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Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

23-Jun-2009

English - Or. English

COUNCIL

BC(2009)24
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Budget Committee

FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT AS AT 31 DECEMBER 2008

Summary:

This document presents the Financial Statements for 2008, with the opinion of the External Auditor.

Budget Committee Action:

The Financial Statements are presented to the Budget Committee for information.

English - Or. English

JT03267117

14 May 2009

REPORT OF MANAGEMENT

The Organisation for Economic Co-operation and Development's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Organisation's Financial Rules and Regulations. The management of the Organisation, in this context the three signatories below, is responsible for these statements, as well as for establishing and maintaining adequate internal financial controls.

The Organisation's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements. This system includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) permit preparation of financial statements in accordance with IPSAS; (iii) provide reasonable assurance that receipts and expenditures are being made in accordance with relevant authorisations and in compliance with the Organisation's Financial Rules and Regulations and (iv) provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposition of the Organisation's assets. Because of their inherent limitations, internal controls may not prevent or detect all misstatements.

Matters of internal control and financial reporting are overseen by the Audit Committee. The Committee meets regularly and, among other things, reviews reports by management, the Director of Internal Audit and the External Auditor.

In the opinion of OECD management, these financial statements present fairly the Organisation's financial position at 31 December 2008 and of the results of operations and cash flows for year ended at that date. The statements have been audited by the External Auditor. Its report follows.

P. van Haute

Angel Gurría Secretary-General	Patrick van Haute Executive Director	Anthony Rottier Head Programme, Budget and Financial Management Service

Free translation from the French opinion of the External Auditors

Le Premier président

Paris, 15th of May

To Angel Gurría,
Chairman of the Council of the Organisation for Economic Co-operation and Development

OPINION OF THE EXTERNAL AUDITOR

I have examined the OECD's financial statements for the year ending on 31 December 2008, which comprise the Statement of Financial Position, Statements of Financial Performance, Statement of Cash Flow and Statement of Changes in Net Assets, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the OECD's management. My responsibility is to express an opinion on these financial statements on the basis of my audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that my work be organised and performed so as to obtain reasonable assurance about whether these financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the OECD's management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

It is my opinion that the financial statements give for a true and fair view of the financial position of the OECD as of 31 December 2008 and of the result of its operations and cash flows for the year then ended, and that they have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) or, where no such standards have yet been formulated, International Financial Reporting Standards (IFRSs / IASs).

Philippe Séguin

OECD
Statements of Financial Position as at

	Notes	31 December 2008 €'000	31 December 2007 €'000
ASSETS			
Current assets			
Cash and cash equivalents, unrestricted	5	106,301	109,978
Cash and cash equivalents, restricted	5	81,372	50,597
Inventories	6	726	702
Accounts receivable and prepayments	7	98,976	85,736
Investments	8	-	10,529
Total current assets		**287,375**	**257,542**
Non-current assets			
Financial assets	9	212,486	256,186
Non-current receivables	10	19,961	9,701
Furniture, fixtures and equipment	11	14,323	14,054
Land and buildings	12	420,981	377,337
Intangible assets	13	1,341	1,082
Total non-current assets		**669,092**	**658,360**
TOTAL ASSETS		**956,467**	**915,902**
LIABILITIES			
Current liabilities			
Borrowings	14	6,290	7,900
Payables	15	111,673	101,175
Provisions for liabilities and charges	16	10,353	679
Employee benefits	17	68,951	65,594
Deferred revenue	18	92,553	89,715
Total current liabilities		**289,820**	**265,063**
Non-current liabilities			
Employee benefits	17	1,373,499	1,291,000
Deferred revenue	18	176,497	136,505
Total non-current liabilities		**1,549,996**	**1,427,505**
TOTAL LIABILITIES		**1,839,816**	**1,692,568**
NET ASSETS		**(883,349)**	**(776,666)**
Member countries' contributed interest	19	(1,019,560)	(930,010)
Pension Budget and Reserve Fund reserve (PBRF)	19	213,795	180,242
Other reserves	19	34,327	33,544
Net deficit for the period	19 & 25	(111,911)	(60,442)
TOTAL NET ASSETS		**(883,349)**	**(776,666)**

OECD
Statements of Financial Performance for the year ended

	Notes	31 December 2008 €'000	31 December 2007 €'000
OPERATING REVENUES			
Assessed contributions	20	276,894	255,451
Voluntary contributions	20	79,274	67,177
Pension contributions	17 & 20	79,003	75,285
Sales of publications	20	15,071	14,407
Other	20	13,518	5,224
Total operating revenues		**463,760**	**417,544**
OPERATING EXPENSES			
Personnel	21	236,911	223,790
Pension and post-employment benefits	17 & 21	148,872	159,569
Consulting	21	27,987	22,021
Travel	21	22,767	18,279
Operating	21	79,240	67,020
Other	21	11,554	1,616
Total operating expenses		**527,331**	**492,295**
Deficit from operating activities		**(63,571)**	**(74,751)**
Financial revenue and expense, net	22	(48,340)	14,309
Deficit from ordinary activities		**(111,911)**	**(60,442)**
DEFICIT FOR THE PERIOD	19 & 25	**(111,911)**	**(60,442)**

OECD
Statements of Cash Flow for the year ended

	Notes	31 December 2008 €'000	31 December 2007 €'000
Cash flow from operating activities			
Deficit from ordinary activities		(111,911)	(60,442)
Depreciation, net	11,12 & 13	14,525	12,932
Loss on disposal of fixed assets	11 & 13	2	-
Increase / (decrease) in provisions for liabilities and charges	16	9,674	(757)
Increase in employee benefits - defined benefit programmes	17	90,488	103,349
(Increase) / decrease in receivables	7 & 10	(23,500)	31,843
Increase in inventories	6	(24)	(161)
Decrease in investments	8	10,529	148
Increase in payables	15	10,498	26,471
Increase in deferred revenue	18	42,830	36,243
Net cash flow from operating activities		**43,111**	**149,626**
Cash flow from investing activities			
Purchase of fixed assets	11,12 & 13	(43,681)	(42,323)
Proceeds from sale of fixed assets	11,12 & 13	-	-
Decrease in financial assets - Staff Provident Fund	9	4,632	1,094
Decrease in financial assets - other	9	1,098	1,541
Decrease / (Increase) in financial assets - PBRF	9	37,971	(34,937)
Net cash flow from investing activities		**20**	**(74,625)**
Cash flow from financing activities			
Decrease in liabilities - Staff Provident Fund	17	(4,632)	(1,094)
Proceeds from borrowings	14	13,190	16,500
Repayment of borrowings	14	(14,800)	(18,300)
Credits to member countries and others	19	(9,791)	(5,545)
Net cash flow from financing activities		**(16,033)**	**(8,439)**
Net Increase in cash and cash equivalents		**27,098**	**66,562**
Cash and cash equivalents at beginning of period	5	160,575	94,013
Cash and cash equivalents at end of period	**5**	**187,673**	**160,575**

Income relating to the Site Project contributions is included in cash flow from operating activities. Additions to fixed assets relating to the Site Project are included in cash flow from investing activities.

Cash flows from operating activities are reported using the indirect method, whereby net surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

OECD
Statements of Changes in Net Assets

	Member countries' contributed interest €'000	Accumulated surplus / (deficit) €'000	Reserves €'000	Pension Budget and Reserve Fund €'000	Net surplus / (deficit) for the period €'000	Total €'000
Balance at 31 December 2006	**(810,007)**	**(16,741)**	**31,363**	**138,239**	**(64,637)**	**(721,783)**
Allocation of prior year result	(111,869)	(2,307)	7,536	42,003	64,637	-
Credited to Member countries and other	(1,670)	-	-	-	-	(1,670)
IPSAS & other adjustments	-	1,480	(881)	-	-	599
Reserves transferred to Budget	-	-	(4,474)	-	-	(4,474)
Surplus on revaluation of property	11,104	-	-	-	-	11,104
Net deficit for the period	-	-	-	-	(60,442)	(60,442)
Subtotal	(102,435)	(827)	2,181	42,003	4,195	(54,883)
Balance at 31 December 2007	**(912,442)**	**(17,568)**	**33,544**	**180,242**	**(60,442)**	**(776,666)**
Allocation of prior year result	(102,659)	7,250	1,414	33,553	60,442	-
Credited to Member countries and other	-	(2,743)	-	-	-	(2,743)
IPSAS & other adjustments	-	-	-	-	-	-
Reserves/surpluses transferred to Budget	-	(6,417)	(631)	-	-	(7,048)
Surplus on revaluation of property	15,019	-	-	-	-	15,019
Net deficit for the period	-	-	-	-	(111,911)	(111,911)
Subtotal	(87,640)	(1,910)	783	33,553	(51,469)	(106,683)
Balance at 31 December 2008	**(1,000,082)**	**(19,478)**	**34,327**	**213,795**	**(111,911)**	**(883,349)**

Member countries' contributed interest includes the pension and post-employment health coverage liability, and the surplus on fixed assets, as detailed in Note 19.

The Pension Budget and Reserve Fund is the value of the fund's net assets at the prior year end. The result of the fund for the current period is included in the net deficit for the period and is shown in Note 23.

Surpluses on the revaluation of property are credited directly to net assets, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General information

The "Organisation for Economic Co-operation and Development" (the "Organisation") was founded in 1961, replacing the Organisation for European Economic Co-operation, which had been established in 1948 in conjunction with the Marshall Plan. The Organisation groups 30 member countries in an organisation that, most importantly, provides governments with a setting in which to discuss and develop economic and social policy, in line with the mission and role set forth in the Organisation's Convention:

- Achieve the highest sustainable growth and a rising standard of living in member countries, while maintaining financial stability,
- Contribute to sound economic expansion, in member as well as non-member countries in the process of economic development,
- Contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The Organisation is governed by a Council composed of representatives of all the member countries. The Council appoints a Secretary-General for a term of five years.

The Organisation is based in Paris, France, with representation offices in Washington (DC), Mexico, Berlin and Tokyo.

The Organisation enjoys privileges and immunities, notably that of being exempt from paying most forms of taxation.

The Organisation is funded primarily by assessed and voluntary contributions from its member countries, within the framework of a biennial Programme of Work and annual Budget.

The Budget is the act whereby Council accords the necessary commitment authorisation and makes the necessary appropriations for the functioning of the Organisation and the carrying out of its activities. It determines the amount of contributions to be paid by members after taking into account other resources of the Organisation. The Organisation's member countries fund the Budget for Part I programmes, accounting for about 80% of the consolidated Budget. Their contributions are based on a scale of contributions proportional to the relative size of their economies, with a cap of 24.975%. Part II Budgets include programmes of interest to a limited number of members or relating to special sectors of activity not covered by Part I. Part II programmes are funded according to a scale of contributions or other agreements among the participating countries. Annex Budgets are established for certain specific activities such as the Pension Schemes, Site Project and Publications.

The approval of the Budget by Council empowers the Secretary-General, subject to any special conditions established by Council:

- to commit and authorise expenditures and to make all payments to be borne by the Organisation, for the purposes assigned and within the limits of the appropriations and the commitment authority, as the case may be;

- to receive the income entered in the Budget, together with any other resources accruing to the Organisation in respect of its activities.

Over 70 non-member countries and international organisations also participate to various degrees in the Organisation's programme of work. Non-member countries involvement in the Organisation includes participation in Part I committees, full participation in Part II programmes and as observers in various Organisation subsidiary bodies.

In November 2007 Council adopted the roadmaps for the accession of Chile, Estonia, Israel, Russia and Slovenia to the OECD Convention. Accession negotiations will take place individually between the candidate countries and the OECD Committees that handle substantive aspects of the Organisations' work. Once the OECD Committees are satisfied that a candidate country fulfils their requirements for membership, a final decision on whether to issue an invitation for membership will be taken by Council. The Organisation also offered enhanced engagement, with a view to possible membership, to Brazil, China, India, Indonesia and South Africa.

Note 2: Adoption of new and revised Standards

In the current year the Organisation has elected to adopt IPSAS 25 Employee Benefits in advance of its effective date of annual financial statements covering periods beginning on or after January 1 2011. As IPSAS 25 which is based on IAS 19, "Employee Benefits" and was already adopted by the Organisation, the adoption of this standards has not led to any changes in the Organisation's accounting policies and no changes were required to prior period reported numbers.

Note 3: Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

When the IPSASB does not include any specific standard, IFRSs and IASs are applied.

The financial statements have been prepared on a going-concern basis and the accounting policies have been applied consistently throughout the period. They have also been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

The principal accounting policies adopted are set out below.

Foreign currencies

All assessed contributions are payable in euros. Voluntary contributions are accepted in euros and other currencies. Assets and liabilities that are denominated in foreign currencies are retranslated into euros at the exchange rate prevailing on the date of the Statement of Financial Position.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Both realised and unrealised gains and losses resulting from the settlement of such transactions and from the retranslation at the reporting date of assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Hedge accounting

The Organisation may enter into a cash flow hedge in respect of its future forecasted revenues in currencies other than the euro. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction and that will affect reported net income.

Intangible assets

Computer software development costs recognised as assets are amortised using the straight-line method over their useful life not exceeding a period of three years.

Generally, costs associated with developing or maintaining computer software programmes are recognised as expenses when incurred. However, expenditures that enhance or extend the performance of computer software programmes beyond their original specifications are recognised as a capital improvement and added to the original cost of the software.

Tangible assets

Property, furniture, fixtures and equipment

Land and buildings are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the fixed assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Statement of Financial Performance to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. Due to the significantly different useful lives of the individual parts of property the costs have been allocated into components; structure of buildings, roofing and windows, fixtures and fittings that are depreciated over different periods as shown below. The useful life of the component structure of buildings is adjusted to reflect significant renovation work that extends the estimated useful life of the asset. The useful life of all other components of buildings are reviewed periodically and adjusted if necessary.

Freehold land is not depreciated.

Furniture, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction/renovation, over their estimated useful lives, using the straight-line method on the following basis:

- Structure of buildings: 50 years
- Roofing and windows: 33 years
- Fixtures and fittings: 5-15 years
- Other fixed assets: 3-10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Impairment of tangible and intangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the Statement of Financial Performance in the year concerned

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution. Due to the short to medium term focus of publications a provision for depreciation is made for all of those issued prior to 2006, as well as more recent issues with inventory on hand in excess of one year’s sales volume. A provision for depreciation is made for supplies held in inventory for more than one year and in excess of one year’s consumption.

Receivables

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

No allowance for loss is recorded with respect to receivables related to member countries’ assessed contributions, except for exceptional and agreed technical reasons.

For all other receivables, an allowance for loss is established based on a review of outstanding amounts at the reporting date.

Investments and other financial assets

Investments and financial assets reported in the Statement of Financial Position consist mainly of investments held on behalf of the participants of the Staff Provident Fund, and of contributions by member countries to the Pension Budget and Reserve Fund. These financial assets consist of shares in investment funds and in bank deposits. The investment funds may be invested in bonds, equity and derivative financial instruments based on risk and performance objectives.

The assets of the Pension Budget and Reserve Fund are recorded at fair value through the Statement of Financial Performance, whereas those of the Staff Provident Fund are not reported through the Statement of Financial Performance since the investment results accrues to the participants. Both Funds are included in non-current assets reflecting the long-term investment strategy. At the end of each reporting period a valuation is made of the investments held by the Funds. The value is made by reference to official prices quoted on the day of valuation, excluding accrued interest from the date of the last interest payment in the case of bonds and fixed interest securities, or from contract valuations obtained from the fund manager in respect of unquoted investments. The difference between the fair market value and the book cost is recorded as unrealised portfolio gain or loss.

For purchases of investments, the book cost of each investment is calculated on the basis of the purchase price, excluding any interest accrued to the date of purchase or expenses incurred in connection with the purchase. If securities of the same issue are bought at different prices, then an average purchase price is calculated for each unit of security.

For sales or redemption of investments, the proceeds on the capital account are calculated on the basis of the sale price or amount repaid and excludes any interest accrued to the date of sale as well as all expenses incurred in connection with the sale.

For the purposes of determining the capital gains or losses on sale or redemption of investments, the sale proceeds on capital account, as determined above, is compared with the capital cost of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, time deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial risks

The Organisation has developed risk management policies in accordance with its Financial Rules and Regulations. The Organisation is exposed to a variety of financial risks, including market risk (foreign currency exchange and price), liquidity and credit risks. The Organisation does not use significant derivative financial instruments to hedge risk exposures.

a) Foreign currency exchange risk

The Organisation receives voluntary contributions in currencies other than the euro and is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates.

Outside the euro zone, the Organisation has representation offices in the USA, Japan and Mexico with limited assets. Operating expenses paid in local currencies are generally offset by publication sale receipts in the same currency.

b) Price risk

The Organisation is exposed to equity securities price risk related to investments in its pension funds.

c) Liquidity risk

The Organisation may negotiate and use uncommitted bank credit facilities in the event of liquidity requirements.

d) Credit risk

The Organisation has no significant credit risk since contributors are generally highly credit-worthy.

Provisions

Provisions are recognised when the Organisation has a present obligation as a result of a past event, and it is probable that the Organisation will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the date of the Statement of Financial Position.

Employee benefits

In addition to a defined contribution retirement savings plan (i.e. the Staff Provident Fund which is closed to new entrants as from 1974), the Organisation operates a number of defined benefit contribution programmes, including: a pension plan, post-employment health coverage, and long service benefits.

The Joint Pension Administration Section (JPAS), (a Section that administrates the pension schemes for 6 co-ordinated organisations, of which the OECD is one), acting as the Organisation's actuary, performs valuations of the defined benefit obligations and the related expense, which is recognised annually. The latest actuarial valuations were carried out as at 31 December 2008 using the Projected Unit Credit Method.

The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The Organisation's pension benefit obligations are partially funded by separately held assets. The assets of the Pension Budget and Reserve Fund and the assets of the Staff Provident Fund are held separately from all the other assets of the Organisation. The Funds' assets may be used only to pay benefits and the Funds' expenses.

Revenue recognition

Assessed and voluntary contributions are recorded when these resources are approved.

Revenue from voluntary contributions is recognised up to the amount expensed in the period. The balance of unspent voluntary contributions and other revenues that relate to future periods are deferred accordingly.

Revenues from sales of publications are recognised upon shipment and revenues from sales of access to OECD statistics and electronic data are recognised upon delivery of access to the data.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Other revenues, including costs reimbursed by third parties, are recognised when they are acquired, either contractually, or in the absence of a contract, upon receipt.

Leasing

The Organisation does not have any finance leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Note 4: Accounting judgements and estimates

In the application of the Organisation's accounting policies, which are described in note 3, the management are required to make judgements, estimates and a ssumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the estimate affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates include, but are not limited to: fair value of land and buildings, defined benefit pension and other post-employment benefits obligations, amounts for litigations, valuation of publications sales returns, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets.

Note 5: Cash and cash equivalents

	31 December 2008 €'000	31 December 2007 €'000
Cash on hand	5	4
Deposits with banks unrestricted - euros	102,838	105,364
Deposits with banks unrestricted - other currencies	3,458	4,610
Total unrestricted cash	**106,301**	**109,978**
Deposits with banks restricted	54,529	44,946
Deposits with banks and cash equivalent - PBRF	26,843	5,651
Total restricted cash	**81,372**	**50,597**
Total cash and cash equivalents	**187,673**	**160,575**

Cash deposits are generally held in instant access interest-bearing bank accounts and short-term time deposits. Interest-bearing bank accounts yielded interest at an average rate of 3.5% (2007: 3.9%).

Certain cash deposits are restricted for specific uses:

- Funds received from member countries specifically earmarked for the Site Project (see Notes 12 and 26);

- In January 2008 the Organisation transferred its medical plan investment of 10.5 M€ from a deposit with its insurance company to short term bank deposits and it is now included in “Deposits with banks restricted”. It is restricted to cover the cost of the claims administration and the risk of variation in costs associated with the health insurance contract for the Organisation’s staff and retirees. The balance of this deposit at 31 December 2008 was 10.4 M€;

- The PBRF assets, including cash deposits, are restricted to the payment of pension benefits and Fund administration expenses as defined by the Fund Statutes. The increase in cash deposits, which are held in interest-bearing bank accounts, term deposits or certificates of deposit, is due mainly to the decision not to invest new contributions pending the implementation of the new investment strategy.

The Organisation has no confirmed credit lines but does maintain limited and informal overdraft arrangements with its relationship banks. These arrangements may be withdrawn by the banks at any time. No borrowing was done on overdraft facilities in 2008 or in 2007.

Note 6: Inventories

	31 December 2008 €'000	31 December 2007 €'000
Finished publications	2,747	2,384
Supplies	218	273
Diplomatic reserve	19	19
Gross inventories	**2,984**	**2,676**
Provision for depreciation of inventories	(2,258)	(1,974)
Net inventories	**726**	**702**

Finished publications include publications held for sale and publications issued free of charge.

Supplies include printing papers for publications stocked at the Organisation and on consignment at a supplier's warehouse.

The provision for depreciation of inventories represents the write down of inventories of finished publications and supplies to net realisable value.

Note 7: Accounts receivable and prepayments

	31 December 2008 €'000	31 December 2007 €'000
Assessed contributions - member countries	32,795	35,730
Assessed contributions - non-member economies participating in Part II programmes	550	398
Provision for uncollected assessed contributions - non-member economies participating in Part II programmes	(122)	(359)
Voluntary contributions	43,149	33,424
Provision for uncollected voluntary contributions	(73)	(45)
Prepayments and other receivables	23,028	17,423
Provision for uncollected other receivables	(469)	(976)
Publications	218	222
Provision for uncollected publications	(100)	(81)
Total accounts receivable and prepayments	**98,976**	**85,736**

Assessed and voluntary contributions receivable represent uncollected revenues committed to the Organisation by member countries, non-member economies and donors for completion of the Programme of Work.

The increase in voluntary contributions receivable at 31 December 2008 compared to 31 December 2007 is due mainly to the significant increase in voluntary contributions offered to the organisation in the 4th Quarter 2008. These amounted to 50.1 M€ in the 4th Quarter 2008 compared to 28.9 M€ in the 4th Quarter 2007.

Prepayments and other receivables are mainly in respect of advance payments made to suppliers, principally related to the Site project, 5.5 M€ (2007: 3.0 M€), reimbursable taxes 8.3 M€ (2007: 7.2 M€), receivables from the accession countries and from member countries for various services rendered, including office rental and staff costs.

The non-current part of voluntary contributions covering future periods is reported in non-current receivables (see Note 10).

Note 8: Investments

	31 December 2008 €'000	31 December 2007 €'000
Deposit	-	**10,529**

The investment corresponding to the funding of the Medical Plan reserve was transferred by the Organisation in January 2008 from a placement with an insurance company to short-term bank deposits (see Note 19). It is restricted to cover the cost of the claims administration and the risk of variation in costs associated with the health insurance contract for the Organisation's staff and retirees. The movement in the deposit, which amounted to 10 389 K€ at 31 December 2008, results from the difference in medical contributions and medical costs, claim administration cost and interest earned on the deposit at an estimated rate of 4.5% (2007: 3.9%).

Note 9: Financial assets – non-current

	Notes	31 December 2008 €'000	31 December 2007 €'000
Loans to staff	a	6,643	7,862
Deposits on office leases	b	1,640	1,518
Staff Provident Fund	c & e	38,245	42,877
Pension Budget and Reserve Fund	d & e	165,958	203,929
Total financial assets - non-current		**212,486**	**256,186**

a) Loans to staff are financed by a short-term bank borrowing of 6.6 M€ (2007: 7.9 M€). The interest rate charged to staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, plus a margin towards funding loan administration expenses. Collections are assured through payroll withholding and staff separation payments.

b) Deposits on office leases are guarantee deposits made by the Organisation as collateral related to the fulfilment of the Organisation's obligations under operating lease agreements.

c) The Staff Provident Fund is a defined contribution retirement savings plan. In accordance with the Fund's rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated employees and retirees. The Fund collects contributions from the affiliated employees of 7% and from the Organisation of 14% of salaries, manages its assets and pays entitlements to its participants. The assets and liabilities of the Fund are reported globally in the Statement of Financial Position. Revenues and charges are not reported in the Statement of Financial Performance since they accrue to the participants. The Fund was closed to new entrants in 1974 when participants were given the choice of remaining in the Fund or transferring their pension rights into the Organisation's newly created defined benefit pension plan.

   In October 2008 Council approved that participants of the Staff Provident that met certain criteria could withdraw their benefits in that Fund and transfer their pension rights in the Organisation's New Pension Scheme (NPS) on an actuarial basis. Should all those eligible decide to take up the option proposed, the total amount of capital that would be transferred would be approximately 14 M€. At 31 December 2008 3 participants had transferred their rights and a further 8 transferred their rights as at 1 January 2009. The option to join the NPS, which is irrevocable, and the corresponding transfer of rights will be open for six months from the date of notification sent to participants during the 4th Quarter 2008.

   The Staff Provident Fund participants at 31 December include 30 serving staff (2007: 46) and 256 retired staff (2007: 271). In 2006 the administration of the fund was transferred to the JPAS.

   An investment fund included in the monetary fund's category was suspended from trading during 2007. A partial distribution equivalent to approximately 50% of the investment was made in 2007. The investment was liquidated in 2008 and the proceeds have been reinvested in a newly created long-term fund, that includes the underlying investments in the prior fund, and which will be held to maturity for a further 5 years, during which period the investment cannot be sold. The investment was valued at the period end at cost of 214 K€. The amount that will be finally realised from this investment is uncertain.

Changes in the Staff Provident Fund investments during the period were as follows:

	31 December 2007 €'000	Additions €'000	Disposals / adjustments €'000	Unrealised losses at reporting date €'000	31 December 2008 €'000
Gross investment					
Capitalisation contract	39,514	1,729	(6,942)	-	34,301
Monetary funds	2,256	214	(2,256)	-	214
Cash in portfolio	1,082	-	(860)	-	222
Total gross investment	**42,852**	**1,943**	**(10,058)**	**-**	**34,737**
Other Assets	25	3,508	(25)	-	3,508
Total Staff Provident Fund	**42,877**	**5,451**	**(10,083)**	**-**	**38,245**

d) In 2000, the Organisation created the Pension Budget and Reserve Fund to "smooth out member countries' contributions over time, provide financial stability to the Organisation's programme of work, introduce investment income as a complement to staff and member country contributions, and, with regard to future service, meet the concerns which have arisen about the distribution of the financial burden of pensions related to past service." In 2005 Council carried out a thorough review of the Fund and agreed to continue a long-term financing structure in order to progressively increase the percentage of pension liabilities which are funded.

Changes in the Pension Budget and Reserve Fund investments during the period were as follows:

	31 December 2007 €'000	Additions €'000	Disposals / adjustments €'000	Unrealised losses at reporting date €'000	31 December 2008 €'000
Gross investment					
Fixed income investment funds	78,484	5,422	(5,200)	-	78,706
Equity investment funds	91,899	15,623	-	-	107,522
Total gross investment	**170,383**	**21,045**	**(5,200)**	**-**	**186,228**
Adjustment to fair value					
Fixed income investment funds	1,009	-	(1,009)	7,892	7,892
Equity investment funds	32,537	-	(32,537)	(28,162)	(28,162)
Total adjustment to fair value	**33,546**	**-**	**(33,546)**	**(20,270)**	**(20,270)**
Net value	**203,929**	**21,045**	**(38,746)**	**(20,270)**	**165,958**

The Pension Budget and Reserve Fund is restricted to pay the pension benefits of staff and is managed according to its statutes. The investment objectives for the Fund recognise the long-term nature and the type of liabilities under the Pension Plan. The Fund invests approximately 60% of its long-term assets in equity funds with the remaining balance in fixed income funds. This long-term strategic position is designed to maximise total return subject to controls over credit and liquidity risk and reduce volatility. However, in the last part of the year, in conformity with the proposal – endorsed by the PBRF Management Board and reported to the Budget Committee and Council – not to invest new contributions and not to rebalance the portfolio pending the implementation of the new investment strategy – and reflecting the critical market environment (falling equity prices and higher government bond prices) deviations from the neutral 60% equity and 40% fixed income strategic asset allocation showed large fluctuations. At 31 December 2008, the Fund was invested at 48.5% in the euro area government bonds, 44.5% in the euro area equities and 7% in fixed-term deposits. Due to the equity component of the portfolio the investments follow, nevertheless, short term fluctuations in financial markets. The performance for the year to 31 December 2008 has been a negative return of 24.8%. The equity fund reported a negative return of 44.5%, whereas the bond fund was positive by 8.8%. Unrealised gains and losses on Investments are recognised in the Statement of Financial Performance. The revenue and expenses of the Fund are presented in Note 23: Segment information – Statement of Financial Performance.

e) The Staff Provident Fund and the Pension Budget and Reserve Fund are exposed to the financial risks of changes in foreign currency exchange rates, in interest rates and in market price related to investments. Securities held by the two funds are denominated mainly in euros to minimise foreign currency exchange risk. To cover the specific short-term liability for current year pension benefit payments, a portion of the Funds' assets are held in bank deposits.

Note 10: Non-current receivables

	31 December 2008 €'000	31 December 2007 €'000
Voluntary contributions	19,961	9,701
Total non-current receivables	**19,961**	**9,701**

Non-current voluntary contributions are due more than 12 months after the period end date in accordance with the terms of the offers. The increase in non-current receivables is mainly due to the increase in multi-year voluntary contributions for the Programme of Work in the 2009-2010 biennium.

Note 11: Furniture, fixtures and equipment

Changes in furniture, fixtures and equipment for the period were as follows:

	31 December 2007 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	31 December 2008 €'000
Cost of furniture, fixtures and equipment					
La Défense (Tour Europe) furniture and fixtures	15,711	-	-	-	15,711
Other furniture, fixtures and equipment	29,522	6,649	(846)	673	35,998
Fixed assets in progress	194	684	-	(673)	205
Total cost of furniture, fixtures and equipment	**45,427**	**7,333**	**(846)**	**-**	**51,914**
Depreciation					
La Défense (Tour Europe) furniture and fixtures	(12,178)	(2,731)	-	-	(14,909)
Other furniture, fixtures and equipment	(19,195)	(4,332)	845	-	(22,682)
Total depreciation	**(31,373)**	**(7,063)**	**845**	**-**	**(37,591)**
Net furniture, fixtures and equipment					
La Défense (Tour Europe) furniture and fixtures	3,533	(2,731)	-	-	802
Other furniture, fixtures and equipment	10,327	2,317	(1)	673	13,316
Fixed assets in progress	194	684	-	(673)	205
Total net furniture, fixtures and equipment	**14,054**	**270**	**(1)**	**-**	**14,323**

The investment in La Défense (Tour Europe) furniture and fixtures is related to the relocation of personnel due to the Site Project. Details of the operating lease commitment are shown in Note 26.

The major acquisitions during the year are related to the fitting out of the Marshall Building (previously named New Building). During the 4th Quarter 2008 the renovation work was accepted from the contractor and the redeployment of staff back to the building, mainly from Tour Europe, commenced.

Note 12: Land and buildings

The Organisation's land and buildings are comprised principally of its headquarters at La Muette, Paris.

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	31 December 2007 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	Revaluation €'000	31 December 2008 €'000
At cost/revaluation						
Land	78,260	-	-	-	2,300	80,560
Buildings	279,130	1,131	-	54,119	9,052	343,432
Buildings in progress	19,947	34,239	-	(54,119)	-	67
Total land and buildings	**377,337**	**35,370**	**-**	**-**	**11,352**	**424,059**
Depreciation						
Buildings	-	(6,745)	-	-	3,667	(3,078)
Total depreciation	**-**	**(6,745)**	**-**	**-**	**3,667**	**(3,078)**
Net land and buildings						
Land	78,260	-	-	-	2,300	80,560
Buildings	279,130	(5,614)	-	54,119	12,719	340,354
Buildings in progress	19,947	34,239	-	(54,119)	-	67
Total net land and buildings	**377,337**	**28,625**	**-**	**-**	**15,019**	**420,981**

In January 2000 Council decided to renovate the La Muette headquarters buildings: the current Site Project. This includes:

- Renovation and upgrading of the Chateau to modern norms;
- Asbestos removal and renovation of the New Building and Pascal wing (now renamed Marshall Building), without modification of the structure;
- Construction of a new Conference centre.

The Site Project is financed by contributions from member countries.

During the construction and renovation period a number of staff were temporarily relocated to rented premises, the majority of them to Tour Europe in La Défense. As indicated above notice has been served on the lease of Tour Europe and the redeployment of staff back to the Marshall Building and other office accommodation commenced during the 4th Quarter 2008.

The total cost of the Site Project is reported in Note 26B, Capital commitments. Construction/renovation costs are accumulated under "Buildings in progress" for each building until the construction/renovation is completed and duly accepted by the Organisation at which time the costs are transferred to "Buildings".

The Site Project was due for completion by the end of 2008 and all major construction and renovation work has been completed. The Chateau was operational again in the 1st Quarter 2006, the construction of the Conference Centre, including staff restaurant facilities, was completed during the 4th Quarter 2007 and the renovation of the Marshall building was completed during the 4th Quarter 2008.

Due to the difficulty to establish a market value for the specialised Conference Centre, including staff restaurant facilities, the fair value was estimated by management using the depreciated replacement cost of the asset. In this context its depreciated cost as at 31 December 2008 of 52.4 M€ (2007: 54.8 M€) is considered by management as representative of its depreciated replacement cost.

The cost of the works contracted and completed at the reporting date for the renovation of the Marshall Building is reported as “Buildings” at 31 December 2008. At 31 December 2007 they were reported as “Buildings in progress”.

Revaluation

Land and buildings that are carried at fair value have been revalued on the basis of their fair market value at 31 December 2008.

The cumulative effect of these revaluations has been recognised as follows:

	Revaluation variances	
	Recognised in the Statement of Financial Performance €'000	Recognised in the Statement of Financial Position €'000
Balance 31 December 2006		
Revaluation increase on land	-	2,469
Revaluation increase on buildings	-	140,836
2007		
Revaluation increase on land	-	1,780
Revaluation increase on buildings	-	9,324
2008		
Revaluation increase on land	-	2,300
Revaluation increase on buildings	-	12,719
Net accumulated revaluation variances at 31 December 2008	**-**	**169,428**

A revaluation increase is normally recognised in reserves in the Statement of Financial Position. However, to the extent that it reverses a revaluation decrease previously recognised as an expense, a revaluation increase is recognised as income in the Statement of Financial Performance.

Note 13: Intangible assets

Intangible assets consist of purchased software.

	31 December 2007 €'000	Acquisitions / Depreciation €'000	Disposals €'000	31 December 2008 €'000
Cost	5,707	978	(15)	6,670
Depreciation	(4,625)	(718)	14	(5,329)
Total net intangible assets	**1,082**	**260**	**(1)**	**1,341**

Note 14: Borrowings

	31 December 2008 €'000	31 December 2007 €'000
Relating to Staff loan programme (see Note 9)	**6,290**	**7,900**

Note 15: Payables

	31 December 2008 €'000	31 December 2007 €'000
Suppliers and accrued charges	47,269	41,332
Payables to staff and welfare institutions	28,774	22,280
Advances on assessed and voluntary contributions	15,209	14,210
Other payables	20,421	23,353
Total payables	**111,673**	**101,175**

Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Accrued charges amount to 13.0 M€ at 31 December 2008 (2007: 22.1 M€). The change in payables to suppliers from 2008 over 2007 is due mainly to the advancement of the Site Project. A total amount of 14.3 M€ (2007: 5.3 M€) has been retained from various contractors as guarantees against the Site Project work.

Payables to staff primarily represent accrued vacation and other compensated absences and other payments due to staff. Payables to welfare institutions are current contributions, the most significant of which is in respect of the health insurance contract.

Other payables consist of budget surpluses, amounting to 2.7 M€ (2007: 5.2 M€), and advance payments for special projects. The budget surpluses are credited to an account attributable to each member country after they are approved by Council and are then available for any use that the individual member country may decide. All surpluses until end 2007 have been approved by Council.

Note 16: Provisions for liabilities and charges

	31 December 2008 €'000	31 December 2007 €'000
Total provisions for liabilities and charges	**10,353**	**679**

Provisions for liabilities and charges include the provision for early cancellation of contracts in respect of offices and parking facilities due to the timely completion of the Site Project, provisions for risks representing the evaluation at the closing date of payments to be made in respect of various litigations to which the Organisation is party and the cost of publication sale returns from distributors.

Note 17: Employee benefits

Employee benefits represent the estimated actuarial liability of defined benefit programmes for pensions, post-employment health coverage and long service benefits.

The Organisation operates defined employee benefit plans that include a pension plan coordinated with five other international Organisations, a revised pension plan for employees hired after 1 January 2002, post-employment health coverage and a long service benefit plan applying to a closed group of employees.

The long service benefit plan was closed to new entrants in 1993 and at 31 December 2008 had 614 eligible employees (2007: 665).

Staff Provident Fund represents the offsetting liability of the Fund's assets described in Note 9.

The Organisation offers to eligible former officials the same health coverage that is provided to the active staff through three different contribution schemes.

	31 December 2008 €'000	31 December 2007 €'000
Employee benefits current	**68,951**	**65,594**
Employee benefits non-current	1,335,254	1,248,123
Staff Provident Fund	38,245	42,877
Total employee benefits non-current	**1,373,499**	**1,291,000**
Total employee benefits	**1,442,450**	**1,356,594**
Defined contribution programme		
Staff Provident Fund	**38,245**	**42,877**
Defined benefit programmes		
Defined benefit programmes - current	68,951	65,594
Defined benefit programmes - non-current	1,335,254	1,248,123
Total defined benefits programmes	**1,404,205**	**1,313,717**

In 2008 the Organisation reviewed its main financial actuarial assumptions: discount rates, future salary and benefit levels and future medical costs. All demographic assumptions are reviewed at least every five years and the last review was in 2008.

The Organisation performs annually both a long term projection and an actuarial valuation of the various defined benefit schemes in force at the reporting date to measure its employment benefits obligation.

The following tables set out the changes in the accumulated benefits obligation and the amounts recognised in the Statements of Financial Position and the evolution of actuarial assumptions:

	31 December 2008			31 December 2007		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The amounts recognised in the balance sheet are as follows :						
Employee future benefits obligation	(1,602,748)	(290,077)	**(1,892,825)**	(1,388,617)	(247,499)	**(1,636,116)**
Unrecognised actuarial (gains) / losses	437,149	51,471	**488,620**	294,704	27,695	**322,399**
Liability recognised in Statement of Financial Position	(1,165,599)	(238,606)	**(1,404,205)**	(1,093,913)	(219,804)	**(1,313,717)**

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payments required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate used is based on market yields, at the reporting date, on euro denominated French government bonds that have terms to maturity approximating to the terms of the related benefit liabilities.

The decrease in the discount rate at 31 December 2007 and 31 December 2008 for pension benefits, from 4.70% to 3.90%, and post-employment health coverage, from 4.60% to 3.90%, is the main reason for the increase in the 31 December 2008 employee future benefits obligation of approximately 214 M€ and 43 M€ respectively over 2007.

	31 December 2008			31 December 2007		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	294,704	27,695	**322,399**	418,698	57,115	**475,813**
Actuarial (gains) /losses for the year	158,029	24,071	**182,100**	(96,431)	(26,264)	**(122,695)**
Losses recognised in the year	(15,584)	(295)	**(15,879)**	(27,563)	(3,156)	**(30,719)**
Unrecognised actuarial losses at end of December	437,149	51,471	**488,620**	294,704	27,695	**322,399**
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	294,704	27,695	**322,399**	418,698	57,115	**475,813**
Limit of the corridor, 10% of the defined benefits obligation at the beginning of the year	(138,862)	(24,750)	**(163,612)**	(143,065)	(25,553)	**(168,618)**
Actuarial losses to be amortised over the expected average remaining working lives of the employees participating in the plan	155,842	2,945	**158,787**	275,633	31,562	**307,195**
Expected average remaining working lives of the employees participating in the plan	10	10		10	10	
Actuarial losses recognised 12 months to 31 December	15,584	295	**15,879**	27,563	3,156	**30,719**

Actuarial gains or losses arise when the actuarial assessment differs from the long term expectation on the obligations: they result from experience adjustment (difference between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are recognised in the Statement of Financial Performance to the extent that they exceed 10% of the greater of the fair value of the plan assets or the present value of the gross defined benefit obligations in the scheme at the beginning of the period. Actuarial gains and losses exceeding 10% are amortised over the expected average remaining working lives of the employees participating in the scheme, 10 years in 2008 (2007: 10 years).

The amounts recognised in the Statements of Financial Performance are as follows:

	31 December 2008			31 December 2007		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Member country PBRF contributions	47,052	-	47,052	46,290	-	46,290
Employer contributions	24,852	-	24,852	23,913	-	23,913
Other contributions (tax reimbursements, employee payments)	7,099	-	7,099	5,082	-	5,082
Pension and other contributions for the 12 months to 31 December	**79,003**	**-**	**79,003**	**75,285**	**-**	**75,285**
Current service cost	55,920	11,097	67,017	58,785	11,792	70,577
Interest cost	63,786	11,297	75,083	57,390	10,422	67,812
Actuarial losses recognised in the year	15,584	295	15,879	27,563	3,156	30,719
Employee contributions from salary	(13,913)	-	(13,913)	(13,182)	-	(13,182)
Other expenses (tax reimbursements, post employment health costs)	4,535	271	4,806	3,339	304	3,643
Pensions and other expenses for the 12 months to 31 December	**125,912**	**22,960**	**148,872**	**133,895**	**25,674**	**159,569**

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during the period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement.

Changes in the present value of the employee future benefits obligation are as follows:

	31 December 2008			31 December 2007		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Opening employee future benefits obligation	(1,388,617)	(247,499)	**(1,636,116)**	(1,430,655)	(255,527)	**(1,686,182)**
Expense for the period:						
Current service cost	(55,920)	(11,097)	**(67,017)**	(58,785)	(11,792)	**(70,577)**
Interest cost	(63,786)	(11,297)	**(75,083)**	(57,390)	(10,422)	**(67,812)**
Benefits paid	63,604	3,887	**67,491**	61,782	3,978	**65,760**
Net actuarial gains / (losses) for the period	(158,029)	(24,071)	**(182,100)**	96,431	26,264	**122,695**
Employee future benefits obligation at end of December	**(1,602,748)**	**(290,077)**	**(1,892,825)**	**(1,388,617)**	**(247,499)**	**(1,636,116)**

Principal actuarial assumptions at 31 December (expressed as weighted averages) were:

	2008		2007	
	Pension benefits	Post-employment health coverage	Pension benefits	Post-employment health coverage
Discount rate	3.90%	3.90%	4.70%	4.60%
Future salary increase	2.10%		2.20%	
Future Pension Scheme increase	2.20%		2.20%	
Future New Pension Scheme increase	1.75%		1.80%	
Future health cost increase		3.75%		3.80%

Assumed healthcare cost trends have a significant effect on the amounts recognised in the Statement of Financial Performance. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase €'000	One percentage point decrease €'000
Effect on the aggregate of the service cost and interest cost	7,379	(5,358)
Effect on defined benefit obligation	74,922	(57,308)

The five-year history of experience adjustments is as follows:

	31 December 2008 €'000	31 December 2007 €'000	31 December 2006 €'000	31 December 2005 €'000	31 December 2004 €'000
Present value of defined benefit obligations	1,602,748	1,388,617	1,430,655	1,494,810	1,222,291
Net value of assets in PBRF fund	186,175	213,795	180,242	134,767	99,797
Experience adjustments on scheme liabilities					
Percentage of scheme liabilities %	(4.4)	(2.9)	0.1	1.0	3.2

The Organisation expects to contribute approximately 75 M€ to its retirement benefit plans in 2009.

Note 18: Deferred revenue

	Current		Non-current	
	31 December 2008 €'000	31 December 2007 €'000	31 December 2008 €'000	31 December 2007 €'000
Site	4,509	24,934	113,791	87,855
Voluntary contributions	61,416	50,854	62,386	48,320
Publications	5,167	5,125	220	330
Other operations, Part I, Part II and Annex budgets	21,461	8,802	100	-
Total deferred revenue	**92,553**	**89,715**	**176,497**	**136,505**

In 2007 deferred revenue was included in current liabilities as “Accounts payable and deferred income”. Due to the significant value of deferred revenue this is now reported as a separate line item and reclassified between current and non-current. Prior-year numbers have been restated for comparative purposes.

Deferred revenue corresponds to revenue recorded but for which the corresponding charges will be incurred after the reporting date. Non-current deferred revenue is in respect of activities more than 12 months after the reporting date.

Note 19: Member countries’ contributed interest and reserves

	31 December 2007 €'000	IPSAS adjustments carried forward €'000	Previous year results added to reserves €'000	Budgetary surpluses to be allocated €'000	Transfers / revaluations and current year deficiit €'000	Net reserves and budget surpluses added to future budgets €'000	Budget surpluses to be returned to member countries and other donors €'000	31 December 2008 €'000
Pension benefits	(1,011,957)	-	(81,957)	-	-	-	-	(1,093,914)
Post employment health coverage	(198,412)	-	(21,392)	-	-	-	-	(219,804)
Asbestos removal	(690)	-	690	-	-	-	-	-
Fixed assets	298,617	-	-	-	15,019	-	-	313,636
Accumulated surplus / (deficit)	(17,568)	3,482	-	3,768	-	(6,417)	(2,743)	(19,478)
Total member countries' contributed interest	**(930,010)**	**3,482**	**(102,659)**	**3,768**	**15,019**	**(6,417)**	**(2,743)**	**(1,019,560)**
Pension Budget and Reserve Fund reserve	**180,242**	**-**	**33,553**	**-**	**-**		**-**	**213,795**
Chardon Lagache reserve	10,824	-	440		-	-	-	11,264
Medical Plan reserve	10,186	-	(178)		-	-	-	10,008
Omesys reserve	651	-	-		-	(651)	-	-
Other reserves	11,883	-	1,152	-	-	20	-	13,055
Total reserves	**33,544**	**-**	**1,414**	**-**	**-**	**(631)**	**-**	**34,327**
Allocation of the net deficit for the prior period	**(60,442)**	**(3,482)**	**67,692**	**(3,768)**	**-**	**-**	**-**	**-**
Net deficit for the current period	**-**	**-**	**-**	**-**	**(111,911)**	**-**	**-**	**(111,911)**
Total member countries' contributed interest and reserves	**(776,666)**	**-**	**-**	**-**	**(96,892)**	**(7,048)**	**(2,743)**	**(883,349)**

Member countries' contributed interest represents: the liability related to the pension benefit obligation and post-employment health coverage, detailed in Note 17; and the counterpart of land and buildings owned by the Organisation.

The balance shown at 31 December 2008 for pension benefits, post-employment health coverage and the Pension Budget and Reserve Fund are the value at the prior year end as the movements for the current year are included in the net deficit for the current period.

The accumulated surplus / (deficit) results from IPSAS accounting differences carried forward.

The reserves Chardon Lagache, Medical Plan and Omesys, correspond to funds to be used for purposes specified by Council or by the Secretary-General.

Other reserves represent net surpluses retained for future use.

Note 20: Operating revenues

	12 months ended 31 December 2008 €'000	12 months ended 31 December 2007 €'000
Assessed contributions	276,894	255,451
Voluntary contributions	79,274	67,177
Pension contributions	79,003	75,285
Sales of publications	15,071	14,407
Other	13,518	5,224
Total operating revenues	**463,760**	**417,544**

Main variances between 2008 and 2007 are as follows:

- Assessed contributions for Part I, Part II and Annex budgets increased in line with the Annual Budget and for the advancement of the Site Project;
- Voluntary contributions recognised during the period were higher due to increased contributions from member countries and non-member economies and additional programmes of work;
- Pension contributions include amounts paid by member countries to the PBRF fund, employer contributions, other contributions of tax reimbursements and employee payments;
- Sales of publications are carried out in euros, US dollars, pounds sterling, Japanese yen and Mexican pesos. Due to the significant volatility in currency exchange rates the Organisation has entered into contracts for the future sale of 1.8 M US dollars, until December 2009, at an average exchange rate of 1.405 USD to 1 euro. At 31 December 2008 mark to market exchange rates, these transactions recorded an unrealised gain of 5 K€ which has been booked through the Statement of Financial Performance. These forward contracts cover approximately 50% of the forecasted sales of publications in US dollar during the period of the contracts;

- Other revenues include costs reimbursed by third parties, recovery of salaries of seconded staff, revenue from non-member economies, including the accession countries, and receipts from conferences. The increase is due mainly to the accession countries contributions for pre-accession costs.

Note 21: Operating expenses

	12 months ended 31 December 2008 €'000	12 months ended 31 December 2007 €'000
Personnel costs:		
Wages and salaries	225,913	214,195
Temporary staff	10,070	8,759
Other personnel costs (incl. training)	928	836
Total personnel costs	**236,911**	**223,790**
Total pension and post-employment benefits costs (See Note 17)	**148,872**	**159,569**
Consulting costs:		
Fees to individual consultants	11,029	9,176
Fees to companies	16,958	12,845
Total consulting costs	**27,987**	**22,021**
Travel costs:		
Travel costs missions - personnel	14,226	12,426
Travel costs - external invitees	8,541	5,853
Total travel costs	**22,767**	**18,279**
Operating costs:		
External services	12,369	9,261
Building rentals	25,550	23,780
Maintenance and repairs	7,953	5,713
Utilities	1,172	888
Consumable and supplies	4,208	3,593
Printing and reproduction	1,174	920
Conference costs (incl. translations)	5,385	3,900
Communication costs	2,930	2,932
Marketing and other costs	2,711	1,968
External publications	1,571	1,517
Depreciation	14,525	12,932
Inventory variation	(308)	(384)
Total operating costs	**79,240**	**67,020**
Other costs:		
Non refundable taxes and insurance	1,290	1,395
Operating losses	3	3
Provisions for liabilities and charges, risk on receivables and publications inventories	10,010	32
Other administration expense	251	186
Total other costs	**11,554**	**1,616**
Total operating expenses	**527,331**	**492,295**

Main variances between 2008 and 2007 are as follows:

- The increase of 5.9% in personnel costs is partly due to additional programmes of work;
- The reduction in pension and post-employment benefits costs is due mainly to the decrease in actuarial losses recognised in the period of 14.8 M€, more than offsetting the increase in the current service and interest costs of 3.7 M€;
- Consulting, travel and conference costs increased by 11.9 M€, 27.0%, due mainly to the increase in voluntary contributions, additional programmes of work and work related to the accession countries;
- The increase in depreciation and maintenance costs in 2008 is due mainly to the advancement of the Site Project with the Chateau and Conference Centre work completed during 2007;
- Provisions for liabilities and charges, risk on receivables and publications inventories is significantly higher in 2008 due mainly to the provision for early cancellation of contracts for offices and parking facilities due to the timely completion of the Site Project and relocation of staff.

Note 22: Financial revenue and expenses

	12 months ended 31 December 2008 €'000	12 months ended 31 December 2007 €'000
Interest income on restricted funds	3,564	2,934
Interest income on general treasury funds	3,229	2,175
Pension Budget and Reserve Fund investment income / (loss)	(53,298)	10,298
Net foreign currency conversion loss	(1,268)	(522)
Total financial revenue	**(47,773)**	**14,885**
Interest expense	337	361
Bank charges	230	215
Total financial expenses	**567**	**576**
Financial revenue, net	**(48,340)**	**14,309**

Interest income increased by 1 684 K€ for the year ending 31 December 2008 compared to year ending 31 December 2007 due to increased interest yielding deposits.

Interest income on general treasury funds is earned mostly from voluntary contributions received in advance of the related expenditure.

The investment losses of the Pension Budget and Reserve Fund for 2008 are related to the equity investments which have declined in value in line with the fall in equity markets around the world. As indicated in Note 9 the investment in equities fell by 44.5% compared to a fall of 44.1% in the benchmark index (a composite benchmark composed of the FTSE Euro 100 equity index with a weighting of 60% and the Citigroup EMU government bond index with a weighting of 40%). Investment gains in the period on funds invested in fixed income bonds of 8.8%, partly offset the loss on the investment in equities. The consolidated fund performance was a loss of 24.8% (2007: gain 6.1%) compared to the benchmark indicator of a loss of 25.4% (2007: gain 7.4%).

Net foreign currency losses increased mainly due to an increase in the value of voluntary contributions given in currencies other than the euro and the weakness in the US and Canadian dollar and pounds sterling against the euro.

Interest expense is for the borrowings used to fund the staff loan programme.

Note 23: Segment information - Statement of Financial Performance

Segment information is based on the principal activities and sources of financing of the Organisation. These service segments conform to the Programme of Work of the Organisation for the years 2007 and 2008. Budget Title I - Part I is for programmes financed by members and Budget Title I - Part II is for special programmes financed by some or all members and non-members. Title II, Title III and Annex budgets include the Site Project. Non-budgetary operations include the staff loan programme, exchange variances and other sundry operations.

Owing to the nature of the activities of the Organisation, its assets and liabilities are jointly used by the segments, and are not separately disclosed.

The following table combines budgetary and IPSAS reporting. IPSAS adjustments are accounting entries required to conform to IPSAS and are not Part of the Organisations' budgetary reporting. These adjustments principally concern accrual accounting relating to expenses and revenues, pension benefits and other personnel costs, fixed assets and related depreciation. When possible, accrual adjustments are allocated to revenues and expenses by segment. IPSAS accrual adjustments that are not allocated to a specific segment are reported in the "IPSAS" column. Internal operations reflect the estimated cost of services exchanged between segments.

Statement of Financial Performance by Segment

	Budget Title I - Part I (1)		Budget Title I - Part II (2)		Title II, Title III and Annex Budgets (3)		Voluntary contributions (4)	
	2008	2007	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	154,864	157,848	73,843	66,358	48,187	31,245	-	-
Voluntary contributions	-	-	31	-	-	-	79,243	67,177
Pension contributions	-	-	-	-	4,535	4,105	-	-
Sales of publications	-	(43)	5,297	4,666	9,774	9,784	-	-
Other revenues	1,257	953	495	149	8,411	1,467	2,087	1,510
Total operating revenues	**156,121**	**158,758**	**79,666**	**71,173**	**70,907**	**46,601**	**81,330**	**68,687**
Personnel	139,726	137,340	41,581	40,740	16,535	11,533	39,998	35,200
Pension	3,259	2,557	38	-	4,535	4,105	-	-
Consulting	4,497	3,384	9,745	6,074	974	808	12,729	11,714
Travel	4,347	3,995	3,896	3,244	992	289	13,525	10,741
Operating	27,096	24,353	10,770	9,602	36,484	28,179	5,148	3,261
Other operating expenses	333	675	127	(4)	10,969	875	157	(25)
Total operating expenses	**179,258**	**172,304**	**66,157**	**59,656**	**70,489**	**45,789**	**71,557**	**60,891**
Surplus/ (deficit) from operating activities	**(23,137)**	**(13,546)**	**13,509**	**11,517**	**418**	**812**	**9,773**	**7,796**
Other financial revenue and expenses, net	3,071	2,028	-	-	(53)	(51)	(9)	(3)
PBRF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	**3,071**	**2,028**	**-**	**-**	**(53)**	**(51)**	**(9)**	**(3)**
Surplus / (deficit) from ordinary activities	**(20,066)**	**(11,518)**	**13,509**	**11,517**	**365**	**761**	**9,764**	**7,793**
Internal operations	19,989	15,752	(9,493)	(8,394)	(619)	606	(9,764)	(7,793)
Net surplus / (deficit) for the period	**(77)**	**4,234**	**4,016**	**3,123**	**(254)**	**1,367**	**-**	**-**

	Non-budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (7)		**TOTAL (1 to 7)**	
	2008	2007	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	-	-	-	-	-	-	276,894	255,451
Voluntary contributions	-	-	-	-	-	-	79,274	67,177
Pension contributions	-	-	74,468	71,180	-	-	79,003	75,285
Sale of publications	-	-	-	-	-	-	15,071	14,407
Other revenue	1,268	1,145	-	-	-	-	13,518	5,224
Total operating revenues	**1,268**	**1,145**	**74,468**	**71,180**	**-**	**-**	**463,760**	**417,544**
Personnel	615	702	-	-	(1,544)	(1,725)	236,911	223,790
Pension	-	-	49,008	47,833	92,032	105,074	148,872	159,569
Consulting	107	41	-	-	(65)	-	27,987	22,021
Travel	7	11	-	(1)	-	-	22,767	18,279
Operating	1,233	841	-	-	(1,491)	784	79,240	67,020
Other	(32)	95	-	-	-	-	11,554	1,616
Total operating expenses	**1,930**	**1,690**	**49,008**	**47,832**	**88,932**	**104,133**	**527,331**	**492,295**
Surplus/ (deficit) from operating activities	**(662)**	**(545)**	**25,460**	**23,348**	**(88,932)**	**(104,133)**	**(63,571)**	**(74,751)**
Other financial revenue and expenses, net	1,465	1,811	484	226	-	-	4,958	4,011
PBRF investment income	-	-	(53,298)	10,298	-	-	(53,298)	10,298
Total financial revenue and expense, net	**1,465**	**1,811**	**(52,814)**	**10,524**	**-**	**-**	**(48,340)**	**14,309**
Surplus / (deficit) from ordinary activities	**803**	**1,266**	**(27,354)**	**33,872**	**(88,932)**	**(104,133)**	**(111,911)**	**(60,442)**
Internal operations	152	149	(265)	(320)	-	-	(0)	-
Net surplus / (deficit) for the period	**955**	**1,415**	**(27,619)**	**33,552**	**(88,932)**	**(104,133)**	**(111,911)**	**(60,442)**

Note 24: Reconciliation of budgetary results and results after IPSAS adjustments for the period

In order to reconcile the budget outturn results to the results after IPSAS adjustments for the period differences between budget accounting and accrual accounting need to be taken into account. These differences can be attributable to timing or permanent differences. The most significant of these differences are the following:

a) In budget accounting, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses only includes amounts corresponding to amounts accruing to the period. The difference is treated as deferred revenue or expenses in accrual accounting.

b) In budget accounting, capital expenditures (except capital expenditures for the Site Project which has a separate budget) are recorded as current year expenses. In accrual accounting this expense is capitalised and depreciated over the useful lives of the assets. These capital expenditures and associated depreciation are recorded at their net value as assets in the Statement of Financial Position. Depreciation expense is recorded in the Statement of Financial Performance.

c) In budget accounting, expenditure for employee benefits is accounted for on a pay as you go basis. In accrual accounting, the expense is estimated by an actuary in accordance with a methodology set out in accounting standards. The pension and post-employment benefits obligation is reported in the Statement of Financial Position as detailed in Note 17.

d) In budget accounting, publications receipts, including subscriptions, are recorded during the year on a cash basis. In accrual accounting these sales are recorded as revenue when delivered and adjusted by provisions for losses on receivables or returns of goods sold.

The following table shows the budgetary results reconciled with the results after IPSAS adjustments for the period as reported in the financial statements.

	Budgetary results to be allocated (1) €'000	Transfer to reserves and carry forward to 2009 (2) €'000	**Budgetary results for the year** **(3) = (1) + (2)** €'000	IPSAS adjustments (4) €'000	Nature of reconciling adjustments	**Net results for the period** **(3) + (4)** €'000
Title I Part I	537	5,950	**6,487**	(6,564)	a, d	**(77)**
Title I Part II	4,085	-	**4,085**	(69)	a, d	**4,016**
Title II, Title III and annex budgets	563	-	**563**	(817)	a, d	**(254)**
Pre Accession	4,258		**4,258**	(4,258)		**-**
Enhanced Engagement	665		**665**	(665)		**-**
Sub total - Budget operations	**10,108**	**5,950**	**16,058**	**(12,373)**	**-**	**3,685**
Non-budgetary operations	-	955	**955**	-		**955**
Pension Budget and Reserve Fund	-	(27,619)	**(27,619)**	-		**(27,619)**
Sub total - Other operations	**-**	**(26,664)**	**(26,664)**	**-**		**(26,664)**
Other IPSAS adjustments						
Change in employee defined benefit liabilities	-	-	**-**	(90,488)	c	**(90,488)**
Adjustments for assets capitalised and depreciated	-	-	**-**	1,556	b	**1,556**
Sub total - Accounting adjustments	**-**	**-**	**-**	**(88,932)**		**(88,932)**
Net result	**10,108**	**(20,714)**	**(10,606)**	**(101,305)**		**(111,911)**

Note 25: Proposed allocation of the results for the period

The results for 2008 will be allocated as follows, subject to approval by Council:

	Net results for the period	Proposed treatment of the results		
		Transfer to accumulated deficit	Transfer to reserves and carry forward to 2009	Budgetary results to be allocated
	€'000	€'000	€'000	€'000
Title I Part I	6,487	-	5,950	537
Title I Part II	4,085	-	-	4,085
Title II, Title III and annex budgets	563	-	-	563
Pre Accession	4,258	-	4,258	-
Enhanced Engagement	665	-	665	-
Non-budgetary funds	955	-	955	-
Pension Budget and Reserve Fund	(27,619)	-	(27,619)	-
Sub-total	**(10,606)**	**-**	**(15,791)**	**5,185**
IPSAS adjustments				
Included in Title I Part I	(6,564)	(6,564)	-	-
Included in Title I Part II	(69)	(69)	-	-
Included in Title II, Title III and annex budgets	(817)	(817)	-	-
Included in Pre Accession	(4,258)	(4,258)		
Included in Enhanced Engagement	(665)	(665)		
Other IPSAS adjustments	(88,932)	(88,932)	-	-
Sub-total IPSAS adjustments	**(101,305)**	**(101,305)**	**-**	**-**
Net result for the period	**(111,911)**	**(101,305)**	**(15,791)**	**5,185**

Note 26: Contingencies and capital commitments

A. Contingencies

The Organisation is or may be a party to a limited number of legal proceedings or technical disputes. Management believes that the liabilities that might result from these litigations will not be material in relation to the Organisation's operations or financial position.

In 2002, the Organisation signed a lease for office space in La Défense (Tour Europe) covering the period 2002-2011 following a standard 9 year lease term. The original plan and budget of the Site Project provided for the early termination of the lease in 2009. The Organisation has met the projected timing of the project and the termination notice has now been served on the lease as of April 2009. The relocation of employees located in Tour Europe commenced during the 4th Quarter 2008 and will be completed during the 1st Quarter 2009.

In 2002, the Organisation set up an early retirement scheme for a closed group of employees that had been exposed to an asbestos risk. The scheme allows the employees to request early retirement providing they are over 50 and less than 60 years of age, and meet certain conditions as to job function and medical condition. At 31 December 2008 one employee was receiving early retirement payments under the scheme. In the unlikely event that all the remaining eligible employees benefited fully from the scheme the maximum amount payable would be approximately 3.9 M€ over the period to June 2031.

B. Capital commitments

a) Site Project

The Site Project consists of the renovation of the La Muette site in Paris, where the Organisation is headquartered since its creation. The overall operation, in addition to a large-scale asbestos removal, comprises large redevelopment, demolition and construction works. The Organisation will at the same time reconfigure its conference facilities.

The total Site Project cost is estimated at 298.5 M€ and includes all costs related to the temporary relocation of staff over several years. At 31 December 2008 the budget situation of the Site Project is:

	Authorised budget	Cumulated expenses (actual and contracted) at 31 December 2008			Available budget at 31 December 2008
		Committed or contracted	Spent	Total	
	€ million	€ million	€ million	€ million	€ million
Relocation costs	143.9	14.6	116.8	131.4	12.5
Construction and renovation costs	148.4	3.5	146.3	149.8	(1.4)
Other costs	6.2	0.2	6.1	6.3	(0.1)
Total capital commitments	**298.5**	**18.3**	**269.2**	**287.5**	**11.0**

b) Operating lease commitments

Future minimum lease rental payments for the following periods are:

	31 December 2008	31 December 2007
	€' million	€' million
Within one year	26	26
In the second to fifth years inclusive	39	60
After five years	13	18
Total operating lease commitments	**78**	**104**

Operating lease payments represent rental payments for certain properties. The rents payable under these leases are subject to renegotiation at various intervals specified in the lease contracts. As noted above in contingencies, the lease for office space in La Défense, covering the period 2002-2011, has a penalty clause for cancellation of the lease before the contracts' current end date. Notice has now been served on the lease to vacate Tour Europe by April 2009.

c) Bank guarantee

The Organisation's obligations to lessors of office premises are guaranteed by banks for a maximum of 3.7 M€. The most important one applies to the La Défense offices for 3.6 M€ over the duration of the lease and which will expire in the 3rd Quarter 2009.

Pensions

The Organisation's defined benefit pension plan was adopted by a Council Resolution of 16 November 1976 (C/M (76)20 Final). This Resolution constitutes a decision binding upon the Organisation and its member countries by virtue of articles 5 a) of the Convention on the Organisation and 18 a) of its Rules of Procedure. The Organisation believes that this creates both a legal obligation upon the Organisation towards pensioners and staff and an offsetting legal obligation for the member countries, with the same full legal force as the treaty from which it derives, to contribute amounts needed to pay the pensions. Article 40 of the defined benefit pension plan confirms that pensions are a charge on the Organisation's budget, and provides a joint guarantee of that liability by each of its member countries. That guarantee is equivalent in amount to the accrued pension obligation at 31 December 2008 of 1 603 M€ (2007: 1 389 M€), as shown in Note 17. The member countries participate in the progressive constitution of a fund (Pension Budget and Reserve Fund) towards this liability. The net value of the assets of the fund at 31 December 2008 was 186.2 M€ (2007: 213.8 M€).

Note 27: Events after the Statement of Financial Performance date

During the 1st Quarter 2009 the Organisation entered into two leases of periods of nine years for additional office space and parking facilities.

Note 28: Key management personnel

The Organisation is governed by a Council composed of representatives of all the member countries. The Council is presided over by the Secretary-General who directs the Secretariat and implements the Organisation's Programme of Work, assisted by Deputy Secretary-Generals and other senior managers and officers (key management personnel). They are remunerated by the Organisation.

The Organisation is under the direct control of the member countries. It has no ownership interest in associations or joint ventures. The Council members receive no remuneration from the OECD for their roles.

Key management personnel and their aggregate remuneration were as follows:

	31 December 2008		31 December 2007	
	Number of individuals	Aggregate remuneration €'000	Number of individuals	Aggregate remuneration €'000
The Secretary-General, Deputies and other senior managers	7	2,146	7	2,286
Senior officers	28	6,302	29	6,032
Total key management personnel		**8,448**		**8,318**

There was no other remuneration and compensation to key management personnel and their close family members.

Note 29: Related party transactions

There were no material transactions with related parties during the years 2008 and 2007.

There were no loans to key management personnel and their close family members which were not available to other categories of staff.