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Federal consolidated financial statements

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Report on the federal consolidated financial statements

CHF mn	Financial statements 2009	Financial statements 2010	Financial statements 2011	Financial statements 2012	Financial statements 2013
Statement of financial performance					
Operating revenue	62 004	62 159	64 319	62 778	64 193
Operating expenses	54 997	56 668	60 727	59 930	63 022
Operating result	**7 007**	**5 491**	**3 592**	**2 848**	**1 171**
Financial revenue	1 566	415	957	440	1 325
Financial expense	3 469	3 438	3 200	3 101	2 682
Financial result	**-1 903**	**-3 023**	**-2 243**	**-2 661**	**-1 357**
Equity interest revenue	2 179	1 840	1 256	2 228	1 457
Equity interest expenses	5	95	440	–	284
Equity interest result	**2 174**	**1 745**	**816**	**2 228**	**1 173**
Surplus or deficit	**7 278**	**4 213**	**2 165**	**2 415**	**987**
Statement of financial position					
Current assets	15 279	16 167	16 589	20 175	22 388
Non-current assets	78 152	81 448	81 095	82 182	82 302
Liabilities	130 469	130 242	127 980	130 210	131 678
Net assets/equity	-37 038	-32 627	-30 296	-27 853	-26 988
Cash flow statement					
Cash flows from operating activities	7 447	6 545	3 491	4 809	6 887
Cash flows from investing activities	3 200	-1 323	-3 624	-2 573	-3 823
Cash flows from financing activities	-10 143	-2 161	5	1 532	-904
Total cash flow	**504**	**3 061**	**-128**	**3 768**	**2 160**
Debt					
Gross debt	108 742	108 279	108 170	109 897	109 225
Net debt	89 070	86 125	86 022	84 661	81 935
Staff					
Number of full-time employees (FTE)	48 833	49 591	49 907	50 686	51 954

21 Purpose of the consolidated financial statements

The federal consolidated financial statements provide a comprehensive picture of the financial position of "federal public services". They give an overview of the assets, financial position and financial performance, and show the financial risks of entities and organizations which are allocated to the Federal Administration structure. It is thus possible to observe longer-term developments in the federal government's financial position and identify trends. The consolidated financial statements are presented to parliament for information purposes.

The existence of transactions between consolidated 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, however, 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 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 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)

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

State fin. statements/budget
unconsolidated

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

Separate accounts
Accounts to be approved by parliament

- Fund for major railway projects
- Infrastructure fund
- Swiss Federal Institutes of Technology Domain
- Swiss Alcohol Board

- Swiss Federal Institute for Vocational Education and Training
- Swiss Federal Institute of Metrology
- Swiss National Museum
- Pro Helvetia
- Swiss National Science Foundation
- Switzerland Tourism

Consolidated financial statements
Financial statements of the state as well as decentralized units of the Federal Administration with their own accounts (not to be approved by parliament)

- Swiss Financial Market Supervisory Authority
- Swiss Federal Nuclear Safety Inspectorate
- Swiss Federal Institute of Intellectual Property
- Federal Audit Oversight Authority
- Swiss Export Risk Insurance
- Swissmedic
- Swiss Association for Hotel Credit
- SIFEM AG

22 Fiscal policy appraisal

The consolidated financial statements posted a surplus of 987 million. Due to the selected consolidation scope, the consolidated financial statements do not differ significantly from the state financial statements. Individually, however, there can be significant differences. For example, the headcount is considerably higher in the consolidated financial statements because of the ETH Domain.

Due to the selected group of consolidated entities, the consolidated financial statements predominantly reflect the figures of the Confederation as parent entity (see table below). This result is to be expected, given that the consolidated entities – except for the Swiss Federal Institutes of Technology (ETH) Domain, the fund for major railway projects (FinPT fund) and the 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. What is somewhat more surprising is the fact 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 because 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 one another. Both funding and investments are essentially undertaken by the Federal Treasury. This means that fluctuations in the entities' liquidity can be offset to some extent, thus keeping Treasury reserves low and reducing the associated costs. It also eliminates any competition between entities on the money and capital markets.

Scale of consolidated entities - overview

2013 Entities	Surplus or deficit CHF mn	Liabilities CHF mn	Net assets/ equity CHF mn	Employees FTE
Central Federal Administration (Confederation as parent)	**1 108**	**135 191**	**-24 008**	**33 892**
Decentralized Federal Administration	**57**	**10 568**	**-1 836**	**18 062**
Swiss Federal Institutes of Technology Domain	98	1 367	1 478	16 135
Fund for major railway projects	-158	8 175	-8 123	1
Infrastructure fund	-140	11	1 601	–
Other entities	257	1 015	3 208	1 926
Subtotal	1 165	145 759	-25 844	51 954
Consolidation entries	-178	-14 081	-1 144	–
Federal consolidated financial statements	**987**	**131 678**	**-26 988**	**51 954**

Commentary on important items

In the consolidated *statement of financial performance,* the surplus of 987 million was almost the same as for the parent entity. Closer inspection shows considerable differences between the subtotals, however. This is due to the fact that extraordinary revenue and the change in equity values are shown differently. Consequently, it is difficult to make a direct comparison.

The consolidated *balance sheet total* of 104.7 billion is 6.5 billion lower than that of the parent entity, due to the elimination of reciprocal receivables and liabilities between the parent entity and the other entities (intercompany relationships). Total consolidated liabilities are 3.5 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 3.0 billion lower, primarily because the positive net assets/equity of the infrastructure fund (1.6 bn), Swiss Export Risk Insurance (SERV; 2.4 bn) and the ETH Domain (1.5 bn) only partly offsets the negative net assets/equity of the FinPT fund (-8.1 bn). Overall, the relationship between assets and liabilities is thus somewhat less favorable from a consolidated viewpoint than with the parent entity.

A contrasting trend is visible also regarding debt (see section 54). Coming in at 109.2 billion, consolidated *gross debt* is 2.4 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 (e.g. ETH Domain 1.3 bn). On the other hand, the *net debt* of 81.9 billion is 3.8 billion higher than in the case of the parent entity, as the freely available assets from a consolidated viewpoint are 6.2 billion lower. Among other things, the parent entity's treasury loan to the FinPT fund (8.1 bn) is eliminated, while SERV receivables (0.7 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 activities* (+6.9 bn) was completely sufficient to finance *investing activities* (-3.8 bn). The main driver of this cash outflow was investment in tangible assets (2.8 bn net; particularly motorways). In addition, financial liabilities of 0.9 billion net were repaid. The overall result was an increase of 2.2 billion in cash and cash equivalents.

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 taken into consideration as well. 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 only marginally higher than in the case of the parent entity (14.9 bn). Differences are due to the 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).

In the case of off-balance-sheet *contingent liabilities,* employee retirement benefits make a difference. Amounting to 6.8 billion, they are considerably higher in the consolidated financial statements than in the case of the parent entity (+1.2 bn). The reason for this is the significantly higher headcount of the former (+18,062 FTEs), which is primarily attributable to the ETH Domain. Net retirement benefits declined by 1.2 billion. This was largely due to the positive investment performance of plan assets, which reflects the quite favorable stock market conditions.

Finally, the *SERV insurance liabilities* of 8.9 billion assumed at the end of 2013 are worthy of mention. This sum is counterbalanced by SERV net assets/equity of 2.4 billion.

31 Statement of financial performance

The statement of financial performance ended with a surplus of 1.0 billion. The operating result and equity interest result each accounted for 1.2 billion of this, while the financial result was negative like in previous years (-1.4 bn). The surplus was lower than in 2012.

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%	Figures in notes
Surplus or deficit	**2 415**	**987**	**-1 428**	**-59.1**	
Operating result	**2 848**	**1 171**	**-1 677**	**-58.9**	
Operating revenue	**62 778**	**64 193**	**1 415**	**2.3**	
Tax revenue	58 580	60 623	2 043	3.5	1
Service revenue	2 328	2 439	111	4.8	2
Other revenue	1 870	1 131	-739	-39.5	3
Operating expenses	**59 930**	**63 022**	**3 092**	**5.2**	
Personnel expenses	7 277	7 801	524	7.2	4
Other operating expenses	5 847	6 888	1 041	17.8	5
Depreciation	2 390	2 350	-40	-1.7	14
Transfer expenses	44 416	45 983	1 567	3.5	6
Financial result	**-2 661**	**-1 357**	**1 304**	**-49.0**	
Financial revenue	440	1 325	885	201.1	7
Financial expense	3 101	2 682	-419	-13.5	8
Equity interest result	**2 228**	**1 173**	**-1 055**	**-47.4**	
Equity interest revenue	2 228	1 457	-771	-34.6	16
Equity interest expenses	–	284	284	n.d.	16
Surplus or deficit	**2 415**	**987**	**-1 428**	**-59.1**	
Confederation's share	2 415	987			
Minority interests	0	0			

n.d.: not displayed

The *operating result* was 1.7 billion lower than the previous year's figure. This change was caused by various factors, some of which were opposing:

- Tax revenue increased by 2.0 billion, particularly in the case of withholding tax (+1,607 mn) and value added tax (+511 mn).
- Other revenue declined by 739 million. In 2012, there was revenue of this magnitude from the auction of mobile radio licenses.
- In the case of other operating expenses, three transactions which dragged the result down by 881 million were recognized: (a) creation of or increase in provisions of 470 million for the final storage of radioactive waste from medicine, industry and research, as well as for the dismantling of ETH Domain nuclear facilities; (b) significantly higher losses on receivables (+188 mn), particularly regarding withholding tax; (c) the net expense for restricted funds in liabilities increased by 223 million.
- Transfer expenses were 1.6 billion higher than the previous year. This was primarily due to various subsidy increases concerning contributions to third parties (+0.7 bn) and the 0.6 billion increase in military insurance provisions in the case of social insurance contributions.

The negative *financial result* (-1.4 bn) was 1.3 billion better than the previous year, due primarily to the net proceeds from the sale of Swisscom shares (+1.0 bn).

The *equity interest result* (1.2 bn) comprises unrealized gains or losses on significant interests. Thanks to the good results of federal government companies, substantial revenue was recognized on the financial interests in Swisscom (1.1 bn) and Swiss Federal Railways (0.3 bn). In contrast, expenses of 284 million were incurred in the case of Swiss Post.

32 Statement of financial position

The negative net assets/equity declined by 0.9 billion due to the surplus posted in the statement of financial performance. The sharp rise in cash reflects the build-up of liquidity to redeem a bond issue of 4.6 billion maturing at the start of 2014.

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. 2012 Absolute	%	Figures in notes
Assets	**102 357**	**104 690**	**2 333**	**2.3**	
Current assets	**20 175**	**22 388**	**2 213**	**11.0**	
Cash and cash equivalents	9 891	12 051	2 160	21.8	9
Receivables	7 086	7 257	171	2.4	10
Short-term financial investments	1 665	1 686	21	1.3	11
Inventories	313	336	23	7.3	12
Prepaid expenses and accrued income	1 220	1 058	-162	-13.3	13
Non-current assets	**82 182**	**82 302**	**120**	**0.1**	
Tangible fixed assets	51 982	52 423	441	0.8	14
Intangible fixed assets	236	227	-9	-3.8	14
Loans	9 621	9 365	-256	-2.7	15
Financial interests	19 970	20 063	93	0.5	16
Long-term financial investments	373	224	-149	-39.9	11
Liabilities and equity	**102 357**	**104 690**	**2 333**	**2.3**	
Short-term liabilities	**36 242**	**36 085**	**-157**	**-0.4**	
Current liabilities	13 943	14 339	396	2.8	17
Short-term financial liabilities	16 465	15 589	-876	-5.3	18
Accrued expenses and deferred income	5 461	5 770	309	5.7	19
Short-term provisions	373	387	14	3.8	20
Long-term liabilities	**93 968**	**95 593**	**1 625**	**1.7**	
Long-term financial liabilities	79 489	79 297	-192	-0.2	18
Long-term provisions	13 203	14 874	1 671	12.7	20
Other liabilities	1 276	1 422	146	11.4	21
Net assets/equity	**-27 853**	**-26 988**	**865**	**3.1**	
Minority interests	59	59	–	–	
Net assets/equity of the Confederation	-27 912	-27 047	865	3.1	
Funds in net assets/equity	7 625	7 965	340	4.5	
Other net assets/equity	1 737	1 902	165	9.5	
Accumulated surplus (+) / deficit (-)	-37 274	-36 914	360	1.0	

Current assets increased by 2.2 billion to 22.4 billion due to the higher cash holding (+2.2 bn) that was built for the redemption of a bond maturing in February 2014. Because of the persistently expansive monetary environment, only occasional investments could be made in the market. Consequently, *non-current assets* rose only marginally. The carrying amount for tangible fixed assets was up by 441 million relative to 2012. Motorways experienced the biggest increase (+320 mn). Conversely, the amount of loans declined by 256 million. This was caused by the repayment of the unemployment insurance loan (-0.8 bn) and the increase in market-rate loans to the SBB (650 mn).

On the liabilities side, *short-term liabilities* remained unchanged overall. Although short-term financial liabilities fell because of the lower level of money market debt register claims (-630 mn), this was offset by the rise in current liabilities and accrued expenses and deferred income. The 1.6 billion increase in *long-term liabilities* can be explained largely by the building of provisions for probable withholding tax refunds (0.5 bn), military insurance (0.6 bn) and the disposal of radioactive waste (0.4 bn).

The negative *net assets/equity,* or accumulated deficit, declined by 0.9 billion primarily due to the positive annual result.

33 Cash flow statement

The 6.9 billion cash flow from operating activities was sufficient to cover the funds of 3.8 billion required for investing activities and to reduce financial liabilities (-0.9 bn). The surplus funds were kept available to redeem a bond issue of 4.6 billion maturing at the start of 2014.

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%	Figures in notes
Total cash flow	**3 768**	**2 160**	**-1 608**	**-42.7**	
Cash flows from operating activities	**4 809**	**6 887**	**2 078**	**43.2**	
Surplus or deficit	2 415	987	-1 428	-59.1	
Depreciation	2 390	2 350	-40	-1.7	14
Change in provisions	373	1 684	1 311	351.5	20
Income from disposals	118	-2	-120	-101.7	
Other non-cash transactions	-690	1 196	1 886	-273.3	
Increase/decrease in receivables	-382	-171	211	-55.2	10
Increase/decrease in inventories	-2	-23	-21	1 050.0	12
Increase/decrease in prepaid expenses and accrued income	128	162	34	26.6	13
Increase/decrease in current liabilities	309	395	86	27.8	17
Increase/decrease in accrued expenses and deferred income	150	309	159	106.0	19
Cash flows from investing activities	**-2 573**	**-3 823**	**-1 250**	**48.6**	
Investments in tangible fixed assets	-3 010	-2 822	188	-6.2	14
Divestments of tangible fixed assets	50	131	81	162.0	14
Investments in intangible fixed assets	-110	-75	35	-31.8	14
Increase in long-term loans	-1 057	-2 458	-1 401	132.5	15
Decrease in long-term loans	1 542	1 271	-271	-17.6	15
Increase in financial interests	-70	-25	45	-64.3	16
Decrease in financial interests	22	241	219	995.5	16
Increase in financial investments	-5 669	-4 129	1 540	-27.2	11
Decrease in financial investments	5 729	4 043	-1 686	-29.4	11
Cash flows from financing activities	**1 532**	**-904**	**-2 436**	**n.d.**	
Increase in short-term financial liabilities	44 769	42 125	-2 644	-5.9	18
Decrease in short-term financial liabilities	-42 491	-42 827	-336	0.8	18
Increase in long-term financial liabilities	7 962	6 723	-1 239	-15.6	18
Decrease in long-term financial liabilities	-8 639	-6 915	1 724	-20.0	18
Change in special funds	-42	17	59	-140.5	
Dividends	-27	-27	–	–	

"Cash fund" statement

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%	Figures in notes
Cash and cash equivalents balance at 01.01.	**6 123**	**9 891**	**3 768**	**61.5**	**9**
Increase/decrease	3 768	2 160	-1 608	-42.7	9
Cash and cash equivalents balance at 31.12.	**9 891**	**12 051**	**2 160**	**21.8**	**9**

Additional information

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%	Figures in notes
Interest paid	-2 341	-1 923	418	-17.9	
Interest received	206	95	-111	-53.9	

n.d.: not displayed

At 6.9 billion, the *cash flows from operating activities* were significantly higher than the prior-year level of 4.8 billion. Various factors contributed to this. Coming in at 6.3 billion, the net cash inflow from withholding tax was 2.4 billion higher than the previous year, and that from value added tax was 0.5 billion higher. Moreover, a gain of 1.2 billion was generated with the sale of Swisscom shares, which affected the cash position. However, transfers (+0.8 bn) and operating expenditure (+0.5 bn) were both higher than in 2012. In addition, a one-time inflow of 0.7 billion was generated in 2012 by the auction of mobile radio licenses.

There was a cash outflow from *investing activities* of 3.8 billion, compared with 2.6 billion in 2012. Primarily long-term loans increased overall (net: +1.1 bn). Licensed transportation companies accounted for 2.1 billion of the increase in long-term loans (+2.5 bn). Increases and decreases in financial investments more or less offset one another.

The *cash flows from financing activities* were minus 0.9 billion (previous year: +1.5 bn). The level of both money market debt register claims (short term) and bonds (long term) was reduced.

Ultimately, *cash and cash equivalents* rose by 9.9 billion to 12.1 billion.

Presentation of the cash flow statement

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

34 Statement of net assets/equity

The negative net assets/equity fell from 27.9 billion to 27.0 billion during the year under review. This was largely driven by the positive statement of financial performance result of 1.0 billion. A further 549 million was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector.

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 2012	**-30 296**	**59**	**-30 355**	**7 267**	**1 574**	**-39 196**
Entry transfers in net assets/equity	–	–	–	346	146	-492
Change in special funds	-42	–	-42	12	–	-54
Total positions entered in net assets/equity	**-42**	**–**	**-42**	**358**	**146**	**-546**
Surplus or deficit	2 415	–	2 415	–	–	2 415
Total profit and loss entered	**2 373**	**–**	**2 373**	**358**	**146**	**1 869**
Dividends	-27	–	-27	–	–	-27
Other transactions	97	–	97	–	17	80
At 31 December 2012	**-27 853**	**59**	**-27 912**	**7 625**	**1 737**	**-37 274**
Entry transfers in net assets/equity	–	–	–	418	153	-571
Change in special funds	17	–	17	46	–	-29
Valuation changes	12	–	12	–	12	–
Total positions entered in net assets/equity	**29**	**–**	**29**	**464**	**165**	**-600**
Surplus or deficit	987	–	987	–	–	987
Total profit and loss entered	**1 016**	**–**	**1 016**	**464**	**165**	**387**
Dividends	-27	–	-27	–	–	-27
Change in reserves	-1	–	-1	–	–	-1
Other transactions	-123	–	-123	-124	–	1
At 31 December 2013	**-26 988**	**59**	**-27 047**	**7 965**	**1 902**	**-36 914**

Funds in net assets/equity

Funds in net assets/equity consist of special financing (6,497 mn) and special funds (1,468 mn).

Special financing funds increased by 388 million during the year under review. They are recorded under *entry transfers in net assets/ equity:*

- On a consolidated basis, surplus expenditure of 181 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*), unlike in the case of the parent entity, where the expenditure surplus amounted to only 41 million. The expenditure of the consolidated financial statements worked out 140 million higher as a result of the consolidation of the infrastructure fund, as its expenditure (1,166 mn) exceeded deposits (1,026 mn). In the consolidated view, including the infrastructure fund's liquidity, the balance of this special financing stood at 3,637 million as of December 31, 2013.
- A total of 549 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 restricted for a limited period until 2016. The balance of this special financing stood at 2,805 million as of the reporting date.
- The restricted fund for *federal war transportation insurance* (55 mn) was transferred from net assets/equity to liabilities (reported under *other transactions*) during the year under review. A reassessment showed that it is not possible to influence how and when the funds are used, which means recognition in liabilities is indicated in accordance with Article 62 of the FBO.
- The special financing for *air transportation* posted an unchanged balance of 51 million.

Special fund assets increased by 7 million in the year under review. As of December 31, 2013, some of the special funds in net assets/equity (739 mn) were available as cash and other liquid assets. The remaining funds consisted of repayable loans for the regional development fund (682 mn) and other assets of the funds (47 mn). All special funds underwent a comprehensive review during the year. The aim of this review was to identify all available funds and their assets and at the same time to reassess the allocation to liabilities and net assets/equity based on the criteria set out in Article 61 para. 2 of the FBO (how and when funds are to be used). As a result of the review, special funds worth a total of 69 million were transferred from net assets/equity to liabilities (reported under *other transactions*). The largest items concerned the Swiss landscape fund (24 mn) and the support fund for federal personnel (28 mn). Moreover, assets totaling 30 million already capitalized in the federal statement of financial position were reallocated to special funds (shown under *entry transfers in net assets/equity).* This concerned primarily a building and liquid funds of the museum fund (27 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 839 million as of the end of 2013 (2012: 859 mn). The decline can be explained by lower demand on the part of the cantons, which granted fewer loans to 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 691 million. In addition, individual value adjustments amounting to 9 million were made for loans at risk. The carrying amount is thus 682 million. This change in the value adjustment of loans is recorded against net assets/equity (funds in net assets/equity). In addition to repayable loans, the reported fund assets also include cash and cash equivalents of 381 million. The 4 million decline in fund assets was attributable to the following mix of factors: non-repayable contributions amounting to 35 million, write-downs on uncollectible receivables (2 mn) and the increase in the value adjustment on loans (7 mn) reduced fund assets. By contrast, funds allocated from the federal budget (13 mn) and a 26 million adjustment to the carrying amount of the loan portfolio increased fund assets.

- During the year under review, the ETH Domain received 57 million in new funds as a result of gifts and bequests, with the largest single item being the Branco Weiss Society in Science bequest (32 mn). After deducting 28 million in appropriated funds, the ETH Domain special fund increased by 29 million, with total assets amounting to 212 million.

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

Special financing and special funds

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

Other net assets/equity

Other net assets/equity increased by 165 million during the year under review. This change concerned the following items:

- Increases in the core capital (111 mn) and risk-bearing capital (45 mn) of Swiss Export Risk Insurance (SERV) were recognized directly in the accumulated deficit. These items now amount to 449 million and 1,142 million respectively.

- MPM administrative units have the option to create reserves and subsequently use these reserves to fund activities which are consistent with the objectives of their performance mandate. MPM reserves are recognized and appropriated in the accumulated deficit in a similar manner to an appropriation of net income within an enterprise. The reserves from global budgets declined by 3 million to 222 million (balance of deposits less withdrawals).

- With the outsourcing of METAS into a federal institution, fixed assets were revalued by 14 million because of longer useful lives. Likewise, the provision for vacation and overtime was increased by 2 million, as reversional seniority gifts were taken into account for the first time. In net terms, the outsourcing resulted in a 12 million increase in net assets/equity (shown under valuation changes).

Accumulated deficit

The accumulated deficit declined by 360 million overall, due to the revenue surplus of 987 million. Conversely, the above-mentioned entry transfers in net assets/equity (571 mn), the increase in the special funds in the ETH Domain (29 mn), and the cantonal share of 27 million in the SAB's distribution of profits inflated the accumulated deficit.

Minority interests

Minority interests did not change during the year under review. They are comprised of the 34.5% stake in Swissmedic (21 mn) and the 77.6% stake in the Swiss Association for Hotel Credit (38 mn).

Function of the statement of net assets/equity

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

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 for the Federal Department of Economic Affairs, Education and Research (specifically Art. 15a – 15b OrgO-EAER)

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

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

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

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

Military insurance provisions
Military insurance provisions (army, civil protection and civilian service) are based on the number of pensions in payment, which are capitalized using actuarial parameters. As the pensions in payment are known on the cut-off date and the actuarial procedures are based on statistics, the estimation uncertainty for this provision is relatively low. A 5% change in pension capitalization will increase or decrease the provision based on the number of pensions in payment by around 73 million.

From the 2013 financial statements onward, military insurance provisions also comprise the loss reserves and safety margin for disability and survivors' benefits for pensions not yet determined and best-estimate provisions for short-term benefits not previously taken into account (see section 20).

Provisions for coins in circulation

In the eurozone, a 35% loss rate of coins in circulation is calculated on the basis of empirical data. As comparable figures are not available for Switzerland, the provision for coins in circulation is also based on a 35% loss rate. It is not clear, however, whether the circumstances in the eurozone can be replicated 1:1 in Switzerland (tourism, nest egg savings, numismatics, etc.). A change of +/- 5% in the loss rate would have an impact of some 155 million on the provision.

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.*

2 Accounting principles

Accounting standards

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

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

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

The following accounting principles also apply:

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

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

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

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

Pursuant to Article 64c 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 doing so. 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 since last year.

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

- Reason: statutory requirements in relation to lending and borrowing require advance payments to be recognized in the parent entity's statement of financial performance.

- Result: transactions are not reported on an accrual basis. Expenses are recognized in the statement of financial performance at the time the advance payment is made rather than when the service is supplied.

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

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

- Result: accrual basis not used.

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

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

- Result: accrual basis not used.

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

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

- Result: accrual basis not used.

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

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

- Result: changes in employee retirement benefits and other long-term employee benefits are not recognized in the statement of financial performance. 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, defense equipment is not capitalized. The solution is in line with the IMF Government Finance Statistics Manual (GFSM 2001).

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

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

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

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

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

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

- Result: some controlled entities are not fully consolidated.

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

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

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

Additional comments

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 and casino 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:* transfers to transfer bank accounts in local currencies are recognized as an expense. The actual utilization of the funds locally can take place at a later stage.

Supplementary standards

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

Subject matter: valuation of financial instruments in general.

Standard: Guidelines of the Swiss Federal Banking Commission (now FINMA) governing the accounting standards prescribed in 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

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*. IPSAS 15 was replaced upon entry into force on January 1, 2013. At the present time, it is not possible to assess the implications for the consolidated financial statements with sufficient certainty. In the case of the Confederation, introduction is scheduled for January 1, 2016.

- IPSAS 32 new – *Service Concession Arrangements: Grantor.* IPSAS 32 was adapted from Interpretation 12 (IFRIC 12) and entered into force on January 1, 2014. At the present time, there are no business transactions covered by the new regulations at the Confederation.

Accounting and valuation principles

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

Presentation basis

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

Foreign currencies

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 the surplus or deficit.

Recognition of revenue

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

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

Recognition of tax revenue

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

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

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

Withholding tax is calculated on the basis of tax returns received, statements issued and applications for refunds. Applications for refunds received by January 10 of the following year, or which are expected by this date based on individual claim assessments exceeding 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, the mileage-related heavy vehicle charge (foreign vehicles) and the lump-sum heavy vehicle charge is recognized on an accrual basis in respect of taxable economic activities.

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

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

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

Recognition of revenue from mobile radio licenses

Revenue from the auction of mobile radio licenses is considered extraordinary revenue in accordance with the debt brake. Extraordinary revenue is recognized upon receipt of payment. Fund inflows concerning several periods are not accrued.

Subsidy accruals and deferrals

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

Cash and cash equivalents

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

Receivables

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

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 the Swiss Export Risk Insurance (SERV) insurance business.

Financial investments

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

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

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

Derivative financial instruments

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

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

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

Derivative financial instruments may be recorded as strategic positions and are presented at fair value in the statement of financial position. Interest payments are allocated pro rata temporis to the relevant accounting periods. Any changes in the fair value of strategic derivative financial instruments (currently CHF interest rate swaps) are stated at the lower of cost or market. 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 according 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 costs to sell is estimated based on the future cash flows expected to result from the use of the asset or its sale.

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

Provisions

Provisions are recognized where a liability has arisen from a past event, an outflow of funds will probably be required to settle that liability, and the amount of the liability can be reliably estimated (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 budgets

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

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

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

Risk-bearing capital and core capital (SERV)

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

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 pension 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.

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

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

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, the Federal Council examined the consolidation scope and submitted an appropriate proposal to the Finance Committees of both chambers. The Finance Committees were consulted on this in January 2014. The Federal Council will define the course of action for the federal consolidated financial statements by the end of 2015.

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 Institute of Metrology (METAS)
- Swiss Federal Nuclear Safety Inspectorate (ENSI)
- Federal Audit Oversight Authority (FAOA)
- Pro Helvetia (PH)
- Swiss Export Risk Insurance (SERV)
- Swiss Association for Hotel Credit (SAH)
- Swiss National Museum (SNM)
- Swiss Investment Fund for Emerging Markets (SIFEM AG)
- Swissmedic

The vast majority of the administrative units of the decentralized Federal Administration which maintain separate accounts are included in the group of consolidated entities. However, pursuant to Article 55 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 units of the decentralized Federal Administration, federal government majority interests are accounted for in the federal consolidated financial statements using the equity method (applicable share of net assets/equity) instead of the full 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

Adjustments to the consolidation scope

The Swiss Federal Institute of Metrology (METAS) was outsourced from the federal government parent entity to the decentralized Federal Administration in the year under review. This change has no impact on the consolidated financial statements. A full comparison with prior-year figures is therefore possible.

4 Risk situation and risk management

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

Managing risks

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

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

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

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

Risk management mechanisms and measures

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

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

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

Risk situation

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

On the one hand, entities can suffer damage to their own assets. On the other hand, they may be exposed to liability risks vis-à-vis third parties or risks in connection with outsourced organizations that discharge public functions. In general, the entities are liable for any damages caused by employees within the scope of performing their duties. They may also be liable in respect of compensation claims relating to breaches of supervisory duties. The risks are primarily financial and economic risks, legal risks, property and technical risks, and natural hazards. Particular importance is attached to risks in the area of 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 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Tax revenue	**58 580**	**60 623**	**2 043**	**3.5**
Direct federal tax	18 342	18 353	11	0.1
Withholding tax	3 835	5 442	1 607	41.9
Stamp duty	2 136	2 143	7	0.3
Value added tax	22 050	22 561	511	2.3
Other consumption taxes	7 835	7 699	-136	-1.7
Misc. tax revenue	4 382	4 425	43	1.0

Tax revenue increased by 2.0 billion to 60.6 billion relative to 2012, with direct federal tax and VAT accounting for approximately 68% of this.

Direct federal tax

Direct federal tax receipts totaled 18.4 billion in 2013, thereby posting a year-on-year increase of only 11 million, or 0.1%. The two components of direct federal tax moved in opposite directions: while taxes on the net revenue of legal entities were up by 110 million (1.3%), those on the income of natural persons declined by almost 100 million (-1.0%).

With the Swiss economy proving surprisingly robust in recent years, the muted increase in direct federal tax cannot be attributed to economic factors. A more likely explanation is the sharp rise in direct federal tax receipts recorded in 2012 as a result of the partial taxation of income from shareholdings in private and corporate assets. This "dividend privilege" was introduced in 2009 at federal level in the second series of corporate tax reforms to reduce the double burden on corporations. Although the financial impact cannot be precisely quantified, it would appear that the reform led many companies to pay a dividend for the first time, particularly in 2011, translating into additional receipts the following year. In other words, the stagnation in direct federal tax on the income of natural persons is primarily a consequence of the high receipts posted in 2012. In the case of legal entities, the privileged taxation of dividends is also likely to have boosted receipts in 2012. However, the sluggish development of profit taxes in the year under review was primarily due to economic factors, with the unfavorable economic climate in 2012 curbing growth in profits and receipts the following year.

The Confederation's share of the flat-rate tax credit for foreign withholding tax had the effect of reducing revenue. It came in slightly lower than the previous year, at 151 million.

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

Withholding tax

Withholding tax revenue is measured by the difference between tax receipts, tax refunds and changes in provisions. It fluctuates significantly. Withholding tax revenue amounted to 5.4 billion in 2013. This was substantially higher than the previous year (+1.6 bn), mainly as a result of the following factors:

- Tax receipts from dividends (on the basis of tax returns) increased again for the first time since the introduction of the capital contribution principle. Overall, receipts were 842 million higher than in 2012 (+3.7%).
- Meanwhile, refunds were down by 753 million (-4.2%) due to the considerably lower refunds to foreign applicants.
- Like in 2012, the provision for withholding tax was increased by 500 million in 2013, primarily because of the low refunds.

Stamp duty

The *issue tax on debt capital* (bonds, medium-term notes, money market paper) was abolished as of March 1, 2013 as part of the "too-big-to-fail" regulations for big banks. Revenue was thus lower than the previous year. Overall, issue tax revenue came to 182 million in 2013, which was 171 million less than the previous year.

Transfer stamp tax generated over half of all stamp duty revenue (1,262 mn, +154 mn). This tax is dependent on the performance of international stock markets and posted consistently lower revenue following the onset of the financial crisis in 2008. The revenue from transfer stamp tax rose again for the first time in 2013.

Revenue from the *insurance premium stamp duty* has been relatively stable for many years (700 mn, +25 mn).

Value added tax

Coming in at 22.6 billion, value added tax revenue posted a year-on-year increase of 511 million (+2.3%). A small amount of this increase resulted from a change in accounting practices during the year under review: the portion of fines and interest receipts concerning value added tax attributable to the general federal budget and booked to the Federal Tax Administration is now allocated to VAT receipts and not booked to separate account groups (financial receipts and miscellaneous receipts). This distorts the increase in receipts by some 45 million. Adjusted for this factor, the growth amounted to 2.1%, which was more or less in line with the nominal GDP growth of 1.9% seen in 2013.

5.2 billion of total value added tax revenue has been earmarked for health insurance (915 mn), old-age and survivors' insurance (2,337 mn), the federal share in AHV percent (479 mn), the VAT supplement in favor of disability insurance (1,126 mn) and the fund for major railway projects (315 mn).

Revenue is presented on an accrual basis, which means that previously issued invoices, in particular, are recognized as revenue. Non-recoverable VAT receivables are expensed under losses on receivables. These amounted to 179 million in the year under review.

Other consumption taxes

Mineral oil tax revenue (5,005 mn) was down slightly on the previous year (-27 mn). This revenue has been stagnating since the 2011 fiscal year, partly as a result of the new regulations introduced on July 1, 2012 to reduce CO_2 emissions from passenger vehicles.

Tobacco duty revenue (2,295 mn) fell by 102 million due to the tax hike as of April 1, 2013. The tax increase resulted in stockpiling toward the end of the 2012 fiscal year, which was then offset by lower sales at the start of 2013. There was also a sharp rise in substitute products (especially e-cigarettes).

Revenue from alcohol duty (285 mn) and beer tax (113 mn) was in line with prior-year levels.

Miscellaneous tax revenue

Coming in at 4,425 million, miscellaneous tax revenue was up slightly on the previous year (+1.0%) due to opposing factors. While CO_2 tax saw a substantial increase (+94 mn), revenue declined for automobile duty (-43 mn) and casino tax (-22 mn).

Under *transportation taxes* (2,242 mn), revenue from automobile duty (369 mn) returned to a more normal level following the record years of 2011 and 2012. Around 345,000 passenger vehicles were imported over the course of the year, 9% less than in 2012. Receipts fell even more as a result of lower prices. Motorway tax (356 mn) again posted a slight increase after the previous year's decline. Sales abroad and at the border stabilized (+0.5%). However, the revenue increase anticipated in the budget failed to materialize, with practically no increase seen in visitors from EU countries. Domestic sales of motorway tax stickers advanced by 1.5% in line with the rise in the number of vehicles. Receipts from the heavy vehicle charge (1,517 mn) declined, despite a slight increase in the transport volume subject to the charge. The fall in receipts resulted from the conversion of the vehicle fleet to vehicles with lower emissions and therefore subject to lower tax rates. This was more pronounced for foreign vehicles (-1.8%) than for domestic vehicles (-0.3%).

Import duties (1,059 mn) rose by 1.5% relative to 2012, boosted by duties in both industry (+2.2%) and agriculture (+0.8%). Moreover, receipts in the agricultural sector held up well, countering the long-term downtrend in agriculture duties. The customs revenue from the agricultural sector was credited to the special financing facility for accompanying measures relating to a free trade agreement with the EU in the agri-food sector or an agreement with the WTO (549 mn).

Revenue from *casino tax* (308 mn) fell once again, posting a year-on-year decline of 6.6%. This was driven by the increased competition from foreign casinos, as well as online gambling. Casino tax is levied on gross gaming revenue generated by casinos (tax rate 40–80%). The revenue is recorded as restricted receipts appropriated to the AHV compensation fund.

Revenue from *incentive fees* (816 mn) was dominated by the CO_2 tax on fuel (642 mn). It was up by 90 million on the previous year. Demand for fuel rose above expectations in the first half of 2013 as a result of the cold weather. In the second half of 2013, the increase in the CO_2 tax rate announced for January 1, 2014 led to higher sales of heating oil. Revenue from the penalty fine for reducing CO_2 emissions from passenger vehicles came to 7 million. Initial experience shows that several of the large-scale automobile importers pooled their vehicles to avoid the penalty. Moreover, it can be assumed that a considerable amount of the payments on account made by importers will have to be reimbursed, as these have reached their CO_2 emissions threshold.

Revenue from other incentive fees (167 mn) differed only slightly from the previous year.

2 Service revenue

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Service revenue	**2 328**	**2 439**	**111**	**4.8**
Military service exemption tax	160	163	3	1.9
Fees	363	385	22	6.1
Revenue from exchange trans. - royalties/services	177	178	1	0.6
Sales	155	163	8	5.2
Reimbursements	162	166	4	2.5
EU taxation of savings income	114	139	25	21.9
Insurance revenue (SERV)	92	66	-26	-28.3
Second-party resources & third-party funds (ETH Domain)	576	598	22	3.8
Other service revenue	529	581	52	9.8

Service revenue increased considerably compared with the previous year. Revenue was up in all areas except insurance revenue (SERV).

The *EU taxation of savings income* entered into force in 2005 as part of the second series of bilateral negotiations. 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 are entitled to a 10% share of the Swiss portion. In the year under review, the retention tax was calculated on the basis of 2012 interest income. The additional revenue relative to the previous year can be explained primarily by the increase in the tax rate from 20% to 35% on July 1, 2011.

Revenue from *second-party resources and third-party funds (ETH Domain)* is the result of capital inflows that are generally earmarked for use in financing projects in the area of applied research. The net result was an increase of 22 million. Second-party resources and third-party funds are largely acquired through competitive fundraising and therefore fluctuate significantly.

Other service revenue increased by 52 million relative to the previous year. This was driven particularly by the Central Compensation Office (CCO) due to the higher cost reimbursements of the AHV/IV/EO compensation funds, forfeited assets at the Office of the Attorney General of Switzerland, and FINMA supervisory duties.

3 Other revenue

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Other revenue	**1 870**	**1 131**	**-739**	**-39.5**
Building revenue	77	80	3	3.9
Profit from disposals	29	62	33	113.8
Capitalization of own production	58	51	-7	-12.1
Other misc. revenue	176	241	65	36.9
SNB profit distribution	333	333	–	–
Other revenue from royalties and concessions	1 133	270	-863	-76.2
Net revenue from restricted funds in liabilities	64	94	30	46.9

Other revenue declined by 739 million to 1,131 million year-on-year. The revenue in the 2012 financial statements contained the proceeds of 738 million from the auction of mobile radio licenses.

The increase in *other miscellaneous revenue* largely corresponded to the profits FINMA ordered UBS to disgorge in connection with Libor manipulations between 2006 and 2010.

The *profit distributed by the SNB* remained unchanged at 333 million. According to the agreement concluded between the SNB and the FDF for the business years 2011 to 2015, up to 1 billion will be paid out to the Confederation and the cantons the subsequent year in the event of a positive profit distribution reserve. In accordance with the National Bank Act, the Confederation is entitled to a third of the funds distributed and the cantons two-thirds.

Other revenue from royalties and concessions encompasses above all receipts from quota auctions and the increase in coins in circulation.

- The 216 million in revenue from meat quota auctions was 1 million lower than the previous year.
- Revenue from coins in circulation (19 mn) is calculated as the value of coins supplied by Swissmint to the SNB less the value of withdrawn coins. The revenue from the increase in coins in circulation was 125 million lower than the previous year. The high revenue posted in 2012 was due to the one-time drawdown of 57 million from the prevision.
- The 2012 financial statements contained revenue of 738 million from the auction of mobile radio licenses.

The *net revenue from restricted funds in liabilities* amounted to 94 million, corresponding to an increase of 30 million on the previous year. This concerned two funds: the contaminated site fund (+26 mn) and casino tax (+68 mn; see section 21).

4 Personnel expenses

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Personnel expenses	**7 277**	**7 801**	**524**	**7.2**
Staff compensation	5 920	6 111	191	3.2
Employer contributions (social insurance)	1 198	1 500	302	25.2
Benefits paid by employer	52	71	19	36.5
Temporary personnel	29	27	-2	-6.9
Change in provisions	-10	-2	8	-80.0
Other personnel expenses	88	94	6	6.8

Overall, personnel expenses rose by 524 million (+7.2%) relative to 2012. This increase was driven particularly by employer contributions, where there was a one-time deposit of 250 million in PUBLICA for special categories of staff. Of the 51,954 full-time equivalents, 31% are in the ETH Domain.

The *number of staff* expressed in full-time equivalents (FTEs) rose by 1,268, representing an increase of 2.5%.

- The parent entity saw an increase in headcount (+583 positions; +1.8%). Two-thirds (+380 FTEs) of the headcount increase was due to the FDFA and the DDPS. In the case of the FDFA, the additions primarily concerned local FDFA staff, while the majority at the DDPS involved the Armed Forces Logistics Organisation (AFLO). The increase at the DDPS was due to the reoccupation of vacant positions. The DDPS eased its self-imposed hiring freeze in 2013.

- In the ETH Domain (+493 positions; +3.2%), there was an increase in both the number of professorships (+33 FTEs) and the number of researchers (+263 FTEs). Overall, 33% was financed through second-party resources and third-party funds (2012: 33%).

- In the other areas, the number of staff rose disproportionately (+192 FTEs; +11.1%), particularly as a result of the first-time consolidation of METAS (+150 FTEs) and the increased staffing needs of FINMA (+26 FTEs).

Wage measures as of January 1, 2013:

- In the Confederation parent entity, a real wage increase of 0.5% was granted. A cost-of-living adjustment was not necessary because of the negative inflation seen in 2012.

- In the ETH Domain, staff were awarded a cost-of-living adjustment of 0.6% and individual wage measures of 1.2% under the new wage system (NLS).

- The other consolidated entities implemented varying wage measures.

The surge of 25.2% (+302 mn) in *employer contributions* was driven primarily by the one-time deposit of 250 million in the PUBLICA pension fund for special categories of staff (e.g. career military officers, border guards, FDFA rotational staff, SDC rotational staff).

The disproportionate increase in *employer benefits* (+36.5%) was partly due to the increase in the provision for pensions for members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor (+25 mn). However, it was possible to reduce the provisions for bridging pensions as a result of fewer early retirements (-7 mn).

The *change in provisions* (reversal) resulted from the reduction in vacation and overtime entitlements.

5 Other operating expenses

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Other operating expenses	**5 847**	**6 888**	**1 041**	**17.8**
Expenses for goods and materials	307	321	14	4.6
Operating expenses	4 067	4 877	810	19.9
Motorway operation and maintenance	435	456	21	4.8
Defense expenses	997	970	-27	-2.7
Net expense for restricted funds in liabilities	41	264	223	543.9

Other operating expenses posted a year-on-year increase of 1,041 million, or 17.8%, due primarily to significantly higher operating expenses and the higher net expense for restricted funds in liabilities.

Expenses for goods and materials rose by 14 million to 321 million. The expenses related predominantly to the parent entity (defense, FOBL and Swissmint), as well as the ETH Domain and the Swiss Alcohol Board.

Operating expenses rose by 810 million to 4,827 million. The sharp increase was largely attributable to one-time effects, particularly the creation of or increase in provisions totaling 470 million in connection with the final storage of radioactive waste from medicine, industry and research, and for the dismantling of ETH Domain nuclear facilities, as well as significantly higher losses on receivables, particularly regarding withholding tax (+188 mn). In addition, the higher real estate expenses of 79 million were quite significant.

Motorway operation and maintenance expenses were 21 million higher than the previous year, with operating expenses increasing by 25 million and expenses for maintenance and motorway construction not eligible for capitalization falling by 4 million. The increase was mainly due to the fact that traffic management is disclosed in this item from 2013 (up to 2012: operating expenses).

Defense expenses amounted to 970 million in 2013, representing a year-on-year decrease of 27 million, or 2.7%. Defense equipment expenses declined by 64 million, or 10.7%, relative to the previous year. Unlike those for defense equipment, the expenses for general supplies and equipment for the army (development, testing and procurement preparation, and equipment and renewal requirements) posted a year-on-year increase of 37 million: more plans were made for future armament procurements and further progress was made with procurements.

Regarding the *net expense for restricted funds in liabilities,* more restricted funds were deposited than utilized. This was particularly the case for the special financing for the CO_2 tax on fuel, the redistribution and technology funds (176 mn) and the building program (75 mn; see section 21).

6 Transfer expenses

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Transfer expenses	**44 416**	**45 983**	**1 567**	**3.5**
Third parties' share in federal income	8 687	8 741	54	0.6
Compensation to public bodies	1 015	1 005	-10	-1.0
Contributions to own institutions	1 259	1 043	-216	-17.2
Contributions to third parties	14 799	15 444	645	4.4
Contributions to social insurance	15 399	16 294	895	5.8
Value adjustments in transfer expenses	3 257	3 456	199	6.1

Transfer expenses amounted to 46.0 billion, which is 1.6 billion more than the 2012 figure. This increase was caused primarily by the higher contributions to third parties and the rise in the military insurance provision of 720 million under contributions to social insurance.

Third parties' share in federal income

This account group comprises restricted shares in receipts refunded to the cantons and social insurance or – in the case of incentive fees – to households and companies. Expenses increased by 54 million, or 0.6%, year-on-year. Expenditure results directly from receipts and is therefore uncontrollable.

Cantons' share: +103 million to 4,579 million
The cantons' share recorded growth of 2.3% relative to the previous year. It was driven mainly by the higher cantons' share of withholding tax (532 mn; +105 mn). The other cantons' shares remained stable. The cantons' share of direct federal tax amounted to 3,146 million. 98% of the 10% shares in the restricted component of mineral oil tax (493 mn) and motorway tax was distributed in the form of general highway contributions (367 mn) to all cantons; the remaining 2% went to cantons with no motorways (7 mn).

Social insurance share: +77 million to 3,811 million
The social insurance share grew by 2.1%. This increase was due to the percentage of value added tax for AHV (2,318 mn; +56 mn) and the VAT supplement in favor of disability insurance (1,117 mn; +27 mn). The amounts of both items correspond to the share of receipts less losses on receivables on a pro rata basis. 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 2013 (376 mn) corresponds to the receipts for 2011.

Redistribution of incentive fees: -127 million to 351 million
The redistribution of incentive fees declined by 26.5% relative to the previous year. Two-thirds of the 227 million *CO_2 tax on fuel* is redistributed to households and companies. One-third of the revenue, but a maximum of 200 million, is used for the Confederation's building program. The redistribution was based on the receipts budgeted for 2013. In addition, the redistribution amount for 2013 also includes a correction on the basis of the figure for annual revenue for 2011, which is now definitively known. Unlike with the CO_2 tax, *incentive fees in respect of volatile organic compounds (VOCs)* are redistributed to households with a two-year time lag. Expenditure relating to the redistribution of VOC incentive fees (124 mn) thus corresponds to the VOC incentive fee receipts in fiscal 2011, 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 1,005 million (-10 mn) was paid out in 2013.

Contributions to own institutions

- The 630 million disbursed from the fund for railway projects to the SBB and AlpTransit Gotthard AG for various rail projects was 2 million lower than the equivalent prior-year figure.
- The operating compensation paid to SBB Infrastructure amounted to 290 million (-215 mn). The contribution declined as a result of measures to increase efficiency and the amended route prices as of January 1, 2013 following the partial revision of the Rail Network Access Ordinance.
- The Confederation gives Swiss Post a contribution to reduce the cost of newspaper and magazine distribution. It remained unchanged at 50 million.
- The compensation for lost revenue of Skyguide remained at 43 million.
- The compensation for non-transalpine rail freight services increased by 1 million year-on-year to reach 30 million.

Contributions to third parties

Contributions to third parties were made in all task areas. Expenses for this account group were up 645 million, or 4.4%, on the prior-year level. Additional expenses were recorded for all of the three contribution categories:
- Fiscal equalization (+76 mn to 3.2 bn)
- International organizations (+271 mn to 2.1 bn)
- Other contributions to third parties (+298 mn to 10.1 bn)

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

- General direct payments for agriculture (-19 mn to 2,790 mn)
- Research promotion institutions (+27 mn to 907 mn)
- Regional passenger transportation (+31 mn to 888 mn)
- Lump-sum contributions and transitional arrangements (unchanged at 748 mn)
- Development cooperation initiatives (+41 mn to 667 mn)
- Promotion of higher education, basic contributions (+19 mn to 614 mn)
- Operating contributions for universities of applied sciences (+22 mn to 464 mn)
- Dairy industry subsidies (+1 mn to 299 mn)
- Economic development cooperation (+31 mn to 210 mn)

Contributions to social insurance

The Confederation's contributions to social insurance posted a year-on-year increase of 5.8% in 2013. This increase was first and foremost the result of a one-time deposit in provisions to cover the Confederation's liabilities with respect to military insurance. Without this special factor, the increase would have amounted to 1.6%. In the case of old-age and survivors' insurance, the growing burden caused by demographic developments became apparent, whereas the figures clearly reflect the cost-reducing impact of reforms in the case of disability insurance. Contributions to social insurance include two sub-items:

Federal social insurance: +130 million to 11.8 billion
The lion's share of social insurance expenses – just under half – relates to *old-age and survivors' insurance* (AHV; 7,821 mn). The Confederation makes a contribution of 19.55% to total AHV expenditure, and this figure increased by 3.0% (+225 mn) in 2013. Of this increase, 2.2 percentage points can be attributed to demographic developments. The remainder is the result of the adjustment of pensions in line with wage and price trends at the beginning of 2013.

In the case of *disability insurance* (IV), the Confederation contributes 37.7% of total expenditure. In 2013, the federal contribution posted a year-on-year decline of 3.1% (-110 mn) to 3,386 million. A new financing mechanism entered into force at the beginning of 2014, whereby the federal contribution to IV is linked to value added tax revenue. As a result of this system change, the provision of 139 million for individual IV measures was reversed in 2013.

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 Confederation's special contribution amounted to 179 million (-7 mn).

The federal contribution to *unemployment insurance* amounted to 456 million, representing an increase of 23 million, or 5.2%. The difference is attributable to two factors. First, the increase in aggregate wages subject to compulsory contributions, and second, the 2013 lump-sum payment for the definitive final statement of 2012.

Other social insurance: +765 million to 4.5 billion
The Confederation's contribution to *individual premium reductions* amounts to 7.5% of gross costs for compulsory health insurance. In 2013, this contribution increased by around 28 million (+1.3%) to 2,181 million. The below-average development was attributable in particular to the low growth of the average premium in the area of compulsory health insurance. This factor largely determines assumptions regarding the development of gross costs in basic healthcare.

Federal expenditure on AHV and IV *supplementary benefits* (685 mn and 669 mn, respectively) increased by a total of 24 million, or 1.8%. The Confederation covers 5/8 of supplementary benefits, which ensure a basic standard of living, while the remaining 3/8 and all supplementary benefits for health and disability costs are met by the cantons. The development seen in supplementary benefits reflects the development of expenditure in the AHV and IV areas. Whereas AHV supplementary benefits recorded an increase in the number of claimants and therefore a corresponding increase in expenditure (+3.7%) as a result of demographic developments, the decline in new disability pensions caused expenditure on IV supplementary benefits (-0.3%) to stagnate.

At 196 million, payments in respect of *military insurance* remained at the prior-year level (+1 mn). In addition, a review was undertaken of the estimate of the Confederation's future liabilities in this area. Aside from the existing provision for future expenses for ongoing pension payments, a new provision was created for safety margins, loss reserves and short-term insurance benefits. This resulted in an increase in provisions of around 644 million in 2013. Total provisions in the area of military insurance therefore amounted to some 2.1 billion at the end of 2013.

Value adjustments in transfer expenses

Value adjustments in transfer expenses increased by 199 million, or 6.1%, year-on-year.

- 815 million in value adjustments were made in relation to the FinPT fund (+133 mn compared with the previous year).

- Value adjustments to the infrastructure fund increased by 19 million, and amounted to 295 million for urban transportation (rail transportation loan).

- Value adjustment relating to the SBB service level agreement in respect of infrastructure investments carried out: this amount increased by 65 million to 1,118 million.

- Other value adjustments (e.g. flood protection, protection against natural hazards, nature and countryside, energy and waste heat utilization) fell by 19 million overall, giving a combined total of 1,228 million.

7 Financial revenue

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Financial revenue	**440**	**1 325**	**885**	**201.1**
Interest	196	89	-107	-54.6
Financial interest revenue	3	1	-2	-66.7
Market value adjustments	13	13	–	–
Other financial revenue	228	1 222	994	436.0

Financial revenue tripled relative to the previous year and reached 1,325 million (+885 mn). This was largely due to the proceeds from the sale of Swisscom shares.

Interest (89 mn; -107 mn) includes among other things the revenue from proprietary holdings of Confederation bonds and money market debt register claims. No proprietary bonds were held during the year under review, which is why there was solely revenue from money market debt register claims issued above par (negative interest rate). Because of the still highly expansive monetary policy of the Swiss National Bank, money market interest rates remained close to zero. Consequently, the yields on money market debt register claims remained in negative territory, although less so than the previous year. Where loans are concerned, the scaling-down of unemployment insurance debt vis-à-vis the Confederation led to lower interest revenue. Nevertheless, the interest revenue from SBB loans rose because of the higher loan utilization. However, the reduction was largely due to the change in accounting practice. The interest on arrears from the collection of value added tax, withholding tax and stamp duty is now allocated to tax receipts.

The significant increase in *other financial revenue* (+994 mn) was attributable above all to the proceeds of the sale of Swisscom shares (unrealized gain of +1,018 mn). The following factors also affected other financial revenue:

- Gains on foreign currencies (-22 mn): the reduction was attributable to smaller fluctuations in the EUR and USD exchange rates.
- Interest rate swaps (+9 mn): the swaps position consists of fixed interest payments by the Confederation and variable interest receipts that are determined semi-annually on the basis of short-term interest rates.

Valuation changes regarding foreign currencies and interest rate swaps

Foreign currency gains and losses arise from the monthly carrying amount changes. These in turn result from foreign currency purchases at the procurement rate, payment transactions at the budget rate or at an agreed fixed rate in the case of special transactions, as well as the month-end valuation at the market rate. The result is recognized gross as financial revenue or expense. Interest rate swaps are held as strategic positions and are valued at market rates. The principle of prudence applies here. The valuation adjustment in the statement of financial performance is displayed in accordance with the no-offsetting principle up to a maximum of the acquisition value (see section 42/8, other financial expense). Values above cost are recognized exclusively in the statement of financial position (see section 42/11, derivative financial instruments).

8 Financial expense

CHF mn	Financial statements 2012	Financial statements 2013	Deviation vs. FS 2012 Absolute	%
Financial expense	**3 101**	**2 682**	**-419**	**-13.5**
Interest expense	2 385	2 105	-280	-11.7
Capital procurement expenses	104	89	-15	-14.4
Value adjustment on financial investments	444	413	-31	-7.0
Other financial expense	168	75	-93	-55.4

Financial expense decreased by 0.4 billion to 2.7 billion primarily as a result of the persistently low level of interest rates. This was equivalent to a year-on year decline of 13.5%.

Interest expense concerns predominantly outstanding bonds, which were reduced by another 184 million in 2013. Capital market redemptions were replaced with new bonds with record-low interest rates once again in 2013, causing the rate of own costs to be reduced further. This resulted in another year-on-year decline in interest expense for bonds to 2,039 million (-258 mn).

Capital procurement expenses declined as a result of the abolition of the issue tax on debt capital as of March 1, 2012. Accordingly, the stamp duty on newly issued bonds and money market debt register claims was eliminated. By contrast, stamp duty paid on issues prior to this date will still have to be depreciated on a straight-line basis over the terms to maturity of the bonds in question.

Value adjustments on financial investments include value-reducing corrections for loans to licensed transportation companies, those in the area of agriculture and regional policy loans (391 mn), as well as financial interests (22 mn).

Other financial expense shows losses on foreign currencies (47 mn) due to exchange rate and market fluctuations. The decline of 11 million was attributable to smaller fluctuations in the EUR and USD exchange rates. Furthermore, this position includes withholding tax on bonds due for redemption that had originally been issued at a significant discount. No such bonds matured in 2013. In 2012, however, 73 million of withholding tax had to be disbursed. Finally, there was an inflow from the (negative) monthly valuation adjustments for interest rate swaps (26 mn).

9 Cash and cash equivalents

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Cash and cash equivalents	**9 891**	**12 051**	**2 160**	**21.8**
Cash	6	6	–	–
Swiss Post	464	433	-31	-6.7
Bank	8 660	10 660	2 000	23.1
Short-term deposits	761	952	191	25.1

Short-term funds were increased because of the redemption of a bond maturing at the start of 2014. As a result of the limited investment opportunities, the lion's share of Treasury funds remained invested with the Swiss National Bank.

The *bank* position comprises Swiss franc and foreign currency accounts. Liquidity was increased significantly in order to redeem the 4.6 billion bond maturing at the start of 2014. Because of the persistently expansive monetary environment, only occasional investments could be made in the market. Most of these funds thus remained in the giro account with the SNB.

Where *short-term deposits* are concerned, fixed-term deposits with commercial banks, the cantons and cities were increased slightly.

10 Receivables

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Receivables	**7 086**	**7 257**	**171**	**2.4**
Tax and customs receivables	5 097	5 446	349	6.8
Current accounts	954	837	-117	-12.3
Trade receivables	301	255	-46	-15.3
Other receivables	734	719	-15	-2.0

Receivables recorded a year-on-year rise of 171 million, with the greatest increase relating to withholding tax. 40% (2.9 bn) of the total receivables of 7.3 billion are value added tax receivables.

Tax and customs receivables are comprised of the following:

- Value added tax receivables from taxable persons and entities amounting to 3,128 million (+132 mn). Of this sum, 2,093 million (+139 mn) is related to value added tax receivables from imports.
- Receivables from customs duties amounting to 1,279 million. These include receivables from the mileage-related heavy vehicle charge as well as from mineral oil tax and tobacco duty.
- Receivables from withholding tax and stamp duty amounting to 1,433 million. The increase of 253 million relative to 2012 related primarily to withholding tax.
- Receivables from alcohol duty amounting to 18 million (2012: 22 mn).
- Allowance for doubtful accounts on outstanding tax and customs receivables amounting to 413 million. The increase of 28 million was due primarily to a recalculation of direct federal tax, withholding tax and stamp duty.

Under *current accounts,* 731 million (-71 mn) relates to receivables from the cantons, whereby 601 million is accounted for by fiscal equalization (-68 mn) and 130 million by receivables from military service exemption tax. Current accounts posted a year-on-year decline of 117 million.

Other receivables comprise predominantly balances from debt rescheduling agreements amounting to 537 million (-80 mn) as well as SERV receivables from the insurance business of 149 million (+66 mn). These arise whenever policyholders are compensated by SERV in the case of loss or damage, whereupon their claims against third parties are transferred to SERV.

11 Financial investments

Short-term and long-term financial investments

CHF mn	2012 Carrying amount	2012 Market value	2012 Ø interest %	2013 Carrying amount	2013 Market value	2013 Ø interest %
Short-term financial investments	**1 665**			**1 686**		
Held to maturity	**1 665**			**1 686**		
Fixed-term deposits	1 405	1 405	0.0	1 475	1 475	0.0
Positive replacement values	102	n.d.	n.d.	76	n.d.	n.d.
Other short-term financial investments	158	n.d.	n.d.	135	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–
Held for trading	**–**	–	–	**–**	–	–
Long-term financial investments	**373**			**224**		
Held to maturity	**373**			**224**		
Fixed-term deposits	–	–	–	30	n.d.	n.d.
Other long-term financial investments	373	n.d.	n.d.	194	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–

n.d.: not displayed

Investment opportunities remained scarce in the short-term area due to the still high level of market liquidity. At the long end, the advance associated with the redistribution of the CO_2 tax was reduced further.

Short-term financial investments were made primarily in the cantons and cities during the year under review.

The decline in *long-term financial investments* was attributable to the advance from the CO_2 tax on fuel which was capitalized the previous year. The corresponding advance of 170 million was charged to the 2013 redistribution and the advance was reduced further. Long-term financial investments also include the fund units from the SIFEM AG portfolio (193 mn), which in addition to these units also comprises loans and financial interests (see sections 42/15 and 42/16).

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

- In the year under review, the nominal value of *interest rate swaps* declined exclusively as a result of maturities. The nominal value of the net payer swap position (fixed interest payments and variable interest receipts) stands against a negative market value of 125 million. The market value is made up of the individual positions that have either positive or negative replacement values as of the reporting date.

Derivative financial instruments

CHF mn	Nominal value 2012	Nominal value 2013	Market value 2012	Market value 2013	Positive replacement value 2012	Positive replacement value 2013	Negative replacement value 2012	Negative replacement value 2013
Derivative financial instruments	**4 564**	**3 377**	**-298**	**-149**	**102**	**76**	**-399**	**-225**
Interest rate instruments	**1 450**	**1 050**	**-198**	**-125**	**5**	**2**	**-202**	**-128**
Interest rate swaps	1 450	1 050	-198	-125	5	2	-202	-128
Options	–	–	–	–	–	–	–	–
Foreign exchange products	**3 114**	**2 327**	**-100**	**-24**	**97**	**74**	**-197**	**-97**
Forwards	3 114	2 327	-100	-24	97	74	-197	-97
Options	–	–	–	–	–	–	–	–

- The *forward contracts* in EUR, USD, NOK and GBP have an underlying nominal value of CHF 2.3 billion. The negative market value of 24 million is derived from the valuation of the corresponding positions as of the reporting date. The market value of foreign currencies fell as a result of expiring interest rate swaps at nominal values. Euro and US dollar hedging is generally carried out for the corresponding budget year alone. Projects with a multi-year liability in a foreign currency are hedged for the entire duration as special transactions. The volume of forward contracts declined above all in the case of special transactions in USD and EUR (see “Hedges of future transactions” table).

Financial investments: categories and accounting

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

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

Hedges of future transactions (cash flow hedge)

2013 CHF mn	Nominal value Total	Maturities < 1 year	1 – 5 years	> 5 years
Hedges in EUR, USD, NOK and GBP	**2 327**	**1 480**	**834**	**13**
Special transactions	1 496	649	834	13
Budget	831	831	–	–

2012 CHF mn	Nominal value Total	Maturities < 1 year	1 – 5 years	> 5 years
Hedges in EUR, USD and GBP	**3 115**	**1 827**	**1 259**	**29**
Special transactions	2 356	1 068	1 259	29
Budget	759	759	–	–

12 Inventories

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Inventories	**313**	**336**	**23**	**7.3**
Inventories purchased	295	324	29	9.8
Inventories self-produced	18	12	-6	-33.3

The increase in the level of inventories was due primarily to the higher inventories of motor fuel and combustibles (+34 mn).

Inventories purchased essentially comprise the acquisition values of motor fuel (189 mn), combustibles (45 mn), medical supplies (38 mn), production material for circulation coins (12 mn) and biometric passports (11 mn), printed materials and publications (17 mn), and ethanol inventories (19 mn). Value adjustments amounting to 36 million were applied to inventories at risk as well as old and excessive inventories.

Under *inventories self-produced,* predominantly the production costs for partly finished and finished goods for identity documents (10 mn) and for national topography products (5 mn), as well as inventories of commemorative coins (2 mn) are capitalized. Value adjustments for inventories self-produced amounted to 6 million.

13 Prepaid expenses and accrued income

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Prepaid expenses and accrued income	**1 220**	**1 058**	**-162**	**-13.3**
Interest	32	26	-6	-18.8
Debt discount	238	207	-31	-13.0
Other prepaid expenses and accrued income	950	825	-125	-13.2

The level of prepaid expenses and accrued income declined by 162 million relative to the previous year. The reduction was due to the abolition of the stamp duty on debt capital in 2012, among other things.

Prepaid expenses and accrued income for *interest* declined by 6 million year-on-year, due to lower investment volumes against a backdrop of a still low interest rate environment.

The *debt discount* fell by 30 million as a result of the decline in the level of outstanding bonds relative to 2012 (-184 mn). A debt discount on bonds is capitalized during the year in which the bond is issued and then amortized on an accrual basis over the term. The total share of earlier discounts to be amortized (43 mn) was higher than the discount generated in 2013 (13 mn).

Most of the *other prepaid expenses and accrued income* relate to prepaid fees and charges for existing bonds (598 mn; -80 mn). Because of the abolition of the issue tax on debt capital, the total share of fees (including accrued stamp duty) to be amortized was 88 million higher than the coupon and security fees (8 mn) paid in 2013. Other prepaid expenses and accrued income also include accruals from forward exchange transactions (30 mn; -67 mn) and FINMA supervisory duties (32 mn; +16 mn), as well as various accruals in the ETH Domain (32 mn; +6 mn).

14 Tangible and intangible fixed assets

2013 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 1.1.2013	**92 176**	**3 496**	**32 818**	**55 862**	**462**
Additions	2 819	392	673	1 754	75
Disposals	-1 379	-156	-213	-1 010	-22
Revaluation	-1	-1	–	–	–
Reclassifications	3	–	–	3	-1
Balance at 31.12.2013	**93 618**	**3 731**	**33 278**	**56 609**	**514**
Accumulated depreciation					
Balance at 01.01.2013	**-40 194**	**-2 238**	**-18 846**	**-19 110**	**-226**
Ordinary depreciation	-2 220	-284	-505	-1 431	-107
Disposals	1 228	107	107	1 014	44
Impairments	-24	–	-14	-10	1
Revaluation	15	15	–	–	–
Reclassifications	–	–	–	–	1
Balance at 31.12.2013	**-41 195**	**-2 400**	**-19 258**	**-19 537**	**-287**
Carrying amount at 31.12.2013	**52 423**	**1 331**	**14 020**	**37 072**	**227**

2012 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 1.1.2012	**90 696**	**3 323**	**32 317**	**55 056**	**390**
Additions	3 024	357	804	1 863	94
Disposals	-1 533	-184	-306	-1 043	-38
Revaluation	3	–	3	–	–
Reclassifications	-14	–	–	-14	16
Balance at 31.12.2012	**92 176**	**3 496**	**32 818**	**55 862**	**462**
Accumulated depreciation					
Balance at 1.1.2012	**-39 264**	**-2 096**	**-18 449**	**-18 719**	**-169**
Ordinary depreciation	-2 281	-293	-565	-1 423	-66
Disposals	1 363	151	178	1 034	40
Impairments	-12	–	-10	-2	-31
Balance at 31.12.2012	**-40 194**	**-2 238**	**-18 846**	**-19 110**	**-226**
Carrying amount at 31.12.2012	**51 982**	**1 258**	**13 972**	**36 752**	**236**

The carrying amount of tangible and intangible fixed assets increased by 432 million. This was largely because the additions under motorways (+1.8 bn) as a result of ongoing investments in road network completion, development and maintenance work eligible for capitalization once again exceeded the annual depreciation of the existing network (-1.4 bn).

Movable property, plant and equipment

Approximately 70% of the assets held consists of technical equipment and machinery used for teaching and research purposes in the ETH Domain (943 mn). A significant proportion of additions likewise went to the ETH Domain (242 mn). As of the reporting date, assets under construction to the value of 297 million came under this account group (22.3%).

Immovable property, plant and equipment

A total of 4.9 billion of immovable property, plant and equipment is attributable to the military area and 9.1 billion to the civilian area. Immovable property, plant and equipment under construction as of the reporting date totaled 1.5 billion. Key individual construction projects under properties and buildings were:

- Thun military training area (56 mn)
- ETH LEE new building (49 mn)
- PSI SwissFEL OSFA (40 mn)
- Liebefeld new administrative building (35 mn)
- Othmarsingen Armed Forces logistics center (26 mn)

Properties and buildings with individual project investments of less than 10 million (aggregated under the main groups):

- Buildings of the ETH Domain (299 mn)
- Buildings of the Federal Office for Buildings and Logistics (177 mn)
- Assets of the Land Forces (160 mn)
- Assets of the Air Force (120 mn)
- Assets of the Armed Forces Command Support Organisation (106 mn)
- Assets of the Armed Forces Logistics Organisation (102 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)

Motorways

Motorways (37.1 bn) recognized include motorways in operation (22.9 bn), assets under construction (9.9 bn), and land (4.2 bn). *Additions* under motorways related primarily to:

- Road network completion (0.7 bn), including the following key projects: A5 Biel bypass; A5 Serrières bypass; A9 Visp and Leuk–Steg/Gampel bypass; A16 national border Porrentruy–France; A16 Delémont–border JU/BE; A16 Roches–Court; A16 Court–Tavannes; A28 Prättigauer Strasse.

- Development and maintenance work eligible for capitalization (1.0 bn): just over half of investment expenditure was invested in the following redevelopment and maintenance projects: A9 Vennes–Bex and Gland–Etoy; A5 Colombier–Cornaux; A9 Sion and Simplon Pass; A1 Bern city expressway; A2 Luzern ringroad; A1 Härkingen–Wiggertal; A2 Belchen Tunnel; A1 Lenzburg–Birrfeld; A1 Limmattaler Kreuz/Schlieren/Milchbuck Tunnel; A4 Galgenbuck Tunnel; A4 Mosi Tunnel; A3 and A13 Sarganserland; A13 Roveredo bypass; A2 Melide–Gentilino.

Motorways to the value of 9.9 billion were under construction (26.8%). The following major motorway segments went into operation during the year under review:

- Bern city expressway (397 mn)
- Complete upgrade of Luzern ringroad (324 mn)
- Ohringen–border ZH/TG (246 mn)
- Sarganserland (228 mn)
- Transjurane Roches–Court–Moutier (209 mn)

Intangible fixed assets

The largest *additions* are to be found in assets under construction. They concerned development costs for IT applications relating to Schengen/Dublin implementation (5 mn), motorway construction (14 mn) and development costs for various Customs Administration applications: “data warehouse” (4 mn), “customs client administration” (4 mn), “customs controls” (3 mn), “customs investigation” (3 mn) and “management support and duty planning system” (3 mn). The largest *additions* in the case of software were attributable to motorway construction applications (8 mn).

Disposals in assets under construction include the scrapping of the processing system in the FDJP’s Post and Telecommunications Surveillance Service due to a project restart (8 mn). Moreover, costs not eligible for capitalization were capitalized in assets under construction within the scope of the second-generation Schengen Information System (SIS II). With the launch of the application, these costs were written down as an asset loss (8 mn).

The items under *depreciation* concerned ordinary depreciation of 107 million in accordance with the useful life of the various assets.

Definition of fixed assets

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

15 Loans

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Balance at 1.1.	**10 472**	**9 621**	**-851**	**-8.1**
Additions	1 407	2 458	1 051	74.7
Disposals	-1 542	-1 271	271	-17.6
Other transactions	-716	-1 443	-727	101.5
Balance at 31.12.	**9 621**	**9 365**	**-256**	**-2.7**
Loans held for the accomplishment of tasks	3 400	3 293	-107	-3.1
Loans held to maturity	6 221	6 072	-149	-2.4

The loan portfolio declined by 256 million. The unemployment insurance (ALV) loan was reduced by 800 million net because of the lower rate of unemployment.

Additions amounted to a total of 2,458 million, and were attributable primarily to the following: an increase in loans to the SBB and other licensed transportation companies amounting to 2,102 million for financing infrastructure and rolling stock, an increase of 200 million in loans for unemployment insurance, an increase in loans to the cantons in the form of investment credits and operating aid in the area of agriculture amounting to 52 million, and newly granted loans of 78 million in the area of regional development.

Disposals amounted to 1,271 million and consisted essentially of the following: partial repayment of unemployment insurance loans (1,000 mn), repayments of regional policy loans (91 mn), partial repayment of basic price-reduction advances on leased property and loans to cooperative residential associations (68 mn), and repayments of loans to licensed transportation companies (68 mn).

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

Valuation of loans

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

Main loan items

	2012			2013		
CHF mn	Acquisition value	Value adjustment	Carrying amount	Acquisition value	Value adjustment	Carrying amount
Loans	**35 581**	**-25 960**	**9 621**	**36 782**	**-27 417**	**9 365**
Unemployment insurance (ALV)	5 000	–	5 000	4 200	–	4 200
SBB AG	16 759	-15 818	941	18 605	-17 019	1 586
Loans to cantons in the form of investment credits and operating aid	2 576	-2 576	–	2 628	-2 628	–
Misc. licensed transportation companies	2 340	-1 970	370	2 494	-2 148	346
Non-profit residential construction	1 747	-228	1 519	1 688	-207	1 481
Swissair	1 169	-1 169	–	1 169	-1 169	–
Rhaetian Railway	1 125	-978	147	1 192	-1 046	146
Regional development	859	-151	708	839	-157	682
BLS Netz AG	2 630	-2 630	–	2 615	-2 615	–
Loans to FIPOI	409	-158	251	395	-150	245
EUROFIMA	330	–	330	330	–	330
BLS AG	274	-213	61	268	-213	55
Hotel renovation	135	-29	106	146	-28	118
Other loans	228	-40	188	213	-37	176

16 Financial interests

	2012	2013				
		Significant	Other financial		Deviation vs. 2012	
CHF mn	Total	interests	interests	Total	Absolute	%
Balance at 1.1.	**18 674**	**19 951**	**19**	**19 970**	**1 296**	**6.9**
Additions	70	–	25	25	-45	-64.3
Disposals	-22	-228	-13	-241	-219	995.5
Dividends and profit distribution received	-867	-854	–	-854	13	-1.5
Increase in equity value	2 228	1 457	–	1 457	-771	-34.6
Decrease in equity value	–	-284	–	-284	-284	n.d.
Other value changes	-113	–	-10	-10	103	-91.2
Balance at 31.12	**19 970**	**20 042**	**21**	**20 063**	**93**	**0.5**

n.d.: not displayed

The value of financial interests increased only marginally. While the dividends and profit distributions received (853 mn) and the sale of Swisscom shares (228 mn) had a negative impact, the equity value posted a net increase of a more or less similar magnitude (1,154 mn).

Six *significant interests* are disclosed in the federal consolidated financial statements: Swiss Post, SBB, Swisscom, RUAG, BLS Netz AG and Skyguide. SIFEM AG is fully consolidated, unlike in the state financial statements.

The change in the equity value of *significant interests* was driven on the one hand by the positive results of the four largest financial interests (Swiss Post, SBB, Swisscom, RUAG; 3,202 mn combined); on the other, however, it was diminished by 2,229 million as a result of Swiss Post movements recognized directly in net assets/equity. This was based on changes to the methodology for booking employee retirement benefits following accounting standard adjustments (IAS 19). Swisscom posted an adjustment to its net assets/equity for the same reason. However, by abandoning the so-called corridor method, it had already made the significant changes in terms of amount introduced by the amendment of IAS 19. The remaining changes had a positive impact on net assets/equity (268 mn). The flows to the Confederation in the form of dividends or profit distributions (853 mn) have to be deducted from the change in equity value. The sale of Swisscom shares also had a negative impact on the carrying amount (228 mn). The sale resulted in an unrealized gain of 1,019 million (shown in financial revenue).

Additions to *other financial interests* concerned primarily existing financial interests in development banks which were increased: International Bank for Reconstruction and Development (12 mn), African Development Bank (6 mn), Inter-American and Asian Development Banks (1 mn each), and International Finance Corporation (2 mn). Moreover, the financial interest in “Société pour le Quartier de l’innovation” at the Swiss Federal Institute of Technology in Lausanne (EPFL) was increased by 2 million.

Other financial interests are generally 100% value adjusted, which is why additions and disposals simultaneously produce a change in accumulated value adjustments (shown under other value changes). The addition to the financial interest in “Société pour le Quartier de l’innovation” at the Swiss Federal Institute of Technology in Lausanne was not value adjusted in the year under review.

Distinction between significant interests and other financial interests

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

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

Significant interests and other group companies at 31.12.2013

CHF mn	Financial interest in %	Share capital	Consolidation/ valuation method	Acquisition value	Equity value/ carrying amount
Significant interests and other group companies				**12 186**	**20 063**
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 Metrology	n.d.	n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Intellectual Property	n.d.	n.d.	Full consolidation	n.d.	n.d.
Federal Audit Oversight Authority	n.d.	n.d.	Full consolidation	n.d.	n.d.
Swiss Export Risk Insurance	n.d.	n.d.	Full consolidation	n.d.	n.d.
Swiss National Museum (SNM)	n.d.	n.d.	Full consolidation	n.d.	n.d.
Controlled entities with share capital				**11 162**	**20 042**
Swiss Post	100.0	1 300	Equity	1 300	4 966
SBB	100.0	9 000	Equity	9 000	10 920
Swisscom	51.2	52	Equity	29	2 656
Ruag	100.0	340	Equity	340	822
BLS Netz AG	50.1	388	Equity	336	339
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	339
Swissmedic	65.5	15	Full consolidation	n.d.	n.d.
Hotel Bellevue-Palace Immobilien AG	99.7	6	AV less value adj.	6	–
Matterhorn Gotthard Infrastruktur AG	76.7	15	AV less value adj.	11	–
Other material financial interests				**1 024**	**21**
Council of Europe Development Bank	1.6	EUR 370	AV less value adj.	16	–
International Bank for Reconstruction and Development	1.7	USD 12 418	AV less value adj.	281	–
African Development Bank	2.5	USD 3 023	AV less value adj.	82	–
International Finance Corporation	1.8	USD 2 369	AV less value adj.	56	–
Asian Development Bank	0.6	USD 8 150	AV less value adj.	35	–
Inter-American Development Bank	0.5	USD 4 339	AV less value adj.	31	–
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	2.8	EUR 6 197	AV less value adj.	227	–
Rhaetian Railway	43.1	CHF 58	AV less value adj.	25	–
Zentralbahn	16.1	CHF 120	AV less value adj.	19	–
BLS AG	21.7	CHF 79	AV less value adj.	17	–
Other financial interests	n.d.	CHF n.d.	AV less value adj.	211	21

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	2012	2013	Deviation vs. 2012 Absolute	%
Current liabilities	**13 943**	**14 339**	**396**	**2.8**
Current accounts	9 986	3 929	-6 057	-60.7
Trade payables	1 667	1 440	-227	-13.6
Tax and customs liabilities	–	6 369	6 369	n.d.
Foundations under management	75	62	-13	-17.3
Restricted funds from third-party payments	948	981	33	3.5
Other current liabilities	1 267	1 558	291	23.0

n.d.: not displayed

Current liabilities amounted to 14.3 billion, with 6.4 billion of this related to tax and customs liabilities. The funds acquired competitively within the scope of research projects that have yet to be used amounted to 981 million.

Current accounts declined by 6.1 billion. This was essentially due to tax and customs liabilities being shown separately for the first time. The 3.9 billion carrying amount for current accounts consists primarily of the following items:

- Cantons' current accounts amounting to 2,344 million (+194 mn): the increase was attributable to the higher horizontal resource equalization payments. The Confederation collects the contributions of the financially strong cantons to resource equalization, 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 2014. The liabilities stand against fiscal equalization and military service exemption tax credit balances amounting to 732 million.

- Current account of the Swiss National Science Foundation amounting to 528 million (+155 mn).

- Investment accounts of international organizations amounting to 534 million (-382 mn): the change concerns mainly the closure of the CERN pension fund account of 407 million.

- Current account of PUBLICA for loans to cooperative residential associations managed on a fiduciary basis amounting to 174 million (-3 mn).

Trade payables consist of outstanding supplier invoices which will not be settled until 2014. The 227 million decline in liabilities was largely attributable to two factors. On the one hand, two special items boosted liabilities by 168 million in 2012. On the other, the SUVA statement of installments for 2014 was accounted for on an accrual basis, thereby reducing liabilities by 38 million.

Tax and customs liabilities were previously contained in current accounts. The balance comprises the following:

- Credit balances of taxable persons and entities from value added tax amounting to 2,075 million (+53 mn): the increase was attributable to the fact that the statements of receivables of taxable persons and entities are increasingly submitted prior to the year-end.

- AHV portion of the value added tax share amounting to 576 million (+56 mn).

- IV portion of the value added tax share amounting to 275 million (+27 mn).

- Credit balances of taxable persons and entities from withholding tax and stamp duty amounted to 2,909 million (+300 mn). Of this, 207 million was attributable to cases concerning dividend stripping, which was not initially paid until a ruling in this respect is issued by the Federal Supreme Court. In addition, applications for refunds totaling 318 million from possible cases of dividend stripping are currently in the clarification stage. Both cases may result in additional revenue from withholding tax if such reimbursement is not deemed to be justified. Dividend stripping is the process whereby a foreign shareholder sells stock in a listed Swiss company to a financial institution shortly before the dividend is due to be paid; unlike the foreign shareholder, the financial institution can claim the full refund of withholding tax on the dividend. Shortly after the dividend is paid, the stock is sold back to the original owner. As a result of this transaction, the full dividend is forwarded and the seller receives a fee. In practice, such cases are organized with increasingly complicated derivatives or other structures. The FTA regards such processes as a combination of a legal loophole on disposal when a dividend is due, i.e. a tax avoidance scheme, and an abuse of a double taxation agreement.

- Cantons' share of withholding tax amounting to 534 million (+92 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 current liabilities essentially consist of deposit accounts amounting to 1,198 million (+292 mn) as well as cash deposits of 270 million (-17 mn). Deposit accounts include primarily the nuclear damage fund (468 mn) as well as foreign currency bank accounts which are in the name of the Confederation but are not available to it (309 mn).

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

18 Financial liabilities

	2012			2013		
CHF mn	Carrying amount	Market value	Ø interest %	Carrying amount	Market value	Ø interest %
Short-term financial liabilities	**16 465**	**n.d.**	**n.d.**	**15 589**	**n.d.**	**n.d.**
Money market	13 006	13 006	0.19	12 376	12 376	0.19
Savings bank for federal employees	3 030	n.d.	0.46	2 955	n.d.	0.42
Negative replacement values	399	n.d.	n.d.	225	n.d.	n.d.
Other short-term financial liabilities	30	n.d.	n.d.	33	n.d.	n.d.
Long-term financial liabilities	**79 489**	**n.d.**	**n.d.**	**79 297**	**n.d.**	**n.d.**
Federal government companies	50	n.d.	n.d.	50	n.d.	n.d.
Bonds	79 290	95 714	n.d.	79 105	89 995	n.d.
Other long-term financial liabilities	149	n.d.	n.d.	142	n.d.	n.d.

n.d.: not displayed

Short-term financial liabilities declined by 0.9 billion, while long-term financial liabilities fell by 0.2 billion. Overall, financial liabilities fell by some 1.1 billion.

Money market debt register claims declined by 0.6 billion and outstanding *bonds* by 0.2 billion. As a result of the slight increase in capital market interest rates, market values fell considerably more than nominal values.

The *negative replacement values* relate to derivative financial instruments. These fell primarily because of maturing foreign currency forward contracts for special transactions. *Other long-term financial liabilities* include in particular the financial lease for the Federal Administrative Court building in St. Gallen (87 mn).

When issuing federal bonds, the Confederation can reserve so-called “free proprietary quotas”. These can then be placed on the market at a later date, in keeping with the market situation. From this point onward, the Confederation’s debt increases. The free proprietary quota amounted to 4,092 million.

Recognition of financial liabilities

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

Maturity structure of short-term money market claims and bonds

2013 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	4 268	5 639	2 469	–	–	12 376
Long term: bonds	4 608	–	1 691	26 286	46 520	79 105

2012 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	3 694	7 255	2 057	–	–	13 006
Long term: bonds	–	6 900	–	25 520	46 870	79 290

19 Accrued expenses and deferred income

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Accrued expenses and deferred income	**5 461**	**5 770**	**309**	**5.7**
Interest	1 841	1 659	-182	-9.9
Premium	2 603	2 763	160	6.1
Other accrued expenses and deferred income	1 017	1 348	331	32.5

The level of accrued expenses and deferred income increased to 5.8 billion (+309 mn), with the individual positions moving in opposite directions.

Accrued expenses and deferred income for *interest* declined by 182 million year-on-year as a result of lower bond holdings and the lower interest rate environment.

Although the level of outstanding bonds declined by 184 million, the *premium* position rose by 160 million year-on-year. This was attributable to the fact that the premium of 482 million generated in 2013 was higher than the share of 322 million to be amortized. Premiums are carried as deferred income and amortized over the term to maturity.

The increase in *other accrued expenses and deferred income* was largely attributable to the increase of 359 million in accruals in the area of withholding tax (783 mn). There was a rise in both the number of applications and size of withholding tax refund claims submitted in the first ten calendar days of the following year, and liabilities determined according to individual analyses of large tax clients were also higher.

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

- Subsidies for regional passenger transportation for the 2014 timetable period amounting to 47 million (unchanged)
- Direct payments, dairy industry and sales promotion amounting to 39 million (-9 mn)
- Motorway construction and maintenance as well as Switzerland's contribution to the Global Navigation Satellite System (GNSS) amounting to 223 million (+111 mn)
- Receipts received in advance from meat quota auctions for 2014 amounting to 75 million (+4 mn)
- Accrued expenses for the specific tenant fitout of ETH Zurich amounting to 10 million (-10 mn.)
- The accrual for individual disability insurance measures amounting to 139 million was released (-139 mn)

20 Provisions

2013 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**13 576**	**8 700**	**1 434**	**2 020**	**1 422**
Creation (incl. increase)	1 882	500	746	81	555
Reversal	-85	–	–	–	-85
Appropriation	-112	–	-102	-6	-4
Balance at 31.12.	**15 261**	**9 200**	**2 078**	**2 095**	**1 888**
of which short term	387	–	–	–	387

2012 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**13 203**	**8 200**	**1 510**	**2 077**	**1 416**
Creation (incl. increase)	656	500	35	62	59
Reversal	-159	–	–	-111	-48
Appropriation	-124	–	-111	-8	-5
Balance at 31.12.	**13 576**	**8 700**	**1 434**	**2 020**	**1 422**
of which short term	373	–	–	–	373

Provisions rose by 1.7 billion relative to the previous year. The biggest changes concerned withholding tax (+0.5 bn), military insurance (+0.6 bn) and the disposal of radioactive waste (+0.4 bn).

Withholding tax

Coming in at 22.5 billion, gross receipts on the basis of tax returns were 0.5 billion higher than in 2012. This increase is fully offset by the 0.5 billion rise in installment refunds to domestic companies. A key factor in the increase of the provisioning requirement was the level of same-year refunds to claimants based abroad (2.8 bn), which was low by long-term historical standards. It can therefore be assumed that the refund claims for the period under review will rise. Overall, there was a 500 million increase in the provisioning requirement.

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. In accordance with the applicable measurement basis, a percentage is deducted from gross receipts recorded, representing what has been paid out as refunds or recorded as accrued expenses in the year under review. An empirical value representing the residual share of net income due to the Confederation is also deducted. The balance is the level of provision required to match the share of receipts likely to be claimed as refunds in subsequent years. Based on the information currently available, it is possible to determine only the refunds from receipts outstanding in the current year. Amounts payable from receipts in previous years are not reflected in the level of provision calculated.

Military insurance

Up to now, the provision contained only pension liabilities in the form of actuarial reserves. Because of the declining number of pension claimants, this provisioning requirement decreased by 63 million compared with the previous year. Overall, pension payments amounted to 102 million, while the provision was increased by 39 million primarily as a result of pension cases. In addition, provisions were created in the year under review for the following components which had not been recognized previously:

- Disability and survivors' benefits yet to be determined (167 mn). This reserve is planned for disability and survivors' benefits payable as a result of insured damage to health which occurred prior to the reporting date but which will not be quantified until after the reporting date – and in some cases many years thereafter.

- Safety margin to cover longevity risk and other unforeseeable events (62 mn).

- Treatment costs, cost reimbursements for aids, transportation, rescue and recovery costs, daily benefit costs (479 mn).

Suva operates the military insurance scheme 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.). Similarly, the future costs of any treatment, daily benefits and other cash benefits as a result of damage to health are calculated on the basis of actuarial methods. The amount of the provision is recalculated on an annual basis.

Coins in circulation

A provision is made for coins in circulation. The calculation model for this provision was subjected to a review in 2013. Based on eurozone empirical values, this review suggests a loss rate of 35% should be anticipated, as not all coins are delivered to the SNB, even after several years have passed. As a result, the provision level here was subject to a reversal of 111 million. The amount of the provision corresponds to 65% of the nominal value of newly minted coins supplied to the SNB (81 mn). Coins to the value of 6 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; 311 million

Staff vacation entitlement and overtime again posted a slight year-on-year decline (-3 mn). The average entitlement per employee decreased further to just over two weeks. This is in line with private sector employers of equivalent size.

Radioactive waste; 362 million

The provision is comprised of the following:

- For the first time, a provision was formed for probable costs associated with the interim and final storage of radioactive industrial waste generated by accelerator and nuclear facilities up to the end of 1999 (341 mn). The accelerator and nuclear facilities are operated by the Paul Scherrer Institute (PSI). The calculation model is based on the official 2011 Cost Study, as well as on data from the PSI and the Federal Office of Public Health (FOPH) on the amount of waste accumulated. It is based on the assumption that the disposal costs for the industrial waste accumulated after the legal spin-off of the ETH Domain in the year 2000 will be financed by the ETH Domain. A Federal Council decree on the financing of the waste disposal costs in question is planned for 2014. The anticipated costs were calculated at current prices. It was decided not to factor in the rate of inflation and discount the provision, as this would not produce a more meaningful result. Both the rate of inflation and the probable cash outflow depend largely on the date of final storage.

- The Confederation is responsible for disposing of radioactive waste from medicine, industry and research (MIR waste) (Art. 33 para. 1 of the Nuclear Energy Act of March 21, 2003; SR *732.1*). The radioactive waste is generally collected annually under the management of the Federal Office of Public Health (FOPH). The Paul Scherrer Institute functions as the federal collection center responsible for the conditioning and interim storage of radioactive waste. The provision for radioactive waste is intended to cover the probable costs of interim storage and the subsequent costs of final storage. Based on the official 2011 Cost Study and data from the PSI and FOPH on the quantities of waste, the provision was reduced from 53 million to 21 million.

Pensions for members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor; 300 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 provisioning requirement was recalculated in the year under review. The actuarial reserve calculated using actuarial principles now amounts to 300 million (+25 mn).

Federal civilian buildings; 255 million

The provisions relate mainly to the dismantling process and the costs incurred when nuclear facilities are decommissioned, as well as to the interim and final storage of radioactively contaminated construction materials from the dismantling process (204 mn). The nuclear facilities are operated by the PSI but are the property of the Confederation. Within the framework of the reassessment of the costs incurred for disposing of radioactive waste, this provision had to be increased considerably (+133 mn). As with the provision for the disposal of industrial waste from accelerator and nuclear facilities, here too neither inflation nor discounting was applied for the same reasons. 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. Overall, 8 million is recognized as a short-term provision.

Federal military buildings; 193 million

Provisions for structural alterations prescribed by law in relation to contaminated site clean-up, drainage, seismic safety and reinstatement costs. Based on a reassessment, it was possible to reduce the provision by 34 million during the year under review. The largest components relate to compliance with statutory requirements (125 mn), reinstatement costs (45 mn) and environmental costs (18 mn). Possible implementation period: 2014 to 2024.

Provisions for outstanding claims; 150 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 2013, the provisions were increased by 1 million to 150 million.

Unearned insurance premiums; 116 million
The provision for unearned insurance premiums covers Swiss Export Risk Insurance (SERV) premiums which were received in the year under review and in previous years but are earned only during the period of coverage. For premium revenue recognition purposes, 20% of premiums is immediately recognized as revenue for administration in the current fiscal year. The remaining 80% is recognized as revenue based on the spread of risk over the contractual terms applying to individual transactions. In the event of a claim, any unutilized portion of the premium is realized immediately. The reserves remained unchanged in 2013.

Dismantling of accelerator facility; 70 million
The Paul Scherrer Institute operates the Federal Interim Storage Facility for the interim storage of radioactive waste from the operation and dismantling of nuclear facilities and from medicine, industry and research. Accelerator waste produced when replacing individual components 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.

Defense social plan costs; 20 million
The provision for early retirements expected in the next few years decreased by 1 million as a result of social plan payouts (shown under appropriation). Conversely, a new provision of the same amount was created.

EUROCONTROL pension fund; 17 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 5 million in the provision (reported under creation).

21 Other liabilities

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Other liabilities	**1 276**	**1 422**	**146**	**11.4**
Liabilities toward restricted funds in liabilities	1 276	1 422	146	11.4

Restricted funds in liabilities were up by 146 million. The biggest changes concerned the CO2 tax (+87 mn). Funds were transferred from net assets/equity to liabilities because of reassessments. This affected various special funds (69 mn) as well as the special financing for federal war transportation insurance (55 mn).

Special financing

The increase in special financing was attributable to somewhat opposing developments. The most significant components and changes concerned the following special financing in liabilities.

VOC and "extra-light" heating oil incentive fees (265 mn): restricted receipts (130 mn) were slightly higher than redistributions (124 mn), which led to a net deposit in the fund (+6 mn). VOC and "extra-light" heating oil incentive fees are levied on volatile organic compounds (Ordinance of November 12, 1997 on the Incentive Tax on Volatile Organic Compounds; OVOC; SR *814.018*). The "extra-light" heating oil incentive fee is levied on heating oil that contains sulphur (Ordinance of November 12, 1997 on the Incentive Tax on "Extra-Light" Heating Oil with a Sulphur Content of More than 0.1 Percent; ELHOO; SR *814.019*). The fees are redistributed to the public with a two-year time lag.

CO2 tax on fuel (56 mn and 25 mn): because of the negative opening balances of the "redistribution" fund and the "building program" fund, lower expenditure was budgeted accordingly in the year under review (252 mn and 139 mn). At the same time, however, 2013 receipts turned out to be higher than planned (428 mn and 214 mn), which is why the net deposits in the building program (176 mn) and redistribution (75 mn) funds more than offset the negative opening balances. The CO2 tax on fuel is an incentive fee on fossil fuels (Federal Act of October 8, 1999 on the Reduction of CO2 Emissions, SR *641.71*; CO2 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 CO2 emissions from buildings (building renovation and promotion of renewable energy use in buildings). The remaining restricted receipts are redistributed to households and companies. In the interests of transparency, two separate restricted funds are maintained. The financing for redistribution and the building program is provided within the fiscal year and is thus based on estimated annual receipts.

Casino tax (637 mn): compared with 2011 (the relevant year for expenditure), receipts (308 mn) in the fiscal year were 68 million lower (increased competition from foreign casinos and online gambling). The corresponding expenditure surplus (-68 mn) led to a withdrawal from the fund. 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.

Contaminated site fund (144 mn): it was not possible to use the funds as planned in previous years due to ongoing investigations regarding the assessment of the economic efficiency, the technology status and the environmental impact of the dismantling and disposal measures for the remediation of the former hazardous waste facility in Kölliken. Consequently, more funds were used during the year under review, which resulted in a net withdrawal of 25 million from the fund. The 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 ringfencing of revenue for contributions to the investigation, monitoring and remediation of landfill sites.

The funds of the *health insurance* fund (Federal Act of March 18, 1994 on Health Insurance; SR *832.10*) are paid out during the year of collection. Contributions to the cantons are based on the gross costs of mandatory health insurance. The fund is financed via value added tax.

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

The restricted fund for *federal war transportation insurance (55 mn)* was transferred from net assets/equity to liabilities during the year under review. A reassessment showed that it is not possible to influence how and when the funds are used, which means recognition in liabilities is indicated in accordance with Article 62 of the FBO.

Special funds

All special funds underwent a comprehensive review during the year. The aim of this review was first to identify all funds and their assets and second to reassess the allocation to liabilities and net assets/equity based on the criteria set out in Article 61 para. 2 of the FBO (how and when funds are to be used). As a result of the review, special funds worth a total of 69 million were transferred from net assets/equity to liabilities. The largest items concerned the *Swiss landscape fund* (24 mn) and the *support fund for federal personnel (28 mn).*

*Family compensation fund: f*und assets (including the fluctuation reserve) rose to 95 million in the year under review. Federal family allowances are financed through the 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.

The *Swiss landscape fund* (federal decree of May 3, 1991 on financial aid for conservation and maintenance) helps to preserve, and where appropriate restore, historical cultural landscapes with their traditional forms of farming, cultural assets and natural landscapes. Fund assets amounted to 24 million.

The *support fund for federal personnel* supports people in need financially if they cannot claim any statutory or contractual benefits, or if these are insufficient (Ordinance on the Support Fund for Federal Personnel; FPersSFO; SR *172.222.023*). The fund's balance amounted to 30 million.

Special financing and special funds

Other liabilities consist of special financing and special funds in accordance with Articles 52 and 53 of the Financial Budget Act (FBA). Depending on their nature, they are attributed to liabilities or net assets/equity. Insofar as the law expressly provides for flexibility in their use or the time at which they may be used, they are allocated to restricted funds in net assets/equity, and to liabilities in all other cases.

- *Special financing: receipts and expenditure are recognized in the statement of financial performance and the statement of investments.* If restricted receipts exceed the equivalent expenditure in the reporting period, the difference is credited to the fund, and vice versa if expenditure exceeds receipts. Restricted funds in liabilities are recognized in the statement of financial performance (net expense for or net revenue from restricted funds in liabilities). Any changes in restricted funds in net assets/equity, in contrast, 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* normally fall under net assets/equity (see section 34). Special fund receipts and expenditure are recognized in balance sheet accounts rather than in the statement of financial performance.

43 Further explanations

1 Segment reporting

2013 CHF mn	Social welfare	Finances and taxes	Transportation	Education & research	National defense	Agriculture & food	International relations - international cooperation	Other task areas	Total
Result from operating activities									**1 171**
Operating revenue	**239**	**61 248**	**91**	**766**	**254**	**241**	**17**	**1 337**	**64 193**
Operating expenses	**21 595**	**7 989**	**7 735**	**7 799**	**4 680**	**3 647**	**3 271**	**6 306**	**63 022**
Personnel expenses	318	119	186	2 161	1 618	89	630	2 680	7 801
Other operating expenses	178	478	533	1 177	2 690	32	162	1 638	6 888
Depreciation	15	7	1 418	407	218	6	1	278	2 350
Transfer expenses	21 084	7 385	5 598	4 054	154	3 520	2 478	1 710	45 983
Investments	**3**	**6**	**1 746**	**445**	**386**	**3**	**1**	**304**	**2 894**
In tangible fixed assets	–	3	1 723	445	386	2	–	260	2 819
In intangible fixed assets	3	3	23	–	–	1	1	44	75

2012 CHF mn	Social welfare	Finances and taxes	Transportation	Education & research	National defense	Agriculture & food	International relations - international cooperation	Other task areas	Total
Result from operating activities									**2 848**
Operating revenue	**249**	**59 175**	**73**	**724**	**235**	**245**	**20**	**2 057**	**62 778**
Operating expenses	**20 567**	**7 608**	**7 708**	**6 943**	**4 375**	**3 664**	**2 911**	**6 154**	**59 930**
Personnel expenses	302	111	178	2 097	1 414	90	552	2 533	7 277
Other operating expenses	147	289	533	682	2 625	32	152	1 387	5 847
Depreciation	9	4	1 402	395	227	6	1	346	2 390
Transfer expenses	20 109	7 204	5 595	3 769	109	3 536	2 206	1 888	44 416
Investments	**5**	**7**	**1 858**	**375**	**372**	**5**	**2**	**494**	**3 118**
In tangible fixed assets	1	4	1 832	374	372	4	–	437	3 024
In intangible fixed assets	4	3	26	1	–	1	2	57	94

Revenue, expenses and investments within the task areas remained relatively stable compared with the previous year. The largest percentage increase in operating expenses was recorded in the "Education and research" task area, as a result of the formation of provisions for the interim and final storage of radioactive industrial waste.

Social welfare

At 21.1 billion, *transfer expenses* in the largest task area were approximately 1 billion above the previous year's level. The biggest rise was due to the increase in the provision for military insurance (+644 mn). Further information on this can be found in section 42/20. Expenses for old-age and survivors' insurance were up by 282 million as a result of demographic developments and pension increases, while those for disability insurance and health insurance rose by 52 million and 28 million, respectively. In the last two groups, the growth of 1.1% and 1.3% was below the long-term average. The Confederation spent 23 million more on AHV supplementary benefits in 2013 than in the previous year. Migration expenses and those for unemployment insurance and employment centers posted year-on-year increases of 14 million and 21 million, respectively.

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. The 2.1 billion increase in *operating revenue* was largely attributable to the growth of 2,043 million in tax revenue. In the case of transfer expenses, primarily the cantons' share of federal receipts (+54 mn) and fiscal equalization expenses (+76 mn) were higher.

Transportation

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

Education and research

Operating expenses increased by 0.9 billion compared with the previous year. In terms of *other operating expenses,* the biggest increase concerned the formation of provisions for probable costs associated with the interim and final storage of radioactive industrial waste from accelerator and nuclear facilities (341 mn). Regarding *transfer expenses,* there was a rise primarily in contributions to universities and universities of applied sciences (+41 mn), theoretical research expenses (+72 mn) and applied research contributions (+75 mn). Operating revenue came from third-party funds that were assigned to the ETH Domain. Personnel expenses likewise largely related to the ETH Domain.

National defense

The rise in *personnel expenses* for national defense was due to the creation of an insurance solution for financing the early retirement of career military officers (one-time payment of approximately 155 mn to PUBLICA and increased savings contributions of 10 mn) as well as the creation or reoccupation of about 220 positions (+35 mn). Moreover, *other operating expenses* rose by 65 million, partly as a result of the replacement of a business jet.

Agriculture and food

Direct payments, which showed only a slight year-on-year decline (-10 mn in *transfer expenses*), accounted for just over three-quarters of expenses. The other areas likewise experienced only minimal changes compared with 2012.

International relations – international cooperation

The strong growth in expenditure on international relations reflects parliament's decision to increase the ratio of official development assistance (ODA) to 0.5% of gross national income by 2015. Accordingly, in *transfer expenses,* development assistance expenses increased by 185 million. In addition, the higher contribution to EU enlargement (+58 mn) was quite significant. The one-time payment to PUBLICA as part of the creation of an insurance solution for financing early retirement for certain categories of staff in the FDFA (+49 mn) resulted in an increase in *personnel expenses.*

Other task areas

The decline in *operating revenue* was largely attributable to the one-time revenue of 738 million received in 2012 from the new allocation of mobile radio frequencies.

Segment reporting: differences relative to the state financial statements

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

2 Debt (gross and net debt)

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Gross debt	**109 897**	**109 225**	**-672**	**-0.6**
Current liabilities	13 943	14 339	396	2.8
Short-term financial liabilities	16 465	15 589	-876	-5.3
Long-term financial liabilities	79 489	79 297	-192	-0.2
Net debt	**84 661**	**81 935**	**-2 726**	**-3.2**
Gross debt	109 897	109 225	-672	-0.6
Deductions	*25 236*	*27 290*	*2 054*	*8.1*
Cash and cash equivalents	9 891	12 051	2 160	21.8
Receivables	7 086	7 257	171	2.4
Short-term financial investments	1 665	1 686	21	1.3
Long-term financial investments	373	224	-149	-39.9
Loans held to maturity	6 221	6 072	-149	-2.4

Gross debt was lowered by 0.7 billion to 109.2 billion. Net debt was reduced by 2.7 billion. The different reduction levels can be explained by the increase in liquidity which was needed to redeem a 4.6 billion bond issue maturing at the start of 2014.

Gross debt
The various components of debt moved in different directions:

- In the case of *current liabilities,* the 0.4 billion increase was largely due to deposit accounts and therefore cannot be influenced by the Confederation.
- Regarding *financial liabilities,* it was possible for both bonds (-0.2 bn; long term) and money market debt register claims (-0.6 bn; short term) to be reduced. Money market debt register claims continued to be issued above par – in other words, with a negative interest rate.

Net debt
Net debt declined by 2.7 billion to 81.9 billion. Aside from the reduction in gross debt (-0.7 bn), there was an increase in *deducted elements* (+2.1 bn):

- Cash and cash equivalents posted the biggest increase, as further liquidity of 2.2 billion was built up to redeem a 4.6 billion bond maturing at the start of 2014.
- In the case of *loans held to maturity,* the main changes related to the partial repayment of unemployment insurance loans (-800 mn) and the increase in market-rate loans to the SBB (+650 mn).

3 Contingent liabilities

The funding deficit for "Employee retirement benefits and other employee benefits" (based on IPSAS 25) fell by 1.2 billion to 6.8 billion. This was primarily due to the positive investment performance of plan assets. Further contingent liabilities grew by 755 million to 20.2 billion. The largest increase was in sureties in favor of licensed transportation companies.

Employee retirement benefits and other employee benefits

A comparison of total employee retirement benefits and the fair value of plan assets showed a funding deficit, or net employee retirement benefits, of 6.8 billion as of December 31, 2013. Comparing only funded retirement benefits against the fair value of plan assets, the funding deficit based on IPSAS 25 was 6.3 billion.

The PUBLICA pension fund accounted for 36.7 billion of *employee retirement benefits* (funded retirement benefits) and other long-term employee benefits for 0.5 billion (unfunded retirement benefits). Overall, the present value of employee retirement benefits fell slightly, going from 37.3 billion to 37.2 billion during the 2013 business year.

Plan assets are measured at fair value. They rose from 29.3 billion to 30.5 billion.

Development of employee retirement benefits

The 1,205 million *change in liabilities* consists of the net retirement benefit cost, actuarial gains and losses to be recognized immediately, and employer contributions (see "Development of liabilities" table).

The *net retirement benefit cost* amounted to 1,000 million in 2013 (see "Net retirement benefit cost/gains" table). This figure includes 395 million to finance the plan change regarding the federal pension fund and that of the ETH as of January 1, 2015. The regular net retirement benefit cost is essentially equal to the difference between the service cost (present value of the obligation resulting from employee service in the reporting period) and the interest cost for both accumulated retirement benefits and the expected return on plan assets.

The *sum for immediate recognition* came to 1,108 million for 2013. This comprises all changes or deviations from the actuarial assumptions. When valuing retirement benefit obligations as of

Actuarial assumptions

	2012	2013
Discount rate	1.15%	1.60%
Expected long-term return on retirement assets	3.00%	3.00%
Expected salary trend	1.30%	1.15%
Expected pension adjustments	0.10%	0.10%

Retirement benefit obligations and other employee benefits

CHF mn	2012	2013	Deviation vs. FS 2012 Absolute	%
Present value of funded net retirement benefit obligations	-36 577	-36 715	-138	0.4
Plan assets at fair value	29 280	30 462	1 182	4.0
Funded net retirement benefit obligations	**-7 297**	**-6 253**	**1 044**	**-14.3**
Present value of unfunded net retirement benefit obligations	-674	-513	161	-23.9
Total net retirement benefit obligations	**-7 971**	**-6 766**	**1 205**	**-15.1**

December 31, 2013, the discount rate was adjusted to the current yields available on federal bonds with a maturity of 20 years or more. It is now 1.60%, versus 1.15% the previous year (see "Actuarial assumptions" table).

Total *employer contributions* paid in 2013 amounted to 1,097 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. The current service cost calculated using the PUC method is 864 million. The PUC method is based on other actuarial assumptions, such as employee turnover, future interest on retirement savings, or salary increases, as well as a straight-line attribution of benefit cost over the period of service.

Scope and calculation of employee retirement benefits

Employee retirement benefits mean obligations under pension plans which pay out benefits upon retirement, death or disability. Employee retirement benefits are generally measured in accordance with the methods prescribed in IPSAS 25 or with the provisions of IAS 19/IFRS 28 in the case of those entities that prepare their financial statements in accordance with IFRS. Notwithstanding IPSAS 25, these benefits are not recognized as provisions. Instead, they are shown as contingent liabilities in the notes to the annual financial statements.

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

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

The actuarial assumptions (see table) were set as of December 31, 2013. They are applied by the pension funds of the Confederation as parent entity and the ETH Domain (with the exception of the discount rate). Some slightly different assumptions are used by the other consolidated entities.

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 at normal retirement age, and the periodic adjustment of pension payments to inflation. Under the PUC method, contributions to projected actuarial reserves at the time of retirement are not built up incrementally, but accumulated on a straight-line basis over the remaining period in which the employee is in service.

Net retirement benefit cost/gains

CHF mn	2012	2013	Deviation vs. FS 2012 Absolute	%
Current service cost of employer (net)	842	864	22	2.6
Interest cost	456	423	-33	-7.2
Expected return on assets	-875	-866	9	-1.0
Recognized net gains on long-term employee benefits	-8	147	155	n.d.
Amortization of unrecognized items	–	432	432	n.d.
Ordinary net retirement benefit cost	**415**	**1 000**	**585**	**141.0**
Extraordinary net retirement benefit cost/gains (curtailment)	–	–	–	n.d.
Net retirement benefit cost/gains	**415**	**1 000**	**585**	**141.0**

n.d.: not displayed

Development of liabilities

CHF mn	2012	2013	Deviation vs. FS 2012 Absolute	%
At 1.1.	**-9 460**	**-7 971**	**1 489**	**-15.7**
Net retirement benefit cost/gains	-415	-1 000	-585	141.0
Sum for immediate recognition	1 091	1 108	17	1.6
Employer contributions	813	1 097	284	34.9
At 31.12.	**-7 971**	**-6 766**	**1 205**	**-15.1**

Definition of contingent liabilities
A contingent liability is either:

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

- a present liability that arises from past events but cannot be recognized because it is improbable that an outflow of resources will be required to settle the liability, or the amount of the liability cannot be 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%.

Further contingent liabilities

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Further contingent liabilities	**19 491**	**20 246**	**755**	**3.9**
Sureties	10 368	10 980	612	5.9
Guarantee liabilities	7 530	7 618	88	1.2
Legal cases	217	410	193	88.9
Other contingent liabilities	1 376	1 238	-138	-10.0

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

Sureties comprise the following:

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

- *Subsidized housing* is indirectly funded by way of sureties issued. The Confederation issues guarantees in respect of second mortgages of natural persons for the promotion of housing construction in accordance with Article 48 of the Federal Act on the Promotion of Housing Construction and Home Ownership (HCHOA; SR *843*). It can also issue guarantees to public housing construction organizations in accordance with Article 51 of the HCHOA. Finally, the Confederation guarantees bonds of public central issuers provided that the funds thus acquired are utilized to grant loans for the promotion of affordable housing (Art. 35 Affordable Accommodation Act; SR *842*). Sureties came to a total of 2,689 million.

- 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 Confederation to issue guarantee bonds in tranches in favor of licensed transportation companies. The total amount of guarantee bonds issued came to 1,591 million.

- In relation to *national economic supply,* guaranteed credit has been extended in the amount of 674 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 381 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 141 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 6,046 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 1,342 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 392 million as of the reporting date. The Confederation has also 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:

- Rejected applications for withholding tax refunds for which an appealable decision was issued and against which an objection was filed (333 mn). These are refund applications for which a definitive decision does not yet exist. It is the first time this position is disclosed as a contingent liability.

- The Confederation is involved in a patent infringement dispute for 65 million regarding the mileage-related heavy vehicle charge. 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. This is disputed by the Confederation.

Other contingent liabilities include primarily potential outflows of funds in relation to buildings (827 mn). The largest items relate to environmental costs in connection with contaminated sites (482 mn), and compliance with statutory requirements in relation to drainage infrastructure, water supply and seismic safety (337 mn).

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

Other contingent liabilities also include Switzerland's share of EUROCONTROL's employee retirement benefit obligations (91 mn). Unlike the retirement benefit obligations prior to 2005, which are depreciated by member states over 20 years and therefore deferred by the Confederation, there is no depreciation schedule for member countries for retirement benefit obligations calculated in accordance with IAS 19.

Sureties and guarantee liabilities

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

4 SERV liability scope

The SERV insurance liabilities amounted to 8.9 billion. This corresponds to 74% utilization of the 12 billion liability scope approved by the Federal Council.

The Federal Council is responsible for determining the maximum scope of Swiss Export Risk Insurance (SERV) insurance liabilities. This currently amounts to 12 billion. The liability scope sets the total exposure ceiling that SERV can assume for insured benefits. The liability scope is reviewed periodically and adjusted where necessary.

At the end of 2013, the sum of insurance liabilities amounted to 8.9 billion, whereby the liability scope was 74% utilized. There was no application for an increase of the liability scope during the year under review.

5 Contingent assets

CHF mn	2012	2013	Deviation vs. 2012 Absolute	%
Contingent assets	**18 769**	**19 260**	**491**	**2.6**
Unrecognized receivables from direct federal tax	18 500	18 200	-300	-1.6
Other contingent assets	269	1 060	791	294.1

Contingent assets from direct federal tax declined by 300 million relative to the previous year. Contingent assets of 755 million were posted for the first time for decreed but legally contested withholding tax receivables.

Unrecognized receivables from direct federal tax (excluding cantons' share of 17%): 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 direct federal tax were levied at the end of 2013, there would still be an estimated 18.2 billion in receipts anticipated in following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2013 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 direct federal tax receipts for a specific fiscal year actually come in over a period of several years. The lion's share (around 75%) is received in the year following the relevant fiscal year. Increasingly smaller amounts for the fiscal year in question are then received in subsequent years. As of December 31, 2013, the Confederation therefore had receivables relating to several fiscal years (2013 and earlier). These assets correspond to a large extent to the budgeted receipts of 15.8 billion (excluding cantons' share of 17%) for the 2014 calendar year. In subsequent years, further receipts are thus still expected from earlier tax years. Contingent assets changed little year-on-year.

Other contingent assets show the following:

- Disputed receivables from withholding tax (755 mn) and stamp duty (21 mn). These are legally contested receivables whose legal enforceability has to be clarified. The cases in question were completely or partly removed from the statement of financial position based on expert reports from within the Federal Administration. The difference between the recognized and decreed receivables is shown as contingent assets.

- Orders for fines issued by the Competition Commission that were disputed by third parties within the permitted timeframe and are now to be clarified in court (217 mn).

- 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.

6 Financial pledges

CHF mn	31.12.2012	31.12.2013	Payable 2014	Later	Deviation vs. 31.12.2012 Absolute	%
Financial pledges and other restricted expenditure	**149 412**	**150 121**	**39 893**	**110 228**	**709**	**0.5**
Financial pledges	**98 315**	**98 699**	**27 710**	**70 989**	**384**	**0.4**
Financial pledges with a fixed term	**17 390**	**17 138**	**8 068**	**9 070**	**-252**	**-1.4**
Guarantee credits and annual pledge credits	16 969	16 685	7 850	8 835	-284	-1.7
Other financial pledges with a fixed term	421	453	218	235	32	7.6
Financial pledges without a fixed term	**80 925**	**81 561**	**19 642**	**61 919**	**636**	**0.8**
Social insurance	66 409	66 938	16 084	50 854	529	0.8
Fiscal equalization	13 065	13 075	3 185	9 890	10	0.1
Mandatory contributions to international organizations	1 451	1 548	373	1 175	97	6.7
Other expenditure of a highly restricted nature	**51 097**	**51 422**	**12 183**	**39 239**	**325**	**0.6**
Interest expenditure	9 963	8 393	1 990	6 403	-1 570	-15.8
Third parties' share in federal revenue	38 122	40 190	9 502	30 688	2 068	5.4
Other restricted expenditure	3 012	2 839	691	2 148	-173	-5.7

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

Financial pledges stood at 98.7 billion at the end of 2013. A further 51.4 billion came from other future expenditure of a highly restricted nature. 39.9 billion of the total financial pledges and other restricted expenditure of 150.1 billion will be payable in 2014. This means that some 60% of the expense for 2014 is restricted by legal provisions, contracts, service level agreements and interest payable, and thus cannot be influenced in the short term.

Financial pledges

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

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

Other expenditure of a highly restricted nature

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

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

7 Related parties

CHF mn	Contrib. Confed./ share in revenue 2012	2013	Acquisition of goods and services/ interest expense 2012	2013	Sale of goods and services/ interest income 2012	2013	Receivables and loans 2012	2013	Liabilities 2012	2013
Related parties	**17 850**	**17 911**	**846**	**766**	**34**	**18**	**24 655**	**25 605**	**85**	**114**
Swisscom	–	–	157	146	6	7	13	14	15	20
SBB	1 983	1 886	27	31	–	–	16 758	18 532	–	–
Swiss Post	219	175	32	33	22	7	206	211	2	61
Ruag	–	–	629	555	6	4	48	33	68	33
BLS Netz AG	204	197	1	1	–	–	2 630	2 615	–	–
Compensation fund (AHV, IV, EO)	15 011	15 197	–	–	–	–	–	–	–	–
Compensation fund (ALV)	433	456	–	–	–	–	5 000	4 200	–	–

Transactions with related entities were in line with prior-year levels. The main changes concerned the 1.8 billion increase in loans to the SBB and the 0.8 billion reduction in loans to the unemployment insurance fund.

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

Transactions with related organizations

The Confederation undertook the following transactions with related organizations:

- Contributions to the SBB mainly comprise expenditure within the scope of the service level agreement concluded with the SBB.
- Only 1,540 million (+650 mn) 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 6.2 billion (2012: 5.7 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 the 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 (2.2 bn) as well as loans from the Confederation (0.4 bn).
- The favorable economic environment made it possible to reduce the outstanding loans of the unemployment insurance fund by 800 million.

Compensation to key persons

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

Who are related parties?

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

8 Translation rates

Unit	Closing rates at 31.12.2012	Closing rates at 31.12.2013
1 euro (EUR)	1.2072	1.2273
1 US dollar (USD)	0.9140	0.8907
1 pound sterling (GBP)	1.4849	1.4732
1 Norwegian krone (NOK)	0.1643	0.1465

9 Events after the reporting date

The 2013 consolidated financial statements were approved by the Federal Council on April 16, 2014. Up to that date, no events requiring disclosure had occurred after the reporting date.

51 Structural differences

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

Comparison with the federal financial statements

Statement of financial performance

In contrast to the federal financial statements, the consolidated financial statements do not differentiate between ordinary and extraordinary expenses and revenue, as they are not caught by the debt brake rules. 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 sections 53 and 54.

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

52 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 Federal Institute of Metrology (METAS)	100%	–	100%
Swiss Export Risk Insurance (SERV)	100%	–	–
Swiss National Museum (SNM)	100%	–	100%
Pro Helvetia (PH)	100%	–	100%
Swiss Association for Hotel Credit (SAH)	100%	–	–
SIFEM AG	100%	–	–
Swissmedic	100%	AV	AV
Switzerland Tourism	–	–	100%
PUBLICA	–	–	–
Significant interests of the Confederation			
BLS Netz AG, Swiss Post, SBB, RUAG, Skyguide	Equity	Equity	Equity
Swisscom	Equity	Equity	SMV
Other organizations			
Swiss National Science Foundation	–	–	100%

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

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

Scale of consolidated entities - details

2013	Surplus or deficit		Liabilities		Net assets/equity		Employees	
Entities	CHF mn	%	CHF mn	%	CHF mn	%	FTE	%
Central Federal Administration (Confederation as parent)	**1 108**	**95.1**	**135 191**	**92.7**	**-24 008**	**92.9**	**33 892**	**65.2**
Decentralized Federal Administration	**57**	**4.9**	**10 568**	**7.3**	**-1 836**	**7.1**	**18 062**	**34.8**
Separate accounts								
Swiss Federal Institutes of Technology Domain	98	8.4	1 367	0.9	1 478	-5.7	16 135	31.1
Swiss Alcohol Board	263	22.6	8	0.0	328	-1.3	138	0.3
Fund for major railway projects	- 158	-13.6	8 175	5.6	-8 123	31.4	1	0.0
Infrastructure fund	- 140	-12.0	11	0.0	1 601	-6.2	–	0.0
Decentralized administrative units with their own accounts								
Swiss Financial Market Supervisory Authority (FINMA)	17	1.5	21	0.0	52	-0.2	468	0.9
Swiss Federal Institute for Vocational Education and Training (SFIVET)	2	0.2	5	0.0	4	0.0	167	0.3
Swiss Federal Nuclear Safety Inspectorate (ENSI)	3	0.3	10	0.0	19	-0.1	140	0.3
Swiss Federal Institute of Intellectual Property (IIP)	- 1	-0.1	21	0.0	79	-0.3	232	0.4
Federal Audit Oversight Authority (FAOA)	0	0.0	2	0.0	4	0.0	20	0.0
Swiss Federal Institute of Metrology (METAS)	4	0.3	6	0.0	27	-0.1	150	0.3
Swiss Export Risk Insurance (SERV)	0	0.0	268	0.2	2 449	-9.5	39	0.1
Swiss National Museum (SNM)	1	0.1	8	0.0	7	0.0	130	0.3
Pro Helvetia (PH)	0	0.0	9	0.0	15	-0.1	68	0.1
Swiss Association for Hotel Credit (SAH)	1	0.1	238	0.2	50	-0.2	15	0.0
SIFEM AG	- 30	-2.6	368	0.3	115	-0.4	–	0.0
Swissmedic	- 3	-0.3	51	0.0	59	-0.2	359	0.7
Subtotal	1 165	100.0	145 759	100.0	-25 844	100.0	51 954	100.0
Consolidation adjustments	- 178		-14 081		-1 144		–	
Federal consolidated financial statements	**987**		**131 678**		**-26 988**		**51 954**	

53 Transfer expenses (comparison with the parent entity)

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

2013 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Transfer expenses	**48 838**	**45 983**	**-2 855**
Third parties' share in federal income	8 741	8 741	–
Compensation to public bodies	1 005	1 005	–
Contributions to own institutions	2 950	1 043	-1 907
Contributions to third parties	15 286	15 444	158
Contributions to social insurance	16 294	16 294	–
Value adjustments on investment contributions	4 177	3 456	-721
Value adjustments on loans and financial interests	385		-385

Contributions to own institutions: -1,907 million
The lower expenses in the consolidated financial statements resulted from various opposing transactions:

- As intercompany relationships, the financing contributions and accommodation contributions of the Confederation as parent entity to the ETH Domain (-2,379 mn), the Swiss Federal Institute for Vocational Education and Training (-38 mn) and the Swiss National Museum (-43 mn), as well as the contribution to the Swiss Federal Institute of Metrology (-27 mn), Swissmedic (-15 mn) and Pro Helvetia (-35 mn) are eliminated.

- The contributions of 630 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.

Contributions to third parties: +158 million
Regarding recipients outside of the parent entity, contributions were paid from the infrastructure fund for urgent urban transportation projects, for main roads in mountainous areas, and to compensate for insufficient cantonal funds from the increase in mileage-related heavy vehicle charge (total 149 mn), as well as contributions from the FinPT fund (35 mn), the ETH Domain (56 mn), the Swiss Alcohol Board (2 mn, alcohol prevention) and Pro Helvetia (25 mn). Intercompany relationships of -109 million were additionally recognized.

Value adjustments on investment contributions: -721 million
The difference relative to the parent entity is made up of transactions that encompass both intercompany eliminations and additional transactions that need to be recognized.

- The share of 1,487 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 345 million (investment contributions) were likewise eliminated.

- Additional recognitions include the value adjustments of the FinPT fund (815 mn) and of the infrastructure fund (295 mn).

Value adjustments on loans and financial interests: -385 million
In the consolidated financial statements, the corresponding value adjustments for loans and financial interests are reported in financial expense (see section 42/8) under value adjustments on financial investments.

54 Debt (comparison with the parent entity)

Compared with the parent entity, gross debt is 2.4 billion lower in the consolidated financial statements, due primarily to the fact that liabilities toward consolidated entities are eliminated. In contrast, net debt is 3.8 billion higher in the consolidated financial statements. This is largely attributable to the elimination of the 8.2 billion advance to the FinPT fund recognized in the case of the parent entity.

2013 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Gross debt	**111 638**	**109 225**	**-2 413**
Current liabilities	15 981	14 339	-1 642
Short-term financial liabilities	15 556	15 589	33
Long-term financial liabilities	80 101	79 297	-804
Net debt	**78 160**	**81 935**	**3 775**
Gross debt	111 638	109 225	
Deductions	*33 478*	*27 290*	*-6 188*
Cash and cash equivalents	11 221	12 051	830
Receivables	6 461	7 257	796
Short-term financial investments	1 551	1 686	135
Long-term financial investments	14 245	224	-14 021
Loans held to maturity		6 072	6 072

Gross debt

The following factors are responsible for the lower gross debt level in the consolidated financial statements:

- *Current liabilities (-1,642 mn):* liabilities of 2,849 million recognized by the parent entity are eliminated in the consolidated view. These include primarily deposit account liabilities toward the ETH Domain (1,250 mn), SERV (1,148 mn), the Swiss Association for Hotel Credit (79 mn), the Swiss Federal Institute of Intellectual Property (54 mn) and SIFEM AG (10 mn), as well as a current account liability toward the Swiss Alcohol Board (259 mn). The residual difference of 47 million is spread between liabilities of the other consolidated entities. Conversely, the liabilities of the ETH Domain toward third parties (1,160 mn) lead to an increase in liabilities from a consolidated viewpoint.
- *Long-term financial liabilities (-804 mn):* in its individual statements, the parent entity reports fixed-term deposit liabilities amounting to 720 million toward Swiss Export Risk Insurance (SERV), which are eliminated in the consolidated financial statements. Similarly neutralized are the liabilities of the parent entity toward the ETH Domain in connection with third-party funds acquired by the ETH Domain for the partial financing of the properties owned by the Confederation (104 mn). Conversely, the ETH Domain and Swissmedic each report 10 million of their own financial liabilities.

Net debt

In contrast to the lower gross debt, net debt is 3.8 billion higher in the consolidated financial statements than for the parent entity. This deviation is due to contrasting effects.

- In addition to the receivables of the parent entity, the *receivables* in the consolidated financial statements also contain those of SERV (692 mn), the ETH Domain (49 mn), the Swiss Alcohol Board (23 mn), Swissmedic (19 mn) and Pro Helvetia (14 mn).
- The parent entity's treasury loan to the FinPT fund (8,175 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 (6,072 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.