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Swiss Confederation

Federal consolidated financial statements

Financial report

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Operating expenses	59 930	63 022	62 197	64 586	65 431
Operating result	**2 848**	**1 171**	**1 977**	**2 846**	**1 722**
Financial revenue	440	1 325	333	665	501
Financial expense	3 101	2 682	2 608	2 594	1 870
Financial result	**-2 661**	**-1 357**	**-2 275**	**-1 929**	**-1 369**
Equity interest revenue	2 228	1 457	1 700	876	738
Equity interest expenses	0	284	–	53	688
Equity interest result	**2 228**	**1 173**	**1 700**	**823**	**50**
Surplus or deficit	**2 415**	**987**	**1 402**	**1 740**	**403**
Statement of financial position					
Current assets	20 175	22 388	21 750	22 169	17 103
Non-current assets	82 182	82 302	84 153	83 985	83 765
Liabilities	130 210	131 678	130 796	129 314	123 706
Net assets/equity	-27 853	-26 988	-24 893	-23 160	-22 838
Cash flow statement					
Cash flows from operating activities	4 809	6 887	5 403	9 019	6 876
Cash flows from investing activities	-2 573	-3 823	-5 100	-2 796	-4 493
Cash flows from financing activities	1 532	-904	-2 493	-4 795	-6 095
Total cash flow	**3 768**	**2 160**	**-2 190**	**1 428**	**-3 712**
Debt					
Gross debt	109 897	109 225	106 555	101 231	96 206
Net debt	84 661	81 935	79 459	74 417	74 109
Staff					
Number of full-time employees (FTE)	50 686	51 954	53 220	54 538	54 697

02 SUMMARY

The federal consolidated financial statements provide a comprehensive picture of the financial position of "federal public services". The statement of financial performance recorded a surplus of 403 million. The negative net assets/equity was reduced to 22.8 billion. The consolidation scope will be extended considerably from 2017.

Scope of the 2016 consolidated financial statements and extension from 2017

The consolidation scope meets the minimum requirements set out in Article 55 paragraph 1 of the Federal Budget Act (parent entity, separate accounts, entities of the decentralized Federal Administration with their own accounts). It is presented in the notes to the annual financial statements (see section 41/3). The differences between the consolidated financial statements and the federal financial statements and the financial statistics are explained in section 5.

The Confederation as parent entity dominates the figures in the consolidated financial statements (see table on the next page). There are two reasons for this:

- First, the consolidated entities – except for the Swiss Federal Institutes of Technology (ETH) Domain, the railway infrastructure fund (RIF) and the infrastructure fund (IF) – are smaller organizations which mainly perform services on a monopoly basis and economic and safety oversight functions, and are thus not very impacted by capital and financing.

Overview of publications on budget figures at federal level
(without social insurance, cantons and communes)

Financial statistics
Financial statements of the state and other public sectors, consolidated

State fin. statements/budget
unconsolidated

Federal financial statements/Federal budget
Central Federal Administration
(corresponds to the scope of the debt brake)

Separate accounts
Accounts to be approved by parliament
- Railway infrastructure fund
- Infrastructure fund
- Swiss Alcohol Board (up to 2017)

- Swiss Federal Institutes of Technology Domain
- Swiss Federal Institute for Vocational Education and Training
- Federal Institute of Metrology
- Swiss National Museum
- Pro Helvetia
- Swiss National Science Foundation
- Switzerland Tourism
- Grid supplement fund (up to 2017)
- Fondation des immeubles pour les Organisations Internationales (FIPOI)

Consolidated financial statements
Financial statements of the state as well as decentralized units of the Federal Administration with their own accounts (not to be approved by parliament)
- Swiss Financial Market Supervisory Authority
- Swiss Federal Nuclear Safety Inspectorate
- Swiss Federal Institute of Intellectual Property
- Federal Audit Oversight Authority
- Swiss Export Risk Insurance
- Swissmedic
- Swiss Association for Hotel Credit
- SIFEM AG

- Second, the ETH Domain and the two transportation funds are funded largely through the federal budget (parent entity). Both funding and investments are essentially undertaken by the Federal Treasury. This means that fluctuations in the entities' liquidity can be offset to some extent, thus keeping Treasury reserves low and reducing the associated costs. It also eliminates any competition between entities on the money and capital markets.

The consolidation scope will be extended from fiscal 2017 onwards to increase the informative value of the consolidated financial statements. Undertakings in which the Confederation has a stake of more than 50% will be newly consolidated (particularly Swisscom, SBB, Swiss Post, RUAG, BLS Netz, Skyguide); previously, only the change in the equity stake was taken into account. Federal social insurance schemes will also be included in the financial statements in the future (old-age and survivors' insurance (AHV), disability insurance (IV), compensation for loss of earnings (EO), as well as unemployment insurance (ALV) compensation funds).

Scale of consolidated entities - overview

2016 Entities	Surplus or deficit CHF mn	Liabilities CHF mn	Net assets/ equity CHF mn	Employees FTE
Central Federal Administration (Confederation as parent)	**-66**	**127 570**	**-20 727**	**34 914**
Decentralized Federal Administration	**910**	**12 598**	**-353**	**19 783**
Swiss Federal Institutes of Technology Domain	233	2 273	2 768	17 792
Railway infrastructure fund	108	9 183	-8 842	1
Infrastructure fund	205	51	2 078	–
Other entities	364	1 091	3 643	1 990
Subtotal	844	140 168	-21 080	54 697
Consolidation entries	-441	-16 462	-1 758	–
Federal consolidated financial statements	**403**	**123 706**	**-22 838**	**54 697**

Commentary on the federal consolidated financial statements

Statement of financial performance

The statement of financial performance ended with a surplus of 0.4 billion. The operating result contributed to the surplus (+1.7 bn), whereas the financial result detracted from it (-1.4 bn). The gains on significant interests were low compared with earlier years (equity interest result; 50 mn) and had only a marginal impact on the annual result.

Relative to the previous year, the annual result deteriorated by 1.3 billion, as both the operating result and the equity interest result were down (-0.3 bn and -0.8 bn). In the case of the operating result, there was less one-time revenue than the previous year, for example. The lower equity interest result was caused by actuarial losses on defined benefit pension plans. Conversely, the financial result improved by 0.6 billion thanks to lower financial expense.

Statement of financial position

The negative net assets/equity declined by 0.3 billion due to the surplus posted in the statement of financial performance. The Confederation's net assets/equity has risen from -44.4 billion to -22.8 billion since the first consolidation as of December 31, 2008. Much of those gains were used for the redemption of long-term financial liabilities (bonds) or investment in non-current assets.

Cash flow statement

The cash inflow from operating activities amounted to 6.9 billion, enabling investments to be financed (net 4.5 bn). Financial liabilities were lowered by 6.1 billion in net terms with the remaining cash inflow of 2.4 billion and the reduction of 3.7 billion in cash and cash equivalents. The cash flow from operating activities has always been positive since the very first federal consolidated financial statements.

31 Statement of financial performance

The statement of financial performance ended with a revenue surplus of 403 million. The operating result accounted for 1.7 billion of that and the equity interest result accounted for 50 million. The financial result was negative like in previous years (-1.4 bn). The surplus was 1.3 billion lower than the prior-year figure.

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%	Figures in notes
Surplus or deficit	**1 740**	**403**	**-1 337**	**-76.8**	
Operating result	**2 846**	**1 722**	**-1 124**	**-39.5**	
Operating revenue	**67 432**	**67 153**	**-279**	**-0.4**	
Tax revenue	62 964	63 371	407	0.6	1
Service revenue	2 417	2 464	47	1.9	2
Other revenue	2 051	1 318	-733	-35.7	3
Operating expenses	**64 586**	**65 431**	**845**	**1.3**	
Personnel expenses	7 932	8 046	114	1.4	4
Other operating expenses	5 781	6 212	431	7.5	5
Depreciation	2 482	2 478	-4	-0.2	14
Transfer expenses	48 391	48 695	304	0.6	6
Financial result	**-1 929**	**-1 369**	**560**	**-29.0**	
Financial revenue	665	501	-164	-24.7	7
Financial expense	2 594	1 870	-724	-27.9	8
Equity interest result	**823**	**50**	**-773**	**-93.9**	
Equity interest revenue	876	738	-138	-15.8	16
Equity interest expenses	53	688	635	n.d.	16
Surplus or deficit	**1 740**	**403**	**-1 337**	**-76.8**	
Confederation's share	1 745	401			
Minority interests	-5	2			

n.d.: not displayed

The *operating result* was 1,124 million lower than the previous year. Although higher tax revenue had a positive impact on the result (+407 mn; particularly direct federal tax), the lower figure for other revenue and higher expenses led to a deterioration overall:

- In the case of other revenue, the reduction was influenced mainly by two transactions: (1) SNB profit distribution of 333 million (there was a double payment the previous year); (2) absence of Competition Commission (COMCO) fines from the previous year (343 mn).
- The rise in other operating expenses was driven by higher expenses for operations and armaments (+164 mn and +161 mn).
- The increase in transfer expenses was triggered by the change of accounting practice for the railway infrastructure fund (see financial expense).

The negative *financial result* improved by 560 million. The lower financial expense was caused by another drop in interest expense (-208 mn) and the new accounting practice for value adjustments on loans to licensed transportation companies. Effective from January 1, 2016, these loans are issued by the railway infrastructure fund and no longer by the parent entity, and they are now value adjusted under transfer expenses.

The *equity interest result* (+50 mn) was 773 million lower than the previous year. It shows unrealized gains or losses on significant interests. The deterioration was caused primarily by higher actuarial losses of 1,749 million on defined benefit pension plans at Swiss Post and Swisscom (valuation according to IAS 19). The valuation losses on defined benefit pension plans amounted to 1,043 million the previous year.

32 Statement of financial position

Following the redemption of Confederation bonds, current assets and long-term liabilities fell by around 5 billion each. The revenue surplus enabled net assets/equity to be reduced by 0.3 billion.

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. 2015 Absolute	%	Figures in notes
Assets	**106 154**	**100 868**	**-5 286**	**-5.0**	
Current assets	**22 169**	**17 103**	**-5 066**	**-22.9**	
Cash and cash equivalents	11 289	7 577	-3 712	-32.9	9
Receivables	8 214	6 989	-1 225	-14.9	10
Short-term financial investments	1 387	1 406	19	1.4	11
Inventories	210	221	11	5.2	12
Prepaid expenses and accrued income	1 069	910	-159	-14.9	13
Non-current assets	**83 985**	**83 765**	**-220**	**-0.3**	
Tangible fixed assets	53 711	54 134	423	0.8	14
Intangible fixed assets	243	228	-15	-6.2	14
Loans	8 755	8 911	156	1.8	15
Financial interests	20 988	20 207	-781	-3.7	16
Long-term financial investments	288	285	-3	-1.0	11
Liabilities and equity	**106 154**	**100 868**	**-5 286**	**-5.0**	
Short-term liabilities	**34 768**	**34 380**	**-388**	**-1.1**	
Current liabilities	13 649	14 807	1 158	8.5	17
Short-term financial liabilities	10 078	9 950	-128	-1.3	18
Accrued expenses and deferred income	10 169	8 848	-1 321	-13.0	19
Short-term provisions	872	775	-97	-11.1	20
Long-term liabilities	**94 546**	**89 326**	**-5 220**	**-5.5**	
Long-term financial liabilities	77 504	71 449	-6 055	-7.8	18
Long-term provisions	15 322	15 993	671	4.4	20
Other liabilities	1 720	1 884	164	9.5	21
Net assets/equity	**-23 160**	**-22 838**	**322**	**1.4**	
Minority interests	56	59	3	5.4	
Net assets/equity of the Confederation	-23 216	-22 897	319	1.4	
Funds in net assets/equity	9 527	10 297	770	8.1	
Other net assets/equity	1 884	2 157	273	14.5	
Accumulated surplus (+) / deficit (-)	-34 627	-35 351	-724	-2.1	

Current assets fell by 5.1 billion. The previous year's high level of liquidity was used to redeem Confederation bonds. Receivables were down by 1.2 billion. Withholding tax receivables experienced the biggest reduction (-0.7 bn).

Non-current assets fell by 0.2 billion. On the one hand, tangible fixed assets were up by 0.4 billion on the previous year. The biggest increase was seen in motorways (+0.2 bn) and immovable property, plant and equipment (+0.2 bn). On the other hand, the carrying amount of financial interests was down by 0.8 billion, largely due to the financial interest in Swiss Post.

On the liabilities side, *short-term liabilities* fell by 0.4 billion. Current liabilities rose by 1.1 billion, due mainly to higher tax liabilities and cantonal current accounts (+0.5 bn and +0.3 bn). At the same time, accrued expenses and deferred income were down (-1.3 bn), primarily for withholding tax refund claims.

The decrease of 5.2 billion in *long-term liabilities* can be explained mainly by the redemption of Confederation bonds worth 6.1 billion.

33 Cash flow statement

The cash flow from operating activities of 6.9 billion was used to cover investing activities of 4.5 billion. Interest-bearing debt was reduced by 6.1 billion in net terms with the remaining cash inflow (2.4 bn) and the reduction in cash and cash equivalents (3.7 bn).

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%	Figures in notes
Total cash flow	**1 428**	**-3 712**	**-5 140**	**-359.9**	
Cash flows from operating activities	**9 019**	**6 876**	**-2 143**	**-23.8**	
Surplus or deficit	1 740	403	-1 337	-76.8	
Depreciation	2 482	2 478	-4	-0.2	14
Change in provisions	345	574	229	66.4	20
Income from disposals	36	-5	-41	-113.9	
Other non-cash transactions	1 746	2 216	470	n.d.	
Increase/decrease in receivables	314	1 225	911	290.1	10
Increase/decrease in inventories	81	-11	-92	-113.6	12
Increase/decrease in prepaid expenses and accrued income	-271	159	430	-158.7	13
Increase/decrease in current liabilities	-568	1 158	1 726	-303.9	17
Increase/decrease in accrued expenses and deferred income	3 114	-1 321	-4 435	-142.4	19
Cash flows from investing activities	**-2 796**	**-4 493**	**-1 697**	**60.7**	
Investments in tangible fixed assets	-2 883	-2 871	12	-0.4	14
Divestments of tangible fixed assets	37	39	2	5.4	14
Investments in intangible fixed assets	-78	-49	29	-37.2	14
Increase in long-term loans	-10 616	-10 093	523	-4.9	15
Decrease in long-term loans	9 994	8 554	-1 440	-14.4	15
Increase in financial interests	-39	-66	-27	69.2	16
Decrease in financial interests	2	32	30	1 500.0	16
Increase in financial investments	-2 285	-2 258	27	-1.2	11
Decrease in financial investments	3 072	2 219	-853	-27.8	11
Cash flows from financing activities	**-4 795**	**-6 095**	**-1 300**	**27.1**	
Increase in short-term financial liabilities	24 315	23 580	-735	-3.0	18
Decrease in short-term financial liabilities	-27 932	-23 684	4 248	-15.2	18
Increase in long-term financial liabilities	3 350	3 328	-22	-0.7	18
Decrease in long-term financial liabilities	-4 520	-9 381	-4 861	107.5	18
Change in special funds	17	87	70	411.8	
Dividends	-26	-25	1	-3.8	
Change in minority interests	1	–	-1	n.d.	

"Cash fund" statement

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%	Figures in notes
Cash and cash equivalents balance at 01.01.	**9 861**	**11 289**	**1 428**	**14.5**	**9**
Increase/decrease	1 428	-3 712	-5 140	-359.9	9
Cash and cash equivalents balance at 31.12.	**11 289**	**7 577**	**-3 712**	**-32.9**	**9**

Additional information

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%	Figures in notes
Interest paid	-1 823	-1 563	260	-14.3	
Interest received	147	152	5	3.4	

n.d.: not displayed

At 6.9 billion, the *cash flow from operating activities* was lower than the prior-year level of 9.0 billion. The decrease of 2.1 billion was caused mainly by the lower net cash inflow from withholding tax (-3.6 bn). In contrast, the inflow from direct federal tax was 0.9 billion higher than the previous year.

There was a net cash outflow from *investing activities* of 4.5 billion, compared with 2.8 billion the previous year. The cash outflow was caused by investments in tangible fixed assets (2.9 bn) and the net increase in loans (1.5 bn). The cash inflows and outflows from financial investments offset one another to a large extent.

The *cash flow from financing activities* was -6.1 billion (previous year: -4.8 bn). It resulted from the net reduction in long-term bonds.

Ultimately, *cash and cash equivalents* dropped from 11.3 billion to 7.6 billion.

Presentation of the cash flow statement

The cash flow statement shows the change in the "cash" fund (i.e. the change in "cash and cash equivalents" in the statement of financial position). It is prepared using the indirect method, i.e. the cash flow from operating activities is derived from the surplus or deficit for the year.

34 Statement of net assets/equity

The negative net assets/equity declined from 23.2 billion to 22.8 billion in the year under review. The key contributory factor here was the surplus of 0.4 billion in the statement of financial performance. However, the items recognized directly in net assets/equity were higher (1.1 bn), with the result that the accumulated deficit deteriorated by 0.7 billion.

CHF mn	Total net assets/ equity	Share of minority assets/equity	Net assets/ equity of the Confederation	Funds in net assets/ equity	Other net assets/ equity	Accumulated surplus/ deficit
At 1 January 2015	**-24 893**	**60**	**-24 953**	**8 929**	**2 080**	**-35 962**
Entry transfers in net assets/equity	–	–	–	580	-195	-385
Change in special funds	17	–	17	17	–	–
Valuation changes	-1	–	-1	–	-1	–
Total positions entered in net assets/equity	**16**	**–**	**16**	**597**	**-196**	**-385**
Surplus or deficit	1 740	-5	1 745	–	–	1 745
Total profit and loss entered	**1 756**	**-5**	**1 761**	**597**	**-196**	**1 360**
Dividends	-26	–	-26	–	–	-26
Change in reserves	-2	–	-2	–	–	-2
Other transactions	5	1	4	1	–	3
At 31 December 2015	**-23 160**	**56**	**-23 216**	**9 527**	**1 884**	**-34 627**
Entry transfers in net assets/equity	–	–	–	616	272	-888
Change in special funds	87	–	87	154	–	-67
Valuation changes	-144	–	-144	–	-1	-143
Total positions entered in net assets/equity	**-57**	**–**	**-57**	**770**	**271**	**-1 098**
Surplus or deficit	403	2	401	–	–	401
Total profit and loss entered	**346**	**2**	**344**	**770**	**271**	**-697**
Dividends	-25	–	-25	–	–	-25
Change in reserves	-1	–	-1	–	–	-1
Other transactions	2	1	1	–	2	-1
At 31 December 2016	**-22 838**	**59**	**-22 897**	**10 297**	**2 157**	**-35 351**

Funds in net assets/equity

Funds in net assets/equity consist of special financing (8.1 bn), special funds (2.1 bn) and other restricted funds (0.1 bn).

Special financing funds increased by 616 million during the year under review. The change is recorded under *entry transfers in net assets/equity*:

- On a consolidated basis, surplus expenditure of only 19 million was reported in respect of special financing for *road transportation* (Federal Act of March 22, 1985 on the Application of the Earmarked Mineral Oil Tax; SR *725.116.2*), unlike in the case of the parent entity, where the expenditure surplus amounted to 223 million. The expenditure of the consolidated financial statements worked out 204 million lower as a result of the consolidation of the infrastructure fund, as the 978 million deposit in the fund exceeded the actual expenditure of 773 million. In the consolidated view, including the infrastructure fund's liquidity, the balance of this special financing stood at 3,394 million as of December 31, 2016.
- *Special financing for FTA/WTO accompanying measures for the agri-food sector*: The deposit recognized in the year under review amounted to 643 million. Based on the federal decree of June 18, 2010, the revenue from import duties on agricultural products and foodstuffs is credited to the special financing for FTA/WTO accompanying measures for the agri-food sector up to 2016 (Art. 19a of the Federal Act of April 29, 1998 on Agriculture; SR *910.1*). The earmarking makes provision for the funds to be used for accompanying measures in connection with any free trade agreements with the EU or WTO in the agri-food sector. The special financing will continue to exist even after 2016, until the earmarking is possibly discontinued by

Function of the statement of net assets/equity

The statement of net assets/equity provides information on the effects of financial transactions recorded in the reporting period for assets and equity. Specifically, it indicates the expense and revenue items that are recognized directly in net assets/equity rather than in the statement of financial performance, and the impact of changes in reserves and restricted funds in net assets/equity.

the Federal Council in accordance with Article 19a paragraph 3 of the AgricA (SR *910.1*). However, no further receipts will be credited to it up to then. The special financing balance stood at 4,629 million as of the reporting date.

- *Special financing for air transportation*: Overall, restricted funds of 46 million were collected and expenditure of 53 million was financed for measures in the area of aviation safety and environmental protection. On balance, a withdrawal of 7 million from the fund resulted. The special financing for air transportation is financed by funds from the mineral oil tax and the mineral oil surtax on aviation fuel (Art. 86 of the Federal Constitution; SR *101*; Federal Act on the Application of the Earmarked Mineral Oil Tax, MinOA; SR *725.116.2*; Ordinance on the Application of the Earmarked Mineral Oil Tax for Aviation Measures, MinAO; SR *725.116.22* and Ordinance on the Air Navigation Service, ANSO; SR *748.132.1*). The special financing balance stood at 75 million as of the reporting date.

The assets of *special funds and other restricted funds* increased by 154 million during the year under review. The parent entity accounted for 87 million of that. Based on Article 52 of the FBA, they were recognized outside of the statement of financial performance and thus increased net assets/equity accordingly. The remaining 67 million concerned the ETH Domain. They were recognized in the statement of financial performance and transferred within net assets/equity (see box entitled "Special financing, special funds and other restricted funds"). The most significant components and changes concerned the following items:

- The assets of the *regional development fund* for financing investment assistance loans in accordance with the Federal Act on Regional Policy (SR *901.0*) consist of loans (629 mn) and cash (436 mn). The nominal value of the recognized loans edged down by 3 million to 746 million. These repayable loans are for the most part interest-free, with terms of up to 25 years. They are therefore discounted at 2.25% in accordance with the relevant measurement requirements. In addition, individual value adjustments were made for loans at risk. This change in the value adjustment of loans is recorded against net assets/equity (funds in net assets/equity).

- Restricted *gifts and bequests in the ETH Domain* amounted to 474 million (+23 mn). A total of 115 million flowed into the ETH Domain from gifts and bequests during the year under review.

- The ETH has restricted *teaching and research reserves* amounting to 281 million (+31 mn). These include election pledges vis-à-vis professors of 139 million.

- The *technology fund* (97 mn; +24 mn) is financed with restricted revenue from the CO_2 tax. A maximum of 25 million is transferred to the technology fund every year. The Confederation uses the funds to grant loans to companies that use the money to develop and market equipment and processes that reduce greenhouse gas emissions, enable the use of renewable energy or promote the economical use of natural resources. Sureties amounted to 29 million. They are granted for a maximum duration of ten years.

- Restricted radio and television fees are recognized under *other restricted funds* (RTVA; SR *784.40*). With the revision of the RTVA of July 1, 2016, the various types of radio and television fee earmarking were reviewed and allocated to either liabilities or net assets/equity depending on their economic attributes. This resulted in an entry transfer of 62 million from liabilities to net assets/equity. Like special funds, radio and television fees and the appropriation of those funds are processed through balance sheet accounts outside of the statement of financial performance and are allocated to net assets/equity or liabilities (see box).

Other net assets/equity

Other net assets/equity increased by 273 million during the year under review. This change concerned predominantly the following items:

- The reduction in the core capital (23 mn) and the increase in the risk-bearing capital (246 mn) of Swiss Export Risk Insurance (SERV) were recognized directly in the accumulated deficit (transfer within net assets/equity). These items now amount to 583 million and 1,256 million, respectively.

- MPM administrative units have the option to create reserves and subsequently use these reserves to fund activities which are consistent with the objectives of their performance mandate. MPM reserves are recognized and appropriated in the accumulated deficit in a similar manner to an appropriation of net income within an enterprise. The reserves from global budgets rose by 49 million to 229 million (balance of deposits less withdrawals).

Accumulated deficit

The accumulated deficit increased not only because of the entry transfers in net assets/equity (-888 mn) and changes in special funds (-67 mn) already described, but also as a result of valuation adjustments regarding the opening statement of financial position of the railway infrastructure fund (-143 mn; RIF). The largest valuation adjustment between the closing statement of financial position of the FinPT and the opening statement of financial position of the RIF concerned accrued expenses and deferred income of 141 million for Alp Transit Gotthard AG services provided but not yet invoiced as of January 1, 2016. The accumulated deficit was additionally reduced by 25 million as a result of the cantonal share in the SAB's distribution of profits.

Minority interests

Minority interests are comprised of the 34.5% stake in Swissmedic (24 mn) and the 77.4% stake in the Swiss Association for Hotel Credit (35 mn).

Special financing, special funds and other restricted funds

Funds from unappropriated restricted receipts are recognized in net assets/equity where there is definite flexibility as to the use of the funds or the time at which they may be used. Funds in net assets/equity include special financing, special funds and other restricted funds. Receipts and expenditure concerning special funds and other restricted funds are recognized directly in the statement of financial position in the case of the parent entity. In contrast, special financing receipts and expenditure are recognized in the statement of financial performance, while any surplus receipts or expenditure is credited to or debited from the fund. The same applies to ETH Domain special funds.

41 General principles

1 Basis

Legislative framework
In addition to the relevant legal rules applying to the consolidated entities, the federal consolidated financial statements are based on the following specific statutory and legal provisions:

- Federal Act of October 7, 2005 on the Federal Financial Budget (specifically Art. 55 FBA; SR *611.0*)
- Ordinance of April 5, 2006 on the Federal Financial Budget (specifically Art. 64a-64d FBO; SR *611.01*)
- Ordinance of November 25, 1998 on the Organization of the Government and the Federal Administration (specifically the Appendix to the GAOO; SR *172.010.1*)

Accounting standards
The financial statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The fact that the IPSAS are compatible with the private sector's International Financial Reporting Standards (IFRS) makes the presentation of the consolidated financial statements accessible even to non-specialists. Inevitable differences relative to IPSAS are disclosed and explained in the notes.

General
The consolidated financial statements are based on the separate accounts of the entities comprising the group of consolidated entities for the year ended December 31. The sole exception is the Swiss Federal Institute of Intellectual Property, which presents its accounts for the year ended June 30, which is why it issues interim statements as of December 31 for the consolidated financial statements.

Estimates
The preparation of the consolidated financial statements depends on assumptions and estimates in connection with the accounting standards, where there is a certain amount of discretion. When applying valuation principles and accounting methods in the financial statements, certain forward-looking estimates and assumptions have to be taken, which can have a substantial influence on the amount and the reporting of assets and liabilities, revenue and expenses, and the information set out in the notes. The estimates underlying the accounting and valuation are based on empirical data and other factors deemed appropriate to the circumstances. The following assumptions and estimates in relation to the accounting standards have a significant impact on these consolidated financial statements.

Useful life of tangible fixed assets
An estimate of the useful life of tangible fixed assets takes account of the expected use, the expected physical wear and tear, technological developments and empirical data with comparable assets. A change in the estimated useful life can have an impact on future depreciation.

Doubtful debts allowances on receivables
Value adjustments are recorded for doubtful receivables so as to cover potential losses that may result from clients' inability to pay (particularly regarding taxes and customs duties). The appropriateness of the value adjustment is assessed on the basis of several factors. These include the age structure of the receivables, the clients' current solvency status, and past experience with losses on receivables. The scope of losses can exceed the amount set aside if the clients' actual financial situation turns out to be less favorable than originally expected.

Withholding tax provisions
For calculating provisions, a percentage representing what was paid out as refunds or accounted for on an accrual basis in the year under review is deducted from gross receipts. In addition, an empirical amount for the portion remaining as net revenue for the Confederation is deducted. This base amount is subject to strong fluctuations and is thus difficult to estimate. Therefore, an average value from the last ten years is used for calculating the withholding tax provision. Although this smoothing creates a certain degree of uncertainty in the calculation model, it produces greater accuracy on average.

Military insurance provisions
Military insurance provisions (army, civil protection and civilian service) are based on the number of pensions in payment, which are capitalized using actuarial parameters. As the pensions in payment are known on the cut-off date and the actuarial procedures are based on statistics, the estimation uncertainty for this provision is relatively low.

Provisions for coins in circulation
Revenue is recognized when new coins are minted and circulated. Conversely, expenses have to be recognized when coins are withdrawn. A provisions is made for this take-back duty. In the eurozone, a 35% loss rate of coins in circulation is calculated on the basis of empirical data. As comparable figures are not available for Switzerland, the provision for coins in circulation is also based on a 35% loss rate. It is not clear, however, whether the circumstances in the eurozone are replicated 1:1 in Switzerland (tourism, nest egg savings, numismatics, etc.). A change of +/-5% in the loss rate would have an impact of some 155 million on the provision.

Other provisions

A provision is recognized for the dismantling and decommissioning of nuclear facilities owned by the Confederation, as well as for the disposal of radioactive waste. The provision is calculated on the basis of a comprehensive estimate of the decommissioning and disposal costs of swissnuclear (2011 cost study – KS11). The costs incurred are estimated at current market prices in the cost calculation. The 2016 cost study was published on time in December 2016. The current cost study shows that there will be a further rise in the costs expected for the future. In a next step, the study will be reviewed by the Swiss Federal Nuclear Safety Inspectorate (ENSI) and a group of experts. Only after that can the provisions be reliably adjusted in line with the new findings. The provision amount is subject to significant inaccuracy because of the lack of comprehensive empirical data associated with the dismantling and decommissioning of nuclear facilities, and the long planning horizon for the disposal of radioactive waste.

Basis of consolidation

The consolidated financial statements generally include all controlled entities within the scope of consolidation on a *full consolidation basis*. Significant interests (accounted for using the *equity method*) and Hotel Bellevue-Palace Immobilien AG, Matterhorn Gotthard Infrastruktur AG and Transport Publics Fribourgeois Infrastructure TPFI (acquisition value) are exceptions. Assets and liabilities, as well as expenses and revenue, are recognized in full with full consolidation. Minority interests in net assets and in income are shown separately in the statement of financial position and statement of financial performance. All intragroup liabilities, balances, expenses and revenue are eliminated on consolidation. Unrealized interim gains on inventories or non-current assets are eliminated from the statement of financial performance by the process of consolidation.

2 Accounting principles

Accounting standards

Two accounting bases are used in the preparation of the financial statements:

- *Accrual basis*: a basis of accounting which allocates revenue and expenses to the period in which they actually occur. The time at which the relevant goods or services were received or supplied is determinative. Under the accrual method, items are therefore brought to account as they are earned or occur and recognized in the financial statements for the accounting periods to which they relate.

- *Going concern basis*: the financial statements are prepared on the assumption that the federal government and the group of consolidated entities are a going concern and will continue in operation. The financial statements are therefore prepared on a going concern basis and not on the basis of realizable value.

The following accounting principles also apply:

a. *Materiality*: all information that is material to an overall assessment of the assets, financial position and financial performance must be disclosed.

b. *Understandability*: the information presented must be clear and understandable.

c. *Consistency of presentation*: the presentation of accounts and accounting methods should, insofar as possible, be retained over time from one period to the next.

d. *Offsetting*: according to the offsetting principle, assets and liabilities, and revenue and expenses, should not be offset.

Pursuant to Article 64c paragraph 1 of the FBO, the accounting standards are based on the International Public Sector Accounting Standards (IPSAS). Treatment may differ from IPSAS requirements where there are legitimate grounds for doing so. The differences are disclosed in Appendix 3 to the FBO.

All differences relative to IPSAS are reported and explained below. There have been no changes since last year.

Differences relative to IPSAS

Difference: advance payments for goods, defense equipment and services are recognized as expenses rather than transactions on the face of the statement of financial position.

- Reason: statutory requirements in relation to lending and borrowing require advance payments to be recognized in the parent entity's statement of financial performance.
- Result: transactions are not reported on an accrual basis. Expenses are recognized in the statement of financial performance at the time the advance payment is made rather than when the service is supplied.

Difference: revenue from direct federal tax is recognized at the time of payment by the cantons of the Confederation's share of the revenue (cash accounting).

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: accrual basis not used.

Difference: revenue from military service exemption tax is recognized at the time of payment by the cantons (cash accounting).

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: accrual basis not used.

Difference: revenue from value added tax, casino tax and the heavy vehicle charge is recognized with a delay of up to a quarter.

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: although a 12-month period is recorded in the statement of financial performance, this period does not coincide with the calendar year. Prepaid expenses and accrued income for the fourth quarter are missing from the statement of financial position.

Difference: extraordinary revenue pursuant to the debt brake which concerns several periods (e.g. license revenue for several years) is recognized at the time of fund inflow in the case of the parent entity, and is not accrued over the term (cash accounting).

- Reason: in accordance with the debt brake, extraordinary receipts are characterized primarily by their one-timeness. In order not to undermine this one-time nature, extraordinary revenue is also recognized in the statement of financial performance at the time of fund inflow, like in the case of the financing statement.

- Result: accrual basis not used.

Difference: notwithstanding IPSAS 25, employee retirement benefits and other long-term employee benefits which are subject to accounting requirements are disclosed as contingent liabilities in the notes to the annual financial statements.

- Reason: no employee retirement benefits are recorded due to unresolved issues relating to the funding of various pension funds of the federal entities.

- Result: changes in employee retirement benefits and other long-term employee benefits are not recognized in the statement of financial performance or in net assets/equity. The relevant liability is not shown in the statement of financial position.

Difference: revenue due to Switzerland generated by the EU retention tax is recorded on a cash accounting basis.

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: accrual basis not used.

Difference: defense equipment that satisfies the accounting criteria defined is not capitalized.

- Reason: unlike military buildings, defense equipment is not capitalized. The solution is in line with the IMF Government Finance Statistics Manual (GFSM 2001).

- Result: defense equipment expenses are recorded at cost and not over the period of the useful life.

Difference: carrying amounts are not recorded by task area in the segment reporting.

- Reason: the segment reporting comprises both the statement of financial position and the statement of financial performance. It is impracticable to record carrying amounts by segment task area in the transfer budget.

- Result: assets and liabilities are not stated proportionately by task area.

Difference: the group of consolidated entities is not defined on the basis of control criteria.

- Reason: the entities consolidated on a full consolidation basis are defined in accordance with Article 55 of the FBA. Significant interests, where the Confederation holds a majority stake, are consolidated according to the equity method.

- Result: some controlled entities are not fully consolidated.

Difference: the equity values of significant interests are based on the separate financial statements prepared in accordance with their applicable accounting standards and not on the accounting standards used for the federal consolidated financial statements.

- Reason: significant interests are valued in the same way in both the federal financial statements and federal consolidated financial statements.

- Result: the reported value of significant interests does not correspond to the value that would have been recognized had it been calculated in accordance with the accounting standards applying to the federal consolidated financial statements.

Additional comments

Sums transferred in local currencies by the Swiss Agency for Development and Cooperation to bank accounts abroad within the framework of development cooperation are carried as an expense and are not recognized in the statement of financial position. The actual utilization of the funds locally can take place at a later stage.

Supplementary standards

The following supplementary standards are applied (Appendix 3 FBO, SR *611.01*) in the cases below due to the absence of a specific IPSAS or an IPSAS that has yet to be implemented:

Subject matter: valuation of financial instruments in general.

- Standard: Guidelines of the Swiss Federal Banking Commission (now FINMA) governing the accounting standards prescribed in Article 25 et seq. of the Banking Ordinance of April 30, 2014.

- Standard: International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement.

Subject matter: strategic positions involving derivative financial instruments.

- Standard: section 23 b of the SFBC Guidelines, as amended December 31, 1996.

- Standard: International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement.

Published standards not yet applied

New International Public Sector Accounting Standards not coming into effect or not being introduced by the Confederation until a later point in time were published before the reporting date:

IPSAS 28 new – *Financial Instruments: Presentation;* IPSAS 29 new – *Financial Instruments: Recognition and Measurement*; IPSAS 30 new – *Financial Instruments: Disclosures:* the three standards are based on IAS 32, IAS 39 and IFRS 7. IPSAS 15 – Financial Instruments: Disclosure and Presentation was replaced upon entry into force on January 1, 2013. Moreover, application of the Banking Ordinance (Art. 23 to 27) as a supplementary standard has ceased. In the case of the Confederation, introduction is scheduled for January 1, 2017. With regard to the expected implications for the federal financial statements, please refer to the dispatch on the optimization of the accounting model of the Confederation (BBl *2014* 9340 to 9343).

IPSAS 34 new – *Separate Financial Statements*; IPSAS 35 new – *Consolidated Financial Statements*; IPSAS 36 new – *Investments in Associates and Joint Ventures*; IPSAS 37 new – *Joint Arrangements*; IPSAS 38 new – *Disclosure of Interests in Other Entities*: the five standards are based on IAS 27, IAS 28, IFRS 10, IFRS 11 and IFRS 12. IPSAS 6, IPSAS 7 and IPSAS 8 will be replaced upon entry into force on January 1, 2017.

IPSAS 39 new – *Employee Benefits*; IPSAS 39 will replace IPSAS 25. The main change in the new IPSAS 39 concerns the removal of the corridor approach, whereby actuarial gains and losses are to be recognized directly in net assets/equity. The new provisions will enter into force on January 1, 2018, but will be implemented by the Confederation already on January 1, 2017.

IPSAS 40 new – *Public Sector Combinations*; this new IPSAS governs amalgamations and acquisitions of public sector entities (e.g. commune mergers). The new provisions will enter into force on January 1, 2019. This standard is not expected to have a major impact on the financial statements, as combinations of entities are rare at the federal level.

Accounting and valuation principles

The accounting and valuation principles are based on the applicable accounting principles.

Presentation basis

The consolidated annual financial statements are presented in Swiss francs (CHF).

Foreign currencies

Cash and other liquid assets denominated in foreign currencies are translated using the closing rate of exchange on the reporting date, and any exchange differences are recognized in the surplus or deficit.

Recognition of revenue

Revenue is recognized at the time the goods or services are supplied.

Where the services extend beyond the fiscal year-end, revenue is classified as a prepayment. Where a specific time or date is material (e.g. a specific decision or authorization), revenue is recorded when the service is supplied or the decision takes effect.

Recognition of tax revenue

Direct federal tax is recorded gross on a cash accounting basis based on the amounts of tax received during the fiscal year. The cantons' shares are recognized separately as an expense. Revenue pending in the years following any potential abolition of direct federal tax is shown as a contingent asset.

Value added tax revenue is calculated on the basis of receivables recorded on statements (including supplementary statements, credit advices, etc.) during the fiscal year.

Stamp duty is recorded on the basis of tax returns received during the fiscal year.

Withholding tax is calculated on the basis of tax returns received, statements issued and applications for refunds. Applications for refunds received by January 10 of the following year, or which are expected by this date based on individual claim assessments exceeding 50 million, are accounted for on an accrual basis and deducted from revenue. Conversely, tax returns in excess of 100 million which are received or expected by January 10 of the following year are recognized. Provisions are made for outstanding refund applications.

Revenue from mineral oil tax, tobacco duty, automobile duty, import duties, the mileage-related heavy vehicle charge (foreign vehicles) and the lump-sum heavy vehicle charge is recognized on an accrual basis in respect of taxable economic activities.

Casino tax revenue is recorded on the basis of tax returns received, with a delay of one quarter.

Motorway tax and the mileage-related heavy vehicle charge (domestic vehicles) are recorded upon receipt of the relevant statements. As a result, the revenue from the mileage-related heavy vehicle charge on domestic vehicles is recognized with a delay of up to two months.

Revenue from incentive fees (VOC, "extra-light" heating oil, petrol and diesel oil with a sulphur content, contaminated site tax, CO_2 tax on fuel) and casino tax is allocated to funds in liabilities and is thus not recognized in the statement of financial performance.

Revenue from research efforts and co-financing

Project-related contributions aimed at promoting teaching and research can flow to the entities from various donors (esp. ETH Domain). Each inflow of funds is assessed to determine whether it is an inflow from exchange transactions (IPSAS 9) or an inflow from non-exchange transactions (IPSAS 23).

Fund inflows from exchange transactions (IPSAS 9) are posted as liabilities at the time of the inflow. The corresponding revenue is recognized at the time the goods or services are supplied.

In the case of fund inflows from non-exchange transactions (IPSAS 23), it is necessary to determine whether or not a repayment obligation exists. In the event of a repayment obligation, the inflow is posted under liabilities and the revenue is recognized at the time the goods or services are supplied. In the absence of a service or repayment obligation, in contrast, the revenue is recognized as soon as a receivable is legally binding and the inflow of resources is probable.

If third-party funds and co-financing are acquired for investments eligible for capitalization, the fund inflow is recorded as a liability and proportionately amortized to income throughout the useful life of the capital asset funded.

Recognition of revenue from mobile radio licenses

Extraordinary revenue pursuant to the debt brake is recognized for the parent entity upon receipt of payment. Fund inflows concerning several periods are not accrued (e.g. one-time proceeds of mobile radio licenses for several years).

Subsidy accruals and deferrals

Accruals and deferrals are made if a still unpaid subsidy in a legal form in accordance with Article 16 of the Federal Act of October 5, 1990 on Financial Aids and Grants (Subsidies Act [SubA], SR *616.1*) has been granted and the beneficiary has performed all (or part) of the obligation or service eligible for the subsidy.

Cash and cash equivalents

These consist of cash and cash equivalents with maturities of three months or less (including fixed-term deposits and financial investments). They are valued at nominal value.

Receivables

Receivables are carried at the original invoice amount, less allowances for doubtful receivables, as well as chargebacks and cash discounts. Allowances are based on the difference between the receivable value and the estimated net recoverable amount.

In the case of receivables from non-exchange transactions (IPSAS 23), there is the probability of a fund inflow in relation to the entire contractually agreed project volume (e.g. EU or SNSF research projects). Consequently, the entire project volume is generally recognized at the time of contract conclusion, provided the actual value can be determined reliably. If the recording criteria cannot be met, the details are entered under contingent assets.

Non-current, non-interest-bearing receivables exceeding 100 million in value per transaction are discounted and carried at their present value. An actuarial model is used to measure receivables from Swiss Export Risk Insurance (SERV) insurance business.

Financial investments

Where there is the positive intent and ability to hold them to maturity, financial investments with a fixed maturity are classified as "held to maturity" and recognized at amortized cost using the accrual method. This distributes the difference between historical cost and the repayment amount (premium/discount) over the term of the investment in question using the discounted cash flow method.

Financial investments acquired with the aim of achieving short-term gains by making targeted use of market price fluctuations are recognized as financial investments at fair value, i.e. they are classified as "held for trading". Fair value changes in this category are recognized in the statement of financial performance.

The other financial investments, which are held for an indefinite period and can be sold at any time, are classified as "available for sale". These investments are stated at the lower of cost or market, i.e. they are recognized at historical cost or market value, whichever is less. Changes in fair value below cost are recognized in the statement of financial performance. Changes in fair value above cost are not recognized.

Derivative financial instruments

Derivative financial instruments may be used for three different purposes: trading, hedging and holding strategic positions.

Trading positions are measured and recognized at fair value. Changes in fair value are recognized in the statement of financial performance. In the absence of any market prices, fair values are determined on the basis of valuation techniques.

Hedge accounting is applied to foreign currency hedges (forward and futures contracts and options). These derivative financial instruments are presented at fair value in the statement of financial position. Hedging transactions that do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading. Any overhedged positions are also recognized as instruments held for trading.

Derivative financial instruments may be recorded as strategic positions and are presented at fair value in the statement of financial position. Interest payments are allocated pro rata temporis to the relevant accounting periods. Any changes in the fair value of strategic derivative financial instruments (currently CHF interest rate swaps) are stated at the lower of cost or market. In other words, the financial instrument is stated at historical cost or market value, whichever is less. If the derivative financial instrument is closed out or sold early, or upon expiration of the instrument, the sale proceeds and changes in fair value from previous accounting periods (compensation account balance) are recognized in the statement of financial performance.

Inventories

Inventories are measured at the lower of cost (including production overheads) or net realizable value. For major inventory items, they are determined using the moving average method. Standard prices are used where these approximate the actual historical or total production cost. Impairments are recognized for inventories that are not easily marketable.

Loans for the discharge of public functions

Loans for the discharge of public functions are measured at the lower of nominal or market value.

In the absence of any market value, impairment losses on loans are estimated annually based on criteria such as credit rating, collateral value and the terms of repayment.

Loans with restrictive terms of repayment are written off in full (100%) at the time they are granted and recognized in financial expense.

Where the term of a loan exceeds five years, the nominal loan value is greater than 100 million, and the interest payable on the loan is not on market terms, the loan is discounted and the relevant amount written off.

Investment contributions

Investment contributions paid to third parties are not recognized or measured but written down as transfer expenses in the year in which they are made.

Financial interests

Significant interests are accounted for using the equity method. An interest is deemed to be significant if the Confederation holds an interest of 20% or more in an investment valued at over 100 million based on the equity method. When there is an indication that the value of an asset may not be fully recoverable, its fair value is estimated based on the future cash flows expected to result from the use of the asset. If the carrying amount of the asset is greater than its market value or value-in-use, an impairment loss for the difference is recognized. The values shown using the equity method are generally based on the financial statements of the relevant companies as of September 30. In this respect, the accounting and valuation policies applying to significant interests may differ somewhat from the accounting and valuation policies applying to the federal consolidated financial statements.

Other financial interests are recognized at cost net of any impairments required. Impairments may be calculated on the basis of net asset value or capitalized income value.

Other financial interests valued in accordance with the equity method in the separate financial statements of the entities within the scope of consolidation are not revalued. Any subgroups of consolidated entities are retained.

Tangible fixed assets
Tangible fixed assets are valued at cost and depreciated on a straight-line basis over the estimated useful life of the asset.

Land	None
Buildings, motorways	10–50 years
Operating/storage facilities, machines	4–10 years
Furniture, vehicles	4–12 years
IT facilities	3–7 years

Properties that are no longer used and are nonmarketable are recognized as having a value of zero. These are essentially buildings included in the housing stock of armasuisse Immobilien which are no longer needed due to army reforms.

Capitalized tenant fixtures and installations on leased premises are depreciated over the shorter of the lease term or their estimated useful life.

Buildings comprising items of property with differing periods of useful life are not recorded or depreciated separately. This is taken into account in determining the depreciation period.

Investments that extend the economic benefit of a tangible fixed asset are capitalized. Costs incurred solely on repair and maintenance are recognized as expenses.

Intangible fixed assets
Intangible fixed assets acquired or created are valued at cost and amortized on a straight-line basis over their estimated useful life:

Software (purchases, licenses, developments)	Life or contractual license term
Licenses, patents, rights	Contractual license term

Works of art
Works of art are not capitalized in the statement of financial position. The Federal Office of Culture keeps an inventory of all works of art in the Confederation's possession. They are used to decorate Swiss embassies and consulates abroad as well as important Federal Administration buildings. The most valuable works of art are on loan and exhibited in various Swiss museums. The design works are on loan and deposited with the Museum of Design in Zurich, and the photographs are lent and made available to the Swiss Foundation of Photography in Winterthur.

Leasing
Assets acquired under leasing agreements which transfer the risks and rewards incidental to ownership from the lessor to the Confederation (finance leases) are classified as non-current assets of the relevant category. Assets acquired under a finance lease are initially recognized at the fair value of the leased asset or the net present value of future non-cancelable lease payments at the inception of the lease, whichever is lower. On the liabilities side, this same amount is recognized as a finance lease liability. Leased assets are depreciated over the shorter of their estimated useful economic life or the lease term, where the transfer of ownership at the end of the lease is not certain.

Leases where the lessor retains some or all of the risks and rewards incidental to ownership are classified as operating leases. The associated expenses are recognized directly in the statement of financial performance.

Impairments
The impairment of tangible and intangible fixed assets is always tested if it appears that the carrying amounts may be too high owing to changed circumstances or other events. When there is an indication that the value of an asset may not be fully recoverable, its fair value less costs to sell is estimated based on the future cash flows expected to result from the use of the asset or its sale.

If the carrying amount of the asset is greater than its net realizable value or value-in-use, an impairment loss for the difference is recognized as an expense.

Provisions
Provisions are recognized where a liability has arisen from a past event, an outflow of funds will probably be required to settle that liability, and the amount of the liability can be reliably estimated. Where it is unlikely that an outflow of funds will be required (<50%) or the amount cannot be estimated reliably, it is disclosed as a contingent liability.

A provision for restructuring costs is recognized only when a detailed formal plan for the restructuring has been presented and communicated.

The Confederation (parent entity) is its own insurer. A provision is recognized only for anticipated expenses from losses incurred. No provision is recognized for potential future losses.

Trade payables
Trade payables are carried at nominal value.

Financial liabilities

Financial liabilities are financial debts arising from money market paper, amounts due to banks, other third-party liabilities, bond issues, and negative replacement values for derivatives.

Items are generally stated at nominal value except for negative replacement values, which are measured at fair value, and financial liabilities that are held to maturity (accrual method).

Restricted funds

Restricted funds are stated at nominal value and attributed to liabilities or net assets/equity, depending on their economic value.

Restricted funds are recognized in net assets/equity insofar as the law expressly provides for flexibility in the use of the fund or the time at which it may be used. Other restricted funds are recognized in liabilities.

Revenue and expenses relating to restricted funds in liabilities are recognized in the statement of financial performance. At year-end, revenue and expenses relating to restricted funds in liabilities are recognized in net deposits or net revenue without recognition in the statement of financial performance. In the case of restricted funds in net assets/equity, offsetting is by means of a transfer within net assets/equity.

Special funds

Special funds are third-party funds granted to the Confederation subject to certain conditions, or inflows of funds from budget items pursuant to statutory provisions. The Federal Council defines how the funds should be administered subject to the applicable conditions.

Special funds are attributed to liabilities or net assets/equity depending on their economic value. They are recognized in net assets/equity in those cases where the relevant administrative unit is largely free to determine how and when the funds are to be used. Other special funds are recognized in liabilities.

With the exception of the ETH Domain, expenses and revenue from special funds are not recognized in the statement of financial performance.

Reserves from global budgets

MPM administrative units have the option to create reserves and subsequently use these reserves to fund activities, provided such activities are consistent with the objectives of their performance mandate (Art. 46 FBA). The creation and appropriation of reserves are recognized within net assets/equity.

Restricted reserves may be created where loan facilities are not drawn down or only partly drawn down due to project delays. They may be used only for the projects for which they were created.

Subject to meeting their performance objectives, MPM administrative units may create general reserves provided they have generated net additional revenue by providing additional non-budgeted services, or their expenses are lower than the budgeted amount.

Risk-bearing capital and core capital (SERV)

Risk-bearing capital is used to cover the underwriting risks of Swiss Export Risk Insurance (SERV). Core capital provides a buffer against the risk of deterioration in the quality of SERV's portfolio and is intended to fund the expansion of business.

Employee retirement benefits and other long-term employee benefits

Employee retirement benefits and other long-term employee benefits include pensions, termination benefits and vested long-service benefits. They are valued in accordance with IPSAS 25.

They are valued on the basis of actuarial assumptions such as the discount rate, the expected return on plan assets, the expected salary trend and pension adjustments, as well as demographic developments (mortality, disability, departure probability).

Notwithstanding IPSAS 25, employee retirement benefits and other long-term employee benefits are not recognized as liabilities in the statement of financial position. Instead, they are shown as contingent liabilities in the notes to the annual financial statements.

3 Consolidation scope

The added value provided by the consolidated financial statements is directly related to the consolidation scope. In view of this, the Federal Council – in consultation with the Finance Committees – has adopted a pragmatic approach, electing to restrict the group of consolidated entities in the first instance. The group selected meets the minimum requirements set out in Article 55 paragraph 1 of the Federal Budget Act (parent entity, separate accounts, entities of the decentralized Federal Administration with their own accounts).

During its meeting on November 12, 2014, the Federal Council adopted the dispatch on the optimization of the accounting model of the Confederation. With this bill, the consolidated financial statements are to be extended to all entities controlled by the Confederation. Consequently, undertakings in which the Confederation has a stake of more than 50% as well as federal social insurance schemes (old-age and survivors' insurance, disability insurance, compensation for loss of earnings, and unemployment insurance compensation funds) will be consolidated from the 2017 business year onward. Both the National Council and the Council of States approved the dispatch in 2015.

The consolidation scope currently includes the following entities:

Confederation as parent

Institutions and administrative units included in the federal financial statements (Art. 2 FBA):
- Federal Assembly and its Parliamentary Services
- Federal Courts
- Federal Council
- Federal departments, general secretariats and Federal Chancellery
- Federal groups and offices
- Administrative units of the decentralized Federal Administration that do not maintain separate accounts (e.g. Office of the Attorney General; Communications Commission; Swiss Federal Data Protection Commissioner; Swiss Federal Audit Office; Competition Commission)

Separate accounts

These are the financial statements of administrative units of the decentralized Federal Administration and non-autonomous federal government funds which maintain separate accounts. The financial statements are presented to the Federal Assembly for approval (Art. 5 letter b FBA):
- Swiss Alcohol Board (SAB)
- Railway infrastructure fund (RIF)
- Infrastructure fund for urban transportation and the motorway network (IF)

Administrative units of the decentralized Federal Administration with their own accounts

- Swiss Federal Institutes of Technology Domain (ETH)
- Swiss Financial Market Supervisory Authority (FINMA)
- Swiss Federal Institute for Vocational Education and Training (SFIVET)
- Swiss Federal Institute of Intellectual Property (IIP)
- Swiss Federal Institute of Metrology (METAS)
- Swiss Federal Nuclear Safety Inspectorate (ENSI)
- Federal Audit Oversight Authority (FAOA)
- Pro Helvetia (PH)
- Swiss Export Risk Insurance (SERV)
- Swiss Association for Hotel Credit (SAH)
- Swiss National Museum (SNM)
- Swiss Investment Fund for Emerging Markets (SIFEM AG)
- Swissmedic

The vast majority of the administrative units of the decentralized Federal Administration which maintain separate accounts are included in the group of consolidated entities. However, pursuant to Article 55 paragraph 2 letter a of the FBA, the Federal Council has the power to exclude from consolidation any administrative units which maintain their own accounts. Only units which do not meet the IPSAS control criteria are excluded. This applies to *Switzerland Tourism* and *PUBLICA*. The latter – as is the case with all pension funds in Switzerland – is managed on the basis of collective representation and cannot therefore be described as a government-controlled entity.

Significant interests

Provided they are significant in scope and are not classified as administrative units of the decentralized Federal Administration, federal government majority interests are accounted for in the federal consolidated financial statements using the equity method (applicable share of net assets/equity) instead of the full consolidation method prescribed by IPSAS. This concerns the following:
- Swiss Post
- Swiss Federal Railways (SBB)
- Swisscom AG
- RUAG Holding AG
- BLS Netz AG
- Skyguide AG

Adjustments to the consolidation scope

On January 1, 2016, the railway infrastructure fund (RIF) replaced the fund for major railway projects (FinPT fund). Otherwise, there were no changes to the consolidation scope relative to the previous year.

4 Risk situation and risk management

The consolidated entities of the Confederation are exposed to various risks, whose occurrence can jeopardize the achievement of objectives and fulfillment of tasks. These risks should be identified, analyzed and evaluated as soon as possible in order for the necessary measures to be taken in a timely manner. Risk management is a management tool. It is integrated into the business and management processes of the entities included in the consolidation scope.

Managing risks

Risks refer to events and developments that have a certain likelihood of occurring and would have significant negative financial and non-financial repercussions (e.g. adverse effects regarding reputation, business processes, the environment, etc.). Uniform rules are used for identifying, analyzing, evaluating, managing and monitoring risks. Risk management is designed in accordance with current standards. A distinction is made between the following categories:

- Financial and economic risks
- Legal risks
- Property and technical risks, and natural hazards
- Risks relating to human error or moral hazard, and organizational risks
- Technological and scientific risks
- Social and political risks

The entities are responsible for implementing risk management. The FFA and the General Secretaries Conference fulfill important coordination functions for the central Federal Administration in risk management. By issuing guidelines and providing training, the FFA ensures the most uniform possible implementation of risk management. The General Secretaries Conference is responsible for consolidating and prioritizing risks at Federal Council level, and conducts a completeness check. The decentralized administrative units, in contrast, independently take the necessary measures in their areas to safeguard the Confederation's assets, ensure that funds are lawfully appropriated, and identify and/or prevent errors and irregularities.

In contrast to the other entities, the Confederation as parent entity is its "own insurer" (see Art. 50 para. 2 FBO). Potential losses and liability risks are covered by third-party insurance only in special cases.

Risk management mechanisms and measures

The consolidated entities of the Confederation manage their risks using "avoid", "reduce" and "finance" strategies. However, there are tasks that can be accomplished only by accepting risks, and refraining from task fulfillment in these cases ("avoid" strategy) is generally out of the question. Consequently, the risks can only be kept as small as possible ("reduce" strategy).

Systems are in operation to manage and monitor risks at an organizational level (e.g. dual control principle), technical level (e.g. fire safety systems) and legal level (contractual safeguards, amendments to the law), or in relation to human resources (e.g. continuing professional development). The efficacy of these management and monitoring systems is reviewed on a regular basis and improvements made where necessary. These systems are fully integrated into business processes.

The risk management process is also facilitated by the internal control system (ICS). Unlike the risk management system, the ICS focuses only on operating risks and not strategic risks. However, there is some overlap between the two areas.

Risk situation

Risks arise directly or indirectly from the tasks and activities assigned under the Constitution and by law.

On the one hand, entities can suffer damage to their own assets. On the other hand, they may be exposed to liability risks vis-à-vis third parties or risks in connection with outsourced organizations that discharge public functions. In general, the entities are liable for any damages caused by employees within the scope of performing their duties. They may also be liable in respect of compensation claims relating to breaches of supervisory duties. The risks are primarily financial and economic risks, legal risks, property and technical risks, and natural hazards. Particular importance is attached to risks in the area of IT and telecommunications, as well as risks arising from the exercise of oversight activities.

Risk disclosure

The risk disclosure statements submitted to the Federal Council are not published. The extent to which risks are disclosed varies depending on the type of risk involved.

- Risks that have arisen from past events and that will probably require a future outflow of funds are recognized as liabilities or provisions in the statement of financial position.

- Events with a high, quantifiable risk of occurrence are recorded under contingent liabilities.

Internal processes ensure that the above risks are taken into account in the annual financial statements.

42 Explanations concerning the consolidated financial statements

1 Tax revenue

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Tax revenue	**62 964**	**63 371**	**407**	**0.6**
Direct federal tax	20 125	21 057	932	4.6
Withholding tax	6 117	5 733	-384	-6.3
Stamp duty	2 393	2 021	-372	-15.5
Value added tax	22 453	22 458	5	0.0
Other consumption taxes	7 304	7 223	-81	-1.1
Misc. tax revenue	4 572	4 879	307	6.7

Tax revenue rose by 0.6 billion to 63.4 billion relative to the previous year, with direct federal tax and VAT accounting for approximately 70% of this.

Direct federal tax

Direct federal tax receipts totaled 21.1 billion in 2016. The increase of 0.9 billion was largely driven by taxes on the net revenue of legal entities. While profit taxes rose by 842 billion, taxes on the income of natural persons, at 167 million, contributed significantly less to the growth.

Like the previous year, receipts were marked by the increase in advance payments. These are payments for the 2016 tax period that are generally not due until 2017. It is likely that the negative interest rate environment, combined with the positive interest paid on advance payments (0.25%) favored this development.

The Confederation's share of the flat-rate tax credit for foreign withholding tax reduced revenue and amounted to 232 million.

The cantons have a 17% share in direct federal tax receipts, before deduction of the flat-rate tax credit.

Withholding tax

Withholding tax revenue is measured by the difference between tax receipts, tax refunds and changes in provisions. It fluctuates significantly. Withholding tax revenue amounted to 5.7 billion in the year under review. This was 384 million lower than the previous year, mainly as a result of the following factors:

- Revenue (on the basis of tax returns) from the taxation of dividends on shares and participation gains, the taxation of bond interest payments as well as other receipts were down by 4.2 billion, or 14.4%, in net terms.
- Meanwhile, refunds fell by 2.8 billion (-12.5%). The reimbursement rate amounted to 79.3% in 2016 (previous year: 77.5%).
- The withholding tax provision was reduced by 500 million after being increased by 500 million the previous year (see section 42/20).

Stamp duty

Transfer stamp tax generated over half of all stamp duty revenue (1,106 mn, -212 mn). This tax is dependent on the performance of international stock markets.

Issue tax revenue amounted to 209 million, which was 151 million less than the previous year. This is a volatile source of receipts, as it depends on the formation of new companies and the refinancing needs of existing businesses.

Revenue from the *insurance premium stamp duty* has been relatively stable for many years (706 mn, -9 mn).

Value added tax

VAT receipts totaled 22.5 billion in 2016, meaning that they stagnated at the previous year's level. This was due primarily to domestic tax, which posted a year-on-year decline of 0.8%. Thanks to an increase in the import tax collected at the border (+1.0%), this decline was offset. However, receipts were unable to keep pace with GDP growth (+0.7%).

5.1 billion of the total value added tax revenue has been earmarked for health insurance (911 mn), old-age and survivors' insurance (2,326 mn), the federal share in AHV percent (476 mn), the VAT supplement in favor of disability insurance (1,121 mn) and the railway infrastructure fund (314 mn). The amounts are stated gross, i.e. before deduction of proportional losses on receivables.

Revenue is presented on an accrual basis. Non-recoverable VAT receivables are expensed under losses on receivables. These amounted to 180 million in the year under review.

Other consumption taxes

With a decrease of 29 million, *mineral oil tax* revenue (4,688 mn) was slightly down on the previous year. The growing use of tax-exempt biofuels contributed to the weaker result. To date, the Federal Council has not made use of the compensation for receipt shortfalls by means of higher tax on petrol provided for by law.

Tobacco duty revenue (2,131 mn) fell by 68 million. There was a considerable increase in "shopping tourism" in neighboring countries because of the Swiss franc's strength.

Revenue from *alcohol duty* (273 mn) and *beer tax* (131 mn) was in line with prior-year levels.

Miscellaneous tax revenue

Coming in at 4,879 million, miscellaneous tax revenue was up significantly on the previous year (+307 mn, or +6.7%). While customs duties (+79 mn), casino tax (+2 mn), incentive fees (+199 mn) and other tax revenue (+73 mn) rose, transportation taxes (-46 mn) fell.

In the case of *transportation taxes* (2,178 mn), automobile duty revenue (349 mn) declined significantly. This was due to the decrease in imported passenger vehicles, as well as the increase in chargebacks to importers. With regard to motorway tax (375 mn), sales of motorway tax stickers were slightly above the previous year's level. Receipts from the heavy vehicle charge (1,454 mn) remained at the previous year's level, despite a slight increase in the transport volume subject to the charge. The fall in receipts resulted from the conversion of the vehicle fleet to vehicles with lower emissions and therefore subject to lower tax rates.

Import duties (1,134 mn) posted a year-on-year increase of 79 million (+7.4%). The customs revenue from the agricultural sector was credited to the special financing facility for accompanying measures relating to a free trade agreement with the EU in the agri-food sector or an agreement with the WTO (643 mn).

Casino tax revenue (274 mn) rose by 2 million. Casino tax is levied on gross gaming revenue generated by casinos (tax rate 40–80%). The revenue is recorded as restricted receipts appropriated to the AHV compensation fund.

Incentive fees rose by 199 million to 1,217 million, with the biggest rise posted by CO_2 incentive fees (1,065 mn; +215 mn).

2 Service revenue

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Service revenue	**2 417**	**2 464**	**47**	**1.9**
Military service exemption tax	173	174	1	0.6
Fees	420	441	21	5.0
Revenue from exchange trans. - royalties/services	169	137	-32	-18.9
Sales	161	157	-4	-2.5
Reimbursements	36	33	-3	-8.3
EU taxation of savings income	71	38	-33	-46.5
Insurance revenue (SERV)	71	83	12	16.9
Second-party resources & third-party funds (ETH Domain)	699	759	60	8.6
Other service revenue	617	642	25	4.1

Service revenue increased by 47 million to 2,464 million year on year, whereby the individual types of revenue contributed to varying extents.

Revenue from the *EU taxation of savings income* fell significantly on the previous year due to the persistent decline in interest rates, as well as the growing number of voluntary disclosures to the EU tax authorities. The EU retention tax is applied to the interest income of natural persons domiciled in an EU member state. 75% of this revenue is paid out to EU recipient states, while the remainder is retained by Switzerland to cover its collection costs. The cantons are entitled to a 10% share of the Swiss portion.

SERV insurance revenue (Swiss Export Risk Insurance) is essentially comprised of premium proceeds, the balance from the increase and decrease in unearned premiums and interest revenue from debt rescheduling agreements.

Revenue from *second-party resources and third-party funds (ETH Domain)* is the result of capital inflows that are generally earmarked for use in financing projects in the area of applied research. Second-party resources and third-party funds are largely acquired through competitive fundraising and therefore tend to fluctuate significantly.

3 Other revenue

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Other revenue	**2 051**	**1 318**	**-733**	**-35.7**
Building revenue	82	81	-1	-1.2
Profit from disposals	23	25	2	8.7
Capitalization of own production	64	58	-6	-9.4
Other misc. revenue	633	411	-222	-35.1
SNB profit distribution	667	333	-334	n.d.
Other revenue from royalties and concessions	394	382	-12	-3.0
Net revenue from restricted funds in liabilities	188	28	-160	-85.1

n.d.: not displayed

Other revenue declined by 733 million to 1,318 million year on year. There were three main reasons for this.

Fines ordered by the Competition Commission (COMCO) against Swisscom (186 mn) and BMW (157 mn) were recognized under *other miscellaneous revenue* the previous year. That revenue was missing in 2016. Instead, there were revaluation gains on buildings of 137 million.

The authoritative agreement regarding the *SNB profit distribution* for 2016 made provision for an annual amount of 1 billion to be paid out to the Confederation and the cantons (Confederation 1/3; cantons 2/3) in the event of a positive profit distribution reserve. If the distribution reserve after profit appropriation exceeds 10 billion, an additional profit distribution is made. While that applied the previous year, the SNB's significant loss in 2015 led to a distribution reserve of less than 10 billion; consequently, 333 million went to the Confederation in 2016.

The *net revenue from restricted funds in liabilities* amounted to 28 million, corresponding to a drop of 160 million on the previous year. This concerned four funds: penalty fine for reducing CO_2 emissions from passenger vehicles, infrastructure fund (12 mn); casino tax (11 mn); VOC and "extra-light" heating oil incentive fees (3 mn); and media research, radio technology and program archiving (2 mn).

4 Personnel expenses

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Personnel expenses	**7 932**	**8 046**	**114**	**1.4**
Staff compensation	6 426	6 458	32	0.5
Employer contributions (social insurance)	1 338	1 367	29	2.2
Benefits paid by employer	57	109	52	91.2
Temporary personnel	34	36	2	5.9
Change in provisions	-14	-16	-2	14.3
Other personnel expenses	91	92	1	1.1

Coming in at 8,046 million, personnel expenses were up by 114 million on the previous year. 33% of the 54,697 full-time equivalents are in the ETH Domain.

The *number of staff* expressed in full-time equivalents (FTEs) rose by 159, representing an increase of 0.3%.

- Although the Federal Council had decided on job requests of 254 FTEs for 2016 in the 2016 budget and another 177.5 FTEs were added as a result of hiring hitherto external staff internally, the parent entity's headcount fell for the first time in six years (-21 FTEs; total 34,914). This reduction was driven largely by the cutbacks in the area of personnel decided by the Federal Council in the 2016 budget, as well as restrained recruitment.
- In the ETH Domain (+176 positions; +1.0%), there was an increase in both the number of professorships (+16 FTEs) and the number of researchers (+78 FTEs). Overall, 33% was financed through second-party resources and third-party funds (2015: 34%).
- In the other areas, the number of staff rose by four FTEs to 1,991 FTEs (+0.2%).

Wage measures as of January 1, 2016:
- No general wage measures (cost-of-living adjustment or real wage measures) were granted in the parent entity.
- In the ETH Domain, individual wage measures of 1.2% were granted under the new wage system.

5 Other operating expenses

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Other operating expenses	**5 781**	**6 212**	**431**	**7.5**
Expenses for goods and materials	376	281	-95	-25.3
Operating expenses	4 136	4 300	164	4.0
Motorway operation and maintenance	408	432	24	5.9
Defense expenses	843	1 004	161	19.1
Net expense for restricted funds in liabilities	18	195	177	983.3

Other operating expenses rose by 431 million, or 7.5%, compared with the previous year. Three expense categories in particular contributed to that.

Operating expenses rose by 164 million to 4,300 million. There was a sharp increase in expenses for buildings (+124 mn). A reversal of provisions in the case of armasuisse Immobilien had led to a significant drop in expenses the previous year; expenses for the maintenance of buildings were also higher than in 2015.

Defense expenses rose by 161 million to 1,004 million relative to the previous year. Following the rejection of the Gripen fighter jets, only a few other projects were mature enough for procurement in 2015. In 2016, it was possible to push ahead with more and more larger armament procurements, also because Parliament approved an additional armament program worth 874 million in 2015. The main aim of the procurements was to modernize and better equip the Armed Forces.

Regarding the *net expense for restricted funds in liabilities*, more restricted funds were deposited than utilized. This was the case for the CO_2 tax, redistribution and technology fund (104 mn), the wastewater charge (64 mn), the CO_2 tax, building program (14 mn) and the contaminated site fund (13 mn; see section 21).

6 Transfer expenses

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Transfer expenses	**48 391**	**48 695**	**304**	**0.6**
Third parties' share in federal income	9 441	9 500	59	0.6
Compensation to public bodies	1 291	1 596	305	23.6
Contributions to own institutions	1 494	2 998	1 504	100.7
Contributions to third parties	16 004	15 728	-276	-1.7
Contributions to social insurance	16 401	16 715	314	1.9
Value adjustments in transfer expenses	3 760	2 158	-1 602	-42.6

Transfer expenses rose by 304 million, or 0.6%, to 48.7 billion.

Third parties' share in federal income

This account group comprises restricted shares in receipts refunded to the cantons and social insurance or – in the case of incentive fees – to households and companies. Expenditure results directly from receipts and is therefore uncontrollable.

Cantons' share: +77 million to 5,037 million
The cantons' share rose by 1.6%, or 77 million, relative to the previous year. This sharp increase was caused by a higher cantonal share of direct federal tax (+171 mn; +5.0%), as well as a smaller cantonal share of withholding tax (-94 mn; -14.6%).

Social insurance share: -21 million to 3,704 million
The social insurance share fell by 0.6% relative to the previous year due to the revenue trend for casino tax.

Redistribution of incentive fees: +2 million to 759 million
The redistribution of incentive fees was up by 2 million (+0.3%) on the previous year. Growth indicates the redistribution of the CO_2 tax (+26 mn). Effective since 2010, the tax revenue is redistributed to the population and the private sector based on estimated revenue. The difference between the estimated and the actual revenue from the tax is always compensated for in the distribution two years later. Consequently, there was a correction in 2016 based on the actual 2014 revenue. Unlike with the CO_2 tax, incentive fees in respect of volatile organic compounds (VOCs) are redistributed to households with a two-year time lag. The reduction in expenditure (-24 mn) was thus caused by the lower VOC incentive fee receipts in fiscal 2014.

Compensation to public bodies

Compensation to public bodies is paid to cantons and communes which perform federal government functions (e.g. conducting the population census). Compensation of 1,596 million (+305 mn) was paid out in 2016.

Contributions to own institutions

- The 2,429 million disbursed from the railway infrastructure fund (RIF) for various rail projects was 1,794 million higher than the amount disbursed from the fund for railway projects (FinPT fund) the previous year. The RIF provides financing for operations and the preservation of value, as well as for the further expansion of the railway infrastructure.

- Operating compensation for regional passenger transportation amounted to 412 million (+14 mn).

- The remaining contributions to own institutions amounted to 157 million (-304 mn, see RIF).

Contributions to third parties

Contributions to third parties were made in all task areas. Expenses for this account group were down by 276 million, or 1.7%, on the prior-year level. The trend in the three contribution categories was as follows:
- Fiscal equalization (+8 mn to 3.2 bn)
- International organizations (+8 mn to 1.8 bn)
- Other contributions to third parties (-292 mn to 10.7 bn)

The main beneficiaries in respect of other contributions to third parties were:
- General direct payments for agriculture (+3 mn to 2,802 mn)
- Research promotion institutions (+41 mn to 1,011 mn)
- Flat-rate contributions to vocational education (-9 mn to 756 mn)
- Promotion of higher education, basic contributions (-624 mn to 664 mn)
- Development cooperation initiatives (-117 mn to 644 mn)
- Operating contributions for universities of applied sciences (+29 mn to 535 mn)
- Regional passenger transportation (+1 mn to 522 mn)

The decrease in basic contributions for the promotion of higher education was based on the Federal Administrative Court ruling of November 10, 2015, whereby the annual basic contributions to universities consist of a subsidy system on an arrears basis rather than an accrual approach. Consequently, an additional accrual of 639 million had to be recognized in the previous year. This is now carried as a provision.

Contributions to social insurance

The Confederation's contributions to social insurance increased by 1.9% in the year under review. There was additional expenditure primarily in the case of AHV contributions and health insurance, while the special contribution to IV interest payable decreased.

Federal social insurance: +9 million to 12.3 billion
The Confederation's contribution of 19.55% to AHV expenditure rose by 1.8% (+146 mn to 8,318 mn). The increase was due to the higher number of pension recipients.

The Confederation's contribution to disability insurance (IV) is linked to the development of value added tax revenue. There was a decline here, which is also reflected in the corresponding reduction of 8 million (-0.2%) in the Confederation's contribution, bringing it to 3,525 million. The decline reflects not only the weak trend of value added tax revenue (+0.05%), but also the downward trend of prices in 2015. Furthermore, the special contribution to IV interest payable fell from 130 million to 30 million relative to the 2015 financial statements. This special contribution will be paid by the Confederation up to the end of 2017. The reduction occurred within the framework of the 2014 consolidation and task evaluation package. According to that, the interest rate for IV debt was halved, bringing it from 2% to 1%.

The contribution to unemployment insurance amounted to 477 million, representing an increase of 12 million, or 2.7%.

Other social insurance: +305 million to 4.4 billion
The contribution to individual premium reductions amounts to 7.5% of gross costs for compulsory health insurance. In 2016, this contribution increased by 125 million (+5.3%) to 2,481 million. This development was attributable in particular to the growth of the average premium in the area of compulsory health insurance, as well as population growth in Switzerland.

In the case of AHV and IV supplementary benefits (738 mn and 727 mn, respectively), the Confederation covers 5/8 of supplementary benefits, which ensure a basic standard of living. The remaining 3/8 and all supplementary benefits for health and disability costs as well as additional costs for care homes are met by the cantons. The Confederation's share of AHV supplementary benefits rose by 28 million (+4.0%) and that of IV supplementary benefits increased by 14 million (+2.0%).

Insurance expenditure in respect of military insurance was down by 3 million relative to the previous year and amounted to 191 million. This was largely due to costs for pensions and lump-sum settlements.

Value adjustments in transfer expenses

Value adjustments in transfer expenses decreased by 1,602 million year on year.

- Value adjustments regarding the RIF amounted to 959 million in net terms. The cantons' share of 500 million is subtracted from that. The year-on-year reduction of 1,280 million can be explained largely by the increase in contributions to own institutions. Value adjustments on loans with restrictive terms of repayment are shown as contributions to own institutions or as contributions to third parties.

- Value adjustments in the case of the infrastructure fund for urban transportation (rail transportation loan) fell by 6 million to 117 million.

- Other value adjustments (e.g. flood protection, protection against natural hazards, nature and countryside, building renovation program, energy and waste heat utilization) declined by 316 million to 1,082 million.

7 Financial revenue

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Financial revenue	**665**	**501**	**-164**	**-24.7**
Interest	145	153	8	5.5
Financial interest revenue	4	4	–	–
Market value adjustments	11	13	2	18.2
Other financial revenue	505	331	-174	-34.5

Financial revenue was down on the previous year (-164 mn), due primarily to the 100 million reduction in revenue from the ongoing debt restructuring liquidation of Swissair.

Interest (153 mn; +8 mn) includes among other things the revenue from money market debt register claims issued above par (negative interest rate). Because of the still highly expansive monetary policy of the Swiss National Bank (SNB), money market interest rates fell significantly below zero. The average yield on money market debt register claims was -0.98% in 2016. Discount revenue edged up on the previous year.

The significant drop in *other financial revenue* (-174 mn) was attributable above all to the 100 million decline in the reversed impairment resulting from the ongoing debt restructuring liquidation of Swissair (2016: 144 mn; 2015: 244 mn). Gains on foreign currencies (73 mn; -57 mn) also affected other financial revenue: the gains include those months in which foreign currency holdings valued in Swiss francs increased in value because of rising exchange rates.

Valuation changes regarding foreign currencies and interest rate swaps

Foreign currency gains and losses arise from the monthly carrying amount changes. These in turn result from foreign currency purchases at the procurement rate, payment transactions at the budget rate or at an agreed fixed rate in the case of special transactions, as well as the month-end valuation at the market rate. The result is recognized gross as financial revenue or expense.

Interest rate swaps are held as strategic positions and are valued at market rates. The principle of prudence applies here. The valuation adjustment in the statement of financial performance is displayed in accordance with the no-offsetting principle up to a maximum of the acquisition value (see section 42/8, other financial expense). Values above cost are recognized exclusively in the statement of financial position (see section 42/11, derivative financial instruments).

8 Financial expense

CHF mn	Financial statements 2015	Financial statements 2016	Deviation vs. FS 2015 Absolute	%
Financial expense	**2 594**	**1 870**	**-724**	**-27.9**
Interest expense	1 878	1 670	-208	-11.1
Capital procurement expenses	76	67	-9	-11.8
Value adjustment on financial investments	466	47	-419	-89.9
Other financial expense	174	86	-88	-50.6

Financial expense fell by another 724 million to 1,870 million primarily as a result of the persistently low level of interest rates and a one-time recognition change.

Interest expense concerns predominantly outstanding bonds, which were reduced by another 6,052 million in 2016. Like the previous year, capital market redemptions were replaced with new bonds with lower interest rates. This resulted in a further year-on-year decline in interest expense for bonds to 1,639 million (-204 mn).

Capital procurement expenses declined because bonds maturing meant the end of amortization contributions for issue tax already paid. Capital procurement expenses are depreciated on a straight-line basis over the terms to maturity of the bonds in question.

Value adjustments on financial investments include corrections for loans (-13 mn) and financial interests (60 mn). Effective from January 1, 2016, loans to licensed transportation companies are issued by the railway infrastructure fund and no longer by the parent entity, and they are now value adjusted under transfer expenses.

Other financial expense shows losses on foreign currencies (51 mn; -84 mn) due to exchange rate and market fluctuations. The lower losses were due to smaller fluctuations in the EUR and USD exchange rates. Finally, there was an inflow from the (negative) monthly valuation adjustments for interest rate swaps (35 mn).

9 Cash and cash equivalents

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Cash and cash equivalents	**11 289**	**7 577**	**-3 712**	**-32.9**
Cash	11	12	1	9.1
Swiss Post	333	420	87	26.1
Bank	10 892	7 132	-3 760	-34.5
Short-term deposits	53	13	-40	-75.5

At the end of 2016, liquid assets were 3.7 billion lower than the previous year due to the redemption of two bonds.

The *bank* position comprises Swiss franc and foreign currency accounts. No investments were made in the market because of the negative interest rates. Most of these funds thus remained in the giro account with the SNB. The balance of the giro account with the SNB fell by 3.7 billion because of the redemption of two bonds.

10 Receivables

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Receivables	**8 214**	**6 989**	**-1 225**	**-14.9**
Tax and customs receivables	4 914	4 161	-753	-15.3
Current accounts	952	658	-294	-30.9
Trade receivables	327	349	22	6.7
Other receivables	2 021	1 821	-200	-9.9

Receivables declined by 1.2 billion compared with the previous year. Approximately a third (2.3 bn) of the total receivables of 7.0 billion are value added tax receivables.

Tax and customs receivables are comprised of the following:

- Value added tax receivables from taxable persons and entities amounting to 2,572 million (+16 mn). Of this sum, 1,760 million (+72 mn) is related to value added tax receivables from imports. Value adjustments on receivables are not yet factored into the figures mentioned.
- Receivables from customs duties, the mileage-related heavy vehicle charge, mineral oil tax and tobacco duty amounting to 1,250 million (+2 mn).
- Receivables from withholding tax and stamp duty amounting to 729 million. The year-on-year decrease of 738 million concerns mainly withholding tax.
- Receivables from alcohol duty amounting to 17 million (+6 mn).
- Allowance for doubtful accounts on outstanding tax and customs receivables amounting to 408 million. The increase of 39 million concerned largely value added tax.

Under *current accounts* of 658 million, 646 million (-223 mn) relates to receivables from the cantons, whereby, among other things, 497 million is from fiscal equalization (-224 mn) and 139 million (+1 mn) from receivables from military service exemption tax.

Other receivables comprise contractually agreed receivables from ETH research projects amounting to 1,257 million, balances from debt rescheduling agreements amounting to 359 million (-58 mn) and SERV receivables from the insurance business of 208 million (-17 mn).

11 Financial investments

Short-term and long-term financial investments

	2015			2016		
CHF mn	Carrying amount	Market value	Ø interest %	Carrying amount	Market value	Ø interest %
Short-term financial investments	**1 387**			**1 406**		
Held to maturity	**1 387**			**1 406**		
Fixed-term deposits	1 000	1 001	0,0	1 000	1 001	0.0
Loans	1	–	–	1	–	–
Positive replacement values	203	n.d.	n.d.	175	n.d.	n.d.
Other short-term financial investments	183	n.d.	n.d.	230	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–
Held for trading	**–**	–	–	**–**	–	–
Long-term financial investments	**288**			**285**		
Held to maturity	**288**			**285**		
Other long-term financial investments	288	n.d.	n.d.	285	n.d.	n.d.
Available for sale	**–**	**–**	**–**	**–**	–	–

n.d.: not displayed

Investment opportunities in the short-term area were limited because of the still high level of market liquidity.

Short-term cash investments with an acceptable degree of risk remain impossible. In the case of *short-term financial investments*, nothing could be placed with the cantons and cities, just like the previous year.

Long-term financial investments include primarily the fund units from the SIFEM AG portfolio (263 mn), which, in addition to fund units, also comprises loans and financial interests (see sections 42/15 and 42/16).

Derivative financial instruments (see separate table) developed as follows:

- In the year under review, the nominal value of *interest rate swaps* declined as a result of a maturity. The nominal value of the net payer swap position (fixed interest payments and variable interest receipts) stands against a negative market value of 127 million because of the still low level of interest rates. This declined by 14 million because of a reduction of 100 million in the nominal value. The market value is made up of the individual positions that have either positive or negative replacement values as of the reporting date.

- The *forward contracts* in EUR, USD, NOK, GBP and SEK have an underlying nominal value of CHF 2.7 billion. The positive market value of 98 million is derived from the valuation of the corresponding positions as of the reporting date. Euro and US dollar hedging is generally carried out for the corresponding budget year alone. Projects with a multi-year liability in a foreign currency are hedged for the entire duration as special transactions.

Derivative financial instruments

	Nominal value		Market value		Positive replacement value		Negative replacement value	
CHF mn	2015	2016	2015	2016	2015	2016	2015	2016
Derivative financial instruments	**3 292**	**3 192**	**-26**	**-29**	**203**	**175**	**-229**	**-204**
Interest rate instruments	**610**	**510**	**-141**	**-127**	**10**	**10**	**-150**	**-137**
Interest rate swaps	610	510	-141	-127	10	10	-150	-137
Options	–	–	–	–	–	–	–	–
Foreign exchange products	**2 682**	**2 682**	**115**	**98**	**193**	**165**	**-79**	**-67**
Forwards	2 682	2 682	115	98	193	165	-79	-67
Options	–	–	–	–	–	–	–	–

Hedges of future transactions (cash flow hedge)

2016 CHF mn	Nominal value Total	Maturities < 1 year	1 – 5 years	> 5 years
Hedges in EUR, USD, NOK and GBP	**2 682**	**1 403**	**1 279**	**–**
Special transactions	1 635	356	1 279	–
Budget	1 047	1 047	–	–

2015 CHF mn	Nominal value Total	Maturities < 1 year	1 – 5 years	> 5 years
Hedges in EUR, USD, NOK and GBP	**2 683**	**1 538**	**1 145**	**–**
Special transactions	1 716	571	1 145	–
Budget	967	967	–	–

Financial investments: categories and accounting
In keeping with the SFBC Guidelines drawn up by the Swiss Federal Banking Commission, financial investments can be held in three different categories, namely held to maturity, available for sale, and held for trading. The Confederation currently has only financial investments that are held to maturity.

The carrying amount of financial investments corresponds to the nominal value, with the exception of derivative financial instruments. Derivative financial instruments are recognized at market values and recorded under financial investments (in the case of positive replacement values) or financial liabilities (in the case of negative replacement values; see section 42/18). The market value indicates the actual value as of the reference date. The average interest corresponds to the weighted returns realized in the year under review.

12 Inventories

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Inventories	**210**	**221**	**11**	**5.2**
Inventories purchased	191	206	15	7.9
Inventories self-produced	19	15	-4	-21.1

Inventories increased by approximately 5% (+11 mn), primarily as a result of volume increases and higher market prices for fuel.

Inventories purchased essentially comprise the acquisition values of motor fuel (103 mn), combustibles (25 mn), medical supplies (43 mn), printed materials and publications (16 mn), production material for circulation coins (8 mn) and biometric passports (8 mn), and ethanol inventories (16 mn). Value adjustments amounting to 39 million were applied to inventories at risk as well as old and excessive inventories.

Under *inventories self-produced*, predominantly the production costs for partly finished and finished goods for identity documents (11 mn) are capitalized. Value adjustments for inventories self-produced amounted to 6 million.

13 Prepaid expenses and accrued income

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Prepaid expenses and accrued income	**1 069**	**910**	**-159**	**-14.9**
Interest	29	30	1	3.4
Debt discount	156	131	-25	-16.0
Other prepaid expenses and accrued income	884	749	-135	-15.3

The decline of 159 million in prepaid expenses and accrued income was essentially due to the absence of the previous year's Competition Commission fines (-157 mn under "other prepaid expenses and accrued income").

The *debt discount* fell by 25 million as a result of the decline in the level of outstanding bonds relative to the previous year.

The *other prepaid expenses and accrued income* item relates primarily to prepaid fees and charges for existing bonds. The issue taxes paid upon issuance are capitalized and then amortized on an accrual basis over the term. During the year under review, amortization amounted to 81 million, and newly capitalized issue taxes amounted to 19 million. This item's level thus fell by a total of 63 million to 389 million. The level concerning forward exchange transactions for hedging foreign currency payments from the budget and special transactions was 49 million (-11 mn).

14 Tangible and intangible fixed assets

2016 CHF mn	Total tangible fixed assets	Movable property, plant and equipment	Immovable property, plant and equipment	Motorways	Total intangible fixed assets
Acquisition costs					
Balance at 1.1.2016	**95 707**	**4 071**	**33 691**	**57 945**	**665**
Additions	2 868	356	851	1 661	51
Disposals	-2 023	-90	-847	-1 086	-6
Reclassifications	4	1	–	3	-2
Balance at 31.12.2016	**96 556**	**4 338**	**33 695**	**58 523**	**708**
Accumulated depreciation					
Balance at 1.1.2016	**-41 996**	**-2 578**	**-19 172**	**-20 246**	**-422**
Ordinary depreciation	-2 322	-278	-576	-1 468	-67
Disposals	1 985	79	830	1 076	10
Impairments	-88	-1	-85	-2	-1
Reclassifications	-1	-1	–	–	–
Balance at 31.12.2016	**-42 422**	**-2 779**	**-19 003**	**-20 640**	**-480**
Carrying amount at 31.12.2016	**54 134**	**1 559**	**14 692**	**37 883**	**228**

2015 CHF mn	Total tangible fixed assets	Movable property, plant and equipment	Immovable property, plant and equipment	Motorways	Total intangible fixed assets
Acquisition costs					
Balance at 1.1.2015	**95 180**	**3 926**	**33 936**	**57 318**	**598**
Additions	2 883	311	815	1 757	78
Disposals	-2 356	-154	-1 072	-1 130	-11
Reclassifications	–	-12	12	–	–
Balance at 31.12.2015	**95 707**	**4 071**	**33 691**	**57 945**	**665**
Accumulated depreciation					
Balance at 1.1.2015	**-41 872**	**-2 452**	**-19 535**	**-19 885**	**-358**
Ordinary depreciation	-2 408	-288	-653	-1 467	-74
Disposals	2 284	150	1 028	1 106	10
Reclassifications	–	12	-12	–	–
Balance at 31.12.2015	**-41 996**	**-2 578**	**-19 172**	**-20 246**	**-422**
Carrying amount at 31.12.2015	**53 711**	**1 493**	**14 519**	**37 699**	**243**

The carrying amount of tangible and intangible fixed assets increased by 408 million. This was largely due to the increase in motorways (184 mn) and immovable property, plant and equipment (173 mn).

Movable property, plant and equipment

Just over two thirds of the assets held consist of technical equipment and machinery in the ETH Domain (1,212 mn; +73 mn). This item also includes the capitalization of costs incurred when the accelerator facility is decommissioned, as well as the interim and final storage of radioactively contaminated construction materials from the dismantling process (426 mn). As of the reporting date, assets under construction to the value of 286 million came under this account group.

Immovable property, plant and equipment

A total of 4.9 billion of immovable property, plant and equipment is attributable to the military area and 9.8 billion to the civilian area. Immovable property, plant and equipment under construction as of the reporting date totaled 1.7 billion.

Motorways

Motorways (37.9 bn) recognized include motorways in operation (21.9 bn), assets under construction (11.7 bn), and land (4.2 bn). *Additions* under motorways related primarily to:

- Road network completion (0.5 bn), including the following key projects: A5 Biel bypass (Ostast); A9 Sierre–Gampel–Brig-Glis; A16 Delémont–border JU/BE; A16 Court–Tavannes; A28 Prättigauer Strasse.

- Development and maintenance work eligible for capitalization (1.1 bn): approximately half was invested in the following redevelopment and maintenance projects: A2 Belchen renovation tunnel; A5 Colombier–Cornaux; A6 Rubigen–Thun Nord; A2 Acheregg–Beckenried; A2 Airolo–Quinto; A1c Zurich north bypass; A13 Roveredo bypass; A4 Galgenbuck tunnel; A2 Mendrisio junction; A1 Faoug–Kerzers; A1 Bernex–Ferney; A8 Iseltwald; A13 Chur Nord–Zizers/Untervaz.

Intangible fixed assets

Additions with regard to acquisition costs included development costs of 21 million for the Federal Tax Administration's Fiscal IT project.

Definition of fixed assets

The term *movable property*, plant and equipment includes furniture, vehicles, fixtures and fittings, warehouse facilities, machines, appliances, tools, communications systems and IT hardware. The term *immovable property*, plant and equipment comprises buildings, land and rights entered in the Real Estate Register. *Motorways* consist of carriageways, engineering structures, tunnels, technical installations, and the associated buildings and land. *Intangible fixed assets* are identifiable non-monetary, non-physical assets which are used in the manufacture of products, the supply of services, for leasing purposes, or in the discharge of public functions. They include in particular software, licenses, patents and rights.

15 Loans

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Balance at 1.1.	**9 412**	**8 755**	**-657**	**-7.0**
Additions	10 616	10 093	-523	-4.9
Disposals	-9 994	-8 554	1 440	-14.4
Other transactions	-1 279	-1 383	-104	8.1
Balance at 31.12.	**8 755**	**8 911**	**156**	**1.8**
Loans held for the accomplishment of tasks	3 119	3 071	-48	-1.5
Loans held to maturity	5 636	5 840	204	3.6

The loan portfolio was increased by 156 million in net terms. While the unemployment insurance (ALV) loan was reduced by another 100 million, the repayable loan to the SBB increased by 292 million.

Additions amounted to a total of 10.1 billion, and were attributable primarily to the following: increase in ALV loans (8,000 mn), increase of 1759 million in loans to the SBB and other licensed transportation companies for financing infrastructure and rolling stock, and newly granted loans in the area of regional development (96 mn).

Disposals amounted to 8.6 billion and consisted essentially of the following: partial repayment of unemployment insurance loans (8,100 mn), payments on account in the Swissair AG debt restructuring liquidation process in recognition of the federal loan to maintain flight operations (166 mn), as well as repayments of regional development loans (102 mn).

Other transactions comprise primarily value adjustments to acquisition costs. A significant proportion of the outstanding and newly granted loans for discharging functions is not, or only partially, repayable, and the value of these items is therefore 100% adjusted. This item also includes a reversed impairment of 144 million on the Swissair loan. It was possible for the previously 100% adjusted loan to be revalued as a result of the payments on account received (57 mn) as well as further promised payments from the debt restructuring liquidation (87 mn).

Valuation of loans

All loans are of a long-term nature when they are initially granted. Loans for the discharge of public functions are recognized at acquisition cost minus the necessary value adjustments. Other loans are classified as "held to maturity" and are measured at amortized cost.

Main loan items

CHF mn	2015 Acquisition value	2015 Value adjustment	2015 Carrying amount	2016 Acquisition value	2016 Value adjustment	2016 Carrying amount
Loans	**38 705**	**-29 950**	**8 755**	**39 069**	**-30 158**	**8 911**
Unemployment insurance (ALV)	2 600	–	2 600	2 500	–	2 500
SBB AG	22 468	-19 412	3 056	22 723	-19 375	3 348
Loans to cantons in the form of investment credits and operating aid	2 689	-2 689	–	2 703	-2 703	–
Misc. licensed transportation companies	2 720	-2 421	299	2 967	-2 695	272
Non-profit residential construction	1 473	-172	1 301	1 413	-120	1 293
Swissair	1 034	-925	109	869	-781	88
Rhaetian Railway	1 331	-1 202	129	1 438	-1 317	121
Regional development	748	-124	624	746	-117	629
BLS Netz AG	2 606	-2 606	–	2 661	-2 661	–
Loans to FIPOI	380	-124	256	384	-117	267
BLS AG	247	-214	33	242	-213	29
Hotel renovation	167	-29	138	177	-28	149
Other loans	242	-32	210	246	-31	215

16 Financial interests

CHF mn	2015 Total	2016 Significant interests	2016 Other financial interests	2016 Total	Deviation vs. 2015 Absolute	Deviation vs. 2015 %
Balance at 1.1.	**20 968**	**20 969**	**19**	**20 988**	**20**	**0.1**
Additions	39	–	66	66	27	69.2
Disposals	-2	–	-32	-32	-30	n.d.
Dividends and profit distribution received	-802	-826	–	-826	-24	3.0
Increase in equity value	876	738	–	738	-138	-15.8
Decrease in equity value	-53	-688	–	-688	-635	n.d.
Other value changes	-38	–	-39	-39	-1	2.6
Balance at 31.12	**20 988**	**20 193**	**14**	**20 207**	**-781**	**-3.7**

n.d.: not displayed

The carrying amount of financial interests decreased by 781 million. Coming in at 888 million, the biggest decline concerned the financial interest in Swiss Post.

In the case of *significant interests*, the proportionate results of the four largest financial interests (Swiss Post, SBB, Swisscom and RUAG; together 1,783 mn) had a positive impact on the change in equity values. However, the other equity movements in the case of Swiss Post (-1,296 mn) and Swisscom (-397 mn) led to a decrease in the unrealized gain. The decline was due essentially to actuarial losses on defined benefit pension plans in accordance with IAS 19. The flows to the Confederation in the form of dividends (826 mn) have to be deducted from the change in equity value.

Additions to *other financial interests* concerned existing financial interests in development banks, which were increased by 36 million, as well as the financial interest in Transports publics fribourgeois Infrastructure SA worth 28 million.

Other financial interests are generally 100% value adjusted, which is why additions and disposals simultaneously produce a change in accumulated value adjustments (shown under other value changes).

Distinction between significant interests and other financial interests

The statement of financial position distinguishes between significant interests and other financial interests. The criteria for classification as a significant interest are an equity stake of at least 100 million and an interest of 20% or more. *Significant interests* are valued using the equity method for the equity stake in the company in question. For this calculation, the values applied typically relate to the financial statements as of September 30. Equity value changes therefore reflect the period from October 1 of the previous year to September 30 of the year under review. In the case of BLS Netz AG, the semi-annual financial statements are used in the absence of any later figures.

The equity value is calculated on the basis of the acquisition costs at the time of acquisition; in subsequent years, this is corrected for the change in the equity stake. The profits of the underlying companies lead to an increase in the equity value, whereas profit distributions and losses lead to a corresponding reduction. The change in equity values is posted separately in the statement of financial performance.

Other financial interests are carried at acquisition values minus any necessary value adjustments.

Significant interests and other group companies at 31.12.2016

CHF mn	Financial interest in %		Share capital	Consolidation/ valuation method	Acquisition value	Equity value/ carrying amount
Significant interests and other group companies					**12 054**	**20 207**
Controlled entities without share capital						
Swiss Federal Institutes of Technology Domain	n.d.		n.d.	Full consolidation	n.d.	n.d.
Board of the Swiss Federal Institutes of Technology	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Technology Zurich	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Technology Lausanne	n.d.		n.d.	Full consolidation	n.d.	n.d.
Paul Scherrer Institute, Würenlingen / Villigen	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute for Forest, Snow and Landscape Research, Birmendsdorf	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Laboratories for Materials Testing and Research, Dübendorf and St. Gallen	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Aquatic Science and Technology, Dübendorf	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Alcohol Board	n.d.		n.d.	Full consolidation	n.d.	n.d.
Railway infrastructure fund	n.d.		n.d.	Full consolidation	n.d.	n.d.
Infrastructure Fund for Urban Transportation and the Motorway Network	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Financial Market Supervisory Authority	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute for Vocational Education and Training	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Nuclear Safety Inspectorate	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Metrology	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Intellectual Property	n.d.		n.d.	Full consolidation	n.d.	n.d.
Federal Audit Oversight Authority	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Export Risk Insurance	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss National Museum (SNM)	n.d.		n.d.	Full consolidation	n.d.	n.d.
Controlled entities with share capital					**11 162**	**20 193**
Swiss Post	100.0		1 300	Equity	1 300	4 408
SBB	100.0		9 000	Equity	9 000	11 754
Swisscom	51.2		52	Equity	29	2 317
Ruag	100.0		340	Equity	340	977
BLS Netz AG	50.1		388	Equity	336	346
Pro Helvetia	100.0		0	Full consolidation	n.d.	n.d.
Swiss Association for Hotel Credit	22.4		6	Full consolidation	n.d.	n.d.
SIFEM AG	100.0		100	Full consolidation	n.d.	n.d.
Skyguide	99.9		140	Equity	140	391
Swissmedic	65.5		15	Full consolidation	n.d.	n.d.
Hotel Bellevue-Palace Immobilien AG	99.7		6	AV less value adj.	6	–
Matterhorn Gotthard Infrastruktur AG	76.7		15	AV less value adj.	11	–
Other material financial interests					**892**	**14**
Council of Europe Development Bank	1.6	EUR	370	AV less value adj.	16	–
International Bank for Reconstruction and Development	1.6	USD	12 418	AV less value adj.	305	–
African Development Bank	1.5	USD	3 023	AV less value adj.	100	–
International Finance Corporation	1.7	USD	2 369	AV less value adj.	56	–
Asian Development Bank	0.8	USD	8 150	AV less value adj.	39	–
Inter-American Development Bank	0.5	USD	4 339	AV less value adj.	35	–
European Fund for Southeast Europe	3.9	EUR	758	AV less value adj.	12	–
Inter-American Investment Corporation	1.5	USD	705	AV less value adj.	12	–
European Bank for Reconstruction and Development	2.8	EUR	6 197	AV less value adj.	227	–
Rhaetian Railway	43.1	CHF	58	AV less value adj.	25	–
Zentralbahn	16.1	CHF	120	AV less value adj.	19	–
BLS AG	21.7	CHF	79	AV less value adj.	17	–
Other financial interests	n.d.	CHF	n.d.	AV less value adj.	29	14

n.d.: not displayed

Note: The paid-up capital is shown in the "share capital" column. Additionally, there is unpaid capital in the sense of guarantee capital in the case of the international development banks. The share attributable to Switzerland is recorded under contingent liabilities.

17 Current liabilities

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Current liabilities	**13 649**	**14 807**	**1 158**	**8.5**
Current accounts	4 588	4 971	383	8.3
Trade payables	813	846	33	4.1
Tax and customs liabilities	5 573	6 073	500	9.0
Foundations under management	54	25	-29	-53.7
Restricted funds from third-party payments	1 305	1 342	37	2.8
Other current liabilities	1 316	1 550	234	17.8

n.d.: not displayed

With regard to current liabilities, 6.1 billion concerns tax and customs liabilities, and 1.3 billion concerns funds acquired competitively within the scope of research projects.

The 5.0 billion carrying amount for *current accounts* consists primarily of the following items:

- Cantons' current accounts amounting to 3,364 million (+323 mn).
- Current account of the Swiss National Science Foundation amounting to 673 million (+28 mn).
- Investment accounts of international organizations amounting to 537 million (+28 mn).
- Current account of PUBLICA for loans to cooperative residential associations managed on a fiduciary basis amounting to 130 million (-7 mn).
- Current accounts arising from international withholding tax agreements with the United Kingdom and Austria amounting to 48 million (-22 mn).

The tax and customs liabilities of 6.1 billion consist essentially of the following items:

- Credit balances of taxable persons and entities from value added tax amounting to 1,576 million (+50 mn).
- AHV portion of the value added tax share amounting to 516 million (+49 mn).
- IV portion of the value added tax share amounting to 249 million (+15 mn).
- Credit balances of taxable persons and entities from withholding tax and stamp duty amounting to 2,966 million (+500 mn). Of this, 760 million was associated with cases of dividend stripping (see section 42/1).
- Cantons' share of withholding tax amounting to 554 million (-93 mn).
- Advance payments of tax and customs revenue amounting to 212 million (+7 mn).

Restricted funds from third-party payments were for the most part competitively acquired by the institutions of the ETH Domain. These funds are earmarked for predefined research projects, and are accordingly appropriated and recognized in profit and loss according to the progress of the project in question. The liability reflects the payment or repayment obligation.

Other current liabilities essentially consist of deposit accounts amounting to 779 million (+29 mn) as well as cash deposits of 497 million (+49 mn).

The proportion of liabilities concerning related legal parties and organizations is reported on in section 43/6.

18 Financial liabilities

CHF mn	2015 Carrying amount	2015 Market value	2015 Ø interest %	2016 Carrying amount	2016 Market value	2016 Ø interest %
Short-term financial liabilities	**10 078**	**n.d.**	**n.d.**	**9 950**	**n.d.**	**n.d.**
Money market	6 943	6 952	-0.50	6 949	6 959	-0.84
Savings bank for federal employees	2 866	n.d.	0.10	2 766	n.d.	0.05
Negative replacement values	229	n.d.	n.d.	204	n.d.	n.d.
Other short-term financial liabilities	40	n.d.	n.d.	31	n.d.	n.d.
Long-term financial liabilities	**77 504**	**n.d.**	**n.d.**	**71 449**	**n.d.**	**n.d.**
Federal government companies	–	–	–	–	–	–
Bonds	77 275	95 126	n.d.	71 223	90 087	n.d.
Other long-term financial liabilities	229	n.d.	n.d.	226	n.d.	n.d.

n.d.: not displayed

Long-term financial liabilities were reduced by 6.1 billion. Short-term financial liabilities remained virtually unchanged.

Money market debt register claims were stable relative to the previous year.

The *negative replacement values* relate to derivative financial instruments. Because of the stable EUR and USD exchange rates relative to the Swiss franc, the negative replacement values of foreign currency forward contracts for special transactions declined only marginally. Those of interest rate swaps declined because of a swap contract maturing (see also section 42/11).

With regard to *other long-term financial liabilities*, the largest items concern the financing lease for the Federal Administrative Court in St. Gallen (86 mn), as well as warranty retention amounts from motorway construction (33 mn).

When issuing federal bonds, the Confederation can reserve so-called “free proprietary quotas”. These can then be placed on the market at a later date, in keeping with the market situation. It is only from this point onward that the Confederation’s debt increases.

Recognition of financial liabilities

The carrying amount corresponds to the nominal amount, with the exception of derivative financial instruments, which are recognized at market values. The market value indicates the actual value of the financial liabilities as of the reference date.

Maturity structure of short-term money market claims and bonds

2016 CHF mn	Nominal value – Maturities: < 1 month	1–3 months	3 months – 1 year	1–5 years	> 5 years	Carrying amount Total
Short term: money market claims	1 739	3 729	1 481	–	–	6 949
Long term: bonds	–	–	5 600	21 364	44 259	71 223

2015 CHF mn	Nominal value – Maturities: < 1 month	1–3 months	3 months – 1 year	1–5 years	> 5 years	Carrying amount Total
Short term: money market claims	1 892	3 588	1 463	–	–	6 943
Long term: bonds	–	6 714	2 667	22 876	45 018	77 275

19 Accrued expenses and deferred income

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Accrued expenses and deferred income	**10 169**	**8 848**	**-1 321**	**-13.0**
Interest	1 456	1 349	-107	-7.3
Premium	3 524	4 316	792	22.5
Other accrued expenses and deferred income	5 189	3 183	-2 006	-38.7

The level of accrued expenses and deferred income declined to 8.8 billion (-1.3 bn). This was mainly due to the lower withholding tax accrual.

Accrued expenses and deferred income for interest declined year on year as a result of lower bond holdings and lower interest rates.

Although the level of outstanding bonds was reduced by 6.1 billion, the premium position rose by 792 million year on year. This was attributable to the fact that the premium of 1,146 million generated in 2016 was higher than the share of 354 million to be amortized. Premiums are carried as deferred income and amortized over the term to maturity.

The decrease in *other accrued expenses and deferred income* was largely attributable to the decline of 1,579 million in accruals in the area of withholding tax (2016: 2,167 mn). First, share buyback declarations were down (-2,457 mn) and second, a deferral was recorded for unreclaimed withholding tax of the cantons (+864 mn). Refund requests for the deferred revenue will arrive in 2017.

The remaining accruals and deferrals comprise the following key individual positions:

- Accrual for forward exchange transactions of 147 million (-28 mn).
- Accrual for motorway construction, maintenance and operation amounting to 242 million (+54 mn).
- Deferral of receipts received in advance from meat quota auctions for 2017 amounting to 74 million (-3 mn).
- The previous accrual of basic contributions to universities is now recognized as a provision (-639 mn).

20 Provisions

2016 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**16 194**	**9 700**	**2 083**	**2 210**	**2 201**
Creation (incl. increase)	1 255	–	180	48	1 027
Reversal	-551	-500	–	–	-51
Appropriation	-130	–	-90	-13	-27
Balance at 31.12.	**16 768**	**9 200**	**2 173**	**2 245**	**3 150**
of which short term	775	–	198	–	577

2015 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**15 849**	**9 200**	**2 137**	**2 161**	**2 351**
Creation (incl. increase)	655	500	40	57	58
Reversal	-186	–	–	–	-186
Appropriation	-124	–	-94	-8	-22
Balance at 31.12.	**16 194**	**9 700**	**2 083**	**2 210**	**2 201**
of which short term	872	–	488	–	384

Provisions were up by 0.6 billion on the previous year. The biggest change concerned the newly created provision for basic contributions to universities (+0.6 bn), which replaced the accrued expenses from the previous year.

Withholding tax

Coming in at 25.5 billion, receipts on the basis of tax returns were 3.8 billion lower than the previous year. However, refunds during the year were down by 1.4 billion on the previous year, and lower accrued expenses and deferred income were recorded (-1.7 bn).

The withholding tax provision covers expected future tax refund claims in respect of revenue which has already been recognized on the basis of tax returns received. Under the applicable measurement basis, a percentage is deducted from incoming payments recorded, representing what is presumed to have been paid out as refunds or recorded as accrued expenses in the year under review. An empirical value representing the residual share of net income due to the Confederation is also deducted. The balance is the level of provision required to match the share of receipts likely to be claimed as refunds in subsequent years. Based on the information currently available, it is possible to determine only the refunds from receipts outstanding in the current year. Amounts payable from receipts in previous years are not reflected in the level of provision calculated. Overall, the provision fell by 0.5 billion to 9.2 billion.

Military insurance

Suva operates the military insurance scheme (MI) as a separate social insurance fund on behalf of the Confederation. In the event of claims giving rise to pension entitlements under the military insurance scheme, provision must be made for the projected pension liabilities. Actuarial methods are used to calculate the provision required. This involves capitalizing all pensions based on an assessment of the relevant parameters (e.g. mortality, size of pension, inflation, etc.). Similarly, the future costs of any treatment, daily benefits and other cash benefits as a result of damage to health are calculated on the basis of actuarial methods.

Coins in circulation

A provision is made for coins in circulation. Based on eurozone empirical values, a loss rate of 35% should be anticipated, as not all coins are delivered to the SNB, even after several years have passed. The amount of the provision (+48 mn) corresponds to 65% of the nominal value of newly minted coins supplied to the SNB, adjusted for the change in inventories at the SNB. Coins to the value of 13 million were withdrawn and destroyed. These withdrawals are shown under appropriation for this provision.

Other provisions
The main items under other provisions are as follows:

Vacation and overtime; 325 million
Staff vacation entitlement and overtime rose by 4 million relative to the previous year. The average entitlement per employee is around two weeks.

Radioactive waste; 1,000 million
The provision is based on the official 2011 cost study, as well as on the Federal Council decree of April 29, 2015 on the financing of the waste disposal costs. The provision is comprised of the following:

- The probable costs associated with the interim and final storage of *industrial waste* from accelerator and nuclear facilities are 341 million. The accelerator and nuclear facilities are operated by the PSI. The anticipated costs were calculated at current prices. It was decided not to factor in the rate of inflation and discount the provision, as this would not produce a more meaningful result. Both the rate of inflation and the probable cash outflow depend largely on the date of final storage.

- *Dismantling, decommissioning and disposal costs*: the costs incurred for the decommissioning of nuclear and accelerator facilities as well as the interim and final storage of radioactively contaminated construction materials from the dismantling process amounted to 638 million. As with industrial waste, neither inflation nor discounting was applied here for the same reasons.

- The Confederation is responsible for disposing of radioactive waste from medicine, industry and research (MIR waste) (Art. 33 para. 1 of the Nuclear Energy Act of March 21, 2003; SR *732.1*). The radioactive waste is generally collected annually under the management of the Federal Office of Public Health (FOPH). The Paul Scherrer Institute functions as the federal collection center responsible for the conditioning and interim storage of radioactive waste. The provision for radioactive waste is intended to cover the probable costs of interim storage and the subsequent costs of final storage. Based on the official 2011 cost study and the existing amount of waste, the provision remained unchanged at 21 million.

B*asic contributions to universities; 639 million*
In the rationale for its ruling of November 10, 2015, the Federal Administrative Court (FAC) considered that the basic contributions to universities consist of a subsidy system on an arrears basis. The Federal Office of Justice and the State Secretariat for Education, Research and Innovation do not share this view. The Federal Council set out in Article 17 paragraph 3 of the Ordinance to the Higher Education Act (SR *414.201*) that a final payment, including accrued inflation, would be made to the cantons in the event of an abolition of the subsidy system, provided the cantons actually missed an annual contribution. Based on this legal foundation, the accrued expenses and deferred income recognized the previous year were converted into a provision. Any costs were estimated at current prices. There was no discounting, as the payout date cannot be estimated.

Pensions for members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor; 421 million
Members of the Federal Council, ordinary judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor are not insured with PUBLICA. Their occupational retirement benefits consist of a pension on retiring from office and survivors' pensions. The retirement plan is funded by the Confederation. During the year under review, payments of 16 million were made and provisions of 97 million were newly formed. The increase was largely due to changed actuarial calculations (particularly discount rate, life expectancy).

Oceangoing vessels; 215 million
In the area of national economic supply, the Confederation entered into sureties of 793 million (reporting date: December 31, 2016) to ensure sufficient numbers of oceangoing vessels. The deep sea shipping crisis that commenced in 2008 deteriorated further in 2016. Despite the measures taken by shipping companies with banks and the Confederation, the crisis is threatening the existence of individual shipping companies. Consequently, provisions of 215 million have been formed.

Provisions for outstanding claims; 152 million
Swiss Export Risk Insurance makes a provision for incurred but still unpaid claims. Once the claim has been paid, the provision is reversed, with the amount paid out recorded as a receivable and written off. The provision was increased by 19 million during the year under review.

Unearned insurance premiums; 170 million
The provision for unearned insurance premiums covers Swiss Export Risk Insurance (SERV) premiums which were received in the year under review and in previous years but are earned only during the period of coverage. For premium revenue recognition purposes, 20% of premiums is immediately recognized as revenue for administration in the current fiscal year. The remaining 80% is recognized as revenue based on the spread of risk over the contractual terms applying to individual transactions. In the event of a claim, any unutilized portion of the premium is realized immediately. The provision was increased by 3 million during the fiscal year.

21 Other liabilities

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Other liabilities	**1 720**	**1 884**	**164**	**9.5**
Liabilities toward restricted funds in liabilities	1 720	1 884	164	9.5

Restricted funds in liabilities were up by 164 million overall. The biggest changes concerned the CO_2 tax on fuel (+117 mn).

Special financing

The most significant components and changes concerned the following special financing in liabilities.

VOC and "extra-light" heating oil incentive fees (239 mn): restricted receipts were lower than redistributions, which led to a withdrawal from the fund (-3 mn). VOC and "extra-light" heating oil incentive fees are levied on volatile organic compounds (Ordinance of November 12, 1997 on the Incentive Tax on Volatile Organic Compounds; OVOC; SR *814.018*). The "extra-light" heating oil incentive fee is levied on heating oil that contains sulphur (Ordinance of November 12, 1997 on the Incentive Tax on "Extra-Light" Heating Oil with a Sulphur Content of More than 0.1 Per Cent; EL-HOO; SR *14.019*). Fees are redistributed to the public with a two-year time lag.

CO_2 tax on fuel (63 mn): the CO_2 tax on fuel is an incentive fee on fossil fuels (Federal Act of December 23, 2011 on the Reduction of CO_2 Emissions, SR *641.71*; CO_2 Tax Ordinance, SR *641.712*). The law provides that a third of the funds, but no more than 300 million, shall be appropriated for measures to reduce CO_2 emissions from buildings (building renovation and promotion of renewable energy use in buildings). Furthermore, no more than 25 million goes to the technology fund. The remaining restricted receipts are redistributed to households and companies. The financing for redistribution and the building program is provided within the fiscal year and is thus based on estimated annual receipts. Forecasting errors are always corrected in the next year but one. Receipts turned out to be higher than expected in the budget in the year under review, which led to a fund deposit of 117 million.

Casino tax (545 mn): the Confederation transfers casino tax receipts to the AHV compensation fund at the start of the next year but one (Art. 94 of the Gambling Ordinance of September 24, 2004; SR *935.521*). Because 2016 receipts were lower than the 2014 level as a result of tougher competition from foreign casinos and the strength of the franc, there was an expenditure surplus and a corresponding withdrawal of 12 million from the fund.

Contaminated site fund (160 mn): because no costly remediation work was carried out on contaminated sites in the year under review, expenditure was 15 million lower than budgeted. Overall, there was a receipt surplus of 13 million. The Ordinance of September 26, 2008 on the Charge for the Remediation of Contaminated Sites (SR *814.681*) governs the levying of a tax on waste disposal and the ring-fencing of revenue for contributions to the investigation, monitoring and remediation of landfill sites.

The funds of the *health insurance* fund (Federal Act of March 18, 1994 on Health Insurance; SR *832.10*) are paid out during the year of collection. The fund's assets cover part of the federal contribution for individual premium reductions. The fund is financed via value added tax and the heavy vehicle charge (compensation for the uncovered costs of heavy vehicle traffic).

Restricted receipts allocated to the *old-age, survivors' and disability insurance* fund are transferred during the same year to the AHV compensation fund (Federal Act of December 20, 1946 on the Old-Age and Survivors' Insurance; SR *831.10*) and to the disability insurance compensation fund (Federal Act of June 13, 2008 on Disability Insurance; SR *831.27*).

The assets of the fund for *federal war transportation insurance* (Ordinance of May 7, 1986 on the Federal War Transport Insurance, FWTIO; SR *531.711*) remained unchanged on the previous year at 55 million.

Special funds

The most significant components and changes concerned the following:

Nuclear damage fund (492 mn): the Confederation assumes liability for nuclear damage that exceeds private insurers' coverage or that is excluded by private insurers up to 1 billion francs per nuclear facility or transit transportation, plus 10% for interest and procedural costs. The Confederation acts as an insurer in this regard and requires a premium that is calculated according to insurance law principles. These contributions are credited to the nuclear damage fund. The fund assets increased by 8 million during the year under review.

Family compensation fund (77 mn): federal family allowances are financed through the special fund (Family Allowances Act of March 24, 2006; SR *836.2*; and Art. 15 of the Family Allowances Ordinance of October 31, 2007; SR *836.21*). Family allowances are designed to provide a certain level of compensation toward the cost of raising a family. These are monthly allowances paid to employees in the form of child, education, birth and adoption allowances. The family compensation fund covers the minimum contributions due from employers. A third of the statutory fluctuation reserve is financed by the Confederation as employer and two thirds by other employers.

Swiss landscape fund (37 mn): the fund aims to preserve, and where appropriate restore, historical cultural landscapes with their traditional forms of farming, cultural assets and natural landscapes (federal decree of May 3, 1991 on financial aid for conservation and maintenance).

Other restricted funds

Other restricted funds include restricted radio and television fees of 31 million (Federal Act on Radio and Television, RTVA; SR *784.40*). With the revision of the RTVA of July 1, 2016, the various types of radio and television fee earmarking were allocated to either liabilities or net assets/equity depending on their economic attributes. Previously, they were recognized under *current liabilities*. Consequently, 31 million was transferred to restricted funds in liabilities and 61 million was transferred to restricted funds in net assets/equity (see section 34).

Special financing and special funds

Other liabilities consist of special financing and special funds in accordance with Articles 52 and 53 of the Financial Budget Act (FBA), as well as restricted funds from radio and television fees (Federal Act on Radio and Television, RTVA; SR *784.40*).

Depending on its nature, *special financing* is attributed to liabilities or net assets/equity. Insofar as the law expressly provides for flexibility in its use or the time at which it may be used, it is allocated to restricted funds in net assets/equity, and to liabilities in all other cases. Receipts and expenditure are recognized in the statement of financial performance and the statement of investments. If restricted receipts exceed the equivalent expenditure in the reporting period, the difference is credited to the fund, and vice versa if expenditure exceeds receipts. Restricted funds in liabilities are recognized in the statement of financial performance (net expense for or net revenue). Any changes in restricted funds in net assets/equity, in contrast, are recognized directly in the statement of financial position and credited to or debited from the accumulated deficit (see section 34, statement of net assets/equity).

Special funds and *other restricted funds* are also attributed to liabilities or net assets/equity depending on their economic attributes. They are normally recognized in net assets/equity. Special fund and other restricted fund receipts and expenditure are recognized in balance sheet accounts rather than in the statement of financial performance.

43 Further explanations

1 Segment reporting

2016 CHF mn	Social welfare	Finances and taxes	Transpor-tation	Education & research	National defense	Agriculture & food	International relations - international cooperation	Other task areas	Total
Result from operating activities									**1 722**
Operating revenue	**211**	**63 797**	**102**	**931**	**267**	**225**	**55**	**1 565**	**67 153**
Operating expenses	**22 562**	**8 371**	**8 022**	**7 612**	**4 574**	**3 645**	**3 455**	**7 190**	**65 431**
Personnel expenses	347	120	197	2 344	1 476	90	599	2 873	8 046
Other operating expenses	254	318	490	789	2 720	30	164	1 447	6 212
Depreciation	7	4	1 448	436	250	2	–	331	2 478
Transfer expenses	21 954	7 929	5 887	4 043	128	3 523	2 692	2 539	48 695
Investments	**2**	**3**	**1 616**	**451**	**410**	**2**	**–**	**435**	**2 919**
In tangible fixed assets	1	2	1 614	449	410	2	–	390	2 868
In intangible fixed assets	1	1	2	2	–	–	–	45	51

2015 CHF mn	Social welfare	Finances and taxes	Transpor-tation	Education & research	National defense	Agriculture & food	International relations - international cooperation	Other task areas	Total
Result from operating activities									**2 846**
Operating revenue	**225**	**63 826**	**49**	**877**	**287**	**227**	**70**	**1 871**	**67 432**
Operating expenses	**21 934**	**8 233**	**7 842**	**8 125**	**4 438**	**3 656**	**3 664**	**6 694**	**64 586**
Personnel expenses	342	123	196	2 313	1 501	91	609	2 757	7 932
Other operating expenses	222	260	463	760	2 536	29	179	1 332	5 781
Depreciation	13	8	1 443	435	291	4	–	288	2 482
Transfer expenses	21 357	7 842	5 740	4 617	110	3 532	2 876	2 317	48 391
Investments	**1**	**3**	**1 743**	**482**	**384**	**4**	**–**	**344**	**2 961**
In tangible fixed assets	–	2	1 739	479	384	2	–	277	2 883
In intangible fixed assets	1	1	4	3	–	2	–	67	78

Revenue, expenses and investments within the task areas moved in line with the prior-year levels. A rather large decrease in transfer expenses was recorded in the "Education and research" task area, as two years of contributions were entered under basic contributions to universities the previous year based on the rationale for the Federal Administrative Court's ruling of November 10, 2015.

Social welfare

Transfer expenses in the largest task area were up by 0.6 billion year on year. This was due primarily to migration (+352 mn), contributions to the cantons for individual health insurance premium reductions (+125 mn) and the federal AHV contribution (+125 mn).

Finances and taxes

The segment report breaks down only the operating result by task area, which means that financial expense and revenue are not taken into account. *Operating revenue* includes in particular tax revenue (63.4 bn) and the SNB's profit distribution (0.3 bn). Transfer expenses primarily show third parties' share of federal receipts. The figures were in line with prior-year levels.

Transportation

Motorways are capitalized under tangible fixed assets. Motorway-related expenditure eligible for capitalization is therefore reported as *investments*. In contrast, expenditure on railway infrastructure is included under *transfer expenses*, as the infrastructure is capitalized at the level of the individual operator and not at the level of the Confederation. Aside from operating contributions to railways and investment contributions for railway infrastructure, transfer expenses also include contributions for urban transportation and main roads.

Education and research

Operating expenses fell by 0.5 billion compared with the previous year. In the rationale for its ruling of November 10, 2015, the Federal Administrative Court stated that the basic contributions to universities consist of a system on an arrears basis. The Confederation thus recorded one-time accrued expenses of 639 million in addition to the payment of the annual contribution in 2015. The accrued expenses were converted into a provision during the year under review (see section 42/20). Operating revenue came largely from third-party funds and tuition fees in the ETH Domain. Personnel expenses were likewise largely related to the ETH Domain.

National defense

The slight increase in other operating expenses was due to higher armament expenditure. The other revenue and expense items were in line with prior-year levels.

Agriculture and food

Direct payments account for just over three quarters of agriculture and food transfer expenses. The remainder is spread over support for production and sales, and fundamental improvements and social measures. Revenue and expenses were in line with prior-year levels.

International cooperation

The decline in transfer expenses was attributable primarily to the development assistance cuts (-174 mn) decided by Parliament in the 2016 budget.

Segment reporting: differences relative to the state financial statements

The segment report shows operating revenue and expenses as well as investments by task area. Unlike the state financial statements, which focus on receipts and expenditure, segment reports are presented in terms of financial performance. The main difference is that depreciation and amortization are charged against the operating result instead of investment expenditure. For the sake of completeness, the investments carried out are also presented.

2 Debt (gross and net debt)

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Gross debt	**101 231**	**96 206**	**-5 025**	**-5.0**
Current liabilities	13 649	14 807	1 158	8.5
Short-term financial liabilities	10 078	9 950	-128	-1.3
Long-term financial liabilities	77 504	71 449	-6 055	-7.8
Net debt	**74 417**	**74 109**	**-308**	**-0.4**
Gross debt	101 231	96 206	-5 025	-5.0
Deductions	*26 814*	*22 097*	*-4 717*	*-17.6*
Cash and cash equivalents	11 289	7 577	-3 712	-32.9
Receivables	8 214	6 989	-1 225	-14.9
Short-term financial investments	1 387	1 406	19	1.4
Long-term financial investments	288	285	-3	-1.0
Loans held to maturity	5 636	5 840	204	3.6

Gross debt fell by 5.0 billion to 96.2 billion in 2016. The decline in net debt was significantly smaller at 0.3 billion, as the assets deducted from gross debt were also down (-4.7 bn).

Gross debt

The development of the different components of debt varied:

- In the case of *current liabilities*, the biggest increase was posted by the cantons' current accounts (+0.3 bn), as well as credit balances of taxable persons and entities from withholding tax and stamp duty (+0.5 bn).
- Regarding *financial liabilities*, it was possible for bonds (-16.1 bn; long term) to be reduced.

Net debt

Net debt declined by 0.3 billion to 74.1 billion. Aside from the reduction in gross debt (-5.0 bn), there was also an overall drop in *deducted elements* (-4.7 bn):

- *Cash and cash equivalents* fell by 3.7 billion because of the redemption of two bonds.
- The drop in receivables was driven largely by the reduction in *receivables* from withholding tax and stamp duty (-0.7 bn) and the cantons' current accounts (-0.2 bn).

3a Contingent liabilities

The funding deficit for "Employee retirement benefits and other employee benefits" rose by 0.5 billion to 14.9 billion. Further contingent liabilities were up by 1.6 billion to 24.2 billion.

Employee retirement benefits and other employee benefits in accordance with IPSAS 25

A comparison of total employee retirement benefits and the fair value of plan assets showed a funding deficit, or net employee retirement benefits, of 14.9 billion as of December 31, 2016. Comparing only funded retirement benefits against the fair value of plan assets, the funding deficit based on IPSAS 25 was 14.4 billion.

The PUBLICA pension fund accounted for 46.9 billion of *employee retirement benefits* (funded retirement benefits) and other long-term employee benefits of 0.5 billion (unfunded retirement benefits). Overall, the present value of employee retirement benefits rose from 45.7 billion to 47.4 billion in 2016.

Plan assets are measured at fair value. They rose from 31.2 billion to 32.5 billion.

Development of employee retirement benefits

The 496 million *change in net retirement benefits* consists of the net retirement benefit cost, actuarial gains and losses to be recognized immediately, and employer contributions (see "Development of liabilities" table).

Actuarial assumptions

	2015	2016
Discount rate	0.40%	0.20%
Expected long-term return on retirement assets	2.75%	2.00%
Expected salary trend	0.90%	0.90%
Expected pension adjustments	0.00%	0.00%

Retirement benefit obligations and other employee benefits

CHF mn	2015	2016	Deviation vs. FS 2015 Absolute	%
Present value of funded retirement benefit obligations	-45 206	-46 898	-1 692	3.7
Plan assets at fair value	31 207	32 493	1 286	4.1
Funded net retirement benefit obligations	**-13 999**	**-14 405**	**-406**	**2.9**
Present value of unfunded retirement benefit obligations	-452	-542	-90	19.9
Total net retirement benefit obligations	**-14 451**	**-14 947**	**-496**	**3.4**

The *net retirement benefit cost* amounted to 501 million (see "Net retirement benefit cost/gains" table). The regular net retirement benefit cost is essentially equal to the difference between the service cost (present value of the obligation resulting from employee service in the reporting period) and the interest cost for both accumulated retirement benefits and the expected return on plan assets.

The *sum for immediate recognition* came to -897 million. It comprises all changes in the actuarial assumptions relative to the previous year. When valuing employee retirement benefits as of December 31, 2016, the discount rate was determined using the yield curve for Confederation bonds. It is now 0.20%, versus 0.40% the previous year (see "Actuarial assumptions" table).

Employer contributions paid in amounted to 902 million. They represent the total amount of regulatory savings and risk contributions paid for active insured employees, which rise sharply as a percentage of the insured salary in line with incremental increases as the insured employee ages. The current service cost calculated using the projected unit credit (PUC) method is 1,137 million. The PUC method is based on other actuarial assumptions, such as employee turnover, future interest on retirement savings, or salary increases, as well as a straight-line attribution of benefit cost over the period of service.

Scope and calculation of employee retirement benefits
Employee retirement benefits mean obligations under pension plans which pay out benefits upon retirement, death or disability. Employee retirement benefits are generally measured in accordance with the methods prescribed in IPSAS 25 or with the provisions of IAS 19 in the case of those entities that prepare their financial statements in accordance with IFRS. Notwithstanding IPSAS 25, these benefits are not recognized as provisions. Instead, they are shown as contingent liabilities in the notes to the annual financial statements.

All employees of entities included on a full consolidation basis are insured by PUBLICA but under separate pension schemes. These schemes qualify as defined benefit plans under IPSAS 25 due to the regulatory benefits promised to employees. In addition to pension fund benefits, other long-term employee benefits recognized and measured under IPSAS 25 were as follows:

- Long-service benefits
- Retirement benefits for special categories of staff (parent entity)
- Early retirement and preretirement benefits for special categories of staff (parent entity)
- Early retirement benefits paid out within the scope of restructuring

The actuarial assumptions (see table) were set as of December 31, 2016. They are applied by the pension funds of the Confederation as parent entity, the ETH Domain and the Swiss Federal Institute of Metrology. Some slightly different assumptions are used by the other consolidated entities.

Net retirement benefit cost/gains

			Deviation vs. FS 2015	
CHF mn	2015	2016	Absolute	%
Current service cost of employer (net)	997	1 137	140	14.0
Interest cost	347	188	-159	-45.8
Expected return on assets	-949	-844	105	-11.1
Recognized net gains on long-term employee benefits	-19	-15	4	-21.1
Amortization of unrecognized items	-107	35	142	n.d.
Ordinary net retirement benefit cost	**269**	**501**	**232**	**86.2**
Extraordinary net retirement benefit cost/gains (curtailment)	–	–	–	n.d.
Net retirement benefit cost/gains	**269**	**501**	**232**	**86.2**

n.d.: not displayed

Development of liabilities

			Deviation vs. FS 2015	
CHF mn	2015	2016	Absolute	%
At 1.1.	**-9 413**	**-14 451**	**-5 038**	**53.5**
Net retirement benefit cost/gains	-269	-501	-232	86.2
Sum for immediate recognition	-5 645	-897	4 748	-84.1
Employer contributions	876	902	26	3.0
At 31.12.	**-14 451**	**-14 947**	**-496**	**3.4**

Employee retirement benefits were measured according to the PUC method by external actuarial experts. According to this method, the value of employee retirement benefits on the reporting date is equal to the present value of entitlements acquired up to that date. The determining parameters include the insurance term, expected salary at normal retirement age, and the periodic adjustment of pension payments to inflation. Under the PUC method, contributions to projected actuarial reserves at the time of retirement are not built up incrementally, but accumulated on a straight-line basis over the remaining period in which the employee is in service.

Definition of contingent liabilities
A contingent liability is either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of some future event. The occurrence of this event cannot be influenced (e.g. sureties); or

- a present liability that arises from past events but cannot be recognized because it is improbable that an outflow of resources will be required to settle the liability, or the amount of the liability cannot be estimated with sufficient reliability (criteria for recognizing a provision are not met, e.g. litigation with low probability of loss).

Contingent liabilities arise from the same set of circumstances that would require the recognition of provisions (failure of performance or payment by third parties), although no present obligation currently exists, and the likelihood of an outflow of resources is less than 50%.

3b Further contingent liabilities

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Further contingent liabilities	**22 631**	**24 189**	**1 558**	**6.9**
Sureties	11 747	12 384	637	5.4
Guarantee liabilities	8 263	9 105	842	10.2
Legal cases	684	665	-19	-2.8
Other contingent liabilities	1 937	2 035	98	5.1

Further contingent liabilities include sureties, guarantee liabilities, litigation in progress and other contingent liabilities.

Sureties comprise the following:

- The Confederation has issued a state guarantee to *EUROFIMA* (European Company for the Financing of Railroad Rolling Stock) for loans extended to the SBB. The SBB has a credit facility with EUROFIMA for up to 5,400 million. The Confederation also stands as guarantor in respect of share capital not paid up by the SBB, amounting to 104 million. The total contingent liability with respect to EUROFIMA was thus 5,504 million.

- *Subsidized housing* is indirectly funded by way of sureties issued. The Confederation issues guarantees in respect of second mortgages of natural persons for the promotion of housing construction in accordance with Article 48 of the Federal Act on the Promotion of Housing Construction and Home Ownership (HCHOA; SR *843*). It can also issue guarantees to public housing construction organizations in accordance with Article 51 of the HCHOA. Finally, the Confederation guarantees bonds of public central issuers provided that the funds thus acquired are utilized to grant loans for the promotion of affordable housing (Art. 35 Affordable Accommodation Act, AAA; SR *842*). Sureties came to a total of 3,258 million (+143 mn).

- For the procurement of low-interest resources in public transportation, the Confederation issues a state guarantee in respect of all *licensed transportation companies*. The credit facility approved by Parliament for this purpose amounts to 11 billion. This is used by the Administration to issue guarantee bonds in tranches in favor of licensed transportation companies. The total amount of guarantee bonds issued came to 2,535 million (+633 mn).

- In the area of *national economic supply*, sureties in the amount of 793 million exist to ensure sufficient numbers of oceangoing vessels sailing under the Swiss flag (Federal Gazette 1992 III 1004). 215 million of that sum is recognized as a provision and 578 million as a contingent liability. Moreover, the Confederation has guaranteed bank loans to the value of 318 million to facilitate the financing of compulsory reserves in accordance with Article 11 of the National Economic Supply Act (NESA; SR *531*).

- Further guarantees have been issued in the amount of 162 million in relation to local economic development and regional policy, e.g. under Article 5 of the Federal Act on Financial Aid for Guarantee Organizations in Favor of Small and Medium-Sized Enterprises (SR *951.25*).

Guarantee liabilities include:

- *Guarantee capital* totaling 8,073 million in relation to the following development banks and organizations: Asian, Inter-American and African Development Banks, Multilateral Investment Guarantee Agency, International Bank for Reconstruction and Development, Media Development Loan Fund credit guarantee, European Bank for Reconstruction and Development, Council of Europe Development Bank.

- *Credit guarantees* of 780 million to the Swiss National Bank (SNB) in respect of loans granted to the International Monetary Fund (IMF) under the Enhanced Structural Adjustment Facility. The credit guarantee has declined by 62 million because of the special drawing right rate adjustment and loan repayments. The Confederation has also issued a guarantee for a 250 million loan to the HIA Collective Institution for the enforcement of international mutual benefits assistance in relation to health insurance.

Legal cases include:

- The Competition Commission imposed fines of 343 million on two companies. The fines were confirmed by the Federal Administrative Court in 2015 and recorded as revenue. The appellants have referred the decision to the Federal Supreme Court.

- Applications for withholding tax refunds (222 mn): a significant proportion concerns applications that were classified as dividend stripping cases.

- Within the framework of a bankruptcy case, there is a recovery claim from the liquidator for a mineral oil tax payment received in 2012 (86 mn). It is disputed that the payment was in the interests of the group of creditors. The Customs Administration believes that the recovery is not justifiable, as the authorized warehouse owner permit would have been withdrawn from the transportation company without an incoming payment. That would have led to immediate incapacity to act from a business viewpoint, which would have been seriously detrimental for the creditors.

Other contingent liabilities include the following:

- The Swiss Federal Institute of Technology Lausanne has a contingent liability of 1,106 million for the possible repercussions of joint and several liability arising from tenancies associated with simple partnerships controlled by it.

- Other contingent liabilities also include potential outflows of funds in relation to buildings (427 mn). The largest items relate to contaminated sites and noise abatement measures, as well as decommissioning and dismantling costs.

- Moreover, there is a contingent liability of 320 million for the coverage gap in the actuarial reserves for pensions at PUBLICA. With the funding of PUBLICA in 2003, the longevity provision was not calculated according to the latest technical basis. With the FCD of May 18, 2011, the Federal Council acknowledged the coverage gap and resolved to request the funds needed to close the coverage gap from Parliament in the event the federal pension fund presented a funding deficit.

Other contingent liabilities also include Switzerland's share of EUROCONTROL's employee retirement benefit obligations (111 mn). Unlike the retirement benefit obligations prior to 2005, which are depreciated by member states over 20 years and therefore deferred by the Confederation, there is no depreciation schedule for member countries for retirement benefit obligations calculated in accordance with IAS 19.

Sureties and guarantee liabilities

Whether or not payments are actually necessary for sureties and guarantee liabilities depends on the subject of the liability. For instance, Parliament has approved sureties for oceangoing vessels since 1959 without any surety ever becoming payable or any payments being made. On the other hand, the Confederation regularly disburses several million for sureties payable for the promotion of housing construction and commercial guarantees, for example.

4 Closed pension schemes

Closed pension schemes include pensioners who remained with the Federal Pension Fund or PUBLICA after their employers' withdrawal, as well as former insured members on a voluntary basis.

The federal enterprises spun off at the turn of the century (including Swisscom and RUAG) and affiliated organizations such as SRG SSR idée suisse maintained the membership of their existing pensioners with the then Federal Pension Fund (FPF) at the time of their spin-off. Given that no new pensioners are added to this portfolio of pensioners, Article 23 of the Federal Act of December 20, 2006 on the Federal Pension Fund (PUBLICA Act, SR *172.222.1)* refers to closed portfolios of pensioners. An individual pension scheme is managed for each closed portfolio of pensioners. The Fund Commission acts as the equal representation body for these pension schemes (Art. 24 para. 1 of the PUBLICA Act).

As of the end of 2016, the *regulatory coverage ratio* for all closed pension schemes was 107.7% (provisional figure). None of the closed pension schemes had a regulatory coverage ratio lower than 100%. The net return achieved on the invested capital in 2016 was 4.3%.

Closed pension schemes have had their own investment strategy since January 1, 2011. This investment strategy, which takes account of the limited risk capacity, should in all likelihood enable full economic coverage to be achieved up to 2020. PUBLICA monitors the investment strategy and the coverage ratio on an ongoing basis. The PUBLICA Board of Directors adjusts the investment strategy in line with the financial situation of the closed pension schemes, as well as in line with the expected development of the schemes' assets and liabilities.

The *economic coverage ratio* was 85.2% at the end of 2016 (provisional figure). Due to the drastically lower level of interest rates and the associated lower revenue, it has to be assumed that an economic coverage ratio of 100% up to 2020 is beyond reach and that a financial contribution to the closed pension schemes will be necessary. However, the amount of the contribution cannot be determined reliably at the moment. The situation is being assessed continually by PUBLICA and the Federal Department of Finance.

5 SERV liability scope

The SERV insurance liabilities amounted to 10.1 billion. This corresponds to 72% utilization of the 14 billion liability scope approved by the Federal Council.

The Federal Council is responsible for determining the maximum scope of Swiss Export Risk Insurance (SERV) insurance liabilities. This currently amounts to 14 billion. The liability scope sets the total exposure ceiling that SERV can assume for insured benefits. The liability scope is reviewed periodically and adjusted where necessary.

At the end of 2016, the sum of insurance liabilities amounted to 10.1 billion, whereby the liability scope was 72% utilized. The liability scope was raised to 14 billion (+2 bn) during the year under review.

6 Contingent assets

CHF mn	2015	2016	Deviation vs. 2015 Absolute	%
Contingent assets	**19 061**	**21 803**	**2 742**	**14.4**
Unrecognized receivables from direct federal tax	18 400	18 000	-400	-2.2
Other contingent assets	661	3 803	3 142	475.3

Contingent assets from direct federal tax were down by 0.4 billion. At the same time, legally contested withholding tax receivables rose by a total of 3.0 billion.

Unrecognized receivables from direct federal tax (excluding cantons' share of 17%) are levied ex post and only fall due in the year following the fiscal year in question. The booking of receipts is undertaken by the federal government to coincide with the delivery of the federal government's share by the cantons (cash accounting). If direct federal tax were levied at the end of 2016, there would still be an estimated 18.0 billion in receipts anticipated the following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2016 tax year is not possible, however, as these are not yet available as of the reporting date. For this reason, the estimated outstanding balances are reported as contingent assets. Their level corresponds to the receipts that are still anticipated. This estimation takes into account the fact that direct federal tax receipts for a specific fiscal year actually come in over a period of several years. The lion's share (around 75%) is received in the year following the relevant fiscal year. As of December 31, 2016, the Confederation had receivables relating to several fiscal years (2016 and earlier). These assets correspond to a large extent to the budgeted receipts of 16.7 billion (excluding cantons' share of 17%) for the 2017 calendar year. In subsequent years, further receipts are thus still expected from earlier tax years.

Other contingent assets show the following:

- Disputed receivables from withholding tax and stamp duty (3,489 mn). These are legally contested receivables whose enforceability has to be clarified. The cases in question were completely or partly removed from the statement of financial position based on expert reports from within the Federal Administration. The difference between the recognized and decreed receivables is shown as contingent assets. These posted a year-on-year increase of 2,989 million, particularly because of an individual case that was significant in terms of the sum concerned.

- Orders for fines issued by the Competition Commission that were disputed by third parties and are now to be clarified in court (240 mn).

7 Financial pledges

CHF mn	31.12.2015	31.12.2016	Payable 2017	Later	Deviation vs. 31.12.2015 Absolute	%
Financial pledges and other restricted expenditure	**156 119**	**162 674**	**40 055**	**122 619**	**6 555**	**4.2**
Financial pledges	**104 553**	**110 507**	**27 969**	**82 538**	**5 954**	**5.7**
Financial pledges with a fixed term	**21 386**	**25 645**	**7 388**	**18 257**	**4 259**	**19.9**
Guarantee credits and annual pledge credits	20 842	25 130	7 191	17 939	4 288	20.6
Other financial pledges with a fixed term	544	515	197	318	-29	-5.3
Financial pledges without a fixed term	**83 167**	**84 862**	**20 581**	**64 281**	**1 695**	**2.0**
Social insurance	68 354	69 702	16 894	52 808	1 348	2.0
Fiscal equalization	13 264	13 370	3 281	10 089	106	0.8
Mandatory contributions to international organizations	1 549	1 790	406	1 384	241	15.6
Other expenditure of a highly restricted nature	**51 566**	**52 167**	**12 086**	**40 081**	**601**	**1.2**
Interest expenditure	6 686	5 444	1 405	4 039	-1 242	-18.6
Third parties' share in federal revenue	41 895	43 758	9 954	33 804	1 863	4.4
Other restricted expenditure	2 985	2 965	727	2 238	-20	-0.7

Note: The items "Financial pledges without a fixed term" and "Other expenditure of a highly restricted nature" show future liabilities for a period of four years.

Financial pledges amounted to 110.5 billion. A further 52.2 billion came from other future expenditure of a highly restricted nature. 40.1 billion of the total financial pledges and other restricted expenditure of 162.7 billion will be payable in 2017. This means that some 60% of the expenses for 2017 is restricted by legal provisions, contracts, service level agreements and interest payable, and thus cannot be influenced in the short term.

Financial pledges

By reporting its financial pledges, the Confederation discloses its definite future payments based on existing pledges and the extent to which these are reflected in the federal finances of subsequent years.

Financial pledges may arise by way of contracts, official orders and service level agreements with respect to third parties. In such cases, the pledges are limited to a certain time period. Financial pledges may also be directly derived from the law, in which case they generally have no fixed duration. A financial pledge exists only where the law prescribes a mandatory amount. Third parties' share in federal income is disclosed under other expenditure of a highly restricted nature, however, as the obligation to pay arises only upon collection of the corresponding revenue. A financial pledge is not deemed to exist if contributions are defined in an implementing ordinance, as an ordinance may be amended at any time by the Federal Council, e.g. as part of an austerity program.

Other expenditure of a highly restricted nature

In order to provide a complete overview of restricted expenditure, the reporting also covers those items that are not classified as financial pledges under IPSAS but are of a highly restricted nature. These include:

- Liabilities that have already been recognized as a provision (military insurance) or are mentioned elsewhere in the notes (interest payable)
- Liabilities from third parties' share in federal income (restricted receipts) that occur only upon realization of the tax revenue

8 Related parties

CHF mn	Contrib. Confed./ share in revenue 2015	2016	Acquisition of goods and services/ interest expense 2015	2016	Sale of goods and services/ interest income 2015	2016	Receivables and loans 2015	2016	Liabilities 2015	2016
Related parties	**18 416**	**18 645**	**795**	**774**	**75**	**89**	**27 830**	**28 042**	**253**	**274**
Swisscom	–	–	157	147	6	8	15	5	28	19
SBB	1 938	2 109	42	35	49	50	22 467	22 699	–	–
Swiss Post	231	242	31	24	9	10	106	145	161	201
Ruag	–	–	565	568	9	19	36	32	64	54
BLS Netz AG	193	240	–	–	–	–	2 606	2 661	–	–
Compensation fund (AHV, IV, EO)	15 590	15 577	–	–	–	–	–	–	–	–
Compensation fund (ALV)	464	477	–	–	2	2	2 600	2 500	–	–

Transactions with related entities were in line with prior-year levels.

With the exception of subsidy contributions provided by the Confederation, third parties' share in federal income and the non-interest-bearing loans to the SBB and BLS Netz AG, all transactions between the Confederation and related parties are undertaken at arm's length.

Transactions with related organizations

The Confederation undertook the following transactions with related organizations:

- Contributions to the SBB mainly comprise expenditure within the scope of the service level agreement concluded with the SBB.

- Only 3,320 million of the receivables from the SBB are interest-bearing (+300 mn). Interest-free loans likewise include loans from the RIF to AlpTransit Gotthard AG amounting to 2.5 billion. AlpTransit Gotthard AG is a subsidiary of the SBB (100%) and is recognized in the consolidated financial statements of the SBB at equity value, which is why these loans do not appear in the consolidated financial statements of the SBB. Receivables from Swiss Post contain credit balances on postal accounts.

- Receivables from BLS Netz AG contain loans that were originally granted to BLS Alp Transit AG. When the company was renamed, these loans were signed over to BLS Netz AG.

- See section 42/6 concerning the contributions to the compensation funds. The unemployment insurance fund repaid 100 million on the federal loan of 2.6 billion during the year under review.

Compensation to key persons

The remuneration and compensation of the members of the Federal Council are regulated in the Federal Act Governing Remuneration and Retirement Benefits Due to Members of the Federal Council, Judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor (SR *172.121*) and the Federal Assembly Ordinance Governing Remuneration and Retirement Benefits Due to Members of the Federal Council, Judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor (SR *172.121.1*). This information is publicly available.

Who are related parties?

Related party disclosures are required under IPSAS 20 (control or possible influence by related parties and organizations). Within the Confederation, related *legal persons and organizations* comprise significant interests (see section 42/16), the AHV, IV and EO compensation funds and the unemployment insurance fund (ALV). The members of the Federal Council are deemed to be related *natural persons*, or "key persons".

9 Translation rates

	Closing rates at	
Unit	31.12.2015	31.12.2016
1 euro (EUR)	1.0875	1.0717
1 US dollar (USD)	1.0013	1.0160
1 pound sterling (GBP)	1.4722	1.2582
1 Norwegian krone (NOK)	0.1133	11.7892

10 Events after the reporting date

The 2016 consolidated financial statements were approved by the Federal Council on April 12, 2017. Up to that date, no events requiring disclosure had occurred after the reporting date.

05 RELATIONSHIP WITH FEDERAL FINANCIAL STATEMENTS AND FINANCIAL STATISTICS

51 Structural differences

Given the selected group of consolidated entities, the parent entity inevitably dominates the figures of the consolidated financial statements. This section describes the structural differences between the consolidated financial statements and the parent entity (federal financial statements) and financial statistics. Furthermore, the consolidation scope is presented in tabular form and a comparison of the figures is provided (see section 52).

Comparison with the federal financial statements

Statement of financial performance

In contrast to the federal financial statements, the consolidated financial statements do not differentiate between ordinary and extraordinary expenses and revenue, as they are not caught by the debt brake rules. This can give rise to considerable deviations in the accounts presented relative to the parent entity.

Statement of financial position

For budgetary reasons, assets are broken down into non-administrative and administrative assets in the federal financial statements. This shows which assets are used for deposits and investments (non-administrative assets) and which assets are required by the federal government for the purpose of discharging its functions (administrative assets). The consolidated statement of financial position makes no such distinction, but divides assets into current and non-current assets in accordance with the International Public Sector Accounting Standards.

Cash flow statement

In the federal financial statements, the financing and flow of funds statement (FFFS) replaces the cash flow statement. In the interests of aligning the federal budget with fiscal policy, the FFFS distinguishes between ordinary and extraordinary transactions, and reports flows of funds from financial investments and debt financing. However, in line with the consolidated statement of financial performance, extraordinary items are not presented on the face of the consolidated cash flow statement. Instead, cash flows are reported from operating, investing and financing activities.

Moreover, the cash flow statement presents the change in cash and other liquid assets ("cash and other liquid assets" fund). With the FFFS, the "federal" fund shows amounts due from creditors (receivables) and amounts due to creditors (current liabilities) as well as cash and other liquid assets.

Relationship with the Confederation as parent entity

Figures for transfer expenses and debt in the consolidated financial statements and federal financial statements are compared in sections 53 and 54.

Comparison with financial statistics

Different approaches

While the consolidated financial statements are primarily concerned with management from a business (microeconomic) perspective, the main purpose of the financial statistics is to ensure comparability from an economic (macroeconomic) perspective. Consequently, the two types of report essentially address different issues.

Different groups of consolidated entities

In the financial statistics, the entities incorporated within the "general government" sector are determined on the basis of the criteria laid down in the European System of Accounts (ESA 2010). The "general government" sector includes the "Confederation" sub-sector, which is comparable with, but not identical to, the scope of the consolidated financial statements.

The basis of consolidation applying to the financial statistics is determined by the source of financing ("50% rule"). The consolidated entities of the decentralized Federal Administration maintaining their own accounts, as shown below, are not reflected in the financial statistics. This is because more than 50% of their production costs is met through third-party sales (e.g. sale proceeds, fee income), which means they do not satisfy ESA criteria.

- Swiss Financial Market Supervisory Authority (FINMA)
- Swiss Federal Institute of Intellectual Property (IIP)
- Swiss Federal Nuclear Safety Inspectorate (ENSI)
- Federal Audit Oversight Authority (FAOA)
- Swiss Export Risk Insurance (SERV)
- Swissmedic
- Swiss Association for Hotel Credit (SAH)
- Swiss Investment Fund for Emerging Markets (SIFEM AG)

However, the financial statistics "Confederation" sub-sector also includes the Swiss National Science Foundation and Switzerland Tourism.

Differences in valuation

The valuation method used in the FS Model of financial statistics, which reflects the national position, is comparable with that of the accounting model (NAM) at federal level. However, the International Monetary Fund (IMF) accounting guidelines applying to the international GFS Model prescribe that all receivables and liabilities must be valued at market values.

52 Overwiew of consolidated entities

Consolidated entities and consolidation methods by financial statement type

Entities	FCFS	FFS	Fstats
Central Federal Administration			
Institutions and administrative units presented in the federal financial statements	100%	100%	100%
Decentralized Federal Administration			
Administrative units and funds of the Confederation that present separate accounts within the scope of the state financial statements	100%	–	100%
Administrative units of the decentralized Federal Administration with their own accounts			
Swiss Federal Institutes of Technology Domain (ETH)	100%	–	100%
Swiss Financial Market Supervisory Authority (FINMA)	100%	–	–
Swiss Federal Institute for Vocational Education and Training (SFIVET)	100%	–	100%
Swiss Federal Nuclear Safety Inspectorate (ENSI)	100%	–	–
Swiss Federal Institute of Intellectual Property (IIP)	100%	–	–
Federal Audit Oversight Authority (FAOA)	100%	–	–
Swiss Federal Institute of Metrology (METAS)	100%	–	100%
Swiss Export Risk Insurance (SERV)	100%	–	–
Swiss National Museum (SNM)	100%	–	100%
Pro Helvetia (PH)	100%	–	100%
Swiss Association for Hotel Credit (SAH)	100%	–	–
SIFEM AG	100%	–	–
Swissmedic	100%	AV	AV
Switzerland Tourism	–	–	100%
PUBLICA	–	–	–
Significant interests of the Confederation			
BLS Netz AG, Swiss Post, SBB, RUAG, Skyguide	Equity	Equity	Equity
Swisscom	Equity	Equity	SMV
Other organizations			
Swiss National Science Foundation	–	–	100%

Financial statements:
FCFS = Federal consolidated financial statements
FFS = Federal financial statements (State financial statements, Volume 1)
Fstats = Financial statistics (Confederation sub-sector)

Recognition method:
100% = Full consolidation
AV = Acquisition value
SMV = Stock market value

Scale of consolidated entities - details

2016	Surplus or deficit		Liabilities		Net assets/equity		Employees	
Entities	CHF mn	%	CHF mn	%	CHF mn	%	FTE	%
Central Federal Administration (Confederation as parent)	**- 66**	**-7.8**	**127 570**	**91.0**	**-20 727**	**98.3**	**34 914**	**63.8**
Decentralized Federal Administration	**910**	**107.8**	**12 598**	**9.0**	**- 353**	**1.7**	**19 783**	**36.2**
Separate accounts								
Swiss Alcohol Board	249	29.5	5	0.0	315	-1.5	130	0.2
Railway infrastructure fund	108	12.8	9 183	6.6	-8 842	41.9	1	0.0
Infrastructure fund	205	24.3	51	0.0	2 078	-9.9	–	0.0
Decentralized administrative units with their own accounts								
Swiss Federal Institutes of Technology Domain	233	27.6	2 273	1.6	2 768	-13.1	17 792	32.5
Swiss Financial Market Supervisory Authority (FINMA)	15	1.8	17	0.0	93	-0.4	477	0.9
Swiss Federal Institute for Vocational Education and Training (SFIVET)	1	0.1	4	0.0	3	0.0	180	0.3
Swiss Federal Nuclear Safety Inspectorate (ENSI)	2	0.2	10	0.0	27	-0.1	134	0.2
Swiss Federal Institute of Intellectual Property (IIP)	8	0.9	28	0.0	103	-0.5	237	0.4
Federal Audit Oversight Authority (FAOA)	0	0.0	3	0.0	5	0.0	26	0.0
Swiss Federal Institute of Metrology (METAS)	3	0.4	7	0.0	37	-0.2	172	0.3
Swiss Export Risk Insurance (SERV)	67	7.9	331	0.2	2 698	-12.8	44	0.1
Swiss National Museum (SNM)	0	0.0	10	0.0	7	0.0	158	0.3
Pro Helvetia (PH)	2	0.2	8	0.0	13	-0.1	73	0.1
Swiss Association for Hotel Credit (SAH)	1	0.1	238	0.2	45	-0.2	11	0.0
SIFEM AG	12	1.4	392	0.3	230	-1.1	–	0.0
Swissmedic	4	0.5	38	0.0	67	-0.3	348	0.6
Subtotal	844	100.0	140 168	100.0	-21 080	100.0	54 697	100.0
Consolidation adjustments	- 441		-16 462		-1 758		–	
Federal consolidated financial statements	**403**		**123 706**		**-22 838**		**54 697**	

53 Transfer expenses (comparison with the parent entity)

In transfer expenses, the parent entity and consolidated financial statements differ with respect to contributions to own institutions and third parties, as well as with respect to value adjustments.

2016 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Transfer expenses	**51 695**	**48 695**	**-3 000**
Third parties' share in federal income	9 500	9 500	–
Compensation to public bodies	1 596	1 596	–
Contributions to own institutions	3 689	2 998	-691
Contributions to third parties	15 355	15 728	373
Contributions to social insurance	16 715	16 715	–
Value adjustments on investment contributions	4 819	2 158	-2 661
Value adjustments on loans and financial interests	21		-21

Contributions to own institutions: -691 million
The lower expenses in the consolidated financial statements resulted from various opposing transactions:

- As intercompany relationships, the financing contributions and accommodation contributions of the Confederation as parent entity to the ETH Domain (-2,566 mn), the Swiss Federal Institute for Vocational Education and Training (-40 mn) and the Swiss National Museum (-47 mn), the deposit in the RIF (-390 mn), as well as the contribution to the Swiss Federal Institute of Metrology (-24 mn), Swissmedic (-14 mn) and Pro Helvetia (-39 mn) are eliminated.
- The project contributions of 2,429 million paid from the railway infrastructure fund (RIF) are additionally recognized in the consolidated financial statements.

Contributions to third parties: +373 million
Regarding recipients outside of the parent entity, contributions were paid from the infrastructure fund for urgent urban transportation projects, for main roads in mountainous areas, and to compensate for insufficient cantonal funds from the increase in the mileage-related heavy vehicle charge (total 141 mn), as well as RIF (412 mn), ETH Domain (63 mn), Swiss Alcohol Board (2 mn, alcohol prevention) and Pro Helvetia (26 mn) contributions. Intercompany relationships of -271 million were additionally recognized.

Value adjustments on investment contributions: -2,661 million
The difference relative to the parent entity is made up of transactions that encompass both intercompany eliminations and additional transactions that need to be recognized:

- The deposit of -3,499 million in the RIF was eliminated.
- The share for infrastructure projects in urban areas forwarded to the infrastructure fund and the lump-sum contributions to main roads in mountainous areas and outlying regions amounting to -238 million (investment contributions) were likewise eliminated.
- Additional recognitions include the value adjustments of the RIF (959 mn) and of the infrastructure fund (117 mn).

Value adjustments on loans and financial interests: -21 million
In the consolidated financial statements, the corresponding value adjustments for loans and financial interests are reported in financial expense (see section 42/8) under value adjustments on financial investments.

54 Debt (comparison with the parent entity)

Compared with the parent entity, gross debt is 2.6 billion lower in the consolidated financial statements, due primarily to the fact that liabilities toward consolidated entities are eliminated. In contrast, net debt is 3.1 billion higher in the consolidated financial statements. This is largely attributable to the elimination of the 8.8 billion advance to the RIF recognized in the case of the parent entity.

2016 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Gross debt	**98 819**	**96 206**	**-2 613**
Current liabilities	17 385	14 807	-2 578
Short-term financial liabilities	9 905	9 950	45
Long-term financial liabilities	71 529	71 449	-80
Net debt	**71 009**	**74 109**	**3 100**
Gross debt	98 819	96 206	
Deductions	*27 810*	*22 097*	*-5 713*
Cash and cash equivalents	6 904	7 577	673
Receivables	5 083	6 989	1 906
Short-term financial investments	3 650	1 406	-2 244
Long-term financial investments	12 173	285	-11 888
Loans held to maturity		5 840	5 840

Gross debt

The following factors are the mains ones responsible for the lower gross debt level in the consolidated financial statements relative to the parent entity:

- *Current liabilities (-2,578 mn)*: liabilities of 4,440 million recognized by the parent entity are eliminated in the consolidated view. These include primarily deposit account liabilities toward Swiss Export Risk Insurance (2,409 mn), the ETH Domain (1,425 mn), the Swiss Association for Hotel Credit (84 mn), the Swiss Federal Institute of Intellectual Property (85 mn), Pro Helvetia (16 mn), the Swiss National Museum (12 mn) and METAS (12 mn), as well as current account liabilities toward the Swiss Alcohol Board (239 mn) and FINMA (88 mn). Conversely, liabilities toward third parties such as those of the ETH Domain (1,573 mn) or the RIF (235 mn) lead to an increase in liabilities from a consolidated viewpoint.

Net debt

In contrast to the lower gross debt, net debt is 3.1 billion higher in the consolidated financial statements than for the parent entity:

- *Receivables (1,906 mn)*: in addition to the receivables of the parent entity, the receivables of the ETH Domain (1,259 mn), SERV (580 mn) and the other consolidated entities (67 mn) are also taken into account.

- *Short-/long-term financial investments and loans (-8,291 mn)*: the parent entity's treasury loan to the RIF (8,807 mn) is eliminated in the consolidated view, which is why the loans held to maturity (consolidated financial statements) are accordingly lower than long-term financial investments (parent entity). This is mitigated by SIFEM AG's long-term financial investments of 263 million. In the consolidated financial statements, the loans of non-administrative assets (5,840 mn) are reported as *loans held to maturity* rather than as *long-term financial investments* as is the case with the parent entity. This shift within the deducted positions has no impact on net debt.