

# FINANCIAL REPORT

**Deloitte.**

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## **Report of the Statutory Auditor**

To the Board of the Foundation of  
**Medicines Patent Pool Foundation**, Geneva

### **Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the accompanying financial statements of Medicines Patent Pool Foundation, which comprise the balance sheet as at December 31, 2018, the statement of operations, the statement of cash flow, the statement of changes in capital and notes (pages 54 to 63) for the year then ended.

#### *Board of the Foundation's Responsibility*

The Board of the Foundation is responsible for the preparation of these financial statements in accordance with the requirements of Swiss GAAP FER (core FER), Swiss law and the Foundation's statutes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of the Foundation is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended December 31, 2018 give a true and fair view of the financial position and the results of operations in accordance with Swiss GAAP FER (core FER) and comply with Swiss law and the Foundation's statutes.

**Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 83b Civil Code (CC) in connection with article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of the Foundation.

We recommend that the financial statements submitted to you be approved.

**Deloitte SA**

Tefik Rexhaj  
Licensed Audit Expert  
Auditor in Charge



Aurore De San Nicolas

Geneva, April 8, 2019

**Enclosures**

- Financial statements (balance sheet, statement of operations, statement of cash flow, statement of changes in capital and notes)

## MEDICINES PATENT POOL FOUNDATION

# BALANCE SHEET

as of 31 December 2018

(with 31 December 2017 comparative figures)

(Expressed in Swiss francs)

	Notes	2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank		3 101 204	1 865 848
Other receivables		29 868	6 023
Prepaid expenses		142 254	67 660
<b>Total current assets</b>		<b>3 273 326</b>	<b>1 939 531</b>
<b>NON-CURRENT ASSETS</b>			
Financial deposit		60 184	60 430
Tangible fixed assets (net)	3g/4	69 900	70 679
<b>Total non-current assets</b>		<b>130 084</b>	<b>131 109</b>
<b>Total ASSETS</b>		<b>3 403 410</b>	<b>2 070 640</b>
<b>LIABILITIES, FUNDS AND CAPITAL</b>			
<b>LIABILITIES</b>			
Current liabilities		-	-
Accounts payables		106 897	421 107
Salaries and social charges	3i	108 451	62 031
Other liabilities		4 725	39 804
Accrued liabilities	3h	55 615	40 700
<b>Total current liabilities</b>		<b>275 688</b>	<b>563 642</b>
<b>Total liabilities</b>		<b>275 688</b>	<b>563 642</b>
<b>RESTRICTED FUNDS</b>			
Restricted Fund	3d/e/f	3 062 100	1 450 676
<b>Total restricted funds</b>		<b>3 062 100</b>	<b>1 450 676</b>
<b>CAPITAL AND UNRESTRICTED FUNDS</b>			
Paid-in capital		50 000	50 000
Unrestricted funds	3e	15 622	6 322
<b>Total capital of the organisation</b>		<b>65 622</b>	<b>56 322</b>
<b>Total LIABILITIES, FUNDS AND CAPITAL</b>		<b>3 403 410</b>	<b>2 070 640</b>

## MEDICINES PATENT POOL FOUNDATION

# STATEMENT OF OPERATIONS

for the period from 1 January to 31 December 2018

(with 31 December 2017 comparative figures)

(Expressed in Swiss francs)

	Notes	2018	2017
<b>INCOME</b>			
<b>CURRENT ASSETS</b>			
Donations	3c	6 565 792	3 668 482
<b>Total Donations</b>		<b>6 565 792</b>	<b>3 668 482</b>
Other income		9 195	13 205
<b>Total Other Income</b>		<b>9 195</b>	<b>13 205</b>
<b>Total income</b>		<b>6 574 987</b>	<b>3 681 687</b>
<b>EXPENSES</b>			
<b>PERSONNEL COSTS</b>			
Personnel costs and social charges		3 064 954	2 916 842
Other personnel costs		66 014	167 251
<b>Total personnel costs</b>		<b>3 130 968</b>	<b>3 084 093</b>
<b>ADMINISTRATIVE EXPENDITURE</b>			
Professional fees		594 092	539 189
Rent		295 291	314 903
Other taxes (VAT)		2 621	36 915
General and administrative expenses		328 085	243 125
IT services and maintenance		154 130	176 926
Marketing and Advertising		11 059	5 000
Travel and representation costs		431 889	409 643
Depreciation of tangible assets		33 853	34 674
Extraordinary expenses		6 731	-
<b>Total administrative expenditure</b>		<b>1 857 751</b>	<b>1 760 375</b>
<b>Operating surplus/(deficit)</b>		<b>1 586 268</b>	<b>(1 162 781)</b>
<b>Net financial gain/(loss)</b>	5	<b>12 586</b>	<b>(123 616)</b>
<b>Net surplus/(deficit) for the year prior to allocations</b>		<b>1 598 854</b>	<b>(1 286 397)</b>
(Allocation to)/use from restricted capital funds		(1 589 554)	1 292 719
Allocation to unrestricted funds		(9 300)	(6 322)
<b>Total (allocation)/use restricted capital funds</b>		<b>(1 598 854)</b>	<b>1 286 397</b>
<b>Net surplus/deficit for the year after allocations</b>		<b>-</b>	<b>-</b>

MEDICINES PATENT POOL FOUNDATION

# STATEMENT OF OPERATIONS

for the period from 1 January to 31 December 2018

(with 31 December 2017 comparative figures)

(Expressed in Swiss francs)

	2018	2017
<b>INCOME</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net surplus / (deficit)	1 598 854	(1 286 396)
Depreciation and amortization	33 853	34 673
Decrease (increase) of others accounts receivables	(23 845)	38 191
Decrease (increase) of prepaid expenses	(74 594)	36 873
(Decrease) increase of account payable from purchase of goods and services	(314 210)	59 327
Decrease of others accounts payables	11 341	(2 002)
(Decrease) increase of accrued expenses	14 915	(53 455)
<b>Net cash provided by operating activities</b>	<b>1 246 314</b>	<b>(1 172 789)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Decrease (increase) of long term receivable	248	40 018
Acquisition of tangible fixed assets	(33 074)	(26 771)
<b>Net cash used in investing activities</b>	<b>(32 826)</b>	<b>13 247</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
Translation adjustment	21 868	-
<b>Cash flow from financing activities</b>	<b>21 868</b>	<b>-</b>
<b>NET CHANGE IN CASH</b>	<b>1 235 356</b>	<b>(1 159 542)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
At the beginning of the fiscal year	1 865 848	3 025 390
At the end of the fiscal year	3 101 204	1 865 848
<b>NET CHANGE IN CASH</b>	<b>1 235 356</b>	<b>(1 159 542)</b>

MEDICINES PATENT POOL FOUNDATION, GENEVA

# STATEMENT OF CHANGES IN CAPITAL

For the period ending 31 December 2018

(Expressed in Swiss francs)

	BEGINNING OF THE PERIOD 01.01.2018	ALLOCATION OF THE FUNDS	USE OF THE FUNDS	ADJUSTMENT	END OF THE PERIOD 31.12.2018
Restricted funds UNITAID	1 360 644	6 352 488	(4 814 651)	-	2 898 480
Cumulative translation adjustment - UNITAID	-	21 868	-	-	21 868
<b>Sub-total UNITAID</b>					<b>2 920 348</b>
Restricted funds Swiss Agency for Cooperation and Development -SDC 1	90 033	-	(90 033)	-	-
Restricted funds Swiss Agency for Cooperation and Development - SDC 2	-	170 000	(64 478)	-	105 522
<b>Sub-total SDC 1 &amp; 2</b>					<b>105 522</b>
Restricted funds Wellcome Trust Limited	-	52 500	(16 270)	-	36 230
<b>Sub-total Wellcome Trust</b>					<b>36 230</b>
<b>Sub-total Restricted funds</b>					<b>3 062 100</b>
	BEGINNING OF THE PERIOD 01.01.2018	EXTERNAL WITH-DRAWAL	INTERNAL FUND TRANSFERS	ALLOCATION TO CAPITAL	END OF THE PERIOD 31.12.2018
<b>INTERNALLY GENERATED FUNDS</b>					
Paid-in capital	50 000	-	-	-	50 000
Internally generated unrestricted capital	-	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-	-
Capital of the organisation	50 000	-	-	-	50 000
<b>Total restricted funds and internally generated funds</b>	<b>1 500 677</b>	<b>6 574 988</b>	<b>(4 985 433)</b>	<b>-</b>	<b>3 112 100</b>
<b>Total unrestricted funds and internally generated funds</b>	<b>6 322</b>	<b>9 300</b>	<b>-</b>	<b>-</b>	<b>15 622</b>

MEDICINES PATENT POOL FOUNDATION, GENEVA

# STATEMENT OF CHANGES IN CAPITAL

For the period ending 31 December 2017

(Expressed in Swiss francs)

	BEGINNING OF THE PERIOD 01.01.2017	ALLOCATION OF THE FUNDS	USE OF THE FUNDS	ADJUSTMENT	END OF THE PERIOD 31.12.2017
Restricted funds UNITAID	2 543 395	3 681 688	(4 864 439)	-	1 360 644
Restricted funds Swiss Agency for Cooperation and Development - SDC1	200 000	-	(109 967)	-	90 033
	BEGINNING OF THE PERIOD 01.01.2018	EXTERNAL WITH-DRAWAL	INTERNAL FUND TRANSFERS	ALLOCATION TO CAPITAL	END OF THE PERIOD 31.12.2018
<b>INTERNALLY GENERATED FUNDS</b>					
Paid-in capital	50 000	-	-	-	50 000
Internally generated unrestricted capital	-	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-	-
Capital of the organisation	50 000	-	-	-	50 000
<b>Total restricted funds and internally generated funds</b>	<b>2 793 395</b>	<b>3 681 688</b>	<b>(4 974 406)</b>	<b>-</b>	<b>1 500 677</b>
<b>Total unrestricted funds and internally generated funds</b>	<b>-</b>	<b>6 322</b>	<b>-</b>	<b>-</b>	<b>6 322</b>

# NOTES TO THE FINANCIAL STATEMENTS

## as of 31 December 2018

(with 31 December 2017 comparative figures)

(Expressed in Swiss francs)

### 1| Presentation

The organisation's full name is "Medicines Patent Pool Foundation". It is registered in Geneva, Switzerland and is known as MPP. MPP is a Foundation under the Swiss Civil Code and has signed in February 2018 a "seat agreement" with the Swiss Confederation granting to the Foundation the status of "Other International Organisation".

The purpose of the Foundation is to improve health by providing patients in low and middle income countries with increased access to quality, safe, efficacious, more appropriate and more affordable health products, including through a voluntary patent pool mechanism. The financial statements include 100% of the Indian liaison office activities. The Indian liaison office financial statements have been audited in 2018 for the Indian fiscal year April 2017 - March 2018.

### 2| Presentation of the financial statement

**a) Statement of compliance - The MPP financial statements include :**

- The balance sheet;
- The statement of operations;
- The cash flow statement;
- The statement of changes in capital 2017;
- The statement of changes in capital 2018;

The financial statements present all activities of the Foundation.

### 3| Summary of significant accounting policies

Accounting basis - the financial statements of the Foundation have been prepared in accordance with the provisions of the Swiss Code of Obligations and in accordance with Swiss GAAP FER (core FER), in particular Swiss GAAP FER 21 "Accounting for charitable non-profit organisations". The recommendations have been established for entities seeking to present their financial statements to reflect a true and fair view of the financial situation.

The financial statements have been prepared using historical cost principles and are based on the assumptions that the going concern is possible for the foreseeable future. All amounts are rounded to the nearest Swiss Franc with the consequence that the rounded amounts may not add to the rounded total in all cases.

#### a) Translation of operations in foreign currency

Transactions in currencies other than Swiss francs are converted as follows:

**Balance sheet accounts:**

Closing rate 0.9837 USD vs CHF source: Credit Suisse  
Closing rate 0.0141 INR vs CHF source: Oanda

**Incomes and expenses:**

Average monthly rates.

#### b) Translation of India financial statements

The Indian accounting is maintained in Indian Rupees. The financial statements are included in the Foundation accounts in Swiss francs and are converted at the end of the year as follows:

**Balance sheet:**

Closing rate

**Equity funds:**

Historical rate

**Incomes and expenses:**

Average funds transfers rates during the period.

As of 31 December 2018 the conversion gains/ losses are included in the restricted fund of Unitaid for an amount of CHF 21'868 (2017 : NIL).

#### c) Revenue recognition

Revenue is recognised in the financial statements as it becomes earned.

For multi-year contracts, the revenue is allocated over the contract period based on the donor-approved budgets.



# NOTES TO THE FINANCIAL STATEMENTS

as of 31 December 2018

(with 31 December 2017 comparative figures)

(Expressed in Swiss francs)

## 3] Summary of significant accounting policies (continued)

### d) Restricted funds - UNITAID

The Medicines Patent Pool Foundation ("the MPP") was established as an independent legal entity on 16 July 2010 with the support of UNITAID, which remains the MPP's main donor.

UNITAID and the MPP have maintained a close working relationship since the MPP was established as an independent entity.

Per the MPP's statutes the majority of the MPP's third party funding (excluding royalty payments, if any) shall come from sources of public and/or non-profit nature.

On 1 March 2016, MPP and UNITAID signed a Memorandum Of Understanding granting MPP a maximal amount of USD 29'215'571 for the period January 2016 to December 2020, subject to pre-approval of yearly budgets submitted by MPP.

The donations from UNITAID are restricted to serve the objectives of the Foundation.

### e) Restricted fund - Swiss Agency for Cooperation and Development

A grant agreement was signed in December 2016 with the Swiss Agency for Development and Cooperation SDC / Federal Department of Foreign Affairs FDFA. This grant of CHF 200'000 (received in 2016) aimed to finance a feasibility study of MPP's business model expansion to the Essential Medicines List set by the World Health Organization.

This grant was fully used at the end of 2018. A global amount of CHF 10'846, corresponding to management fees, has been allocated to the unrestricted funds.

In November 2018, MPP and the FDFA/SDC signed a new grant of CHF 248'400 to enable MPP to establish the foundations of its expansion and to lay the groundwork for implementation of its strategic objectives of facilitating access to affordable and quality assured essential medicines in LMICs. This specific activities are jointly financed by FDFA/SDC, UNITAID and the Wellcome Trust.

In 2018 an income of CHF 170'000 has been recognised, of which CHF 64'478 has been used, including CHF 4'776.19 as management fees. The remaining balance has been allocated to the restricted funds.

### f) Restricted funds - The Wellcome Trust

In September 2018, MPP and The Wellcome Trust signed a grant of CHF 105'000. This Grant aims to support MPP in the activities described above.

In 2018 the income of CHF 52'500 has been recognised. CHF 16'270 has been spent in 2018.

The remaining balance has been allocated to the restricted funds.

### g) Fixed assets

The tangible fixed assets are valued at historical cost of acquisition, less the accumulated depreciation. The depreciation is recognised on the straight-line method over the useful life, as follows:

Category of fixed assets	Useful life (years)
Office equipment	8 years
IT infrastructure	3 years
Leasehold improvement	5 years

### h) Accrued liabilities

This position includes the charges related to the current exercise that will be paid the following exercise.

### i) Pension Fund

As of 31 December 2018, the Company has a liability due to the pension fund amounting of CHF 105'535 (2017 : CHF 1'339)

### j) Taxes

Thanks to the seat agreement signed in February 2018, MPP is not subject to any taxation in Switzerland. This exemption only relates to Swiss activities. The Indian Liaison office is subject to all local taxes such as VAT.

# NOTES TO THE FINANCIAL STATEMENTS

as of 31 December 2018

(Expressed in Swiss francs)

## 4/ Fixed assets

	OFFICE EQUIPMENT	IT INFRASTRUCTURE	LEASEHOLD IMPROVEMENT	TOTAL
<b>Net carrying amount 01.01.2018</b>				<b>70 679</b>
<b>Accumulated gross values of cost</b>				
Beginning of the period 01.01.2018	125 655	157 507	7 754	290 916
Additions	15 469	17 606	-	33 074
Change in the actual values	-	-	-	-
Sell equipment	-	-	-	-
Reclassifications	(4 731)	4 731	-	-
End of the period 31.12.2018	136 393	179 843	7 754	323 990
<b>Accumulated depreciation</b>				
Beginning of the period 01.01.2018	(86 789)	(131 897)	(1 551)	(220 236)
Systematic depreciation	(14 819)	(17 483)	(1 551)	(33 854)
Impairment	-	-	-	-
Disposal (sell equipment)	-	-	-	-
Reclassifications	-	-	-	-
End of the period 31.12.2018	(101 608)	(149 380)	(3 102)	(254 090)
<b>Net carrying amounts 31.12.2018</b>	<b>34 785</b>	<b>30 463</b>	<b>4 652</b>	<b>69 900</b>

# NOTES TO THE FINANCIAL STATEMENTS

as of 31 December 2017

(Expressed in Swiss francs)

<b>4/ Fixed assets (continued)</b>	<b>OFFICE EQUIPMENT</b>	<b>IT INFRA- STRUCTURE</b>	<b>LEASEHOLD IMPROVEMENT</b>	<b>TOTAL</b>
<b>Net carrying amount 01.01.2017</b>				<b>78 582</b>
<b>Accumulated gross values of cost</b>				
Beginning of the period 01.01.2017	114 173	143 108	7 754	265 035
Additions	11 482	15 793	-	27 275
Change in the actual values	-	-	-	-
Sell equipment	-	(1 394)	-	(1 394)
Reclassifications	-	-	-	-
End of the period 31.12.2017	125 655	157 507	7 754	290 916
<b>Accumulated depreciation</b>				
Beginning of the period 01.01.2017	(71 485)	(114 969)	-	(186 453)
Systematic depreciation	(15 304)	(17 818)	(1 551)	(34 673)
Impairment	-	-	-	-
Disposal (sell equipment)	-	890	-	890
Reclassifications	-	-	-	-
End of the period 31.12.2017	(86 789)	(131 897)	(1 551)	(220 236)
<b>Net carrying amounts 31.12.2017</b>	<b>38 866</b>	<b>25 610</b>	<b>6 203</b>	<b>70 679</b>

# NOTES TO THE FINANCIAL STATEMENTS

as of 31 December 2018

(with 31 December 2017 comparative figures)

## 5| Net financial result

The financial income and costs are the following:

	2018	2017
Exchange gain/(loss), net	16 690	(117 684)
Translation loss	-	(86)
Bank interest income	-	6
Others, net	(4 104)	(5 852)
TOTAL	12 586	(123 616)

## 6| Pro-Bono Agreements

The MPP did not receive pro bono legal services this fiscal year (CHF 3'218.13 in 2017).

## 7| Other disclosures

### Remuneration of the Governing Bodies of the Foundation and management

The members of the Governing Bodies of the Foundation - the Governance Board and the Expert Advisory Group do not receive any remuneration in respect of their activities within the Foundation.

The management of the Foundation is handled by one person. As permitted by Swiss GAAP FER 21.45, the disclosure of the compensation has been waived.

### Date of approval of the Foundation's accounts

The Foundation council has validated the financial statements 2018 on 8 April 2019.

## 8| Number of employees

The Foundation had an average of 20 employees (FTE) in 2018 to Geneva (17 employees - 2017) including 3 employees in India.

## 9| Liabilities from leasing contracts

	2018	2017
Liabilities from leasing agreement up to one year	258 563	276 083
Liabilities from leasing agreement from one year to five years	457 844	770 555

## 10| Subsequent events

No subsequent event to be reported