

Financial statements

Financial period ending 31 December 2018

Berne, December 2019



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, July 2019

Bishar A. Hussein
Director General

Introduction

The financial statements of the UPU for the period ending 31 December 2018 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 2018 financial statements is also submitted to the CA in accordance with article 38 of the Financial Regulations.

The 2018 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 2018

In accordance with articles 107.1.4 and 145 of the General Regulations, in October 2017, the CA examined and approved the 2018 UPU Programme and Budget.

The overall picture of utilization of resources included in the 2018 Programme and Budget (P&B) shows a reduction in expenditure of 8,201,257 CHF, which is significantly greater than in 2017 and relates primarily to extrabudgetary resources. It should also be noted that intercompany transactions are excluded from the financial statements. This is not the case in the P&B, which is based on the budgets for gross expenditure of each entity. The expenses charged back by the Telematics Cooperative to other entities for its services in 2018 totalled approximately 1.7 million CHF.

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 4,656,526 CHF. This objective brings together the Telematics Cooperative, the EMS Cooperative and important projects such as GMS, quality improvement and addressing. Expenditure for certain extrabudgetary activities, particularly those related to GMS, addressing and Telematics Cooperative projects, was overestimated for 2018. This was especially true for GMS projects, which primarily receive direct funding from the Quality of Service Fund (QSF).

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 2,135,548 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 592,625 CHF, and development cooperation 898,361 CHF.

Lastly, operational support activities were broadly as forecast, with a slight overspend of 81,802 CHF, which is significantly lower than 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 2018 (in CHF)

	Notes	2018	2017 restated
Assets			
<i>Current assets</i>			
Cash and cash equivalents	3	52,731,083	48,589,640
Investments	7	38,797,813	100,534,253
Accounts receivable (non-exchange transactions)	4	25,311,500	24,947,596
Accounts receivable (exchange transactions)	4	9,222,092	31,741,869
Inventories	5	196,326	192,580
Other current assets	6	4,188,901	2,896,771
		130,447,715	208,902,708
<i>Non-current assets</i>			
Investments	7	69,346,428	2,445,000
Accounts receivable (non-exchange transactions)	4	469,828	234,747
Equipment	8	2,104,541	1,855,820
Intangible assets	9	503,637	370,372
Land and buildings	10	24,003,403	25,285,652
Other non-current assets	6	24,633	25,500
		96,452,471	30,217,092
Total assets		226,900,186	239,119,800
<i>Current liabilities</i>			
Accounts payable and accrued expenses	11	11,684,891	31,801,138
Employee benefits	12	2,047,031	1,918,905
Deferred revenue	13	73,291,421	74,697,127
Advance receipts	13	86,718,417	81,431,404
Funds-in-trust held for translation services	16	7,214,116	7,130,847
Loans payable within one year	14	375,760	375,760
Provisions	15	452,000	2,556,000
		181,783,635	199,911,181
<i>Non-current liabilities</i>			
Employee benefits	12	242,353,410	229,814,817
Loans payable after one year	14	362,988	726,077
		242,716,398	230,540,894
Total liabilities		424,500,033	430,452,076
Accumulated surplus (deficit) Union funds	17	-190,878,915	-180,699,819
Accumulated surplus (deficit) other funds	17	4,600,359	2,645,303
Accumulated surplus (deficit) controlled entities	17	-15,466,116	-17,473,740
Reserves	17	4,144,825	4,195,980
Net assets		-197,599,848	-191,332,276

Statement II – Statement of financial performance from 1 January to 31 December 2018 (in CHF)

	<i>Notes</i>	<i>2018</i>	<i>2017 restated</i>
<i>Revenue</i>			
Assessed contributions of member countries	20	36,337,343	36,346,343
Other annual contributions	20	4,256,061	4,509,786
Voluntary contributions	20	13,625,275	11,894,025
Sales	20	13,521,034	11,006,597
Financial revenue	20	3,505,279	1,774,618
Exchange gains	22	1,874,666	1,115,909
Other revenue	20	1,154,123	1,087,347
Total revenue		74,273,780	67,734,624
<i>Expenses</i>			
Staff costs	21	47,488,128	47,021,959
Travel	21	1,217,870	992,233
Consultants and external contracts	21	3,508,509	3,864,422
Project costs	21	12,639,962	11,670,055
General operating expenses	21	1,634,325	1,474,693
Materials and supplies	21	842,452	666,975
Maintenance and repairs	21	1,483,400	1,607,201
Depreciations	21	1,941,893	1,881,131
Financial costs	21	601,695	3,010,927
Exchange losses	22	1,805,895	1,162,080
Other expenses	21	1,031,069	3,262,593
Total expenses		74,195,196	76,614,269
Net result		78,584	-8,879,645

Statement III – Statement of changes in net assets at 31 December 2018 (in CHF)

	Notes	Accumulated surplus (deficit) – Union funds	Accumulated surplus (deficit) – other funds	Accumulated surplus (deficit) – controlled entities	Reserves	Total net assets
Net assets at 31 December 2016		-86,350,321	3,496,830	-7,401,877	4,400,089	-85,855,279
Recognized actuarial gain (loss) in net assets		-113,041,526	-1,046,941	-13,920,341	–	-128,008,808
Restatement of employee obligations under IPSAS 39		16,053,041	148,875	1,706,966	–	17,908,882
Restatement of receivables under new provisioning method		-9,758,926	–	–	–	-9,758,926
Net assets at 31 December 2016 (restated)		-193,097,732	2,598,764	-19,615,343	4,400,089	-205,714,222
2017 result (before restatement)	17	-12,480,774	88,141	-904,771	–	-13,297,404
Restatement of employee obligations under IPSAS 39		3,936,698	42,415	507,294	–	4,486,407
Reclassification of receivables under new provisioning method		-68,648	–	–	–	-68,648
Restated 2017 result		-8,612,724	130,556	-397,477	–	-8,879,645
Recognized actuarial gain (loss) in net assets		20,174,471	83,444	2,348,894	–	22,606,809
Reclassification between tied own funds and tied funds received from third parties	17	292,764	-155,906	–	–	136,858
Use of reserves	17	543,402	–	–	-204,109	339,293
Foreign currency translation	17	–	-11,555	190,186	–	178,631
Net assets at 31 December 2017 (restated)		-180,699,819	2,645,303	-17,473,740	4,195,980	-191,332,276
Net result current period		-4,147,472	2,259,471	1,966,585	–	78,584
Recognized actuarial gain (loss) in net assets		-6,233,345	-90,985	-940,003	–	-7,264,332
Reclassification between tied own funds and other funds	17	150,565	-150,565	–	–	–
Use of reserves	17	51,155	-4,715	–	-51,155	-4,715
Foreign currency translation		–	-58,150	981,041	–	922,891
Net assets at 31 December 2018		-190,878,915	4,600,359	-15,466,117	4,144,825	-197,599,848

Statement IV – Statement of cash flow from 1 January to 31 December 2018 (in CHF)

	<i>Notes</i>	<i>2018</i>	<i>2017 restated</i>
Net result		78,584	8,879,645
Cash flow from operating activities			
Depreciation expenses	8 to 10	1,941,893	1,881,131
Amortization of grants	10	-22,316	-22,316
Loss on disposed equipment	8	–	–
Increase (decrease) in provision for doubtful debts	4	1,093,226	3,134,504
(Increase) decrease in non-exchange transactions receivable	4	-1,718,621	-4,733,319
(Increase) decrease in exchange transactions receivable	4	22,546,187	-14,586,294
(Increase) decrease in inventories	5	-3,746	119,419
(Increase) decrease in other assets	6	-1,291,264	1,386,745
Increase (decrease) in payables and accrued expenses	7	-20,116,247	14,955,222
Increase (decrease) in deferred revenue	13	-1,405,706	9,748,168
Increase (decrease) in advance receipts	13	5,287,012	-2,855,107
Increase (decrease) in employee benefit liabilities	12	12,666,718	-15,835,760
Increase (decrease) in other liabilities	15	-2,104,000	1,631,000
Increase (decrease) of amounts due to translation services	16	83,269	12,892
Amortization of net recognized actuarial (gains) losses		-7,264,332	22,606,809
Reclassification between tied own funds and tied funds received from third parties	17	–	208,470
Use of reserves	17	-4,715	339,293
Entity foreign currency translation differences (operating activities)		847,493	-103,848
Net cash flow from operating activities		10,613,435	9,007,365
Cash flow from investment activities			
(Increase) decrease in investments	7	-5,164,988	-641,050
(Increase) decrease in lands and buildings	10	-4,267	-265,447
Transfer/derecognition preliminary study of electrical system	10	56,833	–
(Increase) decrease in equipment and intangible assets	8 and 9	-1,072,154	-934,759
Entity foreign currency translation difference (investment activities)		–	–
Net cash flow from investment activities		-6,184,576	-1,841,256
Cash flow from financing activities			
Increase (decrease) in loans	14	-363,089	-358,961
Net cash flow from financing activities		-363,089	-358,961
Net increase (decrease) in cash and cash equivalents		4,065,771	6,807,148
Cash and cash equivalents, beginning of period		48,589,640	41,500,013
Effect of foreign currency translation on cash and equivalents		75,672	282,479
Cash and cash equivalents, end of period		52,731,083	48,589,640

Statement V – Statement of comparison of budget and actual amounts from 1 January to 31 December 2018 (in CHF)

<i>Objective</i>	<i>Revised 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
Total expenses 2017	37,235,000	22,772,750	60,007,750	57,234,082	2,773,668

<i>Objective</i>	<i>Budget 2018</i>	<i>Extrabudgetary programmes 2018</i>	<i>Total budget 2018</i>	<i>Actual amounts 2018</i>	<i>Difference 2018</i>
Improve the interoperability of network infrastructure	4,315,560	21,050,100	25,365,660	20,709,134	4,656,526
Ensure sustainable and modern products	4,151,960	2,847,800	6,999,760	4,864,212	2,135,548
Foster market and sector functioning	1,330,550	554,600	1,885,150	1,292,525	592,625
Development cooperation	5,784,080	423,000	6,207,080	5,308,719	898,361
Operational support	21,652,850	1,364,640	23,017,490	23,099,292	-81,802
Total expenses 2018	37,235,000	26,240,140	63,475,140	55,273,883	8,201,257

A reconciliation of revenue and expenses on a budgetary and full accrual basis is included in note 19 to these financial statements. Intercompany transactions are excluded from the financial statements. This is not the case in the P&B, which is based on the budgets for gross expenditure in each entity. The expenses charged back by the Telematics Cooperative to other entities for its services in 2018 totalled approximately 1.7 million CHF; these are not included in the actual amounts above.

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 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 2018, the UPU*Clearing User Group had 48 members worldwide.

Note 2a – 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 2017 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 that mature within one year. Long-term (non-current) investments are primarily held by an investments manager and include bonds held in USD.

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

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:

<i>1 CHF</i>	<i>USD</i>	<i>EUR</i>
31.12.18	1.013	0.876
31.12.17	1.022	0.856

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:

<i>Category</i>	<i>Estimated useful life (years)</i>	
Equipment	Computer equipment, including screens	4 or 5
	Printers	3 to 5
	Portable computers and servers	3
	Network switches	7
	Other equipment	10
	Office furnishings other than chairs	10
	Chairs	5
	Security and safety equipment	5
	Telephones and fax	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. A valuation adjustment for non-recoverable receivables is set for all amounts two or more years past due (from the date of invoice). Interest of 6% is charged on any unpaid balance over three months past due.

Revenue recognition

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

Revenue from non-exchange transactions, such as voluntary contributions to development activities, is recognized as revenue at the time an agreement with a donor becomes binding, unless the agreement contains conditions related to specific performance or the return of unexpended balances, in which case an offsetting liability is recognized until the conditions have been met. If there is no binding agreement, revenue is recognized upon receipt of the funds.

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 following new standard.

<i>IPSAS</i>	<i>Name</i>	<i>Date of entry into force</i>
IPSAS 39	Employee benefits	1 January 2018

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

<i>IPSAS</i>	<i>Name</i>	<i>Date of entry into force</i>
IPSAS 40	Public sector combinations	1 January 2019
IPSAS 41	Financial instruments	1 January 2022
IPSAS 42	Social benefits	1 January 2022

While IPSAS 40 and 42 should not affect the UPU accounts significantly, the adoption of IPSAS 41 will have a certain impact when it comes into effect in 2022. IPSAS 41 will particularly affect valuation methods for investments and provisions for debts.

Note 2b – Change to accounting methods

With effect from 1 January 2018, the Union has changed its accounting policies for recognition of employee benefits in line with IPSAS 39. Accordingly, the portion of actuarial gains and losses for defined benefit plans (particularly the Provident Scheme and after-service health insurance), which previously was not recognized, has been entered directly as a net asset. This portion, which was not recorded under the corridor method, has been recognized under actuarial gains and losses in net assets and not under accumulated surplus (deficit).

The effect of this change in accounting policy has been applied retrospectively, requiring the 2017 statements to be adjusted and comparative figures for the year to be presented. Adjustment to periods prior to that presented (i.e. before 2017) leads to a reduction in net assets of 83 million CHF. The restatement of the comparative figures for 2017 is set out below. Details concerning the impact of implementing IPSAS 39 in 2018 have not been provided, as this would have required an additional actuarial calculation for 2018 in accordance with the previously applied IPSAS 25, which was deemed unnecessary.

Moreover, with effect from 1 January 2017, a valuation adjustment for losses is in place for all contributions two or more years past due from the date of invoice.

Previously, a valuation adjustment for losses was in place for assessed contributions receivable from member countries subject to sanctions in accordance with the provisions of the UPU Constitution, and for amortization plans only in cases where the member country fails to make two consecutive yearly payments.

This change in accounting method has also been applied retrospectively, requiring the closing balance at 31 December 2016 to be adjusted and the comparative figures for 2017 to be restated.

The items affected by these changes and the relative restated figures for 2017 are detailed below.

Statement I – Statement of financial position (in CHF)

	<i>Notes</i>	<i>2017 restated</i>	<i>Restatement</i>	<i>2017</i>
<i>Assets</i>				
Accounts receivable (non-exchange transactions)	4	24,947,596	3,633,320	21,314,276
Current assets	4	208,902,708	3,633,320	205,269,388
Accounts receivable (non-exchange transactions)	4	234,747	-13,532,508	13,767,255
Current assets	4	30,217,092	-13,532,508	43,749,600
Total assets		239,119,800	-9,899,188	249,018,988
<i>Liabilities</i>				
Current liabilities		199,911,181	–	199,911,181
<i>Non-current liabilities</i>				
Employee benefits	12	229,814,817	83,006,800	146,808,017
Loans payable within one year	14	726,077	–	726,077
		230,540,894	83,006,800	147,534,094
Total liabilities		430,452,076	83,006,800	347,445,276
Accumulated surplus (deficit) Union funds	17	-180,699,819	-82,776,504	-97,923,315
Accumulated surplus (deficit) other funds	17	2,645,304	-772,207	3,417,510
Accumulated surplus (deficit) controlled entities	17	-17,473,740	-9,357,277	-8,116,462
Reserves	17	4,195,980	–	4,195,980
Net assets		-191,332,276	-92,905,988	-98,426,288

Statement II – Statement of financial performance (in CHF)

	<i>Notes</i>	<i>2017 restated</i>	<i>Restatement</i>	<i>2017</i>
<i>Revenue</i>				
Total revenue		67,734,624	–	67,734,624
<i>Expenses</i>				
Staff costs	21	47,021,959	-4,486,407	51,508,366
Travel	21	992,233	–	992,233
Consultants and external contracts	21	3,864,422	–	3,864,422
Project costs	21	11,670,055	–	11,670,055
General operating expenses	21	1,474,693	–	1,474,693
Materials and supplies	21	666,975	–	666,975
Maintenance and repairs	21	1,607,201	–	1,607,201
Depreciations	21	1,881,131	–	1,881,131
Financial costs	21	3,010,927	68,648	2,942,278
Exchange losses	22	1,162,080	–	1,162,080
Other expenses	21	3,262,593	–	3,262,593
Total expenses		76,614,268	-4,417,759	81,032,027
Net result		-8,879,645	-4,417,759	-13,297,403

Statement III – Statement of changes in net assets (in CHF)

	<i>Notes</i>	<i>Accumulated surplus (deficit) – Union funds</i>	<i>Accumulated surplus (deficit) – other funds</i>	<i>Accumulated surplus (deficit) – controlled entities</i>	<i>Reserves</i>	<i>Total net assets</i>
Net assets at 31 December 2016		-86,350,321	3,496,830	-7,401,877	4,400,089	-85,855,279
Recognized actuarial gain (loss) in net assets		-113,041,526	-1,046,941	-13,920,341	–	-128,008,898
Restatement of employee obligations under IPSAS 39		16,053,041	148,875	1,706,966	–	17,908,882
Restatement of receivables under new provisioning method		-9,758,926	–	–	–	-9,758,926
Net assets at 31 December 2016 (restated)		-193,097,732	2,598,764	-19,615,343	4,400,089	-205,714,221
2017 result (before restatement)	17	-12,480,774	88,141	-904,771	–	-13,297,403
Restatement of employee obligations under IPSAS 39		3,936,698	42,415	507,294	–	4,486,407
Restatement of receivables under new provisioning method		-68,648	–	–	–	-68,648
Restated 2017 result		-8,612,724	130,556	-397,477	–	-8,879,645
Recognized actuarial gain (loss) in net assets		20,174,471	83,444	2,348,894	–	22,606,809
Restatement between tied own funds and tied funds received from third parties	17	292,764	-155,906	–	–	136,858
Use of reserves	17	543,402	–	–	-204,109	339,293
Foreign currency translation	17	–	-11,555	190,186	–	178,631
Net assets at 31 December 2017 (restated)		-180,699,819	2,645,303	-17,473,740	4,195,980	-191,332,276

Statement IV – Statement of cash flow (in CHF)

	Notes	2017 restated	Restatement	2017
Net result		-8,879,645	4,417,759	-13,297,403
<i>Cash flow from operational activities</i>				
Increase (decrease) in provision for doubtful debts	4	3,134,504	-238,778	3,373,281
(Increase) decrease in non-exchange transactions receivable	4	-4,733,319	307,426	-5,040,745
Increase (decrease) in employee benefit liabilities	12	-15,835,760	-27,093,216	11,257,456
Amortization of actuarial (gains) losses recognized in 2017	17	22,606,809	22,606,809	–
Net cash flow from operating activities		9,007,365	–	9,007,365
Net cash flow from investment activities		-1,841,255	–	-1,841,255
Net cash flow from financing activities		-358,961	–	-358,961
Net increase (decrease) in cash and cash equivalents		6,807,148	–	6,807,148
Cash and cash equivalents, beginning of period		41,500,013	–	41,500,013
Effect of foreign currency translation on cash and equivalents		282,479	–	282,479
Cash and cash equivalents, end of period		48,589,640	–	48,589,640

Note 3 – Cash and cash equivalents (in CHF)

	2018	2017
<i>Current assets</i>		
Petty cash	27,099.70	15,389.70
<i>Bank accounts</i>		
Credit Suisse	11,337,149.42	8,888,292.52
UBS	3,827,730.05	3,854,867.62
PostFinance	6,479,305.17	7,690,306.88
BPS	1,139,646.11	2,716,896.48
<i>Subtotal bank accounts</i>	<i>22,783,830.75</i>	<i>23,150,363.50</i>
<i>Deposits</i>		
Credit Suisse	28,919,593.76	24,423,327.82
PostFinance	1,000,559.05	1,000,559.05
<i>Subtotal deposits</i>	<i>29,920,152.81</i>	<i>25,423,886.87</i>
Total cash	52,731,083.26	48,589,640.07

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 2018, the average rate of interest earned on bank accounts and investments held by the Union was 0.2397% (0.1547% in 2017).

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 2017 or 2018.

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 primarily 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 2018</i>	<i>Percentage</i>	<i>31 December 2017</i>	<i>Percentage</i>
CHF	29,055,875.59	55.1%	30,680,767.04	63.1%
USD	18,445,212.45	35.0%	10,911,120.63	22.5%
EUR	5,229,995.24	9.9%	6,997,752.40	14.4%
Total	52,731,083.26	100.0%	48,589,640.07	100.0%

At 31 December 2018, of the total amount of cash held, 19,460,441 CHF was unrestricted cash held by the Union. In 2017, that amount totalled 22,608,108 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 2018	7,479,864.22	3,827,730.05	40,256,743.18
Balance at 31 December 2017	8,690,865.93	3,854,867.62	33,311,620.34
	<i>BBB/BBB-</i>	<i>Not rated</i>	<i>Total</i>
Balance at 31 December 2018	1,139,646.11	27,099.70	52,731,083.26
Balance at 31 December 2017	2,716,896.48	15,389.70	48,589,640.07

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

	<i>31 December 2018</i> <i>Total outstanding</i>	<i>31 December 2017</i> <i>restated</i>
<i>Current receivables – non-exchange transactions</i>		
Union assessed contributions receivable	23,221,690.14	24,149,636.51
Technical cooperation funds receivable	538,402.73	509,825.52
QSF funds receivable	1,313,033.97	754.90
EMS Cooperative contributions receivable	156,042.55	195,124.82
Telematics Cooperative contributions receivable	82,330.73	92,253.94
<i>Total receivables – non-exchange transactions</i>	<i>25,311,500.12</i>	<i>24,947,595.69</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	59,660.13	68,187.20
UPU*Clearing receivables	6,841,686.76	27,852,421.31
Voluntary Fund receivables	506,845.12	822,167.98
IRC receivables	42,610.46	955,660.65
Telematics Cooperative receivables	1,771,289.06	2,043,431.44
<i>Total receivables – exchange transactions</i>	<i>9,222,091.53</i>	<i>31,741,868.58</i>
Total current receivables	34,533,591.65	56,689,464.27
<i>Non-current receivables – non-exchange transactions</i>		
Union assessed contributions receivable	469,827.99	234,747.09
Total receivables	35,003,419.64	56,924,211.36

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.

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>2016 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>2017–2018</i>	<i>Total accounts</i> <i>receivable</i> <i>(net)</i>
Union receivables	32,034,940.46	-32,034,940.46	–	23,751,178.26	23,751,178.26
Telematics Cooperative receivables	296,006.37	-296,006.37	–	1,853,619.79	1,853,619.79
EMS Cooperative receivables	5,049.86	-5,049.86	–	156,042.55	156,042.55
Voluntary Fund receivables	275,965.53	-275,965.53	–	1,045,247.85	1,045,247.85
QSF receivables	–	-6,404.14	-6,404.14	1,319,438.11	1,313,033.97
UPU*Clearing receivables	–	–	–	6,841,686.76	6,841,686.76
IRC receivables	–	–	–	42,610.46	42,610.46
Total	32,611,962.22	-32,618,366.36	-6,404.14	35,009,823.78	35,003,419.64

	<i>31 December 2017 (in CHF)</i>	<i>Increase</i>	<i>Decrease</i>	<i>Use</i>	<i>31 December 2018 (in CHF)</i>
<i>Provisions</i>					
<i>Non-exchange transactions</i>					
Union assessed contributions	30,805,478.02	1,060,936.79	–	–	31,866,414.81
Voluntary Fund	123,500.00	37,356.26	–	–	160,856.26
Telematics Cooperative	83,546.54	13,066.48	–	–	96,613.02
EMS Cooperative	3,145.81	1,904.05	–	–	5,049.86
QSF funds	32.61	6,371.53	–	–	6,404.14
Subtotal non-exchange transactions	31,015,702.98	1,119,635.11	–	–	32,135,338.09
<i>Exchange transactions</i>					
Union	183,934.20	–	15,408.55	–	168,525.65
Telematics Cooperative	203,761.13	–	4,367.78	–	199,393.35
Voluntary Fund	121,742.40	–	6,633.13	–	115,109.27
Subtotal exchange transactions	509,437.73	–	26,409.46	–	483,028.27
Total provision	31,525,140.71	1,119,635.11	26,409.46	–	32,618,366.36

Note 5 – Inventories (in CHF)

	<i>31 December 2018</i>	<i>31 December 2017</i>
<i>Inventories</i>		
Stock of postage stamps and UPU souvenirs	89,278	88,522
Stock of barcodes	24,535	15,973
Stock of IRCs	82,513	88,085
Total inventories	196,326	192,580

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 2018	31 December 2017
<i>Other current assets</i>		
Prepaid expenses and deferred charges	2,721,997.57	1,866,605.98
Staff advances	570,970.13	485,441.84
Other advances	327,608.79	337,439.34
Supplier advances	–	–
Tax advances	568,324.75	207,283.86
Total other current assets	4,188,901.24	2,896,771.02
<i>Other non-current assets</i>		
Staff advances (Social Fund)	24,633.44	25,500.00
Total other assets	4,213,534.68	2,922,271.02

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.

Note 7 – Investments (in CHF)

	31 December 2018	31 December 2017
<i>Current investments</i>		
Deposits and bonds	38,797,813.24	33,671,180.58
Capital protection UBS	–	66,863,072.70
Subtotal	38,797,813.24	100,534,253.28
<i>Non-current investments</i>		
Deposits and bonds	69,346,427.99	2,445,000.00
Total investments	108,144,241.23	102,979,253.28

Funds are placed in deposits by the Union for periods ranging from four to 18 months. The portion of these investments due in 2019 is presented under current investments.

The Union invests funds not required for immediate use on behalf of the QSF. The funds are managed by an external fund manager, and are invested in bonds in USD. At the reporting date, the value of these funds in USD equalled 69,059,041.23 CHF.

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

All bonds are rated A- to AA+, based on the S&P ratings at 31 December 2018. Deposits held at Credit Suisse are rated A.

Note 8 – Equipment (in CHF)

	<i>IT equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost at 1 January 2017	2,587,211.66	1,954,040.37	4,541,252.03
Additions	757,706.37	29,930.24	787,636.61
Disposals	–	–	–
Cost at 31 December 2017	3,344,918.03	1,983,970.61	5,328,888.64
Exchange difference	–	–	–
Net	3,344,918.03	1,983,970.61	5,328,888.64
Net 31 December 2017	3,344,918.03	1,983,970.61	5,328,888.64
Additions	808,791.44	9,649.53	818,440.97
Disposals	–	–	–
Cost at 31 December 2018	4,153,709.47	1,993,620.14	6,147,329.61
Exchange difference	–	-274.42	-274.42
Net	4,153,709.47	1,993,345.72	6,147,055.19
Accumulated depreciation at 1 January 2017	1,979,454.38	946,285.26	2,925,739.64
Depreciation 2017	360,808.28	186,520.79	547,329.07
Loss on disposed equipment	–	–	–
Accumulated depreciation at 31 December 2017	2,340,262.66	1,132,806.05	3,473,068.71
Depreciation 2018	381,134.07	188,311.18	569,445.25
Loss on disposed equipment	–	–	–
Accumulated depreciation at 31 December 2018	2,721,396.73	1,321,117.23	4,042,513.96
Net carrying value at 31 December 2017	1,004,655.37	851,164.56	1,855,819.93
Net carrying value at 31 December 2018	1,432,312.74	672,228.49	2,104,541.23

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 2017	910,776.55
Additions	147,122.65
Disposals	–
Cost at 31 December 2017	1,057,899.20
Additions	253,712.99
Disposals	–
Cost at 31 December 2018	1,311,612.19

	<i>Intangible assets</i>
Accumulated depreciation at 1 January 2017	587,397.57
Depreciation 2017	100,129.18
Accumulated depreciation at 31 December 2017	687,526.75
Depreciation 2018	120,448.53
Accumulated depreciation at 31 December 2018	807,975.28
Net carrying value at 31 December 2017	370,372.45
Net carrying value at 31 December 2018	503,636.91

The costs of contractor services and software acquisition are capitalized over an estimated useful life of five years.

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 2016	34,635,142.38	–	-993,403.00	33,641,739.38
Additions	407,099.99	–	–	407,099.99
Transfer	-24,558.70	–	–	-24,558.70
Cost at 31 December 2016	35,017,683.67	–	-993,403.00	34,024,280.67
Additions	265,446.60	–	–	265,446.60
Transfer	–	–	–	–
Cost at 31 December 2017	35,283,130.27	–	-993,403.00	34,289,727.27
Additions	4,266.95	–	–	4,266.95
Transfer/derecognition preliminary study	-56,833.10	–	–	-56,833.10
Cost at 31 December 2018	35,230,564.12	–	-993,403.00	34,237,161.12
Accumulated depreciation at 1 January 2016	6,684,329.43	–	-90,837.69	6,593,491.74
Depreciation 2016	1,221,572.42	–	-22,345.86	1,199,226.56
Accumulated depreciation at 31 December 2016	7,905,901.85	–	-113,183.55	7,792,718.30
Depreciation 2017	1,233,672.89	–	-22,316.23	1,211,356.56
Accumulated depreciation at 31 December 2017	9,139,574.74	–	135,499.78	9,004,074.96
Depreciation 2018	1,251,999.20	–	-22,316.23	1,229,682.97
Accumulated depreciation at 31 December 2018	10,391,573.94	–	-157,816.01	10,233,757.93
Net carrying value at 31 December 2017	26,143,555.53	–	-857,903.22	25,285,652.31
Net carrying value at 31 December 2018	24,838,990.18	–	-835,586.99	24,003,403.19

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.

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 2018	31 December 2017
IRC accrued liabilities	24,717.18	177,823.70
UPU*Clearing creditors	7,388,874.53	27,852,421.29
QSF creditors	776,797.83	3,425.68
Embassy of Finland	4,200.00	10,900.00
Embassy of the Dominican Republic	2,100.00	2,100.00
Embassy of Belgium	5,366.67	4,966.67
Total accrued expenses	8,202,056.21	28,051,637.34
Accounts payable	3,482,834.44	3,749,500.67
Total accounts payable and accrued expenses	11,684,890.65	31,801,138.01

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 2018	31 December 2017
<i>Current liabilities</i>		
Annual leave	1,976,592.09	1,843,985.59
Overtime	70,438.59	74,919.47
Subtotal current liabilities	2,047,030.68	1,918,905.06
<i>Non-current liabilities</i>		
Repatriation removal	807,693.79	811,431.13
Repatriation grant	1,385,739.21	1,401,680.89
After-service health insurance	35,386,434.23	32,587,975.69
Death benefits	75,528.94	69,767.42
Subtotal	37,655,396.17	34,870,855.13
Provident Scheme and pension fund	202,702,921.11	192,813,154.24
Elected official complementary allowance	1,117,617.53	1,187,777.57
Cost-of-living allowance	877,475.06	943,029.96
Surviving spouse insurance	–	–
<i>Subtotal Provident Scheme</i>	<i>204,698,013.70</i>	<i>194,943,961.77</i>
Subtotal current liabilities	242,353,409.87	229,814,816.90
Total employee benefits	244,400,440.55	231,733,721.96

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 0.85%, based on the recommendation of the Swiss Chamber of Pension Fund Experts in relation to the duration of the portfolio. This is 17.5 years. A rate of 0.85% is therefore considered appropriate, given the recommended range for a duration of 20 years.
- The expected rate of return on assets is 0.85%, in accordance with 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 2018:
 - Liquid assets: 0.86%;
 - Bonds in Swiss francs: 18.29%;
 - Bonds in foreign currencies: 9.18%;
 - Shares in Swiss francs: 25.28%;
 - Shares in foreign currencies: 23.57%;
 - Real estate: 21.08%;
 - Loans: 1.74%.
- Employer contributions totalled 9,600,000 CHF in 2018. This includes a payment of 2,400,000 CHF in Union guarantees. The amount of regular contributions for 2019 is forecast to be around 6,800,000 CHF. The amount of guarantees has not yet been determined.
- The total liabilities for benefits covered by the two schemes, excluding the liabilities attributable to the translation services, are as follows:

	<i>31 December 2018 Provident Scheme</i>	<i>31 December 2018 After-service health insurance</i>
Discount rate	0.85%	0.85%
Expected return on plan assets	0.85%	–
Future salary increases	2.00%	2.00%
Future pension increases	0.00%	–
Medical costs inflation	3.25%	3.25%
Probability of outflow	LPP 2015	LPP 2015
Mortality and invalidity	VZ 2015	VZ 2015
Expected average remaining working lives	17.54	20.71
Present value of obligation as at 1 January 2018	426,575,047	32,587,976
Interest costs	2,930,550	225,355
Current service costs	15,778,381	1,479,186
Benefits paid (net of redemptions)	-14,089,670	-888,901
Actuarial loss (gain) on obligation	-10,716,262	1,982,818
Value of obligation at 31 December 2018	420,478,046	35,386,421

	31 December 2018 Provident Scheme	31 December 2018 After-service health insurance
Fair value of plan assets at 1 January 2018	231,631,085	–
Expected return on plan assets	1,603,860	–
Employer contributions	9,419,992	–
Employee contributions	3,234,050	–
Benefits paid	-14,089,670	–
Actuarial gains (losses) on plan assets	-16,019,285	–
Fair value of plan assets at 31 December 2018	215,780,032	–
<i>Amounts recognized in the statement of financial position</i>		
Present value of obligations at 31 December 2018	420,478,046	35,386,421
Fair value of plan assets at 31 December 2018	215,780,032	–
Liability recognized in the statement of financial position	204,698,014	35,386,421
<i>Amounts recognized in the statement of financial position</i>		
Interest costs	2,930,550	225,355
Current service costs	12,544,331	1,479,186
Expected return on plan assets	-1,603,860	–
Amount recognized in the statement of financial position	13,871,021	1,704,541
<i>Amounts recognized in net assets</i>		
Actuarial gain (loss) on changes of assumption	11,072,731	-628,128
Actuarial gain (loss) on experience	-356,469	-1,354,690
Actuarial gain (loss) on plan assets	16,019,285	–
Amount recognized in net assets	5,303,023	1,982,818

	31 December 2017 restated Provident Scheme	31 December 2017 restated After-service health insurance
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 at 1 January 2017	422,747,077	35,473,710
Interest costs	2,697,414	228,129

	31 December 2017 restated Provident Scheme	31 December 2017 restated After-service health insurance
Current service costs	15,148,996	1,865,916
Benefits paid (net of redemptions)	-15,513,736	-787,716
Actuarial gains (losses) on obligation	1,495,296	-4,192,063
Value of obligation at 31 December 2017	426,575,047	32,587,976
Fair value of plan assets at 1 January 2017	215,028,067	–
Expected return on plan assets	1,399,297	–
Employer contributions	7,600,097	–
Employee contributions	3,207,318	–
Benefits paid	-15,513,736	–
Actuarial gains (losses) on plan assets	19,910,042	–
Fair value of plan assets at 31 December 2017	231,631,085	–
<i>Amounts recognized in the statement of financial position</i>		
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	–
Liability recognized in the statement of financial position	194,943,962	32,587,976
<i>Amounts recognized in the statement of financial performance</i>		
Interest costs	2,697,414	228,129
Current service costs	11,941,678	1,865,916
Expected return on plan assets	-1,399,297	–
Amount recognized in the statement of financial performance	13,239,795	2,094,045
<i>Amounts recognized in net assets</i>		
Actuarial gain (loss) on changes of financial assumption	3,869,526	3,806,692
Actuarial gain (loss) on changes of demographic assumption	-3,208,933	1,887,260
Actuarial gain (loss) on experience	-2,155,889	-1,501,889
Actuarial gain (loss) on plan assets	19,910,042	–
Amount recognized in net assets	18,414,746	4,192,063

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

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

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

<i>Sensitivity of Provident Scheme benefit obligations for 2018</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31.12.18</i>	<i>Impact in %</i>	<i>Service costs expected for 2019</i>	<i>Impact in %</i>
Baseline	–	–	420,478,046	–	15,695,433	–
Discount rate	0.85%	-0.50%	458,692,691	9.09%	17,759,693	13.15%
		+0.50%	387,146,090	-7.93%	13,948,776	-11.13%
Salary growth rate	2.00%	-0.50%	412,663,853	-1.86%	14,941,761	-4.80%
		+0.50%	428,937,551	2.01%	16,557,820	5.49%
Pension adjustment	0.00%	+0.50%	448,208,061	6.59%	16,762,282	6.80%
Longevity	VZ2015 Gen	+ 1 year life expectancy	433,356,848	3.06%	16,068,880	2.38%

<i>Sensitivity of Provident Scheme benefit obligations for 2017</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31.12.17</i>	<i>Impact in %</i>	<i>Service costs expected for 2018</i>	<i>Impact in %</i>
Baseline	–	–	426,575,047	–	15,778,381	–
Discount rate	0.70%	-0.50%	466,093,793	9.26%	17,888,820	13.38%
		+0.50%	392,167,453	-8.07%	13,996,182	-11.30%
Salary growth rate	2.00%	-0.50%	418,802,299	-1.82%	14,976,346	-5.08%
		+0.50%	434,985,721	1.97%	16,658,796	5.58%
Pension adjustment	0.00%	+0.50%	455,543,543	6.79%	16,866,554	6.90%
Longevity	VZ2015 Gen	+ 1 year life expectancy	439,853,427	3.11%	16,161,763	2.43%

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

<i>Sensitivity of obligation to participate in health insurance premiums in 2018</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31.12.18</i>	<i>Impact in %</i>	<i>Service costs expected for 2019</i>	<i>Impact in %</i>
Baseline	–	–	35,386,434	–	1,528,749	–
Discount rate	0.85%	-0.50%	39,249,083	10.92%	1,783,453	16.66%
		+0.50%	32,067,573	-9.38%	1,317,357	-13.83%
Future inflation of medical costs	3.25%	-1.00%	29,400,142	-16.92%	1,150,403	-24.75%
		+1.00%	43,266,916	22.27%	2,061,103	34.82%
Longevity	VZ2015 Gen	+ 1 year life expectancy	37,112,053	4.88%	1,597,294	4.48%

<i>Sensitivity of obligation to participate in health insurance premiums in 2017</i>						
<i>Factor</i>	<i>Base value</i>	<i>Variation</i>	<i>Value of obligation at 31.12.17</i>	<i>Impact in %</i>	<i>Service costs expected for 2018</i>	<i>Impact in %</i>
Baseline	–	–	32,587,975	–	1,479,186	–
Discount rate	0.70%	-0.50%	36,189,201	11.05%	1,724,545	16.59%
		+0.50%	29,496,768	-9.49%	1,275,444	-13.77%
Future inflation of medical costs	3.00%	-1.00%	27,008,933	-17.12%	1,114,189	-24.68%
		+1.00%	39,947,849	22.58%	1,992,385	34.69%
Longevity	VZ2015 Gen	+ 1 year life expectancy	34,159,063	4.82%	1,544,942	4.45%

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

With the adoption of IPSAS 39 in 2018, the Union recognizes actuarial gains and losses related to the Provident Scheme and after-service health insurance directly in a separate element of net assets. The accumulated amount at 31 December 2018 was 112,687,930 CHF (105,402,089 CHF at 31 December 2017).

Actuarial (gains) losses in net assets:

<i>After-service health insurance</i>		
	<i>2018</i>	<i>2017</i>
Actuarial (gains) losses	–	-9,999,536
– on change of financial assumptions	628,128	-3,806,692
– on change of demographic assumptions	–	-1,887,260
– on experience	1,354,690	1,501,889
Reversal of the amortized actuarial loss recognized in the results between 2011 and 2016	–	583,700
Amount recognized in net assets	1,982,818	-3,608,363
Accumulated amount of actuarial (gains) losses in net assets	-11,625,081	-13,607,899

<i>Provident Scheme</i>		
	<i>2018</i>	<i>2017</i>
Actuarial (gains) losses	–	120,099,552
– on change of financial assumptions	-11,072,731	-3,869,526
– on change of demographic assumptions	–	3,208,933
– on experience	356,469	2,155,889
(Gain) loss on plan assets	16,019,285	-19,910,042
Reversal of the amortized actuarial loss recognized in the results between 2011 and 2016 results	–	17,325,182
Amount recognized in net assets	5,303,023	-1,089,564
Accumulated amount of actuarial (gains) losses in net assets	124,313,011	119,009,988
Accumulated amount (health insurance and Provident Scheme) in net assets	112,687,930	105,402,089

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):

	<i>31 December 2018</i>	<i>31 December 2017</i>
Repatriation – removal and travel	807,693.79	811,431.13
Repatriation grant	1,385,739.21	1,401,681.89
Death benefits	75,528.94	69,767.42
Total post-employment benefits	2,268,961.94	2,282,879.44

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 2018–2019 academic year completed by that time.

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

	<i>31 December 2018</i>	<i>31 December 2017</i>
Available assets	4,169,822.22	4,348,682.93
UPU*Clearing creditors (available assets)	3,334,668.51	2,000,920.93
UPU*Clearing contributions invoiced in advance	256,493.28	253,251.05
IRC sales	1,207,662.12	3,920,289.31
Available QSF assets	77,749,770.45	70,908,259.86
Subtotal advance receipts	86,718,416.58	81,431,404.08
Assessed contributions invoiced in advance	36,304,343.00	36,304,343.00
Multi-year integrated projects (MIPs) financed by countries	41,456.62	42,486.58
Funds to guarantee PPS*Clearing project	368,331.35	344,604.67
Telematics Cooperative deferred revenue for special projects	354,817.32	480,603.14
Project to improve EMS	–	16,470.52

	31 December 2018	31 December 2017
Voluntary contributions billed in advance (Voluntary Funds)	452,500.00	345,000.00
Voluntary Fund (conditional)	6,060,283.25	5,208,258.14
Funds on deposit	310,930.00	–
QSF projects in progress	29,398,759.56	31,955,360.91
Subtotal deferred revenue	73,291,421.10	74,697,126.96
Total deferred revenue and advance receipts	160,009,837.68	156,128,531.04

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.

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>	31 December 2018	31 December 2017
Capital, projects in progress	50,624,202.05	52,690,544.61
Capital advances to projects	-21,225,442.49	-20,735,183.70
QSF projects in progress	29,398,759.56	31,955,360.91

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 2018 was 12,671 CHF (at 1.15%), while the value of interest to be waived until the final payment on the loan due in 2020 is 12,768 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):

	31 December 2018	31 December 2017
Current liabilities	375,760	375,760
Non-current liabilities (due in 2 to 5 years)	375,756	751,516
Non-current liabilities (due in over 5 years)	–	–
Total borrowing stated at nominal value	751,516	1,127,276

	31 December 2018	31 December 2017
Less the interest not due within the next year	-12,768	-25,439
Net value in the statement of financial position	738,748	1,101,837

Note 15 – Provisions

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

Provision for litigation at 1 January 2017	925,000
Increase	1,642,000
Decrease	-11,000
Use	–
Provision for litigation at 31 December 2017	2,556,000
Increase	152,000
Decrease	-402,000
Use	-1,854,000
Provision for litigation at 31 December 2018	452,000

The Union is subject to litigation as part of its normal activities. Events prior to 31 December 2018 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. By the end of 2018, most cases had received a ruling and been settled financially. On the basis of the information available, the amount of the provision was therefore reviewed and set at 452,000 CHF.

Note 16 – Funds held in trust for translation services

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

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

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

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

	31 December 2018	31 December 2017
Arabic (STAR)	4,493,836	4,584,504
English (STAN)	2,268,588	2,162,116
Portuguese (STPO)	451,693	384,227
Total	7,214,116	7,130,847

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 statements.

Note 17 – Accumulated fund balances and reserves

The accumulated fund balance represents the accumulated net result of operations in 2018 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>	<i>31 December 2018 Closing balance</i>	<i>31 December 2017 Closing balance</i>
Union	-191,055,301.93	-180,725,640.31
Voluntary Fund (non-conditional)	176,386.50	25,821.06
Subtotal Union funds	-190,878,915.43	-180,699,819.25
UPU*Clearing	-210,127.65	-215,596.84
IRC	-963,578.39	-2,137,254.08
Technical Cooperation Special Fund	698,808.14	757,542.20
Reserve article 17	1,573,027.40	983,145.37
Voluntary Fund	3,502,229.98	3,257,466.90
Subtotal other funds	4,600,359.48	2,645,303.55
EMS	-2,011,399.70	-1,753,655.74
Telematics Cooperative	-13,422,676.97	-12,424,005.22
QSF	-32,039.82	-3,296,078.85
Subtotal controlled entities	-15,466,116.49	-17,473,739.81
Total accumulated surplus (deficit)	-201,744,672.44	-195,528,255.26
Social Fund	3,122,873.35	3,174,028.49
Reserve for building	500,000.00	500,000.00
Special Activities Fund	521,951.47	521,951.47
Total reserves	4,144,824.82	4,195,979.96
Total net assets	-197,599,847.62	-191,332,275.30

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):

2018	No. of individuals (average)	Salaries	Other allowances	Pension and health insurance	Recruitment allowances	Separation from service allowances	Total
Elected officials	2.0	568,312	97,727	156,645	–	–	822,684
Directors	8.4	1,550,600	159,298	487,773	–	72,766	2,270,438
Total	10.4	2,118,912	257,025	644,418	–	72,766	3,093,122

2017	No. of individuals (average)	Salaries	Other allowances	Pension and health insurance	Recruitment compensation	Separation from service allowances	Total
Elected officials	2.0	585,440	111,680	157,680	–	–	854,736
Directors	8.7	1,672,911	115,830	506,241	112,435	125,372	2,532,789
Total	10.7	2,258,351	227,510	663,857	112,435	125,372	3,387,525

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.

<i>2017</i>	<i>Operating</i>	<i>Investments</i>	<i>Funding</i>	<i>Total (CHF)</i>
Total net expenses on basis comparable to adjusted budget	-57,234,083	–	–	-57,234,083
Financial costs not included in budget	-3,010,927	–	-1,162,080	-4,173,007
Adjustment of long-term employee benefits	-7,441,139	–	–	-7,441,139
Total basis differences	-10,452,066	–	-1,162,080	-11,614,146
QSF project expenses	-7,766,041	–	–	-7,766,041
Total entity differences	-7,766,041	–	–	-7,766,041
Actual expenses on the statement of financial performance	-75,452,189	–	-1,162,080	-76,614,269
Total revenue on the statement of financial performance	67,734,624	–	–	67,734,624
Actual net result on the statement of financial performance	-7,717,565	–	-1,162,080	-8,879,645
<i>2018</i>	<i>Operating</i>	<i>Investments</i>	<i>Funding</i>	<i>Total, (CHF)</i>
Total net expenses on basis comparable to adjusted budget	-55,273,883	–	–	-55,273,883
Financial costs not included in budget	-601,695	–	-1,805,895	-2,407,589
Adjustment of long-term employee benefits	-7,749,897	–	–	-7,749,897
Total basis differences	-8,351,592	–	-1,805,895	-10,157,486
QSF project expenses	-8,763,826	–	–	-8,763,826
Total entity differences	-8,763,826	–	–	-8,763,826
Actual expenses on the statement of financial performance	-72,389,302	–	-1,805,895	-74,195,196
Total revenue on the statement of financial performance	74,273,780	–	–	74,273,780
Actual net result on the statement of financial performance	1,884,479	–	-1,805,895	78,584

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.

<i>Assessed contributions of member countries (in CHF)</i>	2018	2017
Contributions to the expenses of the Union	36,148,343.00	36,148,343.00
Contributions to the cost of French translation	156,000.00	156,000.00
Contributions to the Consultative Committee	33,000.00	42,000.00
Total	36,337,343.00	36,346,343.00

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

<i>Other annual contributions (in CHF)</i>	2018	2017
Contributions to the PTC	1,057,500.00	1,153,666.58
Contributions to EMS	2,945,861.52	3,098,927.18
Contributions to UPU*Clearing	252,699.13	257,191.94
Total	4,256,060.65	4,509,785.70

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>	2018	2017
QSF contributions	9,497,650.44	7,767,973.52
Untied voluntary contributions	123,430.00	347,084.80
Tied contributions	3,635,118.83	3,756,650.23
Other financial contributions	369,075.29	22,316.23
Total	13,625,274.56	11,894,024.78

Sales include revenue related to various products and services, IRCs, services provided by the Telematics Cooperative and room rentals in the headquarters building. For 2018, "other sales" includes the revenue from sales of IRCs from the Doha cycle, which has ended.

<i>Sales (in CHF)</i>	2018	2017
POST*CODE, WNS, barcodes	1,542,650.57	1,450,087.34
Rebilling of IRC costs	34,079.98	198,289.91
Sales, missions, maintenance for IFS/IPS, etc.	9,539,877.17	8,746,236.64
Rent	480,592.98	507,599.73
Other sales	1,923,833.15	104,383.00
Total	13,521,033.85	11,006,596.62

Financial revenue includes the following:

- interest on deposits and accounts, including all interest earned on investments held by the Union, the Voluntary Fund, QSF and other funds administered by the Union, and on investments in bonds held by the QSF;

- billed interest on overdue contributions;
- gains on investments, including realized gains from the sale or maturity of bonds and unrealized gains from the marking to market (at the reporting date) of investments held by the QSF; dividends, including amounts earned on equity investments held by the QSF.

<i>Financial revenue (in CHF)</i>	2018	2017
Interest on cash and cash equivalents	1,942,640.20	645,033.52
Interest on contributions receivable (gross)	463,960.88	427,196.44
Gains on investments	1,098,677.63	702,387.85
Total	3,505,278.71	1,774,617.81

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

<i>Other revenue (in CHF)</i>	2018	2017
Simultaneous interpretation	958,951.84	1,207,907.95
Social Fund income	330.00	627.00
Miscellaneous income	194,841.44	-121,187.64
Total	1,154,123.28	1,087,347.31

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.

<i>Staff expenses (in CHF)</i>	2018	2017
Salaries and allowances	25,622,050.36	25,585,178.31
Temporary staff and overtime	880,788.96	1,232,258.84
Social security contributions	3,282,870.42	3,101,640.11
Recruitment and separation from service allowances	472,587.11	527,804.16
Insurance and Provident Scheme	16,836,952.01	15,997,739.08
Other staff costs	392,879.47	577,338.09
Total	47,488,128.33	47,021,958.59

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.

<i>Travel (in CHF)</i>	2018	2017
Missions	1,023,926.18	882,655.78
Delegates and visitors	65,925.49	97,421.40
Congress/strategy conferences	128,018.32	12,155.95
Total	1,217,869.99	992,233.13

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

<i>Consultants and external contracts (in CHF)</i>	2018	2017
Shipping	539,272.85	527,990.38
IT services	781,297.32	1,080,722.99
Translation and interpretation	444,797.96	702,781.70
Consultants	1,552,755.11	1,345,277.44
Server hosting	190,385.59	207,649.56
Total	3,508,508.83	3,864,422.07

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>	2018	2017
Remuneration and travel	1,372,552.30	844,239.80
Service contracts	1,583,735.95	2,435,542.07
Training and fellows	791,920.76	1,011,292.78
Equipment and project costs	8,532,760.20	7,421,883.44
Miscellaneous costs	358,992.45	-42,903.31
Total	12,639,961.66	11,670,054.78

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>	2018	2017
Building utilities and cleaning	582,830.35	436,919.90
Equipment rental	270,720.21	305,198.36
Postage and telecommunications	579,473.45	488,795.11
Other expenses	201,301.00	243,779.69
Total	1,634,325.01	1,474,693.06

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

<i>Materials and supplies (in CHF)</i>	2018	2017
Expendable IT equipment	596,136.34	138,565.60
Expendable machinery and furniture	52,042.14	78,073.60
IRC production supplies	14,700.47	93,047.12
Inventory variation	–	202,882.58
Expendable other equipment	179,573.12	154,406.53
Total	842,452.07	666,975.43

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>	2018	2017
Security	76,198.80	108,698.10
Lifts	51,699.80	61,330.75
Heating and ventilation	44,396.40	84,972.49
Electrical system	10,760.70	30,535.15
Miscellaneous equipment	90,644.86	138,547.63
IT equipment	858,181.15	875,682.42
IT licences	333,585.76	261,103.37
Other expenses	17,932.06	46,330.61
Total	1,483,399.53	1,607,200.52

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

<i>Depreciation (in CHF)</i>	2018	2017
Depreciation expenses on land and buildings	1,251,999.20	1,233,672.89
Net depreciation expenses on equipment	569,445.25	547,329.07
Depreciation expenses on intangible assets	120,448.53	100,129.18
Total depreciation expenses according to notes 8 to 10	1,941,892.98	1,881,131.14

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

<i>Financial costs (in CHF)</i>	2018	2017
(Decrease)/Increase in provision for doubtful debts	396,498.16	2,894,433.25
Interest	27,049.75	18,337.02
Cancellation of interest prescribed in regulations	109,198.19	1,587.42
Investment losses	0.00	27,077.20
Bank charges and other financial costs	68,948.47	69,492.52
Total	601,694.57	3,010,927.41

Other costs include the cost of interpretation at meetings, subsidies and gifts, including the cafeteria subsidy, as well as the UPU's share of costs paid by UN specialized agencies as a whole and of legal costs. The change in the provision for litigation explains the negative amount for 2018.

<i>Other expenditure (in CHF)</i>	2018	2017
Interpretation POC + CA	967,181.31	1,221,056.95
Subsidies and gifts	72,048.72	99,349.20
Specialized agencies of the UN and other expenses	155,324.20	235,707.28
Legal costs	-163,485.63	1,706,479.45
Total	1,031,068.60	3,262,592.88

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 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

<i>Description 2018</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2018	1,777,669.29	96,996.78	1,874,666.07
Exchange losses 2018	-1,605,034.11	-200,860.55	-1,805,894.66
Net impact 2018	172,635.18	-103,863.77	68,771.41

Note 23 – Events after the reporting date

The Union's reporting date is 31 December 2018, and its financial statements were authorized for issuance on 2 July 2019. 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 2018:

	<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	18,445,212.45	5,229,995.24	29,055,875.59	52,731,083.26
Investments	38,797,813.24	–	–	38,797,813.24
Current accounts receivable (non-exchange transactions)	1,313,033.97	–	23,998,466.15	25,311,500.12
Current accounts receivable (exchange transactions)	2,691,635.12	4,192,662.56	2,337,794.31	9,222,091.99
Interpretation expenses for rebilling	–	–	310,848.15	310,848.15
Non-current investments	69,346,427.99	–	–	69,346,427.99
Non-current accounts receivable (non-exchange transactions)	–	–	469,827.99	469,827.99
Borrowing	–	–	-738,748.33	-738,748.33
Accounts payable and accrued expenses	-4,255,224.92	-4,192,662.56	-3,237,003.17	-11,684,890.65
Net risk	126,338,897.84	5,229,995.24	52,197,060.69	183,765,953.76

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 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	–	24,946,840.79	24,947,595.69
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	–	–	–	–
Non-current investments	2,445,000.00	–	–	2,445,000.00
Non-current accounts receivable (non-exchange transactions)	–	–	234,747.99	234,747.99
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
Net risk	113,828,457.13	6,997,752.40	55,320,376.26	176,146,585.79

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 2018

<i>Currencies</i>	<i>Variation -5%</i>	<i>Variation +5%</i>
EUR/CHF	-195,984	195,984
USD/CHF	-364,706	364,706
EUR/USD	-65,516	65,516

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

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 2018, the Union's cash and cash equivalents, amounting to 52,731,083 CHF, were enough for the Union to settle its current liabilities, which totalled 21,773,797 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 80%. At 31 December 2018, this guarantee represented a total of approximately 25 million CHF. Settling this amount 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 short 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>	2018	2017
Less than one year	–	225,378
One to five years	–	–
More than five years	–	–
Total	–	225,378
Expenses recognized during period	233,615	269,404

The leasing costs concern printing equipment, firewalls and Wi-Fi; these contracts ended in 2018. When the time came to update the equipment, it was determined that purchasing was the most favourable solution. As a result, there is no longer any equipment on lease.

<i>Rental of premises (UPU landlord in CHF)</i>	2018	2017
Less than one year	232,294	223,942
One to five years	68,915	158,005
More than five years	–	–
Total	301,209	383,908
Revenue recognized during period	232,294	223,942

At 31 December 2018, the UPU was renting out office space to four tenants for total revenue of 223,942 CHF (223,942 CHF in 2017). 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 2018, on the basis of existing contracts, the UPU had a commitment in the amount of 13.4 million CHF for the purchase of goods and services. The delivery of products and services will commence in 2019 and will be recorded in future accounting periods. The estimated amount of this commitment at 31 December 2017 was 20 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 2018</i>	<i>31 December 2017</i>
Arabic (STAR)	6,575,601	6,162,539
English (STAN)	8,356,904	8,240,379
Portuguese (STPO)	2,074,208	1,946,646
Total	17,006,713	16,349,564

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 2018 (in CHF)

Assets	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
Current assets							
Cash and cash equivalents	19,460,441	12,333,724	3,059,575	4,961,732	12,915,611	–	52,731,083
Cash deposits	3,948,000	–	–	–	34,849,813	–	38,797,813
Accounts receivable (non-exchange transactions)	23,221,690	538,403	156,043	82,331	1,313,034	–	25,311,500
Accounts receivable (exchange transactions)	59,660	506,845	–	3,544,235	6,884,297	-1,772,945	9,222,092
Inventories	89,278	24,535	–	–	82,513	–	196,326
Other current assets	1,708,362	447,278	2,045	737,595	1,293,622	–	4,188,901
Total current assets	48,487,431	13,850,785	3,217,663	9,325,892	57,338,890	-1,772,945	130,447,715
Non-current assets							
Investments	–	–	–	–	69,346,428	–	69,346,428
Accounts receivable (non-exchange transactions)	469,828	–	–	–	–	–	469,828
Equipment	1,307,051	19,934	–	688,771	88,785	–	2,104,541
Intangible assets	346,087	–	–	157,550	–	–	503,637
Land and buildings	24,003,403	–	–	–	–	–	24,003,403
Other non-current assets	24,633	–	–	–	–	–	24,633
Total non-current assets	26,151,003	19,934	–	846,321	69,435,213	–	96,452,471
Total assets	74,638,433	13,870,718	3,217,663	10,172,213	126,774,104	-1,772,945	226,900,186

The amount of fixed assets acquired during the financial period is as follows: Union: 519,168 CHF; and PTC: 555,834 CHF.

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
<i>Current liabilities</i>							
Accounts payable and accrued expenses	2,869,239	686,765	67,754	1,386,190	8,447,887	-1,772,945	11,684,891
Employee benefits	1,378,678	–	84,282	507,972	76,098	–	2,047,031
Deferred revenue	36,304,343	7,233,501	–	354,817	29,398,760	–	73,291,421
Advance receipts	3,888,175	–	219,232	62,415	82,548,594	–	86,718,417
Funds-in-trust held for translation services	7,214,116	–	–	–	–	–	7,214,116
Loans payable within one year	375,760	–	–	–	–	–	375,760
Provisions	452,000	–	–	–	–	–	452,000
Total current liabilities	52,482,311	7,920,266	371,269	2,311,395	120,471,339	-1,772,945	181,783,635
<i>Non-current liabilities</i>							
Employee benefits	208,703,611	–	4,857,794	21,283,495	7,508,510	–	242,353,410
Loans payable after one year	362,988	–	–	–	–	–	362,988
Total non-current liabilities	209,066,599	–	4,857,794	21,283,495	7,508,510	–	242,716,398
Total liabilities	261,548,911	7,920,266	5,229,063	23,594,890	127,979,849	-1,772,945	424,500,033
Accumulated surplus (deficit) Union funds	-191,055,302	176,387	–	–	–	–	-190,878,915
Accumulated surplus (deficit) other funds	–	5,774,066	–	–	-1,173,706	–	4,600,359
Accumulated surplus (deficit) controlled entities	–	–	-2,011,400	-13,422,677	-32,040	–	-15,466,116
Reserves	4,144,825	–	–	–	–	–	4,144,825
Net assets	-186,910,477	5,950,452	-2,011,400	-13,422,677	-1,205,746	–	-197,599,848

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
Current assets							
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)	24,149,637	509,826	195,125	92,254	755	–	24,947,596
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
Total current assets	51,945,768	12,073,532	2,848,426	6,772,908	136,616,201	-1,354,126	208,902,708
Non-current assets							
Investments	–	–	–	–	2,445,000	–	2,445,000
Accounts receivable (non-exchange transactions)	234,747	–	–	–	–	–	234,747
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
Total non-current assets	27,111,979	24,829	–	529,159	2,551,124	–	30,217,092
Total assets	79,057,747	12,098,361	2,848,426	7,302,067	139,167,325	-1,354,126	239,119,800

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
<i>Current liabilities</i>							
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
Total current liabilities	55,125,612	6,771,970	355,767	1,035,308	137,976,651	-1,354,126	199,911,181
<i>Non-current liabilities</i>							
Employee benefits	200,038,133	—	4,246,316	18,690,764	6,839,604	—	229,814,817
Loans payable after one year	726,077	—	—	—	—	—	726,077
Total non-current liabilities	200,764,211	—	4,246,316	18,690,764	6,839,604	—	230,540,894
Total liabilities	255,889,822	6,771,970	4,602,082	19,726,072	144,816,255	-1,354,126	430,452,076
Accumulated surplus (deficit) Union funds	-180,725,640	25,821	—	—	—	—	-180,699,819
Accumulated surplus (deficit) other funds	—	4,998,154	—	—	-2,352,851	—	2,645,304
Accumulated surplus (deficit) controlled entities	—	—	-1,753,656	-12,424,005	-3,296,079	—	-17,473,740
Reserves	4,195,980	—	—	—	—	—	4,195,980
Net assets	-176,529,660	5,023,976	-1,753,656	-12,424,005	-5,648,930	—	-191,332,276

Statement of financial performance by segment from 1 January to 31 December 2018 (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	36,337,343	–	–	–	–	–	36,337,343
Other annual contributions	–	–	2,945,862	1,057,500	252,699	–	4,256,061
Voluntary contributions	369,075	6,616,549	–	–	9,497,650	-2,858,000	13,625,275
Sales	557,824	1,542,651	–	9,617,937	1,880,683	-78,060	13,521,034
Financial revenue	535,714	11,571	13,305	40,006	2,937,848	-33,165	3,505,279
Exchange gains	1,054,198	118,058	277	19,852	682,282	–	1,874,666
Other revenue	1,279,294	–	–	1,862,677	260	-1,988,108	1,154,123
Total revenue	40,133,448	8,288,829	2,959,443	12,597,972	15,251,422	-4,957,333	74,273,780
<i>Expenses</i>							
Staff services	31,126,924	3,317,962	2,266,172	9,936,735	1,873,585	-1,033,250	47,488,128
Travel	793,020	95,367	91,201	217,495	30,669	-9,882	1,217,870
Consultants and external contracts	2,001,425	220,516	16,715	1,589,568	131,832	-451,548	3,508,509
Project costs	2,513,756	3,253,318	563,142	33,359	8,763,826	-2,487,440	12,639,962
General operating expenses	1,379,510	55,940	8,386	188,104	2,386	–	1,634,325
Materials and supplies	718,378	44,051	–	207,956	14,867	-142,800	842,452
Maintenance and repairs	953,196	185,005	34,819	349,975	36,505	-76,100	1,483,400
Depreciations	1,679,842	4,895	–	238,673	18,483	–	1,941,893
Financial costs	512,239	38,298	8,230	12,551	63,542	-33,165	601,695
Exchange losses	1,162,149	99,709	427	8,626	534,984	–	1,805,895
Other expenses	1,440,481	42,575	76,660	142,071	52,430	-723,147	1,031,069
Total expenses	44,280,920	7,357,637	3,065,751	12,925,113	11,523,108	-4,957,333	74,195,196
Net result	-4,147,472	931,191	-106,308	-327,142	3,728,314	–	78,584

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
Revenue							
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
Total revenue	39,931,129	8,261,499	3,110,664	11,314,795	9,872,102	-4,755,564	67,734,624
Expenses							
Staff services	32,143,926	3,102,611	2,063,300	8,798,073	1,947,298	-1,033,250	47,021,959
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	2,897,422	45,072	3,924	2,387	81,371	-19,250	3,010,927
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
Total expenses	48,543,853	7,263,049	3,009,504	11,820,966	10,732,461	-4,755,564	76,614,268
Net result	-8,612,724	998,450	101,160	-506,172	-860,358	–	-8,879,644

Statement of financial position by segment from 1 January to 31 December 2018 (in USD)

	IRC	QSF	UPU*Clearing
Assets			
<i>Current assets</i>			
Cash and cash equivalents	-148,159	8,898,934	4,334,958
Cash deposits	2,300,000	32,408,828	600,000
Accounts receivable (non-exchange transactions)	–	1,330,328	–
Accounts receivable (exchange transactions)	43,172	–	6,931,800
Inventories	83,599	–	–
Other current assets	36,638	1,232,191	41,832
Total current assets	2,315,251	43,870,280	11,908,590
<i>Non-current assets</i>			
Investments	–	70,259,805	–
Equipment	89,955	–	–
Total non-current assets	89,955	70,259,805	–
Total assets	2,405,205	114,130,086	11,908,590
<i>Current liabilities</i>			
Accounts payable and accrued expenses	41,576	1,031,385	7,486,195
Employee benefits	31,529	36,090	9,482
Deferred revenue	–	29,785,977	–
Advance receipts	1,223,569	78,773,830	3,638,462
Total current liabilities	1,296,674	109,627,282	11,134,138
<i>Non-current liabilities</i>			
Employee benefits	2,084,801	4,535,266	987,339
Total non-current liabilities	2,084,801	4,535,266	987,339
Total liabilities	3,381,475	114,162,548	12,121,478
Accumulated surplus (deficit) other funds	-976,270		-212,888
Accumulated surplus (deficit) controlled entities	–	-32,462	–
Net assets	-976,270	-32,462	-212,888

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

	IRC	QSF	UPU*Clearing
Assets			
<i>Current assets</i>			
Cash and cash equivalents	1,238,177	6,991,696	2,365,904
Cash deposits	1,800,000	96,867,150	528,610
Accounts receivable (non-exchange transactions)	–	772	–
Accounts receivable (exchange transactions)	977,158	–	28,478,958
Inventories	90,066	–	–
Other current assets	13,384	294,531	42,969
Total current assets	4,118,786	104,154,149	31,416,442
<i>Non-current assets</i>			
Investments	–	2,500,000	–
Equipment	108,511	–	–
Total non-current assets	108,511	2,500,000	–
Total assets	4,227,297	106,654,149	31,416,442
<i>Current liabilities</i>			
Accounts payable and accrued expenses	431,997	609,243	28,432,935
Employee benefits	23,937	34,795	10,609
Deferred revenue	–	32,674,193	–
Advance receipts	4,008,476	72,503,333	2,350,902
Total current liabilities	4,464,410	105,821,564	30,794,447
<i>Non-current liabilities</i>			
Employee benefits	1,948,218	4,202,809	842,433
Total non-current liabilities	1,948,218	4,202,809	842,433
Total liabilities	6,412,628	110,024,372	31,636,880
Accumulated surplus (deficit) other funds	-2,185,331	–	-220,438
Accumulated surplus (deficit) controlled entities	–	-3,370,223	–
Net assets	-2,185,331	-3,370,223	-220,438

Statement of financial performance by segment from 1 January to 31 December 2018 (in USD)

	IRC	QSF	UPU*Clearing
<i>Revenue</i>			
Other annual contributions	–	–	258,384
Voluntary contributions	–	9,715,943	–
Sales	1,426,296	–	–
Financial revenue	47,282	2,881,795	68,791
Exchange gains	334,936	370,059	474,400
Other revenue	272	463,206	–
Total revenue	1,808,786	13,431,002	801,575
<i>Expenses</i>			
Staff services	261,136	1,379,574	271,551
Travel	2,771	27,858	892
Consultants and external contracts	–	119,692	12,195
Project costs	–	8,834,724	–
General operating expenses	2,445	–	–
Materials and supplies	15,110	–	–
Maintenance and repairs	2,131	17,572	18,293
Depreciations	18,557	–	–
Financial costs	580	58,555	5,643
Exchange losses	234,905	366,857	447,446
Other expenses	–	48,788	8,479
Total expenses	537,634	10,853,620	764,499
Net result	1,271,153	2,577,383	37,076

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

	<i>IRC</i>	<i>QSF</i>	<i>UPU*Clearing</i>
<i>Revenue</i>			
Other annual contributions	–	–	250,912
Voluntary contributions	–	7,898,779	–
Sales	200,674	–	–
Financial revenue	22,822	1,263,318	32,752
Exchange gains	107,753	-605,243	103,983
Total revenue	331,249	8,556,854	387,647
<i>Expenses</i>			
Staff services	553,134	1,153,751	269,896
Travel	3,002	19,463	–
Consultants and external contracts	–	9,930	11,707
Project costs	–	7,920,633	–
General operating expenses	13,499	776	–
Materials and supplies	300,707	–	–
Maintenance and repairs	2,193	16,098	17,561
Depreciations	13,422	–	–
Financial costs	1,256	78,092	3,974
Exchange losses	319,605	-795,969	117,522
Other expenses	12,696	59,118	8,833
Total expenses	1,219,514	8,461,893	429,492
Net result	-888,265	94,961	-41,845

