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ORGANIZATION

WO/PBC/30/8 REV[1].
ORIGINAL: ENGLISH
DATE: JUNE 20, 2019

Program and Budget Committee

Thirtieth Session
Geneva, July 8 to 12, 2019

ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2018

prepared by the Secretariat

1. The Financial Statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2018, are transmitted to the Program and Budget Committee (PBC) in accordance with Regulation 8.11 of the Financial Regulations and Rules which requires that the PBC examines the financial statements and the audit reports thereon and forwards them to the General Assembly with comments and recommendations, as appropriate.

2. The 2018 Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

3. This document also includes WIPO's Statement on Internal Control signed by the Director General.

4. The report of the External Auditor on the audit of the 2018 Financial Statements, together with his recommendations and the Secretariat's responses thereto, are contained in document WO/PBC/30/4.

5. The Program and Budget Committee recommended to the General Assembly and other Assemblies of the Member States of WIPO, to approve the "Annual Financial Report and Financial Statements 2018" (document WO/PBC/30/8 Rev.).

[1] This document has been revised in order to present the latest version of the Statement on Internal Control for 2018 in the English version of the document.

[Annual Financial Report and Financial Statements 2018 follow]

WORLD INTELLECTUAL PROPERTY ORGANIZATION

ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS

YEAR TO DECEMBER 31, 2018

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ANNUAL FINANCIAL REPORT

INTRODUCTION

The financial statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2018, are submitted to the Assemblies of the Member States of WIPO ("WIPO Assemblies") as required by Regulation 6.7 of the WIPO Financial Regulations and Rules (FRR). The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), as developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The report of the External Auditor on the audit of the 2018 financial statements, together with his opinion on the financial statements, are also submitted to the WIPO Assemblies as prescribed under Regulation 8.11 and Annex II of the FRR.

The annual financial report, including financial statement discussion and analysis, is presented in this document alongside the financial statements.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The following financial statement discussion and analysis includes an overview of the Organization's operations and environment, financial objectives and strategies, risk management strategy, financial performance and financial position during the year ended December 31, 2018. It has been prepared in accordance with IPSASB Recommended Practice Guideline 2, and is intended to provide an explanation of the significant items, transactions, and events presented in the financial statements and the factors that influenced them. This discussion and analysis is not part of WIPO's financial statements; however, it should be read together with WIPO's financial statements.

Overview of WIPO's Operations and Environment

WIPO is the global forum for intellectual property services, policy, information and cooperation. It is a specialized agency of the United Nations, with 192 Member States. The Organization's mission is to lead the development of a balanced and effective international intellectual property system that enables innovation and creativity for the economic, social and cultural development of all countries. The Organization's mandate, governing bodies and procedures are set out in the WIPO Convention of 1967, which established WIPO.

WIPO's Member States determine the direction, budget and activities of the Organization through the decision-making bodies. The main policy and decision-making bodies of WIPO are the General Assembly, the Conference and the Coordination Committee. The General Assembly consists of States party to the WIPO Convention which are members of any of the Unions administered by WIPO. The Conference is composed of the States party to the WIPO Convention whether or not they are members of any of the Unions, and is, *inter alia*, the competent body for adopting amendments to the Convention. The Coordination Committee consists of elected members of the Executive Committees of the Paris or the Berne Unions, or both, one-fourth of the States party to the WIPO Convention which are not members of any of the Unions, and Switzerland, as the State on whose territory the Organization has its headquarters.

The General Assembly appoints the WIPO Director General upon nomination by the Coordination Committee. The Director General is the chief executive of the Organization. The Director General is assisted by the Senior Management Team (consisting of the Deputy Directors General and the Assistant Directors General, plus the Legal Counsel and the Director of the Human Resources Management Department) in providing the strategic direction of WIPO's programs and in managing their respective Sectors to ensure the delivery of results in line with the Organization's strategic goals and the Program and Budget.

WIPO generates most of its revenue from fees that are paid by users of its intellectual property services for patents, trademarks and industrial designs. These services are provided through the Patent Cooperation Treaty (PCT), Madrid and Hague systems. In 2018, fees from these activities represented 93.0 per cent of the Organization's total revenue, with PCT system fees alone representing 74.6 per cent. The driver for revenue from these fee-based services is the international demand for intellectual property titles. This demand is influenced by the performance of the global economy, although since 2010 global intellectual property filing activity has continued to grow despite uneven economic recovery from the global financial crisis that began in 2008. Latest available statistics up to the end of 2017 show that worldwide patent and trademark applications have grown each year since 2010. Global patent applications rose to 3.17 million in 2017, representing a 5.8 per cent increase over 2016. Worldwide trademark applications showed the highest level of growth recorded in recent decades, with an estimated 9.11 million filings in 2017 (30.0 per cent more than in 2016). An estimated 0.95 million industrial design applications containing 1.24 million designs were filed worldwide in 2017. Overall, global intellectual property filing activity set new records in 2017.

Other external factors that may influence the Organization's revenue from its fee-based services include research and development investment levels, technological confidence levels, and exchange rate fluctuations. For the PCT system in particular, other important factors include the level of PCT fees as compared to those offered by other filing routes, the attractiveness and value of PCT services as compared to other filing routes, and individual corporate patent strategies.

Overview of WIPO's Financial Objectives and Strategies

The financial activities of WIPO are governed by its Financial Regulations, which are approved by the General Assembly. Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. WIPO's Member States are informed of any modification of the Financial Rules. The Financial Rules govern all the financial management activities of the Organization. Authority and responsibility for the implementation of the Financial Regulations and Rules is delegated by the Director General to the Controller.

Every two years, the Director General presents a Program and Budget to Member States for approval. It details expected results, performance measures and budgetary planning for all proposed activities. The Program and Budget for the 2018/19 biennium was approved by the Assemblies of the Member States of WIPO on October 11, 2017. The Program and Budget provides the planning for the biennium within the overall strategic context of the Medium-Term Strategic Plan.

The Organization uses a Results-Based Management system to ensure that resources are budgeted and utilized in line with organizational results and priorities. Organizational performance is measured and analyzed on a regular basis through performance indicators, targets and baselines. Under this system, both the Program and Budget and the Medium-Term Strategic Plan form part of WIPO's planning framework, along with annual work plans and individual staff objectives.

The Organization manages the levels of its reserves in accordance with its Policy on Reserves. WIPO's reserves are accounted for as the net assets of the Organization, and serve to minimize the impact of income shortfalls and maximize the probability that the Organization can meet its obligations in the short term and maintain financial stability. One core element of the policy is the mechanism for establishing the required level of reserves as a percentage of the estimated biennial expenditure of the Unions administered by the Organization. The policy also establishes the principles and approval mechanism for the use of reserves for one-time projects for capital improvements and exceptional circumstances.

The Organization manages its investments in accordance with its Policy on Investments. The policy states that the primary objectives of the Organization's investment management, in order of importance, shall be: (i) preservation of capital; (ii) liquidity and (iii) within the constraints of (i) and (ii), the rate of return. The Organization aims to achieve a market rate of return whenever appropriate and possible for both operating and core cash. Strategic cash is to be invested over the long-term in order to achieve capital growth and thus an overall positive return over time.

Overview of WIPO's Risk Management Strategy

WIPO's Risk Management Policy sets out the Organization's approach to managing risks and internal controls in a consistent and business-oriented manner, in order to support the achievement of its strategic goals and expected results. It is complemented by WIPO's Risk and Internal Control Management Manual, which covers the day-to-day operational details of risk and internal control management. The policy and the manual, together with the organizational arrangements, the establishment of roles and responsibilities, processes and activities for the management of risks and internal controls represent WIPO's Risk Management Framework.

Under the guiding principles of WIPO's Risk Management Policy, risk management is considered an organization-wide responsibility. All staff are responsible for managing risks and the ultimate accountability for risk management lies with the Senior Management Team. Organizational level risks are identified and reviewed by WIPO's Risk Management Group, which is chaired by the Director General. Risk management is performed as an integral part of the Organization's Results-Based Management cycle. WIPO's Risk Management Framework is guided by the risk appetite noted by its Member States in WIPO's Risk Appetite Statement.

Overview of the Financial Statements

The financial statements prepared in accordance with IPSAS consist of:

Statement of Financial Position - details the net assets (the difference between total assets and total liabilities) of the Organization. This statement provides information about the financial strength of the Organization, and the resources which are available to support its future objectives;

Statement of Financial Performance - measures the net surplus or deficit (the difference between total revenue and total expenses, plus or minus investment gains or losses) for the year. This statement provides information on the Organization's sources of revenue, and the cost of its activities. The annual surplus or deficit is presented on a full accrual basis of accounting, recognizing revenue in the period it is earned and expenses when incurred, regardless of when the associated cash is received or paid;

Statement of Changes in Net Assets - identifies the change in the net asset position during the year. This statement highlights the sources of changes in the Organization's overall financial position, including changes due to the surplus or deficit for the period, and the impact of actuarial gains or losses recognized directly through net assets;

Statement of Cash Flow - presents the movements of cash during the year resulting from operating, investing and financing activities. This statement provides information on how cash has been raised and used during the year, including borrowing and repayment of borrowing, and the acquisition and disposal of fixed assets. In contrast to the Statement of Financial Performance, the Organization's net cash flow measures the difference between cash coming into the Organization and cash going out;

Statement of Comparison of Budget and Actual Amounts - presents a comparison of the budget amounts under the Program and Budget, and the actual amounts for the year. This statement is prepared on the budgetary basis which is a modified accrual basis. It provides information on the extent to which resources were obtained and used in accordance with the approved budget;

Notes to the Financial Statements - assist in understanding the principal financial statements. The Notes comprise a summary of significant accounting policies and other explanatory information. They also disclose information required by IPSAS which is not presented on the face of the principal financial statements.

Financial Statement Highlights

The 2018 WIPO financial statements prepared in accordance with IPSAS show a surplus for the year of 42.5 million Swiss francs. The net assets of the Organization as at December 31, 2018, are 261.4 million Swiss francs.

The 2018 surplus of 42.5 million Swiss francs comprises total revenue of 430.6 million Swiss francs, total expenses of 375.9 million Swiss francs, and investment losses of 12.2 million Swiss francs.

Total revenue in 2018 was up by 21.5 million Swiss francs on the 2017 figure. Most significantly, revenue from PCT system fees increased by 25.0 million Swiss francs compared to the prior year. Madrid system fees also increased compared to 2017, by 4.4 million Swiss francs. Other/miscellaneous revenue fell by 7.2 million Swiss francs against 2017, mainly due to the impact of foreign exchange losses in 2018. The prior year positive total of 5.9 million Swiss francs for other/miscellaneous revenue was mainly the result of the reversal of unused provisions for legal costs during 2017.

Total expenses were 18.9 million Swiss francs lower than the 2017 figure. Notably, finance costs fell by 11.8 million Swiss francs compared to the prior year. In 2017 the Organization took the decision to repay in full its remaining loan with the Banque Cantonale de Genève and the Banque Cantonale Vaudoise (BCG/BCV), which incurred a penalty charge of 11.6 million Swiss francs (calculated by reference to the present value of all outstanding interest due on the loan). Personnel expenditure was 8.0 million Swiss francs lower than in 2017, due to a combination of factors including reduced expenditure on posts and temporary positions and for the WIPO Rewards and Recognition Program. The only expense category which saw a significant increase compared to the prior year was contractual services, which was 4.4 million Swiss francs higher than in 2017.

The Organization generated a net investment loss of 12.2 million Swiss francs in 2018, compared to a net investment gain of 4.3 million Swiss francs in 2017. This loss was due to a decline in the valuation of WIPO's strategic cash and core cash investment portfolio assets at the reporting date. In terms of income generation through dividends and interest, the Organization received 4.2 million Swiss francs in 2018. In January 2018 the Organization disposed of its investment property (the Madrid Union building) for a sale price of 7.0 million Swiss francs. This generated an investment gain of 0.8 million Swiss francs.

WIPO's total assets increased from 1,021.5 million Swiss francs as at December 31, 2017, to 1,085.2 million Swiss francs as at December 31, 2018. Cash, cash equivalents and investments totaled 616.3 million Swiss francs at the end of 2018 (56.8 per cent of total assets). This represents an increase of 72.5 million Swiss francs compared to the prior year. Under WIPO's Policy on Investments, the Organization's core and strategic cash is mainly held in non-current investments. At the end of 2018, WIPO continued to hold significant amounts of fixed assets, including land, buildings, intangible assets and equipment with a total net book value of 387.4 million Swiss francs (35.7 per cent of total assets). The net book value of fixed assets fell by 15.8 million Swiss francs compared to the prior year. Although additions of around 5.4 million Swiss francs were made to buildings and equipment during 2018, the net book value of fixed assets was reduced by a depreciation and amortization charge of 11.3 million Swiss francs for the year, and the impact of demolitions under buildings projects. As noted, the Organization also signed an act of sale for its investment property, the Madrid Union Building in January 2018. This investment property was held at a value of 6.2 million Swiss francs at the end of 2017.

The principal liabilities of the Organization as at December 31, 2018 are payables and advance receipts of 413.2 million Swiss francs (50.2 per cent of total liabilities) and employee benefit liabilities of 334.1 million Swiss francs (40.5 per cent of total liabilities). The largest employee benefit liability for the Organization is the After-Service Health Insurance (ASHI) liability, which totaled 303.1 million Swiss francs at the end of 2018. In January 2018 the Organization repaid in full the remaining balance of 16.9 million Swiss francs of its loans with the Foundation for Buildings for International Organizations (FIPOI). WIPO incurred no penalty charge for this early repayment. As a result, WIPO no longer has any borrowings at the end of 2018.

The Organization's net assets, consisting of its Reserves and Working Capital Funds, totaled 261.4 million Swiss francs at the end of 2018. WIPO's net assets include a balance for accumulated actuarial losses totaling 122.4 million Swiss francs.

Financial Performance

The Organization's results for 2018 showed a surplus for the year of 42.5 million Swiss francs, with total revenue of 430.6 million Swiss francs, total expenses of 375.9 million Swiss francs, and investment losses of 12.2 million Swiss francs. This can be compared to a surplus of 18.6 million Swiss francs in 2017, with total revenue of 409.1 million Swiss francs, total expenses of 394.8 million Swiss francs, and investment gains of 4.3 million Swiss francs.

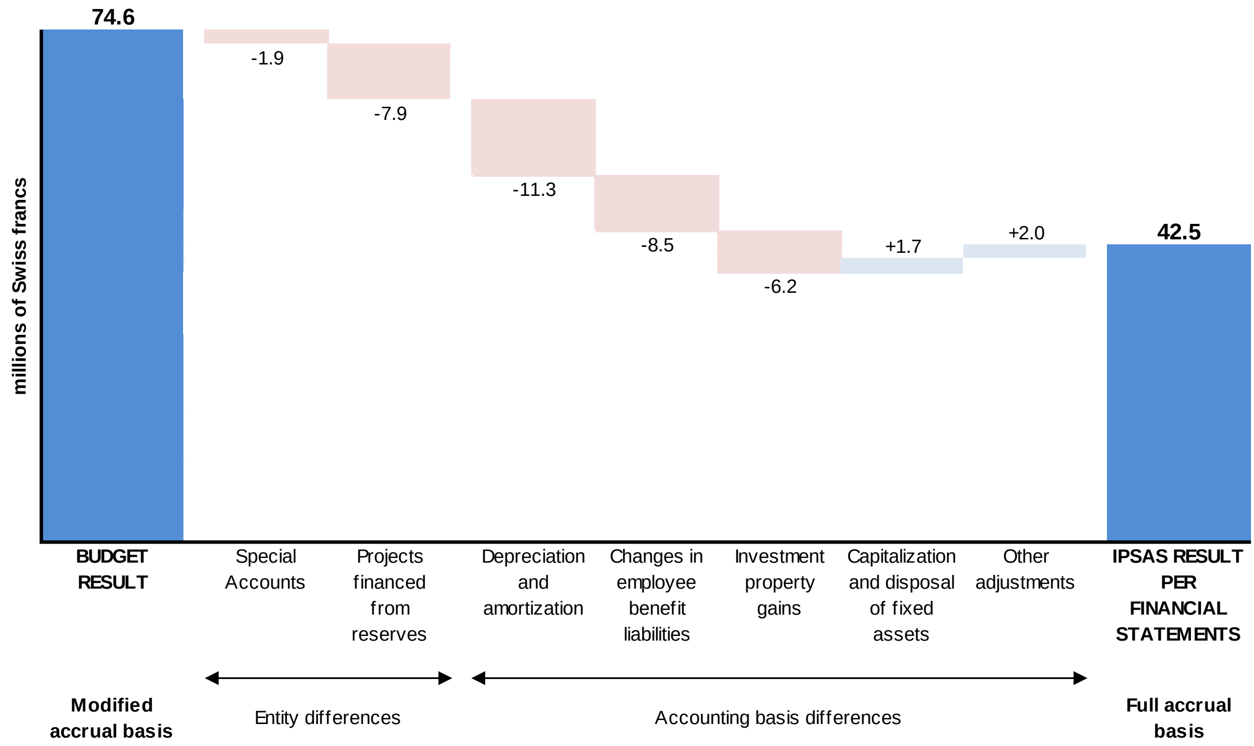
The Program and Budget result for 2018 prepared on a modified accrual basis (i.e. before the impact of IPSAS adjustments) was a surplus of 74.6 million Swiss francs. The 2018 result for the Organization under IPSAS includes Special Accounts, Projects financed from reserves, and the impact of adjustments related to full accrual accounting in accordance with IPSAS:

Summary of financial performance by source of funding

	Program and Budget 2018	Special Accounts 2018	Projects Financed from Reserves 2018	IPSAS Adjustments 2018	Total 2018	Total 2017
	(in millions of Swiss francs)					
Total revenue	420.0	9.7	-	0.9	430.6	409.1
Total expenses	-339.4	-11.6	-7.9	-17.0	-375.9	-394.8
Investment gains/(losses)	-6.0	-	-	-6.2	-12.2	4.3
Net surplus/(deficit)	**74.6**	**-1.9**	**-7.9**	**-22.3**	**42.5**	**18.6**

The chart below summarizes the principal differences between the Program and Budget surplus of 74.6 million Swiss francs, and the surplus for the whole Organization prepared on an IPSAS basis of 42.5 million Swiss francs:

Movement from budget result to IPSAS result 2018



The WIPO financial statements as prepared in accordance with IPSAS include all areas and activities of the whole Organization. The inclusion of the results before IPSAS adjustments for Special Accounts (deficit of 1.9 million Swiss francs) and Projects financed from reserves (deficit of 7.9 million Swiss francs) represent 'entity differences' between the budget result and the surplus per the IPSAS financial statements. The application of full accrual basis accounting in accordance with IPSAS leads to a number of 'accounting basis differences' which impact the result for the year. The net impact of these adjustments is a 22.3 million Swiss francs reduction in the surplus:

- The result for 2018 on an IPSAS basis includes the depreciation expense of buildings and equipment and the amortization expense of intangible assets as the cost of these assets is spread over their useful lives. The total cost of depreciation and amortization for the year was 11.3 million Swiss francs.

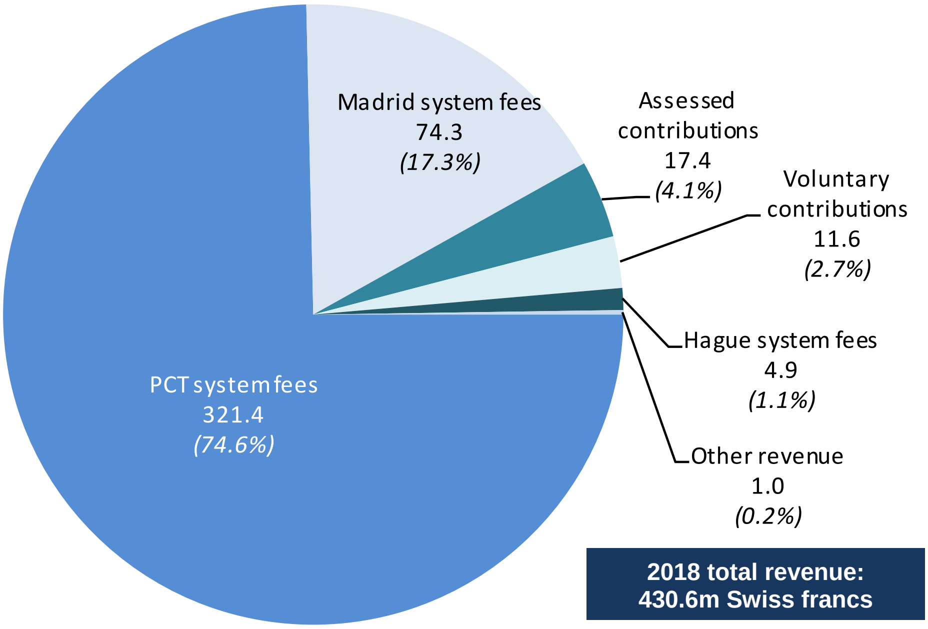
- IPSAS requires that employee benefits earned by staff but not yet paid be recognized as liabilities of the Organization. The IPSAS adjustments bring the total liabilities recognized in the financial statements into line with the IPSAS compliant calculations of these liabilities, including those prepared by external actuaries. The net impact of these adjustments in 2018 resulted in an increase in expenses (personnel expenditure) of 8.5 million Swiss francs.

- Under IPSAS, the Organization's investment property was held at its fair value of 6.2 million Swiss francs. Following disposal of this property, it was removed from the financial statements, resulting in a corresponding reduction of 6.2 million Swiss francs in the investment gain from disposal.

- Under IPSAS, costs relating to the improvement of buildings and the acquisition of equipment are capitalized. The loss on disposal or demolition of fixed assets also impacts the result for the year. The net impact of these adjustments is an increase of 1.7 million Swiss francs in the 2018 surplus.

Revenue Analysis

Composition of 2018 revenue on an IPSAS basis
(in millions of Swiss francs)



Total revenue of the Organization for 2018 was 430.6 million Swiss francs, representing an increase of 5.3 per cent compared to the 2017 total revenue of 409.1 million Swiss francs. Note that in the 2018 financial statements, investment gains/(losses) are no longer included as part of revenue, but are reported separately after expenses and before surplus/(deficit) for the year. The largest source of revenue during 2018 was PCT system fees, accounting for 74.6 per cent of total revenue. Revenue from PCT system fees rose by 8.4 per cent compared to 2017.

Madrid system fees were the second largest source of revenue during the year 2018, representing 17.3 per cent of total revenue. Revenue from Madrid system fees increased by 6.3 per cent compared to 2017. Hague system fees, Lisbon system fees, assessed contributions, voluntary contributions (contributions by donors to Special Accounts) and other revenue (publications, arbitration and mediation and other/miscellaneous revenue) comprise the remaining 8.1 per cent of the Organization’s total revenue. The following table provides a summary of the changes by revenue type compared to the prior year.

Change in revenue 2017 – 2018

	2018	2017	Net Change	Net Change
	(in millions of Swiss francs)			%
Revenue				
Assessed contributions	17.4	17.8	-0.4	*-2.2*
Voluntary contributions	11.6	12.1	-0.5	*-4.1*
Publications revenue	0.5	0.2	0.3	*150.0*
Fees				
PCT system	321.4	296.4	25.0	*8.4*
Madrid system	74.3	69.9	4.4	*6.3*
Hague system	4.9	5.1	-0.2	*-3.9*
Sub-total fees	400.6	371.4	29.2	*7.9*
Arbitration and Mediation	1.8	1.7	0.1	*5.9*
Other/miscellaneous revenue	-1.3	5.9	-7.2	*-122.0*
Total revenue	**430.6**	**409.1**	**21.5**	***5.3***

PCT revenue is principally comprised of international filing fees (the basic fee, plus supplementary page fees, less reductions for e-filings and least developed countries). The total PCT system fees revenue figure also comprises other fees (including handling and transfer fees) and foreign exchange gains and losses:

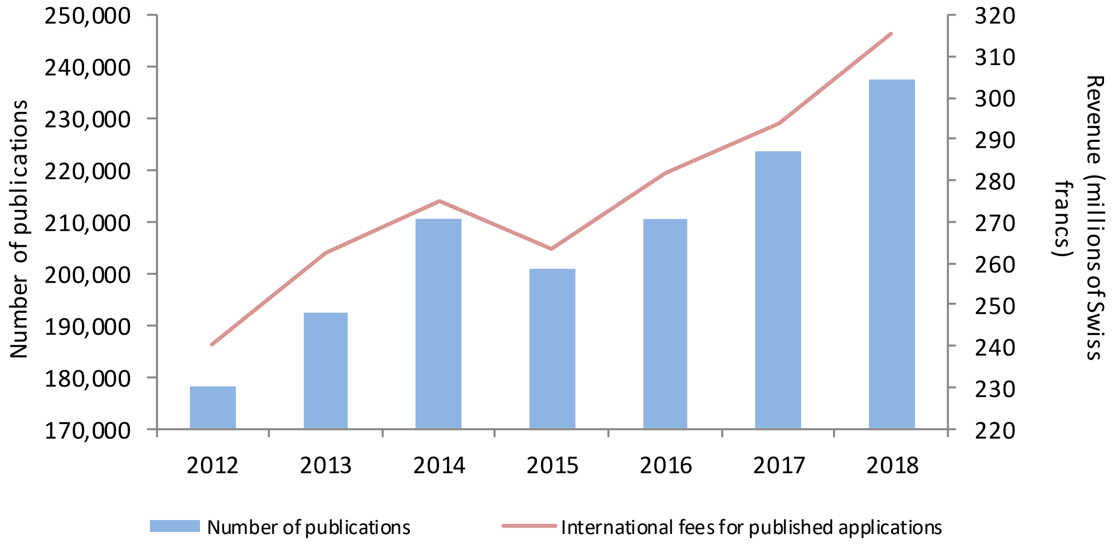
Detail of PCT system fees 2012-2018

	2018	2017	2016	2015	2014	2013	2012
	(in millions of Swiss francs)						
International filing fees	315.4	293.6	281.8	263.6	275.0	262.3	240.6
Payment regularization 2004-2013	-	-	-	4.7	-	-	-
Other fees	3.6	3.6	3.8	4.1	3.9	3.9	3.9
Exchange gain/(loss) on fees received	1.7	0.4	5.2	-0.7	-1.7	-6.0	7.5
Other exchange gain/(loss)	0.7	-1.2	-0.1	3.7	1.4	-2.7	-
Total PCT system fees	**321.4**	**296.4**	**290.7**	**275.4**	**278.6**	**257.5**	**252.0**

Revenue from PCT system fees on an IPSAS basis increased by 8.4 per cent compared to 2017. In the IPSAS financial statements, revenue for international filing fees from PCT applications is recognized only on publication of the application. In 2018 there were 237,378 publications compared to 223,571 in 2017.

When looking at revenue from PCT international filing fees as recognized in accordance with IPSAS, the following graph shows how annual revenue has moved in line with the number of published applications in the year. Two factors led to higher numbers of publications in 2014 when compared to the trend for the other years presented in the graph. Firstly, in 2014 there were fifty-three weeks of publications, instead of the usual fifty-two. Secondly, there was a surge in PCT applications in March 2014 due to the entering into force one year earlier of the Leahy-Smith America Invents Act.

PCT - International filing fees and publications 2012-2018

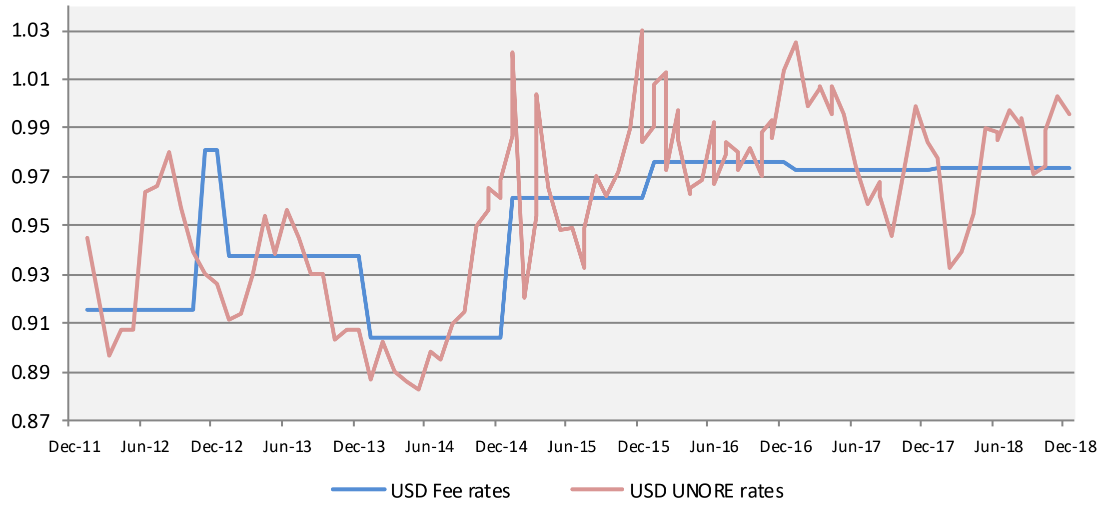


Exchange gains and losses are incurred on PCT international filing fees where these are received in currencies other than the Swiss franc. WIPO establishes equivalent amounts of fees in various currencies for each year according to the exchange rates prevailing on the first Monday of October of the preceding year. Equivalent amounts can be reset during the year if the exchange rate between the other currency and the Swiss franc is changed by 5.0 per cent or more for more than four consecutive Fridays. The equivalent amounts applicable at the date of filing an application determine how much an applicant should pay in the local currency. The actual amount recognized by WIPO in Swiss francs is determined by the United Nations Operational Rates of Exchange (UNORE) at the date of receipt of payment. The exchange gain or loss on fees arises as the difference between the equivalent Swiss franc fee and the actual amount in Swiss francs at the date of payment. In the year 2018, the Organization made a net exchange gain of 1.7 million Swiss francs on PCT fees received (international filing fees and handling fees). Gains concerned principally fees in Japanese yen and euro (1.3 million Swiss francs and 0.9 million Swiss francs respectively), while an exchange loss of 0.4 million Swiss francs was incurred on fees received in US dollar. This net exchange gain follows gains in both 2017 and 2016, although in 2015, 2014 and 2013 WIPO incurred a net exchange loss on fees received:

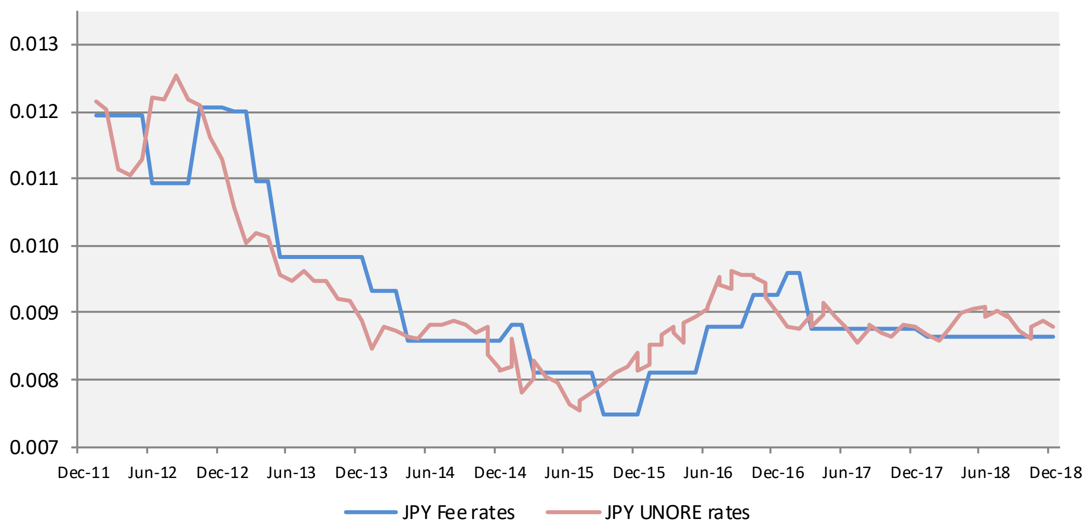
Detail of exchange gain/(loss) on PCT fees received 2012-2018

	2018	2017	2016	2015	2014	2013	2012
			(in millions of Swiss francs)				
Currency of fee payment:							
US dollar	-0.4	0.4	0.7	2.6	0.1	-1.5	4.2
Japanese yen	1.3	-1.2	4.4	-1.6	-1.3	-4.9	1.8
Euro	0.9	1.1	0.4	-1.4	-0.4	0.7	-0.1
Other currencies	-0.1	0.1	-0.3	-0.3	-0.1	-0.3	1.6
Total exchange gain/(loss) on fees received	**1.7**	**0.4**	**5.2**	**-0.7**	**-1.7**	**-6.0**	**7.5**

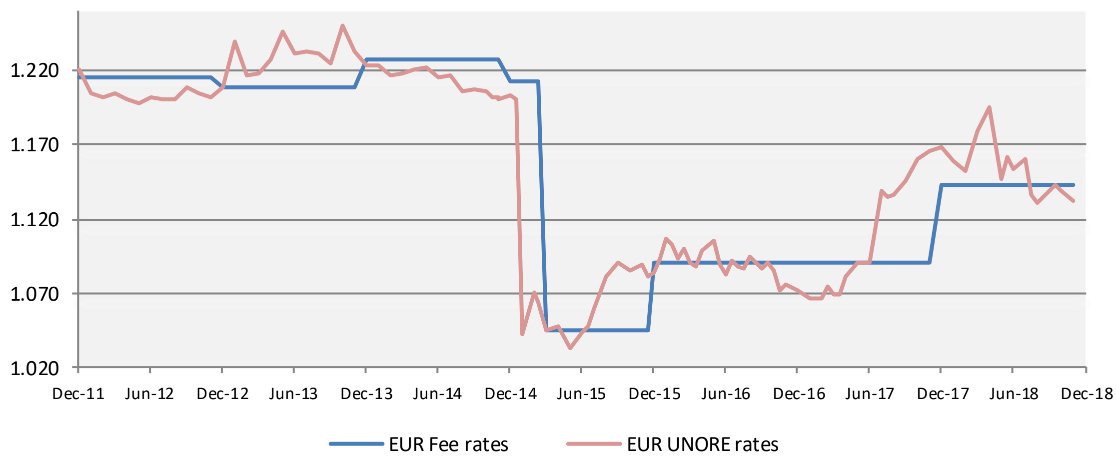
USD – Comparison of PCT equivalent amount rate and UNORE 2012-2018



JPY – Comparison of PCT equivalent amount rate and UNORE 2012-2018



EUR – Comparison of PCT equivalent amount rate and UNORE 2012-2018



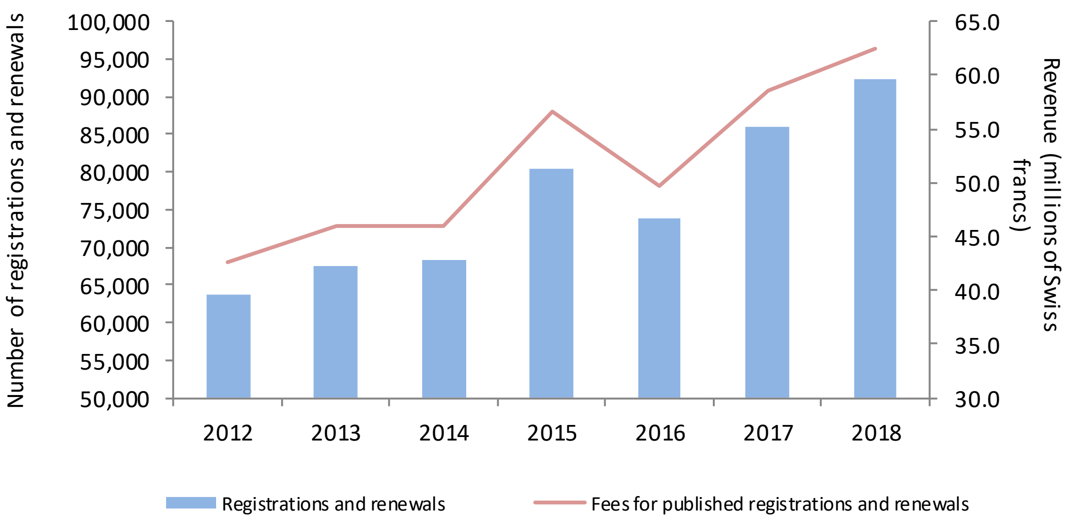
Madrid system fees principally comprise basic fees received from applications for registrations or renewals and fees for subsequent designations:

Detail of Madrid system fees 2012-2018

	2018	2017	2016	2015	2014	2013	2012
	(in millions of Swiss francs)						
Basic fees (registrations and renewals)	62.4	58.5	49.7	56.7	46.0	45.9	42.7
Subsequent designations	5.8	5.5	4.8	5.5	4.7	4.5	4.0
Other fees	6.1	5.9	5.1	5.7	4.4	5.0	4.9
Total Madrid system fees	**74.3**	**69.9**	**59.6**	**67.9**	**55.1**	**55.4**	**51.6**

In accordance with IPSAS, revenue from Madrid fees for registrations, renewals and subsequent designations is recognized in the financial statements upon publication. Revenue from registrations and renewals (but not including other fees) as recognized in accordance with IPSAS has moved in line with the number of registrations and renewals in the year. In 2016, revenue from Madrid system fees fell by 12.2 per cent compared to 2015, due largely to an increased backlog in registrations linked in part to system issues with the Madrid International Registration Information System. In 2017 WIPO made a significant effort to clear the backlog, and revenue from Madrid system fees increased by 17.3 per cent compared to the prior year. In 2018, Madrid system registrations continued to grow, totaling 60,071, against 56,267 in 2017.

Madrid - basic fees and registrations/renewals 2012-2018



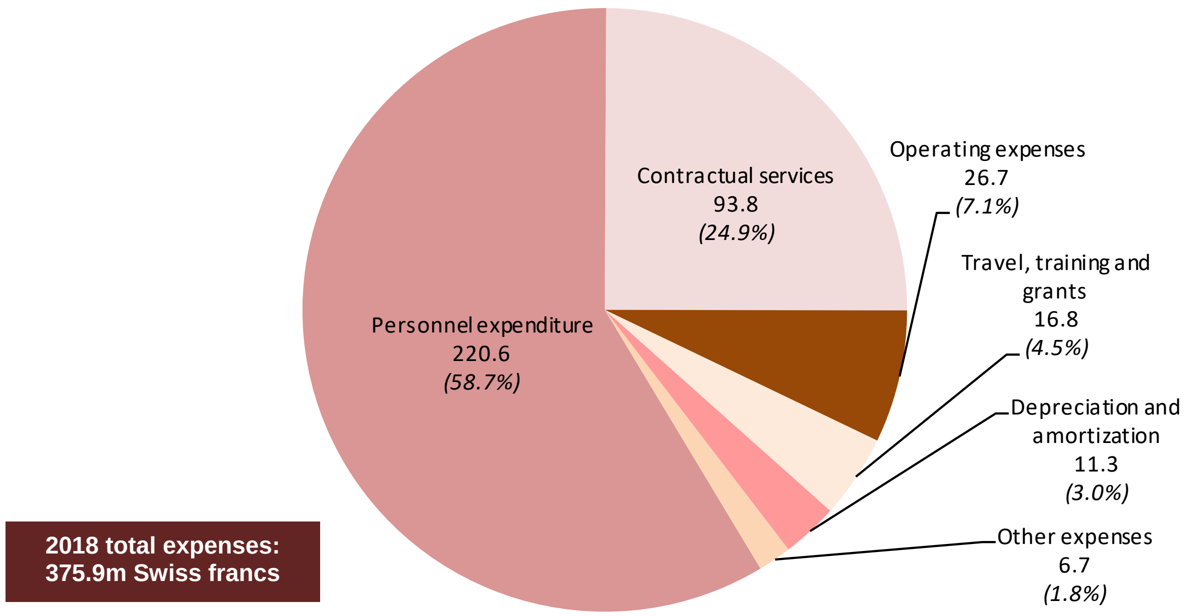
Hague system fees totaled 4.9 million Swiss francs for 2018, representing a slight decrease on the 2017 figure of 5.1 million Swiss francs. Lisbon system fees totaled 31 thousand Swiss francs in 2018, compared to 39 thousand Swiss francs in 2017.

Revenue from assessed contributions of 17.4 million Swiss francs in 2018 represents 4.1 per cent of total revenue, while revenue from voluntary contributions of 11.6 million Swiss francs in 2018 represents 2.7 per cent of total revenue. Voluntary contributions in 2018 were received under Special Accounts, for which revenue is recognized as work is performed and expense incurred in line with the relevant agreement. In 2017 voluntary contributions also included 0.9 million Swiss francs of subventions received under Article 11(3)(iii) of the Lisbon Agreement.

Arbitration and mediation revenue of 1.8 million Swiss francs was up by 0.1 million Swiss francs on the prior year, while publications revenue of 0.5 million Swiss francs was 0.3 million Swiss francs higher than in 2017. Other/miscellaneous revenue had a negative total of 1.3 million Swiss francs in 2018, due to the impact of foreign exchange losses during the year. The prior year positive total of 5.9 million Swiss francs was mainly the result of the reversal of unused provisions for legal costs during 2017.

Expense Analysis

Composition of 2018 expenses on an IPSAS basis
(in millions of Swiss francs)



Detailed breakdown of 2018 expenses

(in millions of Swiss francs)

Personnel expenditure 220.6	Posts	206.8
	Temporary staff	9.1
	Other staff costs	4.7
Contractual services 93.8	Conferences	4.8
	Individual contractual services	15.2
	Other contractual services	73.8
Operating expenses 26.7	Premises and maintenance	23.2
	Communication	2.2
	Representation & other operating expenses	0.5
	United Nations joint services	0.8

Travel, training and grants 16.8	Staff missions	5.7
	Third-party travel	9.1
	Training and related travel grants	2.0
Depreciation and amortization 11.3	Buildings depreciation	9.3
	Equipment depreciation	0.6
	Intangible assets amortization	1.4
Other expenses 6.7	Internships and WIPO fellow ships	4.4
	Supplies and materials	1.7
	Furniture and equipment	0.4
	Finance costs	0.2

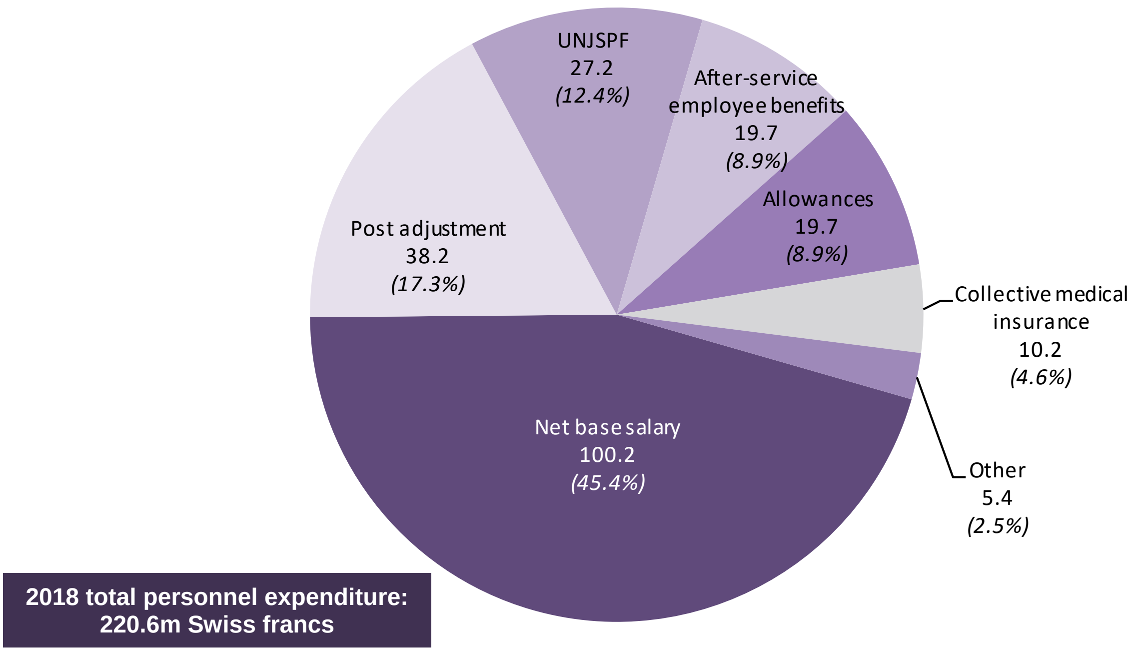
Total expenses of the Organization for 2018 were 375.9 million Swiss francs, representing a decrease of 4.8 per cent compared to 2017 total expenses of 394.8 million Swiss francs. The largest expense for the Organization was personnel expenditure of 220.6 million Swiss francs, representing 58.7 per cent of total expenses. Contractual services of 93.8 million Swiss francs were the second largest expense for the Organization, followed by operating expenses of 26.7 million Swiss francs. The table below provides a summary of the changes by expense type compared to the prior year:

Change in expenses 2017 - 2018

	2018	2017	Net Change	Net Change
		(in millions of Swiss francs)		%
Expenses				
Personnel expenditure	220.6	228.6	-8.0	*-3.5*
Internships and WIPO fellow ships	4.4	3.8	0.6	*15.8*
Travel, training and grants	16.8	18.2	-1.4	*-7.7*
Contractual services	93.8	89.4	4.4	*4.9*
Operating expenses	26.7	26.3	0.4	*1.5*
Supplies and materials	1.7	3.5	-1.8	*-51.4*
Furniture and equipment	0.4	1.7	-1.3	*-76.5*
Depreciation and amortization	11.3	11.3	-	-
Finance costs	0.2	12.0	-11.8	*-98.3*
Total expenses	**375.9**	**394.8**	**-18.9**	***-4.8***

Personnel expenditure comprises principally net base salary and post adjustments for staff in posts or temporary positions. Combined these represent 138.4 million Swiss francs, 62.7 per cent of total personnel expenditure for 2018. The next largest element of personnel expenditure is the Organization's contributions to the United Nations Joint Staff Pension Fund (UNJSPF), which totaled 27.2 million Swiss francs in 2018. WIPO's mandated contribution to the UNJSPF is currently 15.8 per cent of a staff member's pensionable remuneration. After-service employee benefits of 19.7 million Swiss francs represent the cost to the Organization of ASHI, repatriation grant and travel, and accumulated annual leave. The expense for 2018 is equivalent to the actual cash payments for these benefits, plus the movement in the amount of the total liability in the year, excluding actuarial gains on the ASHI liability which are recognized directly in net assets. Allowances of 19.7 million Swiss francs represent 8.9 per cent of total staff expenditure. Allowances include principally dependency allowances for 7.6 million Swiss francs, education grant for 5.8 million Swiss francs and home leave for 1.5 million Swiss francs. The cost of the Organization's contribution to monthly collective medical insurance premiums for active staff totaled 10.2 million Swiss francs for the year 2018. Other personnel expenditure of 5.4 million Swiss francs mainly includes the impact of the recognition of provisions for litigation with WIPO personnel.

Composition of 2018 personnel expenditure on an IPSAS basis
(in millions of Swiss francs)



Total personnel expenditure in 2018 of 220.6 million Swiss francs has decreased by 3.5 per cent compared to total personnel expenditure of 228.6 million Swiss francs in 2017. The table below provides a detailed breakdown of personnel expenditure and the variance compared to 2017:

Change in personnel expenditure 2017 – 2018

	2018	2017	Net Change	Net Change
		(in millions of Swiss francs)		%
Net base salary	95.8	94.5	1.3	*1.4*
Post adjustment	35.9	37.6	-1.7	*-4.5*
UNJSPF contribution	25.9	25.4	0.5	*2.0*
Allowances	19.1	19.7	-0.6	*-3.0*
After-service employee benefits	19.7	24.2	-4.5	*-18.6*
Collective medical insurance	9.7	9.5	0.2	*2.1*
Other post staff expenditures	0.7	5.6	-4.9	*-87.5*
Staff in posts expenditure	**206.8**	**216.5**	**-9.7**	***-4.5***
Net base salary	4.4	6.1	-1.7	*-27.9*
Post adjustment	2.3	3.2	-0.9	*-28.1*
UNJSPF contribution	1.3	1.7	-0.4	*-23.5*
Allowances	0.6	0.5	0.1	*20.0*
Collective medical insurance	0.5	0.7	-0.2	*-28.6*
Staff in temporary positions expenditure	**9.1**	**12.2**	**-3.1**	***-25.4***
Other staff costs	**4.7**	**-0.1**	**4.8**	***-4800.0***
Total personnel expenditure	**220.6**	**228.6**	**-8.0**	***-3.5***

The expense for staff in posts has decreased by 9.7 million Swiss francs compared to 2017, while the expense for staff in temporary positions has also fallen, by 3.1 million Swiss francs. The decrease in the expense for staff in posts is largely due to the after-service employee benefits cost. This has decreased by 4.5 million Swiss francs compared to 2017. Although overall the ASHI liability fell only slightly between 2017 and 2018, this was due to actuarial gains which were recognized directly in net assets and did not impact personnel expenditure. The decrease in the expense for staff in posts also concerned the WIPO Rewards and Recognition Program (RRP), which in 2018 did not include the Organizational performance reward amounting to approximately 2.9 million Swiss francs in 2017, and a reduction of 1.7 million Swiss francs due to implementation of the revised post adjustment multiplier (PAM) for Geneva in March 2018 and June 2018. Other staff costs presented separately in the table above represent costs common to both posts and temporary positions (professional accident insurance, Closed Pension Fund costs and litigation costs). Other staff costs have increased by 4.8 million Swiss francs compared to 2017, primarily due to movements in legal provisions related to WIPO personnel.

The cost of interns and WIPO fellowships is shown separately in the financial statements. Internships and WIPO fellowships are not included as part of personnel expenditure as they are not covered by WIPO's Staff Regulations and Rules (SRR). WIPO fellowships aim to provide individuals with experience to strengthen their knowledge and professional competence. The cost of internships and WIPO fellowships in 2018 was 4.4 million Swiss francs, compared to the prior year figure of 3.8 million Swiss francs.

Travel, training and grants totaled 16.8 million Swiss francs for 2018, and account for 4.5 per cent of total expenses. This represents a decrease of 1.4 million Swiss francs compared to 2017. Both third-party travel (conference participants and lecturers) expense and staff mission costs were lower than in 2017 (by 1.1 million Swiss francs and 0.2 million Swiss francs respectively).

Contractual services in 2018 totaled 93.8 million Swiss francs. These expenses have increased by 4.4 per million Swiss francs compared to the 2017 figure. Contractual services in the year 2018 concern primarily commercial translation services (29.5 million Swiss francs), IT commercial services (19.7 million Swiss francs), individual contractual services (15.2 million Swiss francs), and International Computing Centre services (11.9 million Swiss francs).

Operating expenses in 2018 totaled 26.7 million Swiss francs, broadly in line with the 2017 total of 26.3 million Swiss francs. Operating expenses in 2018 comprise mainly premises and maintenance costs (23.2 million Swiss francs) and communication expenses (2.2 million Swiss francs).

Expenses for supplies and materials have decreased from 3.5 million Swiss francs in 2017 to 1.7 million Swiss francs in 2018. Furniture and equipment expenses are also lower, totaling 0.4 million Swiss francs in 2018 compared to 1.7 million Swiss francs in 2017, largely due to higher IT equipment purchases in 2017. Furniture and equipment expenses concern those items which do not meet the Organization's threshold of 5,000 Swiss francs for capitalization.

As previously noted, expenses under IPSAS include the depreciation expense of buildings and equipment and the amortization expense of intangible assets, as the cost of these assets is spread over their useful lives. For 2018, depreciation and amortization total 11.3 million Swiss francs, which is the same as the charge in 2017.

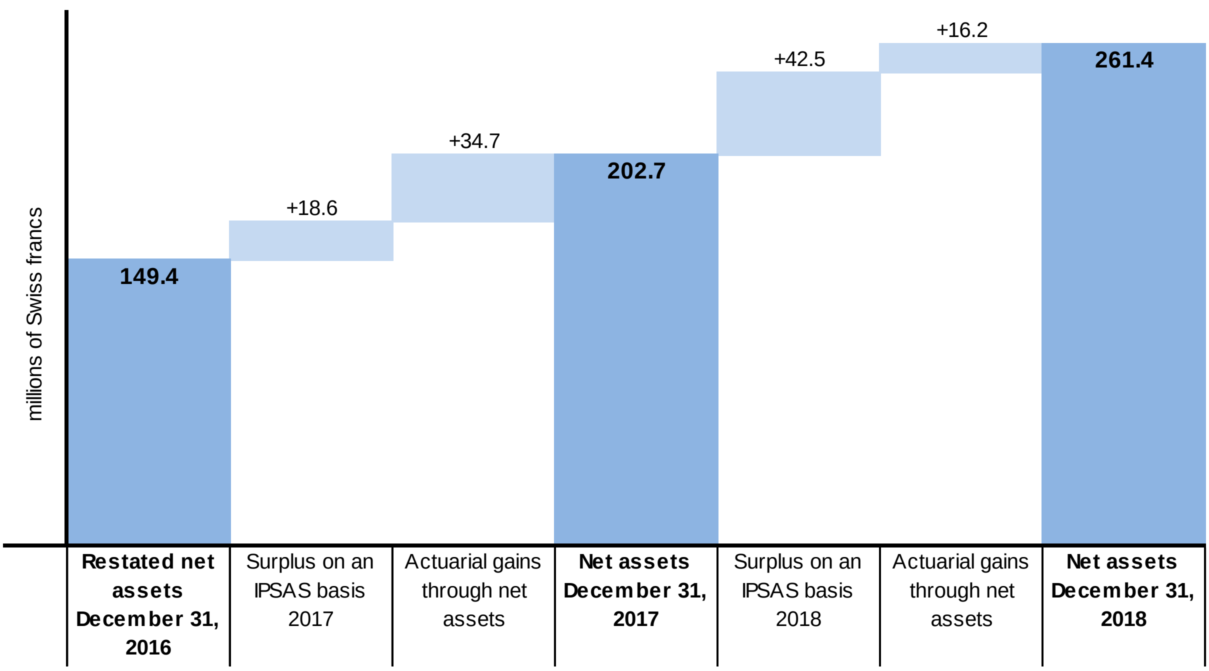
Finance costs totaled 0.2 million Swiss francs in 2018, compared to 12.0 million Swiss francs in 2017. The 2018 finance costs are comprised entirely of bank charges. In 2017 the Organization took the decision to repay in full the balance of the BCG/BCV loan, which incurred a penalty charge of 11.6 million Swiss francs (calculated by reference to the present value of all outstanding interest due on the loan).

Financial Position

As at December 31, 2018, the Organization had net assets of 261.4 million Swiss francs, with total assets of 1,085.2 million Swiss francs and total liabilities of 823.8 million Swiss francs. Following WIPO's implementation in 2017 of IPSAS 39 Employee Benefits, the net assets of 2016 were restated for presentation in the financial statements.

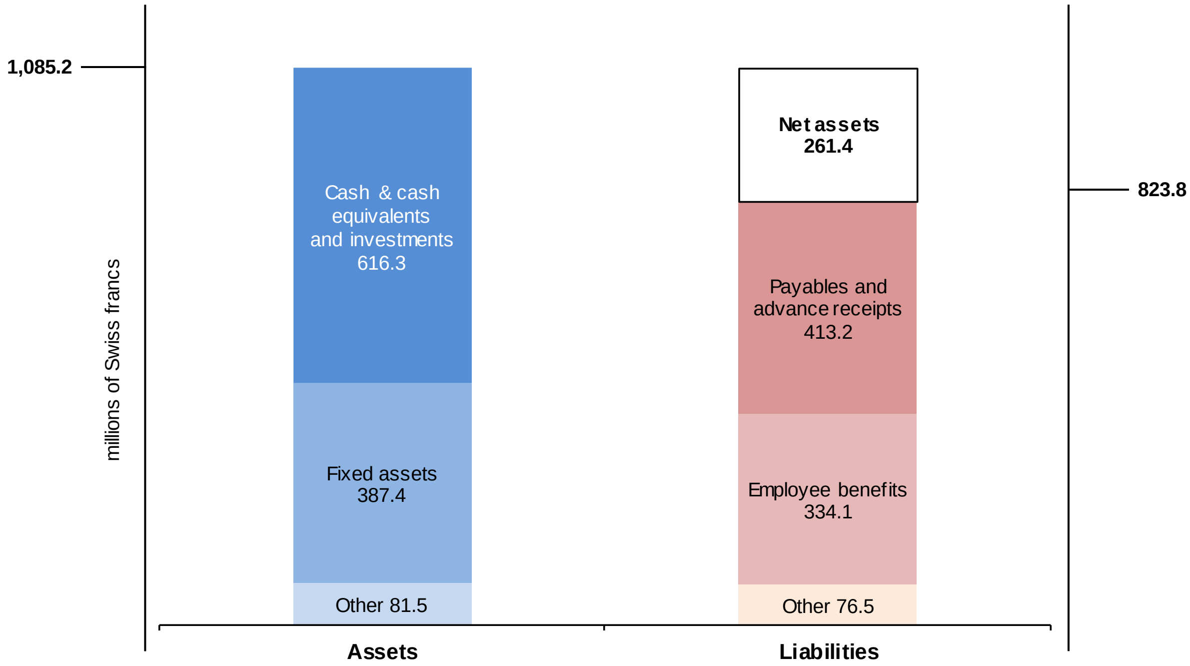
Under IPSAS 39, actuarial gains and losses, related to WIPO's liability for ASHI, are recognized in the financial statements. The increase in net assets between 2016 and 2018 of 112.0 million Swiss francs is due to the surplus in both 2017 and 2018, and also actuarial gains in both years following the valuation of WIPO's ASHI liability:

Movement in net assets 2016 to 2018



The following chart provides a summary of the Statement of Financial Position of WIPO as at December 31, 2018. Total assets of 1,085.2 million Swiss francs are composed primarily of cash, cash equivalents, investments and fixed assets. Total liabilities of 823.8 million Swiss francs are principally payables and advance receipts, and employee benefits:

Summary of assets and liabilities December 31, 2018



Assets

The Organization has cash, cash equivalents and investment balances of 616.3 million Swiss francs, representing 56.8 per cent of total assets. This includes amounts totaling 182.8 million Swiss francs which are classified as restricted, and amounts totaling 125.8 million Swiss francs which represent strategic cash. The total balance of 616.3 million Swiss francs is 72.5 million Swiss francs higher than the balance of 543.8 million Swiss francs at the end of 2017. The balance of cash and equivalents has increased despite the Organization repaying in full the remaining balance of 16.9 million of its loans with FIPOI.

The Organization holds significant fixed assets (land, buildings, intangible assets and equipment) with a total net book value of 387.4 million Swiss francs. During 2018, costs totaling 5.2 million Swiss francs for additions and improvements to existing buildings were capitalized. Part of these improvements entailed the partial demolition of components of existing buildings, with an estimated impact on net book value of 3.7 million Swiss The total depreciation and amortization charge against all fixed assets was 11.3 million Swiss francs for 2018.

The following table summarizes the fixed assets held by the Organization. Land and property is classified differently under IPSAS depending on the purpose for which it is used, or the nature of the contractual right or agreement under which it is held. Apart from the land and property included in the table as fixed assets, the Organization leases additional depots and storage facilities in Geneva, and has leases for some of its external offices (see Note 21). The Organization has also been granted land surface rights on which certain headquarter buildings are located. These rights, acquired at no cost, are not recognized in the financial statements but are disclosed (see Note 10).

Fixed assets as at December 31, 2018

	December 31, 2018 Net Carrying Amount	Classification in the Financial Statements
	(in millions of Swiss francs)	
New Building Site	30.8	*Land (Note 11)*
Security Perimeter	8.1	*Buildings and Constructions in Use (Note 11)*
New Conference Hall	61.6	*Buildings and Constructions in Use (Note 11)*
New Building	144.6	*Buildings and Constructions in Use (Note 11)*
A. Bogsch Building	44.3	*Buildings and Constructions in Use (Note 11)*
G. Bodenhausen Building I	9.7	*Buildings and Constructions in Use (Note 11)*
G. Bodenhausen Building II	3.5	*Buildings and Constructions in Use (Note 11)*
PCT Building	58.8	*Buildings and Constructions in Use (Note 11)*
Land surface rights	24.3	*Intangible Assets (Note 10)*
Software (acquired and developed)	0.7	*Intangible Assets (Note 10)*
Equipment	0.8	*Equipment (Note 8)*
Furniture and furnishings	0.2	*Furniture and furnishings (Note 8)*
Total fixed assets	**387.4**	

Other assets of the Organization totaling 81.5 million Swiss francs include accounts receivable, inventories and advance payments. Within this, the most significant balance is PCT debtors totaling 55.6 million Swiss francs. At any given time, a significant number of PCT applications have been filed with receiving Offices and possibly received by WIPO, for which no corresponding fee payment has been received by the Organization. The balance of PCT debtors has increased compared to the prior year, when it totaled 50.8 million Swiss francs. This increase is a result of higher PCT applications in 2018, with the percentage of unpaid applications at year end remaining consistent between the two years at between 15 to 16 per cent of filings in the year.

Liabilities

As at December 31, 2018, payables and advance receipts total 413.2 million Swiss francs, and principally include deferred revenue for the processing of international applications (under the PCT, Madrid and Hague systems) for 268.3 million Swiss francs. This deferred revenue balance mainly concerns PCT system fees of 264.9 million Swiss francs. Revenue from fees relating to the processing of international applications is deferred until the related application is published. At any given time, a number of PCT applications will have been filed with either receiving Offices or WIPO which have yet to be published. As at December 31, 2018, for applications with a 2017 or 2018 filing date, it is estimated that approximately 191,286 applications were unpublished. At the end of the prior year 2017, approximately 184,601 applications filed in 2016 or 2017 were unpublished and the deferred revenue balance for PCT system fees was 252.2 million Swiss francs.

Employee benefit liabilities of 334.1 million Swiss francs are mainly comprised of the ASHI liability of 303.1 million Swiss francs, which represents 90.7 per cent of the total employee benefits liability as at December 31, 2018. The ASHI liability has however decreased slightly by 1.2 million Swiss francs compared to the 2017 balance. The liability is calculated by an independent actuary, and reflects the acquired future cost of WIPO's share of collective medical insurance premiums for both existing WIPO retirees and the projected number of active WIPO staff who will retire in the future.

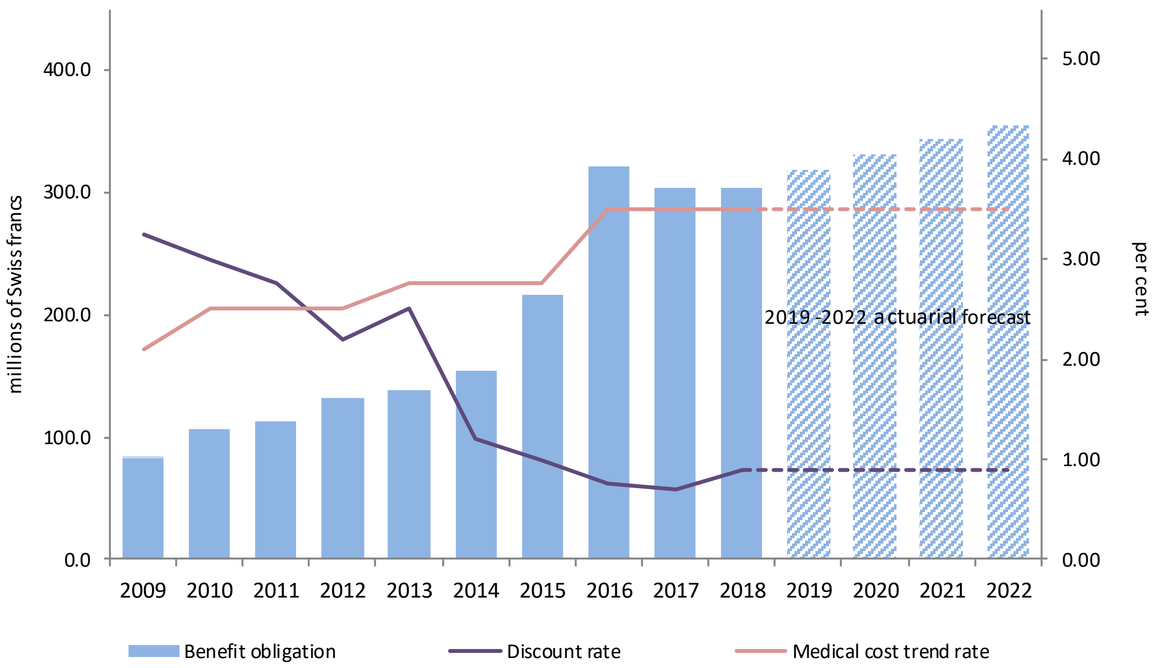
Composition of employee benefits liabilities as at December 31, 2018

	December 31, 2018	Percentage of Liability
	(in millions of Swiss francs)	%
After-Service Health Insurance (ASHI)	303.1	*90.7*
Repatriation grant and travel	17.1	*5.1*
Accumulated leave	8.2	*2.5*
Closed Pension Fund	2.0	*0.6*
Education grant	2.0	*0.6*
Accrued overtime	0.1	*0.0*
Home leave	0.5	*0.2*
Separation benefits	0.3	*0.1*
Performance rewards	0.8	*0.2*
Total employee benefit liabilities	**334.1**	***100.0***

The ASHI liability is based on a calculation performed by an independent actuary, which incorporates a number of actuarial assumptions. These include the discount rate, medical cost trend rates, staff turnover rates and mortality rates. Changes to these assumptions year on year lead to actuarial gains and losses. Previously under IPSAS, WIPO applied the corridor approach to its accounting treatment of these actuarial gains and losses, meaning that they were not immediately recognized in the financial statements. Following the introduction of IPSAS 39, which WIPO implemented in 2017, these actuarial gains and losses are recognized as part of the liability in the Statement of Financial Position. The graph below shows how both the ASHI liability (representing the benefit obligation including accumulated actuarial losses) has developed since 2009, and includes actuarial forecasts for 2019-2022 (applying the same assumptions as for the 2018 calculation). The graph also shows how discount rates and medical cost trend rates have changed since 2009. It is noted that following seven years of increase in the liability, in 2017 the liability fell by 16.5 million Swiss francs, and the 2018 liability also fell by a further 1.2 million Swiss francs. The 2017 decrease was largely due to the impact of changed mortality tables, following a project to apply consistent actuarial assumptions across the United Nations system. The 2018 decrease was mainly due to an increase in the discount rate from 0.7% to 0.9%.

Other liabilities of the Organization are mainly comprised of current accounts held on behalf of applicants and contracting parties, totaling 70.6 million Swiss francs. The Organization has also recognized legal provisions totalling 5.6 million Swiss francs at the end of 2018, which concern disputes with WIPO personnel. Following the repayment of its loans with FIPOI in January 2018, the Organization no longer has any borrowings at the end of 2018.

Movement in ASHI liability (benefit obligation) 2009 - 2022



Cash Flow

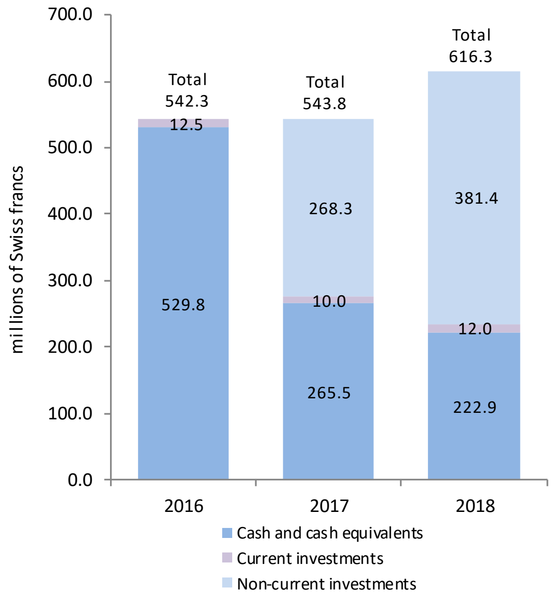
The Organization's cash, cash equivalents and investments balance as at December 31, 2018 is 616.3 million Swiss francs, compared to 543.8 million Swiss francs as at December 31, 2017. This balance has been increasing since 2011. The significant increase of 72.5 million Swiss francs between 2017 and 2018 has been achieved despite the early repayment of the FIPOI loans in January 2018, which required a cash outflow of 16.9 million Swiss francs.

This loan repayment decision was taken in accordance with the objective of capital preservation, as stipulated in WIPO's Policy on Investments. Given existing interest rate conditions, including negative interest rates for Swiss franc deposits, there is a cost avoidance benefit from repaying the loans when compared to investment of the funds in a risk-free Swiss franc asset of comparable tenor.

The Organization generally holds its cash deposits in instant access bank accounts. During 2018 the Organization continued to hold balances in term deposit accounts (for periods up to 12 months). This has allowed the Organization to avoid incurring charges on certain instant access bank accounts following the introduction of negative interest rates during 2016.

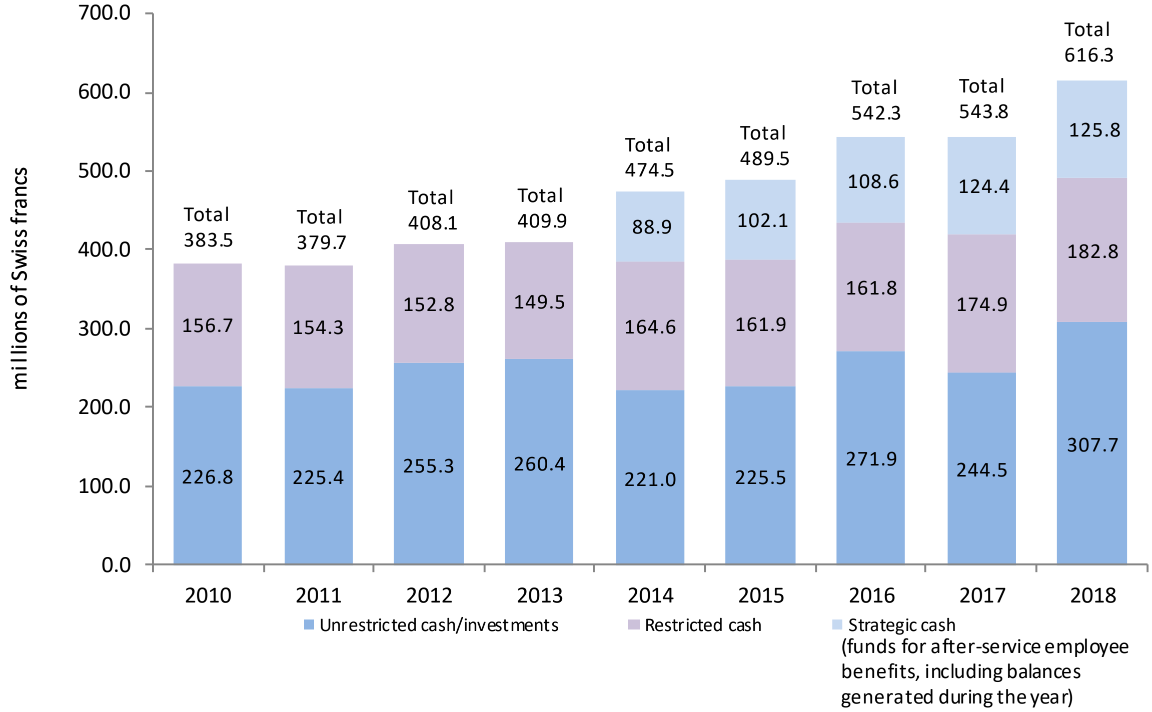
In February 2018 the Organization completed the implementation of its Policy on Investments which started during 2017. This has resulted in a significant transfer of funds from cash and cash equivalents to non-current investments. As at December 31, 2018, WIPO's medium-term investment portfolio (core cash investments) has a fair value of 261.1 million Swiss francs, and the long-term investment portfolio (strategic cash investments) has a fair value of 120.3 million Swiss francs). These balances are included in the Organization's 2018 total cash, cash equivalents and investments balance of 616.3 million Swiss francs, which means that as at December 31, 2018, approximately 61.9 per cent of the total balance is held in non-current investments. This represents a significant change in the profile of WIPO's cash, cash equivalents and investments since WIPO began implementing its investment strategy in 2017. WIPO's non-current investments are held at fair value in the Statement of Financial Position. During 2018, these investments generated unrealized losses of 17.0 million Swiss francs due to a decline in the valuation of WIPO's strategic cash and core cash investment portfolio assets at the reporting date. These changes in valuation reflect short term market volatility. Core cash balances are invested with the objective of generating a positive return over rolling five year periods, and strategic cash balances are invested over the long term. WIPO's investments generated dividends of 4.2 million Swiss francs during 2018.

Cash vs Investments 2016-2018



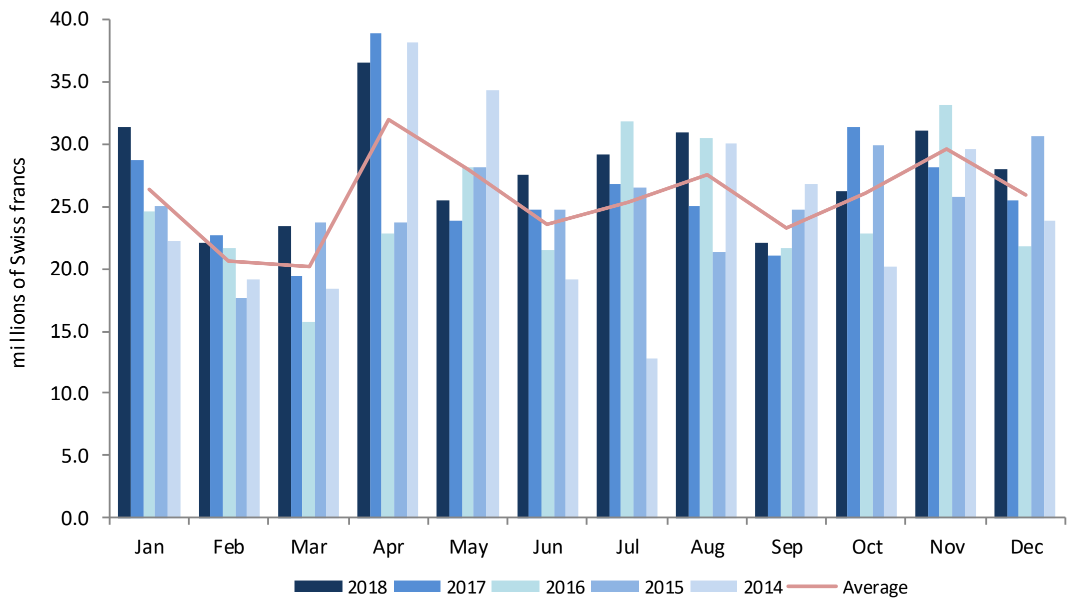
In the financial statements cash, cash equivalents and investments are also presented separately between restricted, unrestricted and strategic cash balances. There are several elements of cash and cash equivalents which are classified as restricted. Restricted cash includes current accounts held for third parties (applicants under the PCT, Madrid and Hague systems, and also certain contracting parties), fees collected on behalf of contracting parties, deposits received in connection with pending procedures related to trademarks, and Special Accounts held on behalf of donors of voluntary contributions. Strategic cash represents the funds held by the Organization which have been allocated for the future financing of after-service employee benefit liabilities, including ASHI. The balance of strategic cash was 125.8 million Swiss francs as at December 31, 2018. This includes the long-term investment portfolio (including unrealized gains) of 120.3 million Swiss francs, and cash balances yet to be invested of 5.5 million Swiss francs. These balances include the additional amounts generated in 2018 from the Program and Budget charge applied to the cost of posts for the funding of after-service employee benefit liabilities.

Unrestricted, restricted and strategic cash 2010-2018



The principal cash inflows to the Organization are payments of PCT system fees. Monthly cash inflows from PCT system fees averaged 27.9 million Swiss francs during the year 2018 compared to 26.4 million Swiss francs during the year 2017. As can be seen from the following table, there can be significant variations in the cash inflows between months. Inflows from PCT system fees were notably higher in April 2018 compared to other months in the year mainly due to catch-up payments from two receiving Offices.

Monthly PCT system cash inflows 2014-2018



STATEMENT ON INTERNAL CONTROL FOR 2018

Scope of Responsibility

As Director General of the World Intellectual Property Organization (WIPO), I am accountable, in accordance with the responsibility assigned to me, in particular, by Regulation 5.8 (d) of the Financial Regulations and Rules (FRRs), for maintaining a system of internal financial control that ensures:

(i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;
(ii) the conformity of obligations and expenditures with appropriations or other financial provisions approved by the General Assembly or with the purposes and rules relating to specific trust funds;
(iii) the effective, efficient and economic use of the resources of the Organization in pursuit of achieving the Expected Results of the Organization.

Purpose of the system of internal control

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieving the Organization's goals, results and implementing and complying with related policies. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically.

Internal control is a process, effected by the Governing Bodies, the Director General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations and safeguarding of assets;
- Reliability of financial reporting; and
- Compliance with applicable rules and regulations.

Thus, on an operational level, WIPO's internal control system is not solely a policy or procedure that is performed at certain points in time, but rather continually operated at all levels within the Organization through internal control processes to ensure the above objectives.

My current statement on WIPO's internal control processes, as described above, applies for the year ended December 31, 2018, and up to the date of the approval of the Organization's 2018 financial statements.

Risk management and control framework

The Organization has robust and comprehensive results based management processes in place, guiding all its operations with a focus on managing for results. Financial and programmatic reporting to Member States has been consolidated and streamlined in accordance with the FRRs, to minimize duplications and overlaps, and enhance coherence, clarity and transparency without any loss or reduction of information or disclosure.

Risk management is fully integrated into biennial as well as annual work planning, and the Organization's risk and internal controls management framework is fully embedded in its regulatory framework. Risks are clearly identified and articulated in the Program and Budget for every Program, and the biennial WIPO Performance Report presented to Member States includes a review of the evolution and impact of these risks on the delivery of Expected Results for every Program. Regular reporting is done with respect to critical program and organizational risks, the Organization's overall risk portfolio, as well as the global risk environment to WIPO's Risk Management Group (RMG), which is chaired by me.

Within the overall risk management framework of the Organization, WIPO also proactively manages its information security related risks through the successful maintenance of the ISO/IEC 27001 information security certification verified by independent certification bodies, which currently covers all Global IP Systems, the Arbitration and Mediation Center, as well as the Hire-to-Retire and Procure-to-Pay Processes. In 2018, WIPO implemented an Information Security Operations Center to provide 24/7 monitoring and response to information security incidents, increasing its ability to rapidly detect and contain these.

WIPO's Procurement Manual was substantially updated in 2018, completing the process that began with revision of the Organization's FRRs and its procurement policy. Training on supplier selection and supplier evaluation was provided to WIPO contract managers. In order to manage risks posed by external service providers processing WIPO information, a Service Provider Security Policy has been implemented, whereby information risks from external service providers are continually assessed and managed from procurement through to termination of the service. The rules governing Meetings and Official Hospitality were updated, ensuring greater accountability, particularly in the realm of meetings and events to which WIPO contributes financially.

Appropriate fraud prevention, detection, response and data collection procedures and processes exist in the Organization, reflecting WIPO's comprehensive anti-fraud governance framework. A Roadmap for the continued strengthening of the framework, spanning three biennia, was approved in early 2018, and its implementation is monitored by the RMG. Strong collaboration between the second and third Lines of Defense has enabled excellent progress to be made in the course of 2018, with the completion of a comprehensive fraud risk assessment exercise, the revision of WIPO's anti-fraud policy, and the compilation of a fraud risk awareness raising training program. The reporting of alleged fraud is further supported by policies which encourage the reporting of misconduct and provide protection against retaliation.

WIPO's new Policy on Financial Disclosure and Declaration of Interests, issued in November 2017 and implemented for the first time in 2018, aims to: (i) promote transparency and accountability; (ii) enhance internal and external public trust in the integrity of the Organization; and (iii) assist the Organization to manage the risk of actual and perceived conflicts of interest through disclosure, mitigation and prevention. Disclosures are reviewed by an external professional Review body (KPMG), using similar tools for review of WIPO disclosures as are used for other UN and multilateral bodies.

The implementation of investment strategies based upon the Policy on Investments, as amended by the Assemblies in 2017, was completed by mid-February 2018. This work was reviewed and supervised during the year by the Advisory Committee on Investments (ACI), with the assistance of independent investment advisors. WIPO's cash position remained sound throughout 2018.

Review of effectiveness

My review of effectiveness of the system of internal controls is mainly informed by:

- My senior managers, in particular Deputy Directors General and Assistant Directors General, who play important roles and are accountable for achieving expected results, implementing their units' activities, and managing the resources entrusted to them. The information channels mainly rely on periodic meetings held by the Senior Management Team;

- The Management Representation Letters signed by key WIPO officers, from which I derive assurance. These letters recognize their responsibility for having and maintaining, in the programs, well-functioning systems and a mechanism for internal control aimed at presenting and/or detecting instances of fraud and major errors. The assurance provided by key WIPO officers is underpinned by a systematic process of self-assessment and internal validation of entity level controls as well as key process level controls identified on the basis of the requirements of the FRRs as well as the Staff Regulations and Rules;

- The RMG, whose purpose is to promote a culture of responsible and effective financial and risk management in WIPO and approve its risk management strategy. The RMG is responsible for keeping under review the effectiveness of the Organization's internal controls and risk management systems, and for reviewing and approving the content of the present Statement concerning internal controls and risk management;

- The Chief Ethics Officer, who provides confidential advice and counsel to staff and senior managers on ethical behavior, standards of conduct, conflicts of interest, etc., and promotes overall ethical awareness and responsible behavior. The Chief Ethics Officer is also responsible for the implementation of the policies on financial disclosure and declaration of interests, and for protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations;

- The Internal Oversight Division (IOD), on whose assurance and advisory services I rely, through reports of internal audit and evaluation as well as management implication reports resulting from investigations, which are also available to the Independent Advisory Oversight Committee (IAOC) and the External Auditor. These reports include independent and objective information on the efficiency and effectiveness of the Organization's system of internal controls and risk management processes, as well as program performance, and other related activities of oversight;

- The IAOC, which oversees performance of Internal Oversight by monitoring of timely, effective and appropriate responses from management with regard to oversight recommendations and implementation of the same. As a result of such oversight the IAOC elucidates to Member States the implications of oversight recommendations and observations, if any, and also highlights, where it considers necessary, particular matters. Finally, the IAOC keeps Member States informed of its work on a regular basis and reports annually to the Program and Budget Committee (PBC) and to the General Assembly;

- The Joint Inspection Unit (JIU) of the United Nations System;
- The External Auditor, whose Report, containing his/her opinion, observation and comments, is submitted to the PBC and the Assemblies; and
- The Governing Bodies' observations.

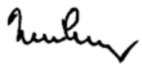
Conclusion

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance.

Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.

As Director General, I ensure that the "tone at the top" is a clear message that rigorous internal control is critical to the Organization and I am committed to addressing any weaknesses in internal controls noted during the year and to ensure that continuous improvement of the system of internal controls is in place.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses that would prevent the External Auditor from providing an unqualified opinion on the Organization's financial statements, nor are there significant matters arising which would need to be raised in the present document for the year ending December 31, 2018



Francis Gurry
Director General

FINANCIAL STATEMENTS

STATEMENT I – STATEMENT OF FINANCIAL POSITION

as at December 31, 2018

(in thousands of Swiss francs)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	3	222,920	265,452
Investments	4	12,000	10,000
Derivative financial instruments	5	-	921
Contributions receivables	6	1,510	965
Exchange transactions receivables	6	70,136	62,434
Inventories	7	1,298	1,349
		307,864	341,121
Non-current assets			
Investments	4	381,418	268,319
Equipment	8	1,054	1,455
Investment property	9	-	6,210
Intangible assets	10	24,994	26,414
Land and buildings	11	361,334	369,168
Contributions receivables	6	210	225
Other non-current assets	12	8,367	8,553
		777,377	680,344
TOTAL ASSETS		**1,085,241**	**1,021,465**
LIABILITIES			
Current liabilities			
Payables and accruals	13	16,536	17,896
Derivative financial instruments	5	314	-
Employee benefits	14	24,987	28,121
Transfers payable	15	96,646	93,901
Advance receipts	16	296,238	281,999
Borrowings	17	-	16,862
Provisions	18	5,588	2,008
Other current liabilities	19	70,578	64,479
		510,887	505,266
Non-current liabilities			
Employee benefits	14	309,138	309,605
Advance receipts	16	3,804	3,937
		312,942	313,542
TOTAL LIABILITIES		**823,829**	**818,808**
Accumulated Surpluses	23	328,732	305,953
Special Projects Reserve	23	31,497	11,790
Revaluation Reserve Surplus	23	17,266	17,266
Actuarial gains/(losses) through Net Assets	23	-122,425	-138,694
Working Capital Funds	23	6,342	6,342
NET ASSETS		**261,412**	**202,657**

The accompanying notes form an integral part of these financial statements

Director General

STATEMENT II – STATEMENT OF FINANCIAL PERFORMANCE

for the year ended December 31, 2018

(in thousands of Swiss francs)

	Note	2018	2017
REVENUE	25		
Assessed contributions		17,361	17,829
Voluntary contributions		11,605	12,096
Publications revenue		542	242
Fees			
PCT system		321,348	296,356
Madrid system		74,297	69,952
Hague system		4,919	5,076
Lisbon system		31	39
Sub-total fees		400,595	371,423
Arbitration and Mediation		1,810	1,689
Other/miscellaneous revenue		-1,349	5,860
TOTAL REVENUE		**430,564**	**409,139**
EXPENSES	26		
Personnel expenditure		220,597	228,594
Internships and WIPO fellowships		4,440	3,853
Travel, training and grants		16,764	18,195
Contractual services		93,838	89,422
Operating expenses		26,643	26,300
Supplies and materials		1,663	3,457
Furniture and equipment		382	1,669
Depreciation and amortization		11,302	11,350
Finance costs		209	12,007
TOTAL EXPENSES		**375,838**	**394,847**
Investment gains/(losses)	27	-12,240	4,337
SURPLUS/(DEFICIT) FOR THE PERIOD		**42,486**	**18,629**

STATEMENT III – STATEMENT OF CHANGES IN NET ASSETS

for the year ended December 31, 2018

(in thousands of Swiss francs)

	Note	Accumulated Surpluses	Special Projects Reserve	Revaluation Reserve Surplus	Actuarial gains/(losses) through Net Assets	Working Capital Funds	Net Assets Total
Net Assets at December 31, 2016 (restated)		**282,328**	**16,786**	**17,266**	**-173,310**	**6,342**	**149,412**
Surplus/(deficit) for the year 2017		22,617	-3,988	-	-	-	18,629
Adjustment to Special Projects Reserve		-	-	-	-	-	-
Transfer to Accumulated Surpluses		1,008	-1,008	-	-	-	-
Actuarial gains/(losses)		-	-	-	34,616	-	34,616
Net Assets at December 31, 2017	23	**305,953**	**11,790**	**17,266**	**-138,694**	**6,342**	**202,657**
Surplus/(deficit) for the year 2018		47,082	-4,596	-	-	-	42,486
Adjustment to Special Projects Reserve		-27,549	27,549	-	-	-	-
Transfer to Accumulated Surpluses		3,246	-3,246	-	-	-	-
Actuarial gains/(losses)		-	-	-	16,269	-	16,269
Net Assets at December 31, 2018	23	**328,732**	**31,497**	**17,266**	**-122,425**	**6,342**	**261,412**

STATEMENT IV – STATEMENT OF CASH FLOW

for the year ended December 31, 2018

(in thousands of Swiss francs)

	Note	2018	2017
Cash flows from operating activities			
Surplus (deficit) for the period	Statement II	42,486	18,629
Interest, investment gains/losses, exchange gains/losses **(1)**		12,803	7,782
		55,289	26,411
Interest and dividends	27	4,204	12
Interest paid on borrowings	17	-	-11,760
Depreciation and amortization	8, 10 & 11	11,302	11,350
Increase (decrease) in employee benefits	14	-3,601	-12,575
(Increase) decrease in inventories	7	51	171
(Increase) decrease in receivables	6	-8,232	-96
(Increase) decrease in other assets	12	186	190
Increase (decrease) in advance receipts	16	14,106	12,285
Increase (decrease) in payables and accruals	13	-1,360	7,133
Increase (decrease) in transfers payable	15	2,745	9,027
Increase (decrease) in provisions	18	3,580	-4,981
Increase (decrease) in other liabilities	19	6,099	1,960
Net cash flows from operating activities		**84,369**	**39,127**
Cash flows from investing activities			
Additions to buildings and equipment	8 & 11	-5,384	-4,984
Disposal of buildings and equipment	8	3,737	1,533
(Increase) decrease in intangible assets	10	-	-25
Disposal of investment property	9	6,210	-
(Increase) decrease in investments	4	-115,099	-265,819
Increase (decrease) in fair value of investments	4	-16,994	4,326
(Increase) decrease in derivative financial instruments	5	1,235	-921
Net cash flows from investing activities		**-126,295**	**-265,890**
Cash flows from financing activities			
Repayment of borrowings	17	-16,862	-71,858
Net cash flows from financing activities		**-16,862**	**-71,858**
Effect of recognition of Actuarial gains/losses through Net Assets	14	**16,269**	**34,616**
Effect of exchange rate changes on cash and cash equivalents	29	**-13**	**-360**
Net increase (decrease) in cash and cash equivalents		**-42,532**	**-264,365**
Cash and cash equivalents at beginning of year	3	**265,452**	**529,817**
Cash and cash equivalents at end of year	3	**222,920**	**265,452**

(1) Interest earned, dividends received, interest paid on borrowings, the effect of exchange rate changes on cash and cash equivalents, and gains/losses on investments.

STATEMENT V – STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – REVENUE

for the year ended December 31, 2018

(in thousands of Swiss francs)

	Original Budget 2018 (1)	Updated Budget 2018 (2)	Actual Revenue on comparable basis 2018	Difference 2018 (3)
Assessed contributions	17,376	17,376	17,377	1
Fees				
PCT system	312,155	316,290	321,348	5,058
Madrid system	69,026	76,490	74,297	-2,193
Hague system	5,418	4,793	4,919	126
Lisbon system	20	20	31	11
Sub-total fees	386,619	397,593	400,595	3,002
Arbitration and Mediation	1,550	1,550	1,810	260
Publications	205	205	542	337
Investment revenue	23	23	-6,030	-6,053
Other/miscellaneous	2,536	2,536	-284	-2,820
TOTAL	**408,309**	**419,283**	**414,010**	**-5,273**

(1) Original Budget represents the first year of the approved Program and Budget for the 2018/19 biennium.
(2) Updated Budget includes updated revenue estimates for the PCT, Madrid and Hague systems as per the January 2019 Forecast from the WIPO Economics and Statistics Division.
(3) Represents the difference between the Updated Budget 2018 and actual revenue on a comparable basis for the year ended December 31, 2018.

STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - EXPENSES

for the year ended December 31, 2018
(in thousands of Swiss francs)

		Original Budget 2018 (1)	Budget after Transfers 2018 (2)	Actual Expense on a comparable basis 2018	Difference 2018 (3)
Program	**Program Title**				
1	Patent Law	2,443	2,661	2,603	58
2	Trademarks, Industrial Designs & Geographical Indications	2,426	2,362	2,268	94
3	Copyright and Related Rights	8,261	8,423	7,509	914
4	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	3,505	3,627	3,306	321
5	The PCT System	105,589	101,665	97,515	4,150
6	Madrid System	29,109	28,249	27,574	675
7	WIPO Arbitration and Mediation Center	5,588	5,517	5,269	248
8	Development Agenda Coordination	1,706	1,688	1,497	191
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	15,179	14,231	13,835	396
10	Transition and Developed Countries	4,293	3,935	3,498	437
11	The WIPO Academy	6,718	6,890	6,242	648
12	International Classifications and Standards	3,553	3,675	3,091	584
13	Global Databases	4,360	4,926	4,385	541
14	Services for Access to Information and Knowledge	3,912	4,324	4,032	292
15	Business Solutions for IP Offices	7,136	6,693	6,382	311
16	Economics and Statistics	3,351	3,349	3,330	19
17	Building Respect for IP	2,027	2,353	2,191	162
18	IP and Global Challenges	2,791	2,433	2,106	327
19	Communications	8,108	7,778	7,485	293
20	External Relations, Partnerships and External Offices	6,552	6,722	6,430	292
21	Executive Management	9,898	11,771	11,280	491
22	Program and Resource Management	18,911	18,656	17,051	1,605
23	Human Resources Management and Development	12,267	12,658	16,042	-3,384
24	General Support Services	19,199	20,157	18,674	1,483
25	Information and Communication Technology	25,949	25,983	23,879	2,104
26	Internal Oversight	2,716	2,470	2,341	129
27	Conference and Language Services	19,382	17,526	17,053	473
28	Information Assurance, Safety and Security	11,526	11,085	10,143	942
30	SMEs and Entrepreneurship Support	3,113	3,020	2,861	159
31	The Hague System	5,537	8,998	8,905	93
32	Lisbon System	663	689	659	30
UN	Unallocated	3,678	5,191	-	5,191
	TOTAL	**359,446**	**359,705**	**339,436**	**20,269**
	Net surplus/(deficit)	**48,863**	**59,578**	**74,574**	**14,996**
	IPSAS adjustments to surplus **(4)**			-22,326	
	Projects financed from reserves			-7,837	
	Special Accounts financed from voluntary contributions			-1,925	
	Adjusted net surplus per IPSAS			**42,486**	

(1) Original Budget represents the first year of the approved Program and Budget for the 2018/19 biennium. The biennial budget amounts to 725.9 million Swiss francs, and was approved by the Assemblies of the Member States of WIPO on October 11, 2017.
(2) Budget after Transfers includes budgetary transfers as at February 1, 2019.
(3) Represents the difference between the Budget after Transfers 2018 and Actual Expense on a comparable basis for the year ended December 31, 2018.
(4) The IPSAS adjustments to the surplus are detailed in Note 24 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES AND BUDGET OF THE ORGANIZATION

Upon the entry into force of the Convention establishing the World Intellectual Property Organization (WIPO) in 1970, WIPO replaced the Bureau for the Protection of Intellectual Property (known by the French acronym for Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle, BIRPI) which had been established in 1893 to administer the Paris Convention for the Protection of Industrial Property (1883) and the Berne Convention for the Protection of Literary and Artistic Works (1886). In 1974, WIPO was recognized as a specialized agency of the United Nations.

WIPO's mission is the promotion of innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system. WIPO's broad-ranging activities include the following main areas of work: providing intellectual property services through the Organization's Global IP systems; developing and maintaining the technical infrastructure that not only supports the international IP system, but also provides access to its outputs, enhances data flows, and enables global cooperation; serving as a multilateral forum for discussions on the normative development of intellectual property policy; and facilitating the use of IP for social, cultural and economic development, by mainstreaming development considerations and delivering development cooperation activities horizontally across all of the Organization's programs.

The Organization functions in accordance with the WIPO Convention signed in Stockholm on July 14, 1967 and as amended on September 28, 1979. WIPO currently has 192 Member States. WIPO is based in Geneva, Switzerland, and during 2018 had external offices in Beijing, Moscow, Rio de Janeiro, Singapore and Tokyo, and a coordination office in New York. In 2016 Member States decided to open additional external offices in Algeria and Nigeria. The external office in Algeria was subsequently established on February 26, 2019. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and Immunities of Specialized Agencies of the United Nations and the 1970 Headquarters Agreement with the Swiss Federal Council, notably being exempt from paying most forms of direct and indirect taxation.

WIPO is governed by the following constituent bodies, established by the WIPO Convention, which meet every second year in ordinary session and traditionally meet in extraordinary session in alternate years:

- The General Assembly, consisting of States party to the WIPO Convention which are members of any of the Unions, is responsible for appointing the Director General for a fixed term of not less than six years, for the adoption of the budget of expenses common to all Unions, adoption of the Financial Regulations, inviting States to become members, and other functions specified by the Convention.

- The Conference consists of all Member States whether or not they are members of any of the Unions. The Conference adopts its budget, adopts amendments to the Convention and performs other functions as appropriate.

- The Coordination Committee consists of members of the Executive Committees of the Paris or the Berne Unions, or both, one-fourth of the States party to the WIPO Convention which are not members of any of the Unions, and Switzerland, as the State on whose territory the Organization has its headquarters. The Coordination Committee nominates candidates for Director General, drafts the agenda for the General Assembly, and performs other duties allocated to it under the WIPO Convention.

WIPO is funded from fees derived from services provided by the Organization, assessed contributions paid by its Member States and voluntary contributions from Member States and other donors. The Organization operates within the framework of a biennial program and budget which provides the appropriations that constitute the budgetary expenditure authorizations approved by the Assemblies for the financial period. The approval of the appropriations provides the authority for the Director General to commit and authorize expenses and to make payments for the purposes assigned within the limits of the appropriations.

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 WIPO, and all values are rounded to the nearest thousand. 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 the Organization'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 the Organization's financial statements.

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

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.

Investments

Investments are classified as current or non-current assets according to the time horizon of the investment objectives. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Borrowing costs relating to the construction of the New Building (interest and fees) and the New Conference Hall (commission on undrawn loan amounts) were capitalized as work in progress during the respective construction phases (see Note 11). Borrowing costs (interest and fees) relating to the acquisition from the World Meteorological Organization of the land rights (droits de superficie) to the site on which the PCT building has been constructed were capitalized as part of the asset value (see Note 10).

All other borrowing costs are recognized as expenses in the Statement of Financial Performance in the period in which they are incurred.

Foreign Currency Transactions

The functional currency of WIPO is the Swiss franc. 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 WIPO's functional currency are recognized in the Statement of Financial Performance.

Revenue Recognition

Revenue from exchange transactions comprising the fees charged for applications under the Patent Cooperation Treaty (PCT) system, the Madrid system and the Hague system is recognized at the date of publication. Revenue from fees received for applications not published at the reporting date is deferred until publication has been completed. The portion of the PCT application fee covering the costs of translation of non-English language patentability reports received after publication is also deferred until the translation is completed. All other fees under the PCT, Madrid and Hague systems are recognized when the services covered by the fee have been provided. Revenue from publications is recognized upon full delivery of the goods. Revenue from Arbitration and Mediation services is recognized upon delivery of the services related to the submission of a request covered by the fee received.

Revenue from non-exchange transactions such as voluntary contributions to Special Accounts 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.

Assessed contributions are recognized as revenue at the beginning of each year of the budget period to which the assessment relates.

Expense Recognition

Expenses are recognized as goods are received and as services are delivered.

Receivables

Receivables from exchange transactions include fees which are charged to users of WIPO's intellectual property services through the PCT, Madrid and Hague systems. These are measured at the fair value of the consideration receivable for PCT, Madrid and Hague system fees once the international application has been filed.

Receivables from non-exchange transactions include uncollected assessed contributions. These are measured at the fair value of the consideration receivable. An allowance for non-recoverable receivables is recorded equal to the assessed contributions frozen by action of the General Assembly in 1989 and 1991, plus contributions receivable from Member States that have lost the right to vote in accordance with Article 11, paragraph 5 of the WIPO Convention.

Inventories

Inventories include the value of publications held for sale and publications distributed free of charge, the value of supplies and materials utilized in the production of publications and the value of merchandise held in the retail shop. Publications held for sale are valued at the lower of cost or net realizable value, and publications distributed free of charge are valued at cost. The cost of finished publications is determined by using an average cost per printed page (excluding costs of marketing and distribution) multiplied by the number of pages of publications held in the publications inventory. The value of publications that are withdrawn from sale or free distribution is written off during the year in which they become obsolete.

An annual physical inventory is conducted of all stocks of publication supplies and items for sale in the retail shop. A perpetual inventory is maintained of the publications for sale and sample physical counts are undertaken throughout the year to verify inventory balances. At the end of each year items removed from the catalogue of publications for sale or free distribution, along with items for which it is anticipated that there will be no further free distribution or anticipated sales, are taken out of the inventory and their value is written down to zero.

The cost of paper and other supplies used in the production process has been valued using the first-in, first-out (FIFO) method. Items held in the retail shop are valued at cost to the Organization, and are marked down to reflect net realizable value if damaged or obsolete. No inventories are pledged as security for liabilities.

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. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance. 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 equipment over its estimated useful life using the straight-line method. Where equipment is only in use for part of the year (due to acquisition, disposal or retirement during the year), depreciation is charged only for the months during which the asset was in use. The following ranges of useful lives are applied to the different classes of equipment:

Class	Estimated useful life
Communications and IT equipment	5 years
Vehicles	5 years
Furniture and furnishings	10 years

The carrying values of equipment 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 impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance.

Investment Property

Investment property is carried at fair value as determined by an independent valuation in accordance with International Valuation Standards. Changes in fair value are recognized in the Statement of Financial Performance.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

Class	Estimated useful life
Software acquired externally	5 years
Software internally developed	5 years
Licenses and rights	Period of license/right

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Software or software licenses purchased externally are recognized as an asset if they have a cost of 20,000 Swiss francs or more per unit. Costs that are directly associated with the development of software for use by WIPO are capitalized as intangible assets only if the recognition criteria under IPSAS 31 are met. Direct costs include the software development employee costs. Internally developed software is recognized as an asset if it has a cost of 1.0 million Swiss francs or more.

The rights to use property in the Canton of Geneva acquired by the Organization through purchase have been recognized at historic cost and are amortized over the remaining period of the grant. The rights to use property granted by the Canton of Geneva acquired without cost, that revert back to the Canton at the end of the grant, are not valued in the financial statements.

Land and Buildings

Land is carried at fair value as determined by an independent valuation in accordance with International Valuation Standards. Changes in fair value are recognized directly in net assets through the Revaluation Reserve Surplus. Buildings and constructions in use are valued at the cost of construction when new plus the cost of subsequent improvements, less accumulated depreciation. For the initial recognition of buildings in use as at January 1, 2010, the date of transition to IPSAS, the value when new was determined by reference to a deemed cost calculated by an external consultant and representing the value of each component at construction plus improvements existing at the initial recognition, less accumulated depreciation based upon the remaining useful life of each component. Subsequent costs of major renovations and improvements to buildings and constructions that increase or extend the future economic benefits or service potential are valued at cost.

Depreciation is charged so as to write off the full cost of buildings and constructions in use over their estimated useful lives using the straight-line method. Where buildings and constructions are only in use for part of the year (due to acquisition, disposal or retirement during the year), depreciation is charged only for the months during which the asset was in use. The following ranges of useful lives are applied to the different components of buildings and constructions:

Component	Estimated useful life
Structure – concrete/metallic	100 years
Structure – concrete/wood	80 years
Structure – specialist access	50 years
Façade	50 years
Perimeter walls	80 years
Perimeter bollards	20 years
Land Improvements	40-50 years
Roof	50-60 years
Floors, walls, stairways	50 years
Flooring, wall coverings	20-40 years
Specialist fittings - fixed equipment	40 years
Specialist fittings – kitchen equipment	20-40 years
Specialist fittings – fixed conference equipment	15 years
Specialist fittings - turnstiles	20 years
Heating and ventilation	25-30 years
Sanitary facilities	40 years
Electrical installations	25-50 years
Elevators	40 years

The carrying values of buildings and constructions 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 impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance.

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. The Organization determines the classification of its financial assets at initial recognition. The Organization's financial assets include cash and short-term deposits, investments, loans, receivables, and derivative financial instruments.

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 surplus or deficit.

Derecognition

The Organization 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

The Organization 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. The Organization 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. The Organization’s financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The 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.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. 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.

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.

Derivative Financial Instruments

WIPO uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. These financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative.

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, performance rewards, and for education grants payable at the reporting date that have not been included in current expenditure.

WIPO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations 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. WIPO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify WIPO'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 WIPO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. WIPO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions

Provisions are recognized when the Organization 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.

Segment Reporting

Segment reporting is based upon the Unions that form WIPO. Revenue and expenses incurred by the Organization are allocated among the Unions in accordance with an allocation methodology approved by the WIPO Assembly [Program and Budget 2018/19, Annex III]. The methodology allocates revenue and expenses to each program and then to each Union based on a combination of direct revenue and expense, staff head count and each Union's ability to pay which is itself determined according to a combination of current revenue and reserves. WIPO's assets and liabilities are not allocated to individual segments, since ownership rests with the Organization as a whole, however, each Union's share of the Organization's net assets including Reserves and Working Capital Funds is recognized by segment (see Note 31).

Changes in Presentation

In the Statement of Financial Position, the 2017 comparative presentation has been amended by a reclassification of 826 thousand Swiss francs from advance receipts to transfers payable to accurately reflect the nature of Madrid deposit balances at December 31, 2017. This reclassification is also reflected in Notes 3, 15 and 16 of the financial statements, and impacts the movements included in the Statement of Cash Flow.

In the Statement of Financial Performance, investment revenue has been renamed investment gains/(losses). This item was previously included in total revenue, but is now positioned after total expenses before the surplus/(deficit) for the year. This change in presentation has been reflected in the 2017 comparative numbers.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI, repatriation grants and travel, and long-term accumulated annual leave liabilities (the value of which are calculated by an independent actuary), other employee benefit liabilities, provisions for litigation, valuation of publications inventory, financial risk on accounts receivable, accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

All balances are presented in thousands of Swiss francs, as a result small rounding differences may occur.

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Cash on hand	22	30
Deposits with banks - Swiss francs	18,510	31,820
Deposits with banks - other currencies	5,533	13,937
Term deposits less than 3 months - Swiss francs	8,000	10,000
Notice accounts - Swiss francs	2,499	-
Notice accounts - other currencies	10	4,466
Total unrestricted cash	**34,574**	**60,253**
Current accounts held for third parties - Swiss francs	70,505	64,336
Current accounts held for third parties - other currencies	73	143
Fees collected on behalf of contracting parties - Swiss francs	96,646	93,901
Notice accounts Special Accounts - Swiss francs	15,661	16,495
Total restricted cash	**182,885**	**174,875**
Deposits with banks - Swiss francs	5,461	30,324
Total strategic cash	**5,461**	**30,324**
Total cash and cash equivalents	**222,920**	**265,452**

Cash deposits are generally held in instant access bank accounts. During 2018 the Organization continued to hold balances in term deposit accounts (for periods up to 12 months). This has allowed the Organization to avoid incurring charges on certain instant access bank accounts following the impact of negative interest rates during 2016.

The following categories of cash and cash equivalents are classified as restricted:

- current accounts held for third parties. WIPO provides facilities for applicants under the PCT, Madrid and Hague systems to deposit funds to be used for future applications and renewals, and for certain contracting parties to transfer funds collected on behalf of the Organization;
- fees collected on behalf of contracting parties to the Madrid Agreement and Protocol, Hague Agreement and on behalf of PCT International Searching Authorities (ISAs) by the WIPO International Bureau Receiving Office;
- deposits received in connection with pending procedures related to trademarks, other than the portion estimated to represent advance receipts for the Organization;
- Special Accounts held on behalf of donors of voluntary contributions.

The Organization holds funds allocated for the future financing of after-service employee benefit liabilities, including ASHI. Under WIPO's Policy on Investments, these funds are classified as strategic cash. As at December 31, 2018, the total balance of these funds was 125.8 million Swiss francs, split between cash and cash equivalents (5.5 million Swiss francs) and investments (120.3 million Swiss francs, see Note 4).

NOTE 4: INVESTMENTS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Term deposits more than 3 months - Swiss francs	12,000	10,000
Total operating cash investments	**12,000**	**10,000**
Term deposits more than 3 months - Swiss francs	-	-
Total strategic cash investments	**-**	**-**
Current investments	**12,000**	**10,000**
Medium term Investment portfolio - Swiss francs	178,874	109,895
Medium term Investment portfolio - Other currencies	82,233	64,314
Total core cash investments	**261,107**	**174,209**
Long term Investment portfolio - Swiss francs	76,123	56,022
Long term Investment portfolio - Other currencies	44,188	38,088
Total strategic cash investments	**120,311**	**94,110**
Non-current investments	**381,418**	**268,319**
Total investments	**393,418**	**278,319**

As at December 31, 2018, WIPO's investments include the following:

- term deposits with a remaining period of more than 3 months but less than 12 months. - these term deposits all relate to the Organization's operating cash balances, which are invested over the short-term (periods not exceeding twelve months to maturity);
- medium-term investment portfolio – investment funds with no fixed maturity, invested over a five year rolling period, which are classified as core cash investments in accordance with WIPO's Policy on Investments;
- long-term investment portfolio – investment funds with no fixed maturity, invested over the long-term for the future financing of after-service employee benefit liabilities, which are classified as strategic cash investments in accordance with WIPO's Policy on Investments.

The movement in the value of investments during the year ended December 31, 2018 is as follows:

	Operating cash investments	Core cash investments	Strategic cash investments	Total
		(in thousands of Swiss francs)		
Investments fair value at January 1, 2017	**-**	**-**	**12,500**	**12,500**
Additional investments made	10,000	202,758	102,186	314,944
Disposal of current investments	-	-	-12,500	-12,500
Disposal of non-current investments	-	-30,600	-9,400	-40,000
Forex gains/(losses) on investments	-	-605	-346	-951
Fair value increase/(decrease)	-	2,656	1,670	4,326
Investments fair value at December 31, 2017	**10,000**	**174,209**	**94,110**	**278,319**
Additional investments made	2,000	94,181	36,891	133,072
Dividends on non-current investments invested	-	1,939	973	2,912
Disposal of current investments	-	-	-	-
Disposal of non-current investments	-	-	-5,778	-5,778
Forex gains/(losses) on investments	-	1,222	665	1,887
Fair value increase/(decrease)	-	-10,444	-6,550	-16,994
Investments fair value at December 31, 2018	**12,000**	**261,107**	**120,311**	**393,418**

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Derivative financial instrument assets		
Forward foreign exchange contracts - Operating cash investments	-	-
Forward foreign exchange contracts - Core cash investments	-	578
Forward foreign exchange contracts - Strategic cash investments	-	343
Total derivative financial instrument assets	**-**	**921**
Derivative financial instrument liabilities		
Forward foreign exchange contracts - Operating cash investments	-	-
Forward foreign exchange contracts - Core cash investments	205	-
Forward foreign exchange contracts - Strategic cash investments	109	-
Total derivative financial instrument liabilities	**314**	**-**

The Organization has entered into forward foreign exchange contracts to minimize the risk arising from exchange rate fluctuations to its US dollar core cash and strategic cash investments. These contracts are recognized at their fair value as at December 31, 2018, and are carried as assets when the fair value is positive and liabilities when the fair value is negative.

NOTE 6: RECEIVABLES

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Unitary contributions	1,410	886
Voluntary contributions	100	79
Contributions receivables - current	1,510	965
PCT debtors	55,629	50,796
Madrid debtors	636	372
Hague debtors	3	2
Other debtors	2,749	2,301
Swiss taxes reimbursable	1,283	15
USA taxes reimbursable	2,192	2,274
Staff advances for education grants	4,777	4,924
Other funds advanced to staff	322	127
UPOV expenditure reimbursable	917	726
Funds advanced to UNDP	500	259
Advance for FIPOI concessionary loan	124	127
Prepaid expenditure	815	322
FIPOI loan amortization	189	189
Exchange transactions receivables - current	70,136	62,434
Total current accounts receivable	**71,646**	**63,399**
Paris Union	80	80
Berne Union	122	136
Nice Union	6	7
Locarno Union	2	2
Contributions receivables - non-current	210	225
Total non-current accounts receivable	**210**	**225**
Total receivables	**71,856**	**63,624**

Assessed contributions represent uncollected revenue related to the WIPO unitary contribution system approved by the Assemblies of the Member States and the Unions administered by WIPO. The Assemblies fix the value of a contribution unit in Swiss francs together with the Budget for a biennial financial period. Contribution classes are each required to contribute a specific number of contribution units. Member States are free to choose the class determining the basis under which they will contribute, other than certain developing countries that automatically belong to one of three special classes.

An allowance has been established to offset both the value of receivables due from assessed contributions and the Working Capital Fund contributions due from Unions which relate to periods prior to the introduction of unitary contributions in 1994. The allowance covers amounts due from Member States that have lost the right to vote under Article 11, paragraph 5 of the WIPO Convention and contributions from least developed countries which have been frozen by action of the Assemblies in 1989 and 1991. The total of the allowance as at December 31, 2018 is 5.9 million Swiss francs (5.9 million Swiss francs as at December 31, 2017).

PCT debtors represent unpaid international filing fees for PCT applications filed prior to the reporting date. This includes an estimate of those international patent applications received by national receiving Offices prior to the reporting date but not transferred to the

Organization's PCT International Bureau by the reporting date.

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.

Swiss taxes reimbursable include payments for VAT, stamp tax and Swiss Federal withholding tax for which the Organization is eligible for reimbursement under its headquarters agreement with the Government of Switzerland.

USA taxes reimbursable represents amounts advanced to US authorities on behalf of US citizens employed at WIPO, for the payment of income taxes due to the United States of America. Under agreements between the Organization and the USA, these amounts are reimbursable to the Organization.

UPOV expenditure reimbursable represents payments made on behalf of the International Union for the Protection of New Varieties of Plants by the Organization for which reimbursement has not yet been received.

Funds advanced to the United Nations Development Program (UNDP) are utilized to make payments on behalf of the Organization. The total debtor amount shown includes amounts for requests made to UNDP for payments for which confirmation has not yet been received or for which the confirmation is in the process of being verified.

NOTE 7: INVENTORIES

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Finished publications	1,247	1,222
Paper supplies	51	56
Retail Shop	-	71
Total inventories	**1,298**	**1,349**

The write-down of finished publications inventories to net realizable value amounted to 87 thousand Swiss francs (15 thousand Swiss francs in 2017). There have been no reversals of write-downs.

Following the closure of the retail shop (WIPO Information Centre) during 2017, the remaining stock has now been written down to zero.

NOTE 8: EQUIPMENT

Movement 2018	Equipment	Furniture & Furnishings	Total
	(in thousands of Swiss francs)		
January 1, 2018			
Gross carrying amount	7,151	993	**8,144**
Accumulated depreciation	-5,996	-693	**-6,689**
Net carrying amount	**1,155**	**300**	**1,455**
Movements in 2018:			
Additions	212	-	**212**
Disposals	-944	-	**-944**
Disposals depreciation	914	-	**914**
Depreciation	-510	-73	**-583**
Total movements in 2018	**-328**	**-73**	**-401**
December 31, 2018			
Gross carrying amount	6,419	993	**7,412**
Accumulated depreciation	-5,592	-766	**-6,358**
Net carrying amount	**827**	**227**	**1,054**

Movement 2017	Equipment	Furniture & Furnishings	Total
	(in thousands of Swiss francs)		
January 1, 2017			
Gross carrying amount	11,411	2,535	**13,946**
Accumulated depreciation	-10,189	-2,148	**-12,337**
Net carrying amount	**1,222**	**387**	**1,609**
Movements in 2017:			
Additions	400	-	**400**
Disposals	-4,660	-1,542	**-6,202**
Disposals depreciation	4,660	1,531	**6,191**
Depreciation	-467	-76	**-543**
Total movements in 2017	**-67**	**-87**	**-154**
December 31, 2017			
Gross carrying amount	7,151	993	**8,144**
Accumulated depreciation	-5,996	-693	**-6,689**
Net carrying amount	**1,155**	**300**	**1,455**

All equipment in the inventory is valued at cost less depreciation based upon the straight-line basis. Furniture and furnishings are depreciated over a ten year useful life. All other equipment is depreciated over a five year useful life. As at December 31, 2018, WIPO holds fully depreciated equipment which is still in use for a gross carrying amount of 4.7 million Swiss francs. Heritage assets including donated works of art are not recognized as assets in the Statement of Financial Position.

NOTE 9: INVESTMENT PROPERTY

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Opening balance	-	6,210
Fair value gains/(losses) on valuation	-	-
Closing balance	**-**	**6,210**

The Organization acquired in 1974 the Madrid Union Building, an investment property in Meyrin, Canton of Geneva, Switzerland. The building had first been brought into service in 1964. On January 31, 2018 the Organization signed an act of sale for the building. The sale price was 7.0 million Swiss francs, and the gain resulting from this has been recognized in the Statement of Financial Performance (see Note 27 Investment gains/(losses)).

The property was held at fair value based on a valuation at October 1, 2015 carried out by an independent expert holding recognized and relevant professional qualifications with recent experience in property valuation in the Canton of Geneva. Fair value was determined on an investment based valuation, whereby the estimated future income stream from the property is capitalized at an appropriate investment yield. The yield was selected by reference to the perceived quality and duration of the income and the potential for further rental growth, and was cross-referenced by the evidence provided by comparable transactions.

The leasing of apartments, parking and other facilities in the Madrid Union Building was managed by a leasing agent responsible for collecting all rental income and paying for all expenditures incurred in the operation of the building. Leases were generally for periods of five years and were based on the form of lease approved by the Canton of Geneva. All leases were non-cancellable during the period of the lease. The managing agent received 3.90 per cent of the gross rental income as compensation for its services. The value of non-cancellable leases as at December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Not later than one year	-	31
Later than one year and not later than five years	-	-
Later than five years	-	-
Total non-cancellable operating leases	**-**	**31**

In 2018, for the month of January only, the income from rental of the building totaled 39 thousand Swiss francs, and the operating expenditures of the building totaled 37 thousand Swiss francs. The operating expenditures do not include depreciation of the building.

NOTE 10: INTANGIBLE ASSETS

Movement 2018	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
			(in thousands of Swiss francs)		
January 1, 2018					
Gross carrying amount	34,290	1,115	4,419	-	**39,824**
Accumulated amortization	-9,598	-903	-2,909	-	**-13,410**
Net carrying amount	**24,692**	**212**	**1,510**	**-**	**26,414**
Movements in 2018:					
Additions	-	-	-	-	**-**
Transfers	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Disposals amortization	-	-	-	-	**-**
Amortization	-440	-87	-893	-	**-1,420**
Total movements in 2018	**-440**	**-87**	**-893**	**-**	**-1,420**
December 31, 2018					
Gross carrying amount	34,290	1,115	4,419	-	**39,824**
Accumulated amortization	-10,038	-990	-3,802	-	**-14,830**
Net carrying amount	**24,252**	**125**	**617**	**-**	**24,994**

Movement 2017	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
			(in thousands of Swiss francs)		
January 1, 2017					
Gross carrying amount	34,290	1,115	3,919	475	**39,799**
Accumulated amortization	-9,159	-736	-2,091	-	**-11,986**
Net carrying amount	**25,131**	**379**	**1,828**	**475**	**27,813**
Movements in 2017:					
Additions	-	-	-	25	**25**
Transfers	-	-	500	-500	**-**
Disposals	-	-	-	-	**-**
Disposals amortization	-	-	-	-	**-**
Amortization	-439	-167	-818	-	**-1,424**
Total movements in 2017	**-439**	**-167**	**-318**	**-475**	**-1,399**
December 31, 2017					
Gross carrying amount	34,290	1,115	4,419	-	**39,824**
Accumulated amortization	-9,598	-903	-2,909	-	**-13,410**
Net carrying amount	**24,692**	**212**	**1,510**	**-**	**26,414**

In 1996, the Organization acquired from the World Meteorological Organization (WMO) the land surface rights to parcel 4008 in Petit-Saconnex in the City of Geneva that had been granted to WMO by the Republic and Canton of Geneva at a cost of 34.3 million Swiss francs including interest and fees. At the date of purchase the original rights had a remaining period of 78 years under Swiss law expiring in 2073, unless renewed by the Canton. The historic cost is being amortized over the remaining useful life. The land on which the Árpád Bogsch and Georg Bodenhausen buildings are located is the property of the Republic and Canton of Geneva which has granted the Organization surface rights including the right to construct buildings for a period of 60 years with an option exercisable solely by the Organization of an extension for an additional period of 30 years. These surface rights were acquired by the Organization at no cost and no value has been recognized in the financial statements, as the Organization does not have the right to dispose of the rights which revert to the Republic and Canton of Geneva unless renewed.

As from January 1, 2012, WIPO has been capitalizing the cost of externally acquired and internally developed software where this meets the recognition criteria under IPSAS 31. Intangible assets under development relate to internally developed software which has not yet been brought into use.

NOTE 11: LAND AND BUILDINGS

The Organization's land and buildings comprise its headquarters at Place des Nations, Geneva, Switzerland and include land, buildings and a security perimeter. Following the transition to IPSAS from January 1, 2010, buildings which were occupied at that date were valued at an amount determined independently by external consultants, which represents the estimated value of the building when new (deemed cost of construction) including the estimated value of renovations and major repairs made since original occupancy less accumulated depreciation and impairment. Buildings which are brought into use after January 1, 2010 are initially valued at cost. All buildings are depreciated according to the straight-line method based upon the useful life of each major component of the building.

The land upon which the New Building was constructed was acquired by the Organization at a cost of 13.6 million Swiss francs in 1998 and was revalued to fair value based on International Valuation Standards as determined by an independent appraiser at December 31, 2009 at 28.6 million Swiss francs. An updated valuation of the land was performed by an independent appraiser at December 31, 2016. This valuation indicated a further increase in the fair value of the land of 2.2 million Swiss francs. The net result of these revaluations totalling 17.3 million Swiss francs is included in the Revaluation Reserve Surplus which forms part of WIPO's net assets. Market value was estimated by capitalizing at an appropriate investment yield the future potential income stream from the property. The potential income is based on comparable rentals in the market and takes into account the quality of the spaces as well as the location. The yield has been selected by reference to the perceived quality and duration of the income and the potential for further rental growth and is cross-referenced by the evidence provided by comparable sales.

Three major construction projects have been completed since the implementation of IPSAS in 2010. The New Building was brought to use in 2011 and the New Conference Hall in 2014. In 2015 WIPO completed a major project to upgrade the safety and security standards of its existing buildings, in line with the implementation of the recommendations of the United Nations Security Management System. This project comprised the New Access Centre (included as part of the Árpád Bogsch building), the Security Operations Centre (included as part of the Georg Bodenhausen building I), and the Security Perimeter (held as a standalone construction).

During the year ended December 31, 2018, improvement works totaling 5.2 million Swiss francs were added to the cost of WIPO's existing buildings. These works also involved the partial demolition of components of existing buildings, with an estimated impact on net book value of 3.7 million Swiss francs.

Movements for land and buildings in 2018

Movement 2018	Land	Buildings and Constructions in Use							Total Land and Buildings
	New Building Site	Security Perimeter	New Conference Hall	New Building	A. Bogsch Building	G. Bodenhausen Building I	G. Bodenhausen Building II	PCT Building	
Year in Service	1998	2015	2014	2011	1978	1960	1987	2003	
	(in thousands of Swiss francs)								
January 1, 2018									
Cost/valuation	30,820	8,996	70,605	167,834	57,956	13,647	4,527	69,457	**423,842**
Accumulated depreciation	-	-634	-6,925	-20,075	-12,001	-3,316	-948	-10,775	**-54,674**
Net carrying amount	**30,820**	**8,362**	**63,680**	**147,759**	**45,955**	**10,331**	**3,579**	**58,682**	**369,168**
Movements in 2018:									
Additions	-	-	-	-	768	-	-	4,404	**5,172**
Derecognition	-	-	-	-	-1,293	-	-	-3,709	**-5,002**
Derecognition accumulated depreciation	-	-	-	-	545	-	-	750	**1,295**
Depreciation	-	-272	-2,099	-3,143	-1,647	-654	-122	-1,362	**-9,299**
Net movements in 2018	**-**	**-272**	**-2,099**	**-3,143**	**-1,627**	**-654**	**-122**	**83**	**-7,834**
December 31, 2018									
Cost/valuation	30,820	8,996	70,605	167,834	57,431	13,647	4,527	70,152	**424,012**
Accumulated depreciation	-	-906	-9,024	-23,218	-13,103	-3,970	-1,070	-11,387	**-62,678**
Net carrying amount	**30,820**	**8,090**	**61,581**	**144,616**	**44,328**	**9,677**	**3,457**	**58,765**	**361,334**

Movements for land and buildings in 2017

Movement 2017	**Land**	**Buildings and Constructions in Use**							**Total Land and Buildings**
	New Building Site	Security Perimeter	New Conference Hall	New Building	A. Bogsch Building	G. Bodenhausen Building I	G. Bodenhausen Building II	PCT Building	
Year in Service	1998	2015	2014	2011	1978	1960	1987	2003	
				(in thousands of Swiss francs)					
January 1, 2017									
Cost/valuation	30,820	8,996	70,513	167,815	57,649	13,053	4,527	68,147	**421,520**
Accumulated depreciation	-	-362	-4,827	-16,933	-10,745	-2,920	-827	-9,417	**-46,031**
Net carrying amount	**30,820**	**8,634**	**65,686**	**150,882**	**46,904**	**10,133**	**3,700**	**58,730**	375,489
Movements in 2017:									
Additions	-	-	92	19	1,699	1,464	-	1,310	**4,584**
Derecognition	-	-	-	-	-1,392	-870	-	-	**-2,262**
Derecognition accumulated depreciation	-	-	-	-	481	259	-	-	**740**
Depreciation	-	-272	-2,098	-3,142	-1,737	-655	-121	-1,358	**-9,383**
Net movements in 2017	**-**	**-272**	**-2,006**	**-3,123**	**-949**	**198**	**-121**	**-48**	**-6,321**
December 31, 2017									
Cost/valuation	30,820	8,996	70,605	167,834	57,956	13,647	4,527	69,457	**423,842**
Accumulated depreciation	-	-634	-6,925	-20,075	-12,001	-3,316	-948	-10,775	**-54,674**
Net carrying amount	**30,820**	**8,362**	**63,680**	**147,759**	**45,955**	**10,331**	**3,579**	**58,682**	**369,168**

NOTE 12: OTHER NON-CURRENT ASSETS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Loan to FIPOI	8,367	8,553
Total other non-current assets	**8,367**	**8,553**

In 1991 the Organization entered into an agreement with the International Centre of Geneva Foundation (FCIG) related to the construction of a building on rue des Morillons in Geneva, Switzerland, at a total cost of 20.4 million Swiss francs. The agreement provided for the Organization to advance the initial sum of 10.0 million Swiss francs, plus a further sum of 1.0 million Swiss francs representing interest on the initial advance, equaling a total advance of 11.0 million Swiss francs. The balance of the construction cost was covered by a mortgage between FCIG and the Banque Cantonale de Genève (BCG). In 2016 the FCIG was absorbed by law into the Foundation for Buildings for International Organizations (FIPOI).

WIPO also entered into an agreement to lease the building from FCIG (subsequently amended to FIPOI). From 2012 the lease agreement was renewed for a period of seven years. In 2018 the lease was extended for a period of one year under the same conditions, terminating on December 31, 2019. Under the current lease agreement between the Organization and FIPOI, both parties have the right to terminate the agreement at any point through mutual consent formalized in writing. The annual amount of rent payable by WIPO is equivalent to the annual repayments (interest plus repayments of the principal) on the mortgage between FIPOI and the BCG. The rent paid by WIPO on this basis during 2018 totaled 229,504 Swiss francs (229,457 Swiss francs during 2017). Since January 1, 2012, WIPO has also recognized an annual amortization charge of 188,679 Swiss francs against its advance to FIPOI. Further, the Organization also leases covered parking spaces, for a cost of 90,072 Swiss francs in 2018. In the absence of a mutual termination of the lease agreement, WIPO's future payments (including the mortgage repayments, the amortization of the advance and the rental of parking spaces) until the end of the lease in 2019 would be as follows:

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Not later than one year	505	507
Later than one year and not later than five years	-	-
Later than five years	-	-
Total future lease payments	**505**	**507**

Upon vacating the premises, WIPO is to be repaid the balance of the 11.0 million Swiss francs advance after amortization. FIPOI will also retain 1.0 million Swiss francs from the advance for restoration of the building to its original condition.

For presentation in the financial statements, the total value of the amortization is treated as an advance payment of rent, and is split into both its current portion (see Note 6) and non-current portion. As at December 31, 2018 the non-current portion is zero as there is only one year remaining on the existing lease agreement. The total value of this advance payment as at December 31, 2018 is 0.2 million Swiss francs. The remaining balance of WIPO's advance to FIPOI is treated as a concessionary loan in accordance with IPSAS, and is measured at amortized cost. The interest-free element of the concessionary loan is also recognized as an advance payment, and is split into both its current portion (see Note 6) and non-current portion. Again, as at December 31, 2018, the non-current portion is zero. This advance payment is reduced over the period of rental agreement, and as at December 31, 2018 has a total value of 0.1 million Swiss francs.

NOTE 13: PAYABLES AND ACCRUALS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Trade creditors - accounts payable	14,964	16,530
Miscellaneous transitory liabilities	953	952
Other trade creditors	619	414
Total payables and accruals	**16,536**	**17,896**

Payables and accruals include invoices received from suppliers not yet settled including the revaluation of invoices payable in currencies other than the Swiss franc.

NOTE 14: EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Accumulated leave (posts)	618	704
Accumulated leave (temporary staff)	261	250
Separation benefits	291	284
Closed Pension Fund	294	321
Repatriation grant and travel	1,944	2,136
Home leave	487	329
Overtime and credit hours	157	382
Education grant	1,970	1,932
Performance rewards	794	3,224
After-Service Health Insurance	18,171	18,559
Total current employee benefit liabilities	**24,987**	**28,121**
Closed Pension Fund	1,704	1,751
Accumulated leave (posts)	7,350	7,735
Repatriation grant and travel	15,127	14,302
After-Service Health Insurance	284,957	285,817
Total non-current employee benefit liabilities	**309,138**	**309,605**
Total employee benefit liabilities	**334,125**	**337,726**

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

The Organization 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 0.3 million Swiss francs (0.3 million Swiss francs at December 31, 2017).

Home Leave: certain internationally recruited staff members are eligible for home leave for themselves and their dependents to the country in which they have their home every second year. The total outstanding liability for home leave earned but not taken at the reporting date is 0.5 million Swiss francs (0.3 million 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 0.2 million Swiss francs (0.4 million Swiss francs at December 31, 2017, including credit hours).

Education grant: certain internationally recruited staff members, 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. 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 2.0 million Swiss francs (1.9 million Swiss francs at December 31, 2017).

Performance rewards: under the WIPO Rewards and Recognition Program staff may be considered for payment of a cash reward based on their performance during the year. In accordance with decisions taken during the year, the total amount of performance rewards payable to staff as at December 31, 2018, totaled 0.8 million Swiss francs (3.2 million Swiss francs at December 31, 2017).

Long-Term Employee Benefits

Closed Pension Fund (CROMPI): Prior to becoming a participating organization in the UNJSPF, WIPO's predecessor organization had its own pension fund established in 1955. This pension fund was closed to new members on September 30, 1975 and continues for those who were members at the time of closure under the management of a Foundation Council. In accordance with a decision of the ILO Administrative Tribunal of the International Labour Organization (ILOAT) in 2006, WIPO has the obligation to cover certain differences between the pension receivable of Closed Pension Fund members under the Closed Pension Fund and that receivable from the UNJSPF. Based upon the latest actuarial valuations performed for 2018, this liability is estimated at 2.0 million Swiss francs as at December 31, 2018 (2.1 million Swiss francs in 2017).

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. However, those staff members who accumulated more than 60 days prior to January 1, 2013, were entitled to retain them until December 31, 2017. 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 8.0 million Swiss francs (8.4 million Swiss francs at December 31, 2017).

Repatriation grant and travel: The Organization has a contractual obligation to provide benefits such as repatriation grants, travel and removal for certain internationally recruited staff members at the time of their separation from service. For professional staff in temporary positions, the cost of repatriation travel and removal on separation from service is estimated by WIPO and is treated as a current liability. For internationally recruited professional staff in posts, the liability for repatriation grant, travel and removal is calculated by an independent actuary. The total liability was estimated as follows at the reporting date:

			December 31, 2018	December 31, 2017
	Actuarial Valuation	WIPO Estimate	Total	Total
	(in thousands of Swiss francs)			
Current liability	1,388	556	1,944	2,136
Non-current liability	15,127	-	15,127	14,302
Total liability - repatriation grant and travel	**16,515**	**556**	**17,071**	**16,438**

Concerning the actuarial valuation of repatriation grant and travel, the table below details the expense for repatriation grant and travel recognized in the Statement of Financial Performance:

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Interest cost	45	43
Current service cost	1,323	1,276
Actuarial (gain)/loss	-89	-57
Expense recognized in the Statement of Financial Performance	**1,279**	**1,262**

Actuarial gains and losses for repatriation grant and travel are recognized immediately in the Statement of Financial Performance. The table below details the change in the repatriation grant and travel defined benefit obligation:

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Defined benefit obligation at beginning of year	15,670	14,702
Interest cost	45	43
Current service cost	1,323	1,276
Contribution paid	-434	-294
Actuarial (gain)/loss on obligation	-89	-57
Defined benefit obligation at end of year	**16,515**	**15,670**

Contributions paid by the Organization for repatriation grant and travel totaled 0.4 million Swiss francs for 2018 (0.3 million Swiss francs in 2017). Expected contributions to repatriation grant and travel in 2019 are 1.6 million Swiss francs.

The following table details the present value of the defined benefit obligation and experience adjustments arising on the repatriation grant and travel liability for 2018 and the previous four years:

	2018	2017	2016	2015	2014
	(in thousands of Swiss francs)				
Defined benefit obligation	16,515	15,670	14,702	14,702	13,279
Experience (gain)/loss adjustments on plan liability	47	-793	224	1,135	-1,295

The principal assumptions used in determining the repatriation grant and travel liability and defined benefit obligation are as follows:

	December 31, 2018	December 31, 2017
Weighted-average assumptions to determine benefit obligations		
Discount rate	0.45%	0.30%
Rate of salary increase	2.53%	2.50%
Weighted-average assumptions to determine net cost		
Discount rate	0.30%	0.30%
Rate of salary increase	2.50%	2.43%

***After Service Health Insurance (ASHI)*:** The Organization 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 WIPO's SRR, a share of 65 per cent of the monthly medical insurance premium is paid by the Organization. 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 the Organization'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 the Organization has established separate funds (strategic cash) for the future financing of after-service employee benefit liabilities, including ASHI (see Notes 3 and 4). On the basis of an actuarial valuation carried out in December 2018 by an independent actuary, the Organization's ASHI liability was estimated as follows at the reporting date:

	December 31, 2018	December 31, 2017
ASHI	*(in thousands of Swiss francs)*	
Current liability	18,171	18,559
Non-current liability	284,957	285,817
Total liability - ASHI	**303,128**	**304,376**

The table below details the expense for ASHI recognized in the Statement of Financial Performance:

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Interest cost	2,118	2,393
Current service cost	16,441	19,023
Expense recognized in the Statement of Financial Performance	**18,559**	**21,416**

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 thousands of Swiss francs)	
Defined benefit obligation at beginning of year	304,376	320,888
Interest cost	2,118	2,393
Current service cost	16,441	19,023
Contribution paid	-3,538	-3,312
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	-3,092	-17,122
(Gain)/loss on change in financial assumptions	-14,204	3,960
(Gain)/loss on change in demographic assumptions	1,027	-21,454
Defined benefit obligation recognized at end of year	**303,128**	**304,376**

Contributions paid by the Organization for ASHI totaled 3.5 million Swiss francs for 2018 (3.3 million Swiss francs in 2017). Expected contributions to ASHI in 2019 are 3.8 million Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2018, was 22.2 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 thousands of Swiss francs)		
Defined benefit obligation	303,128	304,376	320,888	216,075	154,449
Experience (gain)/loss adjustments on plan liability	-3,092	-17,122	3,377	190	-15,301

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

	December 31, 2018	December 31, 2017
Weighted-average assumptions to determine benefit obligations		
Discount rate	0.90%	0.70%
Medical cost trend rate	3.50%	3.50%
Weighted-average assumptions to determine net cost		
Discount rate	0.70%	0.75%
Medical cost trend rate	3.50%	3.50%

Actuarial assumptions have a significant effect on the amounts calculated for the ASHI liability. A description of the factors which impact the size of the ASHI liability is included in the financial statement discussion and analysis which precedes these financial statements. The following sensitivity analysis shows how the defined benefit obligation would have been affected by changes in significant actuarial assumptions, the discount rate and the rate of sickness premium increase. The per cent changes used in the analysis are considered reasonable based on historical movements:

	0.25 per cent decrease in discount rate 0.65%	Discount rate as applied 0.90%	0.25 per cent increase in discount rate 1.15%
		(in thousands of Swiss francs)	
Defined benefit obligation as at December 31, 2018	321,100	303,128	286,502
Per cent variation	5.9%		-5.5%

	1 per cent decrease in medical cost trend rate 2.5%	Medical cost trend rate as applied 3.5%	1 per cent increase in medical cost trend rate 4.5%
		(in thousands of Swiss francs)	
Defined benefit obligation as at December 31, 2018	245,456	303,128	379,545
Per cent variation	-19.0%		25.2%

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.

WIPO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations 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 United Nations 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 1.8 per cent was contributed by WIPO (including participants and Organization contributions).

During 2018, WIPO contributions (including Organization contributions only) paid to UNJSPF amounted to 27.2 million Swiss francs (27.1 million Swiss francs in 2017). Expected contributions due in 2019 are approximately 28.4 million Swiss francs.

Membership of the Fund may be terminated by decision of the United Nations 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 15: TRANSFERS PAYABLE

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Madrid Union complementary fees	38,356	37,315
Madrid Union supplementary fees	4,022	3,709
Madrid Union individual fees	17,669	15,410
Madrid Union handling fees	14	15
Madrid Union deposits	26,487	28,651
Hague Union distribution	1	458
Madrid and Hague Union repartition fees	7,592	5,781
AMC deposits	1,136	1,079
PCT International Searching Authorities	1,274	1,302
RO search fees due to International Searching Authorities	95	181
Total transfers payable	**96,646**	**93,901**

The Organization collects fees on behalf of the contracting parties of the Madrid Agreement and Protocol and the Common Regulations of the Hague Agreement. The Organization's PCT International Bureau collects funds from applicants to cover the cost of payments of International Searching Authorities. In addition, the Organization collects fees to be paid directly to mediators, arbitrators or panelists for cases treated through the Arbitration and Mediation Centre. The Organization holds these funds on a temporary basis until they are transferred to the final beneficiary in accordance with the various treaties and agreements administered by the Organization.

Madrid Union Complementary and Supplementary fees: In accordance with the Madrid Agreement (Article 8(2) (b and c)) and the Madrid Protocol (Article 8(2) (ii and iii)) the Organization collects complementary and supplementary fees of 100 Swiss francs per application or renewal on behalf of the contracting parties. The amount due to each contracting party varies based upon the services provided by the party (examination undertaken). Funds are transferred annually in the first half of the year following the reporting date.

Madrid Union Individual fees: In accordance with Article 8(7) of the Madrid Protocol and Rule 38 of the Common Regulations, contracting parties may establish fees which are collected by the Organization and payable to contracting parties within the month following the recording of the registration or designation of renewal for which the fee was paid. Contracting parties that have elected to establish individual fees are not eligible to receive the complementary and supplementary fees described above. The amounts shown as payable represent the fees to be transferred at the end of the reporting period.

Madrid Union deposits: The Organization receives payments from applicants under the Madrid system which represent deposits in connection with pending procedures related to trademarks. The portion of these deposits which is estimated to represent funds collected by WIPO on behalf of third parties to be transferred later in accordance with the treaty is included within transfers payable in the financial statements. The portion of these deposits which is estimated to represent fees of the Organization received in advance is included within advance receipts in the financial statements (see Note 16).

Hague Union Distribution: In accordance with Rules 13.2(a)(iii), 13.2(e) and 24.2 of the Common Regulations under the Hague Agreement, the Organization collects ordinary state fees, state renewal fees and novelty examination fees on behalf of contracting parties for international registrations or their renewals. These funds are payable to the contracting parties on a monthly basis. The amount shown as payable represents the amounts to be transferred at the end of the reporting period.

Madrid and Hague Union Repartition Fees: The Organization holds funds payable to contracting parties when no clear payment instructions have been received or the contracting party requests that payment be held pending confirmation. The amount shown includes the sum of 1.7 million Swiss francs due to the countries making up the former Federal Republic of Yugoslavia. Following receipt by the International Bureau of a mutual agreement between the concerned Member States as to the amounts due to each country, payment of these balances commenced in 2018 and will continue in 2019.

AMC Deposits: The Organization collects fees for arbitrations undertaken through its Arbitration and Mediation Centre covering domain names and other issues related to intellectual property. In addition to the fee paid to the Organization, participants deposit an amount equal to the estimated fee of the arbitrator. If the arbitrator's fee exceeds the estimate, the Organization requires the participants to provide the additional funds required. The amount collected is paid directly to the arbitrator and is not recognized as income by the Organization. The amount shown in the prior table represents the net amount paid by participants but not paid to the arbitrator as of the reporting date.

PCT International Searching Authorities: The International Bureau collects fees from applicants for international patents filed at the International Bureau to cover the costs of the international searches which are performed by International Searching Authorities designated by the Organization pursuant to the PCT. The amount shown in the prior table represents the amount to be transferred to International Searching Authorities at the reporting date.

RO Search Fees due to International Searching Authorities: Under a netting pilot project launched in 2018, the Organization collects fees from participating receiving Offices for transfer to participating International Searching Authorities. The amount shown in the prior table represents the balance of transfers received by WIPO but not yet transferred to the participating International Searching Authorities at the reporting date.

NOTE 16: ADVANCE RECEIPTS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Madrid Union deposits	8,661	9,281
Industrial design deposits	2,535	832
PCT/IBRO deposits	635	724
Advance payment of contributions	4,305	2,225
PCT system deferred revenue	264,891	252,193
Madrid system deferred revenue	3,047	2,609
Hague system deferred revenue	341	448
Non-exchange deferred revenue	11,691	13,555
FIPOI deferred revenue	132	132
Total current advance receipts	**296,238**	**281,999**
FIPOI deferred revenue	3,804	3,937
Total non-current advance receipts	**3,804**	**3,937**
Total advance receipts	**300,042**	**285,936**

In many cases, the Organization collects fees and charges for services before the services are performed completely, or before the fee is earned in accordance with the treaties, agreements, protocols and regulations administered by the Organization. Revenue from fees related to the processing of international applications (under the PCT, Madrid and Hague systems) is recognized when the application has been published. Revenue for additional page fees related to PCT applications is deferred until the related application is published. In addition, the part of the fees for PCT applications which covers the cost of translation of patentability reports not filed in the English language is deferred until the translation has been completed. All revenue from fees such as renewals, extracts, modifications, abandonment, transfers, confirmations and adjustments is recognized when the service has been performed.

Voluntary contributions from donors to Special Accounts containing conditions requiring the Organization to provide services to recipient governments or other third parties are treated as deferred income until the services covered by the voluntary contributions are performed, whereupon income is recognized.

The construction project to upgrade the safety and security standards of existing WIPO buildings was partly financed by the Foundation for Buildings for International Organizations (FIPOI). Construction work financed by the FIPOI has been capitalized as part of the cost of the Security Perimeter, and a corresponding amount recognized as deferred revenue. The balance of deferred revenue as at December 31, 2018, was 3.9 million Swiss francs (4.1 million Swiss francs as at December 31, 2017). This revenue is recognized gradually as the Security Perimeter is depreciated over its useful life.

NOTE 17: BORROWINGS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
FIPOI loan	-	16,862
Total borrowings	**-**	**16,862**

The Organization borrowed funds (50.8 million Swiss francs and 8.4 million Swiss francs approved in 1977 and 1987 respectively) from FIPOI for the purpose of constructing its headquarters buildings in Geneva, Switzerland. These loans were originally subject to interest payments. However, in 1996 the Swiss Federal Department of External Relations agreed to waive any further payments of interest and the loans subsequently required the reimbursement of principal only. In January 2018 the Organization repaid in full the remaining balance of 16.9 million Swiss francs of its loans with FIPOI.

NOTE 18: PROVISIONS

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Legal costs	5,588	2,008
Total provisions	**5,588**	**2,008**

As part of its normal activities, the Organization is subject to litigation. Events occurring prior to December 31, 2018, have created certain legal obligations at the reporting date. As it is probable that these obligations will require future settlement and as the settlement amounts can be reliably estimated, a provision for legal costs has been established. The timing of any future settlements is uncertain at the reporting date. The amount of the provision has been estimated as closely as possible on the basis of information available.

The movement in provisions during 2017 and 2018 is detailed as follows:

	Legal Costs
	(in thousands of Swiss francs)
Balance as at December 31, 2016	**6,989**
Movements in 2017:	
Additional provisions made	498
Amounts used	-521
Unused amounts reversed	-4,958
Balance as at December 31, 2017	**2,008**
Movements in 2018:	
Additional provisions made	4,381
Amounts used	-386
Unused amounts reversed	-415
Balance as at December 31, 2018	**5,588**

NOTE 19: OTHER CURRENT LIABILITIES

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Current accounts	70,578	64,479
Total other current liabilities	**70,578**	**64,479**

The Organization provides facilities for applicants under the PCT, Madrid and Hague systems to deposit funds entitled "current accounts" for which the Organization acts as custodian pending the use of the funds to cover fees required to be paid in connection with individual applications and renewals. These funds are held until such time as specific applications are filed. On receipt of the application and authorization, the current account balance is reduced and the funds are considered deposits until the application has been registered.

In addition, the Organization maintains bank accounts in its name to provide a mechanism for certain contracting parties to transfer funds which these parties have collected on behalf of the Organization. Until such time as the contracting party informs the Organization that funds held in these accounts represent income belonging to the Organization, the balance remaining in the accounts is not recognized as revenue.

NOTE 20: CONTINGENT ASSETS AND LIABILITIES

There are a number of cases where members of WIPO personnel are in dispute with the Organization. Cases before the WIPO Appeal Board (WAB) and the ILO Administrative Tribunal (ILOAT) for which provisions have been made are reflected in Note 18. No provision has been made for certain other cases before the WAB or the ILOAT where legal advice indicates it is not probable that a liability will arise. The estimated value of contingent liabilities for possible payments by the Organization for claims arising from these cases is 60,000 Swiss francs at the reporting date.

In addition to the cases noted above, at the end of 2018 international professional and higher category Geneva based staff filed complaints with the ILOAT challenging the legality of the reduction in the Geneva post adjustment implemented in 2018 and other compensation matters. The reduction was implemented by WIPO as a consequence of decisions of the International Civil Service Commission (ICSC) taken further to the 2016 cost of living survey. If the complaints are successful, WIPO may have to pay the difference between amounts actually paid to all Geneva-based international professional and higher category staff following the post adjustment reduction and amounts that would have been paid had there been no such reduction. The complainants also requested moral damages and costs.

Personnel also have cases that have not yet reached the appeal stage (requests for review and workplace related conflicts and grievances). For these cases the amount of any claim is yet to be confirmed, and therefore no provision is recognized. There are no contingent liabilities for possible settlement payments by the Organization arising from these cases at the reporting date.

The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides Information Technology and Communications services to Partners and Users in the United Nations System. As a Partner bound by the Mandate of the ICC, WIPO would be proportionately responsible for any third party claim or liability arising from or related to service activities of the ICC as specified in the ICC Mandate. At 31 December 2018, there are no known claims that impact WIPO. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities amongst Partner Organizations shall be agreed by the Management Committee by a formula defined at that time.

As at December 31, 2018, the Organization has non-cancellable contracts for the delivery of goods and services for a total value of 2.6 million Swiss francs. WIPO has contractual commitments relating to non-cancellable lease arrangements. These are detailed in Note 21.

NOTE 21: LEASES

WIPO as Lessee

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Not later than one year	270	333
Later than one year and not later than five years	225	494
Later than five years	-	-
Total non-cancellable operating leases	**495**	**827**

The Organization leases additional depots and storage facilities in the Geneva area, and space for its external offices in Rio de Janeiro and Tokyo (paid with a voluntary contribution to a Special Account), and its coordination office in New York. In addition, the Organization leases printing and photocopying equipment. The value of future minimum lease payments under non-cancellable operating leases is shown in the table above.

The Organization has also entered into an agreement to lease a building from the Foundation for Buildings for International Organizations (FIPOI). The details of this agreement, including future lease payments, are provided separately in Note 12.

The Organization has no outstanding leases qualifying as finance leases at the reporting date. The total amount of lease payments for depots, storage facilities and office space recognized as an expense was 1.7 million Swiss francs in 2018 (1.7 million Swiss francs in 2017).

WIPO as Lessor

The Organization has entered into a number of agreements whereby it leases space in or on its headquarters buildings to third parties. These leases are all cancellable subject to notification periods specified in the agreements. The total amount of rental income from these arrangements in the reporting period was 0.6 million Swiss francs (0.7 million Swiss francs in 2017). The Organization also previously leased apartments, parking and other facilities in the Madrid Union Building, as detailed in Note 9. This building was sold in January 2018.

NOTE 22: RELATED PARTY TRANSACTIONS

	2018		2017	
	Number of Individuals	**Aggregate remuneration**	**Number of Individuals**	**Aggregate remuneration**
	(full-time equivalent basis)	*(in thousands of Swiss francs)*	*(full-time equivalent basis)*	*(in thousands of Swiss francs)*
Director General, Deputies and Assistants	9.00	3,059	9.00	3,171
Senior Officers	13.38	3,728	13.00	3,769

The Organization is governed by the WIPO General Assembly composed of representatives of Member States party to the WIPO Convention which are members of any of the Unions. These representatives do not receive remuneration from the Organization. The Organization is managed by a Director General and by Deputy and Assistant Directors General and officers (key management personnel) who are remunerated by the Organization. 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, and applicable to all staff. In addition, the Director General, Deputy Directors General and Assistant Directors General receive representation allowances. Key management personnel are members of the UNJSPF to which the personnel and the Organization contribute and are also eligible for participation in the collective medical insurance plan. Key management personnel and their aggregate remuneration are detailed in the table above. There were no loans to key management personnel or to their close family members which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel or to their close family members.

WIPO has no controlled entities and no interests in other entities which would require disclosure under IPSAS 34-38. WIPO is a member of the UNJSPF and certain of its former staff are members of WIPO's CROMPI. The relationship with these two funds is explained in detail in Note 14.

The Organization has a relationship with the International Union for the Protection of New Varieties of Plants (UPOV) whereby the Director General of the Organization serves as Secretary General of UPOV. The Council of UPOV which serves as UPOV's governing body consists of the representatives of the contracting parties to the International Convention for the Protection of New Varieties of Plants of December 2, 1961, as revised. In accordance with the Rules and Regulations of UPOV, the office of UPOV, consisting of the UPOV Secretary General and staff, exercises its functions in complete independence of the Organization. The Organization is responsible for providing space, personnel administration, financial administration, procurement services and other administrative support to UPOV in accordance with the terms of an agreement between the Organization and UPOV dated November 26, 1982. UPOV reimburses the Organization for the cost of such services in accordance with the terms of said agreement. In 2018 the Organization received 618 thousand Swiss francs from UPOV to cover the cost of these services. In addition, WIPO receives reimbursement of funds disbursed on behalf of UPOV.

NOTE 23: NET ASSETS

Movement 2018	December 31, 2017	Items recognized directly in Net Assets	Program and Budget	Special Accounts	Projects Financed from Reserves	Adjustments to Special Projects Reserve	IPSAS adjustments for the year	Transfer to Accumulated Surpluses	December 31, 2018
			Surplus/(deficit) before IPSAS						
				(in thousands of Swiss francs)					
Program and Budget 2018	-	-	74,574	-	-	-	-27,492	-47,082	-
Special Accounts 2018	-	-	-	-1,925	-	-	1,925	-	-
Accumulated Surpluses	305,953	-	-	-	-	-27,549	-	50,328	328,732
Actuarial gains/losses through Net Assets	-138,694	16,269	-	-	-	-	-	-	-122,425
Special Projects Reserve	11,790	-	-	-	-7,837	27,549	3,241	-3,246	31,497
Revaluation Reserve Surplus	17,266	-	-	-	-	-	-	-	17,266
Working Capital Funds	6,342	-	-	-	-	-	-	-	6,342
Net assets	**202,657**	**16,269**	**74,574**	**-1,925**	**-7,837**	**-**	**-22,326**	**-**	**261,412**

The Organization's total net assets represent the balance of its reserves, which include its Reserves (Accumulated Surpluses, Special Projects Reserve and Revaluation Reserve Surplus) and Working Capital Funds. Following the implementation of IPSAS 39 in 2017, the Organization also recognizes actuarial gains and losses directly through net assets. The Organization manages the level of its reserves in accordance with its Policy on Reserves. In 2015 the policy was revised and adopted by the Fifty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO. The target levels of the Organization's reserves, including Working Capital Funds, are defined at the level of Unions, on the basis of percentages of estimated biennial expenditure for each Union. Under WIPO Financial Regulation 4.7, for any Union showing a surplus at the closure of the financial period, the surplus is retained in its reserves unless otherwise decided by the General Assembly or the Assembly of the Union concerned. As decided by the Assembly of the Madrid Union, and under Article 8(4) of the Madrid Agreement, the surplus of the Madrid Union is distributed to Member States, unless they otherwise decide.

The Policy on Reserves requires a clear separation between Working Capital Funds and other elements of the reserves in accounting and reporting terms. The Working Capital Funds are established for providing advance financing of appropriations should there be a temporary liquidity shortfall, and for such other purposes as the Assemblies of Member States and of the Unions shall decide. The Working Capital Funds are financed by contributions and are held in trust by WIPO for the Member States of the respective Unions. The Accumulated Surpluses of the Organization represent the accumulated net result of operations in 2018 and prior periods after the impact of IPSAS. The Revaluation Reserve Surplus includes the cumulative results of revaluations of the land owned by the Organization on which the New Building has been constructed (see Note 11). The fair value has been determined by an independent valuation. This was most recently updated in 2016, following which the fair value of the land was increased by 2.2 million Swiss francs.

WIPO's Policy on Reserves also establishes the principles and approval mechanism for the use of reserves for one-time projects for capital improvements and exceptional circumstances. The Special Projects Reserve contains the appropriations to these projects financed from reserves, less accumulated expenditure. The Special Projects Reserve was created following the revision of WIPO's Policy on Reserves in 2015. Its balance at the reporting date reflects amounts to be used for projects already approved. Projects opened in 2018 are those which were approved at the Fifty-Seventh and Fifty-Eighth Series of Meetings of the WIPO Assemblies. The following table details the projects which are financed by reserves, the expenditure during the year and the remaining balance as at December 31, 2018:

Projects financed from reserves

	Total project budget	Cumulative expenditure to December 31, 2017	Remaining balance as at December 31, 2017	Projects closed 2018	Projects opened 2018	Expenditure 2018	Remaining balance as at December 31, 2018
	(in thousands of Swiss francs)						
Special Projects							
Madrid system database	1,200	-1,124	76	-	-	-10	66
ERP project	25,341	-20,876	4,465	-	-	-1,802	2,663
ICT capital investment (closed)	5,180	-5,005	175	-175	-	-	-
Security enhancement	700	-220	480	-	-	-	480
ECM implementation	2,068	-1,338	730	-	-	-483	247
PCT building renovation	6,000	-1,064	4,936	-	-	-2,264	2,672
Geneva lake water cooling system (closed)	750	-263	487	-487	-	-	-
AB building basement renovation	960	-792	168	-	-	-164	4
AB building windows replacement (closed)	300	-94	206	-206	-	-	-
Safety and fire protection (closed)	400	-333	67	-67	-	-	-
Global IP Platform Integration (GIPPI) - Phase I	4,547	-	-	-	4,547	-945	3,602
PCT Resilient and Secure Platform - Phase I	8,000	-	-	-	8,000	-1,336	6,664
Madrid IT Platform	6,000	-	-	-	6,000	-	6,000
Integrated Conference Services Platform	930	-	-	-	930	-	930
Multi-Media Studio	1,700	-	-	-	1,700	-	1,700
PCT Building Additional Works	1,950	-	-	-	1,950	-826	1,124
Electrical Systems and Mechanical Installations - Power Outage Mitigation in AB Building (Phase I)	700	-	-	-	700	-	700
Electrical Systems and Mechanical Installations - Functional Lighting System in AB Building	600	-	-	-	600	-4	596
Electrical Systems and Mechanical Installations - Elevators in AB Building (Phase I)	430	-	-	-	430	-	430
Installation of Fire Doors and Walls in GB Building	220	-	-	-	220	-4	216
Anti Active Shooter Measures - Phase I	400	-	-	-	400	-4	396
Establishment of a Long-term Capability for WIPO to Utilize Cloud Service Providers and Migration of Legacy Applications	2,095	-	-	-	2,095	-	2,095
Migration of Email to the Cloud	912	-	-	-	912	-	912
Total reserve funded projects	**71,383**	**-31,109**	**11,790**	**-935**	**28,484**	**-7,842**	**31,497**
Revenue in year 2018						5	
Net deficit in year 2018						**-7,837**	

NOTE 24: RECONCILIATION OF STATEMENT OF BUDGETARY COMPARISON AND STATEMENT OF FINANCIAL PERFORMANCE

The WIPO Program and Budget is established on a modified accrual basis in accordance with the Financial Regulations and Rules, and is approved by the Assemblies of the Member States. The Program and Budget for the 2018/19 Biennium established a budget for the biennium of expenditure of 725.9 million Swiss francs.

For 2018, the first year of the biennium, the original budget estimate for income was 408.3 million Swiss francs. For 2018/19, budget estimates for fee income from the PCT, Madrid and Hague systems were prepared on an accrual basis based on forecasts from the WIPO Economics and Statistics Division. The updated budget estimate for 2018 income was 419.3 million Swiss francs, including updated forecasts from the WIPO Economics and Statistics Division as prepared in January 2019. Actual revenue on a comparable basis for 2018 was 414.0 million Swiss francs.

For 2018 the original budget estimate for expenditure was 359.4 million Swiss francs. The budget after transfers, including budgetary transfers as at February 1, 2019, was 359.7 million Swiss francs. Actual expenditure on a comparable basis for 2018 was 339.4 million Swiss francs.

The WIPO Performance Report for 2018 provides an explanation of both the changes between the original and the budget after transfers, and the material differences between the budget and the actual amounts. WIPO'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, reconciliation is provided between the actual amounts on a comparable basis as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. This is provided separately for the annual periods of the biennium, and also for the complete biennium in the financial statements of the second year of the biennium (this will be included in the 2019 financial statements). WIPO's budget is adopted by the Assemblies 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 depreciation of assets, full recognition of liabilities and provisions, and the capitalization of buildings and equipment expenditure. Entity differences represent the inclusion in WIPO's financial accounts of Special Accounts and Projects financed from reserves, which are not included in WIPO's published Program and Budget. Presentation differences represent the treatment of additions to buildings and equipment, and gains on investment property as investing activities in the Statement of Cash Flow (Statement IV).

Reconciliation for the year 2018

	2018			
	Operating	Investing	Financing	Total
	(in thousands of Swiss francs)			
Actual amount on comparable basis (Statement V)	**74,574**	**-**	**-**	**74,574**
Depreciation and amortization	-11,302	-	-	-11,302
Equipment acquisition and disposal	-	182	-	182
Capitalization of construction expense	-	5,172	-	5,172
Demolition of buildings components	-	-3,707	-	-3,707
Investment property gains	-	-6,210	-	-6,210
Changes in employee benefit liabilities	-8,457	-	-	-8,457
Other revenue	104	-	-	104
Change in provision for doubtful debts	-16	-	-	-16
Inventory recognition	20	-	-	20
Special Accounts revenue recognition	1,925	-	-	1,925
Other expense	-37	-		-37
Total Basis differences	**-17,763**	**-4,563**	**-**	**-22,326**
Projects financed from reserves	-7,837	-	-	-7,837
Special Accounts	-1,925	-	-	-1,925
Total Entity differences	**-9,762**	**-**	**-**	**-9,762**
Actual amount in the Statement of Financial Performance (Statement II)	**47,049**	**-4,563**	**-**	**42,486**

NOTE 25: REVENUE

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	
	2018	2018	2018	2018	2018	2017
			(in thousands of Swiss francs)			
Assessed contributions	17,377	-	-	-16	17,361	17,829
					-	-
Voluntary contributions					-	-
Contributions to Special Accounts	-	9,680	-	1,925	11,605	11,164
Subventions to Lisbon Union	-	-	-	-	-	932
Sub-total voluntary contributions	-	9,680	-	1,925	11,605	12,096
Publications revenue	542	-	-	-	542	242
Fees						
PCT system	321,348	-	-	-	321,348	296,356
Madrid system	74,297	-	-	-	74,297	69,952
Hague system	4,919	-	-	-	4,919	5,076
Lisbon system	31	-	-	-	31	39
Sub-total fees	400,595	-	-	-	400,595	371,423
Arbitration and Mediation	1,810	-	-	-	1,810	1,689
Exchange gain (loss)	-305	-11	5	-	-311	-125
Program support charges	1,173	-	-	-1,173	-	-
Other/miscellaneous revenue	-1,152	10	-	104	-1,038	5,985
Total revenue	**420,040**	**9,679**	**5**	**840**	**430,564**	**409,139**

Amounts shown for the Program and Budget represent actual revenue received related to the Organization's budget as adopted by the Assemblies.

Revenue from PCT, Madrid and Hague system fees is deferred until earned through the publication of the international application in accordance with the rules of each of the Unions.

Voluntary contributions include revenue received in connection with contributions made by donors to individual projects under Special Accounts not included in the Program and Budget. Revenue from voluntary contributions is deferred until earned through the delivery of the specific services provided in the plan of work agreed with the donor. During 2017 the Organization also received the payment of subventions under Article 11(3)(iii) of the Lisbon Agreement. These subventions are classified in the table above as voluntary contributions to the Program and Budget.

NOTE 26: EXPENSES

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	
	2018	2018	2018	2018	2018	2017
	(in thousands of Swiss francs)					
Posts	195,202	2,313	803	8,465	206,783	216,451
Temporary staff	8,950	239	4	-80	9,113	12,204
Other staff costs	4,775	-	-	-74	4,701	-61
Total Personnel expenditure	**208,927**	**2,552**	**807**	**8,311**	**220,597**	**228,594**
Internships	529	-	11	-	540	470
WIPO fellowships	3,897	3	-	-	3,900	3,383
Total Interns and WIPO fellowships	**4,426**	**3**	**11**	**-**	**4,440**	**3,853**
Staff missions	5,212	454	-	-2	5,664	5,902
Third-party travel	6,663	2,407	-	-	9,070	10,165
Training and related travel grant	1,137	893	-	-	2,030	2,128
Total Travel, training and grants	**13,012**	**3,754**	**-**	**-2**	**16,764**	**18,195**
Conferences	3,978	857	-	-	4,835	3,968
Publishing	20	-	-	-	20	46
Individual contractual services	14,006	483	721	27	15,237	15,077
Other contractual services	68,190	2,468	3,088	-	73,746	70,331
Total Contractual services	**86,194**	**3,808**	**3,809**	**27**	**93,838**	**89,422**
Premises and maintenance	21,019	258	3,214	-1,293	23,198	22,101
Communication	2,203	10	-	-	2,213	2,224
Representation and other operating expenses	476	4	-	-18	462	1,071
United Nations joint services	734	36	-	-	770	904
Total Operating expenses	**24,432**	**308**	**3,214**	**-1,311**	**26,643**	**26,300**
Supplies and materials	**1,672**	**6**	**1**	**-16**	**1,663**	**3,457**
Furniture and equipment	**564**	**-**	**-**	**-182**	**382**	**1,669**
Depreciation and amortization	**-**	**-**	**-**	**11,302**	**11,302**	**11,350**
Finance costs	**209**	**-**	**-**	**-**	**209**	**12,007**
Program support costs	**-**	**1,173**	**-**	**-1,173**	**-**	**-**
Total expenses	**339,436**	**11,604**	**7,842**	**16,956**	**375,838**	**394,847**

Before the impact of IPSAS adjustments, expenses in the Program and Budget, Special Accounts and Projects financed from reserves are reported on a modified accrual basis, whereby expenses are recognized when goods are received and services are rendered. IPSAS adjustments concern principally the recognition of depreciation and amortization against the cost of fixed assets. Adjustments are also recognized to capitalize expenses for the acquisition of equipment and additions to buildings. Adjustments are made to personnel expenditure as a result of bringing employee benefit liabilities, including ASHI, into line with IPSAS compliant calculations.

NOTE 27: INVESTMENT GAINS/(LOSSES)

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	
	2018	2018	2018	2018	2018	2017
			(in thousands of Swiss francs)			
Fair value increase/(decrease) on investments	-16,994	-	-	-	-16,994	4,325
Dividends	4,183	-	-	-	4,183	-
Investment property disposal	6,999	-	-	-6,210	789	-
Interest on current accounts and deposits	-	-	-	-	-	7
Interest on investments	21	-	-	-	21	5
Investment management and administration cost	-239	-	-	-	-239	-
Total investment gains/(losses)	**-6,030**	**-**	**-**	**-6,210**	**-12,240**	**4,337**

The fair value decrease on investments of 17.0 million Swiss francs represents movements in the valuation of the Organization's core cash and strategic cash portfolio assets at the reporting dates. These are unrealized losses which impact the value at which these investments are held in the Statement of Financial Position at the reporting date (see the movement table included in Note 4). The fair value decrease in 2018 was 10.4 million Swiss francs on core cash investments, and 6.6 million Swiss francs on strategic cash investments. The Organization's investments also generated dividends of 4.2 million Swiss francs during 2018. In January 2018 the Organization disposed of its investment property (the Madrid Union Building) for a sale price of 7.0 million Swiss francs. This generated an investment gain of 0.8 million Swiss francs

NOTE 28: FINANCIAL INSTRUMENTS

Financial Instruments Overview

Financial instruments are categorized as follows:

Financial Assets and Liabilities	Category
Cash and cash equivalents	Financial assets at fair value through surplus and deficit
Receivables	Loans and receivables (at amortized cost)
Loans	Loans and receivables (at amortized cost)
Borrowings	Financial liabilities at amortized cost
Payables and accruals	Financial liabilities at amortized cost
Transfers payable	Financial liabilities at amortized cost
Current accounts	Financial liabilities at amortized cost
Derivative assets and liabilities	Financial assets and liabilities at fair value through surplus and deficit
Held to maturity investments arising from operating cash	Held to maturity investments at (amortized) cost
Investments arising from core and strategic cash	Financial assets at fair value through surplus and deficit

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

The Organization manages its investments in accordance with its Policy on Investments. 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 the Organization to meet daily payment requirements and to ensure that an amount equivalent to the target reserves is available in liquid assets. 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

The fair value of the financial assets and liabilities are 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, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;

- Quoted investments (in investment funds which are publicly traded) are based on price quotations at the reporting date;

- Derivative financial instruments are based on quoted prices, adjusted for the UNORE at reporting date;

- Long-term loans, receivables and borrowings are evaluated by the Organization based on parameters such as interest rates and risk characteristics. Allowances have been established for receivables from non-exchange transactions which cover amounts due from Member States that have lost the right to vote under Article 11, paragraph 5 of the WIPO Convention and for contributions from least developed countries which have been frozen by action of the Assemblies. The concessionary loan to FIPOI is recognized at amortized cost with values based on cash flows discounted using a discount rate of 1.48 per cent.

The following tables provide a comparison by class of the carrying amounts and fair value of the Organization's financial instruments:

	Carrying amount	Fair value
Financial assets	*(in thousands of Swiss francs)*	
2018		
Receivables	65,129	65,129
Loans	8,367	8,367
Cash and cash equivalents	222,920	222,920
Investments	393,418	393,418
	689,834	**689,834**
2017		
Receivables	57,676	57,676
Loans	8,553	8,553
Cash and cash equivalents	265,452	265,452
Investments	278,319	278,319
Derivative financial instruments	921	921
	610,921	**610,921**

Financial liabilities	Carrying amount	Fair value
	(in thousands of Swiss francs)	
2018		
Payables and accruals	16,536	16,536
Transfers payable	96,646	96,646
Current accounts	70,578	70,578
Derivative financial instruments	314	314
	184,074	**184,074**
2017		
Borrowings	16,862	16,862
Payables and accruals	17,896	17,896
Transfers payable	93,901	93,901
Current accounts	64,479	64,479
	193,138	**193,138**

Fair Value Hierarchy

For those instruments categorized as fair value through surplus or deficit, fair values are classified according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);
- Inputs for the asset or liability that are not based on observable market data (Level 3).

Financial Assets and Liabilities	Fair Value Hierarchy
Cash and cash equivalents	Level 1
Derivative assets and liabilities	Level 2
Investments arising from core and strategic cash	Level 1

Credit risk

Credit risk is the risk of financial loss to the Organization if counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from the Organization's loans, receivables, cash and cash equivalents, and investments. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31, 2018 and 2017, was as follows:

	December 31, 2018	December 31, 2017
	(in thousands of Swiss francs)	
Receivables	65,129	57,676
Loans	8,367	8,553
Cash and cash equivalents	222,920	265,452
Investments	393,418	278,319
Derivative financial instruments	-	921
Maximum exposure to credit risk	**689,834**	**610,921**

The Organization's receivables from non-exchange transactions are almost exclusively from its Member States representing sovereign governments, and therefore risks related to credit are considered minor. An allowance has been established against the asset value of accounts receivable to reflect receivables for which payment is not anticipated in the short-term.

In accordance with the Organization's Policy on Investments, deposits 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. Money market investments, bonds, notes or other obligations and other fixed income products purchased directly by WIPO may only be held with institutions with a minimum short-term credit rating of A-3/P-3 or a minimum long-term credit rating of BBB-/Baa3. Where these are acquired as shares in pooled market traded funds, at least 65 per cent of the holdings must be in Investment Grade (AAA/Aaa to BBB-/Baa3), while the balance of up to 35 per cent may be held in high yield bonds (BB+/Ba1 to C/Ca). The credit ratings attached to cash and cash equivalents and investments as at December 31, 2018, is as follows:

Credit Rating	A-1+	A-1	A-2	Unrated (1)	Total
	S&P short-term				
December 31, 2018	*(in thousands of Swiss francs)*				
Cash and cash equivalents	1,870	175,909	45,119	22	222,920
Investments	-	12,000	-	381,418	393,418
	1,870	**187,909**	**45,119**	**381,440**	**616,338**
Per cent	*0.3%*	*30.5%*	*7.3%*	*61.9%*	*100.0%*

(1) Unrated balances include cash on hand and non-current investments. Non-current investments held by WIPO are in investment funds which are not rated by credit rating agencies, but in which the underlying investments are made in accordance with WIPO's Policy on Investments.

Liquidity risk

Liquidity risk is the risk of the Organization not being able to meet its obligations as they fall due.

The Organization does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations. The Organization's Policy on Investments requires that operating and core cash are invested in such a way to ensure the liquidity necessary to meet the Organization'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 balances are invested with the objective of generating a positive return over rolling five year periods. Core cash balances are invested ideally in such a way that occasional access to a portion of the cash is possible. Strategic cash balances are invested over the long term, and currently have no short or medium term liquidity requirements.

The following table provides a maturity analysis of WIPO's borrowings as at December 31, 2018 and 2017. In January 2018 the Organization repaid in full the remaining balance of its FIPOI loans (see Note 17 Borrowings):

	1 year or less	1-5 years	Later than 5 years	Total
December 31, 2018	*(in thousands of Swiss francs)*			
FIPOI loans	-	-	-	-
Total borrowing	**-**	**-**	**-**	**-**

	1 year or less	1-5 years	Later than 5 years	Total
December 31, 2017	*(in thousands of Swiss francs)*			
FIPOI loans	16,862	-	-	16,862
Total borrowing	**16,862**	**-**	**-**	**16,862**

Currency risk

The Organization receives revenue from fees in currencies and incurs expenses in currencies other than its functional currency, the Swiss franc, and is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. The mechanism for managing foreign currency exchange risk in relation to PCT international filing fees is discussed in detail in the financial statement discussion and analysis which precedes these financial statements. The Organization is also exposed to exchange risk arising from the currency differences between amounts payable to International Searching Authorities pursuant to the Regulations under the Patent Cooperation Treaty and amounts received by national patent offices for international search fees from applicants for international patents. In 2018, the Organization launched a netting pilot project to reduce the exposure of PCT fee income to movements in currency exchange rates.

Where investments are held in currencies other than the Swiss franc, the Organization may use derivative financial instruments to minimize the risk arising from the fluctuation of the currency of the investment against the Swiss franc. Investment in derivatives for speculative purposes is not permitted.

The Organization's contributions to the UNJSPF and its payments to ICC are made in US dollars. The Organization has a further exposure to exchange risk in connection with the cost of pensions for staff previously enrolled in the Closed Pension Fund who are now members of the UNJSPF. In addition, during 2018 the Organization had external offices in Brazil, China, Japan, Russia and Singapore, and a coordination office in the USA, with limited assets in local currency.

Currency exchange rate sensitivity analysis

The currency exchange rate sensitivity analysis is based on reasonable shifts in exchange rates. A rate of 10.0 per cent has been applied to financial assets and financial liabilities held in currencies other than the Swiss franc to summarize the effect on surplus in the Statement of Financial Performance. A positive movement in the exchange rate reflects an appreciation of the foreign currency against the Swiss franc, a negative movement in the exchange rate reflects a depreciation of the foreign currency against the Swiss franc. The impact of these exchange rate movements resulting from the Organization's derivative financial instruments (forward foreign exchange contracts) is shown separately:

December 31, 2018 Original currency:	USD	JPY	EUR
		(in thousands of Swiss francs)	
Total in the financial statements:			
Financial assets			
Cash and cash equivalents	3,899	37	994
Investments	126,422	-	-
PCT debtors	9,310	6,038	7,674
USA taxes reimbursable	2,192	-	-
Reasonable shift	10.0%	10.0%	10.0%
Total effect on surplus of +ve movements	**14,182**	**608**	**867**
Total effect on surplus of -ve movements	**-14,182**	**-608**	**-867**
Financial liabilities			
PCT current accounts	-	-	73
Accounts payable	2,457	6	387
Transfer payable	1,336	4	251
Reasonable shift	10.0%	10.0%	10.0%
Total effect on surplus of +ve movements	**-379**	**-1**	**-71**
Total effect on surplus of -ve movements	**379**	**1**	**71**
Derivative financial instruments			
Forward foreign exchange contracts	-314	N/A	N/A
Reasonable shift	10.0%	10.0%	10.0%
Total effect on surplus of +ve movements	**-11,287**	**N/A**	**N/A**
Total effect on surplus of -ve movements	**11,287**	**N/A**	**N/A**
TOTAL NET IMPACT			
Total effect on surplus of +ve movements	**2,516**	**607**	**796**
Total effect on surplus of -ve movements	**-2,516**	**-607**	**-796**

Market risk

Market risk is the risk of changes in market prices, including interest rates, affecting the Organization's income or the value of its financial instrument holdings. Given prevailing interest rates at the current time, the Organization has included limited investment revenue in its budget for 2018/19 Program and Budget.

The Organization does not currently use financial instruments to hedge interest rate risk. The interest rates and maturity profile on interest generating financial instruments as at December 31, 2018, and December 31, 2017, are as follows:

	Interest rate at reporting date	1 year or less	1-5 years	Later than 5 years	Total
December 31, 2018	%		*(in thousands of Swiss francs)*		
Financial assets					
Term deposits with Raiffeisen	0.017	20,000	-	-	20,000

	Interest rate at reporting date	1 year or less	1-5 years	Later than 5 years	Total
December 31, 2017	%		*(in thousands of Swiss francs)*		
Financial assets					
Term deposits with Raiffeisen	0.018	20,000	-	-	20,000

Interest rate sensitivity analysis

If the average interest rate during the year had been 50 basis points higher or lower, the interest income or interest expense would have been affected as follows:

	Increase (+) / decrease (-) in basis points	Effect on surplus
		(in thousands of Swiss francs)
2018		
Financial assets		
Term deposits with Raiffeisen	+50	100
	-50	-100

Market price sensitivity analysis

WIPO's medium-term investment portfolio (core cash) and long-term investment portfolio (strategic cash) are subject to risk of movements in market prices of the underlying investment funds. Based on historical experience for the investment strategies applied to these portfolios, the expected volatility for core cash and strategic cash is 3.70 per cent and 4.80 per cent. The table below shows the impact on the Organization's surplus of a positive and negative market price movement based on these expected levels of volatility:

	Percentage movement in market price	Effect on surplus
		(in thousands of Swiss francs)
2018		
Non-current investments		
Medium-term investment porfolio (core cash)	+3.70%	9,661
	-3.70%	-9,661
Long-term investment portfolio (strategic cash)	+4.80%	5,775
	-4.80%	-5,775

NOTE 29: EXCHANGE GAIN AND LOSS

	Gain	Loss	Net Impact 2018	Net impact 2017
			(in thousands of Swiss francs)	
PCT system fees gain/(loss)				
Accounts receivable	220	-141	79	47
PCT fees received	2,413	-686	1,727	440
PCT International Searching Authority	2,354	-2,011	343	-2,002
Total PCT system fees realized gain/(loss)	4,987	-2,838	2,149	-1,515
PCT bank accounts	1,174	-1,089	85	23
PCT current accounts and debtors	313	-192	121	735
Total PCT system fees unrealized gain/(loss)	1,487	-1,281	206	758
Total PCT system fees gain/(loss)	**6,474**	**-4,119**	**2,355**	**-757**
Investing activities gain/(loss)				
Hedging instruments	-	-4,619	-4,619	-463
Total Investing activities realized gain/(loss)	-	-4,619	-4,619	-463
Hedging instruments	-	-314	-314	921
Investments	1,887	-	1,887	-951
Investment bank accounts	1	-	1	-
Total Investing activities unrealized gain/(loss)	1,888	-314	1,574	-30
Total Investing activities gain/(loss)	**1,888**	**-4,933**	**-3,045**	**-493**
Arbitration and Mediation gain/(loss)				
Arbitration and Mediation bank accounts	35	-46	-11	-1
Arbitration and Mediation other assets and liabilities	146	-140	6	28
Total Arbitration and Mediation unrealized gain/(loss)	**181**	**-186**	**-5**	**27**
Other gain/(loss)				
Spot transactions	80	-	80	60
Accounts payable	218	-412	-194	588
Total other realized gain/(loss)	298	-412	-114	648
Bank accounts	611	-699	-88	-382
Special Account bank accounts	-	-	-	-
Other assets and liabilities	5,228	-5,256	-28	-331
Total other unrealized gain/(loss)	5,839	-5,955	-116	-713
Total other gain/(loss)	**6,137**	**-6,367**	**-230**	**-65**
Total exchange gain/(loss)	**14,680**	**-15,605**	**-925**	**-1,288**

The Organization realizes exchange gains and losses on accounts payable and accounts receivable transactions incurred in currencies other than Swiss francs based on the exchange rate in effect on the date of the transaction. Exchange gains and losses are realized on international filing fees and handling fees under the PCT where these are received by the Organization in currencies other than Swiss francs, and on payments made to ISAs under the PCT which are valued in the currency of the ISA but collected by WIPO in Swiss francs or by the national receiving Office in its local currency. Exchange gains and losses are also realized on forward foreign exchange contracts and foreign exchange spot transactions. In addition, unrealized exchange gains and losses relating to the revaluation of bank accounts and other monetary assets and liabilities into Swiss francs at the exchange rate in effect on the reporting date are recognized on the financial statements. Unrealized foreign exchange gains and losses are also recognized from the valuation of open forward foreign exchange contracts at the reporting date. The net effect of all exchange gains and losses of a 0.9 million Swiss francs loss in 2018 (1.3 million Swiss francs loss in 2017) is recognized within revenue in the Statement of Financial Performance.

NOTE 30: EVENTS AFTER THE REPORTING DATE

WIPO's reporting date is December 31, 2018 and its financial statements were authorized for issue on the same date as the External Auditor's opinion. No material events, favourable or unfavourable, which would have impacted upon the financial statements have occurred between the reporting date and the date on which the financial statements were authorized for issue.

NOTE 31: SEGMENT REPORTING

Segment reporting is presented in a format which represents the various Unions as the segments that make up WIPO. The Unions were created by the various treaties administered by WIPO.

The WIPO contribution-financed Unions have been consolidated for presentation purposes. These include the Paris, Berne, Locarno, Nice, Vienna and IPC Unions along with the functions covered by the WIPO Convention. The Patent Cooperation Treaty Union, Madrid Union, Hague Union and Lisbon Union are each governed by an Assembly that meets annually to adopt a budget and take such other actions as may be appropriate under the relevant treaties.

WIPO's assets and liabilities, other than the reserves representing net assets, are owned by or are the responsibility of the entire Organization and not assets or liabilities of individual Unions or segments. The assets and liabilities generally support a wide range of service delivery activities across multiple Unions (segments). Previously the only exception was the investment property in Meyrin which was owned by the Madrid Union, and which was sold in January 2018 (see Note 9 Investment Property). Therefore, individual assets and liabilities will not be reflected in the disclosure of information for individual segments or Unions. Only the net assets or reserves, including the Reserves and Working Capital Funds are shown by individual segment.

Most revenue (contributions, fees, publications) is accounted for by Union in WIPO's accounts. Investment gains/(losses) have been allocated among the Unions based upon the balance of Reserve and Working Capital Funds during the year. Other/miscellaneous revenue has been allocated equally between the Unions, except for specific elements which can be directly attributed to the relevant Unions. Expenses are accounted for by program and then re-allocated to the various Unions based upon a methodology accepted by the WIPO General Assembly as part of the adoption of WIPO's 2018/19 Program and Budget.

A separate segment has been established for Special Accounts, representing voluntary contributions administered by WIPO on behalf of individual donors to carry out programs related to WIPO's mandate. Revenue and expenses related to Special Accounts are accounted for separately in the financial accounting system.

The only inter-segment charge represents the costs of program support incurred by the Unions in support of Special Accounts. Program support costs are charged to the Special Accounts based on a percentage of total direct expenditure specified in the agreement with the donor making the voluntary contribution.

Revenue, Expenses and Reserves by Segment

Program	Program Title	Contribution Financed	PCT	Madrid	Hague	Lisbon	Special Accounts	Total
		UNIONS						
				(in thousands of Swiss francs)				
	REVENUE							
	Contributions	17,377	-	-	-	-	9,680	27,057
	Fees	-	321,348	74,297	4,919	31	-	400,595
	Publications	2	419	90	31	-	-	542
	Other/miscellaneous	137	-1,912	745	376	370	-1	-285
	Arbitration and Mediation	94	1,147	543	22	4	-	1,810
	Sub-total revenue on budgetary basis	**17,610**	**321,002**	**75,675**	**5,348**	**405**	**9,679**	**429,719**
	Miscellaneous revenue projects financed from reserves	1	1	1	1	1	-	5
	IPSAS adjustments to revenue	-23	96	41	-13	-13	752	840
	TOTAL REVENUE	**17,588**	**321,099**	**75,717**	**5,336**	**393**	**10,431**	**430,564**
	EXPENSES							
1	Patent Law	197	2,318	88	-	-	-	2,603
2	Trademarks, Industrial Designs & Geographical Indications	454	-	1,474	340	-	-	2,268
3	Copyright and Related Rights	6,228	1,126	155	-	-	-	7,509
4	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	3,306	-	-	-	-	-	3,306
5	The PCT System	-	97,515	-	-	-	-	97,515
6	Madrid System	-	-	26,943	598	33	-	27,574
7	WIPO Arbitration and Mediation Center	274	3,340	1,581	63	11	-	5,269
8	Development Agenda Coordination	21	1,297	179	-	-	-	1,497
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	195	11,991	1,649	-	-	-	13,835
10	Transition and Developed Countries	49	3,032	417	-	-	-	3,498
11	The WIPO Academy	88	5,410	744	-	-	-	6,242
12	International Classifications and Standards	216	2,720	124	31	-	-	3,091
13	Global Databases	-	3,315	1,017	53	-	-	4,385
14	Services for Access to Information and Knowledge	57	3,173	748	53	1	-	4,032
15	Business Solutions for IP Offices	90	5,531	761	-	-	-	6,382
16	Economics and Statistics	47	2,886	397	-	-	-	3,330
17	Building Respect for IP	31	1,899	261	-	-	-	2,191
18	IP and Global Challenges	30	1,825	251	-	-	-	2,106
19	Communications	105	6,488	892	-	-	-	7,485
20	External Relations, Partnerships and External Offices	91	5,573	766	-	-	-	6,430
21	Executive Management	481	7,905	2,484	370	40	-	11,280
22	Program and Resource Management	664	11,237	4,422	673	55	-	17,051
23	Human Resources Management and Development	684	11,242	3,532	527	57	-	16,042
24	General Support Services	796	13,087	4,112	613	66	-	18,674
25	Information and Communication Technology	903	16,424	5,073	1,404	75	-	23,879
26	Internal Oversight	100	1,641	515	77	8	-	2,341
27	Conference and Language Services	727	11,951	3,755	560	60	-	17,053
28	Information Assurance, Safety and Security	433	7,108	2,233	333	36	-	10,143
30	SMEs and Entrepreneurship Support	40	2,480	341	-	-	-	2,861
31	The Hague System	-	-	-	8,905	-	-	8,905
32	Lisbon System	-	-	-	-	659	-	659
	Sub-total expenses on budgetary basis	**16,307**	**242,514**	**64,914**	**14,600**	**1,101**	**-**	**339,436**
	Expenses on projects financed from reserves	100	7,275	467	-	-	-	7,842
	Sub-total expenses on budgetary basis including reserve expenses	**16,407**	**249,789**	**65,381**	**14,600**	**1,101**	**-**	**347,278**
	Special Accounts	-	-	-	-	-	11,604	11,604
	IPSAS adjustments to budgetary expenses and special accounts	1,025	15,298	4,071	907	68	-1,173	20,196
	IPSAS adjustments to projects financed from reserves	-6	-3,214	-20	-	-	-	-3,240
	TOTAL EXPENSES	**17,426**	**261,873**	**69,432**	**15,507**	**1,169**	**10,431**	**375,838**
	Investment gains/(losses)	-1,018	-10,048	5,036	-	-	-	-6,030
	IPSAS adjustments to Investment gains/(losses)	-	-	-6,210	-	-	-	-6,210
	SURPLUS/(DEFICIT) FOR THE YEAR	**-856**	**49,178**	**5,111**	**-10,171**	**-776**	**-**	**42,486**
	Net Assets as at December 31, 2017 - actuarial gains/(losses) excluded	**25,457**	**283,087**	**59,418**	**-25,570**	**-1,041**	**-**	**341,351**
	Actuarial gains/(losses) as at December 31, 2017	-7,248	-103,461	-24,339	-3,102	-544	-	-138,694
	Net Assets as at December 31, 2017	**18,209**	**179,626**	**35,079**	**-28,672**	**-1,585**	**-**	**202,657**
	2018 surplus/(deficit)	-856	49,178	5,111	-10,171	-776	-	42,486
	Net Assets as at December 31, 2018 - actuarial gains/(losses) excluded	**24,601**	**332,265**	**64,529**	**-35,741**	**-1,817**	**-**	**383,837**
	Actuarial gains/(losses) as at December 31, 2018	-4,697	-92,668	-21,389	-3,260	-411	-	-122,425
	Net Assets as at December 31, 2018	**19,904**	**239,597**	**43,140**	**-39,001**	**-2,228**	**-**	**261,412**

Note 1: The Madrid Union has assumed the financing of the Hague Union's contribution of 3 million Swiss francs to the IT Modernization Program of the Madrid and Hague international registration systems. The amount will be reimbursed by the Hague Union to the Madrid Union as soon as the level of reserves of the Hague Union Reserve Fund so allows.

Note 2: In accordance with the decision of the Assemblies of the Member States of WIPO at their 55th Series of Meetings in 2015, the Contribution-financed Unions have assumed the financing of the deficit of the Lisbon Union in the biennium 2016/17 amounting to 56,157 Swiss francs. The amount will be reimbursed by the Lisbon Union to the Contribution-financed Unions as soon as the level of reserves of the Lisbon Union so allows.

Note 3: Actuarial gains/(losses) as at December 31, 2018 have been allocated based on the relative share of headcounts for 2018.

ANNEXES

ANNEX I – STATEMENT OF FINANCIAL POSITION BY SOURCE OF FUNDING [UNAUDITED]

as at December 31, 2018

(in thousands of Swiss francs)

	Program and Budget (regular budget)		Special Accounts (voluntary contributions)		Projects financed from reserves		IPSAS Adjustments		Consolidated	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
ASSETS										
Current assets										
Cash and cash equivalents	234,920	275,452	-	-	-	-	-12,000	-10,000	222,920	265,452
Investments	-	-	-	-	-	-	12,000	10,000	12,000	10,000
Derivative financial instruments	-	921	-	-	-	-	-	-	-	921
Contributions receivables	2,132	1,626	-	-	-	-	-622	-661	1,510	965
Exchange transactions receivables	19,222	11,250	29	150	-1	-1	50,886	51,035	70,136	62,434
Inventories	-	-	-	-	-	-	1,298	1,349	1,298	1,349
Other current assets	143,121	133,813	11,951	13,841	-155,071	-147,654	-1	-	-	-
	399,395	**423,062**	**11,980**	**13,991**	**-155,072**	**-147,655**	**51,561**	**51,723**	**307,864**	**341,121**
Non-current assets										
Investments	381,418	268,319	-	-	-	-	-	-	381,418	268,319
Equipment	-	-	-	-	-	-	1,054	1,455	1,054	1,455
Investment property	-	-	-	-	-	-	-	6,210	-	6,210
Intangible assets	-	-	-	-	-	-	24,994	26,414	24,994	26,414
Land and buildings	28,809	28,809	-	-	137,419	137,419	195,106	202,940	361,334	369,168
Contributions receivables	5,394	5,416	-	-	-	-	-5,184	-5,191	210	225
Exchange transactions receivables	-	-	-	-	-	-	-	-	-	-
Other non-current assets	8,679	8,868	-	-	-	-	-312	-315	8,367	8,553
	424,300	**311,412**	**-**	**-**	**137,419**	**137,419**	**215,658**	**231,513**	**777,377**	**680,344**
TOTAL ASSETS	**823,695**	**734,474**	**11,980**	**13,991**	**-17,653**	**-10,236**	**267,219**	**283,236**	**1,085,241**	**1,021,465**
LIABILITIES										
Current liabilities										
Payables and accruals	21,237	22,948	64	133	-4,765	-5,185	-	-	16,536	17,896
Derivative financial instruments	314	-	-	-	-	-	-	-	314	-
Employee benefits	-24,576	-21,406	321	337	-55	-55	49,297	49,245	24,987	28,121
Transfers payable	70,158	65,249	-	-	-	-	26,488	28,652	96,646	93,901
Advance receipts	55,819	41,713	13,520	14,430	-	-	226,899	225,856	296,238	281,999
Borrowings	-	16,862	-	-	-	-	-	-	-	16,862
Provisions	5,588	2,008	-	-	-	-	-	-	5,588	2,008
Other current liabilities	70,601	64,516	-	-	-	-	-23	-37	70,578	64,479
	199,141	**191,890**	**13,905**	**14,900**	**-4,820**	**-5,240**	**302,661**	**303,716**	**510,887**	**505,266**
Non-current liabilities										
Employee benefits	131,174	123,778	-	-	-	-	177,964	185,827	309,138	309,605
Borrowings due after one year	-	-	-	-	-	-	-	-	-	-
Advance receipts	-	-	-	-	-	-	3,804	3,937	3,804	3,937
	131,174	**123,778**	**-**	**-**	**-**	**-**	**181,768**	**189,764**	**312,942**	**313,542**
TOTAL LIABILITIES	**330,315**	**315,668**	**13,905**	**14,900**	**-4,820**	**-5,240**	**484,429**	**493,480**	**823,829**	**818,808**
Accumulated Surpluses	487,038	412,464	-1,925	-909	-44,330	-16,786	-112,051	-88,816	328,732	305,953
Actuarial gains/losses through Net Assets	-	-	-	-	-	-	-122,425	-138,694	-122,425	-138,694
Special Projects Reserve	-	-	-	-	31,497	11,790	-	-	31,497	11,790
Revaluation Reserve Surplus	-	-	-	-	-	-	17,266	17,266	17,266	17,266
Working Capital Funds	6,342	6,342	-	-	-	-	-	-	6,342	6,342
NET ASSETS	**493,380**	**418,806**	**-1,925**	**-909**	**-12,833**	**-4,996**	**-217,210**	**-210,244**	**261,412**	**202,657**

ANNEX II – STATEMENT OF FINANCIAL PERFORMANCE BY SOURCE OF FUNDING [UNAUDITED]

for the year ended December 31, 2018

(in thousands of Swiss francs)

	Program and Budget		Special Accounts		Projects financed from reserves		IPSAS Adjustments		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
REVENUE										
Assessed contributions	17,377	17,371	-	-	-	-	-16	458	17,361	17,829
Voluntary contributions										
Contributions to Special Accounts	-	-	9,680	10,327	-	-	1,925	837	11,605	11,164
Subventions to Lisbon Union	-	932	-	-	-	-	-	-	-	932
Sub-total voluntary contributions	-	932	9,680	10,327	-	-	1,925	837	11,605	12,096
Publications revenue	542	242	-	-	-	-	-	-	542	242
Fees										
PCT system fees	321,348	316,266	-	-	-	-	-	-19,910	321,348	296,356
Madrid system fees	74,297	70,263	-	-	-	-	-	-311	74,297	69,952
Hague system fees	4,919	5,062	-	-	-	-	-	14	4,919	5,076
Lisbon system fees	31	39	-	-	-	-	-	-	31	39
Sub-total fees	400,595	391,630	-	-	-	-	-	-20,207	400,595	371,423
Arbitration and Mediation	1,810	1,689	-	-	-	-	-	-	1,810	1,689
Exchange gains	-305	-124	-11	-1	5	-	-	-	-311	-125
Program support charges	1,173	1,090	-	-	-	-	-1,173	-1,090	-	-
Other/miscellaneous revenue	-1,152	5,697	10	-	-	-	104	288	-1,038	5,985
TOTAL REVENUE	**420,040**	**418,527**	**9,679**	**10,326**	**5**	**-**	**840**	**-19,714**	**430,564**	**409,139**
EXPENSES										
Personnel expenditure	208,927	220,551	2,552	2,397	807	811	8,311	4,835	220,597	228,594
Internships and WIPO fellowships	4,426	3,847	3	6	11	-	-	-	4,440	3,853
Travel, training and grants	13,012	14,359	3,754	3,836	-	-	-2	-	16,764	18,195
Contractual services	86,194	83,351	3,808	3,360	3,809	2,737	27	-26	93,838	89,422
Operating expenses	24,432	26,998	308	506	3,214	1,448	-1,311	-2,652	26,643	26,300
Supplies and materials	1,672	3,367	6	23	1	-	-16	67	1,663	3,457
Furniture and equipment	564	2,041	-	17	-	-	-182	-389	382	1,669
Depreciation and amortization	-	-	-	-	-	-	11,302	11,350	11,302	11,350
Finance costs	209	12,007	-	-	-	-	-	-	209	12,007
Program support costs	-	-	1,173	1,090	-	-	-1,173	-1,090	-	-
TOTAL EXPENSES	**339,436**	**366,521**	**11,604**	**11,235**	**7,842**	**4,996**	**16,956**	**12,095**	**375,838**	**394,847**
Investment gains/(losses)	-6,030	4,337	-	-	-	-	-6,210	-	-12,240	4,337
SURPLUS/(DEFICIT) FOR THE YEAR	**74,574**	**56,343**	**-1,925**	**-909**	**-7,837**	**-4,996**	**-22,326**	**-31,809**	**42,486**	**18,629**

ANNEX III – WIPO EX GRATIA PAYMENTS

Financial Regulation 5.10 states that a summary statement of ex gratia payments for the calendar year shall be included in the annual financial statements of the Organization. There were no such payments made during 2018 and therefore no summary statement is required.