

# Financial statements

Financial period ending 31 December 2017

Berne, June 2018





**UPU** | UNIVERSAL  
POSTAL  
UNION

# Universal Postal Union

Financial statements

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## 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 prudence concept, which requires that all liabilities, including those related to future staff retirements, be put to 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 document therefore gives a true and fair view of our financial position.

The results presented to you 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 2018

Bishar A. Hussein  
Director General

## **Introduction**

The financial statements of the UPU for the period ending 31 December 2017 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 2017 financial statements is also submitted to the CA in accordance with article 38 of the Financial Regulations.

The 2017 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 2017**

In accordance with articles 107.1.4 and 145 of the General Regulations, in December 2016, the CA examined and approved the 2017 UPU Programme and Budget. Subsequently, following the approval of the International Bureau's new structure for the Istanbul cycle, in March 2017, the CA approved the revised 2017 Programme and Budget – a document that specifies the necessary budgetary resources for the first year of the Istanbul World Postal Strategy (2017–2020).

The overall picture of utilization of resources included in the 2017 Programme and Budget (P&B) shows a reduction in expenditure of 2,773,668 CHF, primarily relating to extrabudgetary resources. A comparison with the previous year is not relevant, since the two years are part of separate budgetary cycles.

An analysis of the P&B objectives shows that for objective 1, "Improve the interoperability of network infrastructure", there was a reduction in expenditure of 1,887,486 CHF. This objective brings together the Telematics Cooperative, the EMS Cooperative and important projects such as GMS, quality improvement and addressing.

Objective 2, "Ensure sustainable and modern products", which groups together projects such as financial inclusion, e-commerce and electronic postal services and international reply coupons, in turn saved 1,684,796 CHF. As with objective 1, these savings were primarily a result of the use of extrabudgetary resources.

Reductions were also recorded, to a lesser degree, for objective 3, "Foster market and sector functioning", as well as for development cooperation as a means of supplementary action: objective 3 saved 475,831 CHF, and development cooperation 553,692 CHF.

In total, operational support activities generated an overspend of 1,828,137 CHF, mainly due to certain exceptional expenses relating to human resources activities in 2017.

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 2017 (in CHF)

	Notes	2017	2016
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	3	48,589,640	41,500,013
Investments	7	100,534,253	97,776,954
Accounts receivable (non-exchange transactions)	4	21,314,276	20,846,484
Accounts receivable (exchange transactions)	4	31,741,869	17,099,280
Inventories	5	192,580	311,999
Other current assets	6	2,896,771	4,283,720
		205,269,388	181,818,450
<i>Non-current assets</i>			
Investments	7	2,445,000	4,561,250
Accounts receivable (non-exchange transactions)	4	13,767,255	12,623,877
Equipment	8	1,855,820	1,615,512
Intangible assets	9	370,372	323,379
Land and buildings	10	25,285,652	26,231,562
Other non-current assets	6	25,500	25,296
		43,749,600	45,380,877
<b>Total assets</b>		<b>249,018,988</b>	<b>227,199,327</b>
<i>Current liabilities</i>			
Accounts payable and accrued expenses	11	31,801,138	16,845,916
Employee benefits	12	1,918,905	1,846,490
Deferred revenue	13	74,697,127	64,948,959
Advance receipts	13	81,431,404	84,286,511
Funds-in-trust held for translation services	16	7,130,847	7,117,955
Loans payable within one year	14	375,760	375,760
Provisions	15	2,556,000	925,000
		199,911,181	176,346,591
<i>Non-current liabilities</i>			
Employee benefits	12	146,808,017	135,622,976
Loans payable after one year	14	726,077	1,085,038
		147,534,094	136,708,014
<b>Total liabilities</b>		<b>347,445,276</b>	<b>313,054,605</b>
Accumulated surplus (deficit) Union funds	17	-97,923,315	-86,350,320
Accumulated surplus (deficit) other funds	17	3,417,510	3,496,830
Accumulated surplus (deficit) controlled entities	17	-8,116,462	-7,401,877
Reserves	17	4,195,980	4,400,089
<b>Net assets</b>		<b>-98,426,288</b>	<b>-85,855,279</b>

**Statement II – Statement of financial performance from 1 January to 31 December 2017 (in CHF)**

	<i>Notes</i>	<i>2017</i>	<i>2016</i>
<i>Revenue</i>			
Assessed contributions of member countries	20	36,346,343	35,885,215
Other annual contributions	20	4,509,786	3,494,517
Voluntary contributions	20	11,894,025	16,570,467
Sales	20	11,006,597	10,216,900
Financial revenue	20	1,774,618	11,185,565
Exchange gains	22	1,115,909	1,725,929
Other revenue	20	1,087,347	1,664,799
<b>Total revenue</b>		<b>67,734,624</b>	<b>80,743,392</b>
<i>Expenses</i>			
Staff costs	21	51,508,366	47,405,963
Travel	21	992,233	1,215,436
Consultants and external contracts	21	3,864,422	4,310,782
Project costs	21	11,670,055	17,973,161
General operating expenses	21	1,474,693	1,218,863
Materials and supplies	21	666,975	471,285
Maintenance and repairs	21	1,607,201	1,365,068
Depreciations	21	1,881,131	1,958,081
Financial costs	21	2,942,278	418,471
Exchange losses	22	1,162,080	1,485,536
Other expenses	21	3,262,593	1,515,977
<b>Total expenses</b>		<b>81,032,027</b>	<b>79,338,624</b>
<b>Net result</b>		<b>-13,297,403</b>	<b>1,404,768</b>



## Statement III – Statement of changes in net assets at 31 December 2017 (in CHF)

	Notes	Accumulated surplus (deficit) – Union funds	Accumulated surplus (deficit) – other funds	Accumulated surplus (deficit) – controlled entities	Reserves	Total net assets
<b>Net assets at 1 January 2016</b>		<b>-92,372,884</b>	<b>4,656,128</b>	<b>-3,257,378</b>	<b>4,430,295</b>	<b>-86,543,839</b>
Net result current period	17	6,118,238	-1,275,112	-3,438,358		1,404,768
Reclassification between tied own funds and tied funds received from third parties	17		125,881			125,881
Use of reserves	17	-95,675			-30,206	-125,881
Foreign currency translation	17		-10,068	-706,141		-716,209
<b>Net assets at 31 December 2016</b>		<b>-86,350,321</b>	<b>3,496 830</b>	<b>-7,401,877</b>	<b>4,400,089</b>	<b>-85,855,279</b>
Net result current	17	-12,480,774	88,141	-904,771		-13,297,403
Reclassification between tied own funds and tied funds	17	364,377	-155,906			208,470
Use of reserves	17	543,402			-204,109	339,293
Foreign currency translation	17		-11,555	190,186		178,630
<b>Net assets at 31 December 2017</b>		<b>-97,923,316</b>	<b>3,417,510</b>	<b>-8,116,462</b>	<b>4,195,980</b>	<b>-98,426,288</b>

**Statement IV – Statement of cash flow from 1 January to 31 December 2017 (in CHF)**

	<i>Notes</i>	<i>2017</i>	<i>2016</i>
<b>Net result</b>		<b>-13,297,403</b>	<b>1,404,768</b>
Cash flow from operating activities			
Depreciation expenses	8 to 10	1,881,131	1,958,081
Amortization of grants	10	-22,316	-22,346
Loss on disposed equipment	8	–	912
Grants received	10	–	–
Increase (decrease) in provision for doubtful debts	4	3,373,281	-8,506,365
(Increase) decrease in non-exchange transactions receivable	4	-5,040,745	3,000,825
(Increase) decrease in exchange transactions receivable	4	-14,586,294	5,398,124
(Increase) decrease in inventories	5	119,419	25,843
(Increase) decrease in other assets	6	1,386,745	-877,804
Increase (decrease) in payables and accrued expenses	11	14,955,222	-5,011,240
Increase (decrease) in deferred revenue	13	9,748,168	15,414,990
Increase (decrease) in advance receipts	13	-2,855,107	-6,568,367
Increase (decrease) in employee benefit liabilities	12	11,257,456	4,854,417
Increase (decrease) in other liabilities	15	1,631,000	-75,000
Increase (decrease) of amounts due to translation services	16	12,892	-322,768
Reclassification between tied own funds and tied funds received from third parties	17	208,470	125,881
Use of reserves	17	339,293	-125,881
Entity foreign currency translation differences (operating activities)		-103,848	-1,003,956
Net cash flow from operating activities		9,007,365	9,670,117
Cash flow from investment activities			
(Increase) decrease in investments and cash deposits	7	-641,050	-14,366,836
(Increase) decrease in lands and buildings	10	-265,447	-407,100
(Increase) decrease in equipment and intangible assets	8 and 9	-934,759	-426,781
Entity foreign currency translation difference (investment activities)		–	–
Net cash flow from investment activities		-1,841,255	-15,200,718
Cash flow from loan activities			
Increase (decrease) in loans	14	-358,961	-354,880
Net cash flow from financing activities		-358,961	-354,880
Net increase (decrease) in cash and cash equivalents	3	6,807,148	-5,885,480
Cash and cash equivalents, beginning of period	3	41,500,013	47,097,747
Effect of foreign currency translation on cash and equivalents		282,479	287,749
Cash and cash equivalents, end of period		48,589,640	41,500,013

**Statement V – Statement of comparison of budget and actual amounts from 1 January to 31 December 2017 (in CHF)**

<i>Objective</i>	<i>Revised budget 2016</i>	<i>Extrabudgetary programmes 2016</i>	<i>Total budget 2016</i>	<i>Actual amounts 2016</i>	<i>Difference 2016</i>
Improve the interoperability of the international postal networks	4,168,570	4,191,100	8,359,670	6,137,546	2,222,124
Provide technical knowledge and expertise related to the postal sector	1,535,410	499,600	2,035,010	1,495,584	539,426
Promote innovative products and services	2,080,190	1,411,200	3,491,390	2,906,173	585,217
Foster sustainable development of the postal sector	1,714,400	1,069,800	2,784,200	2,296,603	48,597
Extrabudgetary programmes	450,000	12,621,200	13,071,200	13,627,772	-556,572
Technical cooperation	5,599,280	300,000	5,899,280	8,052,680	-2,153,400
Support programmes	21,276,885	2,052,780	23,329,665	22,814,833	514,832
<b>Total expenses 2015</b>	<b>36,824,735</b>	<b>22,145,680</b>	<b>58,970,415</b>	<b>57,331,191</b>	<b>1,639,224</b>

<i>Objective</i>	<i>Budget 2017</i>	<i>Extrabudgetary programmes 2017</i>	<i>Total budget 2017</i>	<i>Actual amounts 2017</i>	<i>Difference 2017</i>
Improve the interoperability of network infrastructure	4,147,000	17,546,370	21,693,370	19,805,884	1,887,486
Ensure sustainable and modern products	4,279,020	3,166,100	7,445,120	5,760,324	1,684,796
Foster market and sector functioning	1,270,550	634,600	1,905,150	1,429,319	475,831
Development cooperation	5,784,080	165,000	5,949,080	5,395,388	553,692
Operational support	21,754,350	1,260,680	23,015,030	24,843,167	-1,828,137
<b>Total expenses 2017</b>	<b>37,235,000</b>	<b>22,772,750</b>	<b>60,007,750</b>	<b>57,234,082</b>	<b>2,773,668</b>

A reconciliation of revenue and expenses on a budgetary and full accrual basis is included in note 19 to these financial statements.

## 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 it 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 Regulations of the Convention are agreements concluded by the member countries elected by the 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 the Congress, the Council of Administration and the Postal Operations Council, its constituent bodies established under the UPU Constitution.

The 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 to 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 (CA) consists of 41 member countries elected during Congress. Traditionally, the other members of the CA elect a chairman from the host country of the Congress. The members and chairman 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 (POC) 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. The body also makes recommendations to member countries on 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 the UPU collects fees for products and services provided. The Union operates with the framework of an annual budget which appropriates the expenditure authorizations approved by the Council of Administration. 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 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 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 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 case 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.
- The UPU\*Clearing User Group was established by POC resolution CEP 5/2003 to give its members a low-cost and efficient means of settling their international postal accounts within a system that consolidates transactions and calculates settlement. The user group comprises a General Assembly, a Steering Committee and a Secretariat. For all issues pertaining to settlement and accounting functions, the UPU\*Clearing User Group comes under the auspices of the UPU International Bureau. The group and its clearing system are governed by a set of internal rules and clearing regulations. The clearing system plays an intermediary role in the settlement of payments, and designated operators can determine their status (debtor/creditor) at any time. For all transactions, a single payment and receipt operation is carried out with the other members of the system, thus reducing administrative costs and speeding up the payment process. At the beginning of each year, a pre-defined timetable is made available to all members, stipulating the important dates within each clearing period. The group is completely self-financed and covered by annual membership contributions. At 31 December 2017, the UPU\*Clearing User Group had 45 members worldwide.

## **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 2016 financial period have been reclassified to conform to the current period's presentation.

*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 for periods of longer than three months and less than one year. Long-term (non-current) investments are primarily held by an investments manager and include equities and bonds held in the currencies of primary use by the Union. Investments are stated at fair value at the reporting date, as determined by the investment manager.

*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, and long-term separation benefits payable (repatriation grants, travel and shipping), as determined by an independent actuary on an annual basis using the projected unit credit method. Actuarial gains and losses are recognized using the corridor approach and amortized over the average years of future service of active staff. The discount rate takes into consideration the estimated duration of future provident payments. 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 designated as held for trading and assessed at fair value through surplus or deficit on the basis of a quoted price in an active market at the reporting date. Cash and cash equivalents are short-term financial assets and are stated at nominal value at the reporting date. Cash deposits held for more than 12 months are stated at fair value through surplus or deficit.

Unconditional receivables are non-derivative 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 is the Swiss franc, the currency of reporting for these financial statements. 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 assets) of liabilities and net assets denominated in currencies other than the Swiss franc, are recognized in 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:

	1 CHF	USD	EUR
	31.12.17	1.022	0.856
	31.12.16	0.976	0.933

### 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 in 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, 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:

Category	Estimated useful life (years)	
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	5
	Central telecommunication equipment	7
	Mobile telephones	2
	Audio-visual equipment	5
	Motor vehicles	8
	Other equipment	5 to 10

<i>Category</i>		<i>Estimated useful life (years)</i>
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
	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 back 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 in 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 (IRCs, 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. For assessed contributions, a valuation adjustment for non-recoverable receivables is recorded at the amount equal to the assessed contributions receivable from member countries subject to sanctions in accordance with the provisions of the UPU Constitution. For member countries with agreements to finance amounts due over multiple-year periods, a non-recoverable receivables allowance, equal to the unpaid amount receivable by the Union under the agreement, is recorded if the member country fails to make two consecutive yearly payments. Unless the member country negotiates a repayment agreement, interest of 6% is charged on any unpaid balance over three months past due.

For other receivables, a valuation adjustment is set for all amounts two or more years past due (from the date of the invoice).

### *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.

Assessed 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 relate to, among other things, 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 in 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, including the five new standards listed below.

<i>IPSAS</i>	<i>Name</i>	<i>Date of entry into force</i>
IPSAS 34	Separate financial statements	1 January 2017
IPSAS 35	Consolidated financial statements	1 January 2017
IPSAS 36	Investments in associates	1 January 2017
IPSAS 37	Joint arrangements	1 January 2017
IPSAS 38	Disclosure of interests in other entities	1 January 2017

In addition, the IPSAS Board has published the following two new standards:

<i>IPSAS</i>	<i>Name</i>	<i>Date of entry into force</i>
IPSAS 39	Employee benefits	1 January 2018
IPSAS 40	Public sector combinations	1 January 2019

While IPSAS 40 should not affect the UPU accounts significantly, the adoption of IPSAS 39, which replaces the current IPSAS 25, will have a certain impact. IPSAS 39 will apply to the 2018 accounts; its financial impact is described in note 12.

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

	<i>2017</i>	<i>2016</i>
<i>Current assets</i>		
Petty cash	15,389.70	19,969.40
<i>Bank accounts</i>		
Credit Suisse	8,888,292.52	7,041,522.66
UBS	3,854,867.62	4,771,510.11
PostFinance	7,690,306.88	3,452,906.16
BPS	2,716,896.48	2,271,827.71
Pictet		
<i>Subtotal bank accounts</i>	<i>23,150,363.50</i>	<i>17,537,766.63</i>
Deposits		
Credit Suisse	24,423,327.82	22,942,232.82
PostFinance	1,000,559.05	1,000,044.45
BNS	0.00	–
<i>Subtotal deposits</i>	<i>25,423,886.87</i>	<i>23,942,277.27</i>
<b>Total cash</b>	<b>48,589,640.07</b>	<b>41,500,013.30</b>

Cash deposits are generally held in instant-access bank accounts, interest-bearing accounts (call account, cash deposit account) and short-term investments (deposits of up to 90 days). In 2017, the average rate of interest earned on interest-bearing accounts and investments held was 0.1547% (0.0692% in 2016).

The Union has no confirmed credit lines, but maintains limited and informal overdraft arrangements with the banks with which it has funds on deposit. The arrangements may be withdrawn by the banks at any time. No overdraft facilities were required in 2016 or 2017.

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 U.S. dollars (the reporting currency). UPU\*Clearing funds are held in U.S. dollars or euros, the currencies in which the settlements are made through the system.

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

	<i>31 December 2017</i>	<i>Percentage</i>	<i>31 December 2016</i>	<i>Percentage</i>
CHF	30,680,767.04	63.1%	28,228,582.86	68.0%
USD	10,911,120.63	22.5%	9,106,068.57	21.9%
EUR	6,997,752.40	14.4%	4,165,361.87	10.0%
<b>Total</b>	<b>48,589,640.07</b>	<b>100.0%</b>	<b>41,500,013.30</b>	<b>100.0%</b>

At 31 December 2017, of the total amount of cash held, 22,608,108 CHF was unrestricted cash held by the Union. In 2016, that amount totalled 21,585,216 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 in 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:

	<i>AA+/AA</i>	<i>A+</i>	<i>A</i>
Balance at 31 December 2017	8,690,865.93	3,854,867.62	33,311,620.34
Balance at 31 December 2016	4,452,950.61	–	34,775,265.57
	<i>BBB/BBB</i>	<i>Not rated</i>	<i>Total</i>
Balance at 31 December 2017	2,716,896.48	15,389.70	48,589,640.07
Balance at 31 December 2016	2,271,827.71	19,969.40	41,500,013.30

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

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>Total outstanding</i>	<i>Total outstanding</i>
<i>Current receivables – non-exchange transactions</i>		
Union assessed contributions receivable	20,516,316.44	20,153,388.84
Technical cooperation funds receivable	509,825.52	522,857.03
QSF funds receivable	754.90	8,318.00
EMS Cooperative contributions receivable	195,124.82	48,725.47
Telematics Cooperative contributions receivable	92,253.94	113,194.77
<i>Total receivables – non-exchange transactions</i>	<i>21,314,275.62</i>	<i>20,846,48.11</i>

	<i>31 December 2017</i> <i>Total outstanding</i>	<i>31 December 2016</i> <i>Total outstanding</i>
<i>Current receivables – exchange transactions</i>		
Union receivables	68,187.20	48,023.00
UPU*Clearing receivables	27,852,421.31	14,159,101.13
Voluntary Fund receivables	822,167.98	455,430.94
IRC receivables	955,660.65	556,939.15
Telematics Cooperative receivables	2,043,431.44	1,879,785.97
<i>Total receivables – exchange transactions</i>	<i>31,741,868.58</i>	<i>17,099,280.19</i>
<b>Total current receivables</b>	<b>53,056,144.20</b>	<b>37,945,764.30</b>
<i>Non-current receivables – non-exchange transactions</i>		
Union assessed contributions receivable	13,767,255.35	12,623,877.25
<b>Total receivables</b>	<b>66,823,399.55</b>	<b>50,569,641.55</b>

Union assessed 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. Receivables due under financial arrangements more than 12 months from the reporting date are shown as non-current receivables and have been discounted to reflect amortized value, using a discount rate of 0.70% based on high-grade corporate bonds denominated in Swiss francs.

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 their statutes, as adopted by the POC.

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 due is presented below:

<i>Type of receivable</i> <i>(in CHF)</i>	<i>Until</i> <i>31 December</i> <i>2015 and</i> <i>countries</i> <i>under</i> <i>sanction</i>	<i>Provision for</i> <i>unpaid and</i> <i>doubtful debts</i>	<i>Subtotal of</i> <i>unpaid and</i> <i>doubtful debts</i>	<i>2016–2017</i>	<i>Total accounts</i> <i>receivable</i> <i>(net)</i>
Union receivables	31,224,159.31	-21,090,224.03	10,133,935.28	24,217,823.71	34,351,758.99
Telematics Cooperative receivables	287,307.67	-287,307.67	–	2,135,685.38	2,135,685.38
EMS Cooperative receivables	3,145.81	-3,145.81	–	195,124.82	195,124.82
Voluntary Fund receivables	322,742.40	-245,242.40	77,500.00	1,254,493.50	1,331,993.50
QSF receivables	–	-32.61	-32.61	787.51	754.90
UPU*Clearing receivables	–	–	–	27,852,421.31	27,852,421.31
IRC receivables	–	–	–	955,660.65	955,660.65
<b>Total</b>	<b>31,837,355.19</b>	<b>-21,625,952.52</b>	<b>10,211,402.67</b>	<b>56,611,996.88</b>	<b>66,823,399.55</b>

	31 December 2016 (in CHF)	Increase	Decrease	Use	31 December 2017 (in CHF)
<i>Provisions</i>					
<i>Non-exchange transactions</i>					
Union assessed contributions	17,643,882.27	3,331,991.11			20,975,873.38
Voluntary Fund	36,500.00	87,000.00			123,500.00
Telematics Cooperative	75,076.19	8,470.35			83,546.54
EMS Cooperative	1,031.84	2,113.97			3,145.81
QSF funds	486.94				32.61
<b>Subtotal non-exchange transactions</b>	<b>17,756,977.24</b>	<b>3,429,575.43</b>			<b>21,186,098.34</b>
<i>Exchange transactions</i>					
Union	112,321.80	2,028.85			114,350.65
Telematics Cooperative	214,512.81		10,751.68		203,761.13
Voluntary Fund	169,313.83		47,571.43		121,742.40
<b>Subtotal exchange transactions</b>	<b>496,148.44</b>	<b>2,028.85</b>	<b>58,323.11</b>		<b>439,854.18</b>
<b>Total provision</b>	<b>18,253,125.68</b>	<b>3,431,604.28</b>	<b>58,323.11</b>		<b>21,625,952.52</b>

#### Note 5 – Inventories (in CHF)

	31 December 2017	31 December 2016
<i>Inventories</i>		
Stock of postage stamps and UPU souvenirs	88,522	70,418
Stock of barcodes	15,973	30,245
Stock of IRCs	88,085	211,336
<b>Total inventories</b>	<b>192,580</b>	<b>311,999</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)

	31 December 2017	31 December 2016
<i>Other current assets</i>		
Prepaid expenses and deferred charges	1,866,605.98	2,289,045.57
Staff advances	485,441.84	464,985.20
Other advances	337,439.34	1,027,610.11
Supplier advances	0.00	303,374.66
Tax advances	207,283.86	198,704.47
<b>Total other current assets</b>	<b>2,896,771.02</b>	<b>4,283,720.01</b>

	31 December 2017	31 December 2016
<i>Other non-current assets</i>		
Staff advances (Social Fund)	25,500.00	25,296.00
<b>Total other assets</b>	<b>2,922,271.02</b>	<b>4,309,016.01</b>

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 U.S. dollars, VAT, stamp duty to be recovered, and U.S. tax advances paid to staff pending receipt of reimbursement by the U.S. government. The amount for tax advances is presented as a net value. A provision of 139,370.34 CHF, established in 2016, was dissolved following a reimbursement from the U.S. Government of amounts predating 2015.

#### Note 7 – Investments (in CHF)

	31 December 2017	31 December 2016
<i>Current investments</i>		
Deposits longer than three months	33,671,180.58	28,413,000.00
Capital protection UBS	66,863,072.70	69,363,953.75
<b>Subtotal</b>	<b>100,534,253.28</b>	<b>97,776,953.75</b>
<i>Non-current investments</i>		
Deposits longer than one year	2,445,000.00	4,561,250.00
<b>Total investments</b>	<b>102,979,253.28</b>	<b>102,338,203.75</b>

Funds are placed in deposits by the Union for periods ranging from four to 18 months. The portion of these investments due in 2018 is presented under non-current investments (longer than one year). The investments held on behalf of other entities are broken down by entity on the statement of financial position following note 27.

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 a guaranteed capital fund in USD. At the reporting date, the value of these funds in U.S. dollars equalled 66,863,072.70 CHF.

All bonds and deposits in the investment portfolio are rated A, based on the S&P ratings at 31 December 2017. The breakdown is as follows (in CHF):

	31 December 2017	31 December 2016
A/A+	66,863,072.70	69,363,953.75
<b>Total deposits and bonds</b>	<b>66,863,072.70</b>	<b>69,363,953.75</b>
A	36,116,180.58	32,974,250.00
A+	–	–
BBB/BBB–	–	–
<b>Total deposits</b>	<b>102,979,253.28</b>	<b>102,338,203.75</b>

**Note 8 – Equipment (in CHF)**

	<i>IT equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost at 1 January 2016	2,329,331.94	1,918,442.39	4,247,774.33
Additions	257,879.72	35,597.98	293,477.70
Disposals			–
<b>Cost at 31 December 2016</b>	<b>2,587,211.66</b>	<b>1,954,040.37</b>	<b>4,541,252.03</b>
Exchange difference	–	–	–
Net	<b>2,587,211.66</b>	<b>1,954,040.37</b>	<b>4,541,252.03</b>
<b>Net 31 December 2016</b>	<b>2,587,211.66</b>	<b>1,954,040.37</b>	<b>4,541,252.03</b>
Additions	757,706.37	29,930.24	787,636.61
Disposals			–
<b>Cost at 31 December 2017</b>	<b>3,344,918.03</b>	<b>1,983,970.61</b>	<b>5,328,888.64</b>
Exchange difference			–
Net	<b>3,344,918.03</b>	<b>1,983,970.61</b>	<b>5,328,888.64</b>
<b>Accumulated depreciation at 1 January 2016</b>	<b>1,646,980.40</b>	<b>743,336.82</b>	<b>2,390,317.22</b>
Depreciation 2016	332,473.98	202,948.44	535,422.42
Loss on disposed equipment	–	–	–
<b>Accumulated depreciation at 31 December 2016</b>	<b>1,979,454.38</b>	<b>946,285.26</b>	<b>2,925,739.64</b>
Depreciation 2017	360,808.28	186,520.79	547,329.07
Loss on disposed equipment	–	–	–
<b>Accumulated depreciation at 31 December 2017</b>	<b>2,340,262.66</b>	<b>1,132,806.05</b>	<b>3,473,068.71</b>
Net carrying value at 31 December 2016	607,757.29	1,007,755.10	1,615,512.39
<b>Net carrying value at 31 December 2017</b>	<b>1,004,655.37</b>	<b>851,164.56</b>	<b>1,855,819.93</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>
Cost at 1 January 2016	<b>814,169.90</b>
Additions	96,606.65
Disposals	–
<b>Cost at 31 December 2016</b>	<b>910,776.55</b>
Additions	147,122.65
Disposals	–
<b>Cost at 31 December 2017</b>	<b>1,057,899.20</b>

	<i>Intangible assets</i>
Accumulated depreciation at 1 January 2016	446,654.56
Depreciation 2016	140,743.01
Accumulated depreciation at 31 December 2016	587,397.57
Depreciation 2017	100,129.18
Accumulated depreciation at 31 December 2017	687,526.75
Net carrying value at 31 December 2016	323,378.98
<b>Net carrying value at 31 December 2017</b>	<b>370,372.45</b>

The costs of contractor services and software acquisition are capitalized over an estimated useful life of five years. At 31 December 2017, fixed amounts included 27,142.50 CHF for work concerning the migration of the integrated management software (Navision), which will end in 2018. This amount was not subject to depreciation as of the date of preparation of the accounts.

#### 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 2015	30,453,121.28	4,633,334.66	-993,403.00	34,093,052.94
Additions	–	–	–	–
Transfer	4,182,021.10	-4,633,334.66	–	-451,313.56
<b>Cost at 31 December 2015</b>	<b>34,635,142.38</b>	<b>–</b>	<b>-993,403,00</b>	<b>33,641,739.38</b>
Additions	407,099.99	–	–	407,099.99
Transfer	-24,558.70	–	–	-24,558.70
<b>Cost at 31 December 2016</b>	<b>35,283,130.27</b>	<b>–</b>	<b>-993,403,00</b>	<b>34,289,727.27</b>
Additions	265,446.60	–	–	265,446,60
Transfer	–	–	–	–
<b>Cost at 31 December 2017</b>	<b>35,283,130.27</b>	<b>–</b>	<b>-993,403,00</b>	<b>34,289,727.27</b>
Accumulated depreciation at 1 January 2015	5,350,020.87	–	-64,178,97	5,285,841,90
Depreciation 2015	1,334,308.56	–	-26,658,72	1,307,649,84
<b>Accumulated depreciation at 31 December 2015</b>	<b>6,684,329.43</b>	<b>–</b>	<b>-90,837,69</b>	<b>6,593,491,74</b>
Depreciation 2016	1,221,572.42	–	-22,345,86	1,199,226,56
<b>Accumulated depreciation at 31 December 2016</b>	<b>7,905,901.85</b>	<b>–</b>	<b>-113,183,55</b>	<b>7,792,718,30</b>
Depreciation 2017	1,233,672.89	–	-22,316,23	1,119,226,56
<b>Accumulated depreciation at 31 December 2017</b>	<b>9,139,574.74</b>	<b>–</b>	<b>135,499,78</b>	<b>9,004,074,96</b>
Net carrying value at 31 December 2016	27,111,781.82	–	-880,219,45	26,231,562,37
<b>Net carrying value at 31 December 2017</b>	<b>26,143,555.53</b>	<b>–</b>	<b>-857,903,22</b>	<b>25,285,652,31</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 the renovation of the conference block, were undertaken between 2010 and 2014.

An independent valuation of the building was 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 through 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. Since the Union does not have the right to dispose of the land rights, which revert back 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. 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.

At 31 December 2017, fixed amounts included 595,464.34 CHF for works in progress. These projects concerned renovation of the sanitary facilities (538,621.24 CHF) and the initial stage of the renovation of electrical installations and the IT network (56,833.10 CHF). These amounts were not subject to depreciation as of the date of preparation of the accounts.

#### 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 2017	31 December 2016
IRC accrued liabilities	177,823.70	1,925.86
UPU*Clearing creditors	27,852,421.29	14,159,101.14
QSF creditors	3,425.68	66.59
Embassy of Finland	10,900.00	8,800.00
Embassy of the Dominican Republic	2,100.00	2,100.00
Embassy of Belgium	4,966.67	4,666.67
<b>Total accrued expenses</b>	<b>28,051,637.34</b>	<b>14,176,660.26</b>
Accounts payable	3,749,500.67	2,669,255.62
<b>Total accounts payable and accrued expenses</b>	<b>31,801,138.01</b>	<b>16,845,915.88</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.

Effective 1 January 2011, the Union has recognized liability for employee benefits on its financial statements, as follows (in CHF):

	31 December 2017	31 December 2016
<i>Current liabilities</i>		
Annual leave	1,843,985.59	1,749,860.72
Overtime	74,919.47	96,628.89
<b>Subtotal current liabilities</b>	<b>1,918,905.06</b>	<b>1,846,489.61</b>
<i>Non-current liabilities</i>		
Repatriation removal	811,431.13	886,888.66
Repatriation grant	1,401,680.89	1,586,955.11
After-service health insurance	46,122,531.97	45,473,245.88
Death benefits	69,767.42	56,429.03
<b>Subtotal</b>	<b>48,405,411.41</b>	<b>48,003,518.68</b>
Provident Scheme and pension fund	96,271,798.25	85,357,184.78
Elected official complementary allowance	1,187,777.57	1,249,799.80
Cost-of-living allowance	943,029.96	1,012,473.13
Surviving spouse insurance	–	–
<i>Subtotal Provident Scheme</i>	<i>98,402,605.78</i>	<i>87,619,457.71</i>
<b>Subtotal current liabilities</b>	<b>146,808,017.19</b>	<b>135,622,976.39</b>
<b>Total employee benefits</b>	<b>148,726,922.25</b>	<b>137,469,466.00</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 Universal Postal Union provides retirement, death, disability and related benefits for the staff of the UPU International Bureau and 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 by a Management Board consisting of the Chairman 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 also 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.

- Retiring staff members and their spouses, dependent children and survivors are eligible for ASHI coverage. 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 0.70%, based on the recommendation of the Swiss Chamber of Pension Fund Experts in relation to the duration of the portfolio. This is 18.1 years. A rate of 0.70% is therefore considered appropriate, given the recommended range for a duration of 20 years.
- The expected rate of return on assets is 0.7%, which was revised downwards in line with the adoption of IPSAS 39. In this connection, 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 2017:
  - Liquid assets: 0.52%;
  - Bonds in Swiss francs: 17.31%;
  - Bonds in foreign currencies: 9.44%;
  - Shares in Swiss francs: 25.86%;
  - Shares in foreign currencies: 25.31%;
  - Real estate: 20.83%;
  - Loans: 0.74%.
- Employer contributions totalled 7,600,097 CHF in 2017. The total for 2018 should remain stable.
- The total liabilities for benefits covered by the two schemes, excluding the liabilities attributable to the translation services, are as follows:

	<i>31 December 2017 Provident Scheme</i>	<i>31 December 2017 After-service health insurance</i>
Discount rate	0.70%	0.70%
Expected return on plan assets	0.70%	–
Future salary increases	2.00%	2.00%
Future pension increases	0.00%	–
Medical costs inflation	–	3.00%
Probability of outflow	LPP 2015	LPP 2015
Mortality and invalidity	VZ 2015	VZ 2015
Expected average remaining working lives	9.86	–
Present value of obligation as at 1 January 2017	422,747,077	35,473,710
Interest costs	2,697,414	228,129
Current service costs	15,148,996	1,865,916
Benefits paid (net of redemptions)	-15,513,736	-87,716
Actuarial loss (gain) on obligation	1,495,296	-4,192,063
<b>Value of obligation at 31 December 2017</b>	<b>426,575,047</b>	<b>32,587,976</b>
Fair value of plan assets at 1 January 2017	215,028,067	
Expected return on plan assets	4,951,360	
Employer contributions	7,600,097	

	31 December 2017 Provident Scheme	31 December 2017 After-service health insurance
Employee contributions	3,207,318	
Benefits paid	-15,513,736	
Actuarial gains (losses) on plan assets	16,357,979	
<b>Fair value of plan assets at 31 December 2017</b>	<b>231,631,085</b>	
Unrecognized actuarial gains (losses) at 1 January 2017	-120,099,552	9,999,536
Unrecognized actuarial gains (losses) on obligation (change of assumption)	660,593	5,693,952
Unrecognized actuarial gains (losses) on obligation (experience)	-2,155,889	-1 501,889
Unrecognized actuarial gains (losses) on plan assets	16,357,979	
Amortization of actuarial gains (losses) recognized in the statement of financial performance	8,695,513	-657,043
<b>Unrecognized actuarial gains (losses) at 31 December 2017</b>	<b>-96,541,356</b>	<b>13,534,556</b>
Amounts recognized in the statement of financial position		
Present value of obligations at 31 December 2017	426,575,047	32,587,976
Fair value of plan assets at 31 December 2017	-231,631,085	
<b>Subtotal</b>	<b>194,943,962</b>	<b>32,587,976</b>
Unrecognized actuarial gains (losses)	-96,541,356	13,534,556
<b>Liability recognized in the statement of financial position</b>	<b>98,402,606</b>	<b>46,122,532</b>
Amounts recognized in the statement of financial performance		
Interest costs	2,697,414	228,129
Current service costs	15,148,996	1,865,916
Contributions of employees without redemptions	-3,207,318	
Expected return on plan assets	-4,951,360	
Amortization of net actuarial (gains) losses recognized in 2017	8,695,513	-657,043
<b>Recognized in the statement of financial performance</b>	<b>18,383,245</b>	<b>1,437,002</b>
Actual return on plan assets		
Expected return on plan assets	4,951,360	
Actuarial gain (loss) on plan assets	16,357,979	
<b>Actual return on plan assets</b>	<b>21,309,339</b>	
Discount rate	0.65%	0.65%
Expected return on plan assets	2.30%	–
Future salary increases	2.00%	2.00%
Future pension increases	0.00%	–
Medical costs inflation		3.50%
Probability of outflow	LPP 2015	LPP 2015

	31 December 2017 Provident Scheme	31 December 2017 After-service health insurance
Mortality and invalidity	VZ 2015	VZ 2015
Expected average remaining working lives	8.95	
Present value of obligation at 1 January 2016	399,670,010	38,021,798
Interest costs	3,528,272	338,938
Current service costs	13,987,047	1,623,203
Benefits paid (net of redemptions)	-14,314,600	-723,999
Actuarial gains (losses) on obligation	19,876,348	-3,786,230
<b>Value of obligation at 31 December 2016</b>	<b>422,747,077</b>	<b>35,473,710</b>
Fair value of plan assets at 1 January 2016	211,734,205	
Expected return on plan assets	6,506,971	
Employer contributions	11,206,187	
Employee contributions	3,141,537	
Benefits paid	-14,314,600	
Actuarial gains (losses) on plan assets	-3,246,233	
<b>Fair value of plan assets at 31 December 2016</b>	<b>215,028,067</b>	
Unrecognized actuarial gains (losses) on obligation	-104,103,217	6,496,968
Unrecognized actuarial gains (losses) on obligation (change of assumption)	-15,821,442	176,183
Unrecognized actuarial gains (losses) on obligation (experience)	-4,054,906	3,610,047
Unrecognized actuarial gains (losses) on plan assets	-3,246,233	
Amortization of actuarial (gains) losses recognized in the statement of financial performance	7,126,246	-283,662
<b>Unrecognized actuarial gains (losses) at 31 December 2016</b>	<b>-120,099,552</b>	<b>9,999,536</b>
Amounts recognized in the statement of financial position		
Present value of funded obligations at 31 December 2016	422,747,077	35,473,710
Fair value of plan assets at 31 December 2016	-215,028,067	
<b>Subtotal</b>	<b>207,719,010</b>	<b>35,473,710</b>
Unrecognized actuarial gains (losses)	-120,099,552	9,999,536
<b>Liability recognized in the statement of financial position</b>	<b>87,619,458</b>	<b>45,473,246</b>
Amounts recognized in the statement of financial performance		
Interest costs	3,528,272	338,938
Current service costs	13,987,047	1,623,203
Contributions of employees without redemptions	-3,141,537	
Expected return on plan assets	-6,506,971	
Amortization of net actuarial (gains) losses recognized in 2016	7,126,246	-283,662

	31 December 2017 Provident Scheme	31 December 2017 After-service health insurance
<b>Recognized in the statement of financial performance</b>	<b>14,993,057</b>	<b>1,678,479</b>
Actual return on plan assets		
Expected return on plan assets	6,506,971	
Actuarial gains (losses) on plan assets	-3,246,233	
<b>Actual return on plan assets</b>	<b>3,260,738</b>	

In accordance with IPSAS 25, paragraph 141 (o), we measured the sensitivity of both the present value of the obligation relating to future medical costs and the effect of a one percentage point increase or a one percentage point decrease in the assumed inflation rate of future medical costs, using a base rate of 3% as shown in the evaluation above. Of course, this sensitivity analysis only concerns participation in the health insurance premium, which is why the results presented here only look at the impacts on the obligation relating to this benefit.

The results of this sensitivity analysis are as follows:

<i>Element</i>	<i>Assumed inflation rate of future medical costs</i>		
	2%	3% (base)	4%
Present value of obligation at 31 December 2017	27,008,933	32,587,975	39,947,849
Estimated 2018 expenses	361,208	765,258	1,329,976

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

With the adoption of IPSAS 39 in 2018, the Union will recognize actuarial gains and losses related to the Provident Scheme and after-service health insurance directly in a separate element of net assets. This will be done through a single adjustment of 83,006,800 CHF, to account for the accumulated actuarial loss at 31 December 2017. This is a change from the corridor method used up to now. For the purpose of comparison, the 2017 accounts will also be reviewed in the 2018 report.

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;
- Life insurance;
- Survivors' insurance;
- Supplemental retirement benefits for elected officials (a guaranteed minimum level of retirement benefit for the Director General and Deputy Director General).

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 2017	31 December 2016
Repatriation – removal and travel	811,431	886,889
Repatriation grant	1,401,681	1,586,955
Death benefits	69,767	56,429
<b>Total post-employment benefits</b>	<b>2,282,879</b>	<b>2,530,273</b>

Short-term benefits and annual leave: the organization has recognized liabilities for the following short-term benefits, the value of which is based upon the amount payable to each 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.
- Home leave: every second year, internationally recruited staff members, other than those employed in the EMS and Telematics Cooperatives, are eligible for home leave for themselves and their dependants, to their home country.
- Education grants: internationally recruited staff members, other than those employed in the EMS and Telematics Cooperatives, are eligible for partial reimbursement of the costs of education of dependent children. Staff members may receive an advance equal to 90% of the estimated reimbursement. A provision has been established to reflect the portion of the education advances outstanding at the reporting date, covering the months of the 2017–2018 academic year completed by that time.

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

	<i>31 December 2017</i>	<i>31 December 2016</i>
Available assets	4,348,682.93	3,559,327.87
UPU*Clearing creditors (available assets)	2,000,920.93	1,089,873.94
Contributions invoiced in advance	253,251.05	257,184.30
IRC sales	3,920,289.31	2,743,372.83
Available QSF assets	70,908,259.86	76,636,752.45
<b>Subtotal advance receipts</b>	<b>81,431,404.08</b>	<b>84,286,511.39</b>
Assessed contributions invoiced in advance	36,304,343.00	34,845,985.00
Multi-year integrated projects (MIPs) financed by countries	42,486.58	97,567.65
Funds to guarantee PPS*Clearing project	344,604.67	322,374.00
Telematics Cooperative deferred revenue for special projects	480,603.14	583,443.30
Project to improve EMS	16,470.52	241,005.98
Voluntary contributions billed in advance (Voluntary Funds)	345,000.00	377,500.00
Voluntary Fund (conditional)	5,208,258.14	3,918,333.38
Funds on deposit	–	25,463.06
QSF projects in progress	31,955,360.91	24,537,286.39
<b>Subtotal deferred revenue</b>	<b>74,697,126.96</b>	<b>64,948,958.76</b>
<b>Total deferred revenue and advance receipts</b>	<b>156,128,531.04</b>	<b>149,235,470.15</b>

The Union collects assessed 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 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.

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

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):

<i>QSF funds held for projects in progress</i>	<i>31 December 2017</i>	<i>31 December 2016</i>
Capital, projects in progress	52,690,544.61	46,886,788.26
Capital advances to projects	-20,735,183.70	-22,349,501.87
<b>QSF projects in progress</b>	<b>31,955,360.91</b>	<b>24,537,286.39</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 currently requires reimbursement of principal only. The value of the interest waived in 2017 was 16,799 CHF (at 1.15%), while the value of interest to be waived until the final payment on the loan due in 2020 is 25,439 CHF. The value of the loan is estimated at amortized cost by using the effective interest method.

The total amounts borrowed and outstanding shown as current and non-current liabilities at the reporting date are as follows (in CHF):

	<i>31 December 2017</i>	<i>31 December 2016</i>
Current liabilities	375,760	375,760
Non-current liabilities (due in 2 to 5 years)	751,516	1,127,276
Non-current liabilities (due in over 5 years)	–	–
<b>Total borrowing stated at nominal value</b>	<b>1,127,276</b>	<b>1,503,036</b>
Less the interest not due within the next year	-25,439	-42,238
<b>Net value in the statement of financial position</b>	<b>1,101,837</b>	<b>1,460,798</b>

#### **Note 15 – Provisions**

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

Provision for litigation at 1 January 2016	1,000,000
Increase	–
Decrease	64,340
Use	10,660
Provision for litigation at 31 December 2016	925,000
Increase	1,642,000
Decrease	-11,000
Use	–
Provision for litigation at 31 December 2017	2,556,000



The Union is subject to litigation as part of its normal activities. Events prior to 31 December 2017 have created certain legal obligations at the reporting date. Since 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. On the basis of information available, the amount of the provision was increased by 1,642,000 CHF following the publication of rulings for current cases.

#### 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):

	31 December 2017	31 December 2016
Arabic (STAR)	4,584,504	4,644,759
English (STAN)	2,162,116	2,146,488
Portuguese (STPO)	384,227	326,709
<b>Total</b>	<b>7,130,847</b>	<b>7,117,955</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 2017 and prior periods for the Union, including UPU\*Clearing, the Voluntary Fund and IRCs, and each of the controlled entities – 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>	31 December 2017 <i>Closing balance</i>	31 December 2016 <i>Closing balance</i>
Union	-97,949,136.50	-85,974,886.72
Voluntary Fund (non-conditional)	25,821.06	-375,433.71
<b>Subtotal Union funds</b>	<b>-97,923,315.44</b>	<b>-86,350,320.43</b>

<i>Accumulated surplus (deficit)</i>	<i>31 December 2017 Closing balance</i>	<i>31 December 2016 Closing balance</i>
UPU*Clearing	33,500.04	92,285.95
IRC	-1,614,144.23	-751,066.57
Technical Cooperation Special Fund	757,542.20	752,902.57
Reserve article 17	983,145.37	595,933.26
Voluntary Fund	3,257,466.90	2,806,775.26
<b>Subtotal other funds</b>	<b>3,417,510.28</b>	<b>3,496,830.47</b>
EMS	-285,120.43	-306,637.16
Telematics Cooperative	-6,265,323.99	-5,424,373.58
QSF	-1,566,018.01	-1,670,866.68
<b>Subtotal controlled entities</b>	<b>-8,116,462.43</b>	<b>-7,401,877.42</b>
<b>Total accumulated surplus (deficit)</b>	<b>-102,622,267.59</b>	<b>-90,255,367.38</b>
Social Fund	3,174,028.49	3,245,592.97
Reserve IPSAS	–	132,544.30
Reserve for building	500,000.00	500,000.00
Special Activities Fund	521,951.47	521,951.47
<b>Total reserves</b>	<b>4,195,979.96</b>	<b>4,400,088.74</b>
<b>Total net assets</b>	<b>-98,426,287.63</b>	<b>-85,855,278.64</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 controlled entities, and its relationship to each one is explained in note 1 above. 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):

2017	No. of individuals (average)	Salaries	Other allowances	Pension and health insurance	Recruitment allowances	Separation from service allowances	Total
Elected officials	2.0	585,440	111,680	157,680	–	–	854,736
Directors	8.7	11,672,911	115,830	506,241	112,435	125,372	2,532,789
<b>Total</b>	<b>10.7</b>	<b>2,258,351</b>	<b>227,510</b>	<b>663,857</b>	<b>112,435</b>	<b>125,372</b>	<b>3,387,525</b>

2016	No. of individuals (average)	Salaries	Other allowances	Pension and health insurance	Recruitment compensation	Separation from service allowances	Total
Elected officials	2.0	589,097	83,146	157,615	–	–	829,858
Directors	8.0	1,567,444	56,484	461,710	–	10,313	2,095,951
<b>Total</b>	<b>10.0</b>	<b>2,156,541</b>	<b>139,630</b>	<b>619,325</b>	<b>–</b>	<b>10,313</b>	<b>2,925,809</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, the actual amounts presented in relation to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual surplus (deficit) amounts presented in the statement of cash flow (statement IV), 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 long-term commitments towards 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.

2016	Operating	Investments	Funding	Total (CHF)
Total net expenses on basis comparable to adjusted budget	-57,331,191	–	–	-57,331,191
Financial costs not included in budget	-418,471	–	-1,485,536	-1,904,007
Adjustment of long-term employee benefits	-8,687,925	–	–	-8,687,925
<b>Total basis differences</b>	<b>-9,106,396</b>	<b>–</b>	<b>-1,485,536</b>	<b>-10,591,932</b>

2016	Operating	Investments	Funding	Total (CHF)
QSF project expenses	-11,415,500	–	–	-11,415,500
Total entity differences	-11,415,500	–	–	-11,415,500
<b>Actual expenses on the statement of financial performance</b>	<b>-77,853,088</b>	<b>–</b>	<b>-1,485,536</b>	<b>-79,338,624</b>
Total revenue on the statement of financial performance	80,743,392	–	–	80,743,392
<b>Actual net result on the statement of financial performance</b>	<b>2,890,304</b>	<b>–</b>	<b>-1,485,536</b>	<b>1,404,768</b>
2017	Operating	Investments	Funding	Total (CHF)
Total net expenses on basis comparable to adjusted budget	-57,234,082	–	–	-57,234,082
Financial costs not included in budget	-2,942,278	–	-1,162,080	-4,104,358
Adjustment of long-term employee benefits	-11,927,546	–	–	-11,927,546
Total basis differences	-14,869,824	–	-1,162,080	-16,031,904
QSF project expenses	-7,766,041	–	–	-7,766,041
Total entity differences	-7,766,041	–	–	-7,766,041
<b>Actual expenses on the statement of financial performance</b>	<b>-79,869,947</b>	<b>–</b>	<b>-1,162,080</b>	<b>-81,032,027</b>
Total revenue on the statement of financial performance	67,734,624	–	–	67,734,624
<b>Actual net result on the statement of financial performance</b>	<b>-12,135,323</b>	<b>–</b>	<b>-1,162,080</b>	<b>-13,297,403</b>

## Note 20 – Revenue

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

Assessed contributions of member countries (in CHF)	2017	2016
Contributions to the expenses of the Union	36,148,343.00	35,692,465
Contributions to the cost of French translation	156,000.00	159,750
Contributions to the Consultative Committee	42,000.00	33,000
<b>Total</b>	<b>36,346,343.00</b>	<b>35,885,215</b>

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

Other annual contributions (in CHF)	2017	2016
Contributions to the PTC	1,153,666.58	1,162,582.96
Contributions to EMS	3,098,927.18	2,097,277.27
Contributions to UPU*Clearing	257,191.94	234,657.12
<b>Total</b>	<b>4,509,785.70</b>	<b>3,494,517.35</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.

<i>Voluntary contributions (in CHF)</i>	2017	2016
QSF contributions	7,767,973.52	11,392,980.66
Untied voluntary contributions	347,084.80	164,151.09
Tied contributions	3,756,650.23	4,987,485.80
Other financial contributions	22,316.23	25,849.21
<b>Total</b>	<b>11,894,024.78</b>	<b>16,570,466.76</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>	2017	2016
POST*CODE, WNS, barcodes	1,450,087.34	1,574,739.33
Rebilling of IRC costs	198,289.91	77,137.67
Sales, missions, maintenance for IFS/IPS, etc.	8,746,236.64	8,032,904.52
Rent	507,599.73	470,602.46
Other sales	104,383.00	61,516.40
<b>Total</b>	<b>11,006,596.62</b>	<b>10,216,900.38</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; gains on equities, including realized gains from the sale of equities held as investments by the QSF and unrealized gains on the marking to market of these equities at the reporting date;
- adjustment of provision for doubtful debts. This fell significantly in 2016 following the debt rescheduling plans signed on the occasion of the 2016 Istanbul Congress. In 2017, the provision again increased by 2,825,784 CHF (see note 22).

<i>Financial revenue (in CHF)</i>	2017	2016
Interest on cash and cash equivalents	645,033.52	425,968.29
Interest on contributions receivable (gross)	427,196.44	497,877.49
Other financial receipts	–	188.53
Gains on investments	702,387.85	1,296,522.50
Adjustment (reduction) of provision for doubtful debts	–	8,965,008.06
<b>Total</b>	<b>1,774,617.81</b>	<b>11,185,564.87</b>

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

<i>Other revenue (in CHF)</i>	2017	2016
Simultaneous interpretation	1,207,907.95	1,234,952.55
Social Fund income	627.00	364.50
Miscellaneous income	-121,187.64	429,481.54
<b>Total</b>	<b>1,087,347.31</b>	<b>1,664,798.59</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, home leave and other entitlements for permanent and short-term staff and consultants. IPSAS adjustments include changes in the provisions for employee benefit liabilities. Variations in provisions related to employee liabilities amounted to 11,257,456 CHF in 2017. With the introduction of new salary software, a more detailed account was put in place and expenses previously accounted for under “Social security contributions” were placed under “Insurance and Provident Scheme”.

<i>Staff expenses (in CHF)</i>	2017	2016
Salaries and allowances	25,585,178.31	25,837,767.44
Temporary staff and overtime	1,232,258.84	1,997,770.27
Social security contributions	3,101,640.11	4,212,893.60
Recruitment and separation from service allowances	527,804.16	493,406.94
Insurance and Provident Scheme	20,484,146.08	14,454,770.39
Other staff costs	577,338.09	409,354.01
<b>Total</b>	<b>51,508,365.59</b>	<b>47,405,962.65</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.

Expenses relating to the Congress include in particular transport costs. These expenses were rebilled to Turkey, which covered the International Bureau’s costs in 2016.

<i>Travel (in CHF)</i>	2017	2016
Missions	882,655.78	871,033.68
Delegates and visitors	97,421.40	118,257.46
Congress/strategy conferences	12,155.95	226,145.11
<b>Total</b>	<b>992,233.13</b>	<b>1,215,436.25</b>

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

<i>Consultants and external contracts (in CHF)</i>	2017	2016
Shipping	527,990.38	547,463.91
IT services	1,080,722.99	1,712,890.03
Translation and interpretation	702,781.70	482,604.47
Consultants	1,345,277.44	1,441,552.86
Server hosting	207,649.56	126,270.61
<b>Total</b>	<b>3,864,422.07</b>	<b>4,310,781.88</b>

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

<i>Project expenses (in CHF)</i>	2017	2016
Remuneration and travel	844,239.80	1,168,339.96
Service contracts	2,435,542.07	2,051,252.89
Training and fellows	1,011,292.78	1,522,741.96
Equipment and project costs	7,421,883.44	12,801,335.25
Miscellaneous costs	-42,903.31	429,491.25
<b>Total</b>	<b>11,670,054.78</b>	<b>17,973,161.31</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>	2017	2016
Building utilities and cleaning	436,919.90	485,220.30
Equipment rental	305,198.36	306,502.95
Postage and telecommunications	488,795.11	230,182.36
Other expenses	243,779.69	196,957.78
<b>Total</b>	<b>1,474,693.06</b>	<b>1,218,863.39</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. This item also includes purchases of equipment for amounts lower than the threshold of 1,000 CHF for recognition as a fixed asset.

<i>Materials and supplies (in CHF)</i>	2017	2016
Expendable IT equipment	138,565.60	71,360.96
Expendable machinery and furniture	78,073.60	51,734.13
IRC production supplies	93,047.12	49,150.60
Inventory variation	202,882.58	30,253.55
Expendable other equipment	154,406.53	268,785.97
<b>Total</b>	<b>666,975.43</b>	<b>471,285.21</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>	2017	2016
Security	108,698.10	64,478.06
Lifts	61,330.75	60,689.60
Heating and ventilation	84,972.49	43,310.13
Electrical system	30,535.15	157,632.20
Miscellaneous equipment	138,547.63	74,836.20
IT equipment	875,682.42	799,686.81
IT licences	261,103.37	143,268.21
Other expenses	46,330.61	21,167.05
<b>Total</b>	<b>1,607,200.52</b>	<b>1,365,068.26</b>

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

<i>Depreciation (in CHF)</i>	2017	2016
Depreciation expenses on land and buildings	1,233,672.89	1,221,572.42
Net depreciation expenses on equipment	547,329.07	571,207.08
Depreciation expenses on intangible assets	100,129.18	140,743.01
<b>Total depreciation expenses according to notes 8 to 10</b>	<b>1,881,131.14</b>	<b>1,933,522.51</b>
Reversal of accumulated depreciation on assets disposed of	–	24,558.70
<b>Total depreciation expenses in the statement of financial performance</b>	<b>1,881,131.14</b>	<b>1,958,081.21</b>

Finance charges include bank charges, investment custody fees, management fees, variations in provisions and investment losses, including realized losses from the sale of equities and the sale and maturity of bonds, as well as unrealized losses on the marking to market of QSF-held bonds and equities at the reporting date.

<i>Financial costs (in CHF)</i>	2017	2016
(Decrease)/Increase in provision for doubtful debts	2,825,784.14	15,601.05
(Decrease)/Increase in other provisions	–	41,956.44
Interest	18,337.02	9,965.48
Cancellation of interest prescribed in regulations	1,587.42	252,265.55
Investment losses	27,077.20	47,774.30
Bank charges and other financial costs	69,492.52	50,908.07
<b>Total</b>	<b>2,942,278.30</b>	<b>418,470.89</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 significant increase between 2016 and 2017.



<i>Other expenditure (in CHF)</i>	<i>2017</i>	<i>2016</i>
Interpretation POC + CA	1,221,056.95	1,239,003.75
Subsidies and gifts	99,349.20	60,871.19
Specialized agencies of the UN and other expenses	235,707.28	257,902.98
Legal costs	1,706,479.45	-41,800.86
<b>Total</b>	<b>3,262,592.88</b>	<b>1,515,977.06</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 net effect of all exchange gains and losses is recognized as a component of revenue on the statement of financial performance (values below in CHF).

<i>Description 2016</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2016	1,502,883.02	223,046.27	1,725,929.29
Exchange losses 2016	-1,216,294.49	-269,241.26	-1,485,535.75
Net impact 2016	286,588.53	-46,194.99	240,393.54

<i>Description 2017</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2017	1,545,317.00	-429,408.38	1,115,908.62
Exchange losses 2017	-1,392,562.56	230,482.90	-1,162,079.66
Net impact 2017	152,754.44	-198,925.48	-46,171.04

## Note 23 – Events after the reporting date

The Union's reporting date is 31 December 2017, and its financial statements were authorized for issuance on 5 June 2018. No material events, favourable or unfavourable, which would have affected the statements, have been incurred between the reporting date and the date on which the financial statements were authorized for issuance.

## Note 24 – Financial risks

The Union's financial situation includes the following financial instruments at 31 December 2017:

	<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	10,911,120.63	6,997,752.40	30,680,767.04	48,589,640.07
Investments	100,534,253.28	–	–	100,534,253.28
Current accounts receivable (non-exchange transactions)	754.90	–	21,313,520.72	21,314,275.62
Current accounts receivable (exchange transactions)	24,365,865.44	4,442,216.52	2,933,786.62	31,741,868.58
Interpretation expenses for rebilling	–	–	556,455.40	556,455.40
Congress expenses for rebilling	–	–	–	–

	<i>USD in equivalent CHF</i>	<i>EUR in equivalent CHF</i>	<i>CHF</i>	<i>Total in equivalent CHF</i>
Non-current investments	2,445,000.00	–	–	2,445,000.00
Non-current accounts receivable (non-exchange transactions)	–	–	13,767,255.35	13,767,255.35
Borrowing	–	–	-1,101,837.20	-1,101,837.20
Accounts payable and accrued expenses	-24,428,537.12	-4,442,216.52	-2,930,384.38	-31,801,138.02
<b>Net risk</b>	<b>113,828,457.13</b>	<b>6,997,752.40</b>	<b>65,219,563.54</b>	<b>186,045,773.08</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 2015:

	<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	9,106,068.57	4,165,361.87	28,228,582.85	41,500,013.29
Investments	97,776,953.75	–	–	97,776,953.75
Current accounts receivable (non-exchange transactions)	8,318.00	–	20,838,166.11	20,846,484.11
Current accounts receivable (exchange transactions)	12,173,237.07	2,542,803.22	2,383,239.91	17,099,280.20
Interpretation expenses for rebilling	–	–	698,966.59	698,966.59
Congress expenses for rebilling	–	–	333,230.44	333,230.44
Non-current investments	4,561,250.00	–	–	4,561,250.00
Non-current accounts receivable (non-exchange transactions)	–	–	12,623,877.25	12,623,877.25
Borrowing	–	–	-1,460,798.00	-1,460,798.00
Accounts payable and accrued expenses	-12,219,373.74	-2,542,803.22	-2,083,738.92	-16,845,915.88
<b>Net risk</b>	<b>111,406,453.65</b>	<b>4,165,361.87</b>	<b>61,561,526.23</b>	<b>177,133,341.75</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 the financial instruments, on account of changing market prices. It includes the foreign currency exchange risk, the 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 utilization of the U.S. 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 U.S. dollars and revenue from the UPU\*Clearing system is in U.S. dollars and euros, and that assets in U.S. 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 EUR and USD exchange rates with the Swiss franc, as well as between the EUR and USD.

*At 31 December 2017*

<i>Currencies</i>	<i>Variation -5%</i>	<i>Variation +5%</i>
EUR/CHF	-214,572	214,572
USD/CHF	-292,026	292,026
EUR/USD	-135,315	135,315

*At 31 December 2016*

<i>Currencies</i>	<i>Variation -5%</i>	<i>Variation +5%</i>
EUR/CHF	-146,456	146,456
USD/CHF	-318,915	318,915
EUR/USD	-61,812	61,812

#### *Liquidity risk*

The liquidity risk is the risk that the UPU has difficulty fulfilling its obligations linked to its financial liabilities. The Union's exposure to liquidity risk is limited, since 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 2017, the Union's cash and cash equivalents, amounting to 48,589,640 CHF, were enough for the Union to settle its current liabilities, which totalled 43,782,650 CHF at that same date. Advances and deferred revenue were not taken into account, since 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.

However, according to the current regulations, the Union guarantees the UPU Provident Scheme "appropriate payments sufficient to stabilize in the medium term the degree of coverage", fixed at 85%. At 31 December 2017, this guarantee represented a total of 10,579,169 CHF. The consultant recommended making payments in two instalments of approximately 5,500,000 CHF in 2018 and 2019. Settling these amounts would be impossible without experiencing serious cash-flow problems. An additional source of funding would therefore be necessary in this case; however, to date, no such solution has been found. This situation points to a material uncertainty 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 believes that continuity of operations is not threatened in the medium term.

*Credit risk*

The 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 minimal. 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 – Unrecognized commitments**

<i>UPU operational leasing (UPU leasing in CHF)</i>	2017	2016
Less than one year	225,378	269,404
One to five years	–	225,378
More than five years	–	–
<b>Total</b>	<b>225,378</b>	<b>494,782</b>
Expenses recognized during period	269,404	276,193

The leasing costs concern printing equipment, firewalls and Wi-Fi. The leasing of the printing equipment commenced in 2014 and ends in 2018. The contracts for IT equipment also end on 30 September 2018 at the latest. The situation will be re-evaluated when the time comes to update the equipment, in order to determine whether purchase or leasing is the most favourable solution. Personal computers were bought and put into service in 2017.

<i>Rental of premises (UPU landlord in CHF)</i>	2017	2016
Less than one year	232,294	240,559
One to five years	165,397	223,363
More than five years	–	–
<b>Total</b>	<b>397,691</b>	<b>463,922</b>
Revenue recognized during period	223,942	240,559

At 31 December 2017, the UPU was renting out office space to four tenants for total revenue of 223,942 CHF (240,559 CHF in 2016). The contracts have an initial duration of five years, and thereafter are renewable from year to year with a 12-month notice period.

*Other unrecognized commitments*

At 31 December 2017, on the basis of existing contracts, the UPU had a commitment in the amount of 20 million CHF for the purchase of goods and services. The delivery of products and services will commence in 2018 and will be recorded in future accounting periods. The estimated amount of this commitment at 31 December 2016 was 8.1 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 ILO Administrative Tribunal are to be borne by the language group concerned.

However, some of the 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 2017</i>	<i>31 December 2016</i>
Arabic (STAR)	4,304,203	3,916,123
English (STAN)	6,223,599	6,192,383
Portuguese (STPO)	1,375,777	1,317,251
<b>Total</b>	<b>11,903,579</b>	<b>11,425,757</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 above.

The UPU's accounts record the assets, liabilities and net assets of each fund and entity, presented by segment in the statement of financial position. All inter-segment assets and liabilities are recorded as inter-company 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 U.S. 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 U.S. dollars is included.

## Statement of financial position by segment at 31 December 2017 (in CHF)

Assets	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Current assets</b>							
Cash and cash equivalents	22,608,108	10,126,766	2,614,641	2,877,464	10,362,661	–	48,589,640
Cash deposits	3,520,800	–	–	–	97,013,453	–	100,534,253
Accounts receivable (non-exchange transactions)	20,516,316	509,826	195,125	92,254	755	–	21,314,276
Accounts receivable (exchange transactions)	68,187	822,168	–	3,397,557	28,808,082	-1,354,126	31,741,869
Inventories	88,522	15,973	–	–	88,085	–	192,580
Other current assets	1,510,514	598,800	38,661	405,632	343,165	–	2,896,771
<b>Total current assets</b>	<b>4,312,448</b>	<b>12,073,532</b>	<b>2,848,426</b>	<b>6,772,908</b>	<b>136,616,201</b>	<b>-1,354,126</b>	<b>205,269,388</b>
<b>Non-current assets</b>							
Investments	–	–	–	–	2,445,000	–	2,445,000
Accounts receivable (non-exchange transactions)	13,767,255	–	–	–	–	–	13,767,255
Equipment	1,248,305	24,829	–	476,562	106,124	–	1,855,820
Intangible assets	317,775	–	–	52,598	–	–	370,372
Land and buildings	25,285,652	–	–	–	–	–	25,285,652
Other non-current assets	25,500	–	–	–	–	–	25,500
<b>Total non-current assets</b>	<b>40,644,488</b>	<b>24,829</b>	<b>–</b>	<b>529,159</b>	<b>2,551,124</b>	<b>–</b>	<b>43,749,600</b>
<b>Total assets</b>	<b>88,956,935</b>	<b>12,098,361</b>	<b>2,848,426</b>	<b>7,302,067</b>	<b>139,167,325</b>	<b>-1,354,126</b>	<b>249,018,988</b>

The amount of fixed assets acquired during the financial period is as follows: Union: 911,681 CHF; and PTC: 265,464 CHF.

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Current liabilities</b>							
Accounts payable and accrued expenses	3,312,344	831,621	35,259	105,287	28,870,754	-1,354,126	31,801,138
Employee benefits	1,322,085	—	79,587	449,418	67,815	—	1,918,905
Deferred revenue	36,304,343	5,940,349	16,471	480,603	31,955,361	—	74,697,127
Advance receipts	4,124,233	—	224,450	—	77,082,721	—	81,431,404
Funds-in-trust held for translation services	7,130,847	—	—	—	—	—	7,130,847
Loans payable within one year	375,760	—	—	—	—	—	375,760
Provisions	2,556,000	—	—	—	—	—	2,556,000
<b>Total current liabilities</b>	<b>55,125,612</b>	<b>6,771,970</b>	<b>355,767</b>	<b>1,035,308</b>	<b>137,976,651</b>	<b>-1,354,126</b>	<b>199,911,181</b>
<b>Non-current liabilities</b>							
Employee benefits	127,160,818	—	2,777,780	12,532,083	4,337,336	—	146,808,017
Loans payable after one year	726,077	—	—	—	—	—	726,077
<b>Total non-current liabilities</b>	<b>127,886,895</b>	—	<b>2,777,780</b>	<b>12,532,083</b>	<b>4,337,336</b>	—	<b>147,53,094</b>
<b>Total liabilities</b>	<b>183,012,507</b>	<b>6,771,970</b>	<b>3,133,547</b>	<b>13,567,391</b>	<b>142,313,987</b>	<b>-1,354,126</b>	<b>347,445,276</b>
Accumulated surplus (deficit) Union funds	-97,949,137	25,821	—	—	—	—	-97,923,315
Accumulated surplus (deficit) other funds	—	4,998,154	—	—	-1,580,644	—	3,417,510
Accumulated surplus (deficit) controlled entities	—	—	-285,120	-6,265,324	-1,566,018	—	-8,116,462
Reserves	4,195,980	—	—	—	—	—	4,195,980
<b>Net assets</b>	<b>-93,753,157</b>	<b>5,023,976</b>	<b>-285,120</b>	<b>-6,265,324</b>	<b>-3,146,662</b>	—	<b>-98,426,288</b>

**Statement of financial position by segment at 31 December 2016 (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	21,585,216	6,577,897	2,540,319	2,633,238	8,163,343	–	41,500,013
Cash deposits	4,100,000	–	–	–	93,676,954	–	97,776,954
Accounts receivable (non-exchange transactions)	20,153,389	522,857	48,725	113,195	8,318	–	20,846,484
Accounts receivable (exchange transactions)	48,023	455,431	–	3,084,908	14,716,040	-1,205,122	17,099,280
Inventories	70,418	30,245	–	–	211,336	–	311,999
Other current assets	1,893,823	1,610,613	35,574	687,402	226,542	-170,234	4,283,720
<b>Total current assets</b>	<b>47,850,868</b>	<b>9,197,043</b>	<b>2,624,619</b>	<b>6,518,743</b>	<b>117,002,533</b>	<b>-1,375,356</b>	<b>181,818,450</b>
<i>Non-current assets</i>							
Investments	–	–	–	–	4,561,250	–	4,561,250
Accounts receivable (non-exchange transactions)	12,623,877	–	–	–	–	–	12,623,877
Equipment	1,076,134	29,724	–	413,383	96,271	–	1,615,512
Intangible assets	243,397	–	–	79,982	–	–	323,379
Land and buildings	26,231,562	–	–	–	–	–	26,231,562
Other non-current assets	25,296	–	–	–	–	–	25,296
<b>Total non-current assets</b>	<b>40,200,266</b>	<b>29,724</b>	<b>–</b>	<b>493,365</b>	<b>4,657,521</b>	<b>–</b>	<b>45,380,876</b>
<b>Total assets</b>	<b>88,051,134</b>	<b>9,226,767</b>	<b>2,624,619</b>	<b>7,012,108</b>	<b>121,660,054</b>	<b>-1,375,356</b>	<b>227,199,326</b>

The amount of fixed assets acquired during the financial period is as follows: Union: 507,813 CHF; and PTC: 261,057 CHF.



	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Current liabilities</b>							
Accounts payable and accrued expenses	2,567,469	705,352	24,176	162,098	14,762,177	-1,375,356	16,845,916
Employee benefits	1,296,757	—	73,860	422,838	53,033	—	1,846,490
Deferred revenue	34,845,985	4,741,238	241,006	583,443	24,537,286	—	64,948,959
Advance receipts	3,405,328	—	154,000	—	80,727,184	—	84,286,511
Funds-in-trust held for translation services	7,117,955	—	—	—	—	—	7,117,955
Loans payable within one year	375,760	—	—	—	—	—	375,760
Provisions	925,000	—	—	—	—	—	925,000
<b>Total current liabilities</b>	<b>50,534,255</b>	<b>5,446,590</b>	<b>493,042</b>	<b>1,168,380</b>	<b>120,079,680</b>	<b>-1,375,356</b>	<b>176,346,591</b>
<b>Non-current liabilities</b>							
Employee benefits	118,006,639	—	2,438,214	11,268,102	3,910,021	—	135,622,976
Loans payable after one year	1,085,038	—	—	—	—	—	1,085,038
<b>Total non-current liabilities</b>	<b>119,091,677</b>	<b>—</b>	<b>2,438,214</b>	<b>11,268,102</b>	<b>3,910,021</b>	<b>—</b>	<b>136,708,014</b>
<b>Total liabilities</b>	<b>169,625,932</b>	<b>5,446,590</b>	<b>2,931,256</b>	<b>12,436,482</b>	<b>123,989,701</b>	<b>-1,375,356</b>	<b>313,054,605</b>
Accumulated surplus (deficit) Union funds	-85,974,887	-375,434	—	—	—	—	-86,350,320
Accumulated surplus (deficit) other funds	—	4,155,611	—	—	-658,781	—	3,496,830
Accumulated surplus (deficit) controlled entities	—	—	-306,637	-5,424,374	-1,670,867	—	-7,401,877
Reserves	4,400,089	—	—	—	—	—	4,400,089
<b>Net assets</b>	<b>-81,574,798</b>	<b>3,780,177</b>	<b>-306,637</b>	<b>-5,424,374</b>	<b>-2,329,647</b>	<b>—</b>	<b>-85,855,279</b>

**Statement of financial performance by segment from 1 January to 31 December 2017 (in CHF)**

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<b>Revenue</b>							
Assessed contributions of member countries	36,346,343	–	–	–	–	–	36,346,343
Other annual contributions	–	–	3,098,927	1,153,667	257,192	–	4,509,786
Voluntary contributions	22,316	6,961,735	–	–	7,767,974	-2,858,000	11,894,025
Sales	611,983	1,450,087	–	8,818,852	198,290	-72,615	11,006,597
Financial revenue	447,833	8,847	9,744	42,020	1,285,424	-19,250	1,774,618
Exchange gains	908,555	-159,171	1,993	1,309	363,223	–	1,115,909
Other revenue	1,594,098	–	–	1,298,948	–	-1,805,699	1,087,347
<b>Total revenue</b>	<b>39,931,129</b>	<b>8,261,499</b>	<b>3,110,664</b>	<b>11,314,795</b>	<b>9,872,102</b>	<b>-4,755,564</b>	<b>67,734,624</b>
<b>Expenses</b>							
Staff services	36,080,624	3,102,611	2,142,943	9,132,852	2,082,585	-1,033,250	51,508,366
Travel	575,829	51,702	151,179	198,649	22,328	-7,455	992,233
Consultants and external contracts	1,894,934	223,615	332,144	1,580,962	22,073	-189,306	3,864,422
Project costs	2,284,589	3,697,665	269,977	–	7,766,041	-2,348,217	11,670,055
General operating expenses	1,203,457	61,287	9,290	186,576	14,083	–	1,474,693
Materials and supplies	232,425	42,491	–	96,089	295,970	–	666,975
Maintenance and repairs	1,015,015	150,427	52,870	381,443	36,744	-29,299	1,607,201
Depreciations	1,633,359	4,895	–	229,670	13,207	–	1,881,131
Financial costs	2,828,773	45,072	3,924	2,387	81,371	-19,250	2,942,278
Exchange losses	851,334	-146,951	423	3,079	454,195	–	1,162,080
Other expenses	3,811,561	30,235	126,396	344,038	79,151	-1,128,788	3,262,593
<b>Total expenses</b>	<b>52,411,902</b>	<b>7,263,049</b>	<b>3,089,147</b>	<b>12,155,745</b>	<b>10,867,748</b>	<b>-4,755,564</b>	<b>81,032,027</b>
<b>Net result</b>	<b>-12,480,774</b>	<b>998,450</b>	<b>21,517</b>	<b>-840,950</b>	<b>-995,645</b>	<b>–</b>	<b>-13,297,403</b>

**Statement of financial performance by segment from 1 January to 31 December 2016 (in CHF)**

	<i>Union</i>	<i>Voluntary Fund</i>	<i>EMS Cooperative</i>	<i>Telematics Cooperative</i>	<i>USD-based entities</i>	<i>Inter-segment</i>	<i>Total</i>
<i>Revenue</i>							
Assessed contributions of member countries	35,885,215	–	–	–	–	–	35,885,215
Other annual contributions	–	–	2,097,277	1,162,583	234,657	–	3,494,517
Voluntary contributions	25,849	7,975,917	–	–	11,392,981	-2,824,280	16,570,467
Sales	532,119	1,574,739	–	8,032,905	77,138	–	10,216,900
Financial revenue	9,418,136	4,640	10,901	47,736	1,713,500	-9,347	11,185,565
Exchange gains	909,508	608,443	513	19,833	187,632	–	1,725,929
Other revenue	1,907,145	–	10	1,382,193	–	-1,624,550	1,664,799
<b>Total revenue</b>	<b>48,677,972</b>	<b>10,163,739</b>	<b>2,108,702</b>	<b>10,645,249</b>	<b>13,605,907</b>	<b>-4,458,176</b>	<b>80,743,392</b>
<i>Expenses</i>							
Staff services	30,527,218	3,265,415	2,072,597	11,036,410	1,350,602	-846,280	47,405,963
Travel	789,109	101,719	98,144	205,664	30,945	-10,144	1,215,436
Consultants and external contracts	2,284,933	480,858	216,146	1,606,920	35,799	-313,874	4,310,782
Project costs	2,340,973	6,503,260	259,168	2,478	11,415,500	-2,548,217	17,973,161
General operating expenses	1,096,283	41,558	21,406	55,804	3,812	–	1,218,863
Materials and supplies	229,424	40,539	–	121,918	79,404	–	471,285
Maintenance and repairs	682,364	177,268	11,031	474,925	39,365	-19,884	1,365,068
Depreciations	1,699,828	4,895	–	240,222	13,136	–	1,958,081
Financial costs	312,710	88,097	1,710	16,173	9,127	-9,347	418,471
Exchange losses	732,342	546,286	3,454	14,211	189,243	–	1,485,536
Other expenses	1,864,550	66,811	42,300	71,515	181,231	-710,430	1,515,977
<b>Total expenses</b>	<b>42,559,734</b>	<b>11,316,706</b>	<b>2,725,955</b>	<b>13,846,241</b>	<b>13,348,165</b>	<b>-4,458,176</b>	<b>79,338,624</b>
<b>Net result</b>	<b>6,118,238</b>	<b>-1,152,966</b>	<b>-617,254</b>	<b>-3,200,992</b>	<b>257,742</b>	<b>–</b>	<b>1,404,768</b>

**Statement of financial position by segment from 1 January to 31 December 2017 (in USD)**

	UPU*Clearing	QSF	IRC
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	2,365,904	6,991,696	1,238,177
Cash deposits	528,610	96,867,150	1,800,000
Accounts receivable (non-exchange transactions)	–	772	–
Accounts receivable (exchange transactions)	28,478,958	–	977,158
Inventories	–	–	90,066
Other current assets	42,969	294,531	13,384
<b>Total current assets</b>	<b>31,416,442</b>	<b>104,154,149</b>	<b>4,118,786</b>
<i>Non-current assets</i>			
Investments	–	2,500,000	–
Equipment	–	–	108,511
<b>Total non-current assets</b>	<b>–</b>	<b>2,500,000</b>	<b>108,511</b>
<b>Total assets</b>	<b>31,416,442</b>	<b>106,654,149</b>	<b>4,227,297</b>
<i>Current liabilities</i>			
Accounts payable and accrued expenses	28,432,935	609,243	431,997
Employee benefits	10,609	34,795	23,937
Deferred revenue		32,674,193	
Advance receipts	2,350,902	72,503,333	4,008,476
<b>Total current liabilities</b>	<b>30,794,447</b>	<b>105,821,564</b>	<b>4,464,410</b>
<i>Non-current liabilities</i>			
Employee benefits	587,733	2,433,830	1,413,341
<b>Total non-current liabilities</b>	<b>587,733</b>	<b>2,433,830</b>	<b>1,413,341</b>
<b>Total liabilities</b>	<b>31,382,179</b>	<b>108,255,394</b>	<b>5,877,751</b>
Accumulated surplus (deficit) other funds/controlled entities	34,263	-1,601,245	-1,650,454
<b>Net assets</b>	<b>34,263</b>	<b>-1,601,245</b>	<b>-1,650,454</b>

## Statement of financial position by segment from 1 January to 31 December 2016 (in USD)

	UPU*Clearing	QSF	IRC
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	1,498,011	6,091,462	374,764
Cash deposits	370,000	89,672,150	1,350,000
Accounts receivable (non-exchange transactions)	–	8,115	–
Accounts receivable (exchange transactions)	13,813,757	–	543,355
Inventories	–	–	206,181
Other current assets	2,261	206,869	11,886
<b>Total current assets</b>	<b>15,684,030</b>	<b>95,978,596</b>	<b>2,486,187</b>
<i>Non-current assets</i>			
Investments	–	4,000,000	450,000
Equipment	–	–	93,923
<b>Total non-current assets</b>	<b>–</b>	<b>4,000,000</b>	<b>543,923</b>
<b>Total assets</b>	<b>15,684,030</b>	<b>99,978,596</b>	<b>3,030,110</b>
<i>Current liabilities</i>			
Accounts payable and accrued expenses	13,813,757	577,540	10,827
Employee benefits	9,914	30,059	11,767
Deferred revenue	–	23,938,816	–
Advance receipts	1,314,203	74,767,563	2,676,461
<b>Total current liabilities</b>	<b>15,137,875</b>	<b>99,313,978</b>	<b>2,699,055</b>
<i>Non-current liabilities</i>			
Employee benefits	456,120	2,294,732	1,063,803
<b>Total non-current liabilities</b>	<b>456,120</b>	<b>2,294,732</b>	<b>1,063,803</b>
<b>Total liabilities</b>	<b>15,593,995</b>	<b>101,608,710</b>	<b>3,762,858</b>
Accumulated surplus (deficit) other funds/controlled entities	90,035	-1,630,114	-732,748
<b>Net assets</b>	<b>90,035</b>	<b>-1,630,114</b>	<b>-732,748</b>

**Statement of financial performance by segment from 1 January to 31 December 2017 (in USD)**

	<i>UPU*Clearing</i>	QSF	IRC
<i>Revenue</i>			
Other annual contributions	250,912	–	–
Voluntary contributions	–	7,898,779	–
Sales	–	–	200,674
Financial revenue	32,752	1,263,318	22,822
Exchange gains	103,983	-605,243	107,753
<b>Total revenue</b>	<b>387,647</b>	<b>8,556,854</b>	<b>331,249</b>
<i>Expenses</i>			
Staff services	283,823	1,248,712	582,575
Travel	–	19,463	3,002
Consultants and external contracts	11,707	9,930	–
Project costs	–	7,920,633	–
General operating expenses	–	776	13,499
Materials and supplies	–	–	300,707
Maintenance and repairs	17,561	16,098	2,193
Depreciations	–	–	13,422
Financial costs	3,974	78,092	1,256
Exchange losses	117,522	-795,969	319,605
Other expenses	8,833	59,118	12,696
<b>Total expenses</b>	<b>443,420</b>	<b>8,556,854</b>	<b>1,248,955</b>
<b>Net result</b>	<b>-55,773</b>	<b>–</b>	<b>-917,706</b>

**Statement of financial performance by segment from 1 January to 31 December 2016 (in USD)**

	<i>UPU*Clearing</i>	QSF	IRC
<i>Revenue</i>			
Other annual contributions	236,806	–	–
Voluntary contributions	–	11,248,992	–
Sales	–	–	77,799
Financial revenue	6,326	1,719,490	17,208
Exchange gains	103,581	789,491	98,552
<b>Total revenue</b>	<b>346,714</b>	<b>13,757,973</b>	<b>193,559</b>
<i>Expenses</i>			
Staff services	-24,576	1,120,689	287,488
Travel	897	29,730	746
Consultants and external contracts	12,109	23,889	–
Project costs	–	11,557,146	–
General operating expenses	–	–	3,896
Materials and supplies	–	–	79,816
Maintenance and repairs	18,163	17,512	3,575
Depreciations	–	–	12,955
Financial costs	3,688	4,721	876
Exchange losses	101,083	868,343	101,511
Other expenses	16,823	138,446	32,582
<b>Total expenses</b>	<b>128,187</b>	<b>13,760,477</b>	<b>523,447</b>
<b>Net result</b>	<b>218,526</b>	<b>-2,504</b>	<b>-329,888</b>

