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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, 2019, the statement of operations, the statement of cash flow, the statement of changes in capital and notes 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, 2019 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.

# FINANCIAL REPORT

**Deloitte.**

Medicines Patent Pool Foundation  
Report of the statutory auditor  
for the year ended  
December 31, 2019  
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## **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 28, 2020

## 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 2019

(with 31 December 2018 comparative figures)

(Expressed in Swiss francs)

	Notes	2019	2018
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank		3,135,290	3,101,204
Other receivables		20,815	29,868
Prepaid expenses		135,747	142,254
<b>Total current assets</b>		<b>3,291,852</b>	<b>3,273,326</b>
<b>NON-CURRENT ASSETS</b>			
Financial deposit		86,888	60,184
Tangible fixed assets (net)	3g/4	75,406	69,900
<b>Total non-current assets</b>		<b>162,294</b>	<b>130,084</b>
<b>Total ASSETS</b>		<b>3,454,146</b>	<b>3,403,410</b>
<b>LIABILITIES, FUNDS AND CAPITAL</b>			
<b>LIABILITIES</b>			
Current liabilities		-	-
Accounts payables		172,765	106,897
Salaries and social charges	3i	174,994	108,451
Other liabilities		1,377	4,725
Accrued liabilities	3h	63,890	55,615
<b>Total current liabilities</b>		<b>413,028</b>	<b>275,688</b>
<b>Total liabilities</b>		<b>413,028</b>	<b>275,688</b>
<b>RESTRICTED FUNDS</b>			
Restricted Fund	3d/e/f	2,962,897	3,062,100
<b>Total restricted funds</b>		<b>2,962,897</b>	<b>3,062,100</b>
<b>CAPITAL AND UNRESTRICTED FUNDS</b>			
Paid-in capital		50,000	50,000
Unrestricted funds	3e	28,221	15,622
<b>Total capital of the organisation</b>		<b>78,221</b>	<b>65,622</b>
<b>Total LIABILITIES, FUNDS AND CAPITAL</b>		<b>3,454,146</b>	<b>3,403,410</b>

## MEDICINES PATENT POOL FOUNDATION

# STATEMENT OF OPERATIONS

for the period from 1 January to 31 December 2019

(with 31 December 2018 comparative figures)

(Expressed in Swiss francs)

	Notes	2019	2018
<b>INCOME</b>			
Donations	3c	5,556,841	6,565,792
<b>Total Donations</b>		<b>5,556,841</b>	<b>6,565,792</b>
Other income		15,690	9,195
Extraordinary income		1,828	-
<b>Total Other Income</b>		<b>17,518</b>	<b>9,195</b>
<b>Total income</b>		<b>5,574,359</b>	<b>6,574,987</b>
<b>EXPENSES</b>			
<b>PERSONNEL COSTS</b>			
Personnel costs and social charges		3,663,489	3,064,954
Other personnel costs		73,076	66,014
<b>Total personnel costs</b>		<b>3,736,566</b>	<b>3,130,968</b>
<b>ADMINISTRATIVE EXPENDITURE</b>			
Professional fees		627,729	594,092
Rent		307,505	295,291
Other taxes (VAT)		-	2,621
General and administrative expenses		147,249	328,085
IT services and maintenance		241,022	154,130
Marketing and Advertising		7,483	11,059
Travel and representation costs		460,123	431,889
Depreciation of tangible assets		32,728	33,853
Extraordinary expenses		-	6,731
<b>Total administrative expenditure</b>		<b>1,823,839</b>	<b>1,857,751</b>
<b>Operating surplus/(deficit)</b>		<b>13,954</b>	<b>1,586,268</b>
<b>Net financial gain/(loss)</b>	5	<b>(127,455)</b>	<b>12,586</b>
<b>Net surplus/(deficit) for the year prior to allocations</b>		<b>(113,501)</b>	<b>1,598,854</b>
(Allocation to)/use from restricted capital funds		126,100	(1,589,554)
Allocation to unrestricted funds		(12,599)	(9,300)
<b>Total (allocation)/use restricted capital funds</b>		<b>113,501</b>	<b>(1,598,854)</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 2019*(with 31 December 2018 comparative figures)**(Expressed in Swiss francs)*

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net surplus / (deficit)	(113,502)	1,598,854
Depreciation and amortization	32,730	33,853
Decrease (increase) of others accounts receivables	9,053	(23,845)
Decrease (increase) of prepaid expenses	6,507	(74,594)
(Decrease) increase of account payable from purchase of goods and services	65,868	(314,210)
Decrease of others accounts payables	63,195	11,341
(Decrease) increase of accrued expenses	8,275	14,915
<b>Net cash provided by operating activities</b>	<b>72,126</b>	<b>1,246,314</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Decrease (increase) of long term receivable	(26,704)	248.00
Acquisition of tangible fixed assets	(38,234)	(33,074)
<b>Net cash used in investing activities</b>	<b>(64,938)</b>	<b>(32,826)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Translation adjustment	26,898	21,868
<b>Net cash flow from financing activities</b>	<b>26,898</b>	<b>21,868</b>
<b>NET CHANGE IN CASH</b>	<b>34,086</b>	<b>1,235,356</b>
<b>CASH AND CASH EQUIVALENTS</b>		
At the beginning of the fiscal year	3,101,204	1,865,848
At the end of the fiscal year	3,135,290	3,101,204
<b>NET CHANGE IN CASH</b>	<b>34,086</b>	<b>1,235,356</b>

MEDICINES PATENT POOL FOUNDATION, GENEVA

# STATEMENT OF CHANGES IN CAPITAL

For the period ending 31 December 2019

(Expressed in Swiss francs)

	BEGINNING OF THE PERIOD 01.01.2019	ALLOCATION OF THE FUNDS	USE OF THE FUNDS	ADJUSTMENT	END OF THE PERIOD 31.12.2019
Restricted funds Unitaid	2,898,480	4,998,961	(5,447,310)	-	2,450,131
Cumulative translation adjustment - Unitaid	21,868	26,898			48,766
<b>Sub-total Unitaid</b>					<b>2,498,897</b>
Restricted funds Swiss Agency for	105,522	64,566	(170,088)		-
<b>Sub-total SDC 1 &amp; 2</b>					<b>-</b>
Restricted funds Wellcome Trust Limited	36,230	46,832	(83,062)		-
<b>Sub-total Wellcome Trust</b>					<b>-</b>
Restricted funds Swiss Agency for Cooperaion and Development - SDC 3		464,000	-		464,000
<b>Sub-total SDC 3</b>					<b>464,000</b>
<b>Sub-total Restricted funds</b>	<b>3,062,100</b>	<b>5,601,257</b>	<b>(5,700,460)</b>		<b>2,962,897</b>
	BEGINNING OF THE PERIOD 01.01.2019	EXTERNAL WITH-DRAWAL	INTERNAL FUND TRANSFERS	ALLOCATION TO CAPITAL	END OF THE PERIOD 31.12.2019
<b>INTERNALLY GENERATED FUNDS</b>					
Paid-in capital	50,000	-	-		50,000
Internally generated unrestricted capital	-	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-	-
<b>Capital of the organisation</b>	<b>50,000</b>	<b>-</b>	<b>-</b>		<b>50,000</b>
<b>Total restricted funds and internally generated funds</b>	<b>3,112,100</b>	<b>5,601,257</b>	<b>(5,700,460)</b>	<b>-</b>	<b>3,012,897</b>
<b>Total unrestricted funds and internally generated funds</b>	<b>15,622</b>	<b>12,599</b>	<b>-</b>	<b>-</b>	<b>28,221</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	90,033		(90,033)		-
Restricted funds Swiss Agency for		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>

# NOTES TO THE FINANCIAL STATEMENTS

as of 31 December 2019

(with 31 December 2018 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 2019 for the Indian fiscal year April 2018 - March 2019.

## 2. PRESENTATION OF THE FINANCIAL STATEMENT

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

- The balance sheet;
- The statement of operations;
- The cash flow statement;
- The statement of changes in capital 2018;
- The statement of changes in capital 2019;

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: 0.9671 USD vs CHF source: Credit Suisse

Closing rate: 0.0136 INR vs CHF source: Oanda

### b) Translation of India financial statements

The Indian accounting is maintained in Indian Ruppies. The financial statements are included in the Fondation 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 December 31, 2019 the conversion gains/ losses are included in the restricted fund of Unitaid for an amount of CHF 48'766 (2018 : 21'868).

### 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.



## MEDICINES PATENT POOL FOUNDATION, GENEVA

NOTES TO THE FINANCIAL STATEMENTS  
as of 31 December 2019*(with 31 December 2018 comparative figures)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d) Restricted funds - Unitaid**

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

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

Per MPP's statutes the majority of 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**

In November 2018, MPP and the Federal Department of Foreign Affairs / Swiss Agency for Development Cooperation signed a 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.

At the end of 2019, MPP spent 94% of the grant amount, CHF 234'566 including CHF 17'375 as management fees allocated to the unrestricted funds and CHF 9'566 are recognised as receivables.

In December 2019, MPP and the FDFA/SDC signed a new grant of CHF 1'743'038 for the period 2020-2022.

This new grant is a co-funding along with Unitaid (50%/50%) to finance MPP's expansion activities with co-morbidities.

The first settlement of CHF 464'000 was disbursed in December 2019 and has been recorded in 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.

At the end of 2019, MPP spent 95% of the Grant amount, CHF 99'332. CHF 4'832 have been booked in the receivables.

**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 December 31, 2019, the organisation has a liability due to the pension fund amounting of CHF 85'448 (2018 : CHF 105'535)

**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 Liason office is subject to all local taxes such as VAT.

# NOTES TO THE FINANCIAL STATEMENTS

as of 31 December 2019

(with 31 December 2018 comparative figures)

(Expressed in Swiss francs)

## 4. FIXED ASSETS

	OFFICE EQUIPMENT	IT INFRASTRUCTURE	LEASEHOLD IMPROVEMENT	TOTAL
<b>Net carrying amount 01.01.2019</b>				<b>69,900</b>
<b>Accumulated gross values of cost</b>				
Beginning of the period 01.01.2019	136,393	179,843	7,754	323,990
Additions	18,969	20,082	-	39,051
Change in the actual values	-	-	-	-
Sell equipment	-	(1,707)	-	(1,707)
Reclassifications	-	-	-	-
End of the period 31.12.2019	155,362	198,218	7,754	361,334
<b>Accumulated depreciation</b>				
Beginning of the period 01.01.2019	(101,608)	(149,380)	(3,102)	(254,090)
Systematic depreciation	(12,404)	(18,773)	(1,551)	(32,728)
Impairment				-
Disposal (sell equipment)		890		890
Reclassifications				-
End of the period 31.12.2019	(114,012)	(167,263)	(4,653)	(285,928)
<b>Net carrying amounts 31.12.2019</b>	<b>41,350</b>	<b>30,955</b>	<b>3,101</b>	<b>75,406</b>

## MEDICINES PATENT POOL FOUNDATION, GENEVA

NOTES TO THE FINANCIAL  
STATEMENTS

as of 31 December 2019

*(with 31 December 2018 comparative figures)*

## 4. FIXED ASSETS (CONTINUED)

	OFFICE EQUIPMENT	IT INFRA- STRUCTURE	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	-	0
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 2019

(with 31 December 2018 comparative figures)

(Expressed in Swiss francs)

## 5. NET FINANCIAL RESULT

The financial income and costs are the following:

	2019	2018
Exchange gain/(loss), net	(122,971)	16,690
Translation loss	-	-
Bank interest income	-	-
Others, net	(4,483)	(4,104)
<b>TOTAL</b>	<b>(127,455)</b>	<b>12,586</b>

## 6. PRO-BONO AGREEMENTS

MPP did not receive pro bono legal services this fiscal year ( 0.- CHF in 2018 ).

## 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 2019 on April 28, 2020.

## 8. NUMBER OF EMPLOYEES

The Foundation had an average of 21.83 employees (FTE) in 2019 (20 employees - 2018) including 2.83 employees in India.

## 9. LIABILITIES FROM LEASING CONTRACTS

	2019	2018
Liabilities from leasing agreement up to one year	300,854	258,563
Liabilities from leasing agreement from one year to five years	490,854	457,844

## 10. SUBSEQUENT EVENTS /IMPACT OF COVID 19

The Board of the Medicines Patent Pool Foundation has decided to temporarily expand its mandate to include any health technology that could contribute to the global response to COVID-19 and where licensing could facilitate innovation and access. With the support of Unitaid this will allow MPP to offer its IP and licensing expertise to the World Health Organization to assist the global effort in any way it can.

On an organisation point of view, the IT infrastructure enabled MPP staff to be operating remotely from the 1st day of confinement. 2020 resources being ensured by the current agreement with Unitaid, the 2020 allocation of resources will be revised at the end of the 1st semester.