2020.

	31 December 2020	31 December 2019
Current liabilities	–	375,760
Non-current liabilities (due in 2 to 5 years)	–	–
Non-current liabilities (due in over 5 years)	–	–
<b>Total borrowing stated at nominal value</b>	<b>–</b>	<b>375,760</b>
Less the interest not due within the next year	–	–
<b>Net value on the statement of financial position</b>	<b>–</b>	<b>375,760</b>

**Note 15 – Provisions**

The Union has established the following provisions related to outstanding obligations (in CHF):

Provision for litigation at 1 January 2019	452,000
Increase	–
Decrease	-200,000
Use	-102,000
Provision for litigation at 31 December 2019	150,000
Increase	75,000
Decrease	-150,000
Use	–
Provision for litigation at 31 December 2020	75,000

The Union is subject to litigation as part of its normal activities. Events prior to 31 December 2020 have created certain legal obligations at the reporting date. As it is probable that these obligations will require future settlement, and since the settlement amounts can be reliably estimated, a provision for legal costs has been established. In 2020, rulings were made on two cases without a financial impact for the UPU, and two new cases were opened. On the basis of the information available, the amount of the provision was therefore reviewed and set at 75,000 CHF.

**Note 16 – Funds held in trust for translation services**

Current accounts for the translation services are not considered as financial instruments as they generate no cash inflow or outflow.

The Union has a relationship with three language groups (Arabic, English and Portuguese) which provide translation services for UPU member countries belonging to each group. Each group has a management committee elected by its members, adopts its own regulations, approves its own budget, appoints its own staff and establishes its own internal rules. Each group is responsible for financing its operations through annual contributions paid by members. The funds of each language group belong to the members of the group.

The Union provides accounting services for each group, including the collection of revenue, payment of expenses, and reporting. The finances of each group are audited by the External Auditor of the Union. The Union provides administrative support services to the staff of each language group free of charge. The staff members of each language group participate in the Provident Scheme and receive any other Union staff entitlements as the group's management committee may decide. Each language group is solely responsible for liabilities arising from the participation of the language group's staff in Union entitlements.

Funds held on behalf of each language group, representing the excess revenue collected over expenses paid, are considered liabilities of the Union. The amounts held are calculated on a cash basis and do not include assets (accounts receivable) or liabilities (long-term employee entitlements). The amount held for each language group is shown below (in CHF):

	<i>31 December 2020</i>	<i>31 December 2019</i>
Arabic (STAR)	4,322,039	4,750,019
English (STAN)	2,316,690	2,162,417
Portuguese (STPO)	522,786	578,054
<b>Total</b>	<b>7,161,514</b>	<b>7,490,490</b>

The revenue, expenses, assets, liabilities and net assets of the translation services are not consolidated into the accounts of the Union. Each of the translation services produces its own financial statement.

**Note 17 – Accumulated fund balances and reserves**

The accumulated fund balance represents the accumulated net result of operations in 2020 and prior periods for the Union, including UPU\*Clearing, the Voluntary Fund and IRCs, and each of the controlled entities – the EMS Cooperative, Telematics Cooperative and QSF.

The Union also has certain reserves established under its Financial Regulations. The Social Fund is established for the purpose of providing assistance to staff and their dependants, and the Special Activities Fund is used to sponsor special activities.

The total reserves and accumulated fund balances at the reporting date are shown below (in CHF):

<i>Accumulated surplus (deficit)</i>	<i>31 December 2020 Closing balance</i>	<i>31 December 2019 Closing balance</i>
Union	-221,018,231	-221,517,207
Voluntary Fund (non-conditional)	22,239	126,520
<b>Subtotal Union funds</b>	<b>-220,995,992</b>	<b>-221,390,687</b>
UPU*Clearing	-675,355	-512,504
IRC	-1,996,020	-1,522,805
Technical Cooperation Special Fund	792,181	702,252
Reserve article 17	1,800,586	1,079,671
Voluntary Fund	2,870,558	3,403,867
<b>Subtotal other funds</b>	<b>2,791,950</b>	<b>3,150,481</b>
EMS	-3,650,713	-3,641,462
Telematics Cooperative	-21,179,698	-18,593,149
QSF	3,158,423	1,425,139
<b>Subtotal controlled entities</b>	<b>-21,671,988</b>	<b>-20,809,472</b>
<b>Total accumulated surplus (deficit)</b>	<b>-239,876,030</b>	<b>-239,049,678</b>
Social Fund	2,756,011	3,000,584
Reserve for building	500,000	500,000
Special Activities Fund	521,951	521,951
<b>Total reserves</b>	<b>3,777,962</b>	<b>4,022,535</b>
<b>Total net assets</b>	<b>-236,098,068</b>	<b>-235,027,143</b>

The Union's capital consists of accumulated surplus and reserves which form its net assets. The capital is managed in accordance with the Financial Regulations of the Union.

**Note 18 – Related party transactions**

The Union is governed by Congress, composed of representatives of all the member countries, and by the CA and POC, composed of representatives of member countries elected by Congress. The representatives receive no remuneration from the Union.

The Union is managed by two elected officials – the Director General and Deputy Director General – and by senior officials (directors) appointed by the Director General. Directors are considered key management staff and are all remunerated by the Union. The aggregate remuneration paid to key management staff includes salaries, allowances, official travel, Provident Scheme contributions, medical and accident insurance, education grants, home leave and other entitlements paid in accordance with the Staff Regulations and Rules applicable to all staff. In addition, the Director General and Deputy Director General receive representation allowances.

All key management staff are members of the Provident Scheme, to which the staff and the Union contribute, and they may also participate in the staff health insurance scheme (including after-service health insurance) if they meet the eligibility requirements.

The Union has no ownership interest in associations or joint ventures. The Union has several controlled entities, and its relationship to each one is explained in note 1. The Union is also the sponsoring entity of the Provident Scheme, the relationship to which is explained in note 12.

The aggregate remuneration of key management staff is shown below (in CHF):

2020	No. of individuals (full-time equivalent)	Salaries	Other allowances	Pension and health insurance	Recruitment allowances	Separation from service allowances	Total
Elected officials	2	582,136	86,462	157,488	–	–	826,086
Directors	8	1,545,814	162,111	489,292	–	–	2,197,217
<b>Total</b>	<b>10</b>	<b>2,127,950</b>	<b>248,574</b>	<b>646,780</b>	<b>–</b>	<b>–</b>	<b>3,023,303</b>

2019	No. of individuals (full-time equivalent)	Salaries	Other allocations	Pension and health insurance	Recruitment allowances	Separation from service allowances	Total
Elected officials	2.0	603,529	122,510	157,584	–	–	883,623
Directors	7.9	1,549,381	136,174	464,804	-573	99,447	2,249,233
<b>Total</b>	<b>9.9</b>	<b>2,152,910</b>	<b>258,684</b>	<b>622,388</b>	<b>-573</b>	<b>99,447</b>	<b>3,132,857</b>

Key management staff and their close family members received no loans from the Union during the periods under review. Key management staff and their close family members received no other remuneration or compensation.

#### **Note 19 – Reconciliation of statement of comparison of budget and actual amounts (statement V) and statement of financial performance (statement II)**

The UPU budget and the comparison of budget and actual amounts (statement V) are prepared on a modified accrual basis, while the statement of financial position, the statement of financial performance, the statement of changes in net assets and the statement of cash flow are prepared on a full accrual basis.

As required by IPSAS 24, where the financial statements and the budget are not prepared on a comparable basis, the actual amounts presented in relation to the budget shall be reconciled to the actual surplus (deficit) amounts presented on the statement of financial performance (statement II), identifying separately any basis, timing and entity differences. The UPU's budget is adopted by the CA on an annual basis, meaning that there are no timing differences to report.

The basis differences comprise elements not included in the budget, namely, financial costs and variation in commitments regarding staff.

Financial costs include the following elements:

- Exchange losses;
- Bank charges;
- Interest;
- Variations in financial provisions.

Entity differences represent the QSF project expenses which are not included in the budget approved by the CA.

<i>2020</i>	<i>Operating</i>	<i>Investments</i>	<i>Funding</i>	<i>Total (CHF)</i>
Total net expenses on basis comparable to adjusted budget	-55,000,569	–	0	-55,000,569
Financial costs not included in budget	-1,734,151	–	-3,685,043	-5,419,194
Adjustment of long-term employee benefits	-13,342,249	–		-13,342,249
Total basis differences	-15,076,400	–	-3,685,043	-18,761,443
QSF project expenses	-10,650,716	–		-10,650,716
Total entity differences	-10,650,716	–	0	-10,650,716
<b>Actual expenses on the statement of financial performance</b>	<b>-80,727,686</b>	–	<b>-3,685,043</b>	<b>-84,412,728</b>
Total revenue on the statement of financial performance	82,748,066	–		82,748,066
<b>Actual net result on the statement of financial performance</b>	<b>2,020,380</b>	–	<b>-3,685,043</b>	<b>-1,664,662</b>

<i>2019</i>	<i>Operating</i>	<i>Investments</i>	<i>Funding</i>	<i>Total (CHF)</i>
Total net expenses on basis comparable to adjusted budget	-59,441,258	–	–	-59,441,258
Financial costs not included in budget	-1,036,352	–	-1,360,799	-2,397,150
Adjustment of long-term employee benefits	-8,605,336	–	–	-8,605,336
Total basis differences	-9,641,688	–	-1,360,799	-11,002,487
QSF project expenses	-9,138,101	–	–	-9,138,101
Total entity differences	-9,138,101	–	–	-9,138,101
<b>Actual expenses on the statement of financial performance</b>	<b>-78,221,047</b>	–	<b>-1,360,799</b>	<b>-79,581,846</b>
Total revenue on the statement of financial performance	74,586,151	–	–	74,586,151
<b>Actual net result on the statement of financial performance</b>	<b>-3,634,896</b>	–	<b>-1,360,799</b>	<b>-4,995,694</b>

## Note 20 – Revenue

Statutory contributions comprise the contributions paid by Union member countries to finance the Union's budget for the current period, including charges related to French translation services.

<i>Statutory contributions from member countries (in CHF)</i>	<i>2020</i>	<i>2019</i>
Contributions to the expenses of the Union	37,779,800	36,126,580
Contributions to the costs of French translation	156,000	156,000
Contributions to the Consultative Committee	42,000	45,000
<b>Total</b>	<b>37,977,800</b>	<b>36,327,580</b>

Other annual contributions include amounts paid annually by members of the Telematics Cooperative, EMS Cooperative and UPU\*Clearing.

<i>Other annual contributions</i>	2020	2019
Contributions to the PTC	1,095,000	1,057,500
Contributions to EMS	3,386,863	3,319,041
Contributions to UPU*Clearing	252,958	256,493
<b>Total</b>	<b>4,734,821</b>	<b>4,633,034</b>

Voluntary contributions include donor contributions to the Voluntary Fund; contributions toward the financing of technical cooperation projects; and contributions for multi-year integrated projects, regional project coordinators and Special Fund programmes. The contribution from USPS in 2020 was 8 million CHF, of which 6,410,270 CHF was paid into the Provident Scheme and 1,589,730 CHF into a tied fund.

<i>Voluntary contributions (in CHF)</i>	2020	2019
QSF contributions	12,743,414	9,401,537
Untied voluntary contributions	144,234	171,444
Tied contributions	4,040,660	3,772,619
USPS contribution to the Provident Scheme	6,410,270	–
Other financial contributions	22,396	37,316
<b>Total</b>	<b>23,360,974</b>	<b>13,382,916</b>

Sales include revenue related to various products and services, IRCs, services provided by the Telematics Cooperative and room rentals in the headquarters building.

<i>Sales (in CHF)</i>	2020	2019
POST*CODE, WNS, barcodes	1,225,276	1,374,686
Rebilling of IRC costs	16,165	109,541
Sales, missions, maintenance for IFS/IPS, etc.	9,608,292	10,923,670
Rent	472,209	543,908
Other sales	48,789	213,462
<b>Total</b>	<b>11,370,731</b>	<b>13,165,267</b>

Financial revenue includes the following:

- Interest on deposits and accounts, including all interest earned on investments held by the Union, the Voluntary Fund, QSF and other funds administered by the Union, and on investments in bonds held by the QSF;
- Billed interest on overdue contributions;
- Gains on investments, including realized gains from the sale or maturity of bonds and unrealized gains from the marking to market (at the reporting date) of investments held by the QSF; dividends, including amounts earned on equity investments held by the QSF.

<i>Financial revenue (in CHF)</i>	2020	2019
Interest on cash and cash equivalents	2,285,678	4,326,295
Interest on contributions receivable (gross)	448,421	536,638
Gain on investments	2,260	–
<b>Total</b>	<b>2,736,359</b>	<b>4,862,933</b>

Other revenue primarily consists of rebilling of interpretation costs for meetings of the CA, POC and Congress.

<i>Other revenue (in CHF)</i>	2020	2019
Simultaneous interpretation	596,940	996,226
Social Fund income	644	–
Miscellaneous income	80,067	190,360
<b>Total</b>	<b>677,651</b>	<b>1,186,586</b>

#### Note 21 – Expenses

Expenses are reported on an accrual basis and recognized when goods are received and services are rendered. All inter-segment charges for services provided to or by funds administered by the Union have been eliminated prior to consolidation on the statement of financial performance.

Staff expenses include short-term employee benefits such as base salary, post adjustment, dependency allowances, pension contributions, health and other insurance contributions, annual leave and other entitlements for permanent and short-term staff and consultants. IPSAS adjustments include changes in the provisions for employee benefit liabilities.

<i>Staff expenses (in CHF)</i>	2020	2019
Salaries and allowances	27,348,315	27,184,805
Temporary staff and overtime	694,163	742,221
Social security contributions	3,224,083	3,259,787
Recruitment and separation from service allowances	33,832	215,977
Insurance and Provident Scheme	21,653,408	17,224,736
Other staff costs	232,706	706,220
<b>Total</b>	<b>53,186,507</b>	<b>49,333,746</b>

Travel includes the costs of airfare; daily subsistence allowances; terminal and other travel expenses for staff travelling on official business; travel for delegates to the POC and CA; and travel for participants, lecturers and fellows in connection with training activities. In 2020, owing to the pandemic, these expenses were unusually low.

<i>Travel (in CHF)</i>	2020	2019
Missions	140,122	1,202,611
Delegates and visitors	35,802	56,553
Congress/strategy conferences	14,887	163,568
<b>Total</b>	<b>190,811</b>	<b>1,422,732</b>

Contractual services include translators, interpreters and other non-staff or consultant service agreements.

<i>Consultants and external contracts (in CHF)</i>	2020	2019
Shipping	533,195	534,107
IT services and consultants	1,900,561	1,214,116
Translation and interpretation	519,528	329,040
Consultants	1,763,746	2,101,825
Server hosting	223,522	239,670
<b>Total</b>	<b>4,940,552</b>	<b>4,418,758</b>



Project expenses include amounts paid to countries for projects funded by the QSF, the technical cooperation fund and voluntary contributions. In particular, project expenses include consultant remuneration and travel, service contracts, equipment procured for project beneficiaries (not the UPU), evaluation missions and other costs.

<i>Project expenses (in CHF)</i>	2020	2019
Remuneration and travel	1,076,980	2,533,638
Service contracts	2,392,294	1,628,943
Training and fellows	229,346	1,625,075
Equipment and project costs	10,656,282	9,044,361
Miscellaneous costs	238,895	189,936
<b>Total</b>	<b>14,593,797</b>	<b>15,021,953</b>

General operating expenses include items such as maintenance, rental of printers and other equipment, postage and telecommunications, and insurance.

<i>General operating expenses (in CHF)</i>	2020	2019
Building utilities and cleaning	464,990	458,849
Equipment rental	87,758	119,751
Postage and telecommunications	448,134	518,561
Other expenses	111,775	252,939
<b>Total</b>	<b>1,112,657</b>	<b>1,350,100</b>

Materials and supplies include the cost of non-inventoried items purchased in connection with operations but not used for sales or free distribution in connection with the delivery of services.

<i>Materials and supplies (in CHF)</i>	2020	2019
Expendable IT equipment	19,821	86,657
Expendable machinery and furniture	27,142	51,692
IRC production supplies	14,766	42,776
Expendable other equipment	133,736	166,848
<b>Total</b>	<b>195,465</b>	<b>347,973</b>

Maintenance and repairs include charges for repairs to the headquarters building in Berne totalling less than the threshold of 50,000 CHF established for recognition of fixed assets, as well as IT maintenance costs.

<i>Maintenance and repairs (in CHF)</i>	2020	2019
Security	64,606	79,714
Lifts	78,558	109,319
Heating and ventilation	51,869	48,680
Electrical system	36,806	23,235
Miscellaneous equipment	84,930	165,255
IT equipment	810,068	836,898
IT licences	713,176	411,396
Other expenses	39,320	26,615
<b>Total</b>	<b>1,879,333</b>	<b>1,701,112</b>

Depreciation expenses concern buildings, equipment and intangible assets, as detailed in notes 8 to 10 above.

<i>Depreciation (in CHF)</i>	2020	2019
Depreciation expenses on land and buildings	909,703	1,263,310
Net depreciation expenses on equipment	772,275	838,131
Depreciation expenses on intangible assets	237,064	177,561
<b>Total depreciation expenses according to notes 8 to 10</b>	<b>1,919,042</b>	<b>2,279,002</b>
Losses on sold equipment	–	4,621
<b>Total depreciation expenses on the statement of financial performance</b>	<b>1,919,042</b>	<b>2,283,623</b>

Finance charges include bank charges, investment custody fees, management fees, variations in provisions and investment losses, including the sale and maturity of QSF-held bonds at the reporting date.

<i>Financial costs (in CHF)</i>	2020	2019
(Decrease)/Increase in provision for doubtful debts	804,170	703,927
Interest	59,321	44,848
Cancellation of interest prescribed in regulations	716,103	123,381
Bank charges and other financial costs	154,557	164,195
<b>Total</b>	<b>1,734,151</b>	<b>1,036,352</b>

Other costs include the cost of interpretation at meetings, subsidies and gifts, including the cafeteria subsidy, as well as the UPU's share of costs paid by UN specialized agencies as a whole and of legal costs. The change in the provision for litigation explains the negative amount recorded in 2019 and 2020.

<i>Other expenditure (in CHF)</i>	2020	2019
Interpretation POC + CA	603,365	1,019,381
Subsidies and gifts	272,244	157,059
Specialized agencies of the UN and other expenses	155,529	236,334
Legal costs	-55,766	-108,077
<b>Total</b>	<b>975,372</b>	<b>1,304,697</b>

## Note 22 – Exchange gains and losses

The Union realizes exchange gains and losses on accounts payable and accounts receivable transactions denominated in currencies other than the Swiss franc, based on the exchange rate in effect on the date of each transaction. In addition, exchange gains and losses relating to the revaluation of bank accounts and other monetary assets and liabilities not held in Swiss francs (at the exchange rate in effect on the reporting date) are recognized in the financial statements. The effect of exchange gains and losses is recognized as a component of revenue and expenses on the statement of financial performance (values below in CHF).

<i>Description 2019</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2019	941,566	86,269	1,027,836
Exchange losses 2019	-1,394,570	33,771	-1,360,799
Net impact 2019	-453,004	120,040	-332,963

<i>Description 2020</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2020	729,826	1,159,906	1,889,731
Exchange losses 2020	-2,423,936	-1,261,107	-3,685,043
Net impact 2020	-1,694,110	-101,201	-1,795,312

**Note 23 – Events after the reporting date**

The Union's reporting date is 31 December 2020, and its financial statements were authorised for publication on 28 June 2021. No material events, favourable or unfavourable, which would have affected the statements, have occurred between the reporting date and the date on which the financial statements were authorized for publication.

**Note 24 – Financial risks**

The Union's financial situation includes the following financial instruments at 31 December 2020:

	<i>USD in equivalent CHF</i>	<i>EUR in equivalent CHF</i>	<i>CHF</i>	<i>Total in equivalent CHF</i>
Cash and cash equivalents	30,083,741	11,909,093	18,082,780	60,075,614
Current investments	45,141,225	–	11,324,500	56,465,725
Current accounts receivable (non-exchange transactions)	13,346	–	34,985,783	34,999,129
Current accounts receivable (exchange transactions)	12,318,379	4,773,267	2,540,957	19,632,603
Interpretation expenses for rebilling	–	–	186,814	186,814
Non-current investments	41,868,243	–	–	41,868,243
Non-current accounts receivable (non-exchange transactions)	–	–	24,090,073	24,090,073
Accounts payable and accrued expenses	-13,410,790	-4,773,267	-1,530,055	-19,714,112
<b>Net risk</b>	<b>116,014,144</b>	<b>11,909,093</b>	<b>89,680,852</b>	<b>217,604,089</b>

Interpretation expenses for rebilling are included in the prepaid expenses and deferred charges presented with other current assets.

The Union's financial situation included the following financial instruments at 31 December 2019:

	<i>USD in equivalent CHF</i>	<i>EUR in equivalent CHF</i>	<i>CHF</i>	<i>Total in equivalent CHF</i>
Cash and cash equivalents	10,526,781	3,321,998	28,612,897	42,461,675
Current investments	50,229,628	–	–	50,229,628
Current accounts receivable (non-exchange transactions)	954,359	–	25,114,027	26,068,385
Current accounts receivable (exchange transactions)	14,784,826	7,041,128	3,430,565	25,256,520
Interpretation expenses for rebilling	–	–	404,153	404,153
Non-current investments	66,683,128	–	–	66,683,128
Non-current accounts receivable (non-exchange transactions)	–	–	157,256	157,256
Borrowing	–	–	-375,760	-375,760
Accounts payable and accrued expenses	-16,150,008	-7,041,128	-1,873,697	-25,064,834
<b>Net risk</b>	<b>127,028,714</b>	<b>3,321,998</b>	<b>55,469,441</b>	<b>185,820,151</b>

The Union is exposed to certain market, credit and liquidity risks, as indicated below.

#### *Market risk*

The market risk is the risk related to the fluctuation of the fair value or future cash flows of financial instruments, on account of changing market prices. It includes foreign currency exchange risk, interest rate risk and other price risks. The Union is exposed to exchange and interest rate risks. It receives revenue from fees and voluntary contributions and incurs expenses in currencies other than its functional currency (CHF). The Union is also exposed to foreign exchange risk arising from fluctuations of currency exchange rates. It does not use derivative financial instruments to hedge exchange risk.

The Union is also exposed to exchange risks resulting from the use of the US dollar as the currency of accounting for the QSF, UPU\*Clearing and the IRC service. Given that revenue from the QSF and the IRC service is essentially in US dollars and revenue from the UPU\*Clearing system is in US dollars and euros, and that assets in US dollars and euros are not translated into other currencies, the exchange risk is in fact limited.

The Union's exposure to exchange rate risks is also limited on account of the fact that its operating budget is primarily funded through member country contributions and the sale of goods and services. Investment income is used to finance QSF operating costs. The available funds to finance QSF projects are adjusted in response to decreases or increases in investment income. The Union does not utilize financial instruments to hedge interest rate risk.

The sensitivity analysis in the table below shows the effect of a 5% variation in the euro and US dollar exchange rates with the Swiss franc, as well as between the euro and US dollar.

At 31 December 2020

<i>Currencies</i>	<i>Variation -5%</i>	<i>Variation +5%</i>
EUR/CHF	-488,121	488,121
USD/CHF	-273,768	273,768
EUR/USD	-107,334	107,334

At 31 December 2019

<i>Currencies</i>	<i>Variation -5%</i>	<i>Variation +5%</i>
EUR/CHF	-103,562	103,562
USD/CHF	-402,683	402,683
EUR/USD	-62,538	62,538

#### *Liquidity risk*

Liquidity risk is the risk of the UPU having difficulty fulfilling its obligations linked to its financial liabilities. The Union's exposure to liquidity risk is limited, as it has cash reserves that are replenished from the results of its operations. The Union's investment policy has been developed to ensure that its investments are held primarily in liquid short-term deposits, with the exception of funds held for the QSF, which are invested in longer-term investments with higher yields. Projects funded through voluntary contributions and QSF funds are implemented once contributions are received, which minimizes liquidity risk.

At 31 December 2020, the Union's cash and cash equivalents, amounting to 60,075,614 CHF, were enough for the Union to settle its current liabilities, which totalled 30,092,085 CHF at that same date. Advances and deferred revenue were not taken into account, as they will not be the subject of disbursements. The UPU at all times maintains sufficient liquidity to settle all its short-term debts. The maturity of financial commitments is indicated in statement I.

The significant factor affecting liquidity remains, of course, the global COVID-19 pandemic. In particular, the measures taken by various governments to contain the pandemic, such as the cancellation of meetings and the closure of borders, have resulted in travel being severely limited. Budgetary savings therefore remain likely in 2021, particularly with regard to travel expenses.

In addition, heightened financial difficulties are foreseeable for certain Union member countries, which could result in a worsening of the accounts receivable situation and increased pressure on the Union's cash flow. Payment habits are expected to deteriorate for 2021 and 2022. These predictions are factored into the cash-flow simulations used by the General Management of the UPU International Bureau to assess the organization's ability to continue operating. The IB is therefore monitoring this situation closely.

According to the current regulations, the Union guarantees the UPU Provident Scheme appropriate payments sufficient to stabilize the degree of coverage at 85%. At 31 December 2020, this guarantee stood at approximately 26.7 million CHF (30 million CHF at 31 December 2019). Settling this amount would be impossible without experiencing serious cash-flow problems and an additional source of funding would be necessary in this case. This issue was taken into account and a long-term financing plan was drawn up with the goal of financing the Provident Scheme at 100% by 2045, which goes beyond the minimum degree of coverage cited above. The long-term financing plan will be presented for formal approval at the next Congress. Until then, a material uncertainty will continue to exist, which may cast significant doubt on the UPU's ability to continue operating.

Having carefully examined the situation and simulations of likely changes in cash flow, the General Management of the IB believes that continuity of operations is not threatened in the short term.

#### *Credit risk*

Credit risk is the risk that a counterparty for one of the Union's assets does not fulfil its obligations. The Union's accounts receivable derive almost exclusively from its member countries, which are represented by sovereign governments or designated operators. The Union therefore considers its credit risk to be small, but this may be increased as a result of the COVID-19 pandemic. Credit risk is re-evaluated annually, and changes are reflected in the calculation of the provision for doubtful debts. Almost all cash and cash equivalents are held in banks with credit ratings of A or higher by Fitch and S&P. The book value of accounts receivable has been reduced to reflect receivables for which payment is not anticipated in the short term.

It should be noted that the UPU does not have major risk concentration in any significant category of its financial instruments.

#### **Note 25 – Leasing and unrecognized commitments**

##### *Leasing*

The Union did not take out any leasing contracts in 2019 or 2020.

##### *Rentals*

At 31 December 2020, the UPU was renting out office space to five tenants for total revenue of 254,294 CHF (237,494 CHF in 2019). The contracts have an initial duration of five years and, thereafter, are renewable from year to year with a 12-month notice period.

<i>Rental of premises (UPU landlord in CHF)</i>	<i>2020</i>	<i>2019</i>
Less than one year	254,294	239,311
One to five years	57,200	78,000
More than five years	–	–
<b>Total</b>	<b>311,494</b>	<b>317,311</b>
Revenue recognized during period	254,294	237,494

##### *Other unrecognized commitments*

At 31 December 2020, on the basis of existing contracts, the UPU had a commitment in the amount of 14.3 million CHF for the purchase of goods and services. The delivery of products and services will commence in 2021 and will be recorded in future accounting periods. The estimated amount of this commitment at 31 December 2019 was 12.9 million CHF.

## Note 26 – Contingent liabilities

As mentioned in note 16, the Union has relationships with three language groups (Arabic, English and Portuguese) which provide translation services to the UPU member countries belonging to each group. These groups operate independently under the responsibility of a management committee elected by their members. These groups have also adopted their own regulations and appoint their own staff.

This being so, the accounts of the language groups are not consolidated, and the obligations towards staff of these entities are presented in their own financial statements. The various regulations of the language groups stipulate that the groups apply the same obligations and guarantees as those applied by the Union to the Provident Scheme for its own staff, and that any financial consequences of a dispute or appeal to the International Labour Organization (ILO) Administrative Tribunal are to be borne by the language group concerned.

However, some ILO case law appears to indicate that a potential obligation towards staff of the translation services cannot be completely ruled out. For the sake of transparency, the net obligations in respect of the Provident Scheme and health insurance scheme of the three translation services are shown in the table below. These obligations have been calculated using the same methodology as for the consolidated entities. The methodology is set out in note 12.

	<i>31 December 2020</i>	<i>31 December 2019</i>
English (STAN)	7,285,503	7,186,050
Arabic (STAR)	9,079,776	9,238,932
Portuguese (STPO)	2,105,083	2,155,699
<b>Total</b>	<b>18,470,362</b>	<b>18,580,681</b>

## Note 27 – Segment reporting

Segment reporting is presented in a format which represents the various funds and entities administered by the Union, broken down into the segments that make it up. These funds and entities were created by Congress or the CA. Detailed information on the individual segments is presented in notes 1 and 2.

The UPU's accounts record the assets, liabilities and net assets of each fund and entity, presented by segment on the statement of financial position. All inter-segment assets and liabilities are recorded as intercompany transactions eliminated as inter-segment transactions.

The UPU's accounts also record revenue and expenses separately for each fund and entity. Inter-fund/entity transactions relating to services provided by one fund/entity to another fund/entity have been eliminated as inter-segment transactions.

One of the UPU's controlled entities (QSF) and two other entities (UPU\*Clearing and IRC) maintain their accounts in US dollars. For the information of the users of the financial statements, the results of these three entities are presented in a consolidated segment in Swiss francs, and a separate segment note providing information on these entities in US dollars is included.

**Statement of financial position by segment at 31 December 2020 (in CHF)**

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Assets</b>							
<i>Current assets</i>							
Cash and cash equivalents	8,104,035	20,672,640	3,479,459	5,330,126	22,489,354	–	60,075,614
Investments	11,324,500	–	–	–	45,141,225	–	56,465,725
Accounts receivable (non-exchange transactions)	33,827,026	924,342	74,855	159,561	13,346	–	34,999,129
Accounts receivable (exchange transactions)	36,030	461,361	–	3,978,085	17,091,646	-1,934,518	19,632,603
Inventories	95,085	18,876	–	–	56,766	–	170,727
Other current assets	1,652,483	463,478	1,322	1,225,689	1,169,948	–	4,512,920
<b>Total current assets</b>	<b>55,039,159</b>	<b>22,540,696</b>	<b>3,555,635</b>	<b>10,693,460</b>	<b>85,962,285</b>	<b>-1,934,518</b>	<b>175,856,717</b>
<i>Non-current assets</i>							
Investments	–	–	–	–	41,868,243	–	41,868,243
Accounts receivable (non-exchange transactions)	24,090,073	–	–	–	–	–	24,090,073
Equipment	770,170	11,547	–	262,714	46,658	–	1,091,089
Intangible assets	674,789	–	–	177,170	–	–	851,959
Land and buildings	21,875,053	–	–	–	–	–	21,875,053
Other non-current assets	15,500	–	–	–	–	–	15,500
<b>Total non-current assets</b>	<b>47,425,584</b>	<b>11,547</b>	<b>–</b>	<b>439,884</b>	<b>41,914,902</b>	<b>–</b>	<b>89,791,917</b>
<b>Total assets</b>	<b>102,464,743</b>	<b>22,552,243</b>	<b>3,555,635</b>	<b>11,133,343</b>	<b>127,877,187</b>	<b>-1,934,518</b>	<b>265,648,634</b>

The amount of fixed assets acquired during the financial period is 211,346 CHF for the Union and 47,243 CHF for the PTC.

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Current liabilities</b>							
Accounts payable and accrued expenses	2,406,262	734,923	89,549	233,838	18,184,057	-1,934,518	19,714,112
Employee benefits	2,057,870	–	197,018	763,070	123,502	–	3,141,459
Deferred revenue	45,946,200	9,268,182	–	93,377	25,776,123	–	81,083,881
Advance receipts	4,670,655	7,063,575	237,041	436,083	73,938,850	–	86,346,204
Funds-in-trust held for translation services	7,161,514	–	–	–	–	–	7,161,514
Loans payable within one year	–	–	–	–	–	–	–
Provisions	75,000	–	–	–	–	–	75,000
<b>Total current liabilities</b>	<b>62,317,502</b>	<b>17,066,679</b>	<b>523,608</b>	<b>1,526,367</b>	<b>118,022,532</b>	<b>-1,934,518</b>	<b>197,522,171</b>
<b>Non-current liabilities</b>							
Employee benefits	233,387,510	–	6,682,741	30,786,675	9,367,606	–	280,224,531
Deferred revenue (USPS contribution 2022 to 2024)	24,000,000	–	–	–	–	–	24,000,000
Loans payable after one year	–	–	–	–	–	–	–
<b>Total non-current liabilities</b>	<b>257,387,510</b>	<b>–</b>	<b>6,682,741</b>	<b>30,786,675</b>	<b>9,367,606</b>	<b>–</b>	<b>304,224,531</b>
<b>Total liabilities</b>	<b>319,705,012</b>	<b>17,066,679</b>	<b>7,206,348</b>	<b>32,313,042</b>	<b>127,390,138</b>	<b>-1,934,518</b>	<b>501,746,701</b>
Accumulated surplus (deficit) Union funds	-221,018,231	22,239	–	–	–	–	-220,995,992
Accumulated surplus (deficit) other funds	–	5,463,325	–	–	-2,671,374	–	2,791,951
Accumulated surplus (deficit) controlled entities	–	–	-3,650,713	-21,179,698	3,158,423	–	-21,671,988
Reserves	3,777,962	–	–	–	–	–	3,777,962
<b>Net assets</b>	<b>-217,240,269</b>	<b>5,485,564</b>	<b>-3,650,713</b>	<b>-21,179,698</b>	<b>487,049</b>	<b>–</b>	<b>-236,098,067</b>



## Statement of financial position by segment at 31 December 2019 (in CHF)

Assets	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Current assets</b>							
Cash and cash equivalents	16,070,477	11,018,031	3,290,440	4,444,689	7,638,037	—	42,461,675
Investments	4,875,000	—	—	—	45,354,628	—	50,229,628
Accounts receivable (non-exchange transactions)	24,559,745	393,691	53,470	107,121	954,359	—	26,068,385
Accounts receivable (exchange transactions)	113,304	538,470	—	4,389,450	21,825,955	-1,610,658	25,256,520
Inventories	96,018	16,432	—	—	67,770	—	180,220
Other current assets	1,685,988	823,701	1,193	1,105,717	1,953,254	—	5,569,854
<b>Total current assets</b>	<b>47,400,533</b>	<b>12,790,325</b>	<b>3,345,103</b>	<b>10,046,977</b>	<b>77,794,002</b>	<b>-1,610,658</b>	<b>149,766,282</b>
<b>Non-current assets</b>							
Investments	—	—	—	—	66,683,128	—	66,683,128
Accounts receivable (non-exchange transactions)	157,256	—	—	—	—	—	157,256
Equipment	1,203,931	15,507	—	526,708	69,613	—	1,815,758
Intangible assets	680,403	—	—	203,775	—	—	884,177
Land and buildings	22,762,410	—	—	—	—	—	22,762,410
Other non-current assets	32,490	—	—	—	—	—	32,490
<b>Total non-current assets</b>	<b>24,836,490</b>	<b>15,507</b>	<b>—</b>	<b>730,482</b>	<b>66,752,741</b>	<b>—</b>	<b>92,335,219</b>
<b>Total assets</b>	<b>72,237,023</b>	<b>12,805,832</b>	<b>3,345,103</b>	<b>10,777,459</b>	<b>144,546,743</b>	<b>-1,610,658</b>	<b>242,101,501</b>

The amount of fixed assets acquired during the financial period is 846,321 CHF for the Union and 266,383 CHF for the PTC.

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Current liabilities</b>							
Accounts payable and accrued expenses	1,933,233	430,323	464,621	656,179	23,191,136	-1,610,658	25,064,834
Employee benefits	1,530,141	–	119,795	561,544	81,847	–	2,293,326
Deferred revenue	37,935,800	6,668,558	–	169,021	33,888,377	–	78,661,756
Advance receipts	5,072,267	394,642	129,767	–	78,675,544	–	84,272,221
Funds-in-trust held for translation services	7,490,490	–	–	–	–	–	7,490,490
Loans payable within one year	375,760	–	–	–	–	–	375,760
Provisions	150,000	–	–	–	–	–	150,000
<b>Total current liabilities</b>	<b>54,487,690</b>	<b>7,493,523</b>	<b>714,183</b>	<b>1,386,743</b>	<b>135,836,905</b>	<b>-1,610,658</b>	<b>198,308,386</b>
<b>Non-current liabilities</b>							
Employee benefits	235,244,004	–	6,272,382	27,983,865	9,320,008	–	278,820,259
Loans payable after one year	–	–	–	–	–	–	–
<b>Total non-current liabilities</b>	<b>235,244,004</b>	<b>–</b>	<b>6,272,382</b>	<b>27,983,865</b>	<b>9,320,008</b>	<b>–</b>	<b>278,820,259</b>
<b>Total liabilities</b>	<b>289,731,695</b>	<b>7,493,523</b>	<b>6,986,565</b>	<b>29,370,608</b>	<b>145,156,912</b>	<b>-1,610,658</b>	<b>477,128,644</b>
Accumulated surplus (deficit) Union funds	-221,517,207	126,520	–	–	–	–	-221,390,688
Accumulated surplus (deficit) other funds	–	5,185,789	–	–	-2,035,308	–	3,150,481
Accumulated surplus (deficit) controlled entities	–	–	-3,641,462	-18,593,149	1,425,139	–	-20,809,472
Reserves	4,022,535	–	–	–	–	–	4,022,535
<b>Net assets</b>	<b>-217,494,672</b>	<b>5,312,309</b>	<b>-3,641,462</b>	<b>-18,593,149</b>	<b>-610,169</b>	<b>–</b>	<b>-235,027,143</b>

## Statement of financial performance by segment from 1 January to 31 December 2020 (in CHF)

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<i>Revenue</i>							
Statutory contributions from member countries	37,977,800	—	—	—	—	—	37,977,800
Other annual contributions			3,386,863	1,095,000	252,958	—	4,734,821
Voluntary contributions	8,022,396	7,072,894	—	—	12,743,414	-4,477,730	23,360,973
Sales	520,921	1,225,276	—	9,608,292	16,242	—	11,370,730
Financial revenue	510,929	13,889	19,312	62,524	2,171,391	-41,685	2,736,359
Exchange gains	369,837	1,258,120	68	1,616	260,091	—	1,889,731
Other revenue	876,099	—	—	2,012,090	2,295	-2,212,833	677,651
<b>Total revenue</b>	<b>48,277,982</b>	<b>9,570,178</b>	<b>3,406,242</b>	<b>12,779,522</b>	<b>15,446,390</b>	<b>-6,732,248</b>	<b>82,748,066</b>
<i>Expenses</i>							
Staff costs	35,738,257	3,316,896	2,374,040	11,067,491	1,753,073	-1,063,250	53,186,506
Travel	136,326	8,867	7,496	37,338	784	—	190,810
Consultants and external contracts	1,621,791	492,986	10,696	3,063,700	145,238	-393,860	4,940,550
Project costs	2,175,118	3,898,390	850,101	—	10,650,716	-2,980,529	14,593,796
General operating expenses	933,052	8,615	3,590	166,237	1,163	—	1,112,658
Materials and supplies	135,257	17,186	—	28,256	14,766	—	195,465
Maintenance and repairs	1,031,910	169,229	108,900	618,618	35,556	-84,878	1,879,334
Depreciations	1,560,424	3,959	—	337,846	16,813	—	1,919,042
Financial costs	1,508,266	57,165	5,059	43,768	161,578	-41,685	1,734,151
Exchange losses	1,162,577	1,340,011	228	6,221	1,176,006	—	3,685,043
Other expenses	2,805,573	83,618	77,894	100,453	75,878	-2,168,045	975,372
<b>Total expenses</b>	<b>48,808,550</b>	<b>9,396,923</b>	<b>3,438,003</b>	<b>15,469,928</b>	<b>14,031,572</b>	<b>-6,732,248</b>	<b>84,412,728</b>
<b>Net result</b>	<b>-530,568</b>	<b>173,255</b>	<b>-31,761</b>	<b>-2,690,406</b>	<b>1,414,818</b>	<b>—</b>	<b>-1,664,662</b>

## Statement of financial performance by segment from 1 January to 31 December 2019 (in CHF)

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Revenue</b>							
Statutory contributions from member countries	36,327,580	–	–	–	–	–	36,327,580
Other annual contributions	–	–	3,319,041	1,057,500	256,493	–	4,633,034
Voluntary contributions	37,316	6,832,063	–	–	9,401,537	-2,888,000	13,382,917
Sales	622,704	1,374,848	–	10,945,117	244,045	-21,447	13,165,267
Financial revenue	652,777	16,504	20,782	66,872	4,164,851	-58,854	4,862,932
Exchange gains	810,054	37,065	2,746	2,013	175,958	–	1,027,836
Other revenue	1,257,284	–	3,667	1,767,790	–	-1,842,157	1,186,585
<b>Total revenue</b>	<b>39,707,715</b>	<b>8,260,481</b>	<b>3,346,236</b>	<b>13,839,293</b>	<b>14,242,884</b>	<b>-4,810,458</b>	<b>74,586,151</b>
<b>Expenses</b>							
Staff costs	30,984,660	3,454,151	2,539,686	11,237,077	2,181,423	-1,063,250	49,333,746
Travel	951,327	114,748	101,959	254,680	11,515	-11,498	1,422,732
Consultants and external contracts	1,576,473	340,162	11,969	2,654,284	69,078	-233,207	4,418,758
Project costs	2,292,384	4,829,663	1,314,359	81,169	9,138,101	-2,633,724	15,021,953
General operating expenses	1,095,643	31,192	43,488	176,184	3,594	–	1,350,101
Materials and supplies	246,788	20,331	–	92,390	42,840	-54,376	347,972
Maintenance and repairs	1,084,797	114,543	94,426	498,038	37,320	-128,012	1,701,113
Depreciations	1,878,435	4,427	–	382,222	18,538	–	2,283,623
Financial costs	1,061,215	-158,384	2,379	6,970	183,026	-58,854	1,036,352
Exchange losses	1,044,655	94,826	1,227	8,713	211,378	–	1,360,799
Other expenses	1,596,466	52,946	89,658	130,059	63,106	-627,538	1,304,697
<b>Total expenses</b>	<b>43,812,842</b>	<b>8,898,605</b>	<b>4,199,149</b>	<b>15,521,787</b>	<b>11,959,919</b>	<b>-4,810,458</b>	<b>79,581,846</b>
<b>Net result</b>	<b>-4,105,127</b>	<b>-638,125</b>	<b>-852,913</b>	<b>-1,682,495</b>	<b>2,282,965</b>	<b>–</b>	<b>-4,995,694</b>

**Statement of financial position by segment from 1 January to 31 December 2020 (in USD)**

	IRC	QSF	UPU*Clearing
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	944,709	20,134,851	4,389,665
Investments	1,250,000	49,872,565	—
Accounts receivable (non-exchange transactions)	—	15,115	—
Accounts receivable (exchange transactions)	265,920	—	19,090,418
Inventories	64,288	—	—
Other current assets	44,918	1,239,387	40,664
<b>Total current assets</b>	<b>2,569,835</b>	<b>71,261,918</b>	<b>23,520,747</b>
<i>Non-current assets</i>			
Investments	—	47,415,904	—
Equipment	52,841	—	—
<b>Total non-current assets</b>	<b>52,841</b>	<b>47,415,904</b>	<b>—</b>
<b>Total assets</b>	<b>2,622,675</b>	<b>118,677,822</b>	<b>23,520,747</b>
<i>Current liabilities</i>			
Accounts payable and accrued expenses	29,877	1,450,078	19,113,541
Employee benefits	47,017	74,771	18,078
Deferred revenue	—	29,191,533	—
Advance receipts	1,886,493	78,222,504	3,626,960
<b>Total current liabilities</b>	<b>1,963,387</b>	<b>108,938,886</b>	<b>22,758,579</b>
<i>Non-current liabilities</i>			
Employee benefits	2,919,786	6,162,012	1,527,041
<b>Total non-current liabilities</b>	<b>2,919,786</b>	<b>6,162,012</b>	<b>1,527,041</b>
<b>Total liabilities</b>	<b>4,883,173</b>	<b>115,100,898</b>	<b>24,285,621</b>
Accumulated surplus (deficit) other funds	-2,260,498	—	-764,873
Accumulated surplus (deficit) controlled entities	—	3,576,924	—
<b>Net assets</b>	<b>-2,260,498</b>	<b>3,576,924</b>	<b>-764,873</b>

Statement of financial position by segment from 1 January to 31 December 2019 (in USD)

	IRC	QSF	UPU*Clearing
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	615,241	3,491,153	3,727,481
Investments	1,700,000	44,817,567	–
Accounts receivable (non-exchange transactions)	–	978,830	–
Accounts receivable (exchange transactions)	317,583	–	22,068,012
Inventories	69,508	–	–
Other current assets	44,124	1,890,738	68,475
<b>Total current assets</b>	<b>2,746,455</b>	<b>51,178,288</b>	<b>25,863,968</b>
<i>Non-current assets</i>			
Investments	–	68,392,952	–
Equipment	71,398	–	–
<b>Total non-current assets</b>	<b>71,398</b>	<b>68,392,952</b>	<b>–</b>
<b>Total assets</b>	<b>2,817,853</b>	<b>119,571,239</b>	<b>25,863,968</b>
<i>Current liabilities</i>			
Accounts payable and accrued expenses	46,065	1,682,689	22,057,028
Employee benefits	36,126	38,135	9,684
Deferred revenue	–	34,758,518	–
Advance receipts	1,736,530	76,027,232	2,874,415
<b>Total current liabilities</b>	<b>1,818,721</b>	<b>112,506,573</b>	<b>24,941,127</b>
<i>Non-current liabilities</i>			
Employee benefits	2,560,983	5,549,504	1,448,495
<b>Total non-current liabilities</b>	<b>2,560,983</b>	<b>5,549,504</b>	<b>1,448,495</b>
<b>Total liabilities</b>	<b>4,379,704</b>	<b>118,056,078</b>	<b>26,389,622</b>
Accumulated surplus (deficit) other funds	-1,561,851	–	-525,655
Accumulated surplus (deficit) controlled entities	–	1,515,162	–
<b>Net assets</b>	<b>-1,561,851</b>	<b>1,515,162</b>	<b>-525,655</b>

**Statement of financial performance by segment from 1 January to 31 December 2020 (in USD)**

	IRC	QSF	UPU*Clearing
<i>Revenue</i>			
Other annual contributions	–	–	259,444
Voluntary contributions	–	14,097,130	–
Sales	17,375	–	–
Financial revenue	22,113	2,307,920	-12,413
Exchange gains	1,891,243	1,196,004	262,021
<b>Total revenue</b>	<b>1,930,731</b>	<b>17,601,053</b>	<b>509,052</b>
<i>Expenses</i>			
Staff costs	360,305	1,376,796	128,290
Travel	–	817	–
Consultants and external contracts	20,937	125,971	12,012
Project costs	–	11,299,701	–
General operating expenses	1,250	–	–
Materials and supplies	15,797	–	–
Maintenance and repairs	1,121	17,010	18,018
Depreciations	18,557	–	–
Financial costs	106	158,341	16,824
Exchange losses	2,220,910	1,665,424	568,786
Other expenses	–	57,274	9,484
<b>Total expenses</b>	<b>2,638,983</b>	<b>14,701,334</b>	<b>753,414</b>
<b>Net result</b>	<b>-708,252</b>	<b>2,899,719</b>	<b>-244,362</b>

## Statement of financial performance by segment from 1 January to 31 December 2019 (in USD)

	IRC	QSF	UPU*Clearing
<i>Revenue</i>			
Other annual contributions	–	–	259,872
Voluntary contributions	–	9,420,608	–
Sales	110,900	133,616	–
Financial revenue	66,703	4,019,195	88,120
Exchange gains	51,858	-33,030	115,507
<b>Total revenue</b>	<b>229,460</b>	<b>13,540,389</b>	<b>463,498</b>
<i>Expenses</i>			
Staff costs	300,381	1,463,584	432,780
Travel	5,334	6,392	–
Consultants and external contracts	–	56,883	12,158
Project costs	–	9,202,777	–
General operating expenses	3,535	–	–
Materials and supplies	42,710	–	–
Maintenance and repairs	2,399	16,533	18,237
Depreciations	18,557	–	–
Financial costs	247	176,102	6,981
Exchange losses	64,969	-6,923	110,862
Other expenses	194	56,512	8,306
<b>Total expenses</b>	<b>438,328</b>	<b>10,971,860</b>	<b>589,324</b>
<b>Net result</b>	<b>-208,868</b>	<b>2,568,530</b>	<b>-125,826</b>





