Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal consolidated financial statements

Financial report

2011

Published and edited by

Editing
Federal Finance Administration
Internet: www.efv.admin.ch

Distribution
FOBL, Federal Publication Sales, CH-3003 Bern
www.bbl.admin.ch/bundespublikationen
Art.-Nr. 601.303.11e

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Operating result	**8 218**	**7 007**	**5 491**	**3 592**
Financial revenue	888	1 566	415	957
Financial expense	4 225	3 469	3 438	3 200
Financial result	**-3 337**	**-1 903**	**-3 023**	**-2 243**
Equity interest revenue	1 807	2 179	1 840	1 256
Equity interest expenses	7	5	95	440
Equity interest result	**1 800**	**2 174**	**1 745**	**816**
Surplus or deficit	**6 681**	**7 278**	**4 213**	**2 165**
Statement of financial position				
Current assets	19 278	15 279	16 167	16 589
Non-current assets	79 474	78 152	81 448	81 095
Liabilities	143 117	130 469	130 242	127 980
Net assets/equity	-44 365	-37 038	-32 627	-30 296
Cash flow statement				
Cash flows from operating activities	7 899	7 447	6 545	3 491
Cash flows from investing activities	-5 791	3 200	-1 323	-3 624
Cash flows from financing activities	-869	-10 143	-2 161	5
Total cash flow	**1 239**	**504**	**3 061**	**-128**
Debt				
Gross debt	120 378	108 742	108 279	108 170
Net debt	98 358	89 070	86 125	86 022
Staff				
Number of full-time employees (FTE)	46 549	48 833	49 591	49 907

21 Purpose of the consolidated financial statements

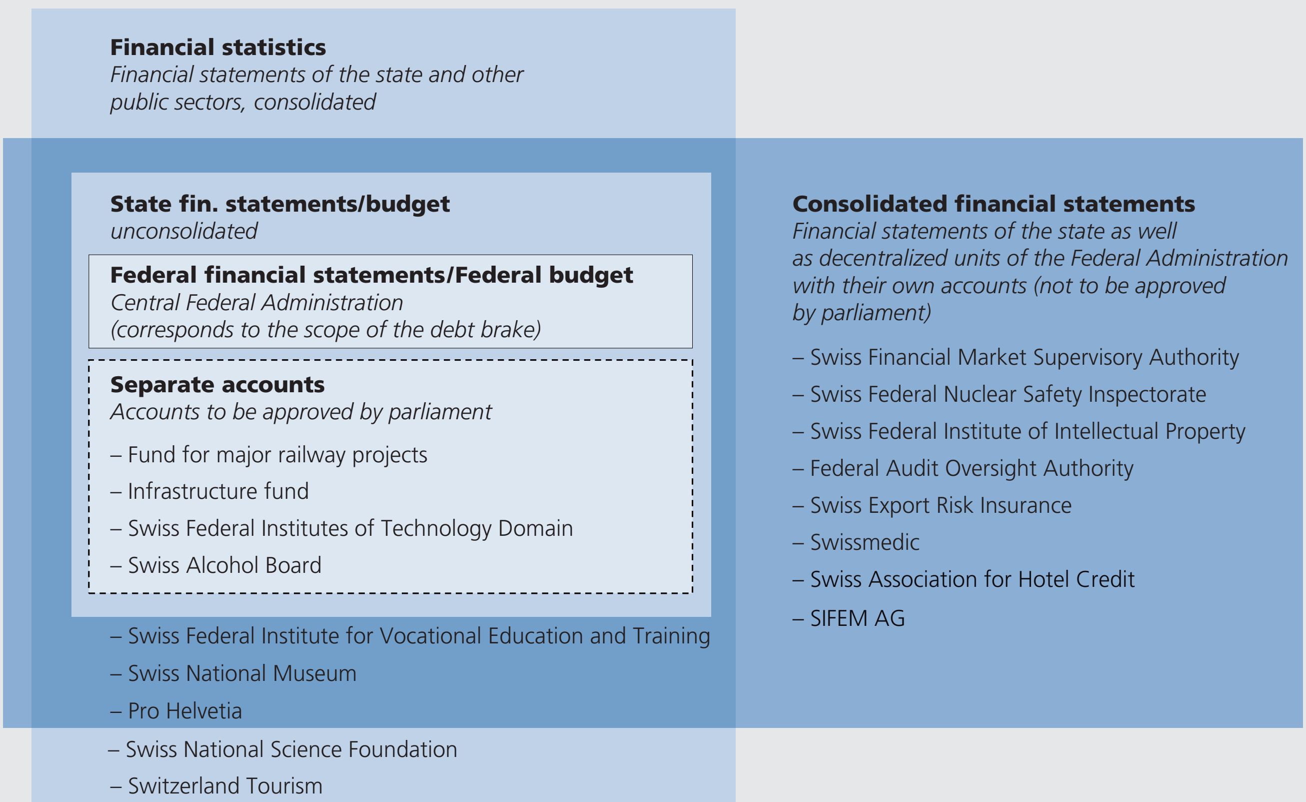
The federal consolidated financial statements provide a comprehensive picture of the financial position of “federal public services”. The Federal Council presents the consolidated financial statements to the two chambers of parliament for information purposes with regard to the deliberations on the state financial statements. They are not part of the state financial statements. As they do not require parliamentary approval, they are not audited by the Swiss Federal Audit Office. The consolidated financial statements are not subject to any statutory requirements in relation to lending and borrowing. No consolidated budgets, financial plans or forecasts are prepared.

The consolidated financial statements give an overview of the assets, financial position and financial performance of entities and organizations which are allocated to and charged with discharging functions within the Federal Administration structure. The existence of transactions between entities and the application of special rules can obscure the informative value of the separate financial statements. From the overall view of the consolidated financial statements, it is immaterial whether functions are discharged by the central Federal Administration (“parent entity”), or by an outsourced organizational unit of the decentralized Federal Administration.

The objective of the consolidated financial statements is to show the level of capital expenditure and financial commitments incurred by the entities concerned, facilitating an assessment of the financial risks to which “federal public services” are exposed. In addition to total assets, the consolidated statement of financial position also shows the overall level of indebtedness of the federal government and outsourced units – information that is not included in the financial statements of the parent entity. Therefore, it is possible to observe longer-term trends in the relevant variables in order to assess the federal government’s financial position and extrapolate statements based on reliable information which has been prepared in line with recognized, consistent standards.

The consolidation scope meets the minimum requirements set out in Article 55 para. 1 of the Federal Budget Act (parent entity, separate accounts, entities of the decentralized Federal Administration with their own accounts). Pursuant to Article 55 para. 2 letter b of the Federal Budget Act (FBA), the Federal Council may bring other entities into consolidation by enacting an implementing ordinance, provided such entities discharge public sector functions and are closely linked to the federal budget. The consolidation scope is presented in the notes to the annual financial statements (see section 41/3). The differences relative to the federal financial statements and financial statistics are explained in section 5.

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



22 Fiscal policy appraisal

Due to the selected group of consolidated entities, the consolidated financial statements predominantly reflect the figures of the Confederation as parent entity (see table). This result is to be expected, given that the consolidated entities – except for the Swiss Federal Institutes of Technology (ETH) Domain, fund for major railway projects (FinPT fund) and infrastructure fund (IF) – are relatively small organizations which mainly perform *services on a monopoly basis and economic and safety oversight functions*, and are thus less impacted by capital and financing. However, it is interesting to note that the ETH Domain and the FinPT and IF funds only give rise to marginal differences compared with the parent entity financial statements. This is due to the fact that the FinPT and IF funds are funded exclusively through the parent entity while the ETH Domain receives extensive funding from the parent entity, and the majority of large items are netted against each other. Both investments and borrowing are essentially undertaken by the Federal Treasury. This offsets cash movements within the entities 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.

Commentary on important items
In the consolidated *statement of financial performance*, the surplus of 2.2 billion was only slightly higher (+71 mn) than for the parent entity. Closer inspection – taking into account the parent entity's extraordinary transactions – shows a higher operating result (+0.4 bn) and a lower financial result (-0.4 bn) in the consolidated financial statements.

The consolidated *balance sheet total* of 97.7 billion is 6.8 billion lower than that of the parent entity. The lower total is due to the elimination of reciprocal receivables and liabilities between the parent entity and the other entities (intercompany relationships). Total consolidated liabilities are 3.9 billion lower than for the parent entity, as intercompany relationships are more significant than indebtedness to outside parties. Conversely, the negative consolidated net assets/equity is 2.9 billion lower, primarily because the positive net assets/equity of the infrastructure fund (2.0 bn) and Swiss Export Risk Insurance (SERV; 2.4 bn) only partly offsets the negative net assets/equity of the FinPT fund (-7.8 bn). Overall, the relationship between assets and liabilities is therefore somewhat less favorable from a consolidated viewpoint than with the parent entity.

Scale of consolidated entities - overview

2011 Entities	Surplus or deficit CHF mn	Liabilities CHF mn	Net assets/ equity CHF mn	Employees FTE
Central Federal Administration (Confederation as parent)	**2 094**	**131 926**	**-27 400**	**33 054**
Decentralized Federal Administration	**598**	**10 071**	**-1 400**	**16 853**
Swiss Federal Institutes of Technology Domain	118	1 254	1 181	15 208
Fund for major railway projects	-159	7 763	-7 702	–
Infrastructure fund	426	107	2 028	–
Other entities	213	947	3 093	1 645
Subtotal	2 692	141 997	-28 800	49 907
Consolidation entries	-527	-14 017	-1 496	–
Federal consolidated financial statements	**2 165**	**127 980**	**-30 296**	**49 907**

A contrasting trend is visible also regarding debt (see section 54). Coming in at 108.2 billion, consolidated *gross debt* is 2.3 billion lower than in the case of the parent entity, due to the offsetting of the parent entity's liabilities against the corresponding receivables of the decentralized units (particularly SERV 1.8 bn). On the other hand, the *net debt* of 86.0 billion is 3.6 billion higher than in the case of the parent entity, as the freely available assets from a consolidated viewpoint are 5.9 billion lower. Among other things, the parent entity's treasury loan to the FinPT fund (7.8 bn) is eliminated, while SERV receivables (0.8 bn) are added.

The consolidated *cash flow statement* shows last year's origin and utilization of cash and cash equivalents. The cash inflow from *operating activity* (+3.5 bn) was used entirely for *investing activity* (-3.6 bn). The main drivers of this cash outflow were investment in tangible assets (3.0 bn net; particularly motorways) and the increase in financial investments (1.4 bn net; particularly fixed-term deposits). This explains why there was no reduction in financial liabilities (minimal cash flow from *financing activity* of 5 mn). Both gross and net debt therefore remained virtually unchanged compared with the previous year (-0.1 billion in each case).

It does not make much sense to compare the consolidated cash flow statement with the parent entity's financing and flow of funds statement (FFFS), as they pursue different purposes. They are thus based on differently defined funds (balance sheet amounts). While the consolidated cash flow statement shows the change in liquidity ("Cash and cash equivalents" fund), the parent entity's fund is based on the broader definition of receipts and expenditure used in the FBA. The changes in receivables (amounts due from creditors) and current liabilities (amounts due to creditors) are therefore also taken into consideration. Statements set out in this manner are also of interest from an *economic policy viewpoint*, for example. In the case of the parent entity, the change in the ordinary fiscal balance serves as an indicator of the budget's impact on the economy. An analogous interpretation is not possible with the consolidated cash flow statement, as it does not take into consideration the changes in receivables and liabilities that have an economic impact.

With regard to *possible future financing risks for the federal budget,* provisions and contingent liabilities are of interest. It is apparent that the consolidated *provisions* are higher than in the case of the parent entity (13.2 bn; +0.4 bn). The difference is due mainly to the new SERV provision for incurred but still unpaid claims (0.2 bn) and the previous provision for unearned insurance premiums (0.1 bn). In addition, there are two provisions for the disposal of radioactive waste (0.1 bn) at the Paul Scherrer Institute (PSI). Finally, provisions for vacation and overtime declined for the parent entity but increased for the consolidated entities, resulting in an increase in the difference (0.1 bn).

In the case of off-balance-sheet *contingent liabilities*, employee retirement benefits make a difference. Amounting to 9.5 billion, they are significantly higher in the consolidated financial statements than in the case of the parent entity (+1.8 bn). The reason for this is the significantly higher headcount of the former (+16,853 FTEs), which is primarily attributable to the ETH Domain. An important development in this context was the valuation of employee retirement benefits, which increased by 4.3 billion at the two largest pension funds alone (Confederation parent entity and ETH Domain), largely as a result of the adjustment of various parameters (notably a lower discount rate of 1.25% rather than 2.1%).

Finally, the SERV *insurance liabilities* of 8.2 billion assumed at the end of 2011 are worthy of mention here. This sum is counterbalanced by SERV net assets/equity of 2.4 billion.

31 Statement of financial performance

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%	Figures in notes
Surplus or deficit	**4 213**	**2 165**	**-2 048**	**-48.6**	
Operating result	**5 491**	**3 592**	**-1 899**	**-34.6**	
Operating revenue	**62 159**	**64 319**	**2 160**	**3.5**	
Tax revenue	58 047	60 384	2 337	4.0	1
Service revenue	2 120	2 133	13	0.6	2
Other revenue	1 992	1 802	-190	-9.5	3
Operating expenses	**56 668**	**60 727**	**4 059**	**7.2**	
Personnel expenses	6 858	7 065	207	3.0	4
Other operating expenses	5 755	6 015	260	4.5	5
Depreciation	2 291	2 371	80	3.5	14
Transfer expenses	41 764	45 276	3 512	8.4	6
Financial result	**-3 023**	**-2 243**	**780**	**-25.8**	
Financial revenue	415	957	542	130.6	7
Financial expense	3 438	3 200	-238	-6.9	8
Equity interest result	**1 745**	**816**	**-929**	**-53.2**	
Equity interest revenue	1 840	1 256	-584	-31.7	16
Equity interest expenses	95	440	345	363.2	16
Surplus or deficit	**4 213**	**2 165**	**-2 048**	**-48.6**	
Confederation's share	4 211	2 165			
Minority interests	2	–			

The statement of financial performance recorded a *surplus* of 2.2 billion, comprising 3.6 billion for the operating result, -2.2 billion for the financial result, and 0.8 billion for the equity interest result.

The *operating result* was 1.9 billion below the previous year's figure, but was still at a high level. The year-on-year change can be explained primarily by the following two factors:

- Tax revenue rose by 2.3 billion. Contrasting developments were evident here: withholding tax revenue (+1.6 bn) and value added tax revenue (+1.0 bn) rose, while revenue from mineral oil tax (-114 mn) and tobacco duty (-148 mn) declined.
- At 45.3 billion, transfer expenses were 3.5 billion above the previous year's equivalent. This increase was primarily down to third parties' share in federal revenue (+0.4 bn), contributions to own institutions (+1.1 bn), contributions to third parties (+0.7 bn) and contributions to social insurance (+1.3 bn).

The negative *financial result* was 0.8 billion better than the previous year. Various positive factors contributed to this, such as the divestment of SAPOMP Wohnbau AG (+0.2 bn).

The *equity interest result* (0.8 bn) comprises unrealized gains on significant interests. Impressive revenue figures were recorded on these positions thanks to the positive results reported by the federal government companies Swiss Post (0.8 bn), Swiss Federal Railways (0.3 bn) and RUAG and Skyguide (0.1 bn). In contrast, there was a decline in value of 0.4 billion on the interest in Swisscom.

32 Statement of financial position

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. 2010 Absolute	%	Figures in notes
Assets	**97 615**	**97 684**	**69**	**0.1**	
Current assets	**16 167**	**16 589**	**422**	**2.6**	
Cash and cash equivalents	6 251	6 123	-128	-2.0	9
Receivables	7 342	6 704	-638	-8.7	10
Short-term financial investments	514	2 103	1 589	309.1	11
Inventories	308	311	3	1.0	12
Prepaid expenses and accrued income	1 752	1 348	-404	-23.1	13
Non-current assets	**81 448**	**81 095**	**-353**	**-0.4**	
Tangible fixed assets	50 786	51 432	646	1.3	14
Intangible fixed assets	159	221	62	39.0	14
Loans	11 571	10 472	-1 099	-9.5	15
Financial interests	18 857	18 674	-183	-1.0	16
Long-term financial investments	75	296	221	294.7	11
Liabilities and equity	**97 615**	**97 684**	**69**	**0.1**	
Short-term liabilities	**33 465**	**33 684**	**219**	**0.7**	
Current liabilities	13 536	13 648	112	0.8	17
Short-term financial liabilities	13 092	14 356	1 264	9.7	18
Accrued expenses and deferred income	6 458	5 311	-1 147	-17.8	19
Short-term provisions	379	369	-10	-2.6	20
Long-term liabilities	**96 777**	**94 296**	**-2 481**	**-2.6**	
Long-term financial liabilities	81 651	80 166	-1 485	-1.8	18
Long-term provisions	13 832	12 834	-998	-7.2	20
Other liabilities	1 294	1 296	2	0.2	21
Net assets/equity	**-32 627**	**-30 296**	**2 331**	**7.1**	
Minority interests	22	59	37	168.2	
Net assets/equity of the Confederation	-32 649	-30 355	2 294	7.0	
Funds in net assets/equity	7 079	7 267	188	2.7	
Other net assets/equity	1 652	1 574	-78	-4.7	
Accumulated surplus (+) / deficit (-)	-41 380	-39 196	2 184	5.3	

Current assets increased by 0.4 billion to 16.6 billion. A number of contrasting developments lay behind this increase. On the one hand, fixed-term deposits rose by 1.4 billion, while on the other receivables (primarily tax receivables and current accounts vis-à-vis the cantons) declined by 0.6 billion. Prepaid expenses and accrued income likewise declined (-0.4 bn) as a result of the hedging of foreign currencies.

Non-current assets declined by 0.4 billion. A major factor behind this development was the net repayment of the unemployment insurance loan (-1.4 bn). This effect was partially offset by the increase in the interest-bearing loan to the SBB (+0.4 bn) and the higher carrying amount for motorways (+0.6 bn).

On the liabilities side, *short-term liabilities* rose by 0.2 billion. The key changes here were the increase in the level of short-term money market claims (+1.4 bn), and the decline in accrued expenses and deferred income for definite withholding tax refund claims (-1.5 bn). The decrease of 2.5 billion in *long-term liabilities* is explained by the lower level of Confederation bonds (-1.5 bn), as well as a 1.1 billion decline in provisions for probable withholding tax refund claims.

The negative *net assets/equity*, or accumulated deficit, declined by 2.3 billion primarily due to the positive annual result.

33 Cash flow statement

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%	Figures in notes
Total cash flow	**3 061**	**-128**	**-3 189**	**-104.2**	
Cash flows from operating activities	**6 545**	**3 491**	**-3 054**	**-46.7**	
Surplus or deficit	4 213	2 165	-2 048	-48.6	
Depreciation	2 291	2 371	80	3.5	14
Change in provisions	367	-1 011	-1 378	-375.5	20
Income from disposals	-11	–	11	-100.0	
Other non-cash transactions	-362	-32	330	-91.2	
Increase/decrease in receivables	-1 270	628	1 898	-149.4	10
Increase/decrease in inventories	13	-3	-16	-123.1	12
Increase/decrease in prepaid expenses and accrued income	-316	404	720	-227.8	13
Increase/decrease in current liabilities	1 318	116	-1 202	-91.2	17
Increase/decrease in accrued expenses and deferred income	302	-1 147	-1 449	-479.8	19
Cash flows from investing activities	**-1 323**	**-3 624**	**-2 301**	**173.9**	
Investments in tangible fixed assets	-2 749	-3 013	-264	9.6	14
Divestments of tangible fixed assets	202	48	-154	-76.2	14
Investments in intangible fixed assets	-70	-117	-47	67.1	14
Divestments of intangible fixed assets	–	2	2	n.d.	14
Increase in long-term loans	-2 666	-1 352	1 314	-49.3	15
Decrease in long-term loans	243	2 013	1 770	728.4	15
Increase in financial interests	-32	-10	22	-68.8	16
Decrease in financial interests	18	196	178	988.9	16
Increase in financial investments	-169	-4 069	-3 900	2 307.7	11
Decrease in financial investments	3 900	2 678	-1 222	-31.3	11
Cash flows from financing activities	**-2 161**	**5**	**2 166**	**-100.2**	
Increase in short-term financial liabilities	34 123	33 461	-662	-1.9	18
Decrease in short-term financial liabilities	-31 741	-31 988	-247	0.8	18
Increase in long-term financial liabilities	4 159	6 152	1 993	47.9	18
Decrease in long-term financial liabilities	-8 704	-7 637	1 067	-12.3	18
Change in special funds	29	8	-21.0	-72.4	
Dividends	-27	-28	-1.0	3.7	
Change in minority interests	–	37	37	n.d.	

"Cash fund" statement

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%	Figures in notes
Cash and cash equivalents balance at 01.01.	**3 190**	**6 251**	**3 061**	**96.0**	**9**
Increase/decrease	3 061	-128	-3 189	-104.2	9
Cash and cash equivalents balance at 31.12.	**6 251**	**6 123**	**-128**	**-2.0**	**9**

Additional information

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%	Figures in notes
Interest paid	-2 804	-2 566	238	-8.5	
Interest received	173	202	29	16.8	

n.d.: not displayed

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

At 3.5 billion, the *cash flows from operating activities* were significantly lower than the prior-year level of 6.5 billion. Major contributors to cash flows from operating activities were the operating result (2.2 bn) and depreciation adjustments to be taken into account under the indirect method (2.4 bn). Provisions (both short-term and long-term) declined by 1.0 billion, while accrued expenses and deferred income declined by 1.1 billion. On the other hand, the decline in both receivables (0.6 bn) and prepaid expenses and accrued income (0.4 bn) had a positive impact on cash flows from operating activities.

There was a cash outflow from *investing activities* of 3.6 billion, compared with 1.3 billion in 2010. This year-on-year rise in the cash outflow was primarily attributable to the 4.1 billion increase in financial investments. The lion's share of this amount was made up of new fixed-term deposits (4.0 bn). The net increase in financial investments (i.e. also taking into account decreases) amounted to 1.4 billion (previous year: 3.7 bn).

The *cash flows from financing activities* amounted to 5 billion (previous year: -2.2 bn). As funds generated through operating activities were used wholly for investment activities, no cash flows were used to scale down debt.

As a result, *cash and cash equivalents* decreased by 0.1 billion to 6.1 billion. This amount was used for investment activities.

34 Statement of net assets/equity

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 2010	**-37 038**	**20**	**-37 058**	**6 100**	**1 711**	**-44 869**
Entry transfers in net assets/equity	–	–	–	934	-56	-878
Change in special funds	29	–	29	43	–	-14
Valuation changes	195	–	195	–	-3	198
Total positions entered in net assets/equity	**224**	**–**	**224**	**977**	**-59**	**-694**
Surplus or deficit	4 213	2	4 211	–	–	4 211
Total profit and loss entered	**4 437**	**2**	**4 435**	**977**	**-59**	**3 517**
Dividends	-27	–	-27	–	–	-27
Change in reserves	–	–	–	–	–	–
Other transactions	1	–	1	2	–	-1
At 31 December 2010	**-32 627**	**22**	**-32 649**	**7 079**	**1 652**	**-41 380**
Entry transfers in net assets/equity	–	–	–	184	-78	-106
Change in special funds	8	–	8	4	–	4
Valuation changes	–	–	–	–	–	–
Total positions entered in net assets/equity	**8**	**–**	**8**	**188**	**-78**	**-102**
Surplus or deficit	2 165	–	2 165	–	–	2 165
Total profit and loss entered	**2 173**	**–**	**2 173**	**188**	**-78**	**2 063**
Dividends	-28	–	-28	–	–	-28
Change in reserves	–	–	–	–	–	–
Changes in the consolidation scope	183	38	145	–	–	145
Changes in minority interests	–	–	–	–	–	–
Other transactions	3	-1	4	–	–	4
At 31 December 2011	**-30 296**	**59**	**-30 355**	**7 267**	**1 574**	**-39 196**

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 clearly 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.

Funds in net assets/equity
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 both special and restricted funds. Special fund receipts and expenditure are recognized directly in the statement of financial position in the case of the parent entity. In contrast, receipts and expenditure for restricted funds (special financing items) are recognized in the statement of financial performance, while any surplus receipts or expenditure are credited to or debited from the fund. The same applies to special funds for the ETH Domain.

Restricted fund appropriations increased by 184 million to 5,837 million during the year under review. They are recorded under *entry transfers in net assets/equity*:

- On a consolidated basis, surplus expenditure of 329 million was reported in respect of special financing for road transportation (Art. 5 of the Federal Act of March 22, 1985 on the Application of the Earmarked Mineral Oil Tax; MinOA, SR *725.116.2*). This stands in contrast to the parent entity, where surplus expenditure amounted to 755 million. The surplus expenditure of the consolidated financial statements worked out 426 million lower as a result of the consolidation of the infrastructure fund, as deposits in the infrastructure fund (1,704 million) were higher than the fund's expenditure (1,278 million).
- A total of 533 million from restricted customs revenue was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector (Art. 19a of the Federal Act of April 29, 1998 on Agriculture, SR *910.1*). No expenditure was incurred. This revenue has only been ring-fenced for a limited period until 2016.
- The three other restricted funds – air transportation, investment risk guarantee, and federal war transportation insurance – recorded only minimal changes (-20 mn).

Special fund assets increased by 4 million to 1,430 million in the year under review. As of December 31, 2011, some of the special funds in net assets/equity (639 mn) were available as cash and other liquid assets. The remaining funds consist of repayable loans for the regional development fund (776 mn) and other assets of the funds (15 mn).

The most significant components and changes relate to the following special fund items:

- The nominal value of the recognized regional development fund loans used to finance investment assistance loans in accordance with the Federal Act on Regional Policy (SR *901.0*) amounted to 944 million as of the end of 2011 (2010: 1,008 mn). The year-on-year decline is explained by lower demand on the part of the cantons, which granted fewer loans to end beneficiaries. These repayable loans are for the most part interest-free, with terms of up to 25 years. They are therefore discounted at 3% in accordance with the relevant measurement requirements. The present value amounts to 784 million. In addition, individual value adjustments amounting to 8 million have been made for loans at risk. The carrying amount is therefore 776 million. This change in the value adjustment of loans is recorded against net assets/equity (special funds). In addition to repayable loans, the reported fund assets also include cash and cash equivalents of 333 million. The net increase in fund assets by 19 million to 1,109 million is attributable to the following mix of factors. On the one hand, non-repayable contributions amounting to 26 million and write-downs on uncollectible receivables (2 mn) resulted in a decline in fund assets. On the other, funds allocated from the ordinary budget (12 mn) and the reduction in value adjustments (36 mn) had the effect of increasing fund assets.

- During the year under review, the ETH Domain received 24 million in new funds as a result of gifts and bequests, with the largest single item being the donation from the ETH Zurich Foundation for the financing of professorships. After deducting 34 million in appropriated funds, the ETH Domain special fund decreased by 10 million, with total assets amounting to 129 million.

- The building housing the Centre Dürrenmatt museum in Neuchâtel (carrying amount of 6 mn) was retroactively allocated to the assets of the special fund of the same name by recognizing a transfer within net/assets equity. The building in question had been capitalized in previous years, but had not been reported as fund assets.

Other net assets/equity
There was a net decrease of 78 million in net assets/equity for 2011. This change can be attributed to a number of opposing factors:

- Reductions in the core capital (26 mn) and risk-bearing capital (89 mn) of Swiss Export Risk Insurance (SERV) were recognized directly in the accumulated deficit. These items now amount to 282 million and 1,031 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 budget increased by 62 million to 176 million (balance of deposits less withdrawals).

- As part of the disbursement of assets, 25 million was allocated to the Confederation (parent entity) from the operating fund of the Swiss Alcohol Board (SAB). This transaction is not recognized in the consolidated statement of financial performance, but is reported as a transfer within net assets/equity (shift of funds from the operating fund to the accumulated deficit). The balance of the SAB operating fund still amounts to 85 million.

Accumulated deficit
Pro Helvetia and the Swiss Association for Hotel Credit (SAH) were consolidated for the first time, and the impact of this change on assets is reported under *changes in the consolidation scope*. The figures break down as follows: The net assets/equity of the SAH amounted to 49 million as of January 1, 2011. Of this figure, 38 million (77.58%) was disbursed as minority interests. Following the consolidation of capital, the resulting increase in net assets/equity (accumulated surpluses) amounted to 5 million. Pro Helvetia brings negative net assets/equity of 2 million to the financial statements. This item also includes the reversal of value adjustments on the federal loan to the SAH (136 mn) and the Confederation's stake in the SAH (6 mn).

The *other transactions* position includes a restatement of provisions for both the SAB (6 mn) and Swissmedic (-3 mn). Of the restatement for Swissmedic, one million relates to minority interests.

The accumulated deficit decreased by 2,184 million. Surplus revenue of 2,165 million, the increase in the special fund in the ETH Domain (10 million), the first-time consolidation of the SAH and Pro Helvetia (145 mn), and the above-mentioned effects in other transactions (4 mn) were the drivers of this decrease in the accumulated deficit. Conversely, the above-mentioned reclassifications in net assets/equity (106 mn), the allocation of the Centre Dürrenmatt museum building to special funds (6 mn), and the cantonal share of 28 million in the SAB's distribution of profits had the effect of inflating the accumulated deficit.

Minority interests
The 34.5% minority stake in Swissmedic declined by one million to 21 million as a result of the restatement. Due to the first-time consolidation of the SAH (minority stake of 77.58%), minority interests rose by 38 million.

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*)
- Organization Ordinance of June 14, 1999 for the Federal Department of Economic Affairs (specifically Art. 15a – 15b OrgO-FDEA)

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, which are prepared in accordance with standardized rules. The sole exception is the Federal Institute of Intellectual Property, which presents its accounts for the year ended June 30. For the consolidated financial statements, it issues interim statements as of December 31.

Estimates

The consolidated financial statements contain assumptions and estimates which affect the reported assets, financial position and financial performance. These were based on the best information available at the time they were made. Because of uncertainties related to the assumptions and estimates, the assets or liabilities concerned may need to be adjusted in future periods. Estimates in relation to provisions have the most significant effect on the consolidated financial statements (see section 41/2).

Basis of consolidation

The consolidated financial statements include all entities within the group (excluding significant interests) on a *full consolidation basis*. Assets and liabilities as well as expenses and revenue are therefore recognized in full. 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 fixed assets are eliminated from the statement of financial performance by the process of consolidation.

Significant interests are accounted for in the consolidated annual financial statements using the *equity method*.

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

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 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 para. 1 of the Financial Budget Ordinance (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 so doing. Such differences are disclosed in Appendix 3 to the FBO.

All differences relative to IPSAS are reported and explained below.

Differences relative to IPSAS

There have been no changes relative to the 2010 financial statements.

Difference: advance payments on 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: 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. 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: premiums and discounts on Confederation bonds are netted and recorded as expenses or reductions in expenses.

Reason: due to the difficulty of budgeting for these items, they are recognized net in the statement of financial performance.

Result: changes in premiums and discounts are not shown gross in the statement of financial performance. However, premiums and discounts are presented gross in the statement of financial position.

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

Reason: unlike military buildings, military 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 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
Certain transactions may not be fully recorded on an accrual basis because of the information available and the lack of a reliable baseline for such accrual treatment. Accordingly, there are no accruals in the statement of financial position with respect to the following:

- *VAT and beer tax revenue*: revenue realized in the months October through December is accounted for and collected in the following year. Although a 12-month period is recorded in the statement of financial performance, this period does not coincide with the calendar year.

- *Heavy vehicle charge*: revenue from the mileage-related heavy vehicle charge on domestic vehicles is accounted for and collected with a two-month delay. Although a 12-month period is recorded in the statement of financial performance, this period does not coincide with the calendar year.

- *Development cooperation*: the Confederation may be committed to investing in development projects over a number of years. All credit facilities required to implement long-term projects are requested in the period in which the liability is incurred. As a result, all funding contributions made in the first year are recognized as an expense. The annual tranches drawn down (actual decrease in value) are recorded in the statement of financial position.

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 Articles 23 to 27 of the Banking Ordinance of December 14, 1994 ("SFBC Guidelines"), as amended March 25, 2004.

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 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 drawn from IAS 32, IAS 39 and IFRS 7. IPSAS 15 will be replaced upon entry into force on January 1, 2013. Moreover, application of the Banking Ordinance (Arts. 23 to 27) as a supplementary standard will cease from that date. The most important material differences relative to IAS/IFRS concern financial guarantees and concessionary loans. At the present time, it is not possible to assess the implications for the consolidated financial statements with sufficient certainty.

- IPSAS 32 new – *Service Concession Arrangements:* Grantor. IPSAS 32 was adapted from Interpretation 12 (IFRIC 12) and will enter into force on January 1, 2014. The standard governs the accounting requirements for service concession arrangements, a specific type of public-private partnership (PPP). At the present time, it is not possible to assess the implications for the consolidated financial statements with sufficient certainty.

Accounting and valuation principles

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

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange on the reporting date and any exchange differences recognized in 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 100 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, mileage-related heavy vehicle charges (foreign vehicles) and lump-sum heavy vehicle charges are recognized on an accrual basis in respect of taxable economic activities.

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

Revenue from motorway tax and the mileage-related heavy vehicle charge (domestic vehicles) is 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 are allocated to funds in liabilities and thus not recognized in the statement of financial performance.

Subsidy accruals and deferrals

Accruals and deferrals are made if a still unpaid subsidy is in a legal form prescribed in 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 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.

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).

Financial investments
Where there is the positive intent and ability to hold them to maturity, financial investments with 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. Changes in fair value due to fluctuations in market prices above cost are reported in the statement of financial position. Changes in fair value below cost are recognized directly in the statement of financial performance in accordance with the principle of prudence. 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.

Work in progress arising in relation to services
Work in progress arising in relation to services and research projects is recognized based on the percentage of completion.

For major work in respect of which a clearly defined realizable result is owed, the total project revenue agreed is allocated to specific calendar years by reference to the stage of completion determinable for the year. Expenses are recognized in the period in which they are actually incurred, with a percentage gain presented for each period and reflected in the statement of financial performance. Foreseeable losses are recognized in the period in which they are identified.

Project revenue arisen in respect of major work is recognized as a liability where a third-party sponsor has approved the use of external funds for a specific purpose without expecting any equivalent consideration. Expenses accrued in a given year are recognized in the statement of financial performance on an ongoing basis. At year-end, expenses are withdrawn from the project suspense account and are thus neutralized in terms of financial performance. Any gain is recognized in financial performance only on completion of the project. Foreseeable losses are recognized in the period in which they are identified.

Projects involving ongoing costs which are funded by third parties or co-funded by the federal government parent entity are generally recognized in the statement of financial performance. In the case of third-party investments, the funds are recorded as a liability and proportionately amortized to income throughout the useful life of the capital asset funded. Alternatively, provided the criteria set out in Article 63 of the FBO are satisfied and the required authorization is obtained, third-party funds and co-financing may be recorded exclusively in the statement of financial position.

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 applicable financial statements as of September 30. In this respect, the accounting policies applying to significant interests differ somewhat from the accounting 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 are not revalued. Any subgroups of consolidated entities used by entities in the federal consolidated financial statements 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 with nonmarketable buildings that are not owner-occupied are recognized as having a value of zero. Most properties that are not owner-occupied and are nonmarketable are 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.

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

The residual values of assets are reviewed annually. If there is any indication of impairment, impairment tests are carried out and unplanned write-downs posted if need be.

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

The impairment of intangible fixed assets is always tested if it appears that the carrying amounts may be too high owing to changed circumstances or other events.

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 items in the Confederation's possession. The works of art 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 cost 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 (e.g. remediation of contaminated sites). Where it is unlikely that an outflow of resources 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 comprise 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 the negative replacement values for derivatives 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. Restricted funds in net assets/equity are not offset in the statement of financial performance at year-end; a transfer is made within net assets/equity instead.

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 budget
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.

Revaluation reserve
Assets measured at fair value are revalued periodically. Any changes in value (increments or decrements) are reflected in the revaluation reserve.

If the value of an asset declines, an available reserve amount is reduced. Once the revaluation reserve is utilized, a corresponding entry is made in the statement of financial performance.

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. These obligations are measured in accordance with IPSAS 25. In contrast to the static method of accounting for employee benefits under Swiss pensions law, vested employee benefits are measured on a basis to reflect future changes in salary and pension levels, applying the "substance over form" approach in IPSAS 25.

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.

Provisions are made at the end of the year for accrued but unclaimed vacation entitlement, leave days and other daily balances, as well as unclaimed flextime, overtime and other time credits.

3 Consolidation scope

The added value provided by the federal 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 para. 1 of the Federal Budget Act (parent entity, separate accounts, entities of the decentralized Federal Administration with their own accounts). Pursuant to Article 55 para. 2 letter b of the FBA, the Federal Council may bring other entities into consolidation by enacting an implementing ordinance, provided such entities discharge public sector functions and are closely linked to the federal budget. Such entities would include, for example, social insurance funds with their own accounts (old-age and survivors' insurance (AHV), disability insurance (IV) and compensation for loss of earnings (EO), as well as the unemployment insurance (ALV) compensation fund, Swiss Federal Railways (SBB), or Swiss Post. Given the volumes of assets involved (e.g. rail infrastructure, property, cash and investments) and future financing risks (e.g. maintaining and developing infrastructure, ageing population), expanding the consolidation scope could provide valuable additional information. In a second step, i.e. within no more than four years of issuing the first set of consolidated financial statements, the Federal Council therefore intends to review the scope of the consolidated financial statements, and make appropriate recommendations to the Finance Committees of both chambers.

In accordance with Article 55 para. 1 of the FBA, the group of consolidated entities includes the following:

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 Federal Institutes of Technology Domain (ETH)
- Swiss Alcohol Board (SAB)

- Fund for major railway projects (FinPT fund)
- Infrastructure Fund for Urban Transportation and the Motorway Network (IF)

Administrative units of the decentralized Federal Administration with their own accounts

- Swiss Financial Market Supervisory Authority (FINMA)
- Swiss Federal Institute for Vocational Education and Training (SFIVET)
- Swiss Federal Institute of Intellectual Property (IIP)
- 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 para. 2 letter a of the FBA, the Federal Council has the power to exclude from consolidation any administrative units which maintain their own accounts. The only exceptions are units which do not meet the basic criteria for control. In the case of the Confederation, this applies to *Switzerland Tourism (ST)* and *PUBLICA*. The latter – as is the case with all Swiss pension funds – is managed on the basis of collective representation and cannot therefore be described as a government-controlled entity. Any financial risks associated with PUBLICA are disclosed in the notes.

Significant interests

Provided they are not classified as administrative unites 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 basis of consolidation prescribed by IPSAS. The following are consolidated according to the equity method:

- Swiss Post
- Swiss Federal Railways (SBB)
- Swisscom AG
- RUAG Holding AG
- BLS Netz AG
- Skyguide AG
- SAPOMP Wohnbau AG

SAPOMP Wohnbau AG was transferred from significant interests to other financial interests on December 31, 2011 (see section 42/16).

Adjustments to the consolidation scope for 2011

Pro Helvetia and the Swiss Association for Hotel Credit were included in the consolidation scope during the year under review, as they were reclassified as decentralized administrative units due to the revision of the Government and Administration Organization Ordinance (GAOO; SR *172.010.1*). In addition, the Confederation acquired a 100% interest in SIFEM AG and then provided the company with further capital (increase in share capital) as well as assets (loans, funds and financial interests). The interest in SIFEM AG is considered a significant interest in the federal financial statements and is thus valued using the equity method. In contrast, SIFEM AG is fully consolidated in the consolidated financial statements, as it is classified as a decentralized administrative unit.

Comparisons with prior-year figures are not compromised despite these changes. The main implications for the statement of financial performance, statement of financial position, cash flow statement and statement of net assets/equity are commented on in the notes in the relevant sections.

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" (cf. 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 regulatory duty. 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 information and communication technology, risks arising from the exercise of oversight activities as well as the ongoing tax dialog with the EU.

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 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Tax revenue	**58 047**	**60 384**	**2 337**	**4.0**
Direct federal tax	17 886	17 891	5	0.0
Withholding tax	4 323	5 960	1 637	37.9
Stamp duty	2 855	2 857	2	0.1
Value added taxes	20 673	21 642	969	4.7
Other consumption taxes	7 892	7 629	-263	-3.3
Misc. tax revenue	4 418	4 405	-13	-0.3

Direct federal tax

Direct federal tax receipts totaled 17.9 billion, exceeding the prior-year level by 5 million.

Taxes on the income of private households and corporations developed in opposite directions. *Taxes on the income of natural persons* were 0.3 billion lower than the previous year's record high, corresponding to a 3.2% decline. The economic upturn in 2010 (the applicable tax year in this case) did not lead to a corresponding increase in taxes. To some extent, this was a consequence of reforms regarding family taxation and compensation for the consequences of bracket creep. Both of these reforms came into effect on January 1, 2011 and already lowered receipts for fiscal 2011 by an estimated 100 million. Other reasons for the fall in receipts cannot be established until the relevant data becomes available; it may still be an after-effect of the 2009 downturn. The economic upswing that followed the crisis in 2009 is all the more evident in the *taxes on the net revenue of legal entities*. These rose by 0.3 billion, or 3.8%, year-on-year, making up for the decline in income taxes.

The Confederation's share of the flat-rate tax credit for foreign withholding tax has had the effect of reducing revenue. It came in lower than last year, at 170 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 and tax refunds, and has fluctuated significantly for years.

At almost 6 billion, revenue was once again very high, despite the substantial fall in dividends following the introduction of the capital contribution principle. However, as the general decline in tax receipts was accompanied by a sharper drop in refund requests in absolute terms, the net revenue for the Confederation was significantly higher than the long-term average. The fact that revenue has remained high suggests that the better-than-expected withholding tax revenue levels are due to structural reasons.

A reversal of 1.1 billion in provisions also contributed to this gratifying result. Given the fall in receipts and based on an estimate of outstanding refund requests, it was decided to reduce the corresponding provision (see section 42/20).

Stamp duty

Stamp duty revenue remained practically unchanged relative to the previous year. This result masks a number of opposing developments, however. While revenue from the *transfer stamp tax* (1,312 mn) fell for the fourth year in succession (-105 mn), revenue from *issue tax* (874 mn) increased again (+95 mn) and went a long way toward offsetting the losses in transfer stamp tax. The insurance premium stamp duty posted a 12 million increase to 671 million.

Revenue from transfer stamp tax is highly dependent on the performance of international stock markets. Due to the uncertainty surrounding the debt crisis in Europe and the gloomier outlook for the global economy, there was a decrease in the number of transactions subject to duties.

The share of issue tax in stamp duty has increased in recent years. This was mainly attributable to the sharp increase in the volume of bond issues from Swiss debtors in a context of historically low interest rates and high refinancing needs, particularly among banks.

Value added tax

At 21.6 billion, value added tax receipts were up 969 million, or 4.7%, on the previous year. Some 4.2 percentage points of this growth resulted from the proportional increase in VAT rates by 0.4 percentage points in favor of disability insurance (IV). Excluding IV supplementary financing, the growth in receipts was only 0.5%. However, the rise in VAT receipts was also influenced by the financial repercussions of the VAT reform and adjustments to the net and flat-rate tax rates. Both of these measures had already been introduced in 2010, but they continued to impact receipts in 2011. The associated decline in receipts appears to have cut around 0.7 percentage points off the growth in receipts.

A total of 4.8 billion of aggregate value added tax receipts has been earmarked for health insurance (889 mn), old age and survivors' insurance (AHV) (2,269 mn), the federal share in AHV percent (465 mn), the VAT supplement in favor of disability insurance (863 mn) and the fund for major railway projects (320 mn).

Receipts are presented on an accrual basis, which means that previously issued invoices are recognized as receipts, even though pending receivables may not be recovered in full. As a result, losses on receivables are also accounted for and recorded as expenses. These amounted to 193 million in 2010.

Other consumption taxes

The fall in revenue from other consumption taxes was based on a combination of several factors. Receipts from the *mineral oil tax* on fuel were down 113 million on the previous year. This was probably due primarily to the strength of the Swiss franc, which meant lower receipts from fuel tourism. At 19 million, the receipts from the mineral oil tax on combustibles were 1 million below the prior-year level. Apart from the declining significance of heating oil as a combustible, the mild winter of 2010/2011 also contributed to this result.

Tobacco duty (2,208 mn) had posted above-average receipts in the fourth quarter of 2010 as a result of the impending tax increase on cigarettes (CHF 0.20 per pack) announced for January 1, 2011 and the associated rise in sales figures. Correspondingly, this was followed by a downturn in receipts at the start of fiscal 2011 (-148 mn). The lower revenue was probably also attributable to the strong Swiss franc, resulting in lower sales figures from border and tourist traffic.

Revenue from alcohol tax (288 mn) and beer tax (113 mn) was in line with prior-year levels.

Miscellaneous tax revenue

The total figure for miscellaneous tax revenue was virtually unchanged on the previous year (down 0.3%). While all transportation taxes were higher than the previous year, receipts declined for CO_2 tax, in particular, but also for import duties.

In terms of transportation taxes (2.3 bn), the increase in *automobile duty* (+35 mn) was particularly pronounced. After a sharp decline in 2009, automobile imports picked up significantly the following year; this trend further intensified in 2011 on the back of the strong Swiss franc and the price concessions offered by importers. Some 360,000 vehicles were imported in the course of the year, almost 10% more than the previous year and a good 30% more than in 2009. Automobile duty revenue thus climbed to its highest level since 1997, the year in which it was introduced. Half of the additional receipts from the *mileage-related heavy vehicle charge* (+65 mn) stemmed from the reduction in collection costs from 7% to 5%. Further additional receipts resulted from the slightly higher transport volume and also the fact that in 2011, unlike in the previous year, all months were charged using the new rate confirmed by the Federal Supreme Court. Revenue from *motorway tax* (+12 mn) differed greatly for domestic and foreign vehicles. Despite the strong sales of new vehicles, domestic sales of motorway tax stickers, which account for about three-fifths of total revenue, posted only a slight increase in receipts (+0.8%). Meanwhile, revenue on foreign vehicles increased significantly (6.9%).

Revenue from *import duties* (1,046 mn) remained practically unchanged relative to 2010 in the first five months of the year. The economic slowdown taking hold in the second quarter was then also reflected in customs revenue. Receipts during the year were 33 million, or 3.1%, down on the previous year, with duties in industry and agriculture moving in opposite directions. Customs revenue in the industrial sector increased by 18 million (+3.7%), making up for only a small part of the 51 million decline in the agricultural sector (-8.7%). As in the previous two years, the customs revenue from the agricultural sector was credited to a special financing facility to fund the implementation of accompanying measures in the agri-food sector relating to free trade agreements with the EU or WTO (2011: 533 mn).

Casino tax (376 mn) is levied on gross gaming revenue generated by casinos (tax rate 40-80%). Revenue is recorded as restricted receipts appropriated to the AHV compensation fund. Gross gaming revenue and, by extension, tax revenue were practically unchanged relative to the previous year (-5 mn). Revenue continued to suffer quite substantially from the ban on smoking in public places and intensified competition with foreign casinos. The economic slowdown also had a dampening effect.

Revenue from environmental incentive fees (660 mn) was dominated by the *CO_2 tax on fuel* (498 mn). Although there was no change in the tax rate in 2011, receipts were 91 million down on the previous year (-15.4%). This was partly attributable to the fact that 2011 was warmer than average, resulting in lower gross receipts for heating oil as well as natural gas. Also, however, refunds for exempt companies and purposes increased by over 63% to 116 million. Obviously, the increase in the tax rate introduced in 2010 was not fully reflected in refunds until the following calendar year. Since 2010, one-third of revenue from the CO_2 tax has been appropriated for a building renovation program of up to 10 years for carbon-reducing measures in the construction sector. The remaining revenue is redistributed to families and companies.

Revenue from other environmental incentive fees (162 mn) differed only slightly from the previous year.

2 Service revenue

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Service revenue	**2 120**	**2 133**	**13**	**0.6**
Military service exemption tax	155	158	3	1.9
Fees	327	339	12	3.7
Revenue from exchange trans. - royalties/services	152	165	13	8.6
Sales	192	161	-31	-16.1
Reimbursements	131	145	14	10.7
EU taxation of savings income	120	97	-23	-19.2
Insurance revenue (SERV)	67	63	-4	-6.0
Second-party resources & third-party funds (ETH Domain)	406	484	78	19.2
Other service revenue	570	521	-49	-8.6

Service revenue increased slightly compared with the previous year. A number of different trends are evident within the individual positions.

The 2011 revenue from *sales* was down by 31 million on the 2010 equivalent, primarily due to lower defense revenue. This resulted from Swiss Post terminating its fuel purchases on December 31, 2010, although the impact was mitigated by receipts from disposals (87 Leopard 2 battle tanks and Army Tech Shop).

Revenue from *reimbursements* was slightly higher than in 2010. The Federal Tax Administration posted additional receipts of some 20 million as a result of UBS assuming the costs for settlement in the US civil action.

Revenue from the EU *taxation of savings income,* which entered into force in 2005 as part of the second series of bilateral negotiations, declined. A retention tax is applied in Switzerland 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 remaining 25% is retained by Switzerland to cover collection costs. The cantons have a 10% share in the Swiss portion. In the year under review, the retention tax was calculated on the basis of 2010 interest income. There was a significant decline in receipts relative to the previous year, resulting from persistently low interest rates.

Revenue from *second-party resources and third-party funds (ETH Domain)* are the result of capital inflows that are generally earmarked for use in financing projects in the area of applied research. The net result was an increase of 78 million. Second-party resources and third-party funds are largely acquired through competitive fundraising and therefore fluctuate significantly.

Other service revenue declined by 49 million relative to the previous year. This concerned primarily the reimbursement of collection costs associated with the mileage-related heavy vehicle charge (-34 mn), as the Federal Customs Administration's compensation rate was reduced from 7% to 5%.

3 Other revenue

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Other revenue	**1 992**	**1 802**	**-190**	**-9.5**
Building revenue	76	75	-1	-1.3
Profit from disposals	28	25	-3	-10.7
Capitalization of own production	69	103	34	49.3
Other misc. revenue	117	287	170	145.3
SNB profit distribution	833	833	–	–
Other revenue from royalties and concessions	307	301	-6	-2.0
Net revenue from restricted funds in liabilities	562	178	-384	-68.3

Other revenue declined by 190 million to 1,802 million in the year under review.

The increase in *other miscellaneous revenue* resulted from the highly fluctuating revenue after the Confederation took responsibility for motorways. Under the new fiscal equalization system, completion of the planned motorway network is a task shared by the Confederation and the cantons. Upon entry into service, ownership of the individual stretches is transferred to the Confederation, with the cantonal sections capitalized in the Confederation's statement of financial position (144 mn). *Other miscellaneous revenue* also includes receipts from fines (e.g. VAT), revenue from IT services charged to other parties and Swissmedic selling fees.

The *profit distribution from SNB* represents the Confederation's share (one third) of the 2.5 billion dividend agreed upon in 2008 with the Swiss National Bank.

Other revenue from royalties and concessions encompasses above all receipts from quota auctions (213 mn) and the increase in coins in circulation (54 mn). The latter was 20 million lower than the previous year, while receipts from quota auctions were 14 million higher than in 2010, with more import quotas (particularly for meat) sold at higher prices.

The *net revenue from restricted funds in liabilities* amounted to 178 million, corresponding to a decrease of 384 million on the previous year. Under phase 3 of the economic stabilization measures, parliament resolved to redistribute the CO2 tax generated in 2008-2010 during 2010, which resulted in revenue from restricted funds of 472 million in this area alone last year.

4 Personnel expenses

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Personnel expenses	**6 858**	**7 065**	**207**	**3.0**
Staff compensation	5 681	5 775	94	1.7
Employer contributions (social insurance)	1 104	1 145	41	3.7
Benefits paid by employer	89	59	-30	-33.7
Temporary personnel	20	25	5	25.0
Change in provisions	-96	-20	76	-79.2
Other personnel expenses	60	81	21	35.0

Overall, personnel expenses rose by 207 million (+3.0%) relative to 2010.

The *number of staff* expressed in full-time equivalents (FTEs) rose by 316 to 49,907, representing an increase of 0.6%.

- The parent entity saw a reduction in headcount (-258 positions; -0.8%), due mainly to personnel cuts in the DDPS and a partial hiring freeze at the FDF. The majority of the other departments increased staff numbers.

- In the ETH Domain (+478 positions; +3.2%), there was an increase in both the number of professorships (+32 FTEs) and the number of researchers (+347 FTEs). These additional professorships are designed to improve the teacher-student ratio at the two Federal Institutes of Technology. In the period 2008–2010, the number of students per professorship averaged 35:1 (2002-2007: 33:1). 68% of the sum required for the 15,208 FTEs was funded from the financing contribution of the parent entity; the remaining 32% was financed through second-party resources and third-party funds (2010: 31%).

- Headcount rose slightly overall in the other areas (+15 FTEs; +0.1%). In addition, the two newly consolidated entities (Pro Helvetia and the Swiss Association for Hotel Credit) added a further 81 FTEs.

2011 wage measures:

- In the Confederation parent entity, a cost-of-living adjustment of 0.7% was made and a real wage increase of 3% granted as of January 1, 2011.

- In the ETH Domain, as of January 1, 2011, staff were compensated for the annual rate of inflation of 0.7% and awarded a real wage increase of 1.2% under the new wage system (NLS).

- The other consolidated entities implemented varying wage measures as of January 1, 2011.

Changes in provisions: fewer provisions were reversed than in the previous year. In 2010, a high level of provisions had been reversed for social plan costs in accordance with Article 105 of the Federal Personnel Ordinance in conjunction with the suspension of workforce reduction at the Federal Department of Defence, Civil Protection and Sport (-76 mn; Armed Forces Logistics Organisation). The reversal in 2011 was due to the reduction in the provision for holidays and overtime, and for social plan costs.

5 Other operating expenses

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Other operating expenses	**5 755**	**6 015**	**260**	**4.5**
Expenses for goods and materials	395	336	-59	-14.9
Operating expenses	3 973	4 121	148	3.7
Motorway operation and maintenance	364	368	4	1.1
Defense expenses	1 001	1 163	162	16.2
Net expense for restricted funds in liabilities	22	27	5	22.7

Other operating expenses rose by 260 million, or 4.5%, compared with 2010. The individual positions developed as follows:

Expenses for goods and materials declined by 59 million to 336 million. On the one hand, the cost of coins in circulation grew less strongly than the previous year (lower contribution to the corresponding provisions, -20 mn). On the other, expenses for army goods and materials were some 43 million lower than the previous year, above all due to the fact that Swiss Post ceased procuring its fuel from the army in 2011 (lower inventory withdrawal).

Operating expenses increased by 148 million to 4,121 million, largely due to two factors:

- In the previous year, SERV reversed a value adjustment from debt rescheduling credit balances amounting to 83 million. As a result, insurance expenses declined by this amount in 2010.

- SERV also saw claims expenses rise by 82 million to a total of 123 million. This was largely attributable to the risks of restricted payment transactions with Iran and the deterioration of the economic conditions for solar projects in Spain and Greece, which led to a sharp rise in provisioning requirements.

Motorway operation and maintenance was virtually unchanged relative to 2010, and amounted to 368 million.

Defense expenses amounted to 1,163 million in 2011. This represents a rise of 162 million, or 16.2%, compared with 2010. The rise in expenditure is wholly attributable to increased expenses for defense equipment procurement (+186 mn, +32.4%). In view of the impending further development of the army, plans that had already been approved in 2010 were once again subjected to critical scrutiny. In addition, technological developments also led to procurement adjustments. These delayed plans have now been partly implemented, in addition to the projects planned for 2011 itself. By contrast, there was a decline in expenditure not only for development, testing and procurement preparation (-15 mn) but also for equipment and renewal requirements (-9 mn). There are a number of staff shortages in the area of defense, as the Head of the Federal Department of Defence, Civil Protection and Sport has ordered a recruitment freeze with respect to civilian postings in view of the impending changes facing the army. Accordingly, not all military basics could be processed according to plan.

The *net expense for restricted funds in liabilities* is due to the fact that more restricted funds were deposited than utilized. This is the case for the special financing contaminated site fund (25 mn) and the fund for media research, radio technology and program archiving (2 mn).

6 Transfer expenses

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Transfer expenses	**41 764**	**45 276**	**3 512**	**8.4**
Third parties' share in federal income	8 132	8 549	417	5.1
Compensation to public bodies	807	856	49	6.1
Contributions to own institutions	1 286	2 393	1 107	86.1
Contributions to third parties	14 001	14 651	650	4.6
Contributions to social insurance	14 494	15 754	1 260	8.7
Value adjustments in transfer expenses	3 044	3 073	29	1.0

The 3.5 billion, or 8.4%, increase in transfer expenses year-on-year was largely attributable to three factors:

- *Third parties' share in federal income:* the significant rise was attributable to the first-time levying of the VAT supplement for disability insurance (IV), which generated 855 million in restricted funds for the IV compensation fund.

- *Contributions to own institutions: in its 2011 spring session, parliament approved the federal contribution to the restructuring of the SBB pension fund.* After the applicable conditions had been fulfilled, the Confederation made a restructuring contribution amounting to 1,148 million (one-time recapitalization payment to the SBB).

- *Contributions to social insurance:* the sharp increase was driven primarily by the additional contribution of 500 million to unemployment insurance (ALV) in order to alleviate the effects of the strong Swiss franc.

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 families and companies. Expenses increased by 417 million, or 5.1%, year-on-year. Expenditure results directly from receipts and is therefore uncontrollable.

Cantons' share; +31 million to 4,466 million:
Growth was low at 0.7%, slowed significantly by stagnation in the cantons' share of direct federal tax – the largest single item for this account group (3,070 mn). A larger year-on-year increase was recorded for mileage-related heavy vehicle charges (+21 mn to 505 mn) and the cantons' share in withholding tax (+16 mn to 481 mn). 98% of the 10% shares in restricted mineral oil tax receipts (505 mn) and motorway tax was distributed in the form of general highway contributions to all cantons (370 mn) and the remaining 2% to cantons with no motorways (8 mn).

Share in social insurance; +825 million to 3,519 million:
The share in social insurance grew by 30.6%. This significant rise was attributable to the first-time levying of the VAT supplement for disability insurance (IV), which generated 855 million in restricted funds for the IV compensation fund. Casino tax receipts are transferred to the old age and survivors' insurance (AHV) compensation fund with a two-year time lag. As a result, the expenditure for 2011 (415 mn) corresponds to the receipts for 2009. The percentage of value added tax for AHV increased by 0.4% to 2,248 million compared with 2010.

Redistribution of incentive fees; -439 million to 564 million:
The redistribution of incentive fees declined by 439 million compared with the previous year. As part of phase 3 of the economic stabilization measures, parliament resolved to redistribute the receipts from the CO_2 tax on fuel for the period 2008-2010 to families and companies (2008-2009: 427 mn). This stabilization contribution concerned 2011. Incentive fees in respect of volatile organic compounds (VOCs) will continue to be redistributed to households with a two-year time lag (2011: 130 mn). Expenditure relating to the redistribution of VOC incentive fees thus corresponds to the VOC tax receipts in the 2009 fiscal year, including accrued interest.

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 856 million (+49 mn) was paid out in 2011.

Contributions to own institutions

- The 672 million disbursed from the fund for railway projects to the SBB and AlpTransit Gotthard AG for various rail projects was 114 million lower than the equivalent prior-year figure.

- External studies commissioned by the SBB and the Federal Office of Transport have shown that the previously agreed funding level would not suffice to guarantee the secure and efficient operation and maintenance of existing SBB and private railway infrastructure in the future. Accordingly, the operating compensation paid to SBB Infrastructure was increased by 40 million to 510 million.

- As in 2010, 30 million was transferred to Swiss Post by way of a press subsidy, which was provided via a price reduction on newspaper distribution.

- As a result of an amended accounting practice, the compensation for non-transalpine rail services is now reported under contributions to own institutions. The sum of 33 million was allocated to SBB Cargo.

- In its 2011 spring session, parliament approved the federal contribution to the restructuring of the SBB pension fund. After the applicable conditions had been fulfilled, the Confederation made a restructuring contribution amounting to 1,148 million (one-time recapitalization payment to the SBB).

Contributions to third parties

Contributions to third parties were made in all task areas. Expenses for this account group were up 650 million, or 4.6 %, on the prior-year level. Additional expenses were recorded for all of the three contribution categories:

- Fiscal equalization (+148 mn to 3.0 bn)
- International organizations (+165 mn to 1.8 bn)
- Other contributions to third parties (+337 mn to 9.8 bn)

The main beneficiaries in respect of *other contributions to third parties* are:

- General direct payments for agriculture (unchanged at 2,182 mn)
- Swiss National Science Foundation (+90 mn to 828 mn)
- Regional passenger transportation (+5 mn to 804 mn)
- Lump-sum contributions and transitional arrangements; vocational education (+75 mn to 645 mn)
- Environmental direct payments for agriculture (+26 mn to 613 mn)
- Promotion of higher education, basic contributions (unchanged at 559 mn)
- Development cooperation initiatives (+70 mn to 545 mn)
- Operating contributions for universities of applied sciences (+15 mn to 423 mn)
- Dairy industry subsidies (+3 mn to 292 mn)

Contributions to social insurance

Contributions to social insurance include the following sub-items:

Federal social insurance; +1,073 million to 12.1 billion:
Old age and survivors' insurance (AHV; 7,437 mn) accounted for just under half of all contributions paid to social insurance. 19.55% of total AHV expenditure is incurred by the Confederation. This sum increased by 275 million, or 3.8%. Of this amount, 1.75 percentage points related to the increase in pensions, which are adjusted every two years in keeping with the development of the mixed index that applies for pensions (combining wage growth and price increases). The remainder of the rise was attributable to the increase in the number of pensions paid out.

In the case of disability insurance (IV), the Confederation contributes 37.7% of total expenditure. This federal contribution increased by 108 million, or 3.1%, to 3,586 million. Although pension payments declined slightly (despite pension adjustments) due to a fall in the number of new pensions, expenditure rose as a result of higher interest payments, a sharp increase in implementation and administration costs according to provisional results, and lump-sum payments to cantonal institutions based on liabilities relating to the era prior to the new system of fiscal equalization (i.e. before 2008). Furthermore, the Confederation's special contribution to IV interest impacted for the first time. For the duration of the IV supplementary financing period (2011 to 2017), the Confederation will assume responsibility for the IV debt interest, whereby the IV debt toward the AHV fund incurs interest at a fixed rate of 2%.

The above-average increase in the Confederation's contributions to unemployment insurance (ALV: +504 mn to 917 mn) also contributed to the higher levels of social insurance expenditure. The sharp rise was attributable to the Confederation's extraordinary ALV contribution of 500 million in order to alleviate the effects of the strong Swiss franc.

Other social insurance; +188 million to 3.6 billion:
The Confederation's contribution to individual premium reductions rose by 140 million, or 7.1%, to 2,117 million in 2011, driven by exceptionally strong growth in average compulsory health insurance premiums and the increase in the number of insured persons. Both factors largely determine assumptions regarding changes in gross healthcare costs, which in turn are used to set the level of the federal contribution to individual premium reductions. In accordance with Article 66 para. 2 of the Health Insurance Act, the Confederation's contribution is 7.5% of gross compulsory health insurance costs.

Federal expenditure on supplementary AHV and IV benefits (613 mn and 657 mn respectively) increased by a total of 34 million. 5/8 of expenditure on supplementary benefits, which ensure a basic standard of living, is covered by the Confederation, while the remaining 3/8 and all health insurance and disability costs are met by the cantons. In the case of AHV expenditure, there was a rise of 2.4% as a result of demographic developments, in addition to the index-related increase. In the case of IV, the rise amounted to 3.1%. Among other things, the growth here was attributable to the rise in asset allowances in conjunction with the new arrangements for the financing of care.

At 199 million, payments in respect of military insurance were just below the prior-year level (-1 mn).

Value adjustments to transfer expenses

Value adjustments to transfer expenses increased by 29 million, or 1.0%, year-on-year.

- 658 million in value adjustments were made in relation to the FinPT fund (-74 mn compared with the previous year). Less expenditure was incurred primarily on the Gotthard corridor (-67 mn).
- Value adjustments to the infrastructure fund increased by 132 million, and amounted to 166 million in 2011 for urban transportation (rail transportation loan).
- Value adjustment relating to the service level agreement with the SBB in respect of infrastructure investments carried out: this amount increased by 20 million to 1,050 million.
- Other value adjustments (e.g. flood protection, protection against natural hazards, nature and countryside, energy and waste heat utilization) decreased by 48 million overall, giving a combined total of 1,199 million.

7 Financial revenue

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Financial revenue	**415**	**957**	**542**	**130.6**
Interest	171	197	26	15.2
Financial interest revenue	–	1	1	n.d.
Market value adjustments	3	10	7	233.3
Other financial revenue	241	749	508	210.8

n.d.: not displayed

Financial revenue recorded a sharp year-on-year rise of 542 million (+ 130.6%), coming in at 957 million.

The positive change in *interest* (+26 mn) was attributable to own holdings of short-term money market claims, among other things. In the reporting year, only revenue on securities that were issued above par was collected. Against a backdrop of growing uncertainty as a result of the European debt crisis and the measures of the Swiss National Bank to combat the strong franc, short-term money market claims have been yielding negative returns since August (interest revenue instead of interest expense; +8 mn). As a result of the expansion of the consolidation scope (SIFEM and the Swiss Association for Hotel Credit), an additional 11 million was generated compared with the previous year.

The significant rise in *other financial revenue* (+508 mn) was primarily attributable to the following factors:

- Gains on foreign currencies (+87 mn): these result from monthly carrying amount changes due to foreign currency purchases at the procurement rate, incoming and outgoing payments at the budget rate or at an agreed fixed rate in the case of special transactions, as well as month-end valuation at the rate of the day. The income in question is recorded gross. The strong increase was attributable to the minimum EUR/CHF exchange rate of 1.20 set by the Swiss National Bank at the beginning of September.
- Valuation adjustments to interest rate swaps/SIFEM (+185 mn): on the one hand, this position contains the monthly valuation adjustments to interest rate swaps that are held as strategic positions and valued at market rates. On the other, the significant increase was attributable to the additional revenue generated from the adjustment work involved in outsourcing the accounts of SIFEM AG.
- Sale of Swisscom shares (+24 mn): the Confederation sold Swisscom shares worth 34 million from its portfolio for an unrealized gain of 24 million. This is in keeping with the Confederation's intention of reducing its stake in Swisscom in the medium term to 50% plus one share.
- Divestment of SAPOMP Wohnbau AG (+205 mn): in 2011, the Confederation also sold the entire real estate portfolio of SAPOMP Wohnbau AG, generating an unrealized gain as a result.

8 Financial expense

CHF mn	Financial statements 2010	Financial statements 2011	Deviation vs. FS 2010 Absolute	%
Financial expense	**3 438**	**3 200**	**-238**	**-6.9**
Interest expense	2 863	2 635	-228	-8.0
Capital procurement expenses	122	116	-6	-4.9
Value adjustment on financial investments	261	221	-40	-15.3
Other financial expense	192	228	36	18.8

Interest expense relates predominantly to outstanding bonds, which were reduced by another 1.5 billion in 2011. This resulted in a further year-on-year decline in interest expense for bonds to 2,481 million (-195 mn). The reduction in expense as a result of the amortization of net premiums on all bonds issued in previous years was slightly above the previous year's value (3 mn).

Value adjustments on financial investments include value-reducing corrections for loans (403 mn) and financial interests (-182 mn).

Other financial expense shows losses on foreign currency accounts (112 mn) due to exchange rate and market fluctuations. These result from foreign currency purchases at the procurement rate, incoming and outgoing payments at the budget rate or at an agreed fixed rate in the case of special transactions, as well as month-end valuation at the market rate. The income in question is recorded gross. The increase in losses due to exchange rate and market fluctuations was attributable to greater volatility regarding the EUR and USD exchange rates. Also displayed under other financial expense are the monthly valuation adjustments for interest rate swaps (116 mn), which are held as strategic positions and are valued at market prices. Interest rate swaps are valued according to the principle of prudence, i.e. the monthly 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. Values that exceed the acquisition value are recognized in the statement of financial position. The valuation adjustment of the swap position decreased slightly (-10 mn), not least as a result of expiring interest rate swaps.

9 Cash and cash equivalents

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Cash and cash equivalents	**6 251**	**6 123**	**-128**	**-2.0**
Cash	6	6	–	–
Swiss Post	317	337	20	6.3
Bank	1 047	5 249	4 202	401.3
Short-term deposits	4 881	531	-4 350	-89.1

The *bank* position comprises Swiss franc and foreign currency accounts. The sharp increase can be explained primarily by the fact that more funds could be placed in the market at year-end, so they remained on the giro account with the Swiss National Bank. *Cash equivalents* declined primarily because no further interest-bearing investments could be made with the Swiss National Bank.

10 Receivables

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Receivables	**7 342**	**6 704**	**-638**	**-8.7**
Tax and customs receivables	4 991	4 637	-354	-7.1
Current accounts	1 279	1 019	-260	-20.3
Trade receivables	248	298	50	20.2
Other receivables	824	750	-74	-9.0

Tax and customs receivables are comprised of the following:

- Value added tax receivables from taxable persons and entities amounting to 2,834 million (+18 mn). Of this sum, 1,826 million (+66 mn) related to value added tax receivables from imports.
- Receivables from customs duties amounting to 1,321 million. These include receivables from mileage-related heavy vehicle charges as well as from mineral oil tax and tobacco duty. The decrease of 172 million in receivables from customs duties was attributable primarily to the significantly lower tobacco duty receipts.
- Receivables from withholding tax and stamp duty amounting to 890 million. The decrease of 224 million relative to 2010 related predominantly to withholding tax.
- Receivables from alcohol duty amounting to 26 million (2010: 25 mn).
- Allowance for doubtful accounts on outstanding tax and customs receivables amounting to 434 million. The decrease of 23 million was primarily attributable to a change in the assessment of the recoverability of receivables due.

Under *current accounts,* 839 million (-191 mn) relates to receivables from the cantons, whereby 127 million is accounted for by receivables from military service exemption tax. The decline of 191 million is explained by the level of the cantons' outstanding tax deliveries, which worked out lower overall this year. In addition, current accounts also include receivables from Suva amounting to 142 million.

Trade receivables encompass numerous small-scale positions. The largest items relate to:

- Receivables from quota auctions of the Federal Office for Agriculture amounting to 58 million (+12 mn).
- Receivables surrendered to the central debt recovery office of the parent entity amounting to 58 million (-5 mn).
- Outstanding receivables amounting to 45 million in the ETH Domain (+4 mn). Of these, 31 million relates to domestic debtors and 14 million to foreign debtors.

Value adjustments on trade receivables amounted to 59 million.

Other receivables comprise predominantly balances from debt rescheduling agreements amounting to 681 million (-61 mn) as well as receivables from losses and restructurings of 33 million (+12 mn). In addition, this position contains prepaid rental charges of 25 million to Skyguide.

11 Financial investments

Short-term and long-term financial investments

CHF mn	2010 Carrying amount	2010 Market value	2010 Ø interest %	2011 Carrying amount	2011 Market value	2011 Ø interest %
Short-term financial investments	**514**			**2 103**		
Held to maturity	**514**			**2 103**		
Fixed-term deposits	400	400	0.1	1 810	1 810	0.1
Positive replacement values	8	n.d.	n.d.	153	n.d.	n.d.
Other short-term financial investments	106	n.d.	n.d.	140	n.d.	n.d.
Available for sale	**–**			**–**		
Held for trading	**–**			**–**		
Long-term financial investments	**75**			**296**		
Held to maturity	**75**			**296**		
Other long-term financial investments	75	n.d.	n.d.	296	n.d.	n.d.
Available for sale	**–**			**–**		

n.d.: not displayed

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 these financial positions corresponds to the nominal value, with the exception of derivative financial instruments, which are recognized at market values. The market value indicates the actual value of the financial investments as of the reference date. The average interest corresponds to the actual interest rate applicable in the year under review.

The rise in *short-term financial investments* is explained by the necessary placement of funds in fixed-term deposits in keeping with the agreement with the Swiss National Bank, as well as to a lesser extent by investments with banks and cantons.

On the one hand, *long-term financial investments* include the fund units from the SIFEM portfolio (86 mn), which in addition to these units also comprises loans and financial interests (see sections 15 and 16). On the other hand, a greater sum than anticipated was redistributed to companies and families from the CO_2 tax on fuel. The corresponding advance of 170 million will be charged to the redistribution of future years.

Derivative financial instruments

CHF mn	Nominal value 2010	Nominal value 2011	Market value 2010	Market value 2011	Positive replacement value 2010	Positive replacement value 2011	Negative replacement value 2010	Negative replacement value 2011
Derivative financial instruments	**6 638**	**6 372**	**-769**	**-415**	**8**	**153**	**-777**	**-568**
Interest rate instruments	**2 650**	**2 200**	**-240**	**-249**	**8**	**7**	**-248**	**-256**
Interest rate swaps	2 650	2 200	-240	-249	8	7	-248	-256
Options	–	–	–	–	–	–	–	–
Foreign exchange products	**3 988**	**4 172**	**-529**	**-166**	**–**	**146**	**-529**	**-312**
Forwards	3 988	4 172	-529	-166	–	146	-529	-312
Options	–	–	–	–	–	–	–	–

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 18). In the year under review, the nominal value of *interest rate swaps* declined exclusively as a result of maturities. The nominal value of the net payer swap position stands against a negative market value of 249 million. 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 and GBP have an underlying nominal value of 4.2 billion. The negative market value of 166 million is derived from the valuation of the corresponding positions as of the reporting date. As a result of the positive development in exchange rates from the beginning of September onward following the establishment of a minimum EUR/CHF rate of 1.20 by the Swiss National Bank, the negative market value of these forward contracts decreased substantially. Indeed, a number of forward contracts now have positive replacement values.

Hedges of future transactions (cash flow hedge)

2011 CHF mn	Nominal value Total	Maturities < 1 year	 1 – 5 years	 > 5 years
Hedges in EUR, USD, NOK and GBP	**4 172**	**1 839**	**2 279**	**54**
Special transactions	3 419	1 086	2 279	54
Budget	753	753	–	–

2010 CHF mn	Nominal value Total	Maturities < 1 year	 1 – 5 years	 > 5 years
Hedges in EUR, USD and NOK	**3 988**	**1 837**	**2 151**	**–**
Special transactions	3 001	850	2 151	–
Budget	987	987	–	–

Euro and US dollar hedging is always carried out for the corresponding budget year. Projects with a multi-year liability in a foreign currency are hedged for the entire duration as special transactions.

12 Inventories

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Inventories	**308**	**311**	**3**	**1.0**
Inventories purchased	293	293	–	–
Inventories self-produced	15	18	3	20.0

Inventories purchased primarily comprise the acquisition values of motor fuel (177 mn), medical supplies (39 mn), combustibles (30 mn), production material for coins (16 mn) and for the new biometric passport (7 mn), printed materials and publications (14 mn), and ethanol storage facilities (15 mn). Like the previous year, value adjustments amounting to 35 million were applied to inventories at risk as well as old and excessive inventories.

Under *inventories self-produced,* the production costs for partly finished and finished goods for identity documents (19 mn) and for national topography products (5 mn), as well as partly finished goods for coins (1 mn) are capitalized. Value adjustments for inventories self-produced remained unchanged at 7 million. The 3 million increase in the carrying amount can be explained by the building of inventories for biometric passports.

13 Prepaid expenses and accrued income

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Prepaid expenses and accrued income	**1 752**	**1 348**	**-404**	**-23.1**
Interest	47	42	-5	-10.6
Debt discount	359	294	-65	-18.1
Other prepaid expenses and accrued income	1 346	1 012	-334	-24.8

Prepaid expenses and accrued income for *interest* declined by 5 million year-on-year, primarily because interest rates fell further.

The *debt discount* decreased by 65 million year-on-year as a result of annual amortization. A debt discount on bonds is capitalized during the year in which the bond is issued and then amortized over the appropriate term.

Most of the *other prepaid expenses and accrued income* relate to prepaid fees for bond issuance (727 mn). In addition, other prepaid expenses and accrued income also include the following key items:

- Counter-position to the negative replacement values from foreign currency hedges amounting to 166 million (-363 mn).
- Accruals for accrued interest on interest rate swaps amounting to 58 million (-10 mn).
- Accruals for prepaid rental charges arising from lease-in agreements amounting to 22 million (+22 mn).
- Advance payments in the ETH Domain for rental and ancillary costs, library subscriptions, IT maintenance and insurance premiums amounting to 17 million (+9 mn).

14 Tangible and intangible fixed assets

2011 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 1.1.2011	**100 456**	**2 925**	**32 036**	**65 495**	**277**
Additions	3 053	484	512	2 057	77
Disposals	-12 903	-176	-231	-12 496	-4
Changes in the consolidation scope	1	1	–	–	–
Reclassifications	89	89	–	–	40
Balance at 31.12.2011	**90 696**	**3 323**	**32 317**	**55 056**	**390**
Accumulated depreciation					
Balance at 31.12.2011	**-49 670**	**-1 771**	**-18 099**	**-29 800**	**-118**
Ordinary depreciation	-2 307	-334	-558	-1 415	-53
Disposals	12 854	149	208	12 497	2
Impairments	-11	-10	–	-1	–
Changes in the consolidation scope	-1	-1	–	–	–
Reclassifications	-129	-129	–	–	–
Balance at 31.12.2011	**-39 264**	**-2 096**	**-18 449**	**-18 719**	**-169**
Carrying amount at 31.12.2011	**51 432**	**1 227**	**13 868**	**36 337**	**221**

2010 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 1.1.2010	**98 265**	**2 764**	**31 841**	**63 660**	**209**
Additions	2 749	407	479	1 863	70
Disposals	-558	-246	-284	-28	-2
Balance at 31.12.2010	**100 456**	**2 925**	**32 036**	**65 495**	**277**
Accumulated depreciation					
Balance at 1.1.2010	**-47 797**	**-1 695**	**-17 705**	**-28 397**	**-69**
Ordinary depreciation	-2 239	-272	-543	-1 424	-51
Disposals	367	197	149	21	2
Impairments	-1	-1	–	–	–
Balance at 1.1.2010	**-49 670**	**-1 771**	**-18 099**	**-29 800**	**-118**
Carrying amount at 31.12.2010	**50 786**	**1 154**	**13 937**	**35 695**	**159**

Movable property, plant and equipment

Movable property, plant and equipment (1.2 bn) includes the following: furniture, vehicles, fixtures and fittings, warehouse facilities, machines, appliances, tools, communications systems and IT hardware. Approximately two-thirds of the assets held consist of technical equipment and machinery used for teaching and research purposes in relation to the ETH Domain (844 mn). A significant proportion of additions went to the ETH Domain (333 mn). As of the reporting date, assets under construction to the value of 343 million also fell under this account group (28.0%).

Immovable property, plant and equipment

Immovable property, plant and equipment (13.9 billion) comprises buildings, land and rights entered in the Real Estate Register. A total of 4.8 billion is attributable to the armed forces and 9.1 billion to the civilian area. Additions included the following key projects:

- Zollikofen administrative building (24 mn)
- Thun military training area (13 mn)
- Drognens military training area (10 mn)
- Bure military training area (6 mn)
- Spiez Safety Laboratory (4 mn)

Additions also included individual project investments of less than 10 million (aggregated under the main groups):
- Buildings of the ETH Domain (106 mn)
- Buildings of the Federal Office for Buildings and Logistics (104 mn)
- Assets of the Armed Forces Logistics Organisation (44 mn)
- Assets of the Land Forces (36 mn)
- Assets of the Air Force (32 mn)
- Assets of the Armed Forces Command Support Organisation (19 mn)
- Assets of the Armed Forces Joint Staff (11 mn)
- Assets of armasuisse (8 mn)

The following buildings are subject to disposal restrictions:
- Real estate held by foundations where the use of the building is connected with the purpose of the foundation;
- Expropriations and gifts which are appropriated for specific purposes prescribed by law or under contract;
- Plant and equipment subject to operating licenses granted to individual operators (e.g. nuclear facilities, research facilities).

Immovable property, plant and equipment under construction as of the reporting date totaled 1.0 billion.

Motorways

Motorways (36.3 bn) recognized include motorways in operation (23.1 bn), assets under construction (9.0 bn), and land (4.2 bn). Additions under motorways related primarily to:

- Road network completion (0.7 bn), including the following key projects: A4 Knonaueramt; A4/A20 Zurich western bypass, including the Uetliberg tunnel; A5 Biel bypass; A5 Serrières bypass; A8 Lungern bypass; A9 Visp and Leuk-Steg/Gampel bypass; A16 Tavannes-Moutier; A16 national border Porrentruy-France; A28 Saas bypass; six-lane expansion Blegi-Rütihof LU-ZG.

- Development and maintenance work eligible for capitalization (1.2 bn): two-thirds of investment expenditure was invested in the following redevelopment and maintenance projects: A1 Ohringen-Thurgau border; A1 Bern city expressway; A2 Luzern ringroad; A2 Seedorf-Erstfeld; A4 Blegi-Rütihof; A12 Outre-Broye-Riaz; A3/A13 Sarganserland; A13 Roveredo bypass; A1 Lenzburg-Birrfeld; A2 Melide-Bissone; A9 Vennes-Montreux.

Motorways to the value of 9.0 billion were under construction as of the reporting date (24.9%). The following major motorway segments went into operation in 2011:
- Transjurane Roche-Court (390 mn)
- Transjurane French border-Porrentruy (233 mn)
- Prättigauerstrasse bypass Saas (191 mn)
- Zurich West, renovation of Pfingstweidstrasse (97 mn)
- Seedorf-Erstfeld (95 mn)
- Villars-St. Croix-Oulens (66 mn)

Disposals of motorway fixed assets: in the 2011 financial statements, for the first time, fully depreciated motorways built between 1959 and 1978 were eliminated for an amount of 12.5 billion. Through ongoing maintenance work, all sections are extensively renovated or replaced over the years, thereby corresponding to new assets. The asset values should therefore be eliminated after being fully depreciated. This also applies for tunnel excavations. From 2012 on, motorway assets that have been fully depreciated will be eliminated each year.

Intangible fixed assets

Intangible fixed assets (221 mn) 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. Intangible fixed assets include in particular software, licenses, patents, and rights.

Among the *assets under construction,* the largest additions concerned IT application development costs relating to Schengen/Dublin implementation (14 mn), motorway construction (8 mn), replacement of the Lawful Interception System for post and telecommunications monitoring (5 mn) and developments at the Federal Customs Administration concerning the "database for foreign trade statistical findings" (2 mn) and "data warehouse" (2 mn). The largest additions in *software* concerned applications for motorway construction (7 mn), software upgrades for the mileage-related heavy vehicle charge (2 mn) and the wanted persons database (2 mn). The main items under depreciation concerned special applications relating to motorways (8 mn), Schengen/Dublin implementation (7 mn), the Tax Administration's IT platform and system architecture (7 mn) and the biometric passport (3 mn).

The reclassifications include special applications worth 40 million that had been erroneously capitalized under tangible fixed assets (assets under construction) and, upon commissioning, were reclassified as intangible fixed assets (software). This was part of the complete upgrade of the Tax Administration's IT applications (30 mn) and the agricultural information system (10 mn).

15 Loans

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Balance at 1.1.	**9 548**	**11 571**	**2 023**	**21.2**
Additions	2 666	1 352	-1 314	-49.3
Disposals	-243	-2 013	-1 770	728.4
Other transactions	-400	-560	-160	40.0
Reclassifications	–	40	40	n.d.
Changes in the consolidation scope	–	82	82	n.d.
Balance at 31.12.	**11 571**	**10 472**	**-1 099**	**-9.5**
Loans held for the accomplishment of tasks	3 599	3 550	-49	-1.4
Loans held to maturity	7 972	6 922	-1 050	-13.2

n.d.: not displayed

All loans have long-term character 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.

Additions amounted to a total of 1,352 million, and were attributable primarily to the following: an increase of 400 million in loans for unemployment insurance, an increase in loans to the SBB and other licensed transportation companies amounting to 833 million for infrastructure financing, newly granted loans of 32 million to the Building Foundation for International Organisations (FIPOI), new loans to hotels in the tourism area (24 mn), and an increase in loans to the cantons in the form of investment credits and operating aid in the area of agriculture amounting to 14 million.

Disposals amounted to 2,013 million, and consisted primarily of the following: partial repayment of the loan for unemployment insurance (1,800 mn), partial repayment of basic price-reduction advances on leased property and loans to cooperative residential associations (77 mn), repayments of loans to licensed transportation companies (66 mn), hotels (20 mn), Geneva Airport (15 mn) and FIPOI (12 mn) as well as investment credits for forestry (5 mn) and loans to the cantons for pre-financing refugee centers (4 mn).

Other transactions comprise primarily value adjustments to acquisition costs. A significant proportion of the Confederation’s outstanding and newly granted loans is not, or only partially, repayable, and the value of these items is therefore 100% adjusted.

Main loan items

CHF mn	2010 Acquisition value	2010 Value adjustment	2010 Carrying amount	2011 Acquisition value	2011 Value adjustment	2011 Carrying amount
Loans	**22 257**	**-10 686**	**11 571**	**21 526**	**-11 054**	**10 472**
Unemployment insurance (AlV)	7 400	–	7 400	6 000	–	6 000
SBB AG	3 474	-3 174	300	4 138	-3 492	646
Loans to cantons in the form of investment credits and operating aid	2 507	-2 507	–	2 521	-2 521	–
Misc. licensed transportation companies	2 033	-1 574	459	2 137	-1 744	393
Non-profit residential construction	1 921	-282	1 639	1 827	-255	1 572
Swissair	1 169	-1 169	–	1 169	-1 169	–
Rhaetian Railway	1 013	-868	145	1 077	-930	147
Regional development	1 001	-197	804	944	-168	776
BLS Netz AG	381	-381	–	350	-350	–
Loans to FIPOI	378	-152	226	397	-153	244
EUROFIMA	330	–	330	330	–	330
BLS AG	286	-213	73	280	-213	67
Hotel renovation	136	-136	–	112	-27	85
Other loans	228	-33	195	244	-32	212

The portfolio of investments to finance SMEs within the scope of economic and trade-policy measures in development cooperation was transferred to SIFEM AG in the year under review (192 mn). Previously, all investments were carried as financial interests with SECO. As part of this transfer, the individual investments were allocated to the corresponding items in the statement of financial position (loans 40 mn, financial interests 70 mn, financial investments 82 mn). This shift within assets is disclosed under *reclassifications*.

With the Swiss Association for Hotel Credit (SAH) now included in the Confederation's consolidated financial statements, the loans of the SAH (82 mn) are also included (posted under *changes in the consolidation scope)*.

16 Financial interests

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Balance at 1.1.	**17 918**	**18 857**	**939**	**5.2**
Additions	32	10	-22	-68.8
Disposals	-18	-180	-162	900.0
Dividends received on significant interests	-590	-894	-304	51.5
Profit distribution received on significant interests	-200	-200	–	–
Increase in equity value	1 840	1 256	-584	-31.7
Decrease in equity value	-95	-440	-345	363.2
Other value change recognized in financial performance	-30	387	417	-1 390.0
Reclassifications	–	-122	-122	n.d.
Balance at 31.12.	**18 857**	**18 674**	**-183**	**-1.0**

n.d.: not displayed

The statement of financial position distinguishes between significant interests and other financial interests. The Confederation's *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. Any 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 semiannual financial statements are used in the absence of any later figures. *Other financial interests* are carried at acquisition values minus any necessary value adjustments.

Overall, financial interests declined in value by 183 million. This was largely due to the capital repayment and extraordinary dividend of SAPOMP Wohnbau AG, as well as Swisscom's losses in association with its stake in Fastweb and the new methodology introduced on January 1, 2011 for booking employee retirement benefits following changes to the accounting standards (IAS 19). Meanwhile, the results of the other significant interests led to an increase.

Significant interests

Six significant interests were disclosed in the federal consolidated financial statements as of December 31, 2011: Swiss Post, SBB, Swisscom, RUAG, BLS Netz AG and Skyguide. SIFEM AG is fully consolidated, unlike in the state financial statements. The criteria for classification as a significant interest in accordance with Article 58 of the FBO are an equity value of at least 100 million and an equity stake of at least 20%. The equity value is calculated initially on the basis of the acquisition costs at the time of acquisition; in subsequent years, this acquisition value 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.

SAPOMP Wohnbau AG sold its real estate portfolio to the pension fund of F. Hoffmann-La Roche AG in the year under review, enabling the Confederation to complete its planned withdrawal from the company to the greatest possible extent. Apart from a capital repayment of 170 million *(disposal),* the Confederation received a further 256 million in the form of a dividend. The unrealized gains of 205 million resulting from the real estate sale were posted under *other value change recognized in financial performance.* The residual carrying amount of SAPOMP Wohnbau AG of 1 million is posted under other financial interests until liquidation.

With regard to Swisscom, the Confederation's share of the impairment loss on Fastweb (683 mn) for the fourth quarter of 2011 has already been recognized due to the significance of the amount in question. As a result, the equity share of 401 million was relatively low compared with previous years. The changes to employee retirement benefits in accordance with IAS 19 were carried directly in equity (-840 mn). Swisscom shares with an equity value of 10 million were sold in the year under review, resulting in an unrealized gain of 24 million (posted in financial revenue). After deduction of the dividend received (618 mn), the carrying amount was 1,068 million lower than the previous year.

The remaining significant interests posted an increase in equity value (overall 1,256 mn), mainly attributable to the share in the companies' net profits. To be deducted from this is the profit distribution from Swiss Post (200 mn) and also the dividend of RUAG AG (20 mn).

Other financial interests

Other financial interests are 100% value adjusted to the greatest possible extent. The key changes are as follows:

- *Additions* through newly acquired financial interests for 8 million in the area of cooperation and development and the simultaneous full value adjustment of these interests (*other value change recognized in financial performance)*.
- As part of the outsourcing of investment activities in developing and transition countries, the Confederation transferred to SIFEM AG its investment portfolio in specialized venture capital funds for financing SMEs in developing and transition countries. The portfolio had been carried as other financial interests with an acquisition value of 356 million and fully value adjusted. It was revalued according to the prevailing accounting principles (lower of acquisition or market value) and transferred to SIFEM AG at the resulting carrying amount of 191 million. The corresponding revaluation was posted under *other value change recognized in financial performance*. As part of this transfer, the individual investments were allocated to the corresponding items in the statement of financial position (loans 40 mn, financial interests 70 mn, financial investments 82 mn). This shift within assets is disclosed under *reclassifications*.

Significant interests and other group companies at 31.12.2011

CHF mn	Financial interest in %	Share capital		Consolidation/ valuation method	Acquisition value	Equity value/ carrying amount
Significant interests and other group companies					**12 090**	**18 674**
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.
Fund for major railway projects	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 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**	**18 591**
Swiss Post	100.0		1 300	Equity	1 300	4 691
SBB	100.0		9 000	Equity	9 000	10 304
Swisscom	56.8		52	Equity	29	2 191
Ruag	100.0		340	Equity	340	749
BLS Netz AG	50.1		388	Equity	336	338
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	318
Swissmedic	65.5		15	Full consolidation	n.d.	n.d.
Hotel Bellevue Palace	99.7		6	AV less value adj.	6	–
Matterhorn Gotthard Infrastruktur AG	76.7		15	AV less value adj.	11	–
Other material financial interests					**928**	**83**
Council of Europe Development Bank	1.6	EUR	370	AV less value adj.	16	–
International Bank for Reconstruction and Development	1.7	USD	11 720	AV less value adj.	256	–
African Development Bank	1.4	USD	2 841	AV less value adj.	70	–
International Finance Corporation	1.7	USD	2 369	AV less value adj.	54	–
Asian Development Bank	0.2	USD	7 414	AV less value adj.	32	–
Inter-American Development Bank	0.5	USD	4 339	AV less value adj.	30	–
European Fund for Southeast Europe	6.5	EUR	758	AV less value adj.	12	–
Inter-American Investment Corporation	1.6	USD	705	AV less value adj.	12	–
European Bank for Reconstruction and Development	2.3	EUR	6 197	AV less value adj.	195	–
Sino-Swiss Partnership Fund	70.2	CNY	383	AV less value adj.	32	32
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.	158	51

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	2010	2011	Deviation vs. 2010 Absolute	%
Current liabilities	**13 536**	**13 648**	**112**	**0.8**
Current accounts	10 063	9 843	-220	-2.2
Trade payables	1 497	1 650	153	10.2
Foundations under management	80	73	-7	-8.8
Restricted funds from third-party payments	806	855	49	6.1
Other current liabilities	1 090	1 227	137	12.6

The 9.8 billion carrying amount for *current accounts* (-220 mn) consists primarily of the following positions:

- Credit balances of taxable persons and entities from withholding tax and stamp duty amounting to 2,259 million: the decrease of 555 million was largely due to the deterioration on financial markets and the repercussions of the capital contribution principle.
- Cantons' current accounts amounting to 2,195 million: the increase of 144 million was attributable to the higher resource equalization and cost compensation in the cantons' favor. The Confederation collects the contributions of the financially strong cantons to resource equalization and the cohesion fund, and forwards these sums together with its own contributions to the recipient cantons twice a year. The second tranche was due at year-end and was paid out at the beginning of 2012. The cantons' liabilities stand against credit balances amounting to 839 million.
- Credit balances of taxable persons and entities from value added tax amounting to 1,957 million: The increase of 288 million was attributable to the fact that the statements of receivables of taxable persons and entities were increasingly submitted prior to the year-end.
- Investment accounts of international organizations amounting to 1,104 million (-329 mn): of this figure, 680 million (-288 mn) relates to the CERN pension fund.
- AHV portion of the value added tax share amounting to 575 million (-22 mn).
- Cantons' share of withholding tax amounting to 502 million (+11 mn).
- Current account of the Swiss National Science Foundation amounting to 346 million (+18 mn).
- IV portion of the value added tax share amounting to 287 million (+287 mn).
- Current account of PUBLICA for loans to cooperative residential associations managed on a fiduciary basis amounting to 182 million (-7 mn).
- Cantons' share of mileage-related heavy vehicle charges amounting to 154 million (-17 mn).

Trade payables consist of outstanding supplier invoices which will not be settled until 2012. As part of the measures to stabilize the economy, the Confederation once again settled its supplier invoices directly after having checked them in 2011, without taking advantage of the agreed payment terms. The increase in payables of 153 million was attributable to contrasting developments. The outstanding invoices from the cantons for basic contributions to the promotion of higher education, which were recognized last year as trade payables, were settled in the 2011 business year. On the other hand, there was a rise in trade payables for the finalization of the motorway network and urban transportation (+94 mn), for the accompanying measures for research and development projects (+75 mn), and as a result of outstanding subsidy payments to the cantons in the area of asylum and refugees (+37 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.

Other liabilities essentially consist of deposit accounts amounting to 894 million (+40 mn) as well as cash deposits of 271 million (+70 mn). Deposit accounts include the nuclear damage fund (449 mn).

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

18 Financial liabilities

CHF mn	2010 Carrying amount	2010 Market value	2011 Carrying amount	2011 Market value
Short-term financial liabilities	**13 092**	**n.d.**	**14 356**	**n.d.**
Money market*	9 181	9 178	10 610	10 608
Savings bank for federal employees*	3 106	n.d.	3 155	n.d.
Negative replacement values	777	n.d.	568	n.d.
Other short-term financial liabilities	28	n.d.	23	n.d.
Long-term financial liabilities	**81 651**	**n.d.**	**80 166**	**n.d.**
Federal government companies	50	n.d.	50	n.d.
Bonds	81 538	92 946	80 049	96 369
Other long-term financial liabilities	63	n.d.	67	n.d.

n.d.: not displayed
* Average interest:
– Money market 2011: 0.48% (2010: 0.64%)
– Savings bank for federal employees 2011: 1.208% (2010: 1.375%)

The carrying amount of these financial positions 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.

The level of *money market claims* rose by 1.4 billion and that of *bonds* declined by 1.5 billion. By contrast, the market value of federal bonds had increased by 3.4 billion at year-end as a result of the very low interest rate environment. The *negative replacement values* relate to derivative financial instruments. In particular, foreign currency forward contracts declined sharply as a result of positive exchange rate movements following the establishment of a minimum EUR/CHF exchange rate of 1.20 by the Swiss National Bank.

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. From this point onward, the Confederation’s debt increases. The free proprietary quota amounted to 3,555 million.

Maturity structure of short-term money market claims and bonds

2011 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	2 147	6 679	1 784	–	–	10 610
Long term: bonds	–	–	8 600	26 164	45 285	80 049

2010 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	2 839	4 769	1 573	–	–	9 181
Long term: bonds	–	–	7 632	25 383	48 523	81 538

19 Accrued expenses and deferred income

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Accrued expenses and deferred income	**6 458**	**5 311**	**-1 147**	**-17.8**
Interest	1 954	1 885	-69	-3.5
Premium	1 624	1 932	308	19.0
Other accrued expenses and deferred income	2 880	1 494	-1 386	-48.1

Accrued expenses and deferred income for *interest* declined by 69 million year-on-year as a result of lower bond holdings and the lower interest rate environment.

The *premium* increased by 308 million year-on-year, as the share of the premium to be amortized annually was smaller than the newly generated premium for the current business year due to longer terms. Newly generated premiums are carried as deferred income and amortized over the residual term.

The decline in *other accrued expenses and deferred income* was largely attributable to the decline of 1,534 million in accruals for withholding tax. On the one hand, this decline is explained by the fall in both the number of applications and size of withholding tax refund claims submitted in the first ten calendar days of the following year. On the other, liabilities determined according to individual analyses of large tax clients were also lower.

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

- Accruals for individual disability insurance measures amounting to 138 million (+2 mn)
- Accruals for direct payments, dairy industry and sales promotion amounting to 48 million (unchanged)
- Subsidies for regional passenger transportation for the 2012 timetable period amounting to 43 million (unchanged)
- Accruals for motorway construction and maintenance amounting to 117 million (+105 mn)
- Deferrals of receipts received in advance from meat quota auctions for 2012 amounting to 70 million (+8 mn)
- Accruals in the buildings area of 47 million for costs incurred in building projects (+11 mn)

20 Provisions

2011 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**14 211**	**9 300**	**1 557**	**2 024**	**1 330**
Creation (incl. increase)	236	–	15	61	160
Reversal	-1 144	-1 100	–	–	-44
Appropriation	-103	–	-62	-8	-33
Changes in the consolidation scope	3	–	–	–	3
Balance at 31.12.	**13 203**	**8 200**	**1 510**	**2 077**	**1 416**
of which short term	369	–	–	–	369

2010 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**13 844**	**8 900**	**1 627**	**1 950**	**1 367**
Creation (incl. increase)	635	400	13	82	140
Reversal	-126	–	–	–	-126
Appropriation	-142	–	-83	-8	-51
Balance at 31.12.	**14 211**	**9 300**	**1 557**	**2 024**	**1 330**
of which short term	379	–	–	–	379

Provisions decreased by 1,008 million compared with the previous year. The various provisions break down as follows:

Withholding tax
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 gross receipts recorded (tax returns), which are 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. Any amounts payable from receipts in previous years are not reflected in the level of provision calculated.

The withholding tax provision was reduced by 1,100 million compared with the previous year. A key contributory factor to this development was the decline in gross receipts recorded.

Military insurance
Suva operates a 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 in payment based on an assessment of the relevant parameters (e.g. mortality, size of pension, inflation assumptions, etc.). The amount of the provision is recalculated on an annual basis. In response to the declining number of pensioners, the provision decreased by 47 million compared with the previous year. Overall, pension payments amounted to 62 million, while the provision was increased by 15 million as a result of claims received.

Coins in circulation
A provision is made for coins in circulation. The amount of the provision is based on the nominal value of newly minted coins supplied to the SNB (61 mn). Coins to the value of 8 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 increased by around 1% year-on-year (+3 mn). The average entitlement per employee decreased further, and is slightly more than two weeks. This is in line with private sector employers of equivalent size. The decrease in average staff entitlements was more than offset by slightly higher wage costs as well as the increased number of employees, particularly in the ETH Domain.

Pensions for members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor; 275 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 applicable statutory provisions are laid down 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 of October 6, 1989 (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 of October 6, 1989 (SR *172.121.1*). The retirement plan is funded by the Confederation. The mathematical reserve calculated using actuarial principles amounts to 275 million. The provision for pensions is recalculated every five years, with the last recalculation taking place in 2010.

Federal military buildings; 228 million:
Provisions for structural alterations prescribed by law in relation to contaminated site clean-up, drainage and seismic safety. In 2011, 6 million was appropriated in provisions for demolitions and decommissioning. Conversely, the provision for measures relating to drainage infrastructure increased by 7 million. Possible implementation period: 2012 to 2023.

Provisions for outstanding claims; 160 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. Swiss Export Risk Insurance adopts a conservative approach to provisions, i.e. using a prudent recognition basis. In 2011, the provision was increased by 120 million to 160 million. The main drivers of the increase were risks of restricted payment transactions with Iran and the deterioration of the economic conditions in a number of countries. For example, a strong increase in the provisioning requirement was needed with respect to two solar projects in Spain and Greece.

Federal civilian buildings; 126 million:
Provisions cover primarily dismantling and disposal costs (69 mn) incurred in connection with the decommissioning of nuclear facilities which are operated by the Paul Scherrer Institute (PSI). The nuclear facilities are the property of the Confederation. Other significant provisions have been established for structural alterations prescribed by law in order to comply with fire safety, seismic safety and asbestos removal requirements. In 2011, a reversal of 2 million was recorded for these provisions. 3 million of the 126 million in aggregate provisions is recognized as short-term provisions.

Unearned insurance premiums; 120 million:
The provision for unearned insurance premiums covers Swiss Export Risk Insurance 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 allocated as an administrative allowance for 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. Reserves increased by 2 million in 2011, which is in line with the normal range of variability.

Dismantling of accelerator facility; 70 million:
The Paul Scherrer Institute operates the Federal Interim Storage Facility for the interim storage of radioactive waste which is produced from the operation and dismantling of nuclear facilities and from medicine, industry and research. Accelerator waste produced when replacing individual components with upgraded versions is embedded in concrete containers and also stored at the Federal Interim Storage Facility. It will be necessary to dispose of any radioactive components remaining after this facility is decommissioned. This item is unchanged from the prior year.

Radioactive waste; 53 million:
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 (PSI) 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 estimated costs of interim storage and the subsequent costs of final storage. The provision is adjusted each year on the basis of the volume of new waste collected (+1 mn).

Defense social plan costs; 20 million:
The provision for early retirements expected in the next few years decreased by 11 million as a result of social plan payouts (shown under appropriation). By contrast, the extension of the restructuring measures by one year to 2015 resulted in an additional provisioning requirement of 5 million.

EUROCONTROL pension fund; 13 million
A pension fund has been in place for EUROCONTROL employees since 2005. The member states of EUROCONTROL have undertaken to build up this fund over a period of 20 years. The overall liability of the member states changes not only as a result of payments made, but also due to the adjustment of the discount rate applied to calculate the necessary retirement capital. In the year under review, the contribution to this pension fund amounted to 1 million (reported under appropriation). The recalculation of the necessary capital and the change in the exchange rate led to an increase of 3 million in this provision (reported under creation).

21 Other liabilities

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Other liabilities	**1 294**	**1 296**	**2**	**0.2**
Liabilities toward restricted funds in liabilities	1 294	1 296	2	0.2

Other liabilities consist of special financing and special funds under Articles 52 and 53 of the Financial Budget Act.

Depending on the type of financing, *special financing* is attributed to liabilities or net assets/equity. Insofar as the law expressly provides for flexibility in the use of the financing or the time at which it may be used, special financing is allocated to restricted funds in net assets/equity, and to restricted funds in liabilities in all other cases. In other words, the allocation of special financing to liabilities or net assets/equity shows the extent to which funds have a predetermined use. If restricted receipts exceed or fall short of the equivalent expenditure in the reporting period, the difference must be credited to or debited from the fund. Restricted funds in liabilities are recognized in the statement of financial performance *(net expense for or net revenue from restricted funds in liabilities).* Any changes in restricted funds in net assets/equity are recognized directly in the statement of financial position, rather than the statement of financial performance, and credited to or debited from the accumulated deficit (see section 34, Statement of net assets/equity).

Special funds are also allocated to liabilities or net assets/equity depending on their economic attributes. Special funds normally fall under net assets/equity. Special funds in liabilities are recorded under other liabilities. Unlike special financing, receipts and expenditure relating to special funds are recorded in the statement of financial position, rather than in the statement of financial performance (see section 34, Statement of net assets/equity).

The increase in other liabilities was attributable to somewhat opposing developments. The most significant components and changes relate to the following:

- *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 Percent; ELHOO; SR *814.019*). Fees are redistributed to the public with a two-year time lag. There was a 2 million shortfall in restricted receipts compared with the amounts redistributed, necessitating a withdrawal from the fund. Holdings amount to 255 million.
- *Casino tax* receipts (Art. 94 of the Gambling Ordinance of September 24, 2004; SR *935.521*) in favor of AHV are transferred with a two-year time lag. Receipts in the fiscal year were 39 million down on the 2009 figure (adverse economic conditions, ban on smoking in public places). The corresponding expenditure surplus led to a withdrawal from the fund. Fund assets amount to 757 million.
- The special financing *contaminated site fund* (Ordinance of September 26, 2008 on the Charge for the Remediation of Contaminated Sites; SR *814.681*) is concerned with 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. Resource shortages experienced by the cantons and a remediation break at the former hazardous waste facility in Kölliken precluded the use of funds earmarked for clean-up projects. As a result, the net expense for the fund increased from 25 million to 154 million.
- Federal family allowances are financed through the *family compensation fund* special fund (Family Allowances Act of March 24, 2006; SR *836.2*; and Article 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. Fund assets (including the fluctuation reserve) increased from 75 million to 89 million in the year under review.

In addition, there are four other major funds which held no assets or had a negative balance as of the reporting date.

- The *CO_2 tax on fuel* is an incentive fee on fossil fuels (Federal Act of October 8, 1999 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 200 million, shall be appropriated for measures to reduce CO_2 emissions from buildings (building renovation and promotion of renewable energy use in buildings). The remaining restricted receipts are redistributed to families and companies. In the interests of transparency, two separate restricted funds are maintained. The redistribution and funding for the building program are provided within the fiscal year and are thus based on estimated annual receipts. Because receipts were lower than projected in 2011, as was the case in 2010, both the *CO_2 tax fund for redistribution and the CO_2 tax fund for the building program* show significant deficits of 132 million and 38 million respectively. The corresponding balances are shown as advances under long-term financial investments (see section 11).

- The 1,086 million for the *health insurance* fund is derived from value added tax (Federal Act of March 18, 1994 on Health Insurance; SR *832.10*). These funds are paid out to the cantons to finance individual premium reductions during the year of collection.

- Restricted receipts allocated to the *old age, survivors' and disability insurance* fund (6,042 mn) are transferred during the year of collection 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 (IV) compensation fund (Federal Act of June 19, 1959 on Disability Insurance; SR *831.20*).

43 Further explanations

1 Segment reporting

2011 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									**3 592**
Operating revenue	**209**	**61 673**	**191**	**680**	**273**	**237**	**18**	**1 038**	**64 319**
Operating expenses	**20 503**	**7 499**	**8 815**	**6 751**	**4 487**	**3 645**	**2 740**	**6 287**	**60 727**
Personnel expenses	282	103	170	2 025	1 374	84	539	2 488	7 065
Other operating expenses	124	251	484	676	2 731	31	143	1 575	6 015
Depreciation	7	5	1 384	425	230	2	5	313	2 371
Transfer expenses	20 090	7 140	6 777	3 625	152	3 528	2 053	1 911	45 276
Investments	**6**	**7**	**2 072**	**521**	**261**	**4**	**3**	**256**	**3 130**
In tangible fixed assets	–	3	2 057	519	261	2	2	209	3 053
In intangible fixed assets	6	4	15	2	–	2	1	47	77

2010 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									**5 491**
Operating revenue	**224**	**59 114**	**44**	**556**	**265**	**227**	**22**	**1 707**	**62 159**
Operating expenses	**18 513**	**7 058**	**7 822**	**6 301**	**4 160**	**3 690**	**2 704**	**6 420**	**56 668**
Personnel expenses	269	94	166	1 939	1 338	82	543	2 427	6 858
Other operating expenses	222	263	522	614	2 421	57	287	1 369	5 755
Depreciation	15	4	1 389	390	209	2	3	279	2 291
Transfer expenses	18 007	6 697	5 745	3 358	192	3 549	1 871	2 345	41 764
Investments	**9**	**1**	**1 877**	**372**	**251**	**7**	**–**	**302**	**2 819**
In tangible fixed assets	1	1	1 865	372	250	2	–	258	2 749
In intangible fixed assets	8	–	12	–	1	5	–	44	70

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, the following segment reports are presented in terms of financial performance. The main difference, therefore, 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. The individual task areas are shown from a different perspective due to the entities included in the consolidated financial statements, i.e. the infrastructure fund, fund for major railway projects, and the ETH Domain. The table above clearly shows the preponderance of transfer expenses in the budget, which impact on almost all task areas.

Social welfare

The increase of 2,083 million in *transfer expenses* was primarily attributable to the entry into force of the IV supplementary financing (+1 bn) and the one-time contributions to unemployment insurance (500 mn, package of measures to combat the strength of the franc). Moreover, the contribution for old age and survivors' insurance (AHV) increased by 249 million, whereby pension indexing and the higher number of pensions paid out contributed in equal measure to the rise. Health insurance expenses (above all individual premium reductions) rose by 142 million (+7.1%) as a result of the continued dynamic development in healthcare costs, while the ordinary federal contribution to disability insurance increased by 108 million (+3.1%).

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 – unlike in the state financial statements. The 2,559 million increase in *operating revenue* was largely attributable to growth in tax revenue, particularly withholding tax and value added tax (see section 42/1). In the case of transfer expenses, primarily the payments for fiscal equalization (+148 mn), as per determination of the equalization mechanism, and the shares of federal receipts (+62 mn) increased due to the positive development of receipts.

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,* since the infrastructure is capitalized at the level of the individual operators and not at the level of the Confederation. The increase in transfer expenses is almost wholly accounted for by the Confederation's restructuring contribution to the SBB pension fund (1,148 mn) as per the Federal Council dispatch of March 5, 2010. Although the Confederation had met its refinancing obligations fully when the SBB pension fund was spun off (Art. 16, para. 4, first clause of the Swiss Federal Railways Act), it nonetheless agreed to make a specified restructuring contribution. This corresponds to the shortfall in cover of pensioners as at the end of 2006, plus the costs of reducing the technical interest rate from 4% to 3.5%, minus the losses suffered by the pension fund from unfunded benefits (e.g. as a result of voluntary early retirements). Also contained in transfer expenses are the value adjustments on newly granted loans to licensed transportation companies (356 mn). In contrast to value adjustments, loan disbursements are not displayed in the segment report.

Education and research

Operating expenses increased by 450 million, or 7.1%, year-on-year. However, some of this increase (195 mn) was attributable to the package of measures to cushion the strength of the franc, which resulted in additional funds being provided to the Commission for Technology and Innovation (CTI), the ETH Domain, and the Swiss National Science Foundation (SNSF). If this package of measures is excluded from education and research expenditure, the increase relative to the 2010 financial statements amounts to 255 million, or 4.0%. There was a particularly strong increase in contributions in the area of vocational education (lump-sum contributions to the cantons) as well as in expenditure on theoretical research (e.g. ETH Domain, SNSF, CERN) and applied research (particularly EU Research Framework Programs, CTI).

National defense

The growth in national defense expenses can be explained primarily by the higher expenditure on armaments (+186 mn) and additional demand in the area of general supplies and equipment for the army (+49 mn). *Investments* consist primarily of investments in military assets and buildings.

Agriculture and food

Transfer expenses showed a slight year-on-year decline. A good three-quarters of the overall figure (2.8 bn) related to general and ecological direct payments, which is some 26 million more than the previous year. Expenses in the area of production and sales amounted to 441 million. There was a decline of 37 million in expenses for fundamental improvements and social measures as a result of the correction for inflation in accordance with the 2012–2013 consolidation program and the low interest rate environment (lower demand for operating aid). There was also a slight decline of 4 million (-1.3%) in other expenditure, which includes agriculture family allowances and export contributions.

International relations – international cooperation

The higher *transfer expenses* (+182 mn) reflect the decision by parliament to increase the ratio of official development assistance (ODA) to 0.5% of gross national income by 2015. In addition, expenditure on contributions to EU enlargement increased by 11 million, while the additional expenditure on economic relations (+6 mn) was more than offset by the lower expenditure on political relations (-7 mn).

2 Debt (gross and net debt)

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Gross debt	**108 279**	**108 170**	**-109**	**-0.1**
Current liabilities	13 536	13 648	112	0.8
Short-term financial liabilities	13 092	14 356	1 264	9.7
Long-term financial liabilities	81 651	80 166	-1 485	-1.8
Net debt	**86 125**	**86 022**	**-103**	**-0.1**
Gross debt	108 279	108 170	-109	-0.1
Deductions	*22 154*	*22 148*	*-6*	*-0.0*
Cash and cash equivalents	6 251	6 123	-128	-2.0
Receivables	7 342	6 704	-638	-8.7
Short-term financial investments	514	2 103	1 589	309.1
Long-term financial investments	75	296	221	294.7
Loans held to maturity	7 972	6 922	-1 050	-13.2

Gross debt declined slightly by 0.1 billion to 108.2 billion in the year under review. While there was a decline of 1.5 billion in long-term financial liabilities, there was an increase of 1.4 billion in short-term debt.

The breakdown of gross debt within *current liabilities* is virtually unchanged relative to the previous year, with the increases and decreases in the "current accounts", "trade payables", "safekeeping accounts" and "cash deposits" positions being broadly balanced. Where financial liabilities are concerned, there has been a shift in recent years from the long-term position to the short-term position. Whereas the total of federal bonds declined by 1.5 billion, short-term money market claims rose by 1.4 billion.

Net debt is made up of gross debt minus cash and cash equivalents, receivables, short-term and long-term financial investments, and loans not held for the accomplishment of tasks.

Net debt also declined only slightly by 0.1 billion. The key changes within the deducted elements were as follows: the decrease in *receivables* was based on a reduction in tax and customs receivables as well as in current accounts. The increase in *short-term financial investments* was largely attributable to the increase of 1.4 billion in fixed-term deposits. The decline in *loans held to maturity* was above all attributable to the partial repayment of the unemployment insurance loan amounting to 1.4 billion and an increase in the loan to the SBB of 0.4 billion.

3 Contingent liabilities

A contingent liability is

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of some future event which is not within the entity's control (e.g. guarantees), or

- a present obligation that arises from past events but could not be recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation could not be measured with sufficient reliability (criteria for recognizing a provision are not met, e.g. litigation in progress 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 probability of an outflow of resources is less than 50%.

Employee retirement benefits and other employee benefits

Employee retirement benefits mean obligations under pension plans which pay out benefits upon retirement, death or disability. Employee retirement benefits are measured in accordance with the methods prescribed in IPSAS 25. Notwithstanding IPSAS 25, employee retirement benefits are not recognized as provisions, but rather as contingent liabilities in the notes to the consolidated 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;
- Preretirement benefits for staff employed under specific contracts of employment (parent entity) in accordance with Articles 33 and 34 of the Federal Personnel Ordinance;
- Early retirement benefits paid out within the scope of restructuring.

Actuarial assumptions

	2010	2011
Discount rate	2.10%	1.25%
Expected long-term return on retirement assets	3.50%	3.25%
Expected salary trend	1.50%	1.50%
Expected pension adjustments	0.15%	0.15%

The present value of retirement benefits as of December 31, 2011 was based on the total number of employees currently insured. The actuarial assumptions reflected in the table above were applied as of December 31, 2011. Employee retirement benefits were measured according to the Projected Unit Credit (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 on 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.

The actuarial assumptions shown in the table above are applied by the pension funds of the Confederation as parent entity, the ETH Domain and the Swiss National Museum. Some slightly different assumptions are used by the other consolidated entities.

Retirement benefit obligations and other employee benefits

CHF mn	2010	2011	Deviation vs. FS 2010 Absolute	%
Present value of funded net retirement benefit obligations	-30 697	-36 031	-5 334	17.4
Plan assets at fair value	27 328	27 282	-46	-0.2
Funded net retirement benefit obligations	**-3 369**	**-8 749**	**-5 380**	**159.7**
Present value of unfunded net retirement benefit obligations	-654	-711	-57	8.7
Total net retirement benefit obligations	**-4 023**	**-9 460**	**-5 437**	**135.1**

The present value of total *employee retirement benefits* increased from 31,351 million to 36,742 million in the 2011 fiscal year. PUBLICA pension funds account for 36,031 million of this total *(funded retirement benefits)* and other long-term employee benefits for 711 million *(unfunded retirement benefits).*

Plan assets are measured at fair value based on provisional plan assets available as of December 31, 2011. Plan assets declined from 27,328 million to 27,282 million. PUBLICA generated a return of approximately 1% in 2011.

A comparison of total employee retirement benefits and the fair value of plan assets shows a funding deficit of 9,460 million as of December 31, 2011. Comparing only funded retirement benefits against the fair value of plan assets, the funding deficit based on IPSAS 25 is 8,749 million.

Net retirement benefit cost/gains

CHF mn	2010	2011	Deviation vs. FS 2010 Absolute	%
Current service cost of employer (net)	461	574	113	24.5
Interest cost	753	646	-107	-14.2
Expected return on assets	-913	-947	-34	3.7
Recognized net gains on long-term employee benefits	-10	77	87	-870.0
Amortization of unrecognized items	–	231	231	n.d.
Ordinary net retirement benefit cost	**291**	**581**	**290**	**99.7**
Extraordinary net retirement benefit cost/gains (curtailment)	–	–	–	n.d.
Net retirement benefit cost/gains	**291**	**581**	**290**	**99.7**

n.d.: not displayed

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. Any events that occur (e.g. plan curtailments, plan settlements) must additionally be taken into account.

The changes to the regulations of the PUBLICA pension funds as of July 1, 2012 will result in a reduction in the years of service acquired through past service, and is therefore treated as a "past service cost" as of December 31, 2011 and reported under both retirement benefit obligations and retirement benefit cost (231 mn). The change in the plan essentially involves a reduction of the conversion rate (previously 6.53%, now 6.15%) together with an adjustment to the retirement credits and a one-time increase in retirement assets. The reduction in benefits as a result of the reduction in the conversion rate will be largely offset by the retirement credits and the one-time increase in retirement assets. Accordingly, the net retirement benefit cost amounted to 581 million in 2011.

Development of liabilities

CHF mn	2010	2011	Deviation vs. FS 2010 Absolute	%
At 1.1.	**-3 336**	**-4 023**	**-687**	**20.6**
Net retirement benefit cost/gains	-291	-581	-290	99.7
Sum for immediate recognition	-1 142	-5 615	-4 473	391.7
Employer contributions	746	759	13	1.7
At 31.12.	**-4 023**	**-9 460**	**-5 437**	**135.1**

The change in liabilities of -5,437 million year-on-year (see "Retirement benefit obligations and other employee benefits" table) consists of the net retirement benefit cost (see "Net retirement benefit cost/gains"), actuarial gains and losses to be recognized immediately, and employer contributions.

Total *employer contributions* paid in the fiscal year amounted to 759 million. Employer contributions 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. According to IPSAS, these ordinary contributions of 759 million must be compared with the current service cost of 574 million arising from employee service in 2011 calculated using the PUC method. The difference is attributable mainly to the straight-line attribution of benefit cost over the period of service of individual employees using the PUC method and the relatively high average age of employees. The PUC method is also based on other actuarial assumptions, such as employee turnover, future interest on retirement savings, or salary increases.

When valuing retirement benefit obligations as of December 31, 2011, the discount rate was adjusted to the current yields available on federal bonds with a term of 20 years or more. This rate now stands at 1.25% as opposed to 2.1% in the previous year. Furthermore, the new Occupational Pensions Act actuarial bases for 2010 were applied. As a result of the adjustment of these parameters, retirement benefit obligations increased by 4,298 million (loss due to changed assumptions) at the two largest pension schemes alone (Confederation parent entity and ETH Domain).

Further contingent liabilities

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Further contingent liabilities	**15 464**	**17 585**	**2 121**	**13.7**
Sureties	9 177	9 907	730	8.0
Guarantee liabilities	4 814	5 980	1 166	24.2
Legal cases	219	341	122	55.7
Other contingent liabilities	1 254	1 357	103	8.2

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 (of which 2,673 mn had been drawn down as of December 31, 2011). 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 thus amounted to 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 also 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; SR *842*). Sureties came to a total of 2,487 million. This represented a decline of 97 million year-on-year due to cancelations and repayments.

- 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 the licensed transportation companies. The total amount of guarantee bonds issued as of December 31, 2011 came to 711 million.

- In relation to *national economic supply*, guaranteed credit has been extended in the amount of 688 million to ensure sufficient numbers of oceangoing vessels sailing under the Swiss flag (Federal Gazette *1992* 1004). Guarantees have also been issued in respect of bank loans to the value of 347 million to facilitate the financing of compulsory reserves in accordance with Article 11 of the National Economic Supply Act (NESA, SR *531*).

- Additional guarantees have been issued in the amount of 169 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 4,341 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 1,408 million to the Swiss National Bank (SNB) in respect of loans granted to the International Monetary Fund (IMF) under the Enhanced Structural Adjustment Facility. Outstanding loans to the IMF stood at 458 million as of the reporting date. In the year under review, a second guarantee tranche of over 950 million was granted, which the SNB can claim independently.

- The Confederation has issued a guarantee for a 230 million loan to the HIA Collective Institution for the enforcement of international mutual benefits assistance in relation to health insurance.

Legal cases include 270 million in refunds that may be payable in respect of the mileage-related heavy vehicle charge. Around 3,000 vehicle owners lodged appeals with the Directorate General of Customs against the reassignment of Euro 3 vehicles to a higher tax category on January 1, 2008, to take effect one year later. After the Federal Administrative Court dismissed the appeals on August 20, 2010, the appellants referred the decision to the Federal Supreme Court. In its decision handed down on December 17, 2011, the Federal Supreme Court upheld the vehicle owners' appeal and remitted the case to the Federal Administrative Court for reconsideration. The outcome of the proceedings is unknown. If the change of category were rejected, it would be necessary to refund a total of 270 million for 2009, 2010 and 2011. Furthermore, the Confederation is also involved in a patent infringement dispute for 65 million: the plaintiff claims that the Confederation's use of the system for levying the mileage-related heavy vehicle charge constitutes an infringement of its patent. The Confederation refutes this.

Other contingent liabilities include primarily potential outflows of funds in relation to buildings. The largest items relate to environmental costs in connection with contaminated sites (655 mn), compliance with statutory requirements in relation to drainage infrastructure, water supplies and seismic safety (598 mn), as well as decommissioning and reinstatement costs in the area of military buildings (42 mn). Other contingent liabilities also include Switzerland's share of EUROCONTROL's employee retirement benefit obligations (60 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.

4 SERV liability scope

The Federal Council is responsible for determining the maximum scope of Swiss Export Risk Insurance (SERV) insurance liabilities. This currently amounts to 12 billion. The liability scope sets the total exposure ceiling, in other words, the overall volume of insured benefits of SERV vis-à-vis its policyholders. The liability scope is reviewed periodically and adjusted where necessary.

At the end of 2011, the sum of insurance liabilities amounted to 8.2 billion, whereby the liability scope was 69% utilized. There was no application for an increase of the liability scope during the year under review.

5 Contingent assets

CHF mn	2010	2011	Deviation vs. 2010 Absolute	%
Contingent assets	**19 167**	**18 600**	**-567**	**-3.0**
Unrecognized receivables from direct federal tax	19 100	18 500	-600	-3.1
Other contingent assets	67	100	33	49.3

A contingent asset is a potential asset position that owes its existence to a past event, whereby the definitive realization of the position is subject to confirmation by a future event. The occurrence of this event cannot be influenced. In addition to contingent assets, the unrecognized assets of the Confederation are also reported under this position.

Unrecognized receivables from direct federal tax (net, excluding cantons' share of 17%): the direct federal tax is levied ex post and only falls 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 the direct federal tax were levied at the end of 2011, there would still be an estimated 18.5 billion in receipts anticipated in following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2011 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 outside of the statement of financial position as contingent assets. Their level corresponds to the receipts that are still anticipated. This estimation takes into account the fact that receipts from direct federal tax 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. Increasingly smaller amounts for the fiscal year in question are then received in subsequent years. As of December 31, 2011, the Confederation therefore had receivables relating to several fiscal years (2011 and earlier). These assets correspond to a large extent to the budgeted receipts of 15.6 billion (excluding cantons' share of 17%) for the 2012 calendar year. In subsequent years, further receipts are still expected from earlier tax years. The 0.6 billion decline in contingent assets was attributable to the adjustment to projected revenue for natural persons (a result of the reforms introduced on January 1, 2011 regarding family taxation and compensation for the consequences of bracket creep) as well as the steady rise in contributions delivered early, including withdrawals in installments, resulting in lower payments in subsequent years.

Other contingent assets relate on the one hand to the conversion of the loan of 63 million granted to the Building Foundation for International Organisations (FIPOI) for the construction of the International Conference Centre Geneva (CICG) into a subsidy in accordance with parliament's resolution of May 28, 1980. In the event of a liquidation of FIPOI, this amount would revert to the Confederation. On the other hand, receivables of 29 million were reclassified as contingent assets on account of being subject to legal dispute.

6 Related parties

CHF mn	Contrib. Confed./ share in revenue 2010	2011	Acquisition of goods and services/ interest expense 2010	2011	Sale of goods and services/ interest income 2010	2011	Receivables and loans 2010	2011	Liabilities 2010	2011
Related parties	**16 100**	**18 193**	**795**	**892**	**73**	**91**	**24 401**	**24 306**	**115**	**60**
Swisscom	–	–	94	131	11	15	13	16	4	11
SBB	1 934	2 152	23	32	–	–	14 050	15 370	–	–
Swiss Post	191	196	62	59	61	70	151	187	–	–
Ruag	–	–	608	666	1	6	84	58	111	49
BLS Netz AG	228	200	8	4	–	–	2 703	2 675	–	–
Compensation fund (AHV, IV)	13 334	14 728	–	–	–	–	–	–	–	–
Compensation fund (ALV)	413	917	–	–	–	–	7 400	6 000	–	–

Related (legal) parties and organizations comprise significant interests (see section 42/16), the AHV and IV compensation fund and the unemployment insurance fund (ALV).

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.

The Confederation undertook the following transactions with related organizations:

- Contributions to the SBB mainly comprise expenditure within the scope of the 2011–2012 service level agreement concluded with the SBB.
- Only 590 million of the receivables from the SBB are interest-bearing. The remaining loans are interest-free. These include loans from the fund for major railway projects (FinPT fund) to AlpTransit Gotthard AG amounting to 5.2 billion (2010: 4.7 bn). 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 SBB.
- Receivables from Swiss Post contain credit balances on Swiss Post 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. The balance comprises loans from the FinPT (2.3 bn) as well as loans from the Confederation (0.4 bn).
- ALV contributions underwent a one-time increase of 500 million as part of the measures to mitigate the effects of the Swiss franc's strength. At the same time, it was possible to reduce the interest-bearing loan to the ALV fund by 1.4 billion net during the year under review.

Compensation to key persons

Members of the Federal Council are deemed to be related natural persons, or "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.

7 Translation rates

Unit	Closing rates at 31.12.2010	Closing rates at 31.12.2011
1 euro (EUR)	1.2486	1.2170
1 US dollar (USD)	0.9328	0.9378
1 pound sterling (GBP)	1.4597	1.4563
1 Norwegian krone (NOK)	0.1600	0.1568

8 Events after the reporting date

Events requiring disclosure after the reporting date are significant events that require sums to be adjusted in the financial statements or positions requiring recognition that had not previously been recognized. The 2011 consolidated financial statements were approved by the Federal Council on April 25, 2012. No events requiring disclosure occurred between the reporting date and the date of approval by the Federal Council.

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 and financial statistics. Furthermore, the consolidation scope is presented in tabular form and a quantitative comparison is provided.

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. All expenses and revenue are thus allocated to the result in the consolidated financial statements, which can give rise to considerable deviations in the accounts presented.

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), providing an important basis for budgetary decision-making by parliament. The consolidated statement of financial position makes no such distinction, but presents current and non-current assets as separate classifications in accordance with the International Public Sector Accounting Standards (IPSAS).

Cash flow statement

The cash flow statement is called the financing and flow of funds statement (FFFS) in the federal financial statements. 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.

This cash flow statement also differs from the FFFS in terms of the presentation of the underlying cash holding (“fund”). While the cash flow statement presents the fund in terms of cash flows (“cash and other liquid assets” fund), the “federal” fund under the FFFS shows amounts due from creditors (receivables) and amounts due to creditors (current liabilities) as well as cash flows.

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 section 5.

Comparison with financial statistics

Different approaches

While the federal 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

Under the financial statistics, the entities incorporated within the “general government” sector are determined on the basis of criteria laid down in the European System of Accounts (ESA 95). The “general government” sector includes the “Confederation” sub-sector, which is comparable with, but not identical to, the scope of the federal 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 are met through third-party sales (e.g. sale proceeds, fee income), which means they do not satisfy ESA 95 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. Pursuant to Article 55 para. 1 of the FBA, the Swiss National Science Foundation is not included in the federal group of consolidated entities.

Differences in valuation

The method of valuation used in the FS Model of financial statistics, which reflects the national position, is comparable with that of the New 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 Overview 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 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 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 (subsector Confederation)

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

Scale of consolidated entities - details

2011	Surplus or deficit		Liabilities		Net assets/equity		Employees	
Entities	CHF mn	%	CHF mn	%	CHF mn	%	FTE	%
Central Federal Administration (Confederation as parent)	**2 094**	**77.8**	**131 926**	**92.9**	**-27 400**	**95.1**	**33 054**	**66.2**
Decentralized Federal Administration	**598**	**22.2**	**10 071**	**7.1**	**-1 400**	**4.9**	**16 853**	**33.8**
Separate accounts								
Swiss Federal Institutes of Technology Domain	118	4.4	1 254	0.9	1 181	-4.1	15 208	30.5
Swiss Alcohol Board	269	10.0	11	0.0	360	-1.3	142	0.3
Fund for major railway projects	- 159	-5.9	7 763	5.5	-7 702	26.7	–	0.0
Infrastructure fund	426	15.8	107	0.1	2 028	-7.0	–	0.0
Decentralized administrative units with their own accounts								
Swiss Financial Market Supervisory Authority (FINMA)	9	0.3	11	0.0	24	-0.1	396	0.8
Swiss Federal Institute for Vocational Education and Training (SFIVET)	0	0.0	5	0.0	3	0.0	162	0.3
Swiss Federal Nuclear Safety Inspectorate (ENSI)	4	0.1	16	0.0	14	0.0	141	0.3
Swiss Federal Institute of Intellectual Property (IIP)	- 3	-0.1	21	0.0	87	-0.3	205	0.4
Federal Audit Oversight Authority (FAOA)	1	0.0	3	0.0	4	0.0	17	0.0
Swiss Export Risk Insurance (SERV)	- 55	-2.0	281	0.2	2 399	-8.3	34	0.1
Swiss National Museum (SNM)	- 1	0.0	6	0.0	5	0.0	131	0.3
Pro Helvetia (PH)	0	0.0	20	0.0	- 2	0.0	66	0.1
Swiss Association for Hotel Credit (SAH)	0	0.0	239	0.2	49	-0.2	15	0.0
SIFEM AG	- 12	-0.4	315	0.2	89	-0.3	–	0.0
Swissmedic	1	0.0	19	0.0	61	-0.2	336	0.7
Subtotal	2 692	100.0	141 997	100.0	-28 800	100.0	49 907	100.0
Consolidation adjustments	- 527		-14 017		-1 496		–	
Federal consolidated financial statements	**2 165**		**127 980**		**-30 296**		**49 907**	

53 Transfer expenses (comparison with the parent entity)

2011 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Transfer expenses	**46 994**	**45 276**	**-1 718**
Third parties' share in federal income	8 549	8 549	–
Compensation to public bodies	856	856	–
Contributions to own institutions	2 971	2 393	-578
Contributions to third parties	14 318	14 651	333
Contributions to social insurance	15 754	15 754	–
Value adjustments on investment contributions	4 160	3 073	-1 087
Value adjustments on loans and financial interests	386		-386

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.

Contributions to own institutions (-578 mn): 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 (-2,308 mn), Swiss Federal Institute for Vocational Education and Training (-32 mn) and the Swiss National Museum (-43 mn), as well as the contribution to Swissmedic (-16 mn) are eliminated.

- The contributions of 672 million paid to the SBB and AlpTransit Gotthard from the fund for major railway projects (FinPT fund) are additionally recognized in the consolidated financial statements. Furthermore, the federal contribution of 1,148 million to the restructuring of the SBB pension fund is allocated to transfer expenses during consolidation.

Contributions to third parties (333 mn): 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 mileage-related heavy vehicle charges (total 364 mn), as well as contributions from the FinPT fund (40 mn), the ETH Domain (52 mn), the Swiss Alcohol Board (2 mn, alcohol prevention) and Pro Helvetia (23 mn). Intercompany relationships of -147 million were additionally recognized.

Value adjustments on investment contributions (-1,087 mn): 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 share of 1,401 million in federal revenue forwarded to the FinPT fund 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 510 million (investment contributions) were likewise eliminated.

- Additional recognitions include the value adjustments of the FinPT fund (658 mn) and of the infrastructure fund (166 mn).

Value adjustments on loans and financial interests (-386 mn): 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)

2011 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Gross debt	**110 516**	**108 170**	**-2 346**
Current liabilities	14 151	13 648	-503
Short-term financial liabilities	14 333	14 356	23
Long-term financial liabilities	82 032	80 166	-1 866
Net debt	**82 468**	**86 022**	**3 554**
Gross debt	110 516	108 170	
Deductions	*28 048*	*22 148*	*-5 900*
Cash and cash equivalents	5 544	6 123	579
Receivables	5 862	6 704	842
Short-term financial investments	1 959	2 103	144
Long-term financial investments	14 683	296	-14 387
Loans held to maturity		6 922	6 922

Compared with the parent entity, the reported gross debt at consolidated level was 2.3 billion lower. The following factors explain this discrepancy:

- *Current liabilities* (-503 mn): in total, 1,590 million of the liabilities of the parent entity are eliminated in the consolidated financial statements. These include primarily deposit account liabilities toward the ETH Domain (1,089 mn), the Swiss Association for Hotel Credit (100 mn) and the Swiss Federal Institute of Intellectual Property (64 mn), as well as a current account liability toward the Swiss Alcohol Board (295 mn). Conversely, the liabilities of the ETH Domain toward third parties (977 mn) lead to an increase in liabilities from a consolidated viewpoint. The residual difference of 110 million is spread between the other consolidated entities.

- *Long-term financial liabilities* (-1,866 million): in its individual statements, the parent entity reports fixed-term deposit liabilities amounting to 1,830 million toward Swiss Export Risk Insurance (SERV), which are neutralized in the consolidated financial statements as an intercompany relationship. Similarly neutralized are the liabilities of the parent entity toward the ETH Domain (94 mn) in connection with third-party funds acquired by the ETH Domain for the partial financing of the properties owned by the Confederation. Conversely, the ETH Domain, Swissmedic and the Swiss National Museum report their own financial liabilities (47 mn, 10 mn and 1 mn respectively).

In contrast to the lower gross debt, the *net debt* is 3.6 billion higher in the consolidated financial statements than for the parent entity. This deviation is the result of contrasting effects. In addition to the receivables of the parent entity, the *receivables* in the consolidated financial statements additionally contain those of SERV (727 mn), the ETH Domain (49 mn), the Swiss Alcohol Board (31 mn) and the Swiss Federal Nuclear Safety Inspectorate (19 mn). The residual difference of 16 million is spread between the other consolidated entities. Conversely, the parent entity's treasury loan to the FinPT fund for major railway projects (7,763 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). In the consolidated financial statements, the loans of non-administrative assets (6,922 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.