

Financial statements

Financial period ending 31 December 2016

Berne, June 2017



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 (Doha Postal Strategy) 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, as defined in the Doha Postal Strategy. Only through impeccable financial management will the UPU be able to achieve this goal in the future.

Berne, June 2017

Bishar A. Hussein
Director General

Introduction

The financial statements of the UPU for the period ending 31 December 2016 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 2016 financial statements is also submitted to the CA in accordance with article 38 of the Financial Regulations.

The 2016 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 2016

Annual figures for revenue and expenses appear as approved by the CA, in accordance with article 9 of the Financial Regulations. During the 2016 financial period, a number of budgetary reallocations were necessary in the light of the priority given to goals and programmes included in the Doha Postal Strategy (DPS).

The overall picture of utilization of resources included in the 2016 Programme and Budget (P&B) shows a reduction in expenditure of 1,639,224 CHF, a smaller reduction than in 2015, but still primarily relating to extrabudgetary resources.

An analysis of the P&B objectives confirms the trend, already observed in the first three financial periods of the cycle, that this reduction in expenditure relates primarily to objective 1, "Improve the interoperability of the international postal networks". In 2016, the total reduction for objective 1 stood at 2,222,124 CHF, 57% of which came from extrabudgetary resources, in particular the UPU Global Monitoring System (GMS) and the Address infrastructure strategy programmes, and 43% from the Union.

Reductions were also recorded, to a lesser degree, with respect to objective 2, "Provide technical knowledge and expertise related to the postal sector", objective 3 "Promote innovative products and services", and objective 4 "Foster sustainable development of the postal sector": 539,426 CHF for objective 2; 585,217 CHF for objective 3; and 487,597 CHF for objective 4.

The Telematics Cooperative and the EMS Cooperative, which are grouped under objective 5, "Extrabudgetary programmes", generated an overspend of 556,572 CHF.

Objective 6, "Technical cooperation", again saw an increase in expenditure (2,153,400 CHF), mainly due to the use of reserves near the end of the cycle.

In the absence of any exceptional expenses, and in relation to the International Bureau management's constant drive to optimize the use of resources, institutional programmes (objective 7) spent 514,832 CHF less than the amount budgeted in 2016.

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 2016 (in CHF)

	<i>Notes</i>	<i>2016</i>	<i>2015</i>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	3	41,500,013	47,097,747
Investments	7	97,776,954	80,667,697
Accounts receivable (non-exchange transactions)	4	20,846,484	26,466,323
Accounts receivable (exchange transactions)	4	17,099,280	22,490,212
Inventories	5	311,999	337,842
Other current assets	6	4,283,720	3,421,012
		181,818,450	180,480,834
<i>Non-current assets</i>			
Investments	7	4,561,250	7,303,670
Accounts receivable (non-exchange transactions)	4	12,623,877	1,505,690
Equipment	8	1,615,512	1,857,457
Intangible assets	9	323,379	367,515
Land and buildings	10	26,231,562	27,048,248
Other non-current assets	6	25,296	10,200
		45,380,877	38,092,780
Total assets		227,199,327	218,573,614
<i>Current liabilities</i>			
Accounts payable and accrued expenses	11	16,845,916	21,857,156
Employee benefits	12	1,846,490	1,780,434
Deferred revenue	13	64,948,959	49,533,969
Advance receipts	13	84,286,511	90,854,878
Funds-in-trust held for translation services	16	7,117,955	7,440,724
Loans payable within one year	14	375,760	375,760
Provisions	15	925,000	1,000,000
		176,346,591	172,842,920
<i>Non-current liabilities</i>			
Employee benefits	12	135,622,976	130,834,615
Loans payable after one year	14	1,085,038	1,439,918
		136,708,014	132,274,533
Total liabilities		313,054,605	305,117,453
Accumulated surplus (deficit) Union funds	17	-86,350,320	-92,372,884
Accumulated surplus (deficit) other funds	17	3,496,830	4,656,128
Accumulated surplus (deficit) controlled entities	17	-7,401,877	-3,257,378
Reserves	17	4,400,089	4,430,294
Net assets		-85,855,279	-86,543,839

Statement II – Statement of financial performance from 1 January to 31 December 2016 (in CHF)

	<i>Notes</i>	<i>2016</i>	<i>2015</i>
<i>Revenue</i>			
Assessed contributions of member countries	20	35,885,215	35,772,790
Other annual contributions	20	3,494,517	3,691,788
Voluntary contributions	20	16,570,467	16,837,336
Sales	20	10,216,900	9,775,300
Financial revenue	20	11,185,565	715,687
Exchange gains	22	1,725,929	1,156,740
Other revenue	20	1,664,799	1,363,073
Total revenue		80,743,392	69,312,715
<i>Expenses</i>			
Staff costs	21	47,405,963	44,010,318
Travel	21	1,215,436	1,172,613
Consultants and external contracts	21	4,310,782	4,479,212
Project costs	21	17,973,161	14,725,470
General operating expenses	21	1,218,863	1,520,789
Materials and supplies	21	471,285	396,240
Maintenance and repairs	21	1,365,068	1,522,935
Depreciations	21	1,958,081	1,996,110
Financial costs	21	418,471	4,790,653
Exchange losses	22	1,485,536	1,465,341
Other expenses	21	1,515,977	2,472,685
Total expenses		79,338,624	78,552,366
Net result		1,404,768	-9,239,651

Statement III – Statement of changes in net assets at 31 December 2016 (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 1 January 2015		-85,278,732	5,229,056	-2,345,263	4,442,065	-77,952,874
Net result current period	17	-7,433,080	-585,415	-1,221,156		-9,239,651
Reclassification between tied own funds and tied funds received from third parties	17		17,672			17,672
Use of reserves	17	338,929			-11,770	327,159
Foreign currency translation	17		-5,185	309,041		303,856
Net assets at 31 December 2015		-92,372,884	4,656,128	-3,257,378	4,430,295	-86,543,839
Net result current period	17	6,118,238	-1,275,112	-3,438,358		1,404,768
Reclassification between tied own funds and tied funds	17		125,881			125,881
Use of reserves	17	-95,675			-30,206	-125,881
Foreign currency translation	17		-10,068	-706,141		-716,209
Net assets at 31 December 2016		-86,350,321	3,496,830	-7,401,877	4,400,089	-85,855,279

Statement IV – Statement of cash flow from 1 January to 31 December 2016 (in CHF)

	<i>Notes</i>	<i>2016</i>	<i>2015</i>
Net result		1,404,768	-9,239,651
Cash flow from operating activities			
Depreciation expenses	8 to 10	1,958,081	1,996,110
Amortization of grants	10	-22,346	-26,659
Loss on disposed equipment	8	912	-5,595
Grants received	10	–	–
Increase (decrease) in provision for doubtful debts	4	-8,506,365	3,669,282
(Increase) decrease in non-exchange transactions receivable	4	3,000,825	-9,216,099
(Increase) decrease in exchange transactions receivable	4	5,398,124	-8,147,139
(Increase) decrease in inventories	5	25,843	18,381
(Increase) decrease in other assets	6	-877,804	3,544,729
Increase (decrease) in payables and accrued expenses	11	-5,011,240	7,648,787
Increase (decrease) in deferred revenue	13	15,414,990	814,891
Increase (decrease) in advance receipts	13	-6,568,367	607,605
Increase (decrease) in employee benefit liabilities	12	4,854,417	4,260,347
Increase (decrease) in other liabilities	15	-75,000	820,000
Increase (decrease) of amounts due to translation services	16	-322,768	-211,176
Reclassification between tied own funds and tied funds received from third parties	17	125,881	17,672
Use of reserves	17	-125,881	327,159
Entity foreign currency translation differences (operating activities)		-1,003,956	10,189
Net cash flow from operating activities		9,670,117	-3,111,167
Cash flow from investment activities			
(Increase) decrease in investments	7	–	–
(Increase) decrease in cash deposits	7	-14,366,836	5,185,826
(Increase) decrease in lands and buildings	10	-407,100	451,314
(Increase) decrease in equipment and intangible assets	8 and 9	-426,781	-675,624
Entity foreign currency translation difference (investment activities)		–	–
Net cash flow from investment activities		-15,200,718	4,961,515
Cash flow from loan activities			
Increase (decrease) in loans	14	-354,880	-350,845
Net cash flow from financing activities		-354,880	-350,845
Net increase (decrease) in cash and cash equivalents	3	-5,885,480	1,499,503
Cash and cash equivalents, beginning of period	3	47,097,747	45,304,575
Effect of foreign currency translation on cash and equivalents		287,749	293,666
Cash and cash equivalents, end of period		41,500,013	47,097,747

Statement V – Statement of comparison of budget and actual amounts from 1 January to 31 December 2016 (in CHF)

<i>Objective</i>	<i>Revised budget 2015</i>	<i>Extrabudgetary programmes 2015</i>	<i>Total budget 2015</i>	<i>Actual amounts 2015</i>	<i>Difference 2015</i>
Improve the interoperability of the international postal networks	4,102,150	3,952,100	8,054,250	5,490,728	2,563,522
Provide technical knowledge and expertise related to the postal sector	1,558,760	497,200	2,055,960	1,601,801	454,159
Promote innovative products and services	2,012,990	1,534,330	3,547,320	2,406,866	1,140,454
Foster sustainable development of the postal sector	1,701,600	1,065,900	2,767,500	2,289,699	477,801
Extrabudgetary programmes	450,000	12,513,719	12,963,719	11,855,889	1,107,830
Technical cooperation	5,553,680	390,000	5,943,680	7,469,330	-1,525,650
Support programmes	21,445,555	1,959,920	23,405,475	25,776,797	-2,371,322
Total expenses 2015	36,824,735	21,913,169	58,737,904	56,891,110	1,846,794

<i>Objective</i>	<i>Budget 2016</i>	<i>Extrabudgetary programmes 2016</i>	<i>Total budget 2016</i>	<i>Actual amounts 2016</i>	<i>Difference 2016</i>
Improve the interoperability of the international postal networks	4,168,570	4,191,100	8,359,670	6,137,546	2,222,124
Provide technical knowledge and expertise related to the postal sector	1,535,410	499,600	2,035,010	1,495,584	539,426
Promote innovative products and services	2,080,190	1,411,200	3,491,390	2,906,173	585,217
Foster sustainable development of the postal sector	1,714,400	1,069,800	2,784,200	2,296,603	487,597
Extrabudgetary programmes	450,000	12,621,200	13,071,200	13,627,772	-556,572
Technical cooperation	5,599,280	300,000	5,899,280	8,052,680	-2,153,400
Support programmes	21,276,885	2,052,780	23,329,665	22,814,833	514,832
Total expenses 2016	36,824,735	22,145,680	58,970,415	57,331,191	1,639,224

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

Notes to the financial statements

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

Note 1 – Objectives and budget of the organization

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

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

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

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

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

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

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

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

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

In its consolidated financial statements, the Union presents all the revenue and expenses associated with the strategic objectives of the organization, including those of a number of entities. These entities participate fully in the organization's mission and also benefit from administrative support provided by the International

Bureau. They are neither legal entities nor cooperative companies as defined under private law, and direct oversight is exercised by the UPU's bodies. These entities are fully consolidated in the UPU financial statements. The entities controlled are as follows:

- The EMS Cooperative is a voluntary cooperative established by resolution of the POC (CEP 2/1998). It consists of members that are both importers and exporters of EMS items. The Cooperative promotes cooperation among members with a view to providing high quality and affordable EMS services worldwide. The members form the General Assembly, which meets annually and elects the EMS Cooperative Board, which meets four times per year. According to the EMS Cooperative Statutes, members pay an annual membership fee based on EMS traffic.
- The Telematics Cooperative is a voluntary cooperative established by the POC in line with Seoul Congress resolution C 27/1994 and confirmed by Beijing Congress resolution C 52/1999. The Cooperative consists of members that are public, semi-public or private postal operators whose countries are members of the Union. The Cooperative promotes cooperation among members with a view to developing and implementing common or compatible information systems and electronic communications. The members form the General Assembly, which meets annually and elects the Cooperative Management Board. Members pay an annual membership fee based on membership class, as established by the Statutes and Principles of Operation of the Telematics Cooperative. The Cooperative also collects charges for the services it provides. All products, services and documents financed by the Cooperative, including intellectual property rights, become Union property.
- The Quality of Service Fund (QSF) is a trust established by Congress to help countries improve the quality of the universal postal service. The QSF is governed by a Deed of Trust adopted by the POC. The POC appoints the members of the QSF Board of Trustees to a three-year, renewable term. The trustees approve QSF-financed projects and manage QSF investments. The QSF is financed from interest on investments, annual contributions paid by settlor countries, and voluntary contributions from settlor countries and governments. Funds are held on behalf of creditor countries, which may submit proposals for projects to improve the quality of the postal service. In case of dissolution of the QSF, the balances, after repayment of settlor's assets, shall be paid into the UPU technical cooperation accounts for assignment to projects aimed at improving the quality of the international postal service.
- The UPU*Clearing User Group was established by POC resolution CEP 5/2003 to give its members a low-cost and efficient means of settling their international postal accounts within a system that consolidates transactions and calculates settlement. The user group comprises a General Assembly, a Steering Committee and a Secretariat. For all issues pertaining to settlement and accounting functions, the UPU*Clearing User Group comes under the auspices of the UPU International Bureau. The group and its clearing system are governed by a set of internal rules and clearing regulations. The clearing system plays an intermediary role in the settlement of payments, and designated operators can determine their status (debtor/creditor) at any time. For all transactions, a single payment and receipt operation is carried out with the other members of the system, thus reducing administrative costs and speeding up the payment process. At the beginning of each year, a pre-defined timetable is made available to all members, stipulating the important dates within each clearing period. The group is completely self-financed and covered by annual membership contributions. At 31 December 2016, the UPU*Clearing User Group had 44 members worldwide.

Note 2 – Significant accounting policies

Basis of preparation

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

Controlled entities

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

Transactions eliminated during consolidation

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

Reclassifications

Certain figures from the 2015 financial period have been reclassified to conform to the current period's presentation.

Borrowing

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

Cash, investments and other financial assets

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments which are readily convertible to cash and subject to insignificant risk of changes in market value. Investments (current) include short-term deposits for periods of longer than three months and less than one year. Long-term (non-current) investments are primarily held by an investments manager and include equities and bonds held in the currencies of primary use by the Union. Investments are stated at fair value at the reporting date, as determined by the investment manager.

Employee benefits

Provisions are established for the liabilities of the Provident Scheme and after-service health insurance (ASHI), both of which are considered defined benefit plans, and long-term separation benefits payable (repatriation grants, travel and shipping), as determined by an independent actuary on an annual basis using the projected unit credit valuation methodology. Actuarial gains and losses are recognized using the corridor approach and amortized over the average years of future service of active staff. The discount rate takes into consideration the estimated duration of future provident payments. In addition, provisions are established for the value of accumulated leave and overtime earned but unpaid at the reporting date.

Expense recognition

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

Financial instruments

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

Investments are non-derivative financial assets designated as held for trading and assessed at fair value through surplus or deficit on the basis of a quoted price in an active market at the reporting date. Cash and cash equivalents are short-term financial assets and are stated at nominal value at the reporting date. Cash deposits held for more than 12 months are stated at fair value through surplus or deficit.

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

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

Foreign currency transactions

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

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

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

For other receivables, a non-recovery provision is established for all amounts two or more years past due (from the date of the invoice).

Revenue recognition

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

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

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

Segment reporting

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

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

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

Use of estimates

The financial statements necessarily include amounts based on estimates and management assumptions. Estimates relate to, among other things, defined benefit medical insurance; Provident Scheme and other post-employment benefit obligations, the value of which is calculated by an independent actuary; amounts for litigation; financial risk on accounts receivable; and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the statement of financial performance for the period in which they become known.

IPSAS implementation

All standards in force have been applied as of the date of the financial statements, including the five new standards listed below. The UPU studied their impact on the presentation of its financial statements, and concluded that they would not affect the presentation of the UPU accounts. Notes 1 and 2 have, however, been supplemented to take account of the requirements of IPSAS 38.

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

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

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

While IPSAS 40 should not affect the UPU accounts significantly, the adoption of IPSAS 39, which replaces the current IPSAS 25, will have a certain impact.

One of the principal changes is the elimination of the possibility of using the corridor approach, which has been applied at the UPU since 2011. The advantage of this method is that it takes account of the long-term aspect of employee benefits such as the Provident Scheme, enabling the recognition of actuarial gains and losses to be smoothed over the expected average remaining working life. This prevents major changes in results (profit or loss) mainly linked to technical parameters such as the discount rate, rather than day-to-day operations. This change in method would mean, for the 2016 accounts, recognizing a 120 million CHF loss in relation to the Provident Scheme obligation, and a gain of 10 million for the health insurance plan.

Note 3 – Cash and cash equivalents (in CHF)

	<i>2016</i>	<i>2015</i>
<i>Current assets</i>		
Petty cash	19,969.40	4,060.55
<i>Bank accounts</i>		
Credit Suisse	7,041,522.66	7,735,356.29
UBS	4,771,510.11	4,106,091.85
PostFinance	3,452,906.16	8,507,826.88
BPS	2,271,827.71	2,692,476.03
Pictet	–	–
<i>Subtotal bank accounts</i>	<i>17,537,766.63</i>	<i>23,041,751.05</i>
Deposits		
Credit Suisse	22,942,232.82	23,051,891.16
PostFinance	1,000,044.45	1,000,044.45
BNS	–	–
<i>Subtotal deposits</i>	<i>23,942,277.27</i>	<i>24,051,935.61</i>
Total cash	41,500,013.30	47,097,747.21

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 2016, the average rate of interest earned on interest-bearing accounts and investments held was 0.0692% (0.0353% in 2015). Following a decision by the Swiss Confederation, investment accounts are no longer offered to institutions as from 1 January 2016. The UPU therefore transferred its funds to Credit Suisse and PostFinance.

The Union has two lines of credit of 250,000 USD and 250,000 euros with PostFinance for PPS*Clearing. At 31 December 2016, these two lines of credit were not in use.

The Union has no other 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 2015 or 2016.

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

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

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

	<i>31 December 2016</i>	<i>Percentage</i>	<i>31 December 2015</i>	<i>Percentage</i>
CHF	28,228,582.86	68.0%	31,707,372.02	67.3%
USD	9,106,068.57	21.9%	11,263,486.15	23.9%
EUR	4,165,361.87	10.0%	4,126,889.04	8.8%
Total	41,500,013.30	100.0%	47,097,747.21	100.0%

At 31 December 2016, of the total amount of cash held, 21,585,215.87 CHF was unrestricted cash held by the Union. In 2015, that amount totalled 24,626,582.30 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>AAA</i>	<i>AA-</i>	<i>A</i>
Balance at 31 December 2015	–	9,507,871.33	34,893,339.30
Balance at 31 December 2016	–	4,452,950.61	34,775,265.57
	<i>A-/BBB</i>	<i>Not rated</i>	<i>Total</i>
Balance at 31 December 2015	2,692,476.03	4,060.55	47,097,747.21
Balance at 31 December 2016	2,271,827.71	19,969.40	41,500,013.30

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

	<i>31 December 2016</i> <i>Total outstanding</i>	<i>31 December 2015</i> <i>Total outstanding</i>
<i>Current receivables – non-exchange transactions</i>		
Union assessed contributions receivable	20,153,388.84	25,471,079.18
Technical cooperation funds receivable	522,857.03	521,966.65
QSF funds receivable	8,318.00	294,543.84
EMS Cooperative contributions receivable	48,725.47	59,770.49
Telematics Cooperative contributions receivable	113,194.77	118,962.70
<i>Total receivables – non-exchange transactions</i>	<i>20,846,484.11</i>	<i>26,466,322.86</i>

	<i>31 December 2016</i> <i>Total outstanding</i>	<i>31 December 2015</i> <i>Total outstanding</i>
<i>Current receivables – exchange transactions</i>		
Union receivables	48,023.00	94,007.60
UPU*Clearing receivables	14,159,101.13	19,857,179.23
Voluntary Fund receivables	455,430.94	551,791.67
IRC receivables	556,939.15	432,408.34
Telematics Cooperative receivables	1,879,785.97	1,554,825.61
<i>Total receivables – exchange transactions</i>	<i>17,099,280.19</i>	<i>22,490,212.45</i>
Total current receivables	37,945,764.30	48,956,535.31
<i>Non-current receivables – non-exchange transactions</i>		
Union assessed contributions receivable	12,623,877.25	1,505,690.02
Total receivables	50,569,641.55	50,462,225.33

Union assessed contributions represent the total amount assessed for financing the budget, as well as arrears from prior financial periods. The value of a contributory unit is fixed in Swiss francs in accordance with the yearly budget adopted by the CA. The amount receivable includes interest charged in accordance with the UPU's General Regulations. Receivables due under financial arrangements more than 12 months from the reporting date are shown as non-current receivables and have been discounted to reflect amortized value, using a discount rate of 0.65% based on high-grade corporate bonds denominated in Swiss francs.

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

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

The ageing analysis of receivables due is presented below:

<i>Type of receivable</i> <i>(in CHF)</i>	<i>Until</i> <i>31 December</i> <i>2014 and</i> <i>countries 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>2015–2016</i>	<i>Total accounts</i> <i>receivable</i> <i>(net)</i>
Union receivables	28,343,871.65	-17,756,204.07	10,587,667.58	22,237,621.51	32,825,289.09
Telematics Cooperative receivables	289,589.00	289,589.00	–	1,992,980.74	1,992,980.74
EMS Cooperative receivables	1,031.84	-1,031.84	–	48,725.47	48,725.47
Voluntary Fund receivables	205,813.83	-205,813.83	–	978,287.97	978,287.97
QSF receivables	–	486.94	486.94	8,804.94	8,318.00
UPU*Clearing receivables	–	–	–	14,159,101.13	14,159,101.13
IRC receivables	–	–	–	556,939.15	556,939.15
Total	28,840,306.32	-18,253,125.68	10,587,180.64	39,982,460.91	50,569,641.55

	<i>31 December 2015 (in CHF)</i>	<i>Increase</i>	<i>Decrease</i>	<i>Use</i>	<i>31 December 2016 (in CHF)</i>
<i>Provisions</i>					
<i>Non-exchange transactions</i>					
Union assessed contributions	26,103,656.75		8,459,774.48		17,643,882.27
Voluntary Fund	2,500.00	34,000.00			36,500.00
Telematics Cooperative	69,171.63	5,904.56			75,076.19
EMS Cooperative	1,321.17		289.33		1,031.84
QSF funds	79,500.87		79,013.93		486.94
Subtotal non-exchange transactions	26,256,150.42	39,904.56	8,539,077.74		17,756,977.24
<i>Exchange transactions</i>					
Union	173,702.79		61,380.99		112,321.80
Telematics Cooperative	211,139.51	3,373.30			214,512.81
Voluntary Fund	118,498.33	50,815.50			169,313.83
Subtotal exchange transactions	503,340.63	54,188.80	61,380.99		496,148.44
Total provision	26,759,491.05	94,093.36	8,600,458.73		18,253,125.68

Note 5 – Inventories (in CHF)

	<i>31 December 2016</i>	<i>31 December 2015</i>
<i>Inventories</i>		
Stock of postage stamps and UPU souvenirs	70,418	75,254
Stock of barcodes	30,245	28,695
Stock of IRCs	211,336	233,893
Total inventories	311,999	377,842

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)

	<i>31 December 2016</i>	<i>31 December 2015</i>
<i>Other current assets</i>		
Prepaid expenses and deferred charges	2,289,045.57	1,714,242.99
Staff advances	464,985.20	316,233.71
Other advances	1,027,610.11	584,263.77
Supplier advances	303,374.66	675,240.25
Tax advances	198,704.47	131,031.39
Total other current assets	4,283,720.01	3,421,012.11

	31 December 2016	31 December 2015
<i>Other non-current assets</i>		
Staff advances (Social Fund)	25,296.00	10,200.00
Total other assets	4,309,016.01	3,431,212.11

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

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

Regarding the tax advances, the values include the withholding tax in Swiss francs and U.S. dollars, VAT, stamp duty to be recovered, and U.S. tax advances paid to staff pending receipt of reimbursement by the U.S. government. The amount for tax advances is presented as a net value. A provision of 139,370.34 CHF was established in 2016, representing advances paid to staff for payment to the U.S. government of taxes prior to 2014.

Note 7 – Investments (in CHF)

	31 December 2016	31 December 2015
<i>Current investments</i>		
Deposits longer than three months	28,413,000.00	14,865,000.00
Capital protection UBS	69,363,953.75	65,802,697.30
Subtotal	97,776,953.75	80,667,697.30
<i>Non-current investments</i>		
Deposits longer than one year	4,561,250.00	7,303,670.00
Total investments	102,338,203.75	87,971,367.30

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

The Union invests funds not required for immediate use on behalf of the QSF. The funds are managed by an external fund manager, and are invested in a guaranteed capital fund in USD. At the reporting date, the value of the funds in U.S. dollars equalled 69,363,953.75 CHF.

All bonds and deposits in the investment portfolio are rated A, based on the S&P ratings at 31 December 2016. The breakdown is as follows (in CHF):

	31 December 2016	31 December 2015
A	69,363,953.75	65,802,697.30
Total deposits and bonds	69,363,953.75	65,802,697.30
A	32,974,250.00	22,168,670.00
A+	–	–
BBB	–	–
Total deposits	102,338,203.75	87,971,367.30

Note 8 – Equipment (in CHF)

	<i>IT equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost at 1 January 2015	2,134,753.49	1,657,932.82	3,792,686.31
Additions	194,578.45	254,914.52	449,492.97
Disposals	–	5,595.05	5,595.05
Cost at 31 December 2015	2,329,331.94	1,918,442.39	4,247,774.33
Exchange difference	–	–	–
Net	2,329,331.94	1,918,442.39	4,247,774.33
Net 31 December 2015	2,329,331.94	1,918,442.39	4,247,774.33
Additions	295,745.57	34,429.22	330,174.79
Disposals	–	–	–
Cost at 31 December 2016	2,625,077.51	1,952,871.61	4,577,949.12
Exchange difference	–	–	–
Net	2,625,077.51	1,952,871.61	4,577,949.12
Accumulated depreciation at 1 January 2015	1,339,173.25	533,743.69	1,872,916.94
Depreciation 2015	307,807.15	209,593.13	517,400.28
Loss on disposed equipment	–	–	–
Accumulated depreciation at 31 December 2015	1,646,980.40	743,336.82	2,390,317.22
Depreciation 2016	370,339.82	200,867.26	571,207.08
Exchange difference	–	912.43	912.43
Accumulated depreciation at 31 December 2016	2,017,320.22	945,116.51	2,962,436.73
Net carrying value at 31 December 2015	682,351.54	1,175,105.57	1,857,457.11
Net carrying value at 31 December 2016	607,757.29	1,007,755.10	1,615,512.39

All equipment in the inventory is valued at 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 2015	598,103.74
Additions	216,066.16
Disposals	–
Cost at 31 December 2015	814,169.90
Additions	96,606.65
Disposals	–
Cost at 31 December 2016	910,776.55

	<i>Intangible assets</i>
Accumulated depreciation at 1 January 2015	302,253.43
Depreciation 2015	144,401.13
Accumulated depreciation at 31 December 2015	446,654.56
Depreciation 2016	140,743.01
Accumulated depreciation at 31 December 2016	587,397.57
Net carrying value at 31 December 2015	367,515.34
Net carrying value at 31 December 2016	323,378.98

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 2014	30,549,595.88	3,572,272.25	-858,953.00	33,262,915.13
Additions	–	1,061,062.41	-134,450.00	926,612.41
Transfer	-96,474.60	–	–	-96,474.60
Cost at 31 December 2014	30,453,121.28	4,633,334.66	-993,403.00	34,093,052.94
Additions	–	–	–	–
Transfer	4,182,021.10	-4,633,334.66	–	-451,313.56
Cost at 31 December 2015	34,635,142.38	–	-993,403.00	33,641,739.38
Additions	407,099.99	–	–	407,099.99
Disposals	-24,558.70	–	–	-24,558.70
Cost at 31 December 2016	35,017,683.67	–	-993,403.00	34,024,280.67
Accumulated depreciation at 1 January 2014	4,213,136.88	–	-43,030.01	4,170,106.87
Depreciation 2014	1,136,883.99	–	-21,148.96	1,115,735.03
Accumulated depreciation at 31 December 2014	5,350,020.87	–	-64,178.97	5,285,841.90
Depreciation 2015	1,334,308.56	–	-26,658.72	1,307,649.84
Accumulated depreciation at 31 December 2015	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
Net carrying value at 31 December 2015	27,950,812.95	–	-902,565.31	27,048,247.64
Net carrying value at 31 December 2016	27,111,781.82	–	-880,219.45	26,231,562.37

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 replacement of the windows, were begun in 2010 and completed in 2012. The work under way at the end of 2014 mainly concerned the renovation of the conference block and resurfacing of the building forecourt. All work is now complete.

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 2016	31 December 2015
IRC accrued liabilities	1,925.86	88,906.24
UPU*Clearing creditors	14,159,101.14	19,720,180.94
QSF creditors	66.59	-726.40
Embassy of Finland	8,800.00	2,500.00
Embassy of the Dominican Republic	2,100.00	2,100.00
Embassy of Belgium	4,666.67	–
Total accrued expenses	14,176,660.26	19,812,960.78
Accounts payable	2,669,255.62	2,044,194.77
Total accounts payable and accrued expenses	16,845,915.88	21,857,155.55

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 the full liability for employee benefits on its financial statements, as follows (in CHF):

	31 December 2016	31 December 2015
<i>Current liabilities</i>		
Annual leave	1,749,860.72	1,695,953.19
Overtime	96,628.89	84,480.99
Subtotal current liabilities	1,846,489.61	1,780,434.18

	31 December 2016	31 December 2015
<i>Non-current liabilities</i>		
Repatriation removal	886,888.66	869,810.23
Repatriation grant	1,586,955.11	1,566,974.44
After-service health insurance	45,473,245.88	44,518,765.98
Death benefits	56,429.03	46,477.04
Subtotal	48,003,518.68	47,002,027.69
Provident Scheme and pension fund	85,357,184.78	81,297,083.82
Elected official complementary allowance	1,249,799.80	1,266,016.40
Cost-of-living allowance	1,012,473.13	1,240,070.86
Surviving spouse insurance	–	29,416.47
<i>Subtotal Provident Scheme</i>	<i>87,619,457.71</i>	<i>83,832,587.55</i>
Subtotal current liabilities	135,622,976.39	130,834,615.24
Total employee benefits	137,469,466.00	132,615,049.42

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 *Amt für Sozialversicherung und Stiftungsaufsicht des Kantons Bern*. 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 credit 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 credit method.
- The discount rate used is 0.65%, based on the recommendation of the Swiss Chamber of Pension Fund Experts in relation to the duration of the portfolio. This is 17.8 years on the basis of cash flows projected from 31 December 2015. A rate of 0.65% is therefore considered appropriate, given the recommended range for a duration of 20 years.

- The expected rate of return on assets is 2.3%, which was revised downwards in line with the performance expectations provided by the strategic allocation.
- Plan assets were invested in the following classes at 31 December 2016:
 - Liquid assets: 1.41%;
 - Bonds in Swiss francs: 17.66%;
 - Bonds in foreign currencies: 9.78%;
 - Shares in Swiss francs: 23.68%;
 - Shares in foreign currencies: 24.82%;
 - Real estate: 21.33%;
 - Loans: 1.33%.
- Employer contributions totalled 11,206,187 CHF in 2016. The total for 2017 is estimated at 13,060,000 CHF.
- The total liabilities for benefits covered by the two schemes, excluding the liabilities attributable to the translation services, are as follows:

	<i>31 December 2016 Provident Scheme</i>	<i>31 December 2016 After-service health insurance</i>
Discount rate	0.65%	0.65%
Expected return on plan assets	2.30%	–
Future salary increases	2.00%	2.00%
Future pension increases	0.00%	–
Medical costs inflation		3.50%
Probability of outflow	LPP 2015	LPP 2015
Mortality and invalidity	VZ 2015	VZ 2015
Expected average remaining working lives	8.95	
Present value of obligation as at 1 January 2016	399,670,010	38,021,798
Interest costs	3,528,272	338,938
Current service costs	13,987,047	1,623,203
Benefits paid (net of redemptions)	-14,314,600	-723,999
Actuarial gain (loss) on obligation	19,876,348	-3,786,230
Value of obligation at 31 December 2016	422,747,077	35,473,710
Fair value of plan assets at 1 January 2016	211,734,205	
Expected return on plan assets	6,506,971	
Employer contributions	11,206,187	
Employee contributions	3,141,537	
Benefits paid	-14,314,600	
Actuarial gains (losses) on plan assets	-3,246,233	
Fair value of plan assets at 31 December 2016	215,028,067	
Unrecognized actuarial gains (losses) at 1 January 2016	-104,103,217	6,496,968
Unrecognized actuarial gains (losses) on obligation (change of assumption)	-15,821,442	176,183
Unrecognized actuarial gains (losses) on obligation (experience)	-4,054,906	3,610,047

	31 December 2016 Provident Scheme	31 December 2016 After-service health insurance
Unrecognized actuarial gains (losses) on plan assets	-3,246,233	
Amortization of actuarial gains (losses) recognized in the statement of financial performance	7,126,246	-283,662
Unrecognized actuarial gains (losses) at 31 December 2016	-120,099,552	9,999,536
Amounts recognized in the statement of financial position		
Present value of obligations at 31 December 2016	422,747,077	35,473,710
Fair value of plan assets at 31 December 2016	-215,028,067	
Subtotal	207,719,010	35,473,710
Unrecognized actuarial gains (losses)	<u>-120,099,552</u>	<u>9,999,536</u>
Liability recognized in the statement of financial position	87,619,458	45,473,246
Amounts recognized in the statement of financial performance		
Interest costs	3,528,272	338,938
Current service costs	13,987,047	1,623,203
Contributions of employees without redemptions	-3,141,537	
Expected return on plan assets	-6,506,971	
Amortization of net actuarial (gains) losses recognized in 2016	7,126,246	-283,662
Recognized in the statement of financial performance	14,993,057	1,678,479
Actual return on plan assets		
Expected return on plan assets	6,506,971	
Actuarial gain (loss) on plan assets	-3,246,233	
Actual return on plan assets	3,260,738	
Discount rate	0.90%	0.90%
Expected return on plan assets	3.10%	–
Future salary increases	2.00%	2.00%
Future pension increases	–	–
Medical costs inflation	–	3.50%
Probability of outflow	LPP 2010	LPP 2010
Mortality and invalidity	VZ 2010 generation	VZ 2010 generation
Expected average remaining working lives	9.00	–
Present value of obligation at 1 January 2015	368,690,025	37,641,428
Interest costs	4,513,536	465,979
Current service costs	13,423,940	1,642,044
Benefits paid (net of redemptions)	-14,354,756	-678,338
Actuarial gains (losses) on obligation	27,397,265	-1,049,315
Value of obligation at 31 December 2015	399,670,010	38,021,798

	31 December 2016 <i>Provident Scheme</i>	31 December 2016 <i>After-service health insurance</i>
Fair value of plan assets at 1 January 2015	212,656,015	–
Expected return on plan assets	7,800,727	–
Employer contributions	8,237,547	–
Employee contributions	3,277,494	–
Benefits paid	-14,354,756	–
Actuarial gains (losses) on plan assets	-5,882,822	–
Fair value of plan assets at 31 December 2015	211,734,205	–
Unrecognized actuarial gains (losses) on obligation	-75,176,223	5,652,460
Unrecognized actuarial gains (losses) on obligation (change of assumption)	-27,040,565	-182,224
Unrecognized actuarial gains (losses) on obligation (experience)	-356,700	1,231,539
Unrecognized actuarial gains (losses) on plan assets	-5,882,822	–
Amortization of actuarial (gains) losses recognized in the statement of financial performance	4,353,093	-204,807
Unrecognized actuarial gains (losses) at 31 December 2015	-104,103,217	6,496,968
Amounts recognized in the statement of financial position		
Present value of funded obligations at 31 December 2015	399,670,010	38,021,798
Fair value of plan assets at 31 December 2015	-211,734,205	–
Subtotal	187,935,805	38,021,798
Unrecognized actuarial gains (losses)	-104,103,217	6,496,968
Liability recognized in the statement of financial position	83,832,588	44,518,766
Amounts recognized in the statement of financial performance		
Interest costs	4,513,536	465,979
Current service costs	13,423,940	1,642,044
Contributions of employees without redemptions	-3,277,494	–
Expected return on plan assets	-7,800,727	–
Amortization of net actuarial (gains) losses recognized in 2015	4,353,093	-204,807
Recognized in the statement of financial performance	11,212,348	1,903,216
Actual return on plan assets		
Expected return on plan assets	7,800,727	–
Actuarial gains (losses) on plan assets	-5,882,822	–
Actual return on plan assets	1,917,905	–

In accordance with IPSAS 25, paragraph 141 (o), we measured the sensitivity of both the present value of the obligation relating to future medical costs and the effect of a one percentage point increase or a one percentage point decrease in the assumed inflation rate of future medical costs, using a base rate of 3.5% as shown in the evaluation above. Of course, this sensitivity analysis only concerns participation in the health

insurance premium, which is why the results presented here only look at the impacts on the obligation relating to this benefit.

The results of this sensitivity analysis are as follows:

<i>Element</i>	<i>Assumed inflation rate of future medical costs</i>		
	3%	4% (base)	5%
Present value of obligation at 31 December 2016	29,118,348	35,473,710	43,948,483
Estimated 2017 expenses	932,133	1,437,002	2,147,387

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

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

- Repatriation grants, repatriation travel and shipment of personal effects for internationally recruited staff members at the time of their separation from service;
- Death benefits providing supplemental allowances to staff members;
- Life insurance;
- Survivors' insurance;
- Supplemental retirement benefits for elected officials (a guaranteed minimum level of retirement benefit for the Director General and Deputy Director General).

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

	31 December 2016	31 December 2015
Repatriation – removal and travel	886,889	869,810
Repatriation grant	1,586,955	1,566,974
Death benefits	56,429	46,477
Total post-employment benefits	2,530,273	2,483,261

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 2016–2017 academic year completed by that time.

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

	31 December 2016	31 December 2015
Available assets	3,559,327.87	2,672,993.38
UPU*Clearing creditors (available assets)	1,089,873.94	1,128,411.87
Contributions invoiced in advance	257,184.30	233,532.12
IRC sales	2,743,372.83	2,241,927.78
Available QSF assets	76,636,752.45	84,578,012.93
Subtotal advance receipts	84,286,511.39	90,854,878.08
Assessed contributions invoiced in advance	34,845,985.00	35,852,215.00
Multi-year integrated projects (MIPs) financed by countries	97,567.65	293,751.43
Funds to guarantee PPS*Clearing project	322,374.00	818,941.73
Telematics Cooperative deferred revenue for special projects	583,443.30	680,588.98
Project to improve EMS	241,005.98	397,691.75
Voluntary contributions billed in advance	377,500.00	402,500.00
Voluntary Fund (conditional)	3,918,333.38	3,348,494.84
Funds on deposit	25,463.06	26,327.84
QSF projects in progress	24,537,286.39	7,713,457.02
Subtotal deferred revenue	64,948,958.76	49,533,968.59
Total deferred revenue and advance receipts	149,235,470.15	140,388,846.67

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

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

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

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

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

<i>QSF funds held for projects in progress</i>	31 December 2016	31 December 2015
Capital, projects in progress	46,886,788.26	27,181,804.66
Advance paid for the Global Monitoring System (GMS)	–	-54,353.60
Capital advances to projects	-22,349,501.87	-19,413,994.04
QSF projects in progress	24,537,286.39	7,713,457.02

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 2016 was 20,880 CHF (at 1.15%), while the value of interest to be waived until the final payment on the loan due in 2020 is 42,238 CHF. The value of the loan is estimated at amortized cost by using the effective interest method.

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

	<i>31 December 2016</i>	<i>31 December 2015</i>
Current liabilities	375,760	375,760
Non-current liabilities (due in 2 to 5 years)	1,127,276	1,503,040
Non-current liabilities (due in over 5 years)	–	–
Total borrowing stated at nominal value	1,503,036	1,878,796
Less the interest not due within the next year	-42,238	-63,118
Net value in the statement of financial position	1,460,798	1,815,678

Note 15 – Provisions

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

Provision for litigation at 1 January 2015	180,000
Increase	925,000
Decrease	105,000
Use	–
Provision for litigation at 31 December 2015	1,000,000
Increase	–
Decrease	64,340
Use	10,660
Provision for litigation at 31 December 2016	925,000

The Union is subject to litigation as part of its normal activities. Events prior to 31 December 2016 have created certain legal obligations at the reporting date. Since it is probable that these obligations will require future settlement, and since the settlement amounts can be reliably estimated, a provision for legal costs has been established. On the basis of information available, the amount of the provision has been decreased by 75,000 CHF following the resolution of two cases in 2016. One case did not lead to a payment, while for the other the costs amounted to 10,660 CHF. The associated provisions amounted to 25,000 and 50,000 CHF and have been dissolved.

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 not considered a financial debt, as it must be used primarily to offset obligations with respect to the UPU Provident Scheme. The amount held for each language group is shown below (in CHF):

	31 December 2016	31 December 2015
Arabic (STAR)	4,644,759	4,945,706
English (STAN)	2,146,488	2,146,081
Portuguese (STPO)	326,709	348,937
Total	7,117,955	7,440,724

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

Note 17 – Accumulated fund balances and reserves

The accumulated fund balance represents the accumulated net result of operations in 2016 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 2016</i> <i>Closing balance</i>	<i>31 December 2015</i> <i>Closing balance</i>
Union	-85,974,886.72	-92,123,330.81
Voluntary Fund (non-conditional)	-375,433.71	-249,553.06
Subtotal Union funds	-86,350,320.43	-92,372,883.87
UPU*Clearing	92,285.95	-127,334.72
IRC	-751,066.57	-399,233.94
Technical Cooperation Special Fund	752,902.57	793,901.44
Reserve article 17	595,933.26	1,593,422.97
Voluntary Fund	2,806,775.26	2,795,372.63
Subtotal other funds	3,496,830.47	4,656,128.38
EMS	-306,637.16	310,616.49
Telematics Cooperative	-5,424,373.58	-2,223,381.21
QSF	-1,670,866.68	-1,344,613.32
Subtotal controlled entities	-7,401,877.42	-3,257,378.04

<i>Accumulated surplus (deficit)</i>	<i>31 December 2016</i> <i>Closing balance</i>	<i>31 December 2015</i> <i>Closing balance</i>
Total accumulated surplus (deficit)	-90,255,367.38	-90,974,133.53
Social Fund	3,245,592.97	3,275,798.70
Reserve IPSAS	132,544.30	132,544.30
Reserve for building	500,000.00	500,000.00
Special Activities Fund	521,951.47	521,951.47
Total reserves	4,400,088.74	4,430,294.47
Total net assets	-85,855,278.64	-86,543,839.06

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):

	<i>2016</i>		<i>2015</i>	
	<i>No. of individuals (average)</i>	<i>Aggregate remuneration</i>	<i>No. of individuals (average)</i>	<i>Aggregate remuneration</i>
Senior officials	10	2,925,809	10.3	3,172,865

Key management staff and their close family members received no loans that were not available to other categories of staff. 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 on debts;
- variations in provisions.

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

<i>2015</i>	<i>Operating</i>	<i>Investments</i>	<i>Funding</i>	<i>Total (CHF)</i>
Total net expenses on basis comparable to adjusted budget	-56,891,110	–	–	-56,891,110
Financial costs not included in budget	-4,790,653	–	-1,465,341	-6,255,994
Adjustment of long-term employee benefits	-5,248,273	–	–	-5,248,273
Total basis differences	-10,038,927	–	-1,465,341	-11,504,267
QSF project expenses	-10,156,988	–	–	-10,156,988
Total entity differences	-10,156,988	–	–	-10,156,988
Actual expenses on the statement of financial performance	-77,087,025	–	-1,465,341	-78,552,366
Total revenue on the statement of financial performance	69,312,715	–	–	69,312,715
Actual net result on the statement of financial performance	-7,774,310	–	-1,465,341	-9,239,651
<i>2016</i>	<i>Operating</i>	<i>Investments</i>	<i>Funding</i>	<i>Total (CHF)</i>
Total net expenses on basis comparable to adjusted budget	-57,331,191	–	–	-57,331,191
Financial costs not included in budget	-418,471	–	-1,485,536	-1,904,007
Adjustment of long-term employee benefits	-8,687,925	–	–	-8,687,925
Total basis differences	-9,106,396	–	-1,485,536	-10,591,932
QSF project expenses	-11,415,500	–	–	-11,415,500
Total entity differences	-11,415,500	–	–	-11,415,500
Actual expenses on the statement of financial performance	-77,853,088	–	-1,485,536	-79,338,624
Total revenue on the statement of financial performance	80,743,392	–	–	80,743,392
Actual net result on the statement of financial performance	2,890,304	–	-1,485,536	1,404,768

Note 20 – Revenue

Revenue is reported on a full accrual basis and is recognized when earned. 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. The amounts shown on the statement of financial performance are net of any change in the related provisions for doubtful debts.

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>	2016	2015
Contributions to the expenses of the Union	35,692,465	35,588,040
Contributions to the cost of French translation	159,750	156,750
Contributions to the Consultative Committee	33,000	28,000
Total	35,885,215	35,772,790

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>	2016	2015
Contributions to the PTC	1,162,582.96	1,136,324.26
Contributions to EMS	2,097,277.27	2,309,798.23
Contributions to UPU*Clearing	234,657.12	245,665.91
Total	3,494,517.35	3,691,788.40

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>	2016	2015
QSF contributions	11,392,980.66	13,111,414.57
Untied voluntary contributions	164,151.09	211,800.51
Tied contributions	4,987,485.80	3,465,888.39
Other financial contributions	25,849.21	48,232.94
Total	16,570,466.76	16,837,336.41

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

<i>Sales (in CHF)</i>	2016	2015
POST*CODE, WNS, barcodes	1,574,739.33	1,514,957.61
Rebilling of IRC costs	77,137.67	37,381.73
Sales, missions, maintenance for IFS/IPS, etc.	8,032,904.52	7,749,796.25
Rent	470,602.46	372,654.32
Other sales	61,516.40	100,510.01
Total	10,216,900.38	9,775,299.92

Financial revenue includes the following:

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

- adjustment of provision for doubtful debts. This fell significantly in 2016 because it takes account of the debt rescheduling plans signed by several member countries on the occasion of the Istanbul Congress.

<i>Financial revenue (in CHF)</i>	2016	2015
Interest on cash and cash equivalents	425,968,29	292,263,99
Interest on contributions receivable (gross)	497,877,49	423,422,73
Other financial receipts	188,53	–
Gains on investments	1,296,522,50	–
Adjustment (reduction) of provision for doubtful debts	8,965,008,06	–
Total	11,185,564,87	715,686,72

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

<i>Other revenue (in CHF)</i>	2016	2015
Simultaneous interpretation	1,234,952.55	1,363,885.80
Social Fund income	364.50	478.50
Miscellaneous income	429,481.54	-1,291.05
Total	1,664,798.59	1,363,073.25

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>	2016	2015
Salaries and allowances	25,837,767.44	25,814,915.69
Temporary staff and overtime	1,997,770.27	1,976,467.30
Social security contributions	4,212,893.60	3,860,727.94
Recruitment and separation from service allowances	493,406.94	469,960.81
Insurance and Provident Scheme	14,454,770.39	11,296,427.43
Other staff costs	409,354.01	591,818.35
Total	47,405,962.65	44,010,317.52

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

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

<i>Travel (in CHF)</i>	2016	2015
Missions	871,033.68	1,027,842.96
Delegates and visitors	118,257.46	106,778.73
Congress/strategy conferences	226,145.11	37,991.21
Total	1,215,436.25	1,172,612.90

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

<i>Consultants and external contracts (in CHF)</i>	2016	2015
Shipping	547,463.91	544,943.73
IT services	520,191.42	182,833.92
Translation and interpretation	482,604.47	663,814.77
Consultants	1,441,552.86	1,820,654.28
Consultants IT development	1,192,698.61	1,130,598.37
Server hosting	126,270.61	136,366.66
Total	4,310,781.88	4,479,211.73

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>	2016	2015
Remuneration and travel	1,168,339.96	1,543,572.00
Service contracts	2,051,252.89	929,947.51
Training and fellows	1,522,741.96	1,562,375.57
Equipment and project costs	12,801,335.25	9,498,943.60
Miscellaneous costs	429,491.25	1,190,631.51
Total	17,973,161.31	14,725,470.19

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>	2016	2015
Building utilities and cleaning	485,220.30	503,883.90
Equipment rental	306,502.95	423,472.52
Postage and telecommunications	230,182.36	268,145.81
Other expenses	196,957.78	325,287.08
Total	1,218,863.39	1,520,789.31

Materials and supplies include the cost of non-inventoried items purchased in connection with operations but not used for sales or free distribution in connection with the delivery of services. This item also includes purchases of equipment for amounts lower than the threshold of 1,000 CHF for recognition as a fixed asset.

<i>Materials and supplies (in CHF)</i>	2016	2015
Expendable IT equipment	71,360.96	47,357.62
Expendable machinery and furniture	51,734.13	79,834.18
IRC production supplies	49,150.60	15,359.62
Inventory variation	30,253.55	12,768.53
Expendable other equipment	268,785.97	240,919.97
Total	471,285.21	396,239.92

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.

<i>Maintenance and repairs (in CHF)</i>	2016	2015
Security	64,478.06	86,600.72
Lifts	60,689.60	49,674.40
Heating and ventilation	43,310.13	64,336.20
Electrical system	157,632.20	123,048.25
Miscellaneous equipment	74,836.20	128,543.40
IT equipment	799,686.81	856,712.68
IT licences	143,268.21	129,266.85
Other expenses	21,167.05	84,752.89
Total	1,365,068.26	1,522,935.39

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

<i>Depreciation (in CHF)</i>	2016	2015
Depreciation expenses on land and buildings	1,221,572.42	1,334,308.56
Net depreciation expenses on equipment	571,207.08	517,400.28
Depreciation expenses on intangible assets	140,743.01	144,401.13
Total depreciation expenses according to notes 8 to 10	1,933,522.51	1,996,109.97
Reversal of accumulated depreciation on assets disposed of	24,558.70	–
Total depreciation expenses in the statement of financial performance	1,958,081.21	1,996,109.97

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

<i>Financial costs (in CHF)</i>	<i>2016</i>	<i>2015</i>
Increase in provision for doubtful debts	15,601.05	2,843,319.09
(Decrease)/Increase in other provisions	41,956.44	126,074.00
Interest	9,965.48	3,466.23
Cancellation of interest prescribed in regulations	252,265.55	166,495.08
Investment losses	47,774.30	1,598,583.40
Bank charges and other financial costs	50,908.07	52,715.62
Total	418,470.89	4,790,653.42

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.

<i>Other expenditure (in CHF)</i>	<i>2016</i>	<i>2015</i>
Interpretation POC + CA	1,239,003.75	1,421,679.36
Subsidies and gifts	60,871.19	28,859.20
Specialized agencies of the UN and other expenses	216,102.12	1,022,146.05
Total	1,515,977.06	2,472,684.61

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 2015</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2015	1,156,739.99	–	1,156,739.99
Exchange losses 2015	-1,342,636.23	-122,704.36	-1,465,340.59
Net impact 2015	-185,896.24	-122,704.36	-308,600.60
<i>Description 2016</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Net impact</i>
Exchange gains 2016	1,502,883.02	223,046.27	1,725,929.29
Exchange losses 2016	-1,216,294.49	-269,241.26	-1,485,535.75
Net impact 2016	286,588.53	-46,194.99	240,393.54

Note 23 – Events after the reporting date

The Union's reporting date is 31 December 2016, and its financial statements were authorized for issuance on 16 June 2017. 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 2016:

	<i>USD in equivalent CHF</i>	<i>EUR in equivalent CHF</i>	<i>CHF</i>	<i>Total in equivalent CHF</i>
Cash and cash equivalents	9,106,068.57	4,165,361.87	28,228,582.85	41,500,013.29
Investments	97,776,953.75	–	–	97,776,953.75
Current accounts receivable (non-exchange transactions)	8,318.00	–	20,838,166.11	20,846,484.11
Current accounts receivable (exchange transactions)	12,173,237.07	2,542,803.22	2,383,239.91	17,099,280.20
Interpretation expenses for rebilling	–	–	698,966.59	698,966.59
Congress expenses for rebilling	–	–	333,230.44	333,230.44
Non-current investments	4,561,250.00	–	–	4,561,250.00
Non-current accounts receivable (non-exchange transactions)	–	–	12,623,877.25	12,623,877.25
Borrowing	–	–	1,460,798.00	1,460,798.00
Accounts payable and accrued expenses	-12,219,373.74	-2,542,803.22	-2,083,738.92	-16,845,915.88
Net risk	111,406,453.65	4,165,361.87	64,483,122.23	180,054,937.75

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

The Union's financial situation included the following financial instruments at 31 December 2015:

	<i>USD in equivalent CHF</i>	<i>EUR in equivalent CHF</i>	<i>CHF</i>	<i>Total in equivalent CHF</i>
Cash and cash equivalents	11,263,486.15	4,126,889.04	31,707,372.02	47,097,747.21
Investments	80,667,697.30	–	–	80,667,697.30
Current accounts receivable (non- exchange transactions)	294,543.84	–	26,171,779.02	26,466,322.86
Current accounts receivable (exchange transactions)	11,052,124.25	9,237,463.33	2,200,624.88	22,490,212.45
Interpretation expenses for rebilling	–	–	694,412.90	694,412.90
Non-current investments	7,303,670.00	–	–	7,303,670.00
Non-current accounts receivable (non-exchange transactions)	–	–	1,505,690.02	1,505,690.02
Borrowing	–	–	-1,815,677.73	-1,815,677.73
Accounts payable and accrued expenses	-10,832,352.19	-9,117,364.95	-2,450,847.22	-22,400,564.35
Net risk	99,749,169.35	4,246,987.41	58,013,353.89	162,009,510.66

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 2016

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

At 31 December 2015

<i>Currencies</i>	<i>Variation -5%</i>	<i>Variation +5%</i>
EUR/CHF	-170,069	170,069
USD/CHF	-170,874	170,874
EUR/USD	-42,281	42,281

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 2016, the Union's cash and cash equivalents, amounting to 41,500,013 CHF, were enough for the Union to settle its current liabilities, which totalled 27,111,121 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.

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>	2016	2015
Less than one year	269,404	276,193
One to five years	225,378	491,388
More than five years	–	–
Total	494,782	767,580
Expenses already recognized	758,911	482,718

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

<i>Rental of premises (UPU landlord in CHF)</i>	2016	2015
Less than one year	240,559	240,559
One to five years	223,363	301,727
More than five years	–	–
Total	463,922	542,286
Income already recognized	240,559	180,759

At 31 December 2016, the UPU was renting out office space to four tenants for total revenue of 240,559 CHF (180,759 CHF in 2015). The arrival of a new tenant at the end of 2015 accounts for this rise in receipts. 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 2016, on the basis of existing contracts, the UPU had a commitment in the amount of 8.1 million CHF for the purchase of goods and services. The delivery of products and services will commence in 2017 and will be recorded in future accounting periods. The estimated amount of this commitment at 31 December 2015 was 8.5 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 2016</i>	<i>31 December 2015</i>
Arabic (STAR)	6,192,383	5,879,503
English (STAN)	3,916,123	3,844,611
Portuguese (STPO)	1,317,251	1,417,854
Total	11,425,757	11,141,968

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 2016 (in CHF)

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

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

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

Statement of financial position by segment at 31 December 2015 (in CHF)

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
Assets							
<i>Current assets</i>							
Cash and cash equivalents	24,626,582	8,145,712	2,909,805	2,479,910	8,935,738	–	47,097,747
Cash deposits	–	–	–	–	80,667,697	–	80,667,697
Accounts receivable (non-exchange transactions)	25,471,079	521,967	59,770	118,963	294,544	–	26,466,323
Accounts receivable (exchange transactions)	94,008	551,792	–	3,812,240	20,289,588	-2,257,414	22,490,212
Inventories	75,254	28,695	–	–	233,893	–	337,842
Other current assets	1,490,373	1,308,615	35,150	432,079	154,795	–	3,421,012
Total current assets	51,757,296	10,556,780	3,004,725	6,843,192	110,576,255	-2,257,414	180,480,834
<i>Non-current assets</i>							
Investments	–	–	–	–	7,303,670	–	7,303,670
Accounts receivable (non-exchange transactions)	1,505,690	–	–	–	–	–	1,505,690
Equipment	1,371,943	34,619	–	344,979	105,916	–	1,857,457
Intangible assets	239,964	–	–	127,551	–	–	367,515
Land and buildings	27,048,248	–	–	–	–	–	27,048,248
Other non-current assets	10,200	–	–	–	–	–	10,200
Total non-current assets	30,176,045	34,619	–	472,530	7,409,586	–	38,092,780
Total assets	81,933,341	10,591,400	3,004,725	7,315,722	117,985,841	-2,257,414	218,573,614

The amount of fixed assets acquired during the financial period is as follows: Union: 1,575,844 CHF; and PTC: 155,984 CHF.

	Union	Voluntary Fund	EMS Cooperative	Telematics Cooperative	USD-based entities	Inter-segment	Total
Current liabilities							
Accounts payable and accrued expenses	3,225,528	768,240	63,146	248,848	19,808,808	-2,257,414	21,857,156
Employee benefits	1,295,192	—	74,123	364,084	47,034	—	1,780,434
Deferred revenue	35,852,215	4,890,016	397,692	680,589	7,713,457	—	49,533,969
Advance receipts	2,666,136	—	—	5,525	88,183,218	—	90,854,878
Funds-in-trust held for translation services	7,440,724	—	—	—	—	—	7,440,724
Loans payable within one year	375,760	—	—	—	—	—	375,760
Provisions	1,000,000	—	—	—	—	—	1,000,000
Total current liabilities	51,855,554	5,658,256	534,961	1,299,046	115,752,517	-2,257,414	172,842,920
Non-current liabilities							
Employee benefits	116,330,905	—	2,159,148	8,240,057	4,104,505	—	130,834,615
Loans payable after one year	1,439,918	—	—	—	—	—	1,439,918
Total non-current liabilities	117,770,823	—	2,159,148	8,240,057	4,104,505	—	132,274,533
Total liabilities	169,626,377	5,658,256	2,694,109	9,539,103	119,857,023	-2,257,414	305,117,453
Accumulated surplus (deficit) Union funds	-92,123,331	-249,553	—	—	—	—	-92,372,884
Accumulated surplus (deficit) other funds	—	5,182,697	—	—	-526,569	—	4,656,128
Accumulated surplus (deficit) controlled entities	—	—	310,616	-2,223,381	-1,344,613	—	-3,257,378
Reserves	4,430,294	—	—	—	—	—	4,430,294
Net assets	-87,693,036	4,933,144	310,616	-2,223,381	-1,871,182	—	-86,543,839

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

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

Statement of financial performance by segment from 1 January to 31 December 2015 (in CHF)

	<i>Union</i>	<i>Voluntary Fund</i>	<i>EMS Cooperative</i>	<i>Telematics Cooperative</i>	<i>USD-based entities</i>	<i>Inter-segment</i>	<i>Total</i>
<i>Revenue</i>							
Assessed contributions of member countries	35,772,790	–	–	–	–	–	35,772,790
Other annual contributions	–	–	2,309,798	1,136,324	245,666	–	3,691,788
Voluntary contributions	48,233	6,535,689	–	–	13,111,415	-2,858,000	16,837,336
Sales	473,164	1,514,958	–	7,749,796	37,382	–	9,775,300
Financial revenue	389,842	1,481	4,875	47,238	277,134	-4,884	715,687
Exchange gains	558,751	254,793	178	23,076	319,942	–	1,156,740
Other revenue	1,607,794	–	–	1,037,354	7,842	-1,289,917	1,363,073
Total revenue	38,850,574	8,306,920	2,314,852	9,993,789	13,999,381	-4,152,801	69,312,715
<i>Expenses</i>							
Staff services	29,895,690	3,024,239	1,959,146	8,367,930	1,651,526	-888,215	44,010,318
Travel	686,125	142,902	101,406	242,613	30,386	-30,818	1,172,613
Consultants and external contracts	2,407,619	453,339	42,683	1,635,712	121,400	-181,541	4,479,212
Project costs	2,353,863	4,260,920	246,133	12,858	10,156,988	-2,305,292	14,725,470
General operating expenses	1,410,491	47,037	7,674	52,512	3,075	–	1,520,789
Materials and supplies	199,310	28,749	–	140,053	28,128	–	396,240
Maintenance and repairs	989,557	163,272	40,858	343,429	38,180	-52,360	1,522,935
Depreciations	1,760,273	10,620	–	212,469	12,748	–	1,996,110
Financial costs	2,915,193	82,500	1,852	74,888	1,721,104	-4,884	4,790,653
Exchange losses	823,772	340,834	465	7,228	293,041	–	1,465,341
Other expenses	2,841,761	60,354	42,300	23,519	194,443	-689,692	2,472,685
Total expenses	46,283,654	8,614,767	2,442,517	11,113,210	14,251,019	-4,152,801	78,552,366
Net result	-7,433,080	-307,847	-127,665	-1,119,421	-251,638	–	-9,239,651

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

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

Statement of financial position by segment from 1 January to 31 December 2015 (in USD)

	UPU*Clearing	QSF	IRC
Assets			
<i>Current assets</i>			
Cash and cash equivalents	1,387,227	5,368,245	2,261,417
Cash deposits	–	81,400,300	–
Accounts receivable (non-exchange transactions)	–	297,219	–
Accounts receivable (exchange transactions)	20,037,517	–	436,335
Inventories	–	–	236,017
Other current assets	204	154,760	1,238
Total current assets	21,424,948	87,220,524	2,935,008
<i>Non-current assets</i>			
Investments	370,000	7,000,000	–
Equipment	–	–	106,878
Total non-current assets	370,000	7,000,000	106,878
Total assets	21,794,948	94,220,524	3,041,886
<i>Current liabilities</i>			
Accounts payable and accrued expenses	19,899,274	-733	90,165
Employee benefits	7,211	29,440	10,811
Deferred revenue	–	7,783,509	–
Advance receipts	1,375,658	85,346,128	2,262,288
Total current liabilities	21,282,143	93,158,343	2,363,264
<i>Non-current liabilities</i>			
Employee benefits	641,296	2,419,005	1,081,481
Total non-current liabilities	641,296	2,419,005	1,081,481
Total liabilities	21,923,439	95,577,348	3,444,745
Accumulated surplus (deficit) other funds/controlled entities	-128,491	-1,356,825	-402,860
Net assets	-128,491	-1,356,825	-402,860

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

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

Statement of financial performance by segment from 1 January to 31 December 2015 (in USD)

	<i>UPU*Clearing</i>	<i>QSF</i>	<i>IRC</i>
<i>Revenue</i>			
Other annual contributions	248,935	–	–
Voluntary contributions	–	13,502,264	–
Sales	–	–	38,578
Financial revenue	347	283,002	646
Exchange gains	190,386	169,739	228,055
Other revenue	–	7,970	–
Total revenue	439,667	13,962,974	267,279
<i>Expenses</i>			
Staff services	108,068	1,201,394	398,297
Travel	–	30,130	1,033
Consultants and external contracts	12,158	109,307	–
Project costs	–	10,487,087	–
General operating expenses	–	359	2,661
Materials and supplies	–	–	28,993
Maintenance and repairs	18,237	21,746	–
Depreciations	–	–	12,955
Financial costs	849	1,777,369	799
Exchange losses	243,962	200,128	104,925
Other expenses	17,264	137,758	41,070
Total expenses	400,537	13,965,278	590,733
Net result	39,130	-2,304	-323,454

