

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**



Table of Contents

Structure.....	2
Governance	3
Mission and Strategic Goals	4
Certification of the financial statements for the year ended 31 December 2018.....	5
Opinion of the External Auditor	6
Statement I. Statement of Financial Position.....	9
Statement II. Statement of Financial Performance.....	10
Statement III. Statement of Changes in Net Assets/Equity.....	10
Statement IV. Statement of Cash Flow	11
Statement V. Statement of Comparison of Budget and Actual Amounts.....	12
Notes to the financial statements.....	13
1. Basis of preparation and presentation	13
2. Significant accounting policies	14
3. Risk Management.....	17
4. Supporting information to the Statement of Financial Position	18
5. Supporting information to the Statement of Financial Performance	29
6. Supporting information to the Statement of Changes in Net Assets/Equity	33
7. Related parties and other senior management disclosures.....	34
8. Commitments	35
9. Future revenue	35
10. Contingent liabilities and assets.....	36
11. Events after reporting date	36
Schedule I. Annual Financial Position.....	37
Schedule I. Annual Financial Position (continued).....	38
Schedule II. Annual Financial Performance.....	39
Schedule III. Operating Revenue – Voluntary Contributions	40

Structure

Unitaid was created in 2006 in the context of the fight against HIV/AIDS, tuberculosis and malaria in resource limited settings, with a focus on health products. Its founding members are Brazil, Chile, France, Norway and the United Kingdom, and its core activity is to fund grants. In just over 10 years, Unitaid has invested US\$3 billion through 71 grants with key partners across the globe. A key source of income is innovative financing, specifically the international solidarity levy on airline tickets.

Unitaid is an international organisation that invests in new ways to prevent, diagnose and treat HIV/AIDS, tuberculosis and malaria more quickly, more cheaply and more effectively. Unitaid also works to improve access to diagnostics and treatment for HIV co-infection including hepatitis C.

Unitaid is a hosted partnership of the World Health Organization (WHO). As Unitaid's host Organization, it provides the Secretariat with administrative services and facilities, as well as management of the balance of the Unitaid Trust Fund and staff benefits. It also provides strategic and technical advice to the Unitaid Executive Board and partners' benefiting from Unitaid support and is an observing member of Unitaid's Executive Board. Unitaid is a self-financing partnership of WHO and its budget is independent from WHO's. Unitaid produces a full set of financial statements which are audited separately and not consolidated in the financial statements of WHO. Unitaid also has a donor relationship with WHO. In this capacity, Unitaid continues to be one of the principal funders of the WHO Prequalification Programme (medicines, vaccines and diagnostics) implemented by the WHO Department of Essential Medicines and Health Products (EMP – Health Systems and Innovation Cluster) (US\$ 6.9 million in 2018). Unitaid also provides funding to WHO for enabling grants (enabling and accelerating the adoption and uptake of new diagnostics, drugs and regimens) in the area of HIV/AIDS, Hepatitis C, malaria and tuberculosis (US\$ 7.8 million in 2018).

The Unitaid Secretariat is based solely in Geneva, Switzerland, with no in-country operations. The operations of the Secretariat are administered in accordance with the Unitaid Constitution and WHO rules.

Governance

The Executive Board, Unitaid's decision-making body, determines the organization's objectives, monitors progress and approves budgets and grants. The Board is chaired by Celso Amorim, a former Minister of Foreign Affairs for Brazil. Making decisions by consensus, the Executive Board consists of 12 members:

- one representative nominated from each of the five founding countries (Brazil, Chile, France, Norway and the United Kingdom), and Spain;
- one representative of African countries designated by the African Union (currently represented by South Africa); one representative of Asian countries (represented by South Korea);
- two representatives of relevant civil society networks (nongovernmental organizations and communities living with HIV/AIDS, malaria or tuberculosis);
- one representative of the constituency of foundations (represented by the Bill and Melinda Gates Foundation); and
- one representative of the World Health Organization.

In 2008, Unitaid's Executive Board formed two committees to guide them in their work, the Finance & Accountability Committee, and the Policy & Strategy Committee. The finances of Unitaid are overseen by the Finance and Accountability Committee (FAC) of the Executive Board. The role of the FAC is to assist the Board in fulfilling its responsibilities with regard to Unitaid's financial planning, management, performance and accountability, as well as risk management and internal control. The Policy and Strategy Committee advises the Board on strategic planning, core policies and reviews the performance of the Unitaid portfolio and responds to policy recommendations from expert advisory groups.

Mission and Strategic Goals

The Sustainable Development Goals for 2030 signalled a major shift towards a broader agenda on development and health that explicitly sets out to reduce inequities among populations and promotes health as a fundamental human right. Unitaid's strategy follows the Sustainable Development Goal on health, which sets out to promote access to healthcare as a basic human right over the next 15 years.

Unitaid's mission for 2017-2021 is *"to maximize the effectiveness of the global health response by catalysing equitable access to better health products"*. Unitaid's projects work to fill the gap between late-stage development of health products and their widespread adoption. Unitaid ensures that innovative ideas come to fruition in the real world and in doing so, helps innovators to address the needs of underserved populations.

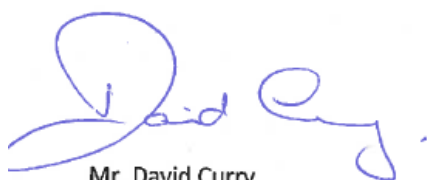
Unitaid adopted a strategy for 2017 to 2021 to support global efforts to end HIV/AIDS, malaria and tuberculosis, and to help reduce inequality in access to healthcare. Unitaid's strategic objectives are to foster innovation and create the right conditions for mass introduction of pioneering medicines, diagnostic tests and prevention tools. The three Strategic Objectives guide the design of Unitaid's interventions, which:

- Promote innovation - Unitaid connects those who are developing innovations with people who need them the most. Innovation means both using existing commodities in new ways and developing new products and approaches.
- Catalyze equitable access to better health products - Unitaid leverages its market expertise and its relationships with partners to design a portfolio of projects that will overcome barriers to access to innovative health products.
- Create the right conditions for scale up, so better health products reach all people who need them

Certification of the financial statements for the year ended 31 December 2018


In accordance with Article 34 of the Constitution and Financial Regulation XIII of the World Health Organization (WHO), attached are Financial Statements for the year ended 31 December 2018. The financial statements, accounting policies and notes have been prepared in accordance with the International Public-Sector Accounting Standards (IPSAS). The Financial Statements are also prepared according to the Financial Regulations of the World Health Organization and its Financial Rules. The Financial Statements and the notes have been audited by the Organization's External Auditor, the Republic of the Philippines Commission on Audit, whose opinion is included in this report.

The financial statements for the year ended 31 December 2018, together with the notes to the financial statements and supporting schedules, have been reviewed and approved.



Mr. David Curry

Director Finance and Administration



Mr. Lelio Marmora

Executive Director

Geneva, 8 March 2019

Opinion of the External Auditor



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

To the Executive Board

Opinion

We have audited the financial statements of the International Drug Purchase Facility (UNITAID), which comprise the statement of financial position as at 31 December 2018, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UNITAID as at 31 December 2018, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts 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) issued by the International Auditing and Assurance Standards Board. 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 the UNITAID 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the **UNITAID financial statements for the year ending 31 December 2018**, 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 the UNITAID'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 the UNITAID or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the UNITAID'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 the UNITAID'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 the UNITAID'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.


- 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

Further, in our opinion, the transactions of the UNITAID that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WHO Financial Regulations.

In accordance with Regulation XIV of the WHO Financial Regulations, we have also issued a long-form report on our audit of the UNITAID.


Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
29 March 2019



Statement I. Statement of Financial Position

As at 31 December 2018

(in thousands of US dollars)

	Notes	31-Dec-18	31-Dec-17
ASSETS			
Current assets			
Cash and cash equivalents held by WHO	4.1	665,621	753,210
Contributions receivable	4.2	2,465	598
Staff receivables	4.3	470	283
Prepayments	4.4	292	410
Total current assets		668,848	754,501
Non-current assets			
Guarantee deposit	4.5	724	176
Promissory notes receivable	4.6	167,067	118,438
Total non-current assets		167,791	118,614
TOTAL ASSETS		836,639	873,115
LIABILITIES			
Current liabilities			
Accounts payable	4.7	577	1,626
Staff payables	4.8	230	4
Accrued staff benefits	4.9	798	749
Accrued liabilities	4.10	15,109	30,078
Total current liabilities		16,714	32,457
Non-current liabilities			
Accrued staff benefits	4.9	11,648	13,322
Total non-current liabilities		11,648	13,322
TOTAL LIABILITIES		28,362	45,779
NET ASSETS/EQUITY			
Fund balance	6	808,277	827,336
TOTAL NET ASSETS/EQUITY		808,277	827,336
TOTAL LIABILITIES AND NET ASSETS/EQUITY		836,639	873,115

Statement II. Statement of Financial Performance

For the year ended 31 December 2018

(in thousands of US dollars)

	Notes	31-Dec-18	31-Dec-17
REVENUE			
Voluntary contributions	5.1	190,664	254,491
Total revenue		190,664	254,491
EXPENSES			
Disbursements to grantees	5.2	189,374	195,786
Constituency funding	5.3	365	260
Staff and other personnel costs	5.4	16,603	15,210
Contractual services	5.5	5,840	7,256
Travel	5.6	1,816	1,556
Equipment and furniture	5.7	221	97
General operating expenses	5.8	2,110	1,022
Total expenses		216,329	221,187
Finance revenue	5.9	4,901	17,309
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		(20,764)	50,613

Statement III. Statement of Changes in Net Assets/Equity

For the year ended 31 December 2018

(in thousands of US dollars)

	Notes	31-Dec-18	Surplus/ (Deficit)	Other adjustments (note 4.9)	31-Dec-17
Fund balance	6	808,277	(20,764)	1,705	827,336
TOTAL NET ASSETS/EQUITY		808,277	(20,764)	1,705	827,336

Statement IV. Statement of Cash Flow

For the year ended 31 December 2018

(in thousands of US dollars)

	31-Dec-18	31-Dec-17
CASH FLOWS FROM OPERATING ACTIVITIES		
TOTAL SUPLUS (DEFICIT) FOR THE YEAR	(20,764)	50,613
(Increase) decrease in contributions receivable - current	(1,867)	19,092
(Increase) decrease in staff receivables	(187)	(8)
(Increase) decrease in prepayments	118	(18)
(Increase) decrease in guarantee deposit receivable	(548)	(8)
(Increase) decrease in promissory notes receivable	(48,629)	(118,438)
Increase (decrease) in accounts payable	(1,050)	(2,184)
Increase (decrease) in staff payables	226	(24)
Increase (decrease) in accrued staff benefits - current	49	55
Increase (decrease) in accrued liabilities	(14,969)	16,530
Increase (decrease) in accrued staff benefits - non-current	32	451
Increase (decrease) in deferred revenue - non-current		(4,000)
Net cash flows from operating activities	(87,589)	(37,939)
Cash and cash equivalents held by WHO at the beginning of the year	753,210	791,149
CASH and CASH EQUIVALENTS HELD BY WHO AT END OF THE PERIOD	665,621	753,210

Statement V. Statement of Comparison of Budget and Actual Amounts

For the year ended 31 December 2018

(in thousands of US dollars)

	Approved Budget	Forecast as at 30.09.2018	Actual	Variance to forecast	Implementation to forecast
Governing Bodies	1,100	1,115	1,044	(71)	94%
Staff Costs	19,100	18,559	16,603	(1,956)	89%
Activities	4,770	4,866	4,726	(140)	97%
Secretariat	23,870	23,425	21,329	(2,096)	91%
Grants (non-disb ¹)	630	850	685	(165)	81%
BDMI ²	1,015	1,039	838	(201)	81%
SDIS ³	2,000	1,339	1,233	(106)	92%
Additional rent ⁴		848	896	48	106%
Grants, BDMI and SDIS	3,645	4,076	3,651	(425)	90%
TOTAL	28,615	28,616	26,025	(2,591)	91%

¹ Costs relating to grants that are not disbursed as part of a signed grant agreement.

² Business development and market intelligence.

³ Strategic development and implementation support.

⁴ Rent related to the move into the Global Health Campus.

The section on significant accounting policies and the accompanying notes form part of the financial statements.12

Notes to the financial statements

1. Basis of preparation and presentation

The Memorandum of Understanding signed on 19 September 2006 that established Unitaid as a hosted entity of WHO specifies the principles and rules that apply to funds held in trust by WHO for the benefit of Unitaid. The accounting policies and financial reporting practices applied by Unitaid are in accordance with the WHO Financial Regulations and Rules. The Financial Statements are prepared on the accrual basis of accounting in accordance with IPSAS using the historical cost convention. Where IPSAS does not address a specific matter, the appropriate International Financial Reporting Standard (IFRS) has been applied.

These Financial Statements have been prepared under the assumption that Unitaid is a going concern and will continue in operation and will meet its mandate for the foreseeable future (IPSAS 1 - Presentation of Financial Statements).

These financial statements are presented in United States dollars and all values are rounded to the nearest thousand, also denoted as US\$ thousands (\$000's).

Functional currency and translation of foreign currencies

Foreign currency transactions are translated into United States dollars at the prevailing United Nations Operational Rates of Exchange which approximates to the exchange rates at the date of transactions. The Operational Rates of Exchange are set once a month and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the prevailing Operational Rates of Exchange year-end closing rate. The resulting gains or losses are accounted for in the Statement of Financial Performance.

Materiality⁵ and the use of judgments and estimates

Materiality is central to Unitaid's financial statements. The process for reviewing accounting materiality provides a systematic approach to the identification, analysis, evaluation, endorsement and periodic review of decisions taken involving the materiality of information, spanning a number of accounting areas. The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

⁵ Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

Financial statements

In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flow
- Statement of Comparison of Budget and Actual Amounts; and
- Notes to the financial statements, comprising a description of the basis of preparation and presentation of the statements, a summary of significant accounting policies, and other relevant information.

2. Significant accounting policies

2.1. Cash and cash equivalents held by WHO

Cash and cash equivalents held by WHO are held at nominal value and comprise cash on hand, cash at banks, collateral deposits, commercial papers, money market funds and short-term bills and notes. All investments that have a maturity of three months or less from the date of acquisition are included as cash and cash equivalents. This includes cash and cash equivalents held in the portfolios managed by external investment managers.

2.2. Receivables

Accounts receivable and staff receivables are recorded at their net estimated realizable value and not discounted as the effect of discounting is considered immaterial. Current receivables are amounts due within 12 months of the reporting date, while non-current receivables are those that are due more than 12 months from the reporting date of the financial statements.

Contributions receivable are recognized based on payment terms specified in a binding agreement between Unitaid and the contributor. Where no payment terms are specified, the full amount receivable is recognized as currently due. These are recorded at their estimated net realizable value and not discounted as the effect of discounting is considered immaterial.

Promissory notes receivable relate to amounts held in custody by WHO at the Bank of England, which have not yet been encashed.

An allowance for doubtful accounts receivable is recognized when there is a risk that the receivable may be impaired. Changes in the allowance for doubtful accounts receivable are recognized in the Statement of Financial Performance.

2.3. Prepayments and deposits

Prepayments relate to amounts paid to suppliers for goods or services not yet received. Guarantee deposits relate to amounts paid as security for the leasing of office space. Prepayments and deposits are recorded at cost.

2.4. Leases

A lease is an agreement whereby the lessor conveys to the lessee (Unitaid), in return for a payment or series of payments, the right to use an asset for an agreed period of time. Every lease is reviewed to determine whether it constitutes a financial or operating lease. Necessary accounting entries and disclosures are made accordingly.

2.5. Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods or services that have been received by Unitaid and invoiced but not yet paid for.

Accrued liabilities are financial liabilities for goods or services that have been received by Unitaid during the reporting period and which have neither been paid for nor invoiced to Unitaid.

Accounts payable and accrued liabilities are recognized at cost as the effect of discounting is considered immaterial.

Funds committed to grants that are yet unpaid do not appear in the financial statements.

2.6. Employee benefits

Unitaid recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits;
- termination benefits.

Unitaid through WHO 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 in 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. Unitaid and the UNJSPF, in line with other participating organizations in the Fund, are not in a position to identify Unitaid'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 Unitaid has treated this plan as if it was a defined contribution plan in line with the requirements of IPSAS 25. Unitaid's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (see Statement II).

2.7. Provisions and contingent liabilities

Provisions are recognized for future liabilities and charges where Unitaid has a present legal or constructive obligation as a result of past events and it is probable that there will be a requirement to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of Unitaid.

2.8. Deferred revenue

Deferred revenue derives from legally binding agreements between Unitaid and its contributors. Deferred revenue is recognized when:

- a contractual agreement is confirmed in writing by both Unitaid and the contributor; and
- the funds are earmarked and due in a future period.

Deferred revenue is presented as non-current if revenue is due more than one year after the reporting date.

2.9. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by Unitaid during the year and represents an increase in net assets/equity. Unitaid recognizes revenue following the established criteria of IPSAS 23 (Revenue from Non-Exchange Transactions).

All contributions to Unitaid are voluntary, and therefore considered non-exchange revenue. Revenue from voluntary contributions is recorded when a binding agreement is signed by Unitaid and the contributor. Where there are “subject to” clauses in an agreement, Unitaid does not control the resource and does not record the revenue and amount receivable until the cash is received. When there are no payments terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized in the current period.

2.10. Expense recognition

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows, consumption of assets, or incurrences of liabilities that result in decreases in net assets. Unitaid recognizes expenses when goods or services are delivered (delivery principle) and not when cash or its equivalent is paid.

Grant disbursements represent non-exchange contracts signed with partner organizations so that they can implement Unitaid funded projects. As grant agreements signed between grantees and Unitaid stipulate conditions, funds are expensed at the time they are transferred to the grantees in accordance with IPSAS 23 (Revenue from non-exchange transactions); therefore, grant expenses are not based on the value of the overall commitments.

2.11. Statement of Cash Flow

The Statement of Cash Flow (Statement IV) is prepared using the indirect method.

2.12. Statement of Comparison of Budget and Actual Amounts

The Statement of Comparison of Budget and Actual Amounts (Statement V) includes comparison of Board Approved budget amounts for Governing Bodies, Secretariat and operating expenditures.

3. Risk Management

WHO holds Unitaid's cash and cash equivalents and is exposed to financial risks including credit risk, interest rate risk, foreign exchange risk and investment price risk. WHO uses derivative financial instruments to hedge some of its risk exposures. In accordance with WHO's Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the WHO Director General. Some portfolios are managed by external managers appointed by WHO to manage funds in accordance with a defined mandate. The Advisory Investment Committee regularly reviews the investment policies, the investment performance and investment risk for each investment portfolio. The Committee is composed of external investment specialists who can make investment recommendations to the Director General.

Credit risk

Investments are widely diversified in order to limit its credit risk exposure to any individual investment counterparty. Investments are placed with a wide range of counterparties using minimum credit quality limits and maximum exposure limits by counterparty established in investment mandates. These limits are applied both to the portfolios managed internally by WHO's Treasury Unit, and to the portfolios managed by external investment managers. The Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios.

Credit risk and liquidity risk associated with cash and cash equivalents are minimized by investing only in major financial institutions that have received strong investment grade ratings from primary credit rating agencies. The WHO Treasury Unit reviews the credit ratings of the approved financial counterparties and takes prompt action whenever a credit rating is downgraded.

Foreign exchange currency risk

Unitaid receives voluntary contributions and makes payments in currencies other than the United States dollar and is thus exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. The translation of transactions expressed in other currencies into the United States dollar is performed at the United Nations Operational Rates of Exchange (UNORE) prevailing at the date of transaction.

Assets and liabilities that are denominated in foreign currencies are translated at the UNORE year-end closing rate. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows.

Realized and unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

Funding risk

Unitaid's funding is dependent on a relatively small number of donors. Some of these commitments are made on a multi-annual basis, decreasing the funding risk overall but leaving the residual risk that the eventual cash receipts may not amount to the level of the original commitment.

Fiduciary risk

As a grant-making agency, one of the key risks to which Unitaid is exposed to is fiduciary risk. To mitigate this, Unitaid has developed a set of processes from the inception of approved projects to their closure to ensure that funds have been used for intended purposes, agreed results have been delivered in terms of quality and value for money, and risks of fraud, corruption and mismanagement are minimized. These include continuous assessment of grantee capacity, periodic programmatic and financial reporting, mid-term and end-of-project evaluations, as well as annual financial examinations.

4. Supporting information to the Statement of Financial Position

4.1. Cash and cash equivalents held by WHO

Unitaid's cash balances are held centrally by WHO and invested on behalf of Unitaid in accordance with WHO's rules and practices.

WHO centrally manages all cash and investments for WHO and non-consolidated entities such as Unitaid. All cash and investments held are reported in the WHO Financial Statements. They are held for meeting short-term cash requirements rather than for investment purposes. The balance includes cash and cash equivalents held in the portfolios managed by external investment managers.

WHO's main objectives for investments are the:

- preservation of capital;
- maintenance of sufficient liquidity to meet all payments of liabilities on time; and
- optimization of investment returns.

The Investment Policy reflects the nature of WHO's funds, which may either be held short-term, pending programme implementation, or longer-term to meet its long-term liabilities.

The cash and cash equivalents held by WHO on behalf of Unitaid (US\$665.6 million) and the promissory notes receivable at the Bank of England (US\$167.1 million) total US\$832.7 million at 31 December 2018 compared to US\$871.6 million as at 31 December 2017. Of these amounts, the following are estimated commitments against Board-approved projects.

<i>in thousands of US dollars</i>	
2019	195,330
2020	152,321
2021	84,263
2022	33,249
2023	6,492
Committed funds on closing projects/reserve	62,150
Total commitments	533,805

4.2. Contributions receivable – current

Contributions receivable relate to voluntary donor contributions for which firm commitment agreements have been received. Current receivables are expected to be received within one year from 31 December 2018.

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Spain	-	598
The Global Fund	2,426	-
UNOSSC	39	-
Total current receivables	2,465	598

The amount from the Global Fund was received in full on the 22nd of January 2019. The amount from the UNOSSC is expected to be received before 30th April 2019.

4.3. Staff receivables

In accordance with WHO's Staff Rules and Regulations, staff members are entitled to certain advances including those for salary, education and travel.

The total balance of staff receivables amounts to US\$470 thousand as at 31 December, 2018 (US\$ 283 thousand as at December 2017) of which 87% relates to education grant advances which are made to staff for the 2019 portion of the 2018-2019 school year.

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Education grant advance	407	267
Travel advance	7	16
Expected SLIC	50	-
Salary advance	6	-
Total staff receivables	470	283

4.4. Prepayments

The terms of the sub-lease agreement with The Global Fund to Fight AIDS, Tuberculosis and Malaria are such that rental payments are to be paid in advance per quarter and shall be due and payable on the first day of each calendar quarter.

The terms of the sub-lease agreement with Transocean Management Ltd. are such that rental payments are to be made semi-annually within the first week of each six-month period.

4.5. Guarantee deposit receivable

WHO, on behalf of Unitaid, entered into a sub-lease agreement with Transocean Management Ltd. upon the move into new offices effective 1 July 2015. A security deposit equivalent to three months' rent was required as part of the agreement and is on deposit at Credit Suisse in a separate WHO account. Subject to defects caused by the Sub-Lessee, the Sub-Lessor shall liberate the deposit in full within two months of the expiration or earlier termination of the Sub-Lease, by 30 June 2019.

Upon the move to the Global Health Campus on 17 August 2018, a security deposit equivalent to six months' rent was also deposited at Credit Suisse as per the agreement with the Global Fund. The rental guarantee is released only upon the agreement of both the tenant and the lessor. In the absence of a court action brought by the lessor against the tenant within one year from the date on which the tenant has released the premises covered by the guarantee, the deposit will be liberated in full.

4.6. Promissory notes receivable

In accordance with Amendment (No.3, 2015) to the Donor Administrative Agreement with the United Kingdom, for the three-year period 2015-2017, DFID has committed to make a contribution of up to £132 million in three equal payments of £44 million each, of which £9 million each year is dependent on Unitaid's performance against agreed milestones. As these milestones were achieved for 2015-2017 years, a promissory note totalling £132 million was deposited into DFID's 'securities account' at the Bank of England (held in custody by the WHO) following a payment request by Unitaid during the 2017-18 years due to commitment need. These notes are due on demand; however, they are not expected to be encashed within twelve months from the financial statement date, and therefore have been classified as non-current.

4.7. Accounts payable

Accounts payable represent the total amounts outstanding to suppliers of goods and services at the end of the period for goods and services received and invoiced during the period, as well as disbursements owing to grantees.

4.8. Staff payables

Staff payables consist of salaries payable for the reclassification of positions currently under review at WHO.

4.9. Accrued staff benefits

Accrued staff benefits include terminal payments, staff health insurance and liabilities due to service-incurred death or disability (Special Fund for Compensation).

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Accrued staff benefits - current		
Terminal Payments	797	749
Special Fund for Compensation	1	-
Total accrued staff benefits - current	798	749
Accrued staff benefits - non-current		
Terminal Payments	1,025	921
Special Fund for Compensation	88	65
After Service Health Insurance	10,535	12,336
Total accrued staff benefits - non-current	11,648	13,322
Accrued staff benefits		
Terminal Payments	1,822	1,670
Special Fund for Compensation	89	65
After Service Health Insurance	10,535	12,336
Total accrued staff benefits	12,446	14,071

Terminal payments

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. The Terminal Payments Fund is funded by a charge made to salary.

Liabilities arising from repatriation benefits and annual leave are determined by independent consulting actuaries. However, the accrued leave is calculated on a walk-away basis – that is, as if all staff separated immediately – and, therefore, is not discounted. These liabilities (both current and non-current) would be satisfied through the use of cash and cash equivalents held at WHO should the need arise.

The latest actuarial study (as at 31 December 2018) estimated the full terminal payment liability to be US\$ 1.822 million compared to US\$ 1.676 million as at 31 December 2017. This calculation did not include costs for the end-of-service grant and for separation by mutual agreement on abolishment of posts. The defined benefit obligation amounted to US\$ 1.122 million (short-term liability, US\$ 0.097 million; long-term liability, US\$1.025 million) compared to US\$ 1.0 million as at 31 December 2017 for terminal entitlements, and US\$ 0.70 million (US\$ 0.66 million as at 31 December 2017) for annual leave which is included in the terminal payments current balance.

As per the actuarial study, a net increase of US\$ 0.16 million is recognized, by nature of expenses, in the Statement of Financial Performance.

Staff health insurance (SHI)

The WHO manages its own health insurance scheme as a separate entity. The Staff Health Insurance has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by staff members, retired staff members and their eligible family members. The Staff Health Insurance is financed from the contributions made by the participants (1/3) and the Organization (2/3) and from investment income.

The Organization accounts for after-service staff health insurance as a post-employment benefit. Actuarial gains and losses are recognized in the net assets / equity in accordance with IPSAS 39 (Employee Benefits).

Professional actuaries determined the 2018 defined benefit obligation for the Staff Health Insurance based on personnel data and payment experience provided by Unitaid/WHO. As at 31 December 2018, the unfunded defined benefit obligation amounted to US\$ 15.2 million (US\$ 16.6 million in 2017) of which US\$ 1.7 million was charged to net assets / equity in 2018.

Further details on the Staff Health Insurance liability can be found in the annual report of the Staff Health Insurance scheme.

Special Fund for Compensation (SFFC)

In the event of a death or disablement attributable to the performance of official duties of an eligible staff member, the Special Fund for Compensation covers all reasonable medical, hospital, and other directly related costs, as well as funeral expenses. In addition, the Fund will provide compensation to the disabled staff member (for the duration of the disability) or to the surviving family members.

Unitaid accounts for the Special Fund for Compensation as a post-employment benefit. Actuarial gains and losses are recognized in the net assets / equity in accordance with IPSAS 39 (Employee Benefits).

As per the actuarial study, the total liability was US\$ 89 thousand at 31 December 2018 (US\$ 65 thousand as at 31 December 2017).

Actuarial summary of terminal payments, Staff Health Insurance and the Special Fund for Compensation (US\$ thousands)

Description	Terminal Payments (other than accrued leave)	Staff Health Insurance	Special Fund for Compensation
Reconciliation of Defined Benefit Obligation (DBO)			
Defined Benefit Obligation as at 31 December 2017	1,011	16,585	65
Service cost	144	1,267	15
Interest cost	34	182	2
Actual gross benefit payments for 2018	(21)	(106)	
Actual administrative expenses		(7)	
Actual contributions by participants		25	
Plan amendments		(791)	14
(Gain)/Loss on DBO due to financial assumption changes	(61)	(1,165)	(9)
(Gain)/Loss on DBO due to other assumption changes	15	(826)	1
Defined Benefit Obligation as at 31 December 2018	1,122	15,164	89
Reconciliation of Assets			
Assets as at 31 December 2017 (gross of IBNP reserve)		4,447	
Actual gross benefit payments for 2018	(21)	(778)	
Actual administrative expenses		(49)	
Organization Contributions during 2018	21	495	
Participant Contributions during 2018		974	
Net transfer to cover WHO-PAHO/PAHO deficit for 2018		0	
Interest on Net SHI Assets for 2018		52	
Asset Gain (Loss)		(236)	
Assets as at 31 December 2018		4,905	
Reconciliation of Funded Status			
Defined benefit obligation			
Active	1,122	12,263	66
Inactive		2,901	23
Total defined benefit obligation	1,122	15,164	89
Plan Assets			
Gross plan assets		(4,905)	
Offset for 470.1 Reserve		276	
Total plan assets		(4,629)	
Deficit (Surplus)	1,122	10,535	89

Net Liability (Asset) Recognized in Statement of Financial Position	1,122	10,535	89
Current	96		1
Non-current	1,026	10,535	88
Net Liability (Asset) Recognized in Statement of Financial Position	1,122	10,535	89
Annual expense for 2018			
Service cost	144	1,266	15
Interest cost	33	132	2
Remeasurements	(45)		
Past Service (Credit)/Cost		(791)	14
Total Expense Recognized in Statement of Financial Performance	132	607	31
Actuarial Loss recognised in Net Assets/Equity		(1,698)	

Sensitivity analysis	US\$ thousands
31 December 2018 defined benefit obligation	
Current medical inflation assumption minus 1%	11,327
Current medical inflation assumption	15,164
Current medical inflation assumption plus 1%	20,645
Current discount rate assumption minus 1%	20,821
Current discount rate assumption	15,164
Current discount rate assumption plus 1%	11,268

Actuarial methods and assumptions

Each year the Organization identifies and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's employee benefits. Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39 (Employee Benefits). In addition, each actuarial assumption is required to be disclosed in absolute terms.

The actuaries used the roll-forward method to estimate the liabilities in 2018. Normally, a full reevaluation is done every three years.

Measurement date

All plans: 31 December 2018

Discount rate

Terminal payments (other than accrued leave): The weighted average discount rate used is 4.1% (increase from 3.5% in the prior valuation). Based on the combined projected benefit payments with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve. The resulting discount rate is rounded to the nearest 0.1%.

Staff health insurance (SHI): Europe, 1.3% (increase from 1.1% in prior valuation); the Americas, 4.5% (increase from 3.8% in prior valuation); Other Countries, 4.7% (increase from 4.0% in prior valuation).

Discount rates are based on the yields of high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposure—specific to the ASHI—for each grouping of offices. The liability is assumed to be incurred in Swiss francs, euros, and U.S. dollars, based on the approximate liability mix for each grouping of offices and the following yield curves: Switzerland—SIX Swiss Exchange curve, Euro

Zone—iBoxx Euro Zone curve, and the United States—Aon Hewitt AA Bond Universe. (cont.)

The discount rates for the 31 December 2017 valuation are based on the geographic locations of the offices, as described in the “Regional groupings for all purposes except claims costs” below. The resulting rate is rounded to the nearest 0.1%.

Special Fund for Compensation (SFFC):

The weighted average discount rate used is 3.6% (increase from 3.1% in the prior valuation). Based on the combined projected benefit payments from the prior valuation with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve. The resulting discount rate is rounded to the nearest 0.1%.

Accident and Illness Insurance (All):

The weighted-average discount rate used is 0.9%. Based on the combined projected benefit payments with weights of 30% on the Aon Hewitt AA Bond Universe yield curve and 70% on the SIX Swiss Exchange yield curve. The resulting discount rate is rounded to the nearest 0.1%.

Annual general inflation

Terminal payments (other than accrued leave):

The weighted-average inflation rate used is 2.2%. Outside of Switzerland, the 2.5% inflation rate is selected to be consistent with the 3.0% rate from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF), adjusted downward by 0.5% to reflect the shorter time horizon of the plans. The inflation rate for Switzerland is based on Aon Hewitt’s 30 September 2016 forecast of Swiss inflation over the next 10 years. The regional weightings used are 75% on non-Swiss rate and 25% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Staff health insurance:

Europe 1.4%, the Americas 2.2%, Other Countries 2.5%. The rate for Europe is based on Aon Hewitt’s Q4 2016 10-year forecast of global capital market assumptions. Specifically, this rate is a weighted average of the rates for Switzerland (1.2%) and the rest of Europe (1.8%), with the result rounded to the nearest 0.1%.

The rate for Other Countries and the Americas is selected to be consistent with the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (which used a 3.0% general inflation assumption), with the resulting rate adjusted downward by 0.5% to reflect the shorter time horizon of WHO’s valuation.

Special Fund for Compensation:

The weighted-average inflation rate used is 2.0%. Outside of Switzerland, the 2.5% inflation rate is selected to be consistent with the 3.0% rate from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF), adjusted downward by 0.5% to reflect the shorter time horizon of the plans. The inflation rate for Switzerland is based on Aon Hewitt’s 30 September 2016 forecast of Swiss inflation over the next 10 years. The regional weightings used are 75% on non-Swiss rate and 25% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Accident and Illness Insurance: The weighted-average inflation rate used is 1.4%. Outside of Switzerland, the 2.5% inflation rate is selected to be consistent with the 3.0% rate from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF), adjusted downward by 0.5% to reflect the shorter time horizon of the plans. The inflation rate for Switzerland is based on Aon Hewitt’s 30 September 2016 forecast of Swiss inflation over the next 10 years. The regional weightings used are 30% on non-Swiss rate and 70% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Annual salary scale

All plans: Includes merit/promotional increases, plus 3.0% static increases for general inflation plus productivity growth. Productivity and merit increases are set equal to those from the 31 December 2017 valuation of the UNJSPF.

Repatriation travel and removal on repatriation

Terminal payments (other than accrued leave): Calculated using the projected unit credit method with service prorated, and an attribution period from the “entry on duty date” to separation.

SHI, SFFC and All: Not applicable

Repatriation grant, termination indemnity, and grant in case of death

Terminal payments (other than accrued leave): Using the projected unit credit method with accrual rate proration.

SHI, SFFC and All: Not applicable

Accrued leave

Terminal payments (other than accrued leave): The liability is set equal to the walk-away liability – that is, as if all staff separated immediately.

SHI, SFFC and All: Not applicable

Abolition of post, end-of-service grant, and separation by mutual agreement

Terminal payments (other than accrued leave): These benefits are considered termination benefits under IPSAS 39 and, therefore, are excluded from the valuation.

SHI, SFFC and All: Not applicable

United Nations Joint Staff Pension Fund

The Agency is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in 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 plan 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. The Agency and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Agency'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, the Agency has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. The Agency's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

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-year 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.

The Agency'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% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension 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 of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2% (150.1% in the 2016 roll forward). The

funded ratio was 102.7% (101.4% in the 2016 roll forward) when the current system of pension adjustments was taken into account.

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

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date.

During 2018, contributions paid to UNJSPF amounted to US\$ 3.1 million (2017 US\$ 2.6 million).

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 Fund. The amount is determined by the United Nations Joint Staff 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 and to the United Nations General Assembly 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.

4.10. Accrued liabilities

Accrued liabilities consist of expenses that have been incurred during 2018 but remain to be paid. As at 1 March 2019, US\$4.2 million (of the US\$15.1 million total accrued liabilities) owed to grantees and suppliers which had been invoiced in the last two weeks of December 2018 were paid.

5. Supporting information to the Statement of Financial Performance

Revenue

5.1. Voluntary contributions

Voluntary contributions consist of proceeds from the solidarity tax levied on air-tickets in several countries supporting Unitaid (most notably France), budgetary contributions from donor countries and grants from the Bill and Melinda Gates Foundation.

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Bill & Melinda Gates Foundation	10,000	10,000
Brazil	7,602	22,107
Chile	1,500	1,500
France	105,477	95,333
Norway	2,342	4,860
Republic of Korea	4,000	4,000
Spain	-	597
United Kingdom	57,217	116,095
Total contributions from core donors	188,138	254,491
<i>Contributions from non-core donors:</i>		
The Global Fund	2,426	
UNOSSC	100	
Total contributions from non-core donors	2,526	
Total voluntary contributions	190,664	254,491

Refer to Schedule III for information on voluntary contributions received since 2006. To date Unitaid has not received any contributions in kind.

Expenses

5.2. Disbursements to grantees

Unitaid makes disbursements to grantees for projects which have been approved by the Unitaid Executive Board in accordance with grant agreements and the policy on cash disbursements to grantees.

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Disbursements to grantees	189,752	197,068
Disbursements to grantees - PPF	1,072	833
Return of funds	(1,450)	(2,115)
Total Projects	189,374	195,786

Disbursements for 2018 as compared to 2017 are broken down by area as follows:

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
HIV/AIDS	109,571	101,261
TB	28,255	28,221
Malaria	33,596	46,638
Cross-cutting	18,330	20,948
Total Projects	189,752	197,068

The Project Preparation Facility(PPF) allocates funds to proponents in need of funding for effective grant development.

Return of funds consists of amounts returned by grantees for unspent funds remaining upon grant closure.

5.3. Constituency funding

Constituency funding includes those amounts granted to support two civil society networks (nongovernmental organizations and communities living with HIV/AIDS, malaria and tuberculosis) and the representative of African countries designated by the African Union; all three who sit on the Executive Board and have representation on the Committees. The activities funded are for a Communication Focal Point/Liaison Officer, consultation activities, and travel relating to effective representation of issues and concerns at the Executive Board, the Committees and other Unitaid meetings. The Board approves these grants as part of the yearly Governing Bodies budget and authorizes the Executive Director to sign any necessary funding agreements with the organizations designated to receive and administer funds by each of the delegations.

These amounts were reclassified from contractual services in 2018, and the comparative 2017 amounts (US\$ 260 thousand) have been similarly adjusted.

5.4. Staff and other personnel costs

Staff and other personnel costs represent the total cost of employing staff. These include charges for base salary, post adjustment and other types of entitlements paid or payable by Unitaid. Staff costs also include the movement in the actuarial calculations for accrued staff benefits which is recognized in the Statement of Financial Performance (Statement II).

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Salary costs	16,989	15,530
Other personnel costs	(386)	(320)
Total staff and other personnel costs	16,603	15,210

5.5. Contractual services

Contractual services represent payments made to service providers for specified deliverables as well as the cost of hosting services paid by Unitaid to WHO.

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Contractual services	4,277	5,744
Contractual services provided by WHO	1,563	1,512
Total consulting and contractual services	5,840	7,256

A breakdown of the cost of hosting services paid to WHO, audit and internal control services is as follows:

<i>in US dollars</i>	31-Dec-18	31-Dec-17
Administrative services	1,386	1,328
Legal services	158	165
Audit	19	19
Total consulting services provided by WHO	1,563	1,512

5.6. Travel

Travel represents the cost of travel for Unitaid staff, non-staff participants in meetings and consultants paid by Unitaid. Travel expenses include airfare, per diem and other travel related costs. This amount does not include the statutory travel for home leave and education grant that is accounted for within staff and other personnel costs.

Travel expenses break down as follows:

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Governing Bodies	243	290
Secretariat	864	749
Grants	551	502
BDMI, M&E and SDIS	158	15
Total	1,816	1,556

5.7. Equipment and furniture

Purchases of equipment and furniture are fully expensed at cost value in the financial period in which they were acquired if the value of every individual purchased item does not exceed a capitalization threshold of US\$5 000. As at 31 December 2018 no equipment or furniture purchases have reached the threshold.

5.8. General operating expenses

General operating expenses reflect the cost of general operations of Unitaid. This includes utilities, telecommunications (fixed telephones, mobile phones, internet, and teleconference expenses), hospitality and courtesy expenditures, as well as rent.

Unitaid rents office space outside of the WHO campus. Obligations through the life of the sub-lease can be found at Note 8.

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
General operating expenditures	380	245
Rent - The Global Fund	687	-
Rent - Blandonnet	1,043	777
Total	2,110	1,022

5.9. Finance revenue

Finance revenue includes the following:

<i>in thousands of US dollars</i>	31-Dec-18	31-Dec-17
Investment revenue	13,594	15,251
Net realized foreign exchange gains or (losses)	84	(82)
Net unrealized foreign exchange gains or (losses)	(8,769)	1,958
Actuarial revaluation gains or (losses) on Terminal Payments Fund	27	58
Actuarial interest cost related to valuation of Terminal Payments Fund	(36)	124
Total financial revenue and costs	4,901	17,309

Net interest received is made available for allocation to Unitaid projects and/or Secretariat expenses. The realized foreign exchange gain/(loss) is made up of gains upon actual receipt of multi-year contributions that have been entered into the hedging program of WHO, as well as realized foreign exchange gains/(losses) on non-USD currency payables throughout the financial year.

The unrealized foreign exchange gain/(loss) is the net unrealized foreign exchange gain/(loss) calculated at 31 December 2018 for hedged contributions not yet received and amounts payable in non-USD currency.

Interest earned by grantees on the available cash balances provided by Unitaid is not directly reflected in the financial statements of Unitaid. The grantees are required to manage the interest earned on the available cash balances according to the "Policy of interest income earned by grantees on funds provided by Unitaid", approved by the Unitaid Executive Board in its 14th session in July 2011. Grantees report back to the Secretariat on interest earned on disbursements from Unitaid but given the needs-based disbursement policy of Unitaid and current market conditions the net interest earned by the grantees on idle cash is expected to be negligible.

6. Supporting information to the Statement of Changes in Net Assets/Equity

Unitaid maintains a single fund. The net assets have not been allocated to specific reserves by the Board. The net assets are the cumulative results of revenue and expenses since inception.

Net assets as at 31 December 2018 total US\$808.3 million. The projected balance of funds to be paid against approved grant agreements is an estimated US\$533.8 million as detailed in Note 4.1.

7. Related parties and other senior management disclosures

a) Key management personnel

Staff members considered as key management personnel (KMP) includes the Executive Director, the Chief of Staff, the Deputy Executive Director and the Senior Management Team (Operations, Strategy, Results, External Relations, Communications, Finance and Administration, and Legal).

Number of individuals	Compensation & post adjustment	Entitlements	Pension & health plans	Total remuneration to 31-Dec-18
10	1,817	345	516	2,678

The aggregate remuneration paid to KMP includes: net salaries, post adjustment, entitlements, assignment and other grants, rental subsidy, personal effects shipment costs, and employer pension and current health insurance contributions.

KMP also qualify for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. KMP are enrolled as ordinary members in the WHO pension plan managed by the UNJSPF.

During the year, no loans were granted to key management personnel beyond those widely available to staff outside this grouping.

b) Medicines Patent Pool Foundation

The Medicines Patent Pool Foundation (MPPF) is an independent non-profit Swiss foundation established to improve health by providing patients in low- and middle-income countries with increased access to quality, safe, efficacious, more appropriate and affordable health products, through a voluntary patent pool mechanism, initially in the area of antiretroviral pharmaceutical products, pediatric antiretroviral products and new fixed dose combinations.

MPPF was founded in July 2010. Unitaid signed an agreement with MPPF on 17 September 2010 to facilitate the work of the Foundation. The total funding support for 2010-2015 approved by the Board is US\$31.2 million with an additional US\$29.2 million approved for the 2016-2020 period at the December 2016 Executive Board meeting. As at 31 December 2018 the amount disbursed to MPPF from Unitaid is US\$40.5 million.

Although Unitaid does not have representation on the Board of MPPF, it attends its meetings as an Observer.

8. Commitments

As at 31 December 2018, the active grant portfolio was US\$1.14 billion with cumulative disbursements against these commitments totaling US\$629.1 million. The value of future disbursements to active grants and the funding approved for new projects by the EB in December 2018 is estimated at US\$533.8 million as detailed in Note 4.1.

An additional US\$64.3 million was committed to four grants through the end of February 2019.

In May 2018, Unitaid signed a ten-year lease agreement with the Global Fund for renting office space at the Global Health Campus. Future annual minimal lease rental payments total to US\$ 1,085 thousand and are as follows:

- Rent (including parking) – US\$ 673 thousand,
- Shared services – US\$ 412 thousand.

9. Future revenue

At 31 December 2018 Unitaid holds the following multi-year agreements:

- EUR 85 million on average per year for a triennium 2017-2019 from France. This contribution cannot exceed half of the total contributions received in each particular year;
- USD 10 million per year from Bill and Melinda Gates Foundation for 2017-2021 period;
- Maximum of NOK 20 million per year from Norway for the period from 2018 to 2019.

On 12 February 2019 Unitaid received confirmation of an Amendment (No.5, 2019) to the Donor Administrative Agreement with the United Kingdom. Of the total £159 million committed for the 2018-2020 period, £27 million is in support of specific grant proposals for vector control for malaria, and two tranches of £66 million to be deposited by both 30 November 2019 and 2020 including £9 million of performance funding assessed on the basis of performance against the agreed milestones for 2018 and 2019 respectively.

10. Contingent liabilities and assets

a) Contingent liabilities

Unitaid recognizes a provision for all present obligations for which a probable outflow of resources will be required to settle the obligation and for which the value of the obligation can be reasonably estimated. These provisions are recorded as an expense in the period in which they occur, and a corresponding liability is established.

Contingent liabilities however relate to potential future outflows which do not meet the criteria of a provision (i.e. they are not probable or cannot be reasonably estimated). If a contingent liability is not considered remote it should be disclosed in the notes to the Financial Statements.

As at 31 December 2018, international professional and higher category staff that are based in Geneva have filed a joint complaint with the Administrative Tribunal of the ILO (ILOAT) against the pay cut resulting from the implementation of ICSC decisions on post adjustment and other compensation matters. If successful, Unitaid may have to retroactively pay the difference starting from February 2018.

b) Contingent assets

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2018, there are no material contingent assets to disclose.

11. Events after reporting date

Unitaid's reporting date is 31 December 2018. On the date of the signing of these accounts, no material events, favourable or unfavourable, had arisen between the balance sheet date and the date when the financial statements were authorized for issue that would have an impact on the financial statements.

Schedule I. Annual Financial Position

As at 31 December for the current and previous four years (in thousands of US dollars)

	2018	2017	2016	2015 (Restated)	2014
ASSETS					
Current assets					
Cash and cash equivalents held by WHO	665,621	753,210	791,149	783,021	852,882
Contributions receivable - current	2,465	598	19,690	45,794	6,488
Accounts receivable	-	-	-	-	1,480
Staff receivables	470	283	275	90	213
Prepayments	292	410	392	-	-
Total current assets	668,848	754,501	811,506	828,905	861,063
Non-current assets					
Contributions receivable – non-current	167,067	118,438	-	4,000	8,000
Guarantee deposit receivable	724	176	168	173	-
Total non-current assets	167,791	118,614	168	4,173	8,000
TOTAL ASSETS	836,639	873,115	811,674	833,078	869,063

Schedule I. Annual Financial Position (continued)

As at 31 December for the current and previous four years (in thousands of US dollars)

	2018	2017	2016	2015 (Restated)	2014
LIABILITIES					
Current liabilities					
Accounts payable	5767	1,626	3,810	3,630	25,419
Staff payables	230	4	28	3	46
Accrued staff benefits - current	798	749	694	482	653
Accrued liabilities	15,109	30,078	13,548	4,000	4,000
Deferred revenue - current	-	-	4,000	14,018	6,565
Total current liabilities	16,714	32,457	22,080	22,133	36,683
Non-current liabilities					
Accrued staff benefits - non-current	11,648	13,322	10,202	4,000	8,000
Deferred revenue - non-current	-	-	-	7,926	3,039
Total non-current liabilities	11,648	13,322	10,202	11,926	11,039
TOTAL LIABILITIES	28,362	45,779	32,282	34,059	47,722
NET ASSETS					
Fund balance	808,277	827,336	779,392	799,019	821,341
TOTAL NET ASSETS	808,277	827,336	779,392	799,019	821,341
TOTAL LIABILITIES AND NET ASSETS	836,639	873,115	811,674	833,078	869,063

Schedule II. Annual Financial Performance

For the period ended 31 December for the current and previous four years (in thousands of US dollars)

	2018	2017	2016	2015 (Restated)	2014
OPERATING REVENUE					
Voluntary contributions	190,664	254,491	132,650	130,737	248,785
Miscellaneous income	-	-	-	-	399
TOTAL OPERATING REVENUE	190,664	254,491	132,650	130,737	249,184
OPERATING EXPENSES					
Disbursements to grantees	189,374	195,786	132,302	130,478	116,052
Constituency funding	365	260	242	221	
Staff and other personnel costs	16,603	15,210	13,252	11,143	12,546
Contractual Services	5,840	7,256	6,729	8,906	8,396
Travel	1,816	1,556	1,138	938	948
Equipment and furniture	221	97	112	293	50
General operating expenses	2,110	1,022	1,173	889	170
TOTAL OPERATING EXPENSES	216,329	221,187	154,948	152,868	138,162
Finance revenue	4,901	17,309	4,468	3,754	3,465
TOTAL (DEFICIT)/SURPLUS	(20,764)	50,613	(17,830)	(18,377)	114,487

Schedule III. Operating Revenue – Voluntary Contributions, page 1 out of 2

Cumulative as at 31 December 2018 (in thousands of US dollars)

	2006 -2018	2018	2017	2016	2015	2014	2006-2013
<i>Core donors:</i>							
Bill & Melinda Gates Foundation	120,000	10,000	10,000	10,000	10,000	10,000	70,000
Brazil	120,031	7,602	22,107	10,188	-	42,931	37,202
Cameroon	1,934	-	-	504	-	-	1,430
Chile	36,543	1,500	1,500	1,500	2,000	2,000	28,043
Congo	1,090	-	-	-	-	-	1,090
Cyprus	2,555	-	-	-	(488)	488	2,555
France	1,806,225	105,477	95,333	100,616	109,706	105,328	1,289,764
Guinea	49	-	-	-	-	-	49
Luxembourg	1,961	-	-	-	-	-	1,961
Madagascar	33	-	-	-	-	3	30
Mali	928	-	-	-	-	-	928
Mauritius	12,083	-	-	-	-	1,657	10,426
Millennium Foundation	2,572	-	-	-	-	-	2,572
Niger	281	-	-	-	-	-	281
Norway	190,211	2,342	4,860	5,841	5,519	19,186	152,463
Republic of Korea	59,000	4,000	4,000	4,000	4,000	4,000	39,000
Spain	82,200	-	597	-	-	-	81,603
United Kingdom	672,932	57,217	116,094	-	-	63,191	436,430
Total core-donors contributions	3,110,628	188,138	254,491	132,650	130,737	248,785	2,155,827

Schedule III. Operating Revenue – Voluntary Contributions, page 2 out of 2

Cumulative as at 31 December 2018 (in thousands of US dollars)

	2006 -2018	2018	2017	2016	2015	2014	2006-2013
<i>Other donors:</i>							
The Global Fund	2,426	2,426	-	-	-	-	-
UNOSSC	100	100	-	-	-	-	-
Total other contributions	2,526	2,526	-	-	-	-	
Total voluntary contributions	3,113,154	190,664	254,491	132,650	130,737	248,785	2,155,827