Annual financial report and financial statements

2017

Year to December 31, 2017

WIPO
WORLD
INTELLECTUAL PROPERTY
ORGANIZATION

WORLD INTELLECTUAL PROPERTY ORGANIZATION

ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS

YEAR TO DECEMBER 31, 2017

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ANNUAL FINANCIAL REPORT

INTRODUCTION

The financial statements of the World Intellectual Property Organization (WIPO) for the year to December 31, 2017, are submitted to the Assemblies of the Member States of WIPO ("Assemblies") as required by Regulation 6.7 of the 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 2017 financial statements, together with his opinion on the financial statements, are also submitted to the Assemblies of the Member States of WIPO 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 to December 31, 2017. 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 191 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, which established WIPO in 1967.

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, 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 which 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 2017, fees from these activities represented 89.9 per cent of the Organization's total revenue, with PCT system fees alone representing 71.7 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 2016 show that worldwide patent and trademark applications have grown each year since 2010. Global patent applications rose to 3.13 million in 2016, representing an 8.3 per cent increase over 2015. An estimated 7.0 million trademark applications were filed worldwide in

2016, 16.4 per cent more than in 2015. Global industrial design activity also increased in 2016 (annual growth of 10.4 per cent in applications, and 8.3 per cent in the number of designs contained in applications). Overall, worldwide filings for patents, trademarks and industrial designs reached record heights in 2016.

Other external factors which 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 objectives, performance measures and budgetary planning for all proposed activities. The Program and Budget for the 2016/17 biennium was approved by the Assemblies of the Member States of WIPO on October 14, 2015. 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, which was revised in 2015. 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, which was also revised during 2015. Some further minor revisions were made in 2017. 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.

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. Strategic or 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. The risk management strategy is guided by the risk appetite set by the 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) 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;

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 2017 WIPO financial statements prepared in accordance with IPSAS show a surplus for the year of 18.6 million Swiss francs. The net assets of the Organization as at December 31, 2017, are 202.7 million Swiss francs.

During 2017, the Organization implemented IPSAS 39 *Employee Benefits*. As a result of this change in accounting policy, the surplus for the prior year 2016 has been retrospectively restated to 37.3 million Swiss francs (previously 32.0 million Swiss francs). Most significantly, the Organization's net assets as at December 31, 2016, were also restated to 149.4 million Swiss francs (previously 311.3 million Swiss francs). This important reduction in net assets is explained later in more detail, but is principally related to a change in accounting treatment for WIPO's After-Service Health Insurance (ASHI) liability, requiring the recognition of previously unrecognized actuarial losses in the statement of financial position.

The 2017 surplus of 18.6 million Swiss francs comprises total revenue of 413.5 million Swiss francs, and total expenses of 394.9 million Swiss francs. Total revenue in 2017 was up by 25.8 million Swiss francs on the 2016 figure. Most significantly, revenue from Madrid system fees increased by 10.4 million Swiss francs compared to the prior year. PCT system fees also increased compared to 2016, by 5.7 million Swiss francs. The Organization generated investment revenue of 4.3 million Swiss francs in 2017, representing mainly gains on investments following implementation of its revised Policy on Investments during the year. Total expenses rose by 44.5 million Swiss francs compared to the restated 2016 figure. Most significantly, contractual services increased by 15.0 million Swiss francs, including rises in IT commercial service providers and individual contractual services (up by 5.7 million Swiss francs and 3.6 million Swiss francs respectively compared to the prior year). Finance costs were 9.7 million Swiss francs higher than in 2016. This was mainly the result of the Organization's 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 increased by 9.5 million Swiss francs in 2017, largely due to movements in the Organization's liability for ASHI which were recognized as an expense for the year.

WIPO's total assets decreased slightly from 1,027.2 million Swiss francs as at December 31, 2016, to 1,021.5 million Swiss francs as at December 31, 2017. Cash, cash equivalents and investments totaled 543.8

million Swiss francs at the end of 2017 (53.2 per cent of total assets). This represents a slight increase of 1.5 million Swiss francs compared to the prior year, which was achieved despite the Organization repaying in full the remaining balance of 70.5 million of its BCG/BCV loan. As noted, this early loan repayment incurred a penalty charge of 11.6 million Swiss francs, resulting in a total cash outflow of 82.1 million Swiss francs. Following the implementation of WIPO's revised Policy on Investments, the Organization's core and strategic cash is now mainly held in non-current investments. At the end of 2017, WIPO continued to maintain significant investment in fixed assets, including land, buildings, investment property, intangible assets and equipment with a total net book value of 403.2 million Swiss francs (39.5 per cent of total assets). Although additions of 5.0 million Swiss francs were made to buildings, intangible assets and equipment during 2017, the net book value of fixed assets was reduced by a depreciation and amortization charge of 11.3 million Swiss francs for the year. It is also noted that following the 2017 year end, on January 31, 2018 the Organization signed an act of sale for its investment property, the Madrid Union Building. The sale price was 7.0 million Swiss francs, and the gain resulting from this will be recognized in the surplus or deficit of 2018.

The principal liabilities of the Organization as at December 31, 2017 are payables and advance receipts of 397.7 million Swiss francs (48.6 per cent of total liabilities) and employee benefit liabilities of 337.7 million Swiss francs (41.2 per cent of total liabilities). The largest employee benefit liability for the Organization is the ASHI liability, which totaled 304.4 million Swiss francs at the end of 2017. During 2016 the IPSASB issued a new standard dealing with employee benefits, with an implementation deadline of January 1, 2018. WIPO has implemented this standard during 2017. The standard has changed the way in which WIPO is able to account for its ASHI liability, and requires previously unrecognized accumulated actuarial losses to be recognized as part of the liability in the statement of financial position. Borrowings totaled 16.9 million Swiss francs at the end of 2017, compared to 88.7 million Swiss francs at the end of 2016. As noted, WIPO repaid the remaining balance of the BCG/BCV loan during 2017. Following the year end, in January 2018 the Organization also took the decision to repay in full the remaining balance of 16.9 million Swiss francs of its loans with the Foundation for Buildings for International Organizations (FIPOI), bringing WIPO's total borrowings to zero.

The Organization's net assets, consisting of its Reserves and Working Capital Funds, totaled 202.7 million Swiss francs at the end of 2017. Following the implementation of IPSAS 39, WIPO's net assets also include a balance for accumulated actuarial losses totaling 138.7 million Swiss francs.

Financial Performance

The Organization's results for 2017 showed a surplus for the year of 18.6 million Swiss francs, with total revenue of 413.5 million Swiss francs and total expenses of 394.9 million Swiss francs. This can be compared to a restated surplus of 37.3 million Swiss francs in 2016, with total revenue of 387.7 million Swiss francs and total restated expenses of 350.4 million Swiss francs.

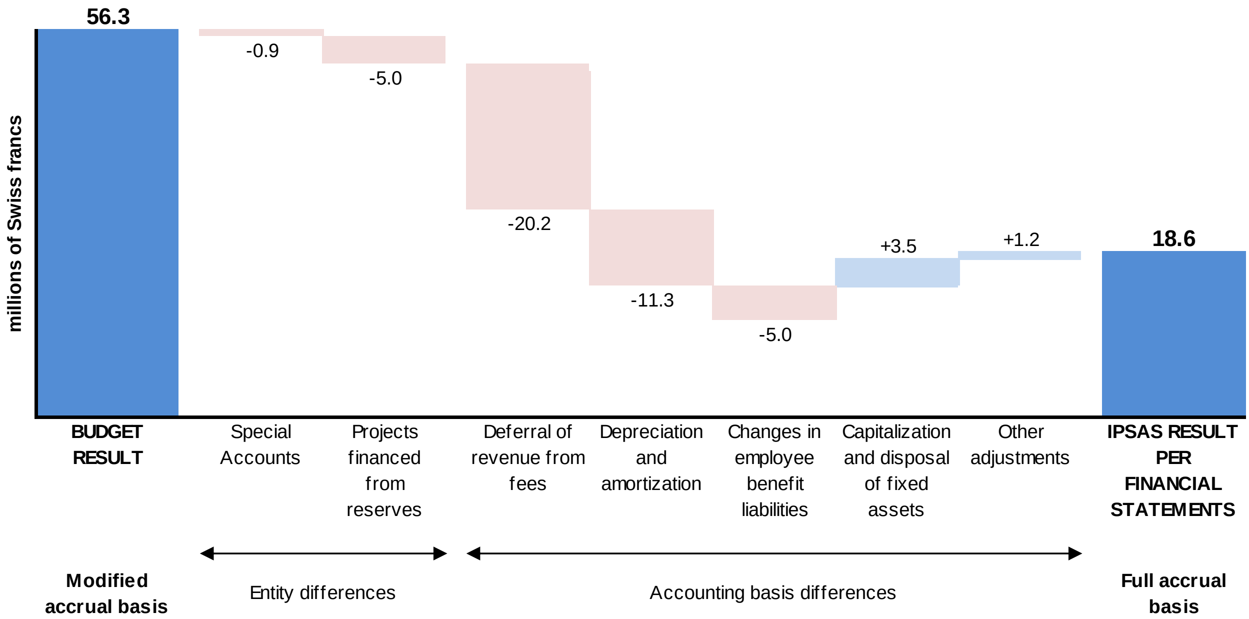
The Program and Budget result for 2017 prepared on a modified accrual basis (i.e. before the impact of IPSAS adjustments) was a surplus of 56.3 million Swiss francs. The 2017 result for the Organization under IPSAS includes Special Accounts, Projects financed from reserves, and the impact of adjustments related to full accrual accounting in accordance with IPSAS:

Summary of financial performance by source of funding

	Program and Budget 2017	Special Accounts 2017	Projects Financed from Reserves 2017	IPSAS Adjustments 2017	Total 2017	Total 2016 (restated)
			(in millions of Swiss francs)			
Total revenue	422.9	10.3	-	-19.7	413.5	387.7
Total expenses	366.6	11.2	5.0	12.1	394.9	350.4
Net surplus/(deficit)	**56.3**	**-0.9**	**-5.0**	**-31.8**	**18.6**	**37.3**

The chart below summarizes the principal differences between the Program and Budget surplus of 56.3 million Swiss francs, and the surplus for the whole Organization prepared on an IPSAS basis of 18.6 million Swiss francs:

Movement from budget result to IPSAS result 2017



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 0.9 million Swiss francs) and Projects financed from reserves (deficit of 5.0 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 31.8 million Swiss francs reduction in the surplus:

- In applying IPSAS, revenue from fees is deferred until it is deemed to have been earned, which in the case of international applications is when final publication takes place. For PCT applications, a receivable is also recognized where an application has been filed but no fee has been received by the Organization. The total net impact of these adjustments is a reduction in revenue of 20.2 million Swiss francs. This is principally due to an increase in the balance of deferred revenue from fees (PCT, Madrid and Hague systems), which moved from 230.7 million Swiss francs as at December 31, 2016 to 255.2 million Swiss francs as at December 31, 2017. Over the same period, receivables from PCT fees increased from 46.5 million Swiss francs to 50.8 million Swiss francs.

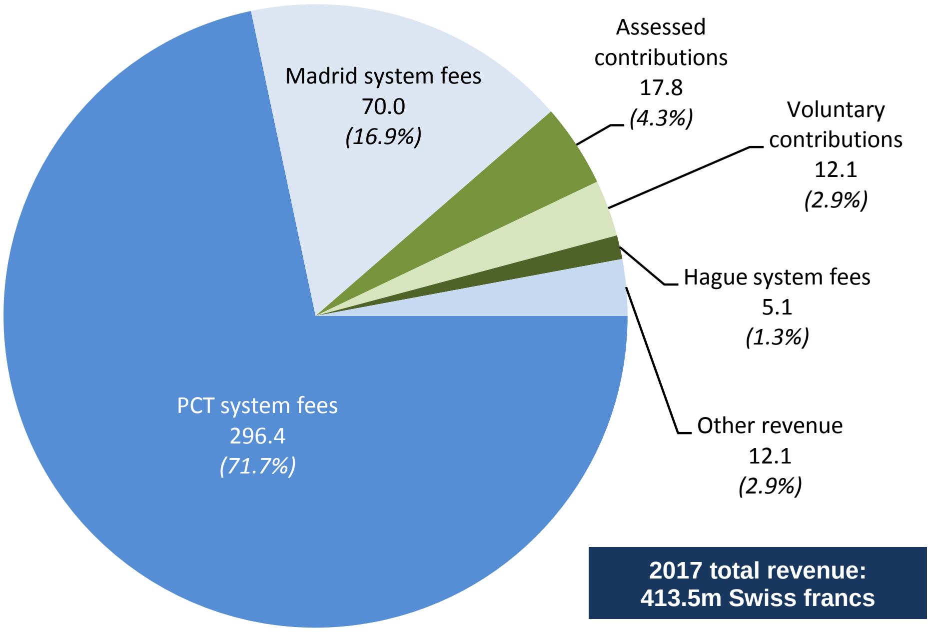
- The result for 2017 on an IPSAS basis includes the depreciation expense of buildings and equipment and the amortization expense of intangible assets as the cost of these assets is spread over their useful lives. The total cost of depreciation and amortization for the year was 11.3 million Swiss francs.

- 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 2017 resulted in an increase in expenses (personnel expenditure) of 5.0 million Swiss francs. It is noted that following the implementation of IPSAS 39, actuarial gains or losses impacting the ASHI liability are recognized directly in net assets.

- 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 3.5 million Swiss francs in the 2017 surplus.

Revenue Analysis

Composition of 2017 revenue on an IPSAS basis
(in millions of Swiss francs)



Total revenue of the Organization for 2017 was 413.5 million Swiss francs, representing an increase of 6.7 per cent compared to the 2016 total revenue of 387.7 million Swiss francs. The largest source of revenue during 2017 was PCT system fees, accounting for 71.7 per cent of total revenue. Revenue from PCT system fees rose by 2.0 per cent compared to 2016.

Madrid system fees were the second largest source of revenue during the year 2017, representing 16.9 per cent of total revenue. Revenue from Madrid system fees increased by 17.4 per cent compared to 2016. Hague system fees, Lisbon system fees, assessed contributions, voluntary contributions (including contributions by donors to Special Accounts, and subventions to the Lisbon Union) and other revenue (investment, publications, arbitration and mediation and other/miscellaneous revenue) comprise the remaining 11.4 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 2016 – 2017

	2017	2016	Net Change	Net Change
		(in millions of Swiss francs)		%
Revenue				
Assessed contributions	17.8	17.3	0.5	*2.9*
Voluntary contributions	12.1	10.2	1.9	*18.6*
Publications revenue	0.2	0.5	-0.3	*-60.0*
Investment revenue	4.3	-	4.3	*N/A*
Fees				
PCT system	296.4	290.7	5.7	*2.0*
Madrid system	70.0	59.6	10.4	*17.4*
Hague system	5.1	5.0	0.1	*2.0*
Sub-total fees	371.5	355.3	16.2	*4.6*
Arbitration and Mediation	1.7	1.6	0.1	*6.3*
Other/miscellaneous revenue	5.9	2.8	3.1	*110.7*
Total revenue	**413.5**	**387.7**	**25.8**	***6.7***

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:

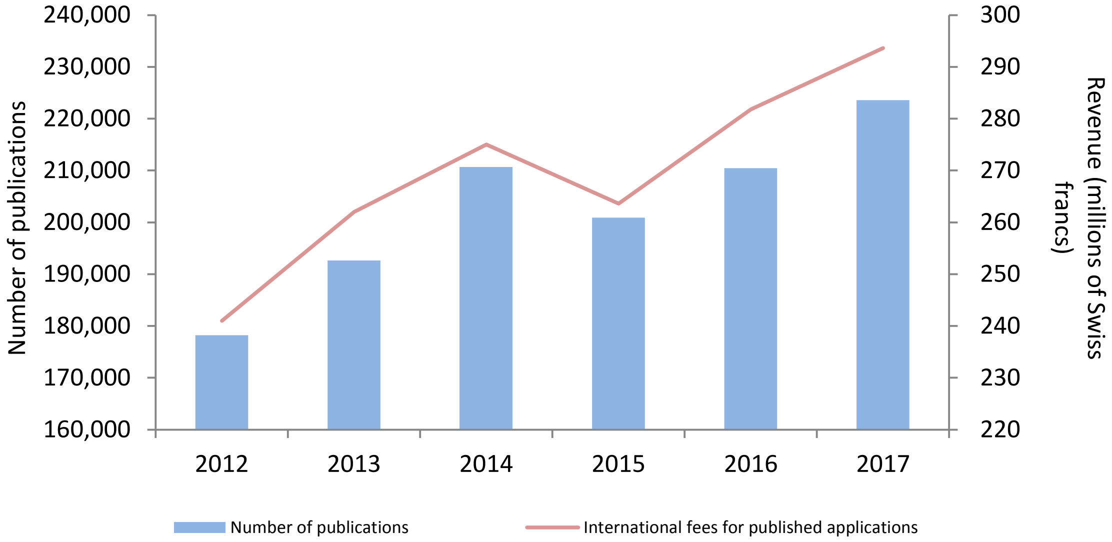
Detail of PCT system fees 2012-2017

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

Revenue from PCT system fees on an IPSAS basis increased by 2.0 per cent compared to 2016. In the IPSAS financial statements, revenue for international filing fees from PCT applications is recognized only on publication of the application. In 2017 there were 223,571 publications compared to 210,454 in 2016.

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 2012-2017

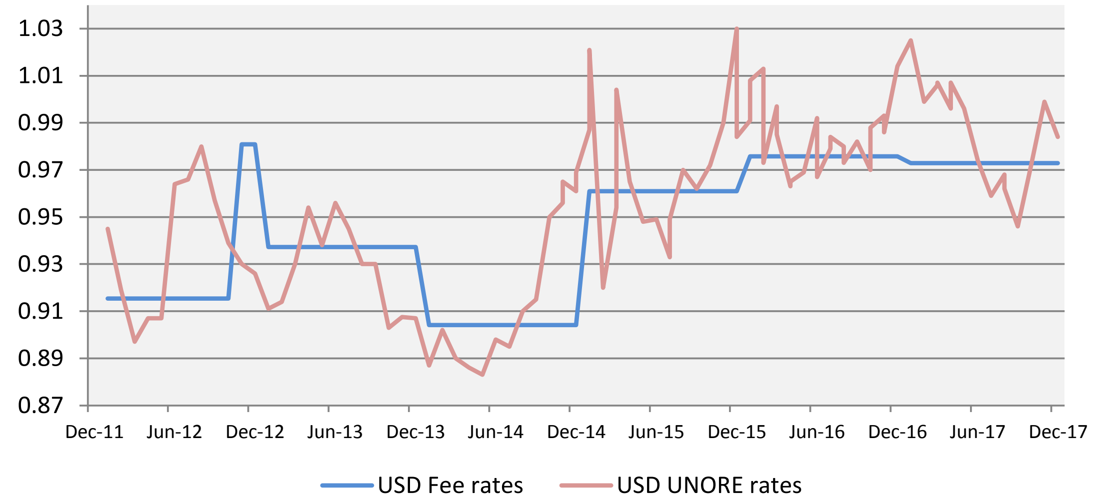


Exchange gains and losses are incurred on PCT international filing fees where these are received in currencies other than the Swiss franc. WIPO establishes equivalent amounts of fees in various currencies for each year according to the exchange rates prevailing on the first Monday of October of the preceding 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 2017, the Organization made a net exchange gain of 0.4 million Swiss francs on PCT fees received (international filing fees and handling fees). Gains concerned principally fees in Euro and US dollar (1.1 million Swiss francs and 0.4 million Swiss francs respectively), while an exchange loss of 1.2 million Swiss francs was incurred on fees received in Japanese yen. This net exchange gain follows a gain of 5.2 million Swiss francs in 2016, although in 2015, 2014 and 2013 WIPO incurred a net exchange loss on fees received:

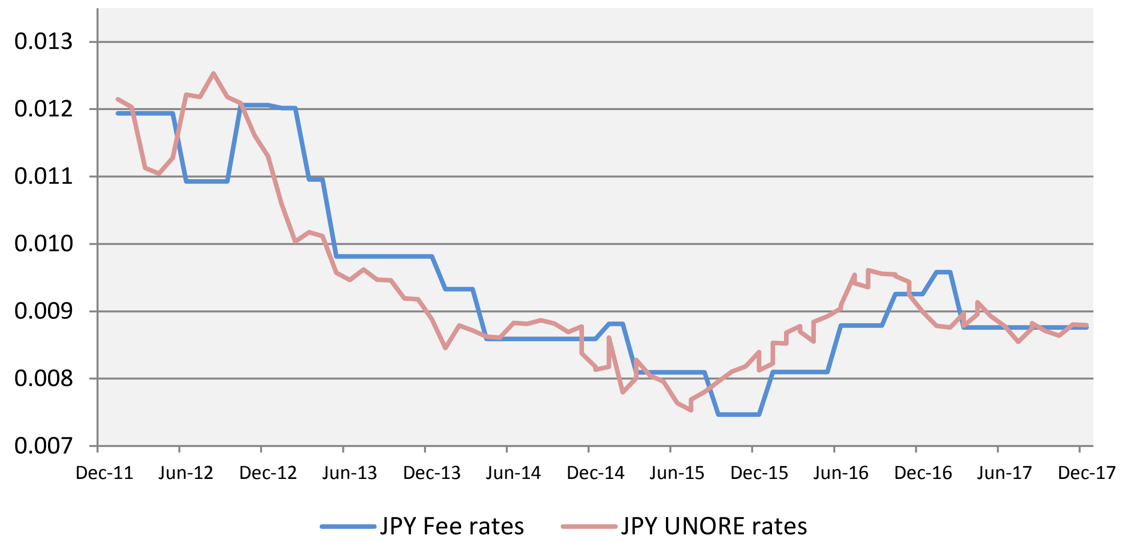
Detail of exchange gain/(loss) on PCT fees received 2012-2017

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

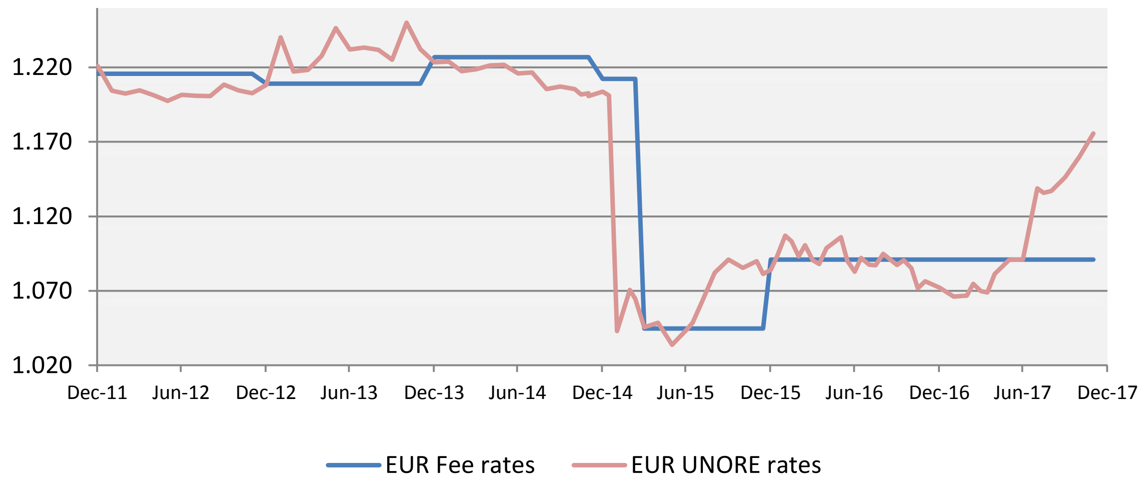
USD – Comparison of PCT equivalent amount rate and UNORE 2012-2017



JPY – Comparison of PCT equivalent amount rate and UNORE 2012-2017



EUR – Comparison of PCT equivalent amount rate and UNORE 2012-2017



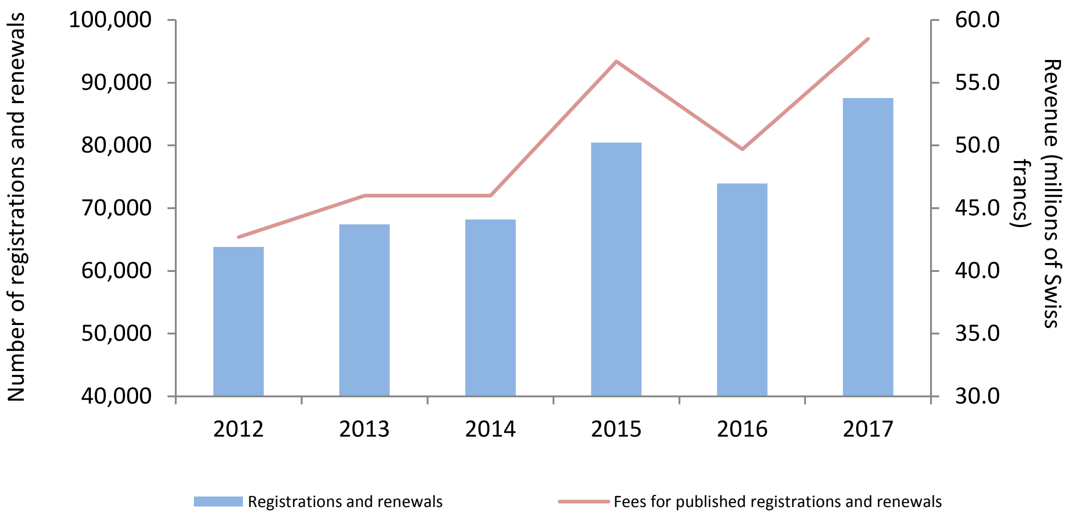
Madrid system fees principally comprise basic fees received from applications for registrations or renewals and fees for subsequent designations:

Detail of Madrid system fees 2012-2017

	2017	2016	2015	2014	2013	2012
				(in millions of Swiss francs)		
Basic fees (registrations and renewals)	58.5	49.7	56.7	46.0	45.9	42.7
Subsequent designations	5.5	4.8	5.5	4.7	4.5	4.0
Other fees	6.0	5.1	5.7	4.4	5.0	4.9
Total Madrid system fees	**70.0**	**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 the prior year 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 17.4 per cent compared to the prior year. Madrid system registrations totaled 56,267 in 2017, against 44,726 in 2016.

Madrid - basic fees and registrations/renewals 2012-2017



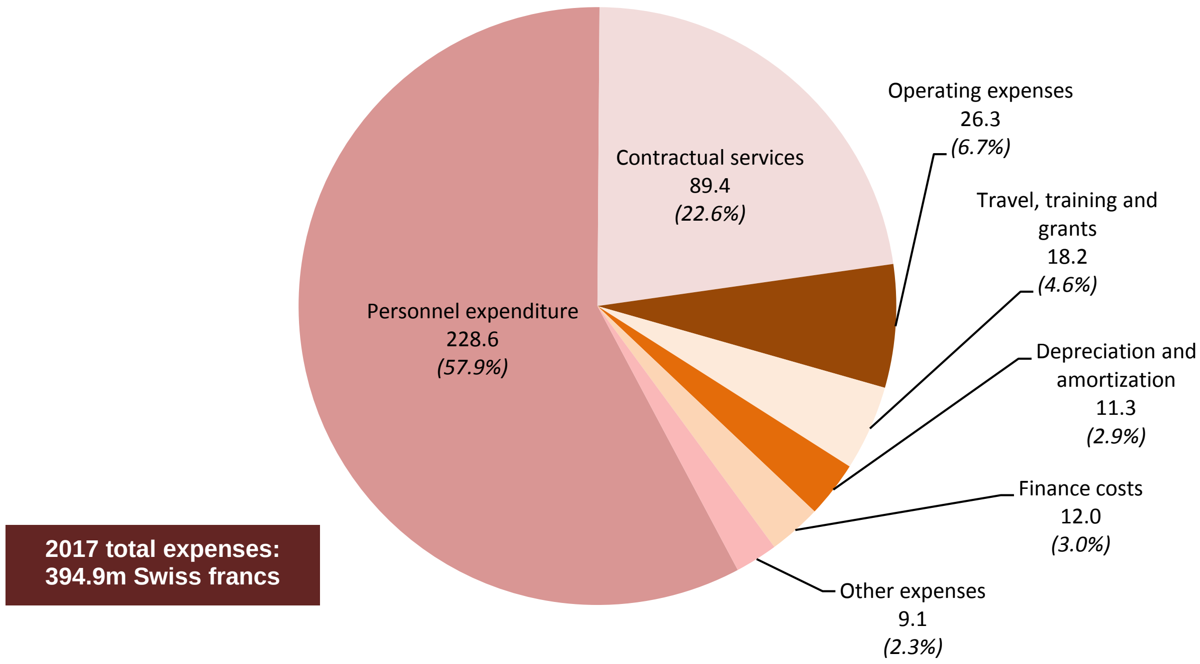
Hague system fees totaled 5.1 million Swiss francs for 2017. As with PCT and Madrid system fees, revenue from fees related to the processing of applications is recognized when the application has been published. Hague system fees were stable compared to 2016, showing a small increase of 0.1 million Swiss francs (around 2.0 per cent). This represents a slowdown for the Hague system following the significant rise in fees of 28.2 per cent that occurred in 2016, which was linked to the accessions of the Republic of Korea in 2014 and of Japan and the United States of America in 2015. Hague registrations rose slightly from 5,233 in 2016 to 5,272 in 2017. Lisbon system fees totaled 39 thousand Swiss francs in 2017, compared to 25 thousand Swiss francs in 2016.

Revenue from assessed contributions of 17.8 million Swiss francs in 2017 represents 4.3 per cent of total revenue, while revenue from voluntary contributions of 12.1 million Swiss francs in 2017 represents 2.9 per cent of total revenue. In 2017 voluntary contributions included 0.9 million Swiss francs of subventions received under Article 11(3)(iii) of the Lisbon Agreement. The remaining 11.2 million Swiss francs of voluntary contributions represents revenue received under Special Accounts. This revenue is recognized as work is performed and expense incurred in line with the relevant agreement.

Investment revenue totaled 4.3 million Swiss francs in 2017, compared to 21 thousand Swiss francs in 2016. During 2017, WIPO implemented its revised Policy on Investments, entering into medium-term and long-term investments for its core and strategic cash balances. As at December 31, 2017, these investments had generated unrealized investment gains of 4.3 million Swiss francs due to the net movement in their fair values. Arbitration and mediation revenue of 1.7 million Swiss francs was broadly in line with the prior year, although publications revenue of 0.2 million Swiss francs was 0.3 million Swiss francs lower than in 2016. Other/miscellaneous revenue of 5.9 million Swiss francs for the year 2017 was up by 3.1 million Swiss francs compared to 2016, mainly due to the reversal of unused provisions for legal costs during 2017.

Expense Analysis

Composition of 2017 expenses on an IPSAS basis
(in millions of Swiss francs)



Detailed breakdown of 2017 expenses

(in millions of Swiss francs)

Personnel expenditure 228.6	Posts	216.5
	Temporary staff	12.2
	Other staff costs	-0.1
Contractual services 89.4	Conferences	4.0
	Individual contractual services	15.1
	Other contractual services	70.3
Operating expenses 26.3	Premises and maintenance	22.1
	Communication	2.2
	Representation & other operating expenses	1.1
	United Nations joint services	0.9
Travel, training and grants 18.2	Staff missions	5.9
	Third-party travel	10.2
	Training and related travel grant	2.1
Depreciation and amortization 11.3	Buildings depreciation	9.4
	Equipment depreciation	0.5
	Intangible assets amortization	1.4
Finance costs 12.0	Early loan repayment penalty	11.8
	Bank charges	0.2
Other expenses 9.1	Internships and WIPO fellow ships	3.9
	Supplies and materials	3.5
	Furniture and equipment	1.7

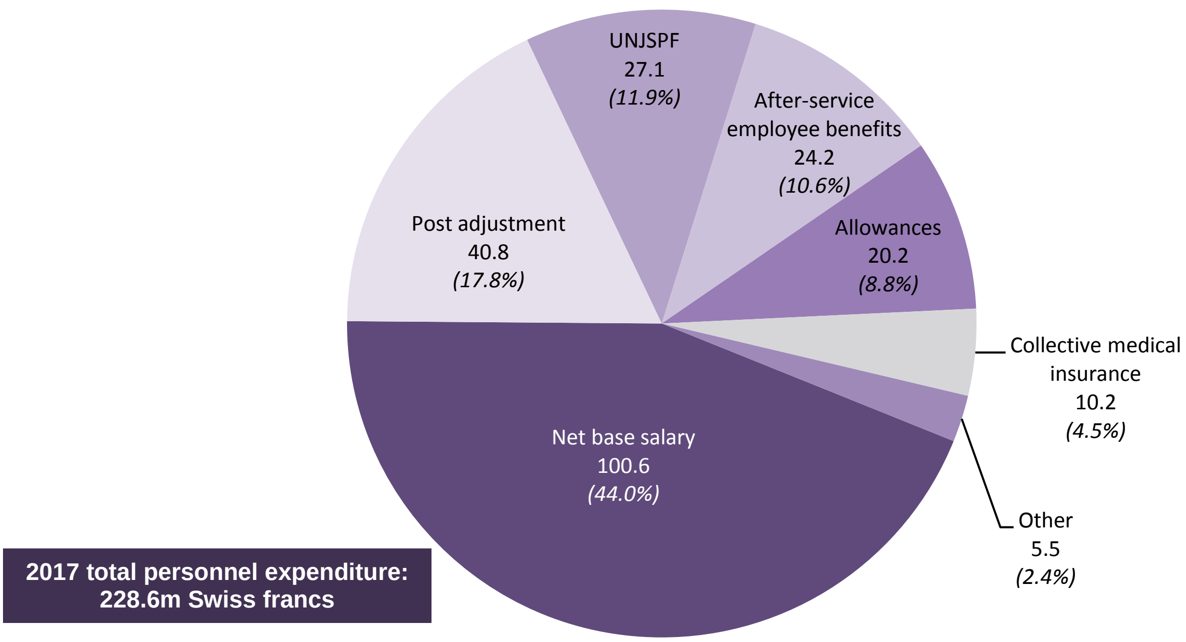
Total expenses of the Organization for 2017 were 394.9 million Swiss francs, representing an increase of 12.7 per cent compared to 2016 restated total expenses of 350.4 million Swiss francs. The largest expense for the Organization was personnel expenditure of 228.6 million Swiss francs, representing 57.9 per cent of total expenses. Contractual services of 89.4 million Swiss francs were the second largest expense for the Organization, followed by operating expenses of 26.3 million Swiss francs. The table below provides a summary of the changes by expense type compared to the prior year:

Change in expenses 2016 - 2017

	2017	2016 (restated)	Net Change	Net Change
		(in millions of Swiss francs)		%
Expenses				
Personnel expenditure	228.6	219.1	9.5	*4.3*
Internships and WIPO fellow ships	3.9	3.3	0.6	*18.2*
Travel, training and grants	18.2	15.8	2.4	*15.2*
Contractual services	89.4	74.4	15.0	*20.2*
Operating expenses	26.3	21.9	4.4	*20.1*
Supplies and materials	3.5	2.0	1.5	*75.0*
Furniture and equipment	1.7	0.2	1.5	*750.0*
Depreciation and amortization	11.3	11.4	-0.1	*-0.9*
Finance costs	12.0	2.3	9.7	*421.7*
Total expenses	**394.9**	**350.4**	**44.5**	***12.7***

Personnel expenditure comprises principally net base salary and post adjustments for staff in posts or temporary positions. Combined these represent 141.4 million Swiss francs, 61.8 per cent of total personnel expenditure for 2017. The next largest element of personnel expenditure is the Organization's contributions to the United Nations Joint Staff Pension Fund (UNJSPF), which totaled 27.1 million Swiss francs in 2017. 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 24.2 million Swiss francs represent the cost to the Organization of ASHI, repatriation grant and travel, and accumulated annual leave. The expense for 2017 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 20.2 million Swiss francs represent 8.8 per cent of total staff expenditure. Allowances include principally dependency allowances for 7.4 million Swiss francs, education grant for 5.5 million Swiss francs and home leave for 1.8 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 2017. Other personnel expenditure of 5.5 million Swiss francs includes mainly the movements in the expected cost of WIPO's rewards and recognition program (3.1 million Swiss francs).

Composition of 2017 personnel expenditure on an IPSAS basis
(in millions of Swiss francs)



Total personnel expenditure in 2017 of 228.6 million Swiss francs has increased by 4.3 per cent compared to total restated personnel expenditure of 219.1 million Swiss francs in 2016. The table below provides a detailed breakdown of personnel expenditure and the variance compared to 2016:

Change in personnel expenditure 2016 – 2017

	2017	2016 (restated)	Net Change	Net Change
	(in millions of Swiss francs)			%
Net base salary	94.5	94.0	0.5	*0.5*
Post adjustment	37.6	38.6	-1.0	*-2.6*
UNJSPF contribution	25.4	24.6	0.8	*3.3*
Allowances	19.7	15.7	4.0	*25.5*
After-service employee benefits	24.2	16.3	7.9	*48.5*
Collective medical insurance	9.5	8.8	0.7	*8.0*
Other post staff expenditures	5.6	1.4	4.2	*300.0*
Staff in posts expenditure	**216.5**	**199.4**	**17.1**	***8.6***
Net base salary	6.1	6.9	-0.8	*-11.6*
Post adjustment	3.2	3.0	0.2	*6.7*
UNJSPF contribution	1.7	1.8	-0.1	*-5.6*
Allowances	0.5	0.5	-	*0.0*
Collective medical insurance	0.7	0.7	-	*0.0*
Staff in temporary positions expenditure	**12.2**	**12.9**	**-0.7**	***-5.4***
Other staff costs	**-0.1**	**6.8**	**-6.9**	***-101.5***
Total personnel expenditure	**228.6**	**219.1**	**9.5**	***4.3***

While the expense for staff in posts has increased by 17.1 million Swiss francs compared to 2016, the expense for staff in temporary positions has fallen by 0.7 million Swiss francs. The increase in the expense for staff in posts is principally due to the after-service employee benefits cost. This has increased by 7.9 million Swiss francs compared to 2016. Although overall the ASHI liability decreased between 2016 and 2017, this was due to actuarial gains which were recognized directly in net assets and did not impact personnel expenditure. 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 fallen by 6.9 million Swiss francs compared to 2016, and actually show a negative balance of 0.1 million Swiss francs. This is due to the impact of the reduction in the Organization's liability for the Closed Pension Fund (CROMPI), which decreased by 0.5 million Swiss francs in 2017. In 2016, there were also significant expenses in other staff costs related to the recognition of legal provisions concerning 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. WIPO fellowships aim to provide individuals with experience to strengthen their knowledge and professional competence. The cost of internships and WIPO fellowships in 2017 was 3.9 million Swiss francs, compared to the prior year figure of 3.3 million Swiss francs.

Travel, training and grants total 18.2 million Swiss francs for 2017, and account for 4.6 per cent of total expenses. This represents an increase of 2.4 million Swiss francs compared to 2016. Both third-party travel (conference participants and lecturers) expense and staff mission costs were higher than in 2016 (by 1.4 million Swiss francs and 0.7 million Swiss francs respectively).

Contractual services in 2017 total 89.4 million Swiss francs. These expenses have increased by 20.2 per cent compared to the figure of 74.4 million Swiss francs for 2016. Contractual services in the year 2017 concern primarily commercial translation services (27.1 million Swiss francs), IT commercial services (17.4 million Swiss francs), individual contractual services (15.1 million Swiss francs), and International Computing Centre services (11.8 million Swiss francs).

Operating expenses in 2017 total 26.3 million Swiss francs, representing an increase of 20.1 per cent compared to the 2016 total of 21.9 million Swiss francs. Operating expenses in 2017 comprise mainly premises and maintenance costs (22.1 million Swiss francs) and communication expenses (2.2 million Swiss francs).

Expenses for supplies and materials have increased from 2.0 million Swiss francs in 2016 to 3.5 million Swiss francs in 2017. Furniture and equipment expenses are also higher, totaling 1.7 million Swiss francs in 2017 compared to 0.2 million Swiss francs in 2016, largely due to increased 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.

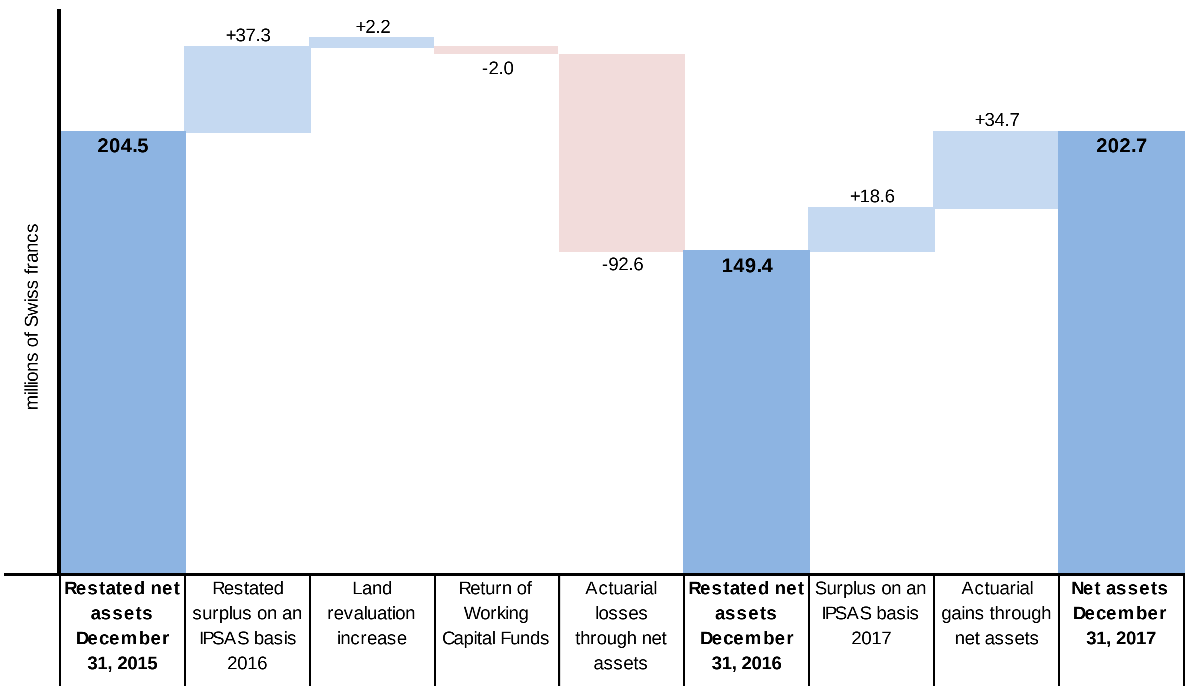
As previously noted, expenses under IPSAS include the depreciation expense of buildings and equipment and the amortization expense of intangible assets, as the cost of these assets is spread over their useful lives. For 2017, depreciation and amortization total 11.3 million Swiss francs, compared to 11.4 million Swiss francs for 2016.

Finance costs totaled 12.0 million Swiss francs in 2017, compared to 2.3 million Swiss francs in 2016. In 2016, finance costs were principally interest repayments on the BCG/BCV loan, totaling 2.1 million Swiss francs. In 2017 the Organization took the decision to repay in full the balance of the 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

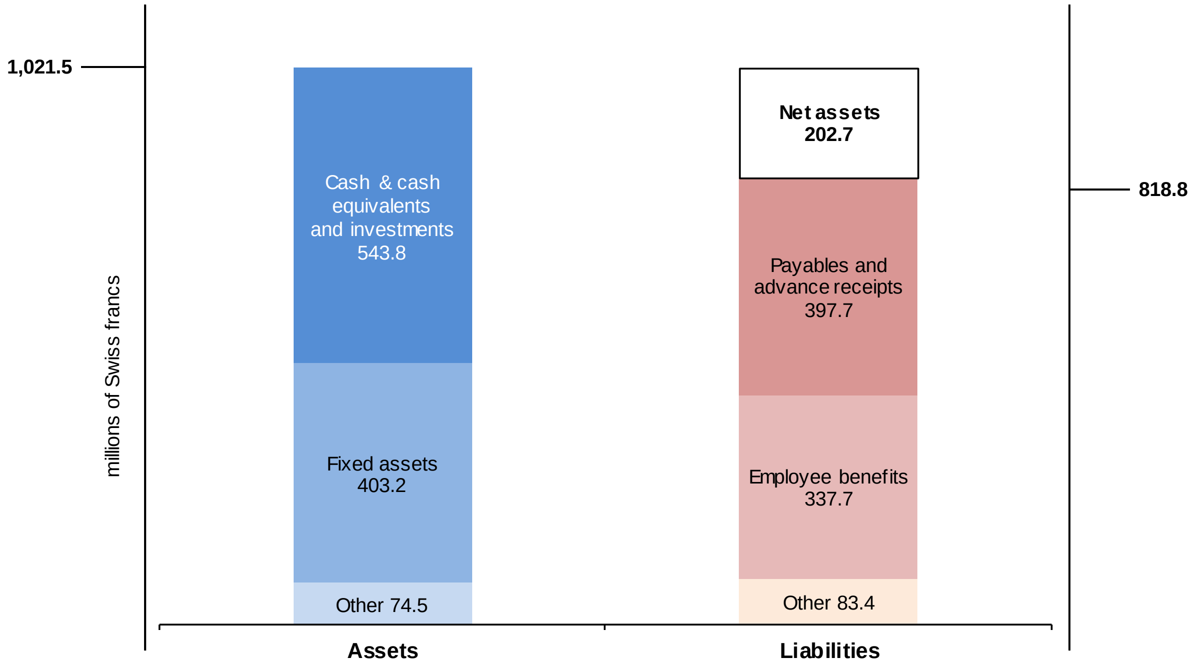
As at December 31, 2017, the Organization has net assets of 202.7 million Swiss francs, with total assets of 1,021.5 million Swiss francs and total liabilities of 818.8 million Swiss francs. Following the implementation of IPSAS 39, the net assets of 2015 and 2016 were restated for presentation in the financial statements. As a result, the restated 2016 net assets total 149.4 million Swiss francs (previously 311.3 million Swiss francs). This reduction in the 2016 net assets follows the recognition under IPSAS 39 of previously unrecognized actuarial losses in the statement of financial position, related to WIPO's liability for ASHI. The increase in net assets between 2016 and 2017 is due to the surplus for 2017 of 18.6 million Swiss francs, and also an actuarial gain of 34.7 million Swiss francs following the 2017 valuation of WIPO's ASHI liability:

Movement in net assets 2015 to 2017



The following chart provides a summary of the Statement of Financial Position of WIPO as at December 31, 2017. Total assets of 1,021.5 million Swiss francs are composed primarily of cash, cash equivalents, investments and fixed assets. Total liabilities of 818.8 million Swiss francs are principally payables and advance receipts, and employee benefits:

Summary of assets and liabilities December 31, 2017



Assets

The Organization has cash, cash equivalents and investment balances of 543.8 million Swiss francs, representing 53.2 per cent of total assets. This includes amounts totaling 174.1 million Swiss francs which are classified as restricted, and amounts totaling 124.4 million Swiss francs which represent strategic cash. The total balance of 543.8 million Swiss francs is 1.5 million Swiss francs higher than the balance of 542.3 million Swiss francs at the end of 2016. The balance of cash and equivalents has increased despite the Organization repaying in full the remaining balance of 70.5 million of its BCG/BCV loan.

The Organization holds significant fixed assets (land, buildings, investment property, intangible assets and equipment) with a total net book value of 403.2 million Swiss francs. During 2017, costs totaling 4.6 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 1.5 million Swiss francs. During 2017, the Organization carried out an extensive review of old and out-of-use equipment. As a result, equipment with a total cost of 6.2 million Swiss francs has been disposed of. This equipment was almost entirely depreciated in WIPO's accounting records, with a net book value of approximately 11 thousand Swiss francs. The total depreciation and amortization charge against all fixed assets was 11.3 million Swiss francs for 2017.

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 below 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, 2017

	December 31, 2017 Net Carrying Amount	Classification in the Financial Statements
	(in millions of Swiss francs)	
New Building Site	30.8	*Land (Note 11)*
Security Perimeter	8.4	*Buildings and Constructions in Use (Note 11)*
New Conference Hall	63.7	*Buildings and Constructions in Use (Note 11)*
New Building	147.8	*Buildings and Constructions in Use (Note 11)*
A. Bogsch Building	45.9	*Buildings and Constructions in Use (Note 11)*
G. Bodenhausen Building I	10.3	*Buildings and Constructions in Use (Note 11)*
G. Bodenhausen Building II	3.6	*Buildings and Constructions in Use (Note 11)*
PCT Building	58.7	*Buildings and Constructions in Use (Note 11)*
Madrid Union Building	6.2	*Investment Property (Note 9)*
Land surface rights	24.7	*Intangible Assets (Note 10)*
Software (acquired and developed)	1.7	*Intangible Assets (Note 10)*
Equipment	1.1	*Equipment (Note 8)*
Furniture and furnishings	0.3	*Furniture and furnishings (Note 8)*
Total fixed assets	**403.2**	

Other assets of the Organization totaling 74.5 million Swiss francs include accounts receivable, inventories and advance payments. Within this, the most significant balance is PCT debtors totaling 50.8 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 46.4 million Swiss francs. This increase is a result of higher PCT applications in 2017, with the percentage of unpaid applications at year end remaining consistent between the two years at 15.7 per cent.

Liabilities

As at December 31, 2017, payables and advance receipts total 397.7 million Swiss francs, and principally include deferred revenue for the processing of international applications (under the PCT, Madrid and Hague systems) for 255.2 million Swiss francs. This deferred revenue balance mainly concerns PCT system fees of 252.2 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, 2017, for applications with a 2016 or 2017 filing date, it is estimated that approximately 184,601 applications were unpublished. At the end of the prior year 2016, approximately 171,719 applications filed in 2015 or 2016 were unpublished and the deferred revenue balance for PCT system fees was 228.0 million Swiss francs.

Employee benefit liabilities of 337.7 million Swiss francs are mainly comprised of the ASHI liability of 304.4 million Swiss francs, which represents 90.1 per cent of the total employee benefits liability as at December 31, 2017. The ASHI liability has however decreased by 16.5 million Swiss francs compared to the restated 2016 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.

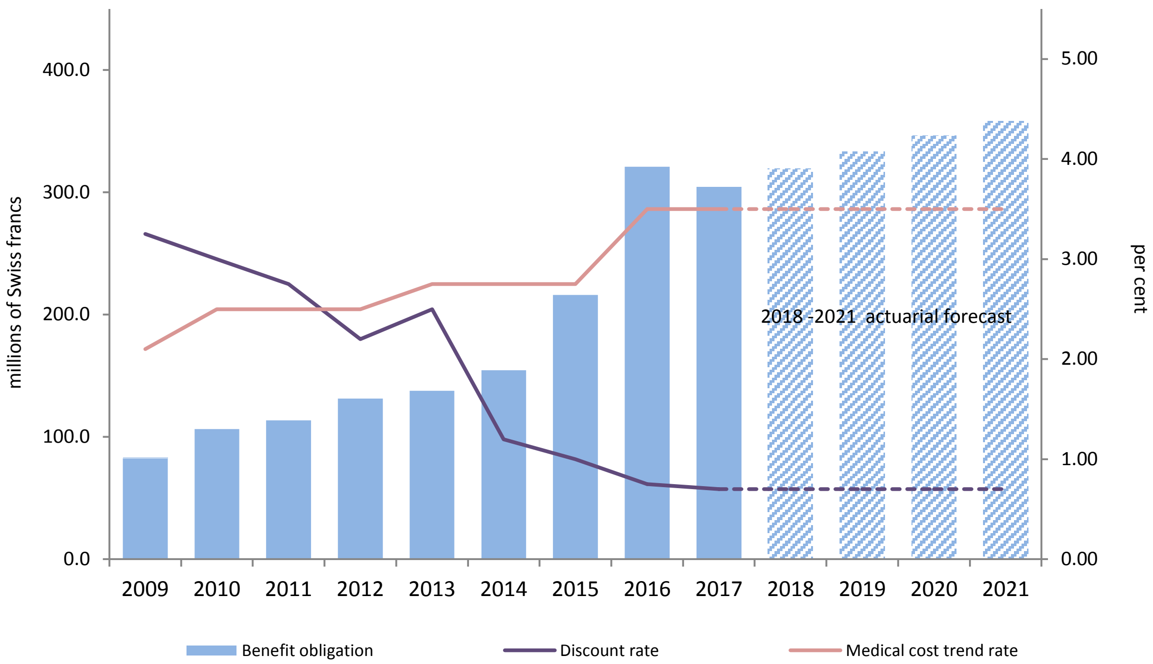
Composition of employee benefits liabilities as at December 31, 2017

	December 31, 2017	Percentage of Liability
	(in millions of Swiss francs)	%
After-Service Health Insurance (ASHI)	304.4	*90.1*
Repatriation grant and travel	16.4	*4.9*
Accumulated leave	8.7	*2.6*
Closed Pension Fund	2.1	*0.6*
Education grant	1.9	*0.6*
Accrued overtime	0.4	*0.1*
Home leave	0.3	*0.1*
Separation benefits	0.3	*0.1*
Performance rewards	3.2	*0.9*
Total employee benefit liabilities	**337.7**	***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. In July 2016 the IPSASB issued IPSAS 39, a new standard for employee benefits, which WIPO has implemented in 2017. Under IPSAS 39, the corridor approach for the recognition of actuarial gains and losses is removed, and therefore previously unrecognized actuarial losses are now recognized in the statement of financial position. Over the previous years, WIPO had accumulated significant actuarial losses related to its ASHI liability, related principally to decreases in the discount rate and increases in the medical cost trend rate. As a result of the implementation of IPSAS 39, the 2016 restated ASHI liability was 320.9 million Swiss francs, compared to 154.3 million Swiss francs previously recognized in the 2016 financial statements. 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 2018-2021 (applying the same assumptions as for the 2017 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. This was largely due to the impact of revised mortality tables, following a project to apply consistent actuarial assumptions across the United Nations system. The liability was also reduced by experience adjustments based on the pattern of staff turnover at WIPO.

Other liabilities of the Organization are mainly comprised of current accounts held on behalf of applicants and contracting parties, totaling 64.5 million Swiss francs. Total borrowings of 16.9 million Swiss francs represent the FIPOI loans only, following early repayment of the BCG/BCV New Building loan during 2017.

Movement in ASHI liability (benefit obligation) 2009 - 2021



Cash Flow

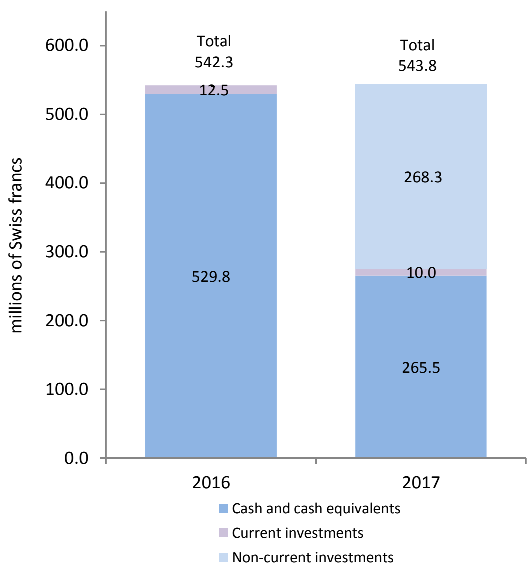
The Organization's cash, cash equivalents and investments balance as at December 31, 2017 is 543.8 million Swiss francs, compared to 542.3 million Swiss francs as at December 31, 2016. This balance has been increasing since 2011. The slight increase of 1.5 million Swiss francs between 2016 and 2017 has been achieved despite the early repayment of the BCG/BCV loan in January 2017, which required a cash outflow of 82.1 million Swiss francs (the loan balance of 70.5 million Swiss francs, plus a penalty charge of 11.6 million Swiss francs calculated by reference to the present value of all outstanding interest due on the loan). As already noted, in January 2018, the Organization also took the decision to repay in full the remaining balance of 16.9 million Swiss francs of its FIPOI loans.

These loan repayment decisions have been taken in accordance with the objective of capital preservation, as stipulated in WIPO's revised 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. In repaying the BCG/BCV loan the Organization also achieved an immediate saving of 0.3 million Swiss francs (calculated by comparing interest which would have been payable over the remaining life of the loan as against the penalty charge paid in 2017).

The Organization generally holds its cash deposits in instant access bank accounts. Previously the Organization had held significant amounts in deposit accounts with the Swiss Federal Finance Administration (AFF), however following the implementation of new provisions by the AFF relating to the opening and keeping of deposit accounts, from December 15, 2017 WIPO was no longer able to hold deposits with them. During 2017 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 the previous year.

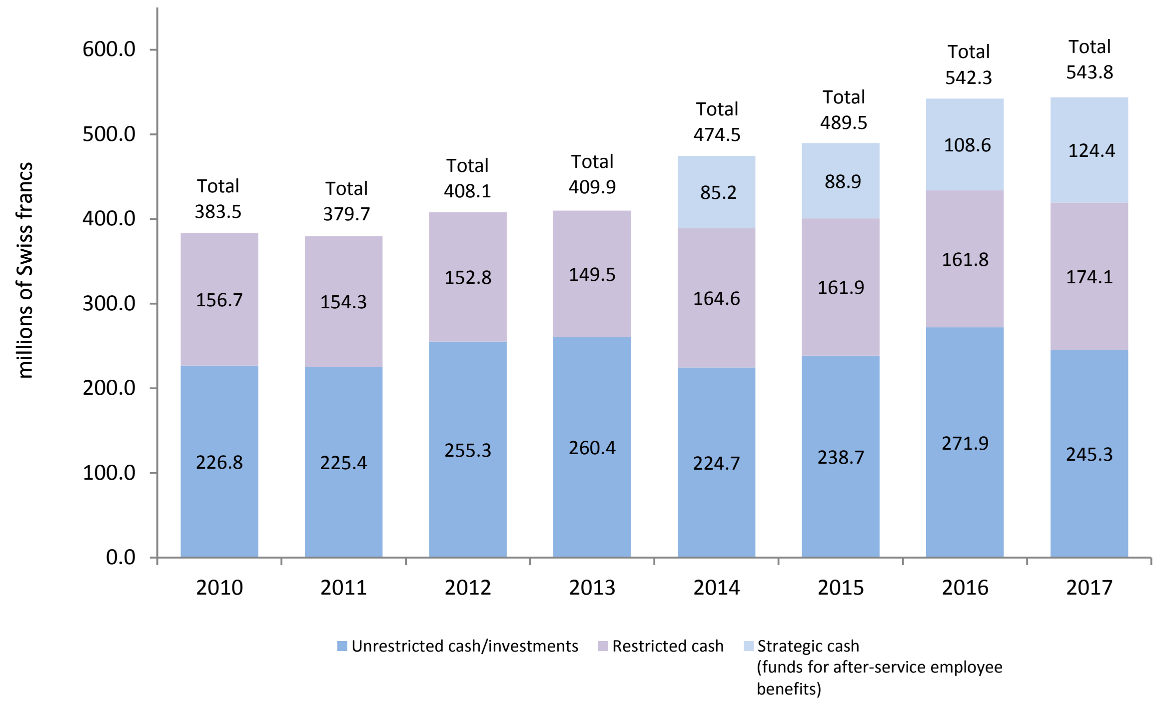
During 2017, the Organization made significant investments as part of its revised Policy on Investments. As at December 31, 2017, WIPO's medium-term investment portfolio (core cash investments) had a fair value of 174.2 million Swiss francs, and the long-term investment portfolio (strategic cash investments) had a fair value of 94.1 million Swiss francs). These balances are included in the Organization's 2017 total cash, cash equivalents and investments balance of 543.8 million Swiss francs, which means that as at December 31, 2017, approximately 49.3 per cent of the balance is held in non-current investments. This represents a significant change in the profile of WIPO's cash, cash equivalents and investments when compared to the prior year:

Cash vs Investments 2016-2017



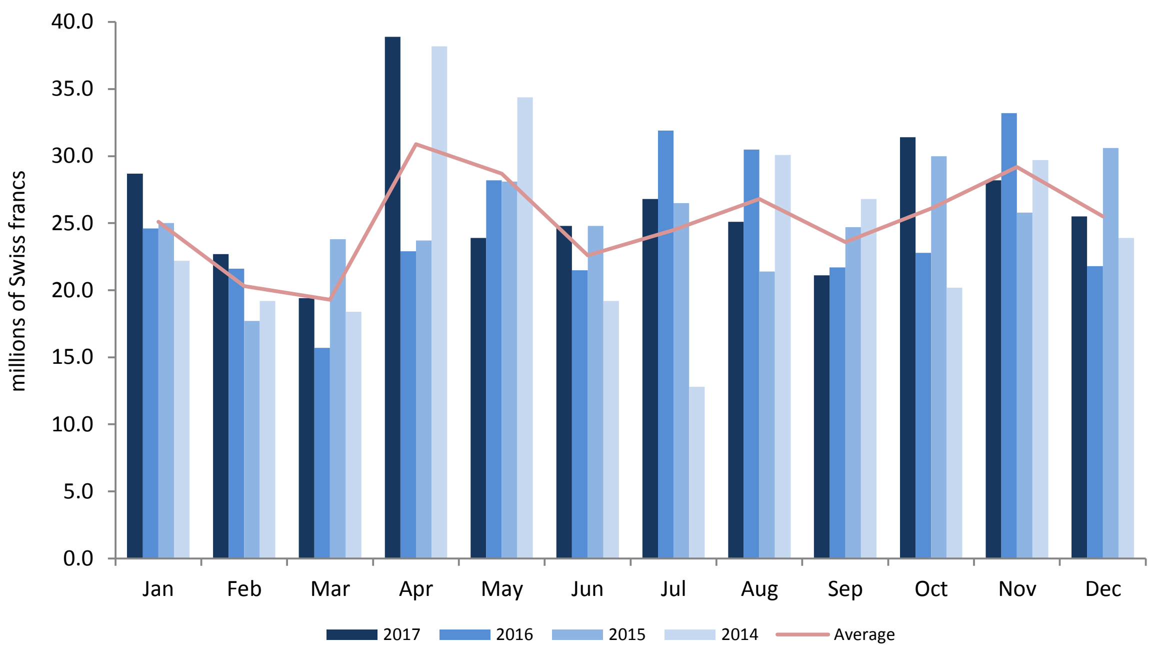
In the financial statements cash, cash equivalents and investments are also presented separately between restricted, unrestricted and strategic cash balances. There are several elements of cash and cash equivalents which are classified as restricted. Restricted cash includes current accounts held for 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 124.4 million Swiss francs as at December 31, 2017. This includes the long-term investment portfolio (including unrealized gains) of 94.1 million Swiss francs, and cash balances yet to be invested of 30.3 million Swiss francs. This cash balance includes the additional amounts generated in 2017 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 2010-2017



The principal cash inflows to the Organization are payments of PCT system fees. Monthly cash inflows from PCT system fees averaged 26.4 million Swiss francs during the year 2017 compared to 24.7 million Swiss francs during the year 2016. 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 2017 compared to other months in the year due to catch-up payments from two receiving offices.

Monthly PCT system cash inflows 2014-2017



INDEPENDENT AUDITOR'S REPORT

To
THE GENERAL ASSEMBLY
THE WORLD INTELLECTUAL PROPERTY ORGANISATION

Opinion

We have audited the financial statements of the World Intellectual Property Organization (WIPO), which comprise the statement of financial position (statement I) as at 31 December 2017, the statement of financial performance (statement II), statement of changes in net assets (statement III), statement of cash flows (statement IV), statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WIPO as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of WIPO in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 31 December 2017, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing WIPO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate WIPO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing WIPO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WIPO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on WIPO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause WIPO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of WIPO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with WIPO's Financial Regulations and Rules and its legislative authority.

In accordance with the Regulation 8.10 of WIPO's Financial Regulations and Rules, we have also issued a long-form report on our audit of WIPO.

(Rajiv Mehrishi)
Comptroller and Auditor General of India
External Auditor
New Delhi, India
5th July 2018

FINANCIAL STATEMENTS

STATEMENT I – STATEMENT OF FINANCIAL POSITION

as at December 31, 2017

(in thousands of Swiss francs)

		December 31, 2017	December 31, 2016 (restated)
ASSETS	**Note**		
Current assets			
Cash and cash equivalents	3	265,452	529,817
Investments	4	10,000	12,500
Derivative financial instruments	5	921	-
Contributions receivables	6	965	1,483
Exchange transactions receivables	6	62,434	59,064
Inventories	7	1,349	1,520
		341,121	604,384
Non-current assets			
Investments	4	268,319	-
Equipment	8	1,455	1,609
Investment property	9	6,210	6,210
Intangible assets	10	26,414	27,813
Land and buildings	11	369,168	375,489
Contributions receivables	6	225	225
Exchange transactions receivables	6	-	2,756
Other non-current assets	12	8,553	8,743
		680,344	422,845
TOTAL ASSETS		**1,021,465**	**1,027,229**
LIABILITIES			
Current liabilities			
Payables and accruals	13	17,896	10,763
Employee benefits	14	28,121	28,321
Transfers payable	15	93,075	84,874
Advance receipts	16	282,825	269,582
Borrowings	17	16,862	5,258
Provisions	18	2,008	6,989
Other current liabilities	19	64,479	62,519
		505,266	468,306
Non-current liabilities			
Employee benefits	14	309,605	321,980
Borrowings	17	-	83,462
Advance receipts	16	3,937	4,069
		313,542	409,511
TOTAL LIABILITIES		**818,808**	**877,817**
Accumulated Surpluses	23	305,953	282,328
Special Projects Reserve	23	11,790	16,786
Revaluation Reserve Surplus	23	17,266	17,266
Actuarial gains/(losses) through Net Assets	23	-138,694	-173,310
Working Capital Funds	23	6,342	6,342
NET ASSETS		**202,657**	**149,412**

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, 2017

(in thousands of Swiss francs)

	Note	2017	2016 (restated)
REVENUE	25		
Assessed contributions		17,829	17,337
Voluntary contributions		12,096	10,176
Publications revenue		242	426
Investment revenue		4,337	21
Fees			
PCT system		296,356	290,719
Madrid system		69,952	59,580
Hague system		5,076	4,956
Lisbon system		39	25
Sub-total fees		371,423	355,280
Arbitration and Mediation		1,689	1,641
Other/miscellaneous revenue		5,860	2,832
TOTAL REVENUE		**413,476**	**387,713**
EXPENSES	26		
Personnel expenditure		228,594	219,093
Internships and WIPO fellowships		3,853	3,261
Travel, training and grants		18,195	15,810
Contractual services		89,422	74,398
Operating expenses		26,300	21,946
Supplies and materials		3,457	2,039
Furniture and equipment		1,669	172
Depreciation and amortization		11,350	11,424
Finance costs		12,007	2,310
TOTAL EXPENSES		**394,847**	**350,453**
SURPLUS/(DEFICIT) FOR THE PERIOD		**18,629**	**37,260**

STATEMENT III – STATEMENT OF CHANGES IN NET ASSETS

for the year ended December 31, 2017

(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 January 1, 2016 (restated)	23	**238,124**	**23,730**	**15,046**	**-80,694**	**8,342**	**204,548**
Surplus/(deficit) for the year 2016		40,855	-3,595	-	-	-	37,260
Adjustment to Special Projects Reserve		2,267	-2,267	-	-	-	-
Transfer to Accumulated Surpluses		1,082	-1,082	-	-	-	-
Actuarial gains/(losses)		-	-	-	-92,616	-	-92,616
Return of Working Capital Funds		-	-	-	-	-2,000	-2,000
Revaluation of land		-	-	2,220	-	-	2,220
Net Assets at December 31, 2016 (restated)	23	**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**

STATEMENT IV – STATEMENT OF CASH FLOW

for the year ended December 31, 2017

(in thousands of Swiss francs)

	Note	2017	2016 (restated)
Cash flows from operating activities			
Surplus (deficit) for the period **(1)**	Statement II	26,411	39,988
Interest earned	25	12	21
Interest paid on borrowings	17	-11,760	-2,119
Depreciation and amortization	8, 10 & 11	11,350	11,424
Increase (decrease) in employee benefits	14	-12,575	104,268
(Increase) decrease in inventories	7	171	77
(Increase) decrease in receivables	6	-96	-4,406
(Increase) decrease in other assets	12	190	191
Increase (decrease) in advance receipts	16	13,111	20,069
Increase (decrease) in payables and accruals	13	7,133	-11,339
Increase (decrease) in transfers payable	15	8,201	714
Increase (decrease) in provisions	18	-4,981	6,172
Increase (decrease) in other liabilities	19	1,960	6,748
Net cash flows from operating activities		**39,127**	**171,808**
Cash flows from investing activities			
Additions to buildings and equipment	8 & 11	-4,984	-2,195
Disposal of buildings and equipment	8	1,533	-
Increase in intangible assets	10	-25	-287
Increase in investments	4	-265,819	-12,500
Change in value of investments	4	4,326	-
Increase in derivative financial instruments	5	-921	-
Net cash flows from investing activities		**-265,890**	**-14,982**
Cash flows from financing activities			
Repayment of borrowings	17	-71,858	-21,259
Return of Working Capital Funds	23	-	-2,000
Net cash flows from financing activities		**-71,858**	**-23,259**
Effect of recognition of Actuarial gains/losses through Net Assets	14	**34,616**	**-92,616**
Effect of exchange rate changes on cash and cash equivalents	28	**-360**	**-630**
Net increase (decrease) in cash and cash equivalents		**-264,365**	**40,321**
Cash and cash equivalents at beginning of year	3	**529,817**	**489,496**
Cash and cash equivalents at end of year	3	**265,452**	**529,817**

(1) – Excluding interest earned and interest paid on borrowings, and the effect of exchange rate changes on cash and cash equivalents, and gains/losses on investments. Interest earned is included in investment revenue, see Note 25. For detail of interest paid on borrowings, see Note 17. For the effect of exchange rate changes on cash and cash equivalents, see Note 28.

STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – REVENUE 2017

for the year ended December 31, 2017
(in thousands of Swiss francs)

	Original Budget 2017 (1)	"Final" Budget 2017 (1)	Actual Revenue on comparable basis 2017	Difference 2017 (2)
Assessed contributions	17,361	17,361	17,371	10
Voluntary contributions	-	-	932	932
Fees				
PCT system	291,441	291,441	316,266	24,825
Madrid system	65,399	65,399	70,263	4,864
Hague system	5,494	5,494	5,062	-432
Lisbon system	15	15	39	24
Sub-total fees	362,349	362,349	391,630	29,281
Arbitration and Mediation	1,250	1,250	1,689	439
Publications	155	155	242	87
Investment revenue	-	-	4,337	4,337
Other/miscellaneous	1,900	1,900	6,663	4,763
TOTAL	**383,015**	**383,015**	**422,864**	**39,849**

(1) - columns Original Budget and "Final" Budget represent the second year of the approved 2016/17 biennial budget.
(2) - represents the difference between the "Final" Budget 2017 and actual revenue on a comparable basis for the year ended December 31, 2017.

STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - EXPENSES 2017

for the year ended December 31, 2017
(in thousands of Swiss francs)

Program	Program Title	Original Budget 2017 (1)	"Final" Budget 2017 (1)	Actual Expense on a comparable basis 2017	Difference 2017 (2)
1	Patent Law	2,671	2,671	2,438	233
2	Trademarks, Industrial Designs & Geographical Indications	2,455	2,455	2,533	-78
3	Copyright and Related Rights	8,426	8,426	9,575	-1,149
4	Traditional Know ledge, Traditional Cultural Expressions & Genetic Resources	3,081	3,081	3,293	-212
5	The PCT System	104,864	104,864	98,909	5,955
6	Madrid System	29,362	29,362	29,690	-328
7	WIPO Arbitration and Mediation Center	5,718	5,718	5,292	426
8	Development Agenda Coordination	1,862	1,862	1,534	328
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	16,176	16,176	15,558	618
10	Transition and Developed Countries	4,016	4,016	4,013	3
11	The WIPO Academy	6,602	6,602	6,671	-69
12	International Classifications and Standards	3,583	3,583	3,676	-93
13	Global Databases	2,927	2,927	4,016	-1,089
14	Services for Access to Information and Know ledge	3,528	3,528	4,184	-656
15	Business Solutions for IP Offices	7,012	7,012	7,168	-156
16	Economics and Statistics	3,103	3,103	3,658	-555
17	Building Respect for IP	1,913	1,913	2,085	-172
18	IP and Global Challenges	3,193	3,193	3,298	-105
19	Communications	8,325	8,325	8,546	-221
20	External Relations, Partnerships and External Offices	6,271	6,271	6,233	38
21	Executive Management	10,487	10,487	10,577	-90
22	Program and Resource Management	16,821	16,821	16,341	480
23	Human Resources Management and Development	12,381	12,381	15,554	-3,173
24	General Support Services	23,723	23,723	33,554	-9,831
25	Information and Communication Technology	26,100	26,100	26,330	-230
26	Internal Oversight	2,717	2,717	2,732	-15
27	Conference and Language Services	19,710	19,710	17,699	2,011
28	Information Assurance, Safety and Security	8,900	8,900	10,633	-1,733
30	SMEs and Entrepreneurship Support	3,084	3,084	3,190	-106
31	The Hague System	3,824	3,824	6,866	-3,042
32	Lisbon System	671	671	675	-4
UN	Unallocated	3,159	3,159	-	3,159
	TOTAL	**356,665**	**356,665**	**366,521**	**-9,856**
	Net surplus/(deficit)	**26,350**	**26,350**	**56,343**	**29,993**
	IPSAS adjustments to surplus (3)			-31,809	
	Projects financed from reserves			-4,996	
	Special Accounts financed from voluntary contributions			-909	
	Adjusted net surplus per IPSAS			**18,629**	

(1) - columns Original Budget and "Final" Budget represent the second year of the approved 2016/17 biennial budget. As WIPO has a biennial budget cycle, the budgetary transfers across programs, which have taken place during the 2016/17 biennium within the limits described in the Financial Regulations and Rules (regulation 5.5), are reflected in the biennial budget figures for the 2016/17 biennium under the heading "Final Budget after Transfers 2016/17". Please refer in this regard to Statement V for the 2016/17 for the comparison of the 2016/17 Final Budget after Transfers with the 2016/17 original approved budget. The Original Budget is based on the biennial budget of 707.0 million Swiss francs, which was approved by the Assemblies of the Member States of WIPO on October 14, 2015.
(2) - represents the difference between the "Final" Budget 2017 and actual expense on a comparable basis for the year ended December 31, 2017.
(3) – the IPSAS adjustments to the surplus are detailed in Note 24 of these financial statements.

STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – REVENUE 2016/17

for the biennium ended December 31, 2017

(in thousands of Swiss francs)

	Original Budget 2016/17 (1)	Final Budget after Transfers 2016/17 (2)	Actual Revenue on comparable basis 2016/17	Difference 2016/17 (3)
Assessed contributions	34,722	34,722	34,728	6
Voluntary contributions	-	-	1,324	1,324
Fees				
PCT system	575,864	575,864	612,635	36,771
Madrid system	128,758	128,758	130,379	1,621
Hague system	10,313	10,313	10,134	-179
Lisbon system	30	30	64	34
Sub-total fees	714,965	714,965	753,212	38,247
Arbitration and Mediation	2,500	2,500	3,330	830
Publications	310	310	668	358
Investment revenue	-	-	4,358	4,358
Other/miscellaneous	3,800	3,800	9,928	6,128
TOTAL	**756,297**	**756,297**	**807,548**	**51,251**

(1) - represents the approved 2016/17 biennial budget.
(2) - represents the 2016/17 Final Budget after Transfers.
(3) - represents the difference between the 2016/17 Final Budget after Transfers and actual revenue on a comparable basis for the biennium ended December 31, 2017.

STATEMENT V –
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - EXPENSES 2016/17

for the biennium ended December 31, 2017
(in thousands of Swiss francs)

Program	Program Title	Original Budget 2016/17 (1)	Final Budget after Transfers 2016/17 (2)	Actual Expense on a comparable basis 2016/17	Difference 2016/17 (3)
1	Patent Law	5,291	5,044	5,019	25
2	Trademarks, Industrial Designs & Geographical Indications	4,854	4,883	4,826	57
3	Copyright and Related Rights	16,733	17,240	16,923	317
4	Traditional Know ledge, Traditional Cultural Expressions & Genetic Resources	6,115	6,760	6,338	422
5	The PCT System	208,209	204,097	192,770	11,327
6	Madrid System	58,106	57,102	56,429	673
7	WIPO Arbitration and Mediation Center	11,358	10,916	10,369	547
8	Development Agenda Coordination	3,671	3,420	3,179	241
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	31,907	30,282	29,718	564
10	Transition and Developed Countries	7,919	8,073	7,703	370
11	The WIPO Academy	13,083	13,220	12,436	784
12	International Classifications and Standards	7,070	7,048	6,794	254
13	Global Databases	5,758	8,000	7,172	828
14	Services for Access to Information and Know ledge	6,990	7,449	7,353	96
15	Business Solutions for IP Offices	13,806	14,117	13,926	191
16	Economics and Statistics	6,072	6,453	6,399	54
17	Building Respect for IP	3,752	3,910	3,990	-80
18	IP and Global Challenges	6,323	6,059	6,169	-110
19	Communications	16,483	16,584	16,233	351
20	External Relations, Partnerships and External Offices	12,395	12,269	11,410	859
21	Executive Management	20,675	19,680	20,006	-326
22	Program and Resource Management	33,276	32,387	30,852	1,535
23	Human Resources Management and Development	24,617	28,854	33,427	-4,573
24	General Support Services	47,216	53,966	54,138	-172
25	Information and Communication Technology	52,032	49,255	48,199	1,056
26	Internal Oversight	5,358	5,163	4,781	382
27	Conference and Language Services	38,925	36,576	35,308	1,268
28	Information Assurance, Safety and Security	17,733	19,062	18,600	462
30	SMEs and Entrepreneurship Support	6,083	6,206	6,047	159
31	The Hague System	7,572	11,466	10,872	594
32	Lisbon System	1,335	1,331	1,311	20
UN	Unallocated	6,319	164	-	164
	TOTAL	**707,036**	**707,036**	**688,697**	**18,339**
	Net surplus/(deficit)	**49,261**	**49,261**	**118,851**	**69,590**
	IPSAS adjustments to surplus (4)			-52,932	
	Projects financed from reserves			-9,669	
	Special Accounts financed from voluntary contributions			-361	
	Adjusted net surplus per IPSAS			**55,889**	

(1) - represents the approved 2016/17 biennial budget of 707.0 million Swiss francs, which was approved by the Assemblies of the Member States of WIPO on October 14, 2015.
(2) - represents the 2016/17 Final Budget after Transfers.
(3) - represents the difference between the 2016/17 Final Budget after Transfers and actual expense on a comparable basis for the biennium ended December 31, 2017.
(4) - the IPSAS adjustments to the surplus are detailed in Note 24 of these financial statements, and include the impact of restatement of the 2016 comparative numbers.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES AND BUDGET OF THE ORGANIZATION

The World Intellectual Property Organization (WIPO) was established in 1967, replacing 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 are grouped into four main areas of work: providing intellectual property services through the Organization's Global IP systems; developing and maintaining the technical infrastructure which 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 191 Member States. WIPO is based in Geneva, Switzerland with external offices in Beijing, Moscow, Rio de Janeiro, Singapore and Tokyo, and a coordination office in New York. 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* has been applied in 2017, which is prior to the required implementation date of January 1, 2018. The effect of the resulting change in accounting policy was recognized retrospectively, requiring a restatement of the 2016 comparative numbers.

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 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 5,000 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 100,000 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 and 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. WIPO's contributions to the Fund 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 2016/17, 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 30).

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.

Change in Accounting Policy

Effective January 1, 2017, the Organization has changed its accounting policy to recognize employee benefits in accordance with IPSAS 39. As a result, actuarial gains and losses for the ASHI, which were previously unrecognized, were accounted directly to net assets. Accumulated annual leave for fixed, continuing and permanent posts has been reclassified from short-term to other long-term employee benefits, requiring the remeasurement of this liability by an independent actuary utilizing the projected unit credit methodology of valuation.

The effect of this change in accounting policy was recognized retrospectively, requiring adjustment to prior years balances and restatement of the 2016 comparative numbers. The adjustment relating to prior periods before those presented (prior to 2016) results in a reduction in net assets of 78.9 million Swiss francs. The restatement of the 2016 comparative numbers is detailed below. Details of the impact of IPSAS 39 implementation on the current year 2017 are not provided, as this would have required an additional actuarial calculation for 2017 under the previously applied standard IPSAS 25, which was not considered practicable:

	2016 (as previously stated)	**Restatement for IPSAS 39 adoption**	**2016 (restated)**
		(in thousands of Swiss francs)	
Statement of Financial Position			
TOTAL ASSETS	**1,027,229**	**-**	**1,027,229**
Employee benefits	188,430	161,871	350,301
TOTAL LIABILITIES	**715,946**	**161,871**	**877,817**
Accumulated Surpluses	270,889	11,439	282,328
Special Projects Reserve	16,786	-	16,786
Revaluation Reserve Surplus	17,266	-	17,266
Actuarial gains/(losses) through Net Assets	-	(173,310)	(173,310)
Working Capital Funds	6,342	-	6,342
NET ASSETS	**311,283**	**(161,871)**	**149,412**
Statement of Financial Performance			
TOTAL REVENUE	**387,713**	**-**	**387,713**
Personnel expenditure	224,353	(5,260)	219,093
TOTAL EXPENSES	**355,713**	**(5,260)**	**350,453**
SURPLUS FOR THE YEAR	**32,000**	**5,260**	**37,260**

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Cash on hand	30	12
Deposits with banks - Swiss francs	32,646	113,617
Deposits with banks - other currencies	13,937	6,788
Funds invested with AFF - Swiss francs	-	139,418
Term deposits less than 3 months - Swiss francs	10,000	361
Notice accounts - Swiss francs	-	7,170
Notice accounts - other currencies	4,466	4,574
Total unrestricted cash	**61,079**	**271,940**
Current accounts held for third parties - Swiss francs	64,336	61,802
Current accounts held for third parties - other currencies	143	717
Fees collected on behalf of contracting parties - Swiss francs	93,075	84,874
Notice accounts Special Accounts - Swiss francs	16,495	14,428
Total restricted cash	**174,049**	**161,821**
Deposits with banks - Swiss francs	30,324	-
Funds invested with AFF - Swiss francs	-	88,917
Term deposits less than 3 months - Swiss francs	-	7,139
Total strategic cash	**30,324**	**96,056**
Total cash and cash equivalents	**265,452**	**529,817**

Cash deposits are generally held in instant access bank accounts. During 2017 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 the previous year.

Previously the Organization has held significant deposit accounts with the Swiss Federal Finance Administration (AFF). Following the implementation of new provisions by the AFF relating to the opening and keeping of deposit accounts, from December 15, 2017 WIPO was no longer able to hold deposits with them. The interest rate on deposits held with the AFF was 0.00 per cent during 2017.

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, 2017, the total balance of these funds was 124.4 million Swiss francs, split between cash and cash equivalents (30.3 million Swiss francs) and investments (94.1 million Swiss francs, see Note 4).

NOTE 4: INVESTMENTS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Term deposits more than 3 months - Swiss francs	10,000	-
Total operating cash investments	**10,000**	**-**
Term deposits more than 3 months - Swiss francs	-	12,500
Total strategic cash investments	**-**	**12,500**
Current investments	**10,000**	**12,500**
Medium term Investment porfolio - Swiss francs	109,895	-
Medium term Investment porfolio - Other currencies	64,314	-
Total core cash investments	**174,209**	**-**
Long term Investment porfolio - Swiss francs	56,022	-
Long term Investment porfolio - Other currencies	38,088	-
Total strategic cash investments	**94,110**	**-**
Non-current investments	**268,319**	**-**
Total investments	**278,319**	**12,500**

As at December 31, 2017, 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, 2017 is as follows:

	Operating cash investments	Core cash investments	Strategic cash investments	Total
	(in thousands of Swiss francs)			
Investments fair value at January 1, 2016	**-**	**-**	**-**	**-**
Additional investments made	-	-	12,500	12,500
Disposal of investments	-	-	-	-
Fair value increase/(decrease)	-	-	-	-
Investments fair value at December 31, 2016	**-**	**-**	**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**

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
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**	**-**

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, 2017, and are carried as assets when the fair value is positive and liabilities when the fair value is negative.

NOTE 6: RECEIVABLES

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Unitary contributions	886	1,256
Voluntary contributions	79	227
Contributions receivables - current	965	1,483
PCT debtors	50,796	46,368
Madrid debtors	372	341
Hague debtors	2	2
Other debtors	2,301	1,638
Swiss taxes reimbursable	15	12
USA taxes reimbursable	2,274	1,367
Concessionary advance for USA taxes	-	252
Staff advances for education grants	4,924	4,962
Other funds advanced to staff	127	319
UPOV expenditure reimbursable	726	1,562
Funds advanced to UNDP	259	459
Advance for FCIG concessionary loan	127	125
Prepaid expenditure	322	1,468
FCIG loan amortization	189	189
Exchange transactions receivables - current	62,434	59,064
Total current accounts receivable	**63,399**	**60,547**
Paris Union	80	80
Berne Union	136	136
Nice Union	7	7
Locarno Union	2	2
Contributions receivables - non-current	225	225
USA taxes reimbursable	-	2,756
Exchange transactions receivables - non-current	-	2,756
Total non-current accounts receivable	**225**	**2,981**
Total receivables	**63,624**	**63,528**

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. The total of the allowance as at December 31, 2017 is 5.9 million Swiss francs (6.3 million Swiss francs as at December 31, 2016).

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 2017-2018 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 2017-2018 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. USA taxes reimbursable are measured at amortized cost, which is calculated based on historical payment patterns.

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, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Finished publications	1,222	1,339
Paper supplies	56	80
Retail Shop	71	101
Total inventories	**1,349**	**1,520**

The write-down of finished publications inventories to net realizable value amounted to 15 thousand Swiss francs (35 thousand Swiss francs in 2016). There have been no reversals of write-downs.

NOTE 8: EQUIPMENT

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**

Movement 2016	**Equipment**	**Furniture & Furnishings**	**Total**
		(in thousands of Swiss francs)	
January 1, 2016			
Gross carrying amount	11,415	2,659	**14,074**
Accumulated depreciation	-9,745	-2,195	**-11,940**
Net carrying amount	**1,670**	**464**	**2,134**
Movements in 2016:			
Additions	89	-	**89**
Disposals	-93	-124	**-217**
Disposals depreciation	93	124	**217**
Depreciation	-537	-77	**-614**
Total movements in 2016	**-448**	**-77**	**-525**
December 31, 2016			
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**

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, 2017, WIPO holds fully depreciated equipment which is still in use for a gross carrying amount of 4.9 million Swiss francs. Heritage assets including donated works of art are not recognized as assets on the Statement of Financial Position.

NOTE 9: INVESTMENT PROPERTY

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Opening balance	6,210	6,210
Fair value gains/(losses) on valuation	-	-
Closing balance	**6,210**	**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. The property is 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 valuation as at October 1, 2015 resulted in an increase in the fair value of the building of 1.4 million Swiss francs. This increase was recognized in 2015 as investment revenue in the Statement of Financial Performance.

The leasing of apartments, parking and other facilities in the Madrid Union Building is managed by a leasing agent responsible for collecting all rental income and paying for all expenditures incurred in the operation of the building. Leases are generally for periods of five years and are based on the form of lease approved by the Canton of Geneva. All leases are non-cancellable during the period of the lease. The managing agent receives 3.90 per cent of the gross rental income as compensation for its services. The value of non-cancellable leases as at December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Not later than one year	31	353
Later than one year and not later than five years	-	626
Later than five years	-	-
Total non-cancellable operating leases	**31**	**979**

In 2017 the income from rental of the building totaled 371 thousand Swiss francs, and the operating expenditures of the building totaled 235 thousand Swiss francs.

The operating expenditures do not include depreciation of the building. At the reporting date there are no contractual obligations to purchase, construct or develop investment property nor for the repairs, maintenance or enhancement of the existing property.

On January 31, 2018 the Organization signed an act of sale for the Madrid Union Building. The sale price was 7.0 million Swiss francs, and the gain resulting from this will be recognized in the surplus or deficit of 2018 (see Note 29 Events After the Reporting Date).

NOTE 10: INTANGIBLE ASSETS

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**

Movement 2016	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
			(in thousands of Swiss francs)		
January 1, 2016					
Gross carrying amount	34,290	1,115	3,919	188	**39,512**
Accumulated amortization	-8,719	-513	-1,299	-	**-10,531**
Net carrying amount	**25,571**	**602**	**2,620**	**188**	**28,981**
Movements in 2016:					
Additions	-	-	-	287	**287**
Transfers	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Disposals amortization	-	-	-	-	**-**
Amortization	-440	-223	-792	-	**-1,455**
Total movements in 2016	**-440**	**-223**	**-792**	**287**	**-1,168**
December 31, 2016					
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**

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. The net result of the revaluation of 15.0 million Swiss francs is included in the Revaluation Reserve Surplus which forms part of WIPO's net assets. An updated valuation of the land was performed by an independent appraiser at December 31, 2016. This valuation indicated an increase in the fair value of the land of 2.2 million Swiss francs. 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 end December 31, 2017, improvement works totaling 4.6 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 1.5 million Swiss francs.

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**

Movements for land and buildings in the prior year 2016

Movement 2016	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, 2016									
Cost/valuation	28,600	8,996	70,456	167,031	56,979	12,838	4,523	67,771	**417,194**
Accumulated depreciation	-	-91	-2,732	-13,809	-9,009	-2,269	-705	-8,061	**-36,676**
Net carrying amount	**28,600**	**8,905**	**67,724**	**153,222**	**47,970**	**10,569**	**3,818**	**59,710**	**380,518**
Movements in 2016									
Additions	-	-	57	784	670	215	4	376	**2,106**
Revaluation	2,220	-	-	-	-	-	-	-	**2,220**
Depreciation	-	-271	-2,095	-3,124	-1,736	-651	-122	-1,356	**-9,355**
Net movements in 2016	**2,220**	**-271**	**-2,038**	**-2,340**	**-1,066**	**-436**	**-118**	**-980**	**-5,029**
December 31, 2016									
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**

NOTE 12: OTHER NON-CURRENT ASSETS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Loan to FCIG	8,553	8,428
Advance for FCIG concessionary loan	-	126
FCIG loan amortization	-	189
Total other non-current assets	**8,553**	**8,743**

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). The Organization also entered into an agreement to lease the building from FCIG. The lease agreement was renewed for a period of seven years from January 1, 2012.

Under the current lease agreement between the Organization and FCIG, 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 FCIG and the BCG. The rent paid by WIPO on this basis during 2017 totaled 229,457 Swiss francs (231,020 Swiss francs during 2016). The current rate of interest, fixed through to December 31, 2018, is 1.48 per cent. Since January 1, 2012, WIPO has also recognized an annual amortization charge of 188,679 Swiss francs against its advance to FCIG. Further, the Organization also leases covered parking spaces, for a cost of 90,072 Swiss francs in 2017. 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 2018 would be as follows:

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Not later than one year	507	508
Later than one year and not later than five years	-	507
Later than five years	-	-
Total future lease payments	**507**	**1,015**

Upon vacating the premises, WIPO is to be repaid the balance of the 11.0 million Swiss francs advance after amortization. FCIG 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, 2017 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, 2017 is 0.2 million Swiss francs. The remaining balance of WIPO's advance to FCIG 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, 2017, the non-current portion is zero. This advance payment is reduced over the period of rental agreement, and as at December 31, 2017 has a total value of 0.1 million Swiss francs.

NOTE 13: PAYABLES AND ACCRUALS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Trade creditors - accounts payable	16,530	10,215
Miscellaneous transitory liabilities	952	293
Other trade creditors	414	255
Total payables and accruals	**17,896**	**10,763**

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, 2017	December 31, 2016 (restated)
	(in thousands of Swiss francs)	
Accumulated leave (posts)	704	614
Accumulated leave (temporary staff)	250	482
Separation benefits	284	329
Closed Pension Fund	321	327
Repatriation grant and travel	2,136	2,036
Home leave	329	409
Overtime and credit hours	382	524
Education grant	1,932	1,943
Performance rewards	3,224	240
After-Service Health Insurance	18,559	21,417
Total current employee benefit liabilities	**28,121**	**28,321**
Closed Pension Fund	1,751	2,277
Accumulated leave (posts)	7,735	6,849
Repatriation grant and travel	14,302	13,383
After-Service Health Insurance	285,817	299,471
Total non-current employee benefit liabilities	**309,605**	**321,980**
Total employee benefit liabilities	**337,726**	**350,301**

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 (0.5 million Swiss francs at December 31, 2016).

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 0.3 million Swiss francs (0.4 million Swiss francs at December 31, 2016).

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. Staff members following the flexible working time system may accumulate credit hours for time worked beyond 40 hours a week. Staff members with sufficient credit hours (up to a maximum of 16 hours) may request to take credit leave. The total liability at the reporting date for overtime and credit hours is 0.4 million Swiss francs (0.5 million Swiss francs at December 31, 2016).

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 2017-2018 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, 2017, for which fees are therefore due. The total liability at the reporting date is 1.9 million Swiss francs (1.9 million Swiss francs at December 31, 2016).

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, 2017, totaled 3.2 million Swiss francs (0.2 million Swiss francs at December 31, 2016).

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 convention between the Closed Pension Fund and the Organization and with a decision of the ILO Administrative Tribunal of the International Labour Organization (ILOAT), WIPO has obligations to finance certain costs relating to the Closed Pension Fund:

- the obligation to cover the cost of pensions paid to former staff participating in the Closed Pension Fund before they reach the age of 65. Based upon the latest actuarial valuation performed for 2017, there is no remaining liability as all participants have now reached the age of 65;
- the obligation, based upon a decision of the ILOAT in 2006, to cover certain differences between the pension receivable of Closed Pension Fund members under the Closed Pension Fund and that receivable from the UNJSPF which, based upon the latest actuarial valuations performed for 2017, is estimated at 2.1 million Swiss francs as at December 31, 2017 (2.6 million Swiss francs in 2016).

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 8.4 million Swiss francs (restated 7.5 million Swiss francs at December 31, 2016).

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, 2017	December 31, 2016
	Actuarial Valuation	WIPO Estimate	Total	Total
		(in thousands of Swiss francs)		
Current liability	1,368	768	2,136	2,036
Non-current liability	14,302	-	14,302	13,383
Total liability - repatriation grant and travel	**15,670**	**768**	**16,438**	**15,419**

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, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Interest cost	43	71
Current service cost	1,276	1,281
Actuarial (gain)/loss	-57	-632
Expense recognized in the Statement of Financial Performance	**1,262**	**720**

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, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Defined benefit obligation at beginning of year	14,702	14,739
Interest cost	43	71
Current service cost	1,276	1,281
Contribution paid	-294	-757
Actuarial (gain)/loss on obligation	-57	-632
Defined benefit obligation at end of year	**15,670**	**14,702**

Contributions paid by the Organization for repatriation grant and travel totaled 0.3 million Swiss francs for 2017 (0.8 million Swiss francs in 2016). Expected contributions to repatriation grant and travel in 2018 are 1.2 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 2017 and the previous four years:

	2017	2016	2015	2014	2013
	(in thousands of Swiss francs)				
Defined benefit obligation	15,670	14,702	14,702	13,279	12,097
Experience (gain)/loss adjustments on plan liability	-793	224	1,135	-1,295	-41

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

	December 31, 2017	December 31, 2016
Weighted-average assumptions to determine benefit obligations		
Discount rate	0.30%	0.30%
Rate of salary increase	2.50%	2.43%
Weighted-average assumptions to determine net cost		
Discount rate	0.30%	0.50%
Rate of salary increase	2.43%	3.38%

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, 2018, 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 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 2017 by an independent office, the Organization's ASHI liability was estimated as follows at the reporting date:

	December 31, 2017	December 31, 2016 (restated)
ASHI	*(in thousands of Swiss francs)*	
Current liability	18,559	21,417
Non-current liability	285,817	299,471
Total liability - ASHI	**304,376**	**320,888**

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

	December 31, 2017	December 31, 2016 (restated)
	(in thousands of Swiss francs)	
Interest cost	2,393	2,146
Current service cost	19,023	12,920
Expense recognized in the Statement of Financial Performance	**21,416**	**15,066**

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

The table below details the changes in the ASHI defined benefit obligation, including the impact of actuarial gains/(losses):

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Defined benefit obligation at beginning of year	320,888	216,075
Interest cost	2,393	2,146
Current service cost	19,023	12,920
Contribution paid	-3,312	-2,869
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	-17,122	3,377
(Gain)/loss on change in financial assumptions	3,960	84,640
(Gain)/loss on change in demographic assumptions	-21,454	4,599
Defined benefit obligation recognized at end of year	**304,376**	**320,888**

Contributions paid by the Organization for ASHI totaled 3.3 million Swiss francs for 2017 (2.9 million Swiss francs in 2016). Expected contributions to ASHI in 2018 are 3.6 million Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2017, was 22.8 years.

The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2017 and the previous four years:

	2017	2016	2015	2014	2013	2012
			(in thousands of Swiss francs)			
Defined benefit obligation	304,376	320,888	216,075	154,449	137,670	131,320
Experience (gain)/loss adjustments on plan liability	-17,122	3,377	190	-15,301	1,606	-6,704

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

	December 31, 2017	December 31, 2016
Weighted-average assumptions to determine benefit obligations		
Discount rate	0.70%	0.75%
Medical cost trend rate	3.50%	3.50%
Weighted-average assumptions to determine net cost		
Discount rate	0.75%	1.00%
Medical cost trend rate	3.50%	2.75%

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 0.45%	Discount rate as applied 0.70%	0.25 per cent increase in discount rate 0.95%
		(in thousands of Swiss francs)	
Defined benefit obligation as at December 31, 2017	322,966	304,376	287,201
Per cent variation	6.1%		-5.6%

	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, 2017	244,979	304,376	383,440
Per cent variation	-19.5%		26.0%

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 their 2016 financial statements. An actuarial valuation as at December 31, 2017 is currently being performed.

The roll forward of the participation data as at December 31, 2013, to December 31, 2016, resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) 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, 2016, 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 Fund. 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 (2014, 2015 and 2016) amounted to 6,751.0 million US dollars, of which 1.9 per cent was contributed by WIPO (including participants and Organization contributions).

During 2017, WIPO contributions (including Organization contributions only) paid to UNJSPF amounted to 27.1 million Swiss francs (26.4 million Swiss francs in 2016). Expected contributions due in 2018 are 26.5 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 are 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, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Madrid Union complementary fees	37,315	35,613
Madrid Union supplementary fees	3,709	3,099
Madrid Union individual fees	15,410	14,451
Madrid Union handling fees	15	17
Madrid Union deposits	27,825	23,841
Hague Union distribution	458	489
Madrid and Hague Union repartition fees	5,781	5,107
AMC deposits	1,079	914
PCT International Searching Authorities	1,302	1,339
USPTO search fees due to EPO	181	4
Total transfers payable	**93,075**	**84,874**

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 1.8 million Swiss francs due to all of the countries making up the former Federal Republic of Yugoslavia, that is, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, Slovenia and The former Yugoslav Republic of Macedonia. Payment will be effected as soon as a mutual agreement between the concerned Member States as to the amounts due to each country has been received by the International Bureau.

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.

USPTO search fees due to EPO: In accordance with a memorandum of understanding between the European Patent Office (EPO), the United States Patent and Trademark Office (USPTO) and WIPO, PCT search fees to be transferred from the USPTO (as a PCT receiving office) to the EPO (as an International Searching Authority) are received by WIPO from the USPTO and then transferred by WIPO to the EPO. The objective of this memorandum of understanding is to improve the management of search fee transfers and reduce losses incurred by the International Bureau under PCT Rule 16.1(e) due to exchange rate fluctuations. The amount shown in the prior table represents the balance of transfers received by WIPO but not yet transferred to the EPO at the reporting date.

NOTE 16: ADVANCE RECEIPTS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Madrid Union deposits	10,107	19,551
Industrial design deposits	832	944
PCT/IBRO deposits	724	451
Advance payment of contributions	2,225	3,188
PCT system deferred revenue	252,193	227,975
Madrid system deferred revenue	2,609	2,297
Hague system deferred revenue	448	463
Non-exchange deferred revenue	13,555	14,581
FIPOI deferred revenue	132	132
Total current advance receipts	**282,825**	**269,582**
FIPOI deferred revenue	3,937	4,069
Total non-current advance receipts	**3,937**	**4,069**
Total advance receipts	**286,762**	**273,651**

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, 2017, was 4.1 million Swiss francs (4.2 million Swiss francs as at December 31, 2016). This revenue is recognized gradually as the Security Perimeter is depreciated over its useful life.

NOTE 17: BORROWINGS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
FIPOI loan	16,862	1,358
BCG/BCV New Building loan	-	3,900
Total current borrowings	**16,862**	**5,258**
FIPOI loan	-	16,862
BCG/BCV New Building loan	-	66,600
Total non-current borrowings	**-**	**83,462**
Total borrowings	**16,862**	**88,720**

The Organization borrowed funds (50.8 million Swiss francs and 8.4 million Swiss francs approved in 1977 and 1987 respectively) from the 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 currently require 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 the FIPOI (see Note 29).

In February 2008, the Organization entered into a contract with the Banque Cantonale de Genève (BCG) and the Banque Cantonale Vaudoise (BCV) to borrow 114.0 million Swiss francs, plus a possible supplementary amount of 16.0 million Swiss francs, to be used to finance part of the cost of the construction of the New Building, available for use until February 28, 2011. The supplementary amount of 16.0 million Swiss francs was drawn down on January 27, 2011. The interest rate was fixed at the Swiss franc Swap LIBOR for up to 15 years, plus a margin of between 0.30 per cent to 0.70 per cent dependent on the length of the term as determined by the Organization. In November 2015 the Organization made the first of its scheduled lump sum repayments towards the loan for the amount of 24.0 million Swiss francs. A second lump sum repayment for 16.0 million Swiss francs was made in January 2016. In January 2017, the Organization took the decision to repay in full the remaining balance of the loan of 70.5 million Swiss francs, with final repayment taking place on January 26, 2017. For this early repayment, WIPO 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). WIPO also paid interest (153 thousand Swiss francs) on the loan up until the repayment date.

NOTE 18: PROVISIONS

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Legal costs	2,008	6,989
Total provisions	**2,008**	**6,989**

The movement in provisions during 2016 and 2017 is detailed as follows:

	Legal Costs
	(in thousands of Swiss francs)
Balance as at December 31, 2015	**817**
Movements in 2016:	
Additional provisions made	6,645
Amounts used	-27
Unused amounts reversed	-446
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**

As part of its normal activities, the Organization is subject to litigation. Events occurring prior to December 31, 2017, 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.

NOTE 19: OTHER CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Current accounts	64,479	62,519
Total other current liabilities	**64,479**	**62,519**

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

Several 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 80,000 Swiss francs at the reporting date. Personnel also have cases which 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 2017, 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, 2017, the Organization has non-cancellable contracts for the delivery of goods and services for a total value of 0.4 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

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 as follows:

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Not later than one year	333	356
Later than one year and not later than five years	494	54
Later than five years	-	-
Total non-cancellable operating leases	**827**	**410**

The Organization has also entered into an agreement to lease a building from the International Centre of Geneva Foundation (FCIG). 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 2017 (1.7 million Swiss francs in 2016).

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 0.7 million Swiss francs (0.6 million Swiss francs in 2016). The Organization also leases apartments, parking and other facilities in the Madrid Union Building. The value of non-cancellable leases and rental income for the Madrid Union Building is provided in Note 9.

NOTE 22: RELATED PARTY TRANSACTIONS

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 below. 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 2017 the Organization received 618 thousand Swiss francs from UPOV to cover the cost of these services. In addition, WIPO receives full reimbursement of all funds disbursed on behalf of UPOV.

	2017		2016	
	Number of Individuals	**Aggregate remuneration**	**Number of Individuals**	**Aggregate remuneration**
	(as an average)	*(in thousands of Swiss francs)*	*(as an average)*	*(in thousands of Swiss francs)*
Director General, Deputies and Assistants	9.00	3,171	8.29	2,921
Senior Officers	13.00	3,769	12.21	3,739

NOTE 23: NET ASSETS

Movement 2017	December 31, 2016 (restated)	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, 2017
			Surplus/(deficit) before IPSAS						
	(in thousands of Swiss francs)								
Program and Budget 2017	-	-	56,343	-	-	-	-33,726	-22,617	-
Special Accounts 2017	-	-	-	-909	-	-	909	-	-
Accumulated Surpluses	282,328	-	-	-	-	-	-	23,625	305,953
Actuarial gains/losses through Net Assets	-173,310	34,616	-	-	-	-	-	-	-138,694
Special Projects Reserve	16,786	-	-	-	-4,996	-	1,008	-1,008	11,790
Revaluation Reserve Surplus	17,266	-	-	-	-	-	-	-	17,266
Working Capital Funds	6,342	-	-	-	-	-	-	-	6,342
Net assets	**149,412**	**34,616**	**56,343**	**-909**	**-4,996**	**-**	**-31,809**	**-**	**202,657**

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.

Following approval by the Fifty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO, the Working Capital Funds component of 2.0 million Swiss francs for the PCT Union has been returned to the Member States of the PCT Union, through deductions from contribution invoices in 2016. The Accumulated Surpluses of the Organization represent the accumulated net result of operations in 2017 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. The following table details the projects which are financed by reserves, the expenditure during the year and the remaining balance as at December 31, 2017:

	Total project budget	Cumulative expenditure to December 31, 2016	Cumulative adjustments to December 31, 2016	Remaining balance as at December 31, 2016	Expenditure year ended December 31, 2017	Adjustments year ended December 31, 2017	Remaining balance as at December 31, 2017
	(in thousands of Swiss francs)						
Special Projects							
Madrid system database	1,200	-1,117	-	83	-7	-	76
ERP project	25,341	-18,108	-	7,233	-2,768	-	4,465
ICT capital investment	5,180	-5,005	-	175	-	-	175
Security enhancement	700	-129	-	571	-91	-	480
ECM implementation	2,068	-524	-	1,544	-814	-	730
PCT building renovation	6,000	-437	-	5,563	-627	-	4,936
Geneva lake water cooling system	750	-263	-	487	-	-	487
AB building basement renovation	960	-245	-	715	-547	-	168
AB building windows replacement	300	-94	-	206	-	-	206
Safety and fire protection	400	-191	-	209	-142	-	67
Total reserve funded projects	**42,899**	**-26,113**	**-**	**16,786**	**-4,996**	**-**	**11,790**
Revenue in year 2017					-		
Net deficit in year 2017					**-4,996**		

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 2016/17 Biennium established a budget for the biennium of expenditure of 707.0 million Swiss francs.

For 2017, the second year of the biennium, the original and final budget estimate for income was 383.0 million Swiss francs, and for expenditure 356.7 million Swiss francs. Actual income on a modified accrual basis for the second year of the biennium was 422.9 million Swiss francs, and actual expenditure on the same basis was 366.6 million Swiss francs. For the 2016/17 biennium, the original and final budget after transfers for income were 756.3 million Swiss francs, and for expenditure 707.0 million Swiss francs. Actual income on a modified accrual basis for the biennium was 807.5 million Swiss francs, and actual expenditure on the same basis was 688.7 million Swiss francs.

The WIPO Performance Report for 2016/17 provides an explanation of both the changes between the original and final 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. 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 provisions and deferral of unearned revenue. 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, equipment and intangible assets, and gains on investment property as investing activities in the Statement of Cash Flow (Statement IV).

Reconciliation for the year 2017

	2017 Operating	Investing	Financing	Total
	(in thousands of Swiss francs)			
Actual amount on comparable basis (Statement V)	**56,343**	**-**	**-**	**56,343**
Depreciation and amortization	-11,350	-	-	-11,350
Equipment acquisition and disposal	-	389	-	389
Capitalization of construction expense	-	4,584	-	4,584
Demolition of buildings components	-	-1,522	-	-1,522
Capitalization of intangible assets	-	25	-	25
Changes in employee benefit liabilities	-4,976	-	-	-4,976
Deferral of revenue from fees	-20,207	-	-	-20,207
Other revenue	288	-	-	288
Change in provision for doubtful debts	457	-	-	457
Inventory recognition	-171	-	-	-171
Special Accounts revenue recognition	909	-	-	909
Other expense	-235	-		-235
Total Basis differences	**-35,285**	**3,476**	**-**	**-31,809**
Projects financed from reserves	-4,996	-	-	-4,996
Special Accounts	-909	-	-	-909
Total Entity differences	**-5,905**	**-**	**-**	**-5,905**
Actual amount in the Statement of Financial Performance (Statement II)	**15,153**	**3,476**	**-**	**18,629**

Reconciliation for the biennium 2016/17

	2016/17 Operating	Investing	Financing	Total
	(in thousands of Swiss francs)			
Actual amount on comparable basis (Statement V)	**118,851**	**-**	**-**	**118,851**
Depreciation and amortization	-22,774	-	-	-22,774
Equipment acquisition and disposal	-	478	-	478
Capitalization of construction expense	-	6,690	-	6,690
Demolition of buildings components	-	-1,522	-	-1,522
Capitalization of intangible assets	-	312	-	312
Changes in employee benefit liabilities	-10,345	-	-	-10,345
Deferral of revenue from fees	-26,510	-	-	-26,510
Other revenue	424	-	-	424
Change in provision for doubtful debts	437	-	-	437
Inventory recognition	-248	-	-	-248
Special Accounts revenue recognition	361	-	-	361
Other expense	-235	-		-235
Total Basis differences	**-58,890**	**5,958**	**-**	**-52,932**
Projects financed from reserves	-9,669	-	-	-9,669
Special Accounts	-361	-	-	-361
Total Entity differences	**-10,030**	**-**	**-**	**-10,030**
Actual amount in the Statement of Financial Performance (Statement II)	**49,931**	**5,958**	**-**	**55,889**

NOTE 25: REVENUE

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	
	2017	2017	2017	2017	2017	2016
			(in thousands of Swiss francs)			
Assessed contributions	17,371	-	-	458	17,829	17,337
					-	
Voluntary contributions					-	
Contributions to Special Accounts	-	10,327	-	837	11,164	9,784
Subventions to Lisbon Union	932	-	-	-	932	392
Sub-total voluntary contributions	932	10,327	-	837	12,096	10,176
Publications revenue	242	-	-	-	242	426
Investment revenue	4,337	-	-	-	4,337	21
Fees						
PCT system	316,266	-	-	-19,910	296,356	290,719
Madrid system	70,263	-	-	-311	69,952	59,580
Hague system	5,062	-	-	14	5,076	4,956
Lisbon system	39	-	-	-	39	25
Sub-total fees	391,630	-	-	-20,207	371,423	355,280
Arbitration and Mediation	1,689	-	-	-	1,689	1,641
Exchange gain (loss)	-124	-1	-	-	-125	532
Program support charges	1,090	-	-	-1,090	-	-
Other/miscellaneous revenue	5,697	-	-	288	5,985	2,300
Total revenue	**422,864**	**10,326**	**-**	**-19,714**	**413,476**	**387,713**

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

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. During 2017 the Organization 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.

IPSAS adjustments are principally related to the deferral of unearned revenue. 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.

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. In 2017, Madrid system fees increased by 10.4 million Swiss francs compared to 2016. In 2017 WIPO made a significant effort to clear a backlog of registrations, linked in part to system issues with the Madrid International Registration Information System. The work performed to clear the backlog is estimated to have generated additional revenue of 9.4 million Swiss francs in 2017.

NOTE 26: EXPENSES

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	
	2017	2017	2017	2017	2017	2016 (restated)
			(in thousands of Swiss francs)			
Posts	208,409	2,042	279	5,721	216,451	199,398
Temporary staff	11,671	355	532	-354	12,204	12,894
Other staff costs	471	-	-	-532	-61	6,801
Total Personnel expenditure	**220,551**	**2,397**	**811**	**4,835**	**228,594**	**219,093**
Internships	470	-	-	-	470	497
WIPO fellowships	3,377	6	-	-	3,383	2,764
Total Interns and WIPO fellowships	**3,847**	**6**	**-**	**-**	**3,853**	**3,261**
Staff missions	5,377	525	-	-	5,902	5,207
Third-party travel	7,597	2,568	-	-	10,165	8,761
Training and related travel grant	1,385	743	-	-	2,128	1,842
Total Travel, training and grants	**14,359**	**3,836**	**-**	**-**	**18,195**	**15,810**
Conferences	3,652	316	-	-	3,968	4,029
Publishing	23	23	-	-	46	74
Individual contractual services	13,388	485	1,219	-15	15,077	11,515
Other contractual services	66,288	2,536	1,518	-11	70,331	58,780
Total Contractual services	**83,351**	**3,360**	**2,737**	**-26**	**89,422**	**74,398**
Premises and maintenance	23,035	312	1,448	-2,694	22,101	18,278
Communication	2,214	10	-	-	2,224	2,094
Representation and other operating expenses	994	35	-	42	1,071	872
United Nations joint services	755	149	-	-	904	702
Total Operating expenses	**26,998**	**506**	**1,448**	**-2,652**	**26,300**	**21,946**
Supplies and materials	**3,367**	**23**	**-**	**67**	**3,457**	**2,039**
Furniture and equipment	**2,041**	**17**	**-**	**-389**	**1,669**	**172**
Depreciation and amortization	**-**	**-**	**-**	**11,350**	**11,350**	**11,424**
Investment losses	**-**	**-**	**-**	**-**	**-**	**-**
Finance costs	**12,007**	**-**	**-**	**-**	**12,007**	**2,310**
Program support costs	**-**	**1,090**	**-**	**-1,090**	**-**	**-**
Total expenses	**366,521**	**11,235**	**4,996**	**12,095**	**394,847**	**350,453**

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, additions of buildings and constructions, or the acquisition and development of intangible assets. Adjustments are made to personnel expenditure as a result of bringing employee benefit liabilities, including ASHI, into line with IPSAS compliant calculations.

NOTE 27: 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 FCIG 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)*	
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**
2016		
Receivables	55,754	55,754
Loans	8,428	8,428
Cash and cash equivalents	529,817	529,817
Investments	12,500	12,500
	606,499	**606,499**

Financial liabilities	Carrying amount	Fair value
	(in thousands of Swiss francs)	
2017		
Borrowings	16,862	16,862
Payables and accruals	17,896	17,896
Transfers payable	93,075	93,075
Current accounts	64,479	64,479
	192,312	**192,312**
2016		
Borrowings	88,720	88,720
Payables and accruals	10,763	10,763
Transfers payable	84,874	84,874
Current accounts	62,519	62,519
	246,876	**246,876**

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, 2017 and 2016, was as follows:

	December 31, 2017	December 31, 2016
	(in thousands of Swiss francs)	
Receivables	57,676	55,754
Loans	8,553	8,428
Cash and cash equivalents	265,452	529,817
Investments	278,319	12,500
Derivative financial instruments	921	-
Maximum exposure to credit risk	**610,921**	**606,499**

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, 2017, is as follows:

Credit Rating	A-1+	A-1	A-2	Unrated (1)	Total
		S&P short-term			
December 31, 2017		*(in thousands of Swiss francs)*			
Cash and cash equivalents	-	242,421	23,001	30	265,452
Investments	-	-	10,000	268,319	278,319
	-	**242,421**	**33,001**	**268,349**	**543,771**
Per cent	*0.0%*	*44.6%*	*6.1%*	*49.3%*	*100.0%*

(1) Unrated balance includes 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, 2017 and 2016. In January 2017 the Organization repaid in full the remaining balance of the BCG/BCV loan. In January 2018 the Organization repaid in full the remaining balance of its FIPOI loans (see Note 29 Events After the Reporting Date):

	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
BCG/BCV New Building loan	-	-	-	-
Total borrowing	**16,862**	**-**	**-**	**16,862**

	1 year or less	1-5 years	Later than 5 years	Total
December 31, 2016		*(in thousands of Swiss francs)*		
FIPOI loans	1,358	5,433	11,429	18,220
BCG/BCV New Building loan	3,900	15,600	51,000	70,500
Total borrowing	**5,258**	**21,033**	**62,429**	**88,720**

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.

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, the Organization has 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, 2017 Original currency:	USD	JPY	EUR
		(in thousands of Swiss francs)	
Total in the financial statements:			
Financial assets			
Cash and cash equivalents	4,598	5,054	7,721
Investments	102,403	-	-
PCT debtors	26,289	5,448	7,872
USA taxes reimbursable	2,274	-	-
Reasonable shift	10.0%	10.0%	10.0%
Total effect on surplus of +ve movements	**13,556**	**1,050**	**1,559**
Total effect on surplus of -ve movements	**-13,556**	**-1,050**	**-1,559**
Financial liabilities			
PCT current accounts	-	-	143
Accounts payable	1,320	25	854
Transfer payable	1,280	-	341
Reasonable shift	10.0%	10.0%	10.0%
Total effect on surplus of +ve movements	**-260**	**-3**	**-134**
Total effect on surplus of -ve movements	**260**	**3**	**134**
Derivative financial instruments			
Forward foreign exchange contracts			
Reasonable shift	10.0%	10.0%	10.0%
Total effect on surplus of +ve movements	**-9,203**	**N/A**	**N/A**
Total effect on surplus of -ve movements	**9,203**	**N/A**	**N/A**
TOTAL NET IMPACT			
Total effect on surplus of +ve movements	**4,093**	**1,047**	**1,425**
Total effect on surplus of -ve movements	**-4,093**	**-1,047**	**-1,425**

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 no investment revenue in its budget for 2016/17 Program and Budget.

As previously noted, in January 2017 the Organization paid in full the remaining balance of the BCG/BCV loan. 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, 2017, and December 31, 2016, are as follows:

	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 (including strategic cash)	0.018	20,000	-	-	20,000

	Interest rate at reporting date	1 year or less	1-5 years	Later than 5 years	Total
December 31, 2016	*%*	*(in thousands of Swiss francs)*			
Financial assets					
Term deposits with Raiffeisen	0.010	20,000	-	-	20,000
Notice accounts with Société Générale	0.600	4,574	-	-	4,574
Financial liabilities					
BCG/BCV New Building loan	2.943	3,900	15,600	51,000	70,500

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)
2017		
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 4.80 per cent and 3.70 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)
2017		
Non-current investments		
Medium-term investment porfolio (core cash)	+4.80%	8,362
	-4.80%	-8,362
Long-term investment portfolio (strategic cash)	+3.70%	3,482
	-3.70%	-3,482

NOTE 28: EXCHANGE GAIN AND LOSS

	Gain	Loss	Net Impact 2017	Net impact 2016
	(in thousands of Swiss francs)			
PCT system fees gain/(loss)				
Accounts receivable	208	-161	47	120
PCT fees received	1,635	-1,195	440	5,164
PCT International Searching Authority	769	-2,771	-2,002	-50
Total PCT system fees realized gain/(loss)	2,612	-4,127	-1,515	5,234
PCT bank accounts	617	-594	23	-543
PCT current accounts and debtors	900	-165	735	421
Total PCT system fees unrealized gain/(loss)	1,517	-759	758	-122
Total PCT system fees gain/(loss)	**4,129**	**-4,886**	**-757**	**5,112**
Investing activities gain/(loss)				
Hedging instruments	651	-1,114	-463	-
Total Investing activities realized gain/(loss)	651	-1,114	-463	-
Hedging instruments	921	-	921	-
Investments	-	-951	-951	-
Total Investing activities unrealized gain/(loss)	921	-951	-30	-
Total Investing activities gain/(loss)	**1,572**	**-2,065**	**-493**	**-**
Arbitration and Mediation gain/(loss)				
Arbitration and Mediation bank accounts	37	-38	-1	17
Arbitration and Mediation other assets and liabilities	116	-88	28	-23
Total Arbitration and Mediation unrealized gain/(loss)	**153**	**-126**	**27**	**-6**
Other gain/(loss)				
Spot transactions	60	-	60	-
Accounts payable	1,426	-838	588	168
Total other realized gain/(loss)	1,486	-838	648	168
Bank accounts	724	-1,106	-382	-103
Special Account bank accounts	-	-	-	-1
Other assets and liabilities	4,363	-4,694	-331	469
Total other unrealized gain/(loss)	5,087	-5,800	-713	365
Total other gain/(loss)	**6,573**	**-6,638**	**-65**	**533**
Total exchange gain/(loss)	**12,427**	**-13,715**	**-1,288**	**5,639**

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 1.3 million Swiss francs loss in 2017 (5.6 million Swiss francs gain in 2016) is recognized within revenue in the Statement of Financial Performance.

NOTE 29: EVENTS AFTER THE REPORTING DATE

WIPO's reporting date is December 31, 2017 and its financial statements were authorized for issue on May 4, 2018.

On January 15, 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). The annual repayments of the loans had been scheduled to be completed in 2039. The decision to repay the loan 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 loan when compared to investment of the funds in a risk-free Swiss franc asset of comparable tenor. The FIPOI loans were interest-free following a waiver from the Swiss Federal Department of External Relations in 1996. WIPO incurred no penalty charge as a result of the early repayment.

On January 31, 2018, the Organization signed an act of sale for its investment property, the Madrid Union Building. As at December 31, 2017, the Madrid Union Building was recognized in the financial statements at its fair value of 6.2 million Swiss francs, based on a valuation carried out by an independent expert. The sale price was 7.0 million Swiss francs, and the gain resulting from this will be recognized in the surplus or deficit of 2018.

Following enhancement of the WIPO Rewards and Recognition Program (RRP), including a new organizational performance reward, the total provision recognized for the RRP in the financial statements at the end of 2017 was 3.2 million Swiss francs. Of this, approximately 2.9 million Swiss francs related to the organizational performance reward. In May and June 2018, the payment of the organizational performance reward was effected for a total amount of 2.2 million Swiss francs.

NOTE 30: 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 which 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). The only exception is the investment property in Meyrin which is owned by the Madrid Union (note that this investment property was sold in January 2018, see Note 29 Events After the Reporting Date). 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 revenue has 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 2016/17 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	17,371	-	-	-	932	10,327	28,630
	Fees	-	316,266	70,263	5,062	39	-	391,630
	Investment revenue	339	3,345	653	-	-	-	4,337
	Publications	2	209	31	-	-	-	242
	Other/miscellaneous	491	3,571	1,852	438	311	-1	6,662
	Arbitration and Mediation	88	1,071	507	20	3	-	1,689
	Sub-total revenue on budgetary basis	**18,291**	**324,462**	**73,306**	**5,520**	**1,285**	**10,326**	**433,190**
	Miscellaneous revenue projects financed from reserves	-	-	-	-	-	-	-
	IPSAS adjustments to revenue	462	-19,875	-65	17	-	-253	-19,714
	TOTAL REVENUE	**18,753**	**304,587**	**73,241**	**5,537**	**1,285**	**10,073**	**413,476**
	EXPENSES							
1	Patent Law	196	2,182	60	-	-	-	2,438
2	Trademarks, Industrial Designs & Geographical Indications	507	-	1,646	380	-	-	2,533
3	Copyright and Related Rights	7,833	1,541	201	-	-	-	9,575
4	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	3,293	-	-	-	-	-	3,293
5	The PCT System	-	98,909	-	-	-	-	98,909
6	Madrid System	-	-	28,840	817	33	-	29,690
7	WIPO Arbitration and Mediation Center	275	3,355	1,588	63	11	-	5,292
8	Development Agenda Coordination	12	1,346	176	-	-	-	1,534
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	126	13,652	1,780	-	-	-	15,558
10	Transition and Developed Countries	32	3,522	459	-	-	-	4,013
11	The WIPO Academy	54	5,854	763	-	-	-	6,671
12	International Classifications and Standards	257	3,235	147	37	-	-	3,676
13	Global Databases	-	3,036	932	48	-	-	4,016
14	Services for Access to Information and Knowledge	69	3,307	747	56	5	-	4,184
15	Business Solutions for IP Offices	58	6,290	820	-	-	-	7,168
16	Economics and Statistics	29	3,210	419	-	-	-	3,658
17	Building Respect for IP	17	1,829	239	-	-	-	2,085
18	IP and Global Challenges	27	2,894	377	-	-	-	3,298
19	Communications	69	7,499	978	-	-	-	8,546
20	External Relations, Partnerships and External Offices	51	5,469	713	-	-	-	6,233
21	Executive Management	456	7,657	2,075	354	35	-	10,577
22	Program and Resource Management	631	10,935	4,067	660	48	-	16,341
23	Human Resources Management and Development	670	11,259	3,052	521	52	-	15,554
24	General Support Services	1,447	24,289	6,583	1,124	111	-	33,554
25	Information and Communication Technology	1,009	18,763	5,032	1,449	77	-	26,330
26	Internal Oversight	118	1,978	536	91	9	-	2,732
27	Conference and Language Services	763	12,812	3,473	593	58	-	17,699
28	Information Assurance, Safety and Security	459	7,697	2,086	356	35	-	10,633
30	SMEs and Entrepreneurship Support	26	2,799	365	-	-	-	3,190
31	The Hague System	-	-	-	6,866	-	-	6,866
32	Lisbon System	-	-	-	-	675	-	675
	Sub-total expenses on budgetary basis	**18,484**	**265,319**	**68,154**	**13,415**	**1,149**	**-**	**366,521**
	Expenses on projects financed from reserves	321	4,013	658	-	4	-	4,996
	Sub-total expenses on budgetary basis including reserve expenses	**18,805**	**269,332**	**68,812**	**13,415**	**1,153**	**-**	**371,517**
	Special Accounts	-	-	-	-	-	11,235	11,235
	IPSAS adjustments to budgetary expenses and special accounts	708	10,156	2,844	513	44	-1,162	13,103
	IPSAS adjustments to projects financed from reserves	-60	-656	-292	-	-	-	-1,008
	TOTAL EXPENSES	**19,453**	**278,832**	**71,364**	**13,928**	**1,197**	**10,073**	**394,847**
	SURPLUS/(DEFICIT) FOR THE YEAR	**-700**	**25,755**	**1,877**	**-8,391**	**88**	**-**	**18,629**
	Restated Net Assets as at December 31, 2016 - actuarial gains/(losses) excluded	**26,157**	**257,332**	**57,541**	**-17,179**	**-1,129**	**-**	**322,722**
	Actuarial gains/(losses) as at December 31, 2016	-8,994	-128,519	-30,776	-4,369	-652	-	-173,310
	Restated Net Assets as at December 31, 2016	**17,163**	**128,813**	**26,765**	**-21,548**	**-1,781**	**-**	**149,412**
	2017 surplus/(deficit)	-700	25,755	1,877	-8,391	88	-	18,629
	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**

Note; 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. 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 75,550 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.

ANNEXES

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

as at December 31, 2017

(in thousands of Swiss francs)

	Program and Budget (regular budget)		Special Accounts (voluntary contributions)		Projects financed from reserves		IPSAS Adjustments		Consolidated	
	December 31, 2017	December 31, 2016 (restated)	December 31, 2017	December 31, 2016 (restated)	December 31, 2017	December 31, 2016 (restated)	December 31, 2017	December 31, 2016 (restated)	December 31, 2017	December 31, 2016 (restated)
ASSETS										
Current Assets										
Cash and cash equivalents	275,452	520,719	-	21,598	-	-	-10,000	-12,500	265,452	529,817
Investments	-	-	-	-	-	-	10,000	12,500	10,000	12,500
Derivative financial instruments	921	-	-	-	-	-	-	-	921	-
Contributions receivables	1,626	2,240	-	-	-	-	-661	-757	965	1,483
Exchange transactions receivables	11,250	14,888	150	15	-1	232	51,035	43,929	62,434	59,064
Inventories	-	-	-	-	-	-	1,349	1,520	1,349	1,520
Other current assets	133,813	194,706	13,841	-6,866	-147,654	-187,840	-	-	-	-
	423,062	**732,553**	**13,991**	**14,747**	**-147,655**	**-187,608**	**51,723**	**44,692**	**341,121**	**604,384**
Non-Current Assets										
Investments	268,319	-	-	-	-	-	-	-	268,319	-
Equipment	-	-	-	-	-	-	1,455	1,609	1,455	1,609
Investment property	3,395	3,395	-	-	-	-	2,815	2,815	6,210	6,210
Intangible assets	-	-	-	-	-	-	26,414	27,813	26,414	27,813
Land and buildings	25,414	25,414	-	-	137,419	137,419	206,335	212,656	369,168	375,489
Contributions receivables	5,416	5,589	-	-	-	-	-5,191	-5,364	225	225
Exchange transactions receivables	-	-	-	-	-	-	-	2,756	-	2,756
Other non-current assets	8,868	9,057	-	-	-	-	-315	-314	8,553	8,743
	311,412	**43,455**	**-**	**-**	**137,419**	**137,419**	**231,513**	**241,971**	**680,344**	**422,845**
TOTAL ASSETS	**734,474**	**776,008**	**13,991**	**14,747**	**-10,236**	**-50,189**	**283,236**	**286,663**	**1,021,465**	**1,027,229**
LIABILITIES										
Current Liabilities										
Payables and accruals	22,948	15,880	133	21	-5,185	-5,138	-	-	17,896	10,763
Employee benefits	-21,406	-23,616	337	296	-55	-55	49,245	51,696	28,121	28,321
Transfers payable	65,249	61,034	-	-	-	-	27,826	23,840	93,075	84,874
Advance receipts	41,713	47,975	14,430	13,882	-	-	226,682	207,725	282,825	269,582
Borrowings	16,862	5,258	-	-	-	-	-	-	16,862	5,258
Provisions	2,008	6,989	-	-	-	-	-	-	2,008	6,989
Other current liabilities	64,516	62,676	-	-	-	-	-37	-157	64,479	62,519
	191,890	**176,196**	**14,900**	**14,199**	**-5,240**	**-5,193**	**303,716**	**283,104**	**505,266**	**468,306**
Non-Current Liabilities										
Employee benefits	123,778	108,891	-	-	-	-	185,827	213,089	309,605	321,980
Borrowings due after one year	-	83,462	-	-	-	-	-	-	-	83,462
Advance receipts	-	-	-	-	-	-	3,937	4,069	3,937	4,069
	123,778	**192,353**	**-**	**-**	**-**	**-**	**189,764**	**217,158**	**313,542**	**409,511**
TOTAL LIABILITIES	**315,668**	**368,549**	**14,900**	**14,199**	**-5,240**	**-5,193**	**493,480**	**500,262**	**818,808**	**877,817**
Accumulated Surpluses	412,464	401,117	-909	548	-16,786	-61,782	-88,816	-57,555	305,953	282,328
Actuarial gains/losses through Net Assets	-	-	-	-	-	-	-138,694	-173,310	-138,694	-173,310
Special Projects Reserve	-	-	-	-	11,790	16,786	-	-	11,790	16,786
Revaluation Reserve Surplus	-	-	-	-	-	-	17,266	17,266	17,266	17,266
Working Capital Funds	6,342	6,342	-	-	-	-	-	-	6,342	6,342
NET ASSETS	**418,806**	**407,459**	**-909**	**548**	**-4,996**	**-44,996**	**-210,244**	**-213,599**	**202,657**	**149,412**

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

for the year ended December 31, 2017

(in thousands of Swiss francs)

	Program and Budget		Special Accounts		Projects financed from reserves		IPSAS Adjustments		Consolidated	
	2017	2016 (restated)	2017	2016 (restated)	2017	2016 (restated)	2017	2016 (restated)	2017	2016 (restated)
REVENUE										
Assessed contributions	17,371	17,357	-	-	-	-	458	-20	17,829	17,337
Voluntary contributions										
Contributions to Special Accounts	-	392	10,327	10,332	-	-	837	-548	11,164	10,176
Subventions to Lisbon Union	932	-	-	-	-	-	-	-	932	-
Sub-total voluntary contributions	932	392	10,327	10,332	-	-	837	-548	12,096	10,176
Publications revenue	242	426	-	-	-	-	-	-	242	426
Investment revenue	4,337	21	-	-	-	-	-	-	4,337	21
Fees		-		-		-		-		
PCT system fees	316,266	296,369	-	-	-	-	-19,910	-5,650	296,356	290,719
Madrid system fees	70,263	60,116	-	-	-	-	-311	-536	69,952	59,580
Hague system fees	5,062	5,072	-	-	-	-	14	-116	5,076	4,956
Lisbon system fees	39	25	-	-	-	-	-	-	39	25
Sub-total fees	391,630	361,582	-	-	-	-	-20,207	-6,302	371,423	355,280
Arbitration and Mediation	1,689	1,641	-	-	-	-	-	-	1,689	1,641
Exchange gains	-124	529	-1	-1	-	4	-	-	-125	532
Program support charges	1,090	951	-	-	-	-	-1,090	-951	-	-
Other/miscellaneous revenue	5,697	1,785	-	9	-	-	288	506	5,985	2,300
TOTAL REVENUE	**422,864**	**384,684**	**10,326**	**10,340**	**-**	**4**	**-19,714**	**-7,315**	**413,476**	**387,713**
EXPENSES										
Personnel expenditure	220,551	211,022	2,397	2,351	811	624	4,835	5,096	228,594	219,093
Internships and WIPO fellowships	3,847	3,261	6	-	-	-	-	-	3,853	3,261
Travel, training and grants	14,359	12,413	3,836	3,395	-	1	-	1	18,195	15,810
Contractual services	83,351	69,295	3,360	2,925	2,737	2,340	-26	-162	89,422	74,398
Operating expenses	26,998	21,596	506	154	1,448	1,710	-2,652	-1,514	26,300	21,946
Supplies and materials	3,367	2,020	23	14	-	2	67	3	3,457	2,039
Furniture and equipment	2,041	261	17	-	-	-	-389	-89	1,669	172
Depreciation and amortization	-	-	-	-	-	-	11,350	11,424	11,350	11,424
Finance costs	12,007	2,308	-	2	-	-	-	-	12,007	2,310
Program support costs	-	-	1,090	951	-	-	-1,090	-951	-	-
TOTAL EXPENSES	**366,521**	**322,176**	**11,235**	**9,792**	**4,996**	**4,677**	**12,095**	**13,808**	**394,847**	**350,453**
SURPLUS/(DEFICIT) FOR THE YEAR	**56,343**	**62,508**	**-909**	**548**	**-4,996**	**-4,673**	**-31,809**	**-21,123**	**18,629**	**37,260**

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 2017 and therefore no summary statement is required.

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