UPOV

International Union for the Protection of New Varieties of Plants

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Council

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FINANCIAL STATEMENTS FOR 2018

Document prepared by the Office of the Union

Disclaimer: this document does not represent UPOV policies or guidance

1. The Financial Statements of UPOV for the year ended December 31, 2018 are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/5), which requires that the Council examines and approves the financial statements. The Financial Statements for 2018 are presented in the Annex to this document. Document C/53/6 contains the audit report of the External Auditor.

2. The Financial Statements for 2018 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV, beginning with the financial period starting in 2012 (see document C/45/18 “Report”, paragraph 9(b)). The Financial Statements for 2018 constitute the seventh set of financial statements to be prepared in accordance with IPSAS.

3. The Council is invited to examine and approve the Financial Statements for 2018.

[Annex follows]

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Financial Statements for the year ended December 31, 2018

Contents

INTRODUCTION

1. The financial statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2018 are submitted to the Council of UPOV in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/5):

Regulation 6.5

(1) The annual financial statements for each calendar year of the financial period shall be submitted by the Secretary-General to the External Auditor no later than March 31 following the end of the calendar year to which they relate.

(2) Within eight months after the end of each calendar year the Secretary-General shall submit the annual financial statements and the audit report of the External Auditor to the Council.

(3) The Council shall examine the annual financial statements. It may identify adjustments to the share of UPOV in common expenditures, if it finds that this share has not been correctly estimated and assessed by the Secretary-General. In such a case, after having consulted the Coordination Committee of WIPO, the Council shall establish the final allocation.

(4) The Council shall approve the annual financial statements, after they have been audited in accordance with Article 24 of the 1961 Convention, Article 25 of the 1978 Act and Article 29(6) of the 1991 Act.

2. The report of the External Auditor on the audit of the 2018 financial statements, together with his/her opinion on the financial statements, is also submitted to the Council of UPOV as prescribed under Regulation 6.5 and Annex II of the Financial Regulations and Rules of UPOV.

3. The 2018 financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV beginning with the financial period starting in 2012 (document C/45/18 “Report”, paragraph 9(b)). This agreement led to the replacement of the previously applied United Nations System Accounting Standards (UNSAS) with IPSAS which are internationally recognized. The 2018 financial statements constitute the seventh set of UPOV financial statements to have been prepared in accordance with IPSAS.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

Preparation of the Financial Statements under IPSAS

4. IPSAS requires the application of the full accrual basis of accounting. Accrual basis accounting means the recognition of transactions and events when they occur. As such they are recorded in the accounting records and reported in the financial statements of the financial periods to which they relate, and not only when cash or its equivalent is received or paid.

5. Under IPSAS, revenue for both contributions and extrabudgetary funds (funds in trust) is recognized when UPOV has a right to receive the contribution. Where contributions are due to UPOV, a receivable balance is shown, but the total balance is reduced to reflect amounts still outstanding from prior periods. Extrabudgetary fund arrangements are analyzed to see if UPOV needs to meet performance conditions, and if these are present, revenue is only recognized when the conditions are fulfilled.

6. The value of future employee benefits (for example, accumulated annual leave, repatriation grants and After-Service Health Insurance (ASHI)) that UPOV staff have earned but not yet received is recorded to capture the full cost of employing staff.

7. The application of IPSAS does not currently impact the preparation of the Program and Budget, which is still presented on a modified accrual basis. As this basis differs from the full accrual basis applied to the financial statements, a reconciliation between the budget and the principal financial statements is provided in accordance with the requirements of IPSAS.

8. IPSAS requires more detailed disclosures to be included in the notes to the financial statements in the interests of transparency. As such, UPOV provides information on the remuneration of key management personnel.

Financial Performance

9. UPOV's results showed a deficit for the year of 41,675 Swiss francs, with total revenue of 3,627,873 Swiss francs and total expenses of 3,669,548 Swiss francs. This can be compared to a deficit of 290,363 Swiss francs in 2017, with total revenue of 3,644,418 Swiss francs and total expenses of 3,934,781 Swiss francs.

10. The financial statements provide detail of financial performance by segment within the segment information disclosures, and this is summarized below:

Table 1. Summary Financial Performance by Segment

	Regular Program and Budget 2018	Funds in Trust 2018	Special Project Fund 2018	Inter-Segment Transactions 2018	TOTAL UPOV 2018	TOTAL UPOV 2017
				(in Swiss francs)		
TOTAL REVENUE	3,377,039	282,467	-	-31,633	3,627,873	3,644,418
TOTAL EXPENSES	3,404,915	282,467	13,799	-31,633	3,669,548	3,934,781
SURPLUS/(DEFICIT) FOR THE YEAR	**-27,876**	**-**	**-13,799**	**-**	**-41,675**	**-290,363**

11. UPOV's activities are financed mainly from two sources - contributions and extrabudgetary funds (funds in trust). Contributions of 3,323,050 Swiss francs represent approximately 91.6 per cent of UPOV's total revenue for 2018. Revenue recognized from extrabudgetary funds (funds in trust) totaled 282,467 Swiss francs for the year, representing 7.8 per cent of total revenue. UPOV also has balances of 229,701 Swiss francs relating to contributions received in advance. These balances are currently shown as liabilities, and will be recorded as revenue in the year to which they relate.

12. During 2017, UPOV launched the UPOV PRISMA PBR application tool. This online application tool enables applicants to submit application data to participating Plant Variety Protection Offices of members of the Union. At its fifty-first ordinary session, the UPOV Council decided to approve the fees revenue for the PRISMA PBR application tool at CHF150 per application for the 2018-2019 biennium. However, the Council agreed that the application tool could be made free of charge for an introductory period if the budgeted costs of the application were funded by means other than the regular budget. This introductory period has been extended until December 31, 2019.

13. Personnel expenditure of 2,210,760 Swiss francs represents 60.2 per cent of the total expenses of 3,669,548 Swiss francs for the year 2018. As already highlighted, accrual accounting for post-employment and other long-term employee benefits requires the cost of the schemes to be recorded as the benefits are earned by staff, rather than on a pay-as-you-go basis. This methodology allows UPOV to better account for the true cost of employing its staff on an annual basis. The total interest and service cost for the year relating to ASHI, repatriation benefits and long-term accumulated annual leave is 178,661 Swiss francs.

Financial Position

14. UPOV has net assets of 683,159 Swiss francs as at December 31, 2018, compared to 629,830 Swiss francs at the end of 2017. The financial position of UPOV by segment can be summarized as follows:

Table 2. Summary Financial Position by Segment

	Regular Program and Budget 2018	Funds in Trust 2018	Special Project Fund 2018	Inter-Segment Balances 2018	TOTAL UPOV 2018	TOTAL UPOV 2017
				(in Swiss francs)		
TOTAL ASSETS	4,306,573	145,405	-	-41,693	4,410,285	4,201,382
TOTAL LIABILITIES	3,439,748	145,405	183,666	-41,693	3,727,126	3,571,552
NET ASSETS	**866,825**	**-**	**-183,666**	**-**	**683,159**	**629,830**

15. The net working capital (current assets less current liabilities) of UPOV is 2,972,638 Swiss francs as at December 31, 2018 (2,885,775 Swiss francs as at December 31, 2017). Cash and cash equivalent balances increased from 4,115,186 Swiss francs as at December 31, 2017, to 4,275,188 Swiss francs as at December 31, 2018.

16. Total accounts receivable at December 31, 2018, were 135,097 Swiss francs, compared to 86,196 Swiss francs as at December 31, 2017. The accounts receivable balance at the end of 2018 includes contributions of 114,587 Swiss francs, extrabudgetary funds (funds in trust) of 10,294 Swiss francs, education grant advances of 9,466 Swiss francs and miscellaneous debtors of 750 Swiss francs.

17. UPOV has total employee benefit liabilities of 2,489,970 Swiss francs as at December 31, 2018, compared to 2,456,705 Swiss francs as at December 31, 2017. For the liabilities relating to ASHI, repatriation benefits and long-term accumulated annual leave actuarial valuations have been used. The main liability, relating to ASHI, amounts to 2,235,639 Swiss francs as at December 31, 2018. This shows an increase of 26,178 Swiss francs from the balance of 2,209,461 Swiss francs as at December 31, 2017.

18. In 2015, 183,824 Swiss francs, representing the amount of the reserve fund exceeding 15 per cent of the total income for the 2012-2013 Biennium, were transferred to a Special Project Fund to complete specific projects. Of the remaining balance of 13,957 Swiss francs at 2017 year end, travel expenses of 13,799 Swiss francs have been incurred in 2018. As at December 31, 2018, the Special Project Fund balance of 158 Swiss francs forms part of UPOV's net assets. This balance will be transferred to the UPOV Reserve Fund in 2019.

Budgetary Performance

19. The budget of UPOV continues to be prepared on a modified accrual basis, and is presented in the financial statements as statement V, Statement of Comparison of Budget and Actual Amounts. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the Statement of Financial Performance is included in the notes to the financial statements.

20. The budget for the year 2018 showed income and expenditure of 3,470,000 Swiss francs. This compares to actual income and actual expenditure on a comparable basis (before Funds in Trust, and IPSAS adjustments) of 3,422,060 Swiss francs and 3,354,800 Swiss francs respectively. The actual surplus for the year 2018 on a comparable basis is equal to 67,260 Swiss francs. The principal variations between the 2018 budget and actual numbers on a comparable basis are explained in the following paragraphs.

21. Income: The total 2018 income is in line with the budgeted figure.

22. Personnel resources: Personnel resources are budgeted using an actuals based costing methodology. The 2018 expenditure was somewhat lower than budgeted (-9.4 per cent). Expenditure on posts was in line with the budget as a result of the following variations. Actual expenditure on two posts in the professional staff category was higher than projected because the posts were occupied several months earlier than planned. This was offset by two posts in the general service staff category being occupied at 80 per cent; and a lower than budgeted expenditure on staff in the professional staff category as a result of the decrease of the Post Adjustment Multiplier (PAM) for Geneva.
The expenditure on temporary staff was only 30.6% per cent of the cost budgeted for 2018 because two posts in the professional staff category, initially covered by temporary staff, were filled earlier than planned; and there was no recruitment of budgeted temporary administrative staff because the work was performed by agency workers.

23. Internships and fellowships: Costs for internships and fellowships are slightly higher than budgeted because of travel undertaken by the fellow.

24. Travel, Training and Grants: Travel costs were significantly higher (+13.8 per cent) than anticipated for 2018. The higher costs reflect a higher demand for information on UPOV and the additional time available for staff missions as a result of the decision to change to a single set of UPOV sessions.

25. Contractual services: Conferences expenditure was broadly in line with the budgeted figure. There was no expenditure on publishing in 2018. The estimated expenditure on ICS contracts in 2018 was much lower than budgeted (40.0 per cent of the budget) because most of the work that was anticipated to be delivered under ICS contracts was delivered by agency workers, which are included under Other Contractual Services. Finally, other commercial services expenditure was substantially higher than anticipated for the first year of the biennium (+74.3 per cent) as a result of higher expenditure on agency workers to compensate for administrative staff working part-time; non recruitment of a temporary administrative staff member; and work originally planned to be covered under ICS contracts.

26. Operating expenses: Operating expenses in 2018 were broadly in line with budgeted costs.

27. Other expenditure: Expenditure on Equipment and Supplies will not have a significant impact on the 2018-2019 Biennium.

STATEMENT I: STATEMENT OF FINANCIAL POSITION
as at December 31, 2018
(in Swiss francs)

		December 31, 2018	December 31, 2017
ASSETS	**Note**		
Current assets			
Cash and cash equivalents	3	4,275,188	4,115,186
Accounts receivable (non-exchange transactions)	4	124,881	68,866
Accounts receivable (exchange transactions)	4	10,216	17,330
		4,410,285	4,201,382
Non-current assets		-	-
TOTAL ASSETS		**4,410,285**	**4,201,382**
LIABILITIES			
Current liabilities			
Accounts payable	5	2,597	1,209
Employee benefits	6	200,491	200,760
Transfers payable	7	1,352	-
Advance receipts	8	316,115	387,594
Other current liabilities	9	917,092	726,044
		1,437,647	1,315,607
Non-current liabilities			
Employee benefits	6	2,289,479	2,255,945
		2,289,479	2,255,945
TOTAL LIABILITIES		**3,727,126**	**3,571,552**
Reserve Fund	11	942,594	970,470
Special Project Fund	11	158	13,957
Actuarial gains/(losses) through Net Assets	11	-807,939	-901,276
Working Capital Fund	11	548,346	546,679
NET ASSETS		**683,159**	**629,830**

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2018
(in Swiss francs)

	Note	2018	2017
REVENUE	13		
Contributions		3,323,050	3,365,962
Extrabudgetary funds (funds in trust)		282,467	257,524
UPOV PRISMA fees		-	1,841
Other/miscellaneous revenue		22,356	19,091
TOTAL REVENUE		**3,627,873**	**3,644,418**
EXPENSES	14		
Personnel expenditure		2,210,760	2,262,006
Internships and Fellowships		28,892	12,343
Travel, Training and Grants		417,012	467,811
Contractual services		392,107	572,422
Operating expenses		619,355	619,227
Supplies and materials		17	972
Furniture and equipment		1,405	-
TOTAL EXPENSES		**3,669,548**	**3,934,781**
SURPLUS/(DEFICIT) FOR THE YEAR		**-41,675**	**-290,363**

STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS
for the year ended December 31, 2018
(in Swiss francs)

	Note	Reserve Fund	Special Project Fund	Actuarial gains/(losses) through Net Assets	Working Capital Fund	Net Assets Total
Net Assets at January 1, 2017		**1,260,833**	**13,957**	**-1,075,694**	**546,679**	**745,775**
Actuarial gains/(losses)		-	-	174,418	-	174,418
Total of items recognized directly in Net Assets in 2017		**-**	**-**	**174,418**	**-**	**174,418**
Deficit for the year 2017		-290,363	-	-	-	-290,363
Net Assets at December 31, 2017	11	**970,470**	**13,957**	**-901,276**	**546,679**	**629,830**
Actuarial gains/(losses)		-	-	93,337	-	93,337
Working Capital fund contributions		-	-	-	1,667	1,667
Total of items recognized directly in Net Assets in 2018		**-**	**-**	**93,337**	**1,667**	**95,004**
Deficit for the current year 2018		-27,876	-13,799	-	-	-41,675
Net Assets at December 31, 2018	11	**942,594**	**158**	**-807,939**	**548,346**	**683,159**

STATEMENT IV: STATEMENT OF CASH FLOW
for the year ended December 31, 2018
(in Swiss francs)

	Note	2018	2017
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	-41,675	-290,363
Increase (decrease) in employee benefits	6	33,265	-22,890
(Increase) decrease in receivables	4	-48,901	44,121
Increase (decrease) in advance receipts	8	-71,479	-229,920
Increase (decrease) in other liabilities	5+7+9	193,788	-835,676
Net cash flows from operating activities		**64,998**	**-1,334,728**
Cash flows from financing activities			
Contributions to Working Capital Fund	11	1,667	-
Net cash flows from financing activities		**1,667**	-
Effect of recognition of Actuarial gains/(losses) through Net Assets	6	**93,337**	**174,418**
Net increase (decrease) in cash and cash equivalents		**160,002**	**-1,160,310**
Cash and cash equivalents at beginning of year	3	**4,115,186**	**5,275,496**
Cash and cash equivalents at end of year	3	**4,275,188**	**4,115,186**

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended December 31, 2018
(in thousands of Swiss francs)

	Original Budget 2018 (1)	Final Budget 2018 (1)	Actual Amounts on comparable basis 2018	Difference 2018 (2)
Income				
Contributions	3,382	3,382	3,377	-5
Other	88	88	45	-43
Total income	**3,470**	**3,470**	**3,422**	**-48**
Expenditure				
Personnel resources	2,386	2,386	2,161	-225
Internships and Fellowships	20	20	29	9
Travel, Training and Grants	210	210	239	29
Contractual services	218	218	306	88
Operating expenses	626	626	619	-7
Supplies and materials	5	5	-	-5
Furniture and equipment	5	5	1	-4
Total expenditure	**3,470**	**3,470**	**3,355**	**-115**
Result	**-**	**-**	**67**	**67**

Funds in Trust (before IPSAS adjustments)	-43
Expenditures financed from Special Project Fund	-14
IPSAS adjustments to Regular Program and Budget (3)	-95
IPSAS adjustments to Funds in Trust (3)	43
Adjusted net deficit per IPSAS (Statement II)	**-42**

(1) – represents the first year of the approved 2018-2019 biennial budget;
(2) – represents the difference between the final (revised) budget and actual income and expense on a comparable basis (before IPSAS adjustments);
(3) – the IPSAS adjustments to the surplus are detailed in Note 13 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES, GOVERNANCE AND BUDGET OF THE UNION

The International Union for the Protection of New Varieties of Plants (UPOV) is an intergovernmental organization with headquarters in Geneva. UPOV's mission is to provide and promote an effective system of plant variety protection, with the aim of encouraging the development of new varieties of plants, for the benefit of society.

UPOV was established by the International Convention for the Protection of New Varieties of Plants (the UPOV Convention), which was signed in Paris in 1961. The Convention entered into force in 1968. It was revised in Geneva in 1972, 1978 and 1991. The 1991 Act entered into force on April 24, 1998. The main objectives of UPOV are, in accordance with the UPOV Convention, to:

- provide and develop the legal, administrative and technical basis for international cooperation in plant variety protection;

- assist States and organizations in the development of legislation and the implementation of an effective plant variety protection system; and

- enhance public awareness and understanding of the UPOV system of plant variety protection.

In accordance with Article 25 of the 1991 Act and Article 15 of the 1978 Act, the Council and the Office of the Union are the permanent organs of UPOV.

The Council governs UPOV, and consists of the representatives of the members of the Union. The Council is responsible for safeguarding the interests and encouraging the development of UPOV, for adopting its program and budget and for taking all necessary decisions to ensure the efficient functioning of UPOV. The Council meets once a year in ordinary session. If necessary, it is convened to meet in extraordinary session. The Council has established a number of bodies, which meet once a year.

The Office of the Union is the Secretariat of UPOV, and is under the direction of the Secretary-General. The staff of the Office of UPOV, other than the Vice Secretary-General, is under the direction of the Vice Secretary-General of UPOV. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and the World Intellectual Property Organization (WIPO), a Specialized Agency of the United Nations. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. The Vice Secretary-General is responsible for the delivery of the results indicated in the approved program and budget. Under the Agreement, WIPO satisfies the requirements of UPOV with regard to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV.

UPOV is predominantly funded by contributions and extrabudgetary funds (funds in trust) from members of the Union. UPOV operates within the framework of a biennial program and budget. The proposed program and budget covers estimates for income and expenditure for the financial period to which it relates. It is submitted by the Secretary-General to the Consultative Committee for discussion, comments and recommendations, including possible amendments. The Council adopts the program and budget after consideration of the proposed program and budget and the recommendations of the Consultative Committee.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Swiss francs, which is the reporting and functional currency of UPOV. The accounting policies have been applied consistently to all years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flow is prepared using the indirect method. The financial statements are prepared on an accrual and going-concern basis.

IPSAS 39 *Employee Benefits* was already applied in UPOV's 2017 financial statements, prior to the required implementation date of January 1, 2018.

IPSAS 40 *Public Sector Combinations*, published in January 2017, has an implementation date of January 1, 2019. It is not expected that this standard will impact UPOV's financial statements.

IPSAS 41 *Financial Instruments* was published in August 2018 with an implementation date of January 1, 2022. UPOV is currently analyzing the impacts of this new standard.

Foreign Currency

The functional currency of UPOV is the Swiss franc and these financial statements are presented in that currency. All transactions occurring in other currencies are translated into Swiss francs using the United Nations Operational Rates of Exchange (UNORE) which represent those prevailing at the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than UPOV's functional currency are recognized in the Statement of Financial Performance.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At UPOV, segment information is based on the principal activities and sources of financing of UPOV. As such, UPOV reports separate financial information for three segments: (1) the Regular Program and Budget, (2) Funds in Trust, and (3) the Special Project Fund.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, deposits held up to 90 days and other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value.

Receivables

Contributions are recognized as revenue at the beginning of the financial year. An allowance for receivables is made in full for any member who has contributions receivable where an element of the arrears is dated prior to the last biennium.

Equipment

Equipment is valued at cost less accumulated depreciation and impairment. Equipment is recognized as an asset if it has a cost of 5,000 Swiss francs or more per unit. As at December 31, 2018, no items are capitalized as Equipment.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment.
Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by UPOV are capitalized as an intangible asset. Direct costs include the software development employee costs. As at December 31, 2018, no costs have been capitalized as intangible assets.

Employee Benefits

Liabilities are established for After-Service Health Insurance (ASHI), repatriation grants and travel, and long-term accumulated annual leave as determined by an independent actuary on an annual basis utilizing the projected unit credit methodology of valuation. For the ASHI liability actuarial gains and losses are recognized in net assets. In addition, liabilities are established for the value of short-term accumulated annual leave, home leave not taken, overtime earned but unpaid, separation benefits and for education grants payable at the reporting date that have not been included in current expenditure.

In accordance with the WIPO/UPOV Agreement signed on November 26, 1982, the staff members of UPOV participate in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly (General Assembly) to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UPOV and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UPOV's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UPOV has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. UPOV's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Provisions

Provisions are recognized when UPOV has a legal or constructive obligation as a result of a past event, whereby 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.

Revenue Recognition

Revenue from non-exchange transactions such as extrabudgetary funds (funds in trust) supported by enforceable agreements is recognized as revenue at the time the agreement becomes binding unless the agreement includes conditions related to specific performance or the return of unexpended balances. Such agreements require initial recognition of a liability to defer revenue recognition and then revenue is recognized as the liability is discharged through performance of the specific conditions included in the agreement.

Contributions are recognized as revenue at the beginning of each year of the budget period to which the contribution relates.

In-kind contributions of services are not recognized in the financial statements.

Expense Recognition

Expenses are recognized as goods are received and services delivered.

Financial Instruments

Financial Assets

Initial recognition and measurement:
Financial assets within the scope of IPSAS 29 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. UPOV determines the classification of its financial assets at initial recognition. UPOV's financial assets include: cash, short-term deposits and receivables.

Subsequent measurement:
The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit
Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition:
UPOV derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived.

Impairment of financial assets:
UPOV assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial Liabilities

Initial recognition and measurement:
Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. UPOV determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. UPOV's financial liabilities include trade and other payables.

Subsequent measurement:
The subsequent measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit
Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in surplus or deficit.

Derecognition:
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Change in Accounting Policy

UPOV recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI and repatriation grant and travel (the value of which is calculated by an independent actuary), other employee benefit liabilities, financial risk on accounts receivable and accrued charges. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Deposits with banks	2,850,296	2,750,945
Total unrestricted cash	**2,850,296**	**2,750,945**
Deposits with banks - working capital funds	548,346	546,679
Deposits with banks - funds in trust	93,418	108,386
Total restricted cash	**641,764**	**655,065**
Deposits with banks - funds held for ASHI liability	783,128	709,176
Total strategic cash	**783,128**	**709,176**
TOTAL CASH AND CASH EQUIVALENTS	**4,275,188**	**4,115,186**

Cash deposits are generally held in instant access bank accounts.

Working Capital Fund balances are considered as restricted, although interest received on Working Capital Fund balances is credited to the general fund of UPOV. Funds in trust held on behalf of donors of extrabudgetary funds (funds in trust) are deposited in the currency in which expenditures will be reported, based upon agreements with donors.

At its thirty-third extraordinary session on March 17, 2016, the Council of UPOV decided to hold in a separate account the funds allocated for the future financing of UPOV's ASHI liability. As at December 31, 2018, the total balance of these funds is 783,128 Swiss francs (709,176 Swiss francs as at December 31, 2017). The funds are held in one of UPOV's principal bank accounts, but are managed separately from operating funds through a blocking instruction currently in place with the bank. UPOV manages the ASHI funds in accordance with WIPO's Policy on Investments, under which they are classified as strategic cash.

NOTE 4: ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Receivable non-exchange transactions		
Contributions	114,587	68,866
Extrabudgetary funds (funds in trust)	10,294	-
	124,881	68,866
Receivable exchange transactions		
Education grant advances	9,466	17,330
Other debtors	750	-
	10,216	17,330
TOTAL ACCOUNTS RECEIVABLE	**135,097**	**86,196**

Contributions represent uncollected revenue related to the UPOV contribution system. The amount of the annual contribution of each member of the Union is calculated on the basis of the number of contribution units applied to the member (Article II of the 1972 Act, Article 26 of the 1978 Act and Article 29 of the 1991 Act of the Convention). When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts due from periods prior to the last biennium.

International staff, other than those living in their home country, are eligible to receive a grant covering admissible costs of education for dependent children until the fourth year of post-secondary school studies, but not beyond the end of the school year in which the child reaches the age of 25. For the 2018-2019 scholastic year, reimbursement is based on a global sliding scale, with declining reimbursement rates, and a fixed maximum amount of reimbursement. International staff are eligible to receive an advance equal to the estimated amount of the education grant for each child at the beginning of the scholastic year. Staff advances for education grants represent the total grants advanced for the 2018-2019 scholastic year.

NOTE 5: ACCOUNTS PAYABLE

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Trade creditors - accounts payable	2,550	-
Miscellaneous creditors	47	1,209
TOTAL ACCOUNTS PAYABLE	**2,597**	**1,209**

NOTE 6: EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Accumulated leave - posts	3,813	4,045
Accumulated leave - temporary positions	813	5,581
Repatriation grant and travel	18,976	17,913
Home leave	-	-
Overtime and credit hours	5,361	9,584
Education grants	9,467	6,933
After-Service Health Insurance	162,061	156,704
Total current employee benefit liabilities	**200,491**	**200,760**
Accumulated leave	52,796	57,930
Repatriation grant and travel	163,105	145,258
After-Service Health Insurance	2,073,578	2,052,757
Total non-current employee benefit liabilities	**2,289,479**	**2,255,945**
TOTAL EMPLOYEE BENEFIT LIABILITIES	**2,489,970**	**2,456,705**

Under IPSAS, employee benefits comprise:

Short-term employee benefits which include salary, allowances, grant on initial assignment, grants for the education of dependent children, annual leave, accident and life insurance, where these benefits are expected to be settled within twelve months;

Long-term employee benefits (or after-service employee benefits) which include post-employment benefits such as ASHI, and other long-term employee benefits such as separation benefits consisting of grants upon repatriation, repatriation travel and shipping of personal effects, and long-term accumulated annual leave; and

Termination benefits which include an indemnity payable to staff members holding a permanent, continuing or fixed term contract whose appointment is terminated by the Organization prior to the end of their contract.

Short-Term Employee Benefits

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

Accumulated leave (temporary staff): accumulated annual leave is classified as a short-term employee benefit for staff members holding temporary contracts. Temporary staff members may accrue up to 15 days annual leave in a given year, and a maximum of 15 days accrued leave may be paid at the end of an appointment. The total outstanding liability at the reporting date is 813 Swiss francs (5,581 Swiss francs at December 31, 2017).

Overtime and credit hours: certain staff members are eligible to be paid in cash for overtime accrued after the expiry of a period established in the SRR. Up until the end of 2018, staff members following the flexible working time system were able to accumulate credit hours for time worked beyond 40 hours a week. Following the introduction of a new policy on time management and flexible working arrangements, any credit hours that had been accumulated and not used by December 28, 2018 (the last working day of the year) were removed. The total liability at the reporting date for overtime is 5,361 Swiss francs (9,584 Swiss francs at December 31, 2017, including credit hours).

Education grants: certain internationally recruited staff members, other than those living in their home country, are eligible to receive a grant covering 75 per cent of the costs of education for dependent children until the fourth year of post-secondary school studies, but not beyond the end of the school year in which the child reaches the age of 25. The liability for education grants payable relates to the number of months which have elapsed between the start of the school year/university year and December 31, 2018, for which fees are therefore due. The total liability at the reporting date is 9,467 Swiss francs (6,933 Swiss francs as at December 31, 2017).

Long-Term Employee Benefits

Accumulated leave (posts): accumulated annual leave is classified as a long-term employee benefit for staff members holding permanent, continuing or fixed term contracts, and the liability is calculated by an external actuary. Staff in posts may accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. On separation from service, staff in posts who have accumulated annual leave can receive a payment in lieu of an amount equivalent to their salary for the period of accumulated annual leave. In exceptional circumstances, a staff member may be granted advance annual leave up to a maximum of 10 working days. These staff members are included in the calculation of the overall balance of accumulated leave. The total outstanding liability at the reporting date is 56,609 Swiss francs (61,975 Swiss francs at December 31, 2017).

Repatriation grant and travel: UPOV has a contractual obligation to provide benefits such as repatriation grants and travel for certain internationally recruited staff members at the time of their separation from service. On the basis of an actuarial valuation carried out in December 2018 by an independent actuary, the obligation was estimated as follows at the reporting date:

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Current liability	18,976	17,913
Non-current liability	163,105	145,258
Total liability for repatriation grant and travel	**182,081**	**163,171**

After Service Health Insurance (ASHI): UPOV also has a contractual obligation to provide post-employment medical benefits for its staff members in the form of insurance premiums for the collective medical insurance plan. Staff members (and their spouses, dependent children and survivors) retiring from service are eligible for ASHI coverage if they continue to participate in the collective medical insurance plan after separation from service. In accordance with the Staff Regulations and Rules, a share of 65 per cent of the monthly medical insurance premium is paid by UPOV. From January 1, 2019, monthly medical premiums amount to

596 Swiss francs for adults and 265 Swiss francs for children. The present value of the defined benefit obligations for post-employment medical benefits is determined using the projected unit credit method including discounting the estimated future cash outflows using a discount rate based upon Swiss franc high grade corporate bonds. In accordance with IPSAS, UPOV's ASHI liability is considered as unfunded as no plan assets are held in a legally separate entity or fund, and therefore no plan assets are deducted from the liability as recognized in the statement of financial position. However, it should be noted that UPOV holds in a separate account funds established for the future financing of the ASHI liability (see Note 3). On the basis of an actuarial valuation carried out in December 2018 by an independent office, UPOV's ASHI liability was estimated as follows at the reporting date:

	December 31, 2018	**December 31, 2017**
	(in Swiss francs)	
Current liability	162,061	156,704
Non-current liability	2,073,578	2,052,757
Total liability for After-Service Health Insurance (ASHI)	**2,235,639**	**2,209,461**

The table below details the expense for ASHI recognized in the statement of financial performance:

	December 31, 2018	**December 31, 2017**
	(in Swiss francs)	
Interest cost	15,334	16,618
Current service cost	141,370	170,159
Expense recognized in the statement of financial performance	**156,704**	**186,777**

Prior to the implementation of IPSAS 39, UPOV applied the corridor approach for the recognition of actuarial gains and losses for ASHI. Under this accounting policy, a portion of net actuarial gains and losses was recognized if the net cumulative unrecognized gains and losses at the end of the previous reporting period exceeded 10 per cent of the present value of the defined benefit obligation at that date. Following the implementation of IPSAS 39 in 2017, actuarial gains and losses for ASHI are recognized directly through net assets. The table below details the changes in the ASHI defined benefit obligation, including the impact of actuarial gains/(losses):

	December 31, 2018	**December 31, 2017**
	(in Swiss francs)	
Defined benefit obligation at beginning of year	2,209,461	2,234,293
Interest cost	15,334	16,618
Current service cost	141,370	170,159
Contribution paid	-37,189	-37,191
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	2,503	-98,740
(Gain)/loss on change in financial assumptions	-104,700	27,718
(Gain)/loss on change in demographic assumptions	8,860	-103,396
Defined benefit obligation recognized at end of year	**2,235,639**	**2,209,461**

Contributions paid by UPOV for ASHI totaled 37,189 Swiss francs for 2018 (37,191 Swiss francs in 2017). Expected contributions to ASHI in 2019 are 37,808 Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2018, was 22.1 years. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2018 and the previous four years:

	2018	2017	2016	2015	2014
			(in Swiss francs)		
Defined benefit obligation	2,235,639	2,209,461	2,234,293	1,577,193	1,145,526
Experience (gain)/loss adjustments on plan liability	2,504	-98,740	-42,922	-1,159	-78,243

The principal assumptions used in determining the ASHI liability and defined benefit obligation were as follows:

	December 31, 2018	December 31, 2017
Weighted-average assumptions to determine benefit obligations		
Discount rate	0.90%	0.70%
Rate of sickness premium increase	3.50%	3.50%
Weighted-average assumptions to determine net cost		
Discount rate	0.70%	0.75%
Rate of sickness premium increase	3.50%	3.50%

Actuarial assumptions have a significant effect on the amounts calculated for the ASHI liability. The following sensitivity analysis shows how the defined benefit obligation would have been affected by changes in significant actuarial assumptions:

After-Service Health Insurance (ASHI)	1 per cent decrease in sickness premium increase rate *(2.50%)*	Actual rate of sickness premium increase *(3.50%)*	1 per cent increase in sickness premium increase rate *(4.50%)*
		(in Swiss francs)	
Defined benefit obligation recognized at December 31, 2018	1,812,772	2,235,639	2,802,310
Per cent variation	-18.9%		25.3%

After-Service Health Insurance (ASHI)	0.25 per cent decrease in discount rate *(0.65%)*	Actual discount rate *(0.90%)*	0.25 per cent increase in discount rate *(1.15%)*
		(in Swiss francs)	
Defined benefit obligation recognized at December 31, 2018	2,368,285	2,235,639	2,113,275
Per cent variation	5.9%		-5.5%

United Nations Joint Staff Pension Fund

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

UPOV's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at December 31, 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as at December 31, 2013, to December 31, 2016, was used by the Fund for its 2016 financial statements.

The actuarial valuation as at December 31, 2017, resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 in the 2016 roll forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll forward) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at December 31, 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to 6,931.4 million US dollars, of which 0.018 per cent was contributed by UPOV (including participants and UPOV contributions).

During 2018, UPOV's contributions (including UPOV contributions only) paid to UNJSPF amounted to 276,107 Swiss francs (2017: 268,883 Swiss francs). Expected contributions due in 2019 are 288,756 Swiss francs.

Membership of the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Pension Board. The amount is determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

NOTE 7: TRANSFERS PAYABLE

	December 31, 2018	**December 31, 2017**
	(in Swiss francs)	
Application fees due to PVP Offices	1,352	-
TOTAL TRANSFERS PAYABLE	**1,352**	**-**

The UPOV Council has decided to charge no fee for the use of UPOV PRISMA during an introductory phase. However, this decision does not affect the fees that Plant Variety Protection (PVP) Offices receive per application. As at December 31, 2018, 1,352 Swiss francs collected via UPOV PRISMA have not been transferred to PVP Offices.

NOTE 8: ADVANCE RECEIPTS

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Advance payment of contributions	229,701	260,063
Non-exchange revenue deferred	86,414	127,531
TOTAL ADVANCE RECEIPTS	**316,115**	**387,594**

Contributions received in advance are recorded as advance receipt liabilities and are recognized as revenue in the year to which they relate. Extrabudgetary funds from donors to Funds in Trust containing conditions requiring UPOV to provide services to recipient governments or other third parties are treated as deferred revenue until the services covered by the extrabudgetary funds (funds in trust) are performed, whereupon revenue is recognized.

NOTE 9: OTHER CURRENT LIABILITIES

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Amounts payable to WIPO	917,092	726,044
TOTAL OTHER CURRENT LIABILITIES	**917,092**	**726,044**

Other current liabilities are amounts payable to WIPO, which relate to services provided under the WIPO/UPOV Agreement.

NOTE 10: RELATED PARTY TRANSACTIONS

The Council of UPOV consists of the representatives of the members of the Union. They do not receive remuneration from UPOV.

UPOV has no ownership interest in associates or joint ventures and no controlled entities. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and WIPO. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. Under the Agreement, WIPO satisfies the requirements of UPOV as regards to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV. In accordance with the Agreement, the Office of the Union exercises its functions in complete independence of WIPO.

The key management personnel are the Secretary-General, the Vice Secretary-General and officers in posts. The current Director General of WIPO has declined any salary or allowance from his function as Secretary-General of UPOV. The other key management personnel are remunerated by UPOV. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel and other entitlements paid in accordance with the Staff Regulations and Rules. Key management personnel are members of the UN Joint Staff Pension Fund (UNJSPF) to which the personnel and UPOV contribute and are also eligible for participation in the collective medical insurance plan.

Key management personnel and their aggregate remuneration were as follows (note that the table does not include the Secretary-General as he does not receive remuneration from UPOV):

	2018		2017	
	Number of Individuals	**Aggregate remuneration**	**Number of Individuals**	**Aggregate remuneration**
	(on a full-time equivalent basis)	*(in Swiss francs)*	*(on a full-time equivalent basis)*	*(in Swiss francs)*
Key management personnel	5.50	1,289,367	5.00	1,212,393

There was no other remuneration or compensation to key management personnel or to their close family members.

NOTE 11: NET ASSETS

	December 31, 2017	Working Capital Fund contributions	Program and Budget Surplus for the Year (before IPSAS adjustments)	Funds In Trust Surplus for the Year (before IPSAS adjustments)	Special Project Fund Expenditures (before IPSAS adjustments)	IPSAS adjustments for the year	Transfer to Reserve Fund	December 31, 2018
Program and Budget Surplus/(Deficit)	-	-	67,260	-	-	-95,136	27,876	-
Funds in Trust Surplus/(Deficit)	-	-	-	-42,763	-	42,763	-	-
Reserve Fund	970,470	-	-	-	-	-	-27,876	942,594
Special Project Fund	13,957	-	-	-	-13,799	-	-	158
Actuarial gains/losses through Net Assets	-901,276	-	-	-	-	93,337	-	-807,939
Working Capital Fund	546,679	1,667	-	-	-	-	-	548,346
NET ASSETS	**629,830**	**1,667**	**67,260**	**-42,763**	**-13,799**	**40,964**	**-**	**683,159**

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2018, the Working Capital Fund stands at 548,346 Swiss francs. As per Regulation 4.2, the purposes for which the Working Capital Fund is utilized are:

(a) to meet budgeted expenditure pending the receipt of the contributions of members of the Union;
(b) to meet unavoidable unforeseen expenses arising from the execution of the approved program;
(c) to meet such other expenses as may be determined by the Council.

Advances made from the Working Capital Fund to meet the expenditure requirements listed above are to be reimbursed in accordance with Regulation 4.2.

The Reserve Fund represents the accumulated surpluses and deficits of UPOV. In accordance with Regulation 4.6 of the UPOV Financial Regulations and Rules, the use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the amount in excess shall be reimbursed to the members of the Union, unless otherwise decided by the Council. Any member of the Union may request that the reimbursement attributed to it be deposited in a special account or trust fund as specified by the member.

In 2015, 183,824 Swiss francs representing the amount of the reserve fund exceeding 15 per cent of the total income for the 2012-2013 Biennium were transferred to a Special Project Fund to complete specific projects. Of the remaining balance of 13,957 Swiss francs at 2017 year end, expenses of 13,799 Swiss francs have been incurred in 2018. As at December 31, 2018, the Special Project Fund balance of 158 Swiss francs forms part of UPOV’s net assets.

Following the implementation of IPSAS 39 in 2017, actuarial gains and losses for ASHI have to be recognized directly through net assets. The amount of actuarial losses in net assets at December 31, 2018 equals 807,939 Swiss francs due to actuarial gains of 93,337 Swiss francs recognized in 2018.

NOTE 12: RECONCILIATION OF STATEMENT OF BUDGETARY COMPARISON (STATEMENT V) AND STATEMENT OF FINANCIAL PERFORMANCE (STATEMENT II)

The UPOV Program and Budget is established on a modified accrual basis in accordance with the UPOV Financial Regulations and Rules, and is approved by the Council. The Regular Program and Budget for the 2018-2019 Biennium established a budget estimate of income and expenditure for the biennium of 6,940,000 Swiss francs.

For 2018, the first year of the biennium, the original and final budget estimate for income and expenditure was 3,470,000 Swiss francs. Actual income on a modified accrual basis for the first year of the biennium was 3,422,060 Swiss francs. Actual expense on a modified accrual basis for the first year of the biennium was 3,354,800 Swiss francs. The analysis of budgetary performance on page 4 of these financial statements provides an explanation of the material differences between the budget and the actual amounts.

UPOV's budget and financial accounts are prepared using two different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified accrual basis.

As required by IPSAS-24, a reconciliation is provided between the actual amounts on a comparable basis with the budget as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. UPOV's budget is adopted by the Council on a biennial basis, however, separate estimates are prepared for each of the two annual periods. Therefore there are no timing differences to report. Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the full recognition of employee benefit costs, allowances and provisions. Entity differences represent the inclusion in UPOV's financial accounts of Funds in Trust and the Special Project Fund, which are not included in UPOV's Regular Program and Budget. Presentation differences where applicable may represent the treatment of acquisitions of equipment as investing activities in Statement IV rather than as operating activities in Statement V.

	2018			
	Operating	**Investing**	**Financing**	**Total**
		(in Swiss francs)		
Actual amount on comparable basis (Statement V)	**67,260**	-	-	**67,260**
Changes in accounts receivable	-44,992	-	-	-44,992
Changes in transfers payable	-29	-	-	-29
Changes in employee benefit liabilities	-50,115	-	-	-50,115
Deferral of revenue Funds in Trust	42,763	-	-	42,763
Total Basis differences	**-52,373**	**-**	**-**	**-52,373**
Funds in Trust	-42,763	-	-	-42,763
Expenditures financed from Special Project Fund	-13,799	-		-13,799
Total Entity differences	**-56,562**	**-**	**-**	**-56,562**
Actual amount in the Statement of Financial Performance (Statement II)	**-41,675**	**-**	**-**	**-41,675**

NOTE 13: REVENUE

	Regular Program and Budget 2018	Funds in Trust 2018	Special Project Fund 2018	Inter-Segment Transactions 2018	TOTAL 2018	TOTAL 2017
			(in Swiss francs)			
REVENUE						
Contributions	3,323,050	-	-	-	3,323,050	3,365,962
Extrabudgetary funds (funds in trust)	-	282,467	-	-	282,467	257,524
UPOV PRISMA fees	-	-	-	-	-	1,841
Publications revenue	-	-	-	-	-	-
Investment revenue	-	-	-	-	-	-
Other/miscellaneous revenue	22,356	-	-	-	22,356	19,091
Program support charges	31,633	-	-	-31,633	-	-
TOTAL REVENUE	**3,377,039**	**282,467**	**-**	**-31,633**	**3,627,873**	**3,644,418**

Contributions under the Regular Program and Budget represent amounts payable in January 2018. Extrabudgetary funds under Funds in Trust represent revenue received in connection with contributions made by donors to individual projects not included in the Regular Program and Budget. Revenue from extrabudgetary funds (funds in trust) is deferred until earned through the delivery of the specific services provided in the plan of work agreed with the donor.

NOTE 14: EXPENSES

	Regular Program and Budget 2018	Funds in Trust 2018	Special Project Fund 2018	Inter-Segment Transactions 2018	TOTAL 2018	TOTAL 2017
			(in Swiss francs)			
EXPENSES						
Personnel expenditure	2,210,760	-	-	-	2,210,760	2,262,006
Internships and Fellowships	28,892	-	-	-	28,892	12,343
Travel, Training and Grants	239,068	164,145	13,799	-	417,012	467,811
Contractual services	305,778	86,329	-	-	392,107	572,422
Operating expenses	618,995	360	-	-	619,355	619,227
Supplies and materials	17	-	-	-	17	972
Furniture and equipment	1,405	-	-	-	1,405	-
Program support costs	-	31,633	-	-31,633	-	-
TOTAL EXPENSES	**3,404,915**	**282,467**	**13,799**	**-31,633**	**3,669,548**	**3,934,781**

Personnel expenditure includes short-term employee benefits such as base salary, post adjustment, dependents' allowance, pension contribution, health and other insurance contributions, home leave and other entitlements for posts and temporary positions. As a result of the implementation of IPSAS, personnel expenditure also includes amounts for the movements in employee benefit liabilities.

Travel and fellowships include the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business and travel for participants and lecturers in connection with training activities. Contractual services include translators, interpreters and other non-staff service agreements. Operating expenses include items such as premises rent, maintenance and bank charges.

NOTE 15: FINANCIAL INSTRUMENTS

UPOV is exposed to certain liquidity, interest rate, foreign currency exchange and credit risks which arise in the normal course of its operations. This note presents information about UPOV's exposure to each of the above risks and the policies and processes for measuring and managing risk.

Unless otherwise agreed by the Council, UPOV's investment policy shall be the same as WIPO's investment policy for "operating cash". The Secretary-General may seek the advice of the Advisory Committee on Investments of WIPO for matters relating exclusively to UPOV. The Secretary-General shall inform the Consultative Committee regularly of any investments. The authority to make and prudently manage investments in accordance with the investment policy is delegated to the Controller of WIPO. In 2015, the policy was comprehensively revised and adopted by the Fifty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO. Some further amendments to the Policy on Investments were adopted at the Fifty-Seventh Series of Meetings in 2017. The revised policy contains two specific investment policies, one covering operating and core cash and a second one covering strategic cash. Operating cash is the cash required by UPOV to meet daily payment requirements. Core cash is the balance of cash remaining once operating and strategic cash have been deducted. Strategic cash is the cash which has been set aside to finance after-service employee benefit liabilities, including ASHI.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of UPOV's financial instruments.

	Carrying amount	Fair Value
Financial assets	*(in Swiss francs)*	
2018		
Receivables	135,097	135,097
Cash and cash equivalents	4,275,188	4,275,188
	4,410,285	**4,410,285**
2017		
Receivables	86,196	86,196
Cash and cash equivalents	4,115,186	4,115,186
	4,201,382	**4,201,382**

	Carrying amount	Fair Value
Financial Liabilities	*(in Swiss francs)*	
2018		
Accounts payable	2,597	2,597
Transfers payable	1,352	1,352
Other current liabilities	917,092	917,092
	921,041	**921,041**
2017		
Accounts payable	1,209	1,209
Other current liabilities	726,044	726,044
	727,253	**727,253**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, receivables from exchange transactions and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Receivables from non-exchange transactions are evaluated by UPOV based on parameters such as interest rates and risk characteristics. When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts of contributions with arrears dated prior to the last biennium.

Credit risk

Credit risk is the risk of financial loss to UPOV if counterparties to financial instruments fail to meet their contractual obligations and it arises principally from receivables, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31, 2018 was:

	December 31, 2018	December 31, 2017
	(in Swiss francs)	
Receivables	135,097	86,196
Cash and cash equivalents	4,275,188	4,115,186
Maximum exposure to credit risk	**4,410,285**	**4,201,382**

UPOV's accounts receivable are almost exclusively from members of the Union representing sovereign States and relevant Intergovernmental Organizations, and therefore risks related to credit are considered minor.

Cash and cash equivalents may only be held with institutions with a minimum short-term credit rating of A-2/P-2 or a minimum long-term credit rating of A/A2. Accordingly, the credit ratings attached to cash and cash equivalents as at December 31, 2018 are as follows:

Credit Rating	A-1	A-2	Total
	S&P short-term		
	(in Swiss francs)		
Cash and Cash Equivalents	1,774,810	2,500,378	**4,275,188**
Percent	41.5%	58.5%	100.0%

Liquidity risk

Liquidity risk is the risk of UPOV not being able to meet its obligations as they fall due. UPOV does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. The investment policy requires that operating and core cash are invested in such a way to ensure the liquidity necessary to meet UPOV's cash flow requirements. Operating cash balances are invested over the short term (periods not exceeding twelve months to maturity) in low-risk asset classes which are easily liquidated at little or no cost. Core cash will be invested over the medium term (periods exceeding twelve months), in such a way that occasional access to a portion of the cash is possible thus facilitating scheduled large payments. Strategic cash is to be invested over the long term, and currently has no short or medium term liquidity requirements.

Currency risk

UPOV may receive revenue from extrabudgetary funds (funds in trust) in currencies and incur expenses in currencies other than its functional currency, the Swiss franc, and as a result is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. UPOV does not use derivative financial instruments to hedge exchange risk.

Market risk

Market risk is the risk of changes in market prices, such as interest rates, affecting income or the value of financial instrument holdings. UPOV is not subject to market risk.

Interest rate sensitivity analysis

UPOV is not subject to interest rate risk.

NOTE 16: EVENTS AFTER THE REPORTING DATE

UPOV's reporting date is December 31, 2018 and its financial statements were authorized for issuance on the same date as the External Auditor's opinion. No material events, favorable or unfavorable, which would have impacted upon the statements have been incurred between the reporting date and the date on which the financial statements were authorized for issue.

NOTE 17: SEGMENT REPORTING

Segment information is based on the principal activities and sources of financing of UPOV. UPOV reports separate financial information for three segments: the Regular Program and Budget, Funds in Trust (extrabudgetary funds) and the Special Project Fund. Funds in Trust represent amounts administered by UPOV on behalf of individual donors to carry out programs consistent with the policies, aims and activities of UPOV. The Special Project Fund represents the amount of the reserve fund exceeding 15 percent of the total income for the previous biennium which is used to finance projects agreed by the Council. The Regular Program and Budget, Funds in Trust and the Special Project Fund are accounted for separately in the financial accounting system.

Statement of Financial Position by Segment as at December 31, 2018

(in Swiss francs)

	Regular Program and Budget	Funds in Trust	Special Project Fund	Inter-Segment Balances	TOTAL 2018	TOTAL 2017
ASSETS						
Current assets						
Cash and cash equivalents	4,181,770	93,418	-	-	4,275,188	4,115,186
Accounts receivable (non-exchange transactions)	114,587	10,294	-	-	124,881	68,866
Accounts receivable (exchange transactions)	10,216	-	-	-	10,216	17,330
Other current assets	-	41,693	-	-41,693	-	-
	4,306,573	145,405	-	-41,693	4,410,285	4,201,382
Non-current assets	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**4,306,573**	**145,405**	**-**	**-41,693**	**4,410,285**	**4,201,382**
LIABILITIES						
Current liabilities						
Accounts payable	2,597	-	-	-	2,597	1,209
Employee benefits	200,491	-	-	-	200,491	200,760
Transfers payable	1,352	-	-	-	1,352	-
Advance receipts	229,701	86,414	-	-	316,115	387,594
Other current liabilities	716,128	58,991	183,666	-41,693	917,092	726,044
	1,150,269	145,405	183,666	-41,693	1,437,647	1,315,607
Non-current liabilities						
Employee benefits	2,289,479	-	-	-	2,289,479	2,255,945
	2,289,479	-	-	-	2,289,479	2,255,945
TOTAL LIABILITIES	**3,439,748**	**145,405**	**183,666**	**-41,693**	**3,727,126**	**3,571,552**
Reserve Fund	942,594	-	-	-	942,594	970,470
Special Project Fund	183,824	-	-183,666	-	158	13,957
Actuarial gains/(losses) through Net Assets	-807,939	-	-	-	-807,939	-901,276
Working Capital Fund	548,346	-	-	-	548,346	546,679
NET ASSETS	**866,825**	**-**	**-183,666**	**-**	**683,159**	**629,830**

Statement of Financial Performance by Segment
for the year ended December 31, 2018
(in Swiss francs)

	Regular Program and Budget	Funds in Trust	Special Project Fund	Inter-Segment Transactions	TOTAL 2018	TOTAL 2017
REVENUE						
Contributions	3,323,050	-	-	-	3,323,050	3,365,962
Extrabudgetary funds (funds in trust)	-	282,467	-	-	282,467	257,524
UPOV PRISMA fees	-	-	-	-	-	1,841
Other/miscellaneous revenue	22,356	-	-	-	22,356	19,091
Program support charges	31,633	-	-	-31,633	-	-
TOTAL REVENUE	**3,377,039**	**282,467**	**-**	**-31,633**	**3,627,873**	**3,644,418**
EXPENSES						
Personnel expenditure	2,210,760	-	-	-	2,210,760	2,262,006
Internships and Fellowships	28,892				28,892	12,343
Travel, Training and Grants	239,068	164,145	13,799	-	417,012	467,811
Contractual services	305,778	86,329	-	-	392,107	572,422
Operating expenses	618,995	360	-	-	619,355	619,227
Supplies and materials	17	-	-	-	17	972
Furniture and equipment	1,405	-		-	1,405	-
Program support costs	-	31,633	-	-31,633	-	-
TOTAL EXPENSES	**3,404,915**	**282,467**	**13,799**	**-31,633**	**3,669,548**	**3,934,781**
SURPLUS/(DEFICIT) FOR THE YEAR	**-27,876**	**-**	**-13,799**	**-**	**-41,675**	**-290,363**

[End of Annex and of document]