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Swiss Confederation

Federal consolidated financial statements

Financial report

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Report on the federal consolidated financial statements

FIGURES OVERVIEW

CHF mn	Financial statements 2010	Financial statements 2011	Financial statements 2012	Financial statements 2013	Financial statements 2014
Statement of financial performance					
Operating revenue	62 159	64 319	62 778	64 193	64 049
Operating expenses	56 668	60 727	59 930	63 022	62 177
Operating result	**5 491**	**3 592**	**2 848**	**1 171**	**1 872**
Financial revenue	415	957	440	1 325	327
Financial expense	3 438	3 200	3 101	2 682	2 600
Financial result	**-3 023**	**-2 243**	**-2 661**	**-1 357**	**-2 273**
Equity interest revenue	1 840	1 256	2 228	1 457	1 700
Equity interest expenses	95	440	–	284	–
Equity interest result	**1 745**	**816**	**2 228**	**1 173**	**1 700**
Surplus or deficit	**4 213**	**2 165**	**2 415**	**987**	**1 299**
Statement of financial position					
Current assets	16 167	16 589	20 175	22 388	20 585
Non-current assets	81 448	81 095	82 182	82 302	84 145
Liabilities	130 242	127 980	130 210	131 678	130 381
Net assets/equity	-32 627	-30 296	-27 853	-26 988	-25 651
Cash flow statement					
Cash flows from operating activities	6 545	3 491	4 809	6 887	5 413
Cash flows from investing activities	-1 323	-3 624	-2 573	-3 823	-5 102
Cash flows from financing activities	-2 161	5	1 532	-904	-2 501
Total cash flow	**3 061**	**-128**	**3 768**	**2 160**	**-2 190**
Debt					
Gross debt	108 279	108 170	109 897	109 225	106 233
Net debt	86 125	86 022	84 661	81 935	80 273
Staff					
Number of full-time employees (FTE)	49 591	49 907	50 686	51 954	53 220

02 SUMMARY

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 and charged with discharging functions within the Federal Administration structure.

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). It is presented in the notes to the annual financial statements (see section 41/3). The differences between the consolidated financial statements and the federal financial statements and the financial statistics are explained in section 5.

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

The Confederation as parent entity dominates the figures in the consolidated financial statements (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

2014 Entities	Surplus or deficit CHF mn	Liabilities CHF mn	Net assets/ equity CHF mn	Employees FTE
Central Federal Administration (Confederation as parent)	**1 193**	**133 714**	**-22 790**	**34 772**
Decentralized Federal Administration	**451**	**11 250**	**-1 608**	**18 448**
Swiss Federal Institutes of Technology Domain	119	1 739	1 639	16 519
Fund for major railway projects	-190	8 362	-8 313	1
Infrastructure fund	79	13	1 680	–
Other entities	443	1 136	3 386	1 928
Subtotal	1 644	144 964	-24 398	53 220
Consolidation entries	-345	-14 583	-1 253	–
Federal consolidated financial statements	**1 299**	**130 381**	**-25 651**	**53 220**

Commentary on the federal consolidated financial statements

Statement of financial performance

The statement of financial performance closed with a revenue surplus of 1.3 billion, representing an increase of 312 million, or 32%. The operating result (+1.9 bn) and the result from significant interests (equity interest result; +1.7 bn) contributed to the surplus. The financial result (-2.3 bn) adversely affected the financial statements like in previous years.

The operating result posted a year-on-year improvement of 0.7 billion. Tax revenue was down (-0.2 bn), although the development of the individual types of tax varied. The relief from the lower operating expenses (-0.8 bn) nearly offset the burden from the poorer financial result (-0.9 bn). Finally, the result from the valuation of significant interests rose (+0.5 bn).

Statement of financial position

The negative net assets/equity declined by 1.3 billion due to the surplus posted in the statement of financial performance. Net assets/equity have risen from -44.4 billion to -25.7 billion since the first consolidation as of December 31, 2008. Much of those gains were used for the redemption of long-term financial liabilities (bonds) or investment in non-current assets.

Cash flow statement

Cash and cash equivalents declined by 2.2 billion, but still amounted to almost 10 billion. While the positive cash flow from operating activities covered the cash outflow for investing activities, cash was used to repay financial liabilities (-2.5 bn). There has never yet been a negative cash flow from operating activities since the very first federal consolidated financial statements.

31 Statement of financial performance

The statement of financial performance ended with a revenue surplus of 1.3 billion. The operating result accounted for 1.9 billion of this and the equity interest result accounted for 1.7 billion, while the financial result was negative like in previous years (-2.3 bn). The surplus was 312 million higher than the previous year.

31 Statement of financial performance

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%	Figures in notes
Surplus or deficit	**987**	**1 299**	**312**	**31.6**	
Operating result	**1 171**	**1 872**	**701**	**59.9**	
Operating revenue	**64 193**	**64 049**	**-144**	**-0.2**	
Tax revenue	60 623	60 469	-154	-0.3	1
Service revenue	2 439	2 551	112	4.6	2
Other revenue	1 131	1 029	-102	-9.0	3
Operating expenses	**63 022**	**62 177**	**-845**	**-1.3**	
Personnel expenses	7 801	7 802	1	0.0	4
Other operating expenses	6 888	5 912	-976	-14.2	5
Depreciation	2 350	2 438	88	3.7	14
Transfer expenses	45 983	46 025	42	0.1	6
Financial result	**-1 357**	**-2 273**	**-916**	**67.5**	
Financial revenue	1 325	327	-998	-75.3	7
Financial expense	2 682	2 600	-82	-3.1	8
Equity interest result	**1 173**	**1 700**	**527**	**44.9**	
Equity interest revenue	1 457	1 700	243	16.7	16
Equity interest expenses	284	–	-284	n.d.	16
Surplus or deficit	**987**	**1 299**	**312**	**31.6**	
Confederation's share	987	1 298			
Minority interests	0	1			

n.d.: not displayed

The *operating result* was 701 million higher than the previous year's figure. Particularly in the case of other operating expenses, three transactions from the previous year no longer existed: (1) 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; (2) recognition of significantly higher losses on receivables of 188 million, namely regarding withholding tax; (3) more than 170 million of a reduction in expenses for defense equipment given that Gripen fighter jets cannot be procured because voters rejected the referendum on May 18, 2014. In addition, the net expense for restricted funds in liabilities was down by 260 million on the previous year.

The negative *financial result* (-2.3 bn) was 0.9 billion worse than the previous year, due primarily to the one-time net proceeds from the sale of Swisscom shares (1.0 bn) that year.

The *equity interest result* (+1.7 bn) was 0.5 billion better than the previous year. The equity interest result comprises unrealized gains or losses on significant interests. Thanks to the good results of federal government companies, substantial revenue relative to the previous year was recognized on the financial interests in Swiss Post (+927 bn) and RUAG (+174 mn). In contrast, the equity valuation revenue regarding Swisscom (-469 mn) and Swiss Federal Railways (-102 mn) was down on the previous year.

32 Statement of financial position

Negative net assets/equity declined by 1.3 billion due to the positive annual result. This is reflected in the statement of financial position in the form of a decrease in liabilities following the reduction of interest-bearing debt (money market debt register claims, bonds).

32 Statement of financial position

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. 2013 Absolute	%	Figures in notes
Assets	**104 690**	**104 730**	**40**	**0.0**	
Current assets	**22 388**	**20 585**	**-1 803**	**-8.1**	
Cash and cash equivalents	12 051	9 861	-2 190	-18.2	9
Receivables	7 257	7 389	132	1.8	10
Short-term financial investments	1 686	2 273	587	34.8	11
Inventories	336	291	-45	-13.4	12
Prepaid expenses and accrued income	1 058	771	-287	-27.1	13
Non-current assets	**82 302**	**84 145**	**1 843**	**2.2**	
Tangible fixed assets	52 423	53 299	876	1.7	14
Intangible fixed assets	227	238	11	4.8	14
Loans	9 365	9 415	50	0.5	15
Financial interests	20 063	20 968	905	4.5	16
Long-term financial investments	224	225	1	0.4	11
Liabilities and equity	**104 690**	**104 730**	**40**	**0.0**	
Short-term liabilities	**36 085**	**35 403**	**-682**	**-1.9**	
Current liabilities	14 339	13 897	-442	-3.1	17
Short-term financial liabilities	15 589	13 661	-1 928	-12.4	18
Accrued expenses and deferred income	5 770	6 979	1 209	21.0	19
Short-term provisions	387	866	479	123.8	20
Long-term liabilities	**95 593**	**94 978**	**-615**	**-0.6**	
Long-term financial liabilities	79 297	78 675	-622	-0.8	18
Long-term provisions	14 874	14 966	92	0.6	20
Other liabilities	1 422	1 337	-85	-6.0	21
Net assets/equity	**-26 988**	**-25 651**	**1 337**	**5.0**	
Minority interests	59	60	1	1.7	
Net assets/equity of the Confederation	-27 047	-25 711	1 336	4.9	
Funds in net assets/equity	7 965	8 468	503	6.3	
Other net assets/equity	1 902	2 080	178	9.4	
Accumulated surplus (+) / deficit (-)	-36 914	-36 259	655	1.8	

Current assets fell by 1.8 billion to 20.6 billion, due essentially to a decline in cash and cash equivalents. Short-term funds were built up at the end of 2013 for the redemption of a bond maturing at the start of 2014.

Non-current assets rose by 1.8 billion. The carrying amount for tangible fixed assets was up by 0.9 billion relative to 2013. The biggest increase was caused by the additional capitalization of dismantling and decommissioning costs for the PSI accelerator facility (+0.4 bn) and by motorways (+0.4 bn). Financial interests were up by 0.9 billion. This was driven by the increase in the equity value (equity share) of the financial interests in Swiss Post, SBB, Swisscom and RUAG (0.9 bn).

On the liabilities side, *short-term liabilities* fell by 0.7 billion. While short-term financial liabilities plunged because of the lower level of money market debt register claims (-2.0 bn), accrued expenses and deferred income for withholding tax refund claims rose by 1.1 billion. The decrease of 0.6 billion in *long-term liabilities* can be explained mainly by the lower bond holdings (-0.7 bn).

33 Cash flow statement

The 5.4 billion cash flow from operating activities was sufficient to cover the funds of 5.1 billion required for investing activities. The remaining 0.3 billion plus cash and a reduction in cash equivalents totaling 2.2 billion were used to repay financial liabilities of 2.5 billion overall.

33 Cash flow statement

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%	Figures in notes
Total cash flow	**2 160**	**-2 190**	**-4 350**	**-201.4**	
Cash flows from operating activities	**6 887**	**5 413**	**-1 474**	**-21.4**	
Surplus or deficit	987	1 299	312	31.6	
Depreciation	2 350	2 438	88	3.7	14
Change in provisions	1 684	571	-1 113	-66.1	20
Income from disposals	-2	108	110	n.d.	
Other non-cash transactions	1 196	30	-1 166	-97.5	
Increase/decrease in receivables	-171	-132	39	-22.8	10
Increase/decrease in inventories	-23	45	68	-295.7	12
Increase/decrease in prepaid expenses and accrued income	162	287	125	77.2	13
Increase/decrease in current liabilities	395	-442	-837	-211.9	17
Increase/decrease in accrued expenses and deferred income	309	1 209	900	291.3	19
Cash flows from investing activities	**-3 823**	**-5 102**	**-1 279**	**33.5**	
Investments in tangible fixed assets	-2 822	-3 418	-596	21.1	14
Divestments of tangible fixed assets	131	71	-60	-45.8	14
Investments in intangible fixed assets	-75	-86	-11	14.7	14
Increase in long-term loans	-2 458	-5 400	-2 942	119.7	15
Decrease in long-term loans	1 271	4 182	2 911	229.0	15
Increase in financial interests	-25	-22	3	-12.0	16
Decrease in financial interests	241	17	-224	-92.9	16
Increase in financial investments	-4 129	-4 467	-338	8.2	11
Decrease in financial investments	4 043	4 021	-22	-0.5	11
Cash flows from financing activities	**-904**	**-2 501**	**-1 597**	**176.7**	
Increase in short-term financial liabilities	42 125	35 369	-6 756	-16.0	18
Decrease in short-term financial liabilities	-42 827	-37 238	5 589	-13.1	18
Increase in long-term financial liabilities	6 723	5 671	-1 052	-15.6	18
Decrease in long-term financial liabilities	-6 915	-6 301	614	-8.9	18
Change in special funds	17	25	8	47.1	
Dividends	-27	-27	–	–	

"Cash fund" statement

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%	Figures in notes
Cash and cash equivalents balance at 01.01.	**9 891**	**12 051**	**2 160**	**21.8**	**9**
Increase/decrease	2 160	-2 190	-4 350	-201.4	9
Cash and cash equivalents balance at 31.12.	**12 051**	**9 861**	**-2 190**	**-18.2**	**9**

Additional information

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%	Figures in notes
Interest paid	-1 923	-1 813	110	-5.7	
Interest received	95	90	-5	-5.3	

n.d.: not displayed

At 5.4 billion, the *cash flow from operating activitie*s was significantly lower than the prior-year level of 6.9 billion. The drop of 1.5 billion was due to several receipt and expenditure items moving in opposite directions. The main reason, though, was the absence of the previous year's gain of 1.2 billion generated with the sale of Swisscom shares, which affected the cash position. The absence of the Swiss National Bank's profit distribution likewise had a negative impact of 333 million on the cash flow from operating activities. Moreover, direct federal tax receipts (-375 mn) and withholding tax receipts (-311 mn), among other things, were down on the previous year.

There was a cash outflow from *investing activities* of 5.1 billion, compared with 3.8 billion in 2013. Investments in tangible fixed assets (596 mn) increased, with movable property, plant and equipment accounting for 374 million more than the previous year. When reducing the financial interest in 2013, Swisscom shares with a carrying amount of 228 million were sold. This cash flow was no longer of the same magnitude during the year under review. The increase in financial investments concerned primarily fixed-term deposits with cities (+365 mn).

The *cash flow from financing activities* was minus 2.5 billion (previous year: -0.9 bn). The level of both short-term money market debt register claims (-1,977 mn) and long-term bonds (-662 mn) was reduced.

Ultimately, *cash and cash equivalents* fell from 12.1 billion to 9.9 billion.

Presentation of the cash flow statement

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

34 Statement of net assets/equity

Negative net assets/equity declined from 27.0 billion to 25.7 billion in the year under review. The key contributory factor here was the surplus of 1.3 billion for the year. A further 0.6 billion was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector.

34 Statement of net assets/equity

CHF mn	Total net assets/ equity	Share of minority assets/equity	Net assets/ equity of the Confederation	Funds in net assets/ equity	Other net assets/ equity	Accumulated surplus/ deficit
At 1 January 2013	**-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**
Entry transfers in net assets/equity	-3	–	-3	465	178	-646
Change in special funds	25	–	25	38	–	-13
Total positions entered in net assets/equity	**22**	**–**	**22**	**503**	**178**	**-659**
Surplus or deficit	1 299	1	1 298	–	–	1 298
Total profit and loss entered	**1 321**	**1**	**1 320**	**503**	**178**	**639**
Dividends	-27	–	-27	–	–	-27
Other transactions	43	–	43	–	–	43
At 31 December 2014	**-25 651**	**60**	**-25 711**	**8 468**	**2 080**	**-36 259**

Funds in net assets/equity

Funds in net assets/equity consist of special financing (6,963 mn) and special funds (1,505 mn).

Special financing funds increased by 465 million during the year under review. They are recorded under *entry transfers in net assets/equity:*

- On a consolidated basis, surplus expenditure of 149 million was reported in respect of special financing for *road transportation* (Federal Act of March 22, 1985 on the Application of the Earmarked Mineral Oil Tax; SR *725.116.2*), unlike in the case of the parent entity, where the expenditure surplus amounted to 227 million. The expenditure of the consolidated financial statements worked out 78 million lower as a result of the consolidation of the infrastructure fund, as the 1,029 million deposit in the fund exceeded the actual expenditure of 951 million. In the consolidated view, including the infrastructure fund's liquidity, the balance of this special financing stood at 3,488 million as of December 31, 2014.
- A total of 593 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 special financing balance stood at 3,398 million as of the reporting date.
- The special financing for *air transportation* is financed by funds from the mineral oil tax and the mineral oil surtax on aviation fuel (Art. 86 of the Federal Constitution; SR *101*; Federal Act on the Application of the Earmarked Mineral Oil Tax, MinOA; SR *725.116.2*; Ordinance on the Application of the Earmarked Mineral Oil Tax for Aviation Measures, MinAO; SR *725.116.22* and Ordinance on the Air Navigation Service, ANSO; SR *748.132.1*). The receipts are to be used for measures in the area of aviation safety and environmental protection. Overall, restricted funds of 48 million were collected. On the expenditure side, there were delays in the area of environmental protection measures and non-sovereign safety measures, which is why the planned funds were not used. Overall, 21 million was credited to the fund.

Special fund assets increased by 37 million net in the year under review. As of December 31, 2014, some of the special funds in net assets/equity (793 mn) were available as cash and other liquid assets. The remaining funds consist of repayable loans for the regional development fund (667 mn) and other assets of the funds (46 mn). The most significant components and changes related 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 800 million as of the end of 2014 (2013: 839 mn). The decline can be explained by lower demand on the part of the cantons, which granted fewer loans. These repayable loans are for the most part interest-free, with terms of up to 25 years. They are therefore discounted at 2.5% (3.0% in 2013) in accordance with the relevant measurement requirements. In addition, individual value adjustments were made for loans at risk. The carrying amount for all loans is 667 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 399 million. The 3 million increase in fund assets was attributable primarily to the following: non-repayable contributions amounting to 35 million reduced fund assets, whereas funds allocated from the federal budget (13 mn) and the revaluation of loans as a result of the lower discount rate (24 mn) increased fund assets.

- During the year under review, the ETH Domain received 59 million in new funds as a result of gifts and bequests, with the largest items being funds associated with Campus Biotech in Geneva (14 mn) and a Branco Weiss Society in Science bequest (10 mn). After deducting 46 million in appropriated funds, the ETH Domain special fund increased by 13 million, with total assets amounting to 225 million.

- The *technology fund* (49 mn; +24 mn) is financed with restricted revenue from the CO_2 tax. A maximum of 25 million is transferred to the technology fund every year. The Confederation uses the funds to grant loans to companies that use the money to develop and market equipment and processes that reduce greenhouse gas emissions, enable the use of renewable energy or promote the economical use of natural resources. Sureties are granted for a maximum duration of ten years.

Other net assets/equity

Other net assets/equity increased by 178 million during the year under review. This change concerned the following items:

- Increases in the core capital (35 mn) and risk-bearing capital (178 mn) of Swiss Export Risk Insurance (SERV) were recognized directly in the accumulated deficit. These items now amount to 484 million and 1,320 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 34 million to 187 million (balance of deposits less withdrawals).

Accumulated deficit

In connection with the capitalization of the costs for dismantling the accelerator facility and decommissioning contaminated materials, depreciation of 43 million recognized in previous years was reversed directly in net assets/equity (reported under *other transactions*). The accumulated deficit declined by 655 million overall. Aside from this item recognized directly in net assets/equity, the reduction was due largely to the revenue surplus of 1,298 million. Conversely, the aforementioned entry transfers in net assets/equity (646 mn), the increase in the special funds in the ETH Domain (13 mn), and the cantonal share of 27 million in the SAB's distribution of profits inflated the accumulated deficit.

Minority interests

Minority interests are comprised of the 34.5% stake in Swissmedic (21 mn) and the 77.4% stake in the Swiss Association for Hotel Credit (39 mn).

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.

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*)

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

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

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

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

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

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

Military insurance provisions
Military insurance provisions (army, civil protection and civilian service) are based on the number of pensions in payment, which are capitalized using actuarial parameters. As the pensions in payment are known on the cut-off date and the actuarial procedures are based on statistics, the estimation uncertainty for this provision is relatively low. A 5% change in pension capitalization will increase or decrease the provision based on the number of pensions in payment by around 70 to 80 million.

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 are replicated 1:1 in Switzerland (tourism, nest egg savings, numismatics, etc.). A change of +/-5% in the loss rate would have an impact of some 155 million on the provision.

Provisions for rad ioactive waste

The Confederation's expected disposal costs are comprised of the costs for the deep geological repository, the costs for the conditioning and interim storage of radioactive waste as well as the costs for the dismantling and decommissioning waste from nuclear facilities and non-nuclear PSI facilities. The provisions are calculated on the basis of a comprehensive estimate of the decommissioning and disposal costs (2011 cost study – KS11) which has to be carried out every five years in accordance with Article 4 of the Decommissioning and Disposal Funds Ordinance (DDFO) and the cost distribution key, which determines the share of the individual waste producers. The costs are estimated in a realistic manner to the best of our knowledge at current market prices, but without additional safety margins. As a result of findings and experience derived from ongoing nuclear construction projects for planning the deep geological repository, the actual costs incurred could deviate from the estimated provisions. Consequently, the provision amount shown is subject to significant inaccuracy. The next cost estimate is scheduled for 2016.

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 non-current 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 FBO, the accounting standards are based on the International Public Sector Accounting Standards (IPSAS). Treatment may differ from IPSAS requirements where there are legitimate grounds for doing so. The differences are disclosed in Appendix 3 to the FBO.

All differences relative to IPSAS are reported and explained below.

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, 2017.

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

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

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

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 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 financial statements of the relevant companies as of September 30. In this respect, the accounting policies applying to significant interests may 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 of the entities within the scope of consolidation are not revalued. Any subgroups of consolidated entities are retained.

Tangible fixed assets

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

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

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

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

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

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

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 works of art in the Confederation's possession. They are used to decorate Swiss embassies and consulates abroad as well as important Federal Administration buildings. The most valuable works of art are on loan and exhibited in various Swiss museums. The design works are on loan and deposited with the Museum of Design in Zurich, and the photographs are lent and made available to the Swiss Foundation of Photography in Winterthur.

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

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

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

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

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

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

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

Trade payables
Trade payables are carried at nominal value.

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

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

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

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

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

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

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

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

Reserves from global budgets

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

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

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

Risk-bearing capital and core capital (SERV)

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

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. They are valued in accordance with IPSAS 25.

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

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

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 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).

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

The consolidation scope currently includes the following entities:

Confederation as parent

Institutions and administrative units included in the federal financial statements (Art. 2 FBA):

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

Separate accounts

These are the financial statements of administrative units of the decentralized Federal Administration and non-autonomous federal government funds which maintain separate accounts. The financial statements are presented to the Federal Assembly for approval (Art. 5 letter b FBA):

- Swiss 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 criteria for control in accordance with IPSAS. This applies to *Switzerland Tourism* and *PUBLICA*. The latter – as is the case with all pension funds in Switzerland – is managed on the basis of collective representation and cannot therefore be described as a government-controlled entity.

Significant interests

Provided they are 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. This concerns the following:

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

Adjustments to the consolidation scope

There were no changes to the consolidation scope relative to the previous year.

4 Risk situation and risk management

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

Managing risks

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

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

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

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

Risk management mechanisms and measures

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

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

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

Risk situation

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

On the one hand, entities can suffer damage to their own assets. On the other hand, they may be exposed to liability risks vis-à-vis third parties or risks in connection with outsourced organizations that discharge public functions. In general, the entities are liable for any damages caused by employees within the scope of performing their duties. They may also be liable in respect of compensation claims relating to breaches of supervisory duties. The risks are primarily financial and economic risks, legal risks, property and technical risks, and natural hazards. Particular importance is attached to risks in the area of 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 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Tax revenue	**60 623**	**60 469**	**-154**	**-0.3**
Direct federal tax	18 353	17 975	-378	-2.1
Withholding tax	5 442	5 631	189	3.5
Stamp duty	2 143	2 149	6	0.3
Value added tax	22 561	22 608	47	0.2
Other consumption taxes	7 699	7 622	-77	-1.0
Misc. tax revenue	4 425	4 484	59	1.3

Tax revenue fell by 0.2 billion to 60.4 billion relative to 2013, with direct federal tax and VAT accounting for approximately 67% of this.

Direct federal tax

Direct federal tax receipts totaled 18.0 billion in 2014, which represents a year-on-year decline of 0.4 billion, or 2.1%. This drop concerned the taxes on both the net revenue of legal entities and the income of natural persons. While income tax fell by 168 million (-1.7%), profit tax was down by 211 million (-2.4%) on the previous year.

Therefore, direct federal tax receipts were still only slightly higher than the 2009 level. In other words, receipts have more or less stagnated since the last recession. It is extremely difficult to analyze the stagnation observed because of the data situation. Detailed assessments of the individual tax periods are available only with a delay of three years within the framework of the tax statistics. Particularly the losses carried forward from the financial and economic crisis as well as the ongoing strength of the Swiss franc are likely to have been responsible in the case of profit tax. The decline in the establishment of new companies observed since 2009 is also likely to have contributed.

Also in the case of income tax, it is difficult to research the causes because of missing data. A further aggravating factor is that the development of income taxes has been affected by numerous tax reforms in recent years. Aside from the annual compensation for the consequences of bracket creep and the repercussions of the capital contribution principle, the family taxation reform is also likely to have impacted receipts.

The Confederation's share of the flat-rate tax credit for foreign withholding tax had the effect of reducing revenue and amounted to 150 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 5.6 billion in 2014. This was 189 million higher than the previous year, mainly as a result of the following factors:

- Revenue (on the basis of tax returns) from the taxation of dividends on shares and participation gains, the taxation of bond interest payments as well as other receipts increased by 2.1 billion, or 9.2%.
- Meanwhile, refunds were up by 2.4 billion (+14.2%). Amounting to 77.6% in 2014, the reimbursement rate continued to move toward its long-term average.
- The withholding tax provision remained unchanged on the previous year. It was increased by 500 million in 2013, primarily because of the low refunds.

Stamp duty

Issue tax revenue amounted to 177 million in 2014, which was 4 million less than the previous year.

Transfer stamp tax generated over half of all stamp duty revenue (1,260 mn, -2 mn). This tax is dependent on the performance of international stock markets.

Revenue from the *insurance premium stamp duty* has been relatively stable for many years (711 mn, +11 mn).

Value added tax

Coming in at 22.6 billion, value added tax revenue was unchanged on the previous year. The absence of VAT growth was primarily due to import tax. While the VAT levied domestically posted a year-on-year increase of 5.5%, import tax fell by 4.2%. In that regard, import tax was significantly below expectations particularly in November and December. This development was in line with the trend of import prices, which were affected by a sharp drop in energy prices in the fourth quarter.

5.2 billion of total value added tax revenue has been earmarked for health insurance (917 mn), old-age and survivors' insurance (2,342 mn), the federal share in AHV percent (480 mn), the VAT supplement in favor of disability insurance (1,128 mn) and the fund for major railway projects (316 mn). The amounts are stated gross, i.e. before deduction of proportional losses on receivables.

Revenue is presented on an accrual basis. Non-recoverable VAT receivables are expensed under losses on receivables. These amounted to 202 million in the year under review.

Other consumption taxes

Mineral oil tax revenue (4,972 mn) was down slightly on the previous year (-34 mn). Mineral oil tax receipts have been trending downward since fiscal 2008. A key reason for this is that the average fuel consumption of new vehicles has been falling for years. This effect is heightened by the new regulations introduced on July 1, 2012 to reduce CO_2 emissions from passenger vehicles.

Tobacco duty revenue (2,257 mn) fell by 38 million. There was a considerable increase in "shopping tourism" in neighboring countries because of the Swiss franc's strength.

Revenue from *alcohol duty* (280 mn) and *beer tax* (113 mn) was in line with prior-year levels.

Miscellaneous tax revenue

Coming in at 4,484 million, miscellaneous tax revenue was up slightly on the previous year (+59 mn, or +1.3%) due to opposing factors. While CO_2 tax saw a substantial increase (+107 mn), revenue declined for transportation taxes (-30 mn) and casino tax (-22 mn).

Under *transportation taxes* (2,212 mn), revenue from automobile duty (354 mn) returned to a more normal level following the record years of 2011 and 2012. Around 337,000 passenger vehicles were imported over the course of the year, 2% less than in 2013. At the same time, chargebacks to importers were higher than usual. With regard to the motorway tax (364 mn), sales of motorway tax stickers were slightly above the average seen in recent years. The rise in sales abroad and at the border (+2.2%) was just as strong as that of domestic sales (+2.5%). Receipts from the heavy vehicle charge (1,493 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 domestic vehicles (-1.3%) than for foreign vehicles (-1.0%).

Import duties (1,068 mn) rose by 0.9% relative to 2013. The effects of the free trade agreement between Switzerland and China, which came into force on July 1, 2014, were not as extensive as assumed in the first few months after entry into force. 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 (594 mn).

Revenue from *casino tax* (285 mn) fell once again, posting a year-on-year decline of 7.3%. 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* (916 mn) was dominated by the CO_2 tax on fuel (758 mn). It was up by 116 million on the previous year. This was driven by the increase in the rate from 36 to 60 francs per tonne of CO_2 effective from January 1, 2014. With regard to the penalty fine for reducing CO_2 emissions from passenger vehicles, 2014 revenue was lower than the refunds to those importers that reached their CO_2 emissions threshold in 2013 and the refunds to be expected for 2014. Consequently, revenue was negative overall (-1.0 mn).

Revenue from other incentive fees (160 mn) differed only slightly from the previous year.

2 Service revenue

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Service revenue	**2 439**	**2 551**	**112**	**4.6**
Military service exemption tax	163	174	11	6.7
Fees	385	395	10	2.6
Revenue from exchange trans. - royalties/services	178	181	3	1.7
Sales	163	176	13	8.0
Reimbursements	166	148	-18	-10.8
EU taxation of savings income	139	115	-24	-17.3
Insurance revenue (SERV)	66	215	149	225.8
Second-party resources & third-party funds (ETH Domain)	598	567	-31	-5.2
Other service revenue	581	580	-1	-0.2

Service revenue increased by 112 million to 2,551 million relative to 2013, driven particularly by insurance revenue (SERV).

Falling flowbacks associated with development cooperation projects and lower refunds in the area of asylum were among the reasons for the drop in revenue from *reimbursements*.

Revenue from the *EU taxation of savings income* fell significantly on the previous year due to the even lower level of interest rates and the growing number of voluntary disclosures to the EU tax authorities. The EU retention tax is applied to the interest income of natural persons domiciled in an EU member state. 75% of this revenue is paid out to EU recipient states, while the remaining 25% is retained by Switzerland to cover its collection costs. The cantons are entitled to a 10% share of the Swiss portion. The retention tax rate was raised from 20% to 35% on July 1, 2011.

SERV insurance revenue (Swiss Export Risk Insurance) is essentially comprised of premium proceeds, the balance from the increase and decrease in unearned premiums and interest revenue from debt rescheduling agreements. The surge was largely due to the renegotiation of the debt rescheduling agreement with Argentina. In this connection, interest on arrears was recognized by Argentina, which had a very favorable effect on insurance revenue.

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 a drop of 31 million. Second-party resources and third-party funds are largely acquired through competitive fundraising and therefore fluctuate significantly.

3 Other revenue

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Other revenue	**1 131**	**1 029**	**-102**	**-9.0**
Building revenue	80	84	4	5.0
Profit from disposals	62	41	-21	-33.9
Capitalization of own production	51	86	35	68.6
Other misc. revenue	241	470	229	95.0
SNB profit distribution	333	–	-333	-100.0
Other revenue from royalties and concessions	270	289	19	7.0
Net revenue from restricted funds in liabilities	94	59	-35	-37.2

Other revenue declined by 102 million to 1,029 million year on year. The development of the individual types of revenue varied.

The increase in *other miscellaneous revenue* resulted from a combination of the profits FINMA ordered UBS to disgorge in connection with exchange rate manipulations on forex markets (+86 mn) and revaluation gains on real estate (+116 mn) made in compliance with the revised manual for federal buildings.

The agreement regarding the *SNB profit distribution* concluded between the SNB and the FDF makes provision for an annual amount of 1 billion to be paid out to the Confederation and the cantons (Confederation 1/3; cantons 2/3) in the event of a positive profit distribution reserve. Because the SNB's profit distribution reserve was negative at the end of 2013 (-6.8 bn), there was no distribution at all in 2014.

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

- The 239 million in revenue from meat quota auctions was 23 million higher than the previous year.

- Revenue from coins in circulation (22 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 4 million higher than the previous year.

The *net revenue from restricted funds in liabilities* amounted to 59 million, corresponding to a decrease of 35 million on the previous year. This concerned three funds: casino tax (+44 mn), VOC and "extra-light" heating oil incentive fees (+12 mn) and penalty fine for reducing CO_2 emissions from passenger vehicles, redistribution (+3 mn; see section 21).

4 Personnel expenses

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Personnel expenses	**7 801**	**7 802**	**1**	**0.0**
Staff compensation	6 111	6 292	181	3.0
Employer contributions (social insurance)	1 500	1 311	-189	-12.6
Benefits paid by employer	71	85	14	19.7
Temporary personnel	27	27	–	–
Change in provisions	-2	-5	-3	150.0
Other personnel expenses	94	92	-2	-2.1

Personnel expenses remained unchanged at 7,802 million. 31% of the 53,220 full-time equivalents are in the ETH Domain.

The *number of staff* expressed in full-time equivalents (FTEs) rose by 1,266, representing an increase of 2.4%.

- The parent entity saw an increase in headcount of 880 positions (+2.6%). The rise as a result of task extensions and intensifications amounted to 780 FTEs. Another increase of 100 positions was financed by credit for goods and services. There were various reasons for the increase: first, the Federal Council decided on 244 additional positions in 2013 within the scope of the overall assessment of resources in the personnel area. Second, there was an increase of just over 600 FTEs within the scope of existing credits as a result of vacant positions being filled again and personnel credits being utilized to a greater extent.

- In the ETH Domain (+384 positions; +2.4%), there was an increase in both the number of professorships (+7 FTEs) and the number of researchers (+201 FTEs). Overall, 34% was financed through second-party resources and third-party funds (2013: 33%).

- In the other areas, the number of staff rose only marginally (+2 FTEs; +0.1%).

Wage measures as of January 1, 2014:
- In the Confederation parent entity, a real wage increase of 0.7% was granted. A cost-of-living adjustment was not necessary because of the negative inflation seen in 2013.

- In the ETH Domain, staff were awarded a cost-of-living adjustment of 0.5% and individual wage measures of 1.2% under the new wage system.

- The other consolidated entities implemented varying wage measures.

The plunge of 12.6% (-189 mn) in *employer contributions* was driven primarily by the one-time deposit of 250 million made in 2013 in the federal pension fund PUBLICA for special categories of staff (e.g. career military officers, border guards, FDFA rotational staff, SDC rotational staff). Without this prior-year affect, there would have been an increase of 61 million (+4.9%).

The rise in *employer benefits* was primarily 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 (+39 mn).

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

5 Other operating expenses

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Other operating expenses	**6 888**	**5 912**	**-976**	**-14.2**
Expenses for goods and materials	321	367	46	14.3
Operating expenses	4 877	4 325	-552	-11.3
Motorway operation and maintenance	456	417	-39	-8.6
Defense expenses	970	799	-171	-17.6
Net expense for restricted funds in liabilities	264	4	-260	-98.5

Other operating expenses posted a year-on-year drop of 976 million, or 14.2%, due primarily to significantly lower operating expenses, reduced defense expenses and the low net expense for restricted funds in liabilities.

Expenses for goods and materials rose by 46 million to 367 million. The expenses related predominantly to the parent entity (defense, FOBL and Swissmint), as well as the ETH Domain and the Swiss Alcohol Board. The increase was due to defense, essentially as a result of value adjustments on materials in stock.

Operating expenses fell by 552 million to 4,325 million. The plunge was attributable to one-time effects from the previous year, particularly the creation of or increase in provisions of 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). Operating expenses returned to the 2012 level in 2014.

Motorway operation and maintenance expenses were 39 million lower than the previous year. Expenses for the operational and project-free maintenance of motorways fell by approximately 17 million. The changes in this area were due to a combination of lower demand for operating expenses not covered by flat rates and the accruals and deferrals which vary from year to year. There was also a drop of 21 million in the shares of development and maintenance projects not eligible for capitalization. As these cost elements differ significantly depending on the type of project realized, there can be considerable fluctuations from year to year.

Defense expenses were 171 million lower than the previous year (-17.6%). There was a reduction in expenses particularly for defense equipment, not least because the Gripen fighter jets cannot be procured due to the rejection in the referendum of May 18, 2014.

Regarding the *net expense for restricted funds in liabilities*, more restricted funds were deposited than utilized. This was the case for the special financing for the CO_2 tax on fuel, the redistribution and technology funds (2 mn), the building program (2 mn) and media research, radio technology and program archiving (1 mn; see section 21).

6 Transfer expenses

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Transfer expenses	**45 983**	**46 025**	**42**	**0.1**
Third parties' share in federal income	8 741	8 903	162	1.9
Compensation to public bodies	1 005	1 038	33	3.3
Contributions to own institutions	1 043	1 021	-22	-2.1
Contributions to third parties	15 444	15 328	-116	-0.8
Contributions to social insurance	16 294	16 155	-139	-0.9
Value adjustments in transfer expenses	3 456	3 580	124	3.6

Transfer expenses rose by 42 million, or 0.1%, to 46.0 billion, with opposing developments canceling each other out.

Third parties' share in federal income

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

Cantons' share: -60 million to 4,520 million

The cantons' share fell by 1.3%, or 60 million, relative to the previous year. This was caused primarily by the lower cantons' share of direct federal tax – the largest single item for this account group – which was impacted by the year-on-year decline in revenue. The other cantons' shares stagnated or were only slightly down on the previous year.

Social insurance share: -39 million to 3,772 million

The social insurance share fell by 1.0% relative to the previous year due to the revenue trend for 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 2014 corresponds to the receipts for 2012. As 2012 receipts were significantly lower than those in 2011, the 2014 transfers to the AHV compensation fund were also lower than the preceding year. With regard to the percentage of value added tax for AHV and the VAT supplement in favor of disability insurance, in contrast, there was a slight increase of 0.2% each. The amounts of both items correspond to the share of receipts less losses on receivables on a pro rata basis.

Redistribution of incentive fees: +260 million to 611 million

The redistribution of incentive fees were up by 260 million (+74.3%) on the previous year. This sharp increase was attributable to the CO_2 tax, the rate of which was raised from 36 francs to 60 francs per tonne of CO_2 as of January 1, 2014. The redistribution is based on the budgeted annual revenue. The difference between the estimated and the actual revenue from the tax is always compensated for in the distribution two years later. Consequently, there was a correction in 2014 based on the 2012 revenue. Unlike with the CO_2 tax, incentive fees in respect of volatile organic compounds (VOCs) are redistributed to households with a two-year time lag. Expenditure relating to the redistribution of VOC incentive fees thus corresponds to the VOC incentive fee receipts in fiscal 2012, 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 1,038 million (+33 mn) was paid out in 2014.

Contributions to own institutions

- The 575 million disbursed from the fund for railway projects to the SBB and AlpTransit Gotthard AG for various rail projects was 55 million lower than the equivalent prior-year figure.
- The operating compensation paid to SBB Infrastructure amounted to 279 million (-12 mn). Because of higher proceeds from route prices, the compensation requirement for operating and maintaining SBB Infrastructure declined to the same extent.
- The compensation for lost revenue of Skyguide amounted to 44 million (+1 mn).
- The compensation for non-transalpine rail freight services fell by 7 million year on year to reach 23 million.

Contributions to third parties

Contributions to third parties were made in all task areas. Expenses for this account group were down by 66 million, or 0.4%, on the prior-year level. The three contribution categories moved in different directions:

- Fiscal equalization (+8 mn to 3.2 bn)
- International organizations (-413 mn to 1.7 bn)
- Other contributions to third parties (+339 mn to 10.5 bn)

The main beneficiaries in respect of other contributions to third parties are:
- General direct payments for agriculture (+27 mn to 2,816 mn)
- Research promotion institutions (+116 mn to 1,023 mn)
- Regional passenger transportation (+13 mn to 901 mn)
- Lump-sum contributions and transitional arrangements; vocational education (-13 mn to 735 mn)
- Development cooperation initiatives (+10 mn to 677 mn)
- Promotion of higher education, basic contributions (+25 mn to 639 mn)
- Operating contributions for universities of applied sciences (+23 mn to 486 mn)
- Dairy industry subsidies (-6 mn to 293 mn)
- Economic development cooperation (+23 mn to 232 mn)

Contributions to social insurance

The Confederation's contributions to social insurance declined in 2014. However, this was due to a special factor in 2013, when the provision for future federal liabilities toward military insurance was increased by 644 million; another 59 million was added in 2014, leading to a year-on-year drop of 585 million. Without this distortion, an increase of 446 million, or 2.7%, would have been posted in the year under review.

Federal social insurance: +353 million to 12.2 billion
Approximately half of the contributions to social insurance relate to *old-age and survivors' insurance (AHV)*. The Confederation's contribution of 19.55% to AHV expenditure rose by 2.1% (+167 mn to 7,988 mn). This increase was due solely to the higher number of AHV pension recipients, as no pension adjustments were made in 2014.

In the case of *disability insurance (IV)*, the Confederation made its first contribution in accordance with the new financing mechanism in 2014. Up to the end of 2013, it paid 37.7% of IV expenditure. The contribution is now based on the development of value added tax revenue. Following the system change, the federal contribution rose by 190 million (+5.6%) to 3,576 million. The change will ensure that the federal contribution moves in line with general economic growth. Any savings generated by the disability insurance reforms will thus benefit the insurance in full and will not result in a decline in the federal contribution.

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 172 million (-7 mn).

The contribution to *unemployment insurance* amounted to 459 million, representing an increase of 3 million, or 0.6%.

Other social insurance: -492 million to 4.0 billion
The contribution to *individual premium reductions* amounts to 7.5% of gross costs for compulsory health insurance. In 2014, this contribution increased by 61 million (+2.8%) to 2,243 million. This development was attributable in particular to the growth of the average premium in the area of compulsory health insurance as well as population growth in Switzerland.

In the case of *AHV and IV supplementary benefits* (696 mn and 702 mn, respectively), the Confederation covers 5/8 of supplementary benefits, which ensure a basic standard of living. The remaining 3/8 and all supplementary benefits for health and disability costs as well as additional costs for care homes are met by the cantons. The Confederation's share of AHV supplementary benefits rose by 28 million, or 4.1%, during the year under review. This was due not only to the increase in the number of pensioners (potentially entitled to supplementary benefits) but also to the rise in the average supplementary benefit paid out. The average amount increased also in the case of IV supplementary benefits. Because the number of IV pension claimants stagnated, there was a less marked increase of 18 million in the federal contribution to IV supplementary benefits (+2.6%).

Insurance expenditure in respect of *military insurance* fell by 7 million relative to the previous year and amounted to 189 million. This was largely due to the Confederation's declining pension benefits. Cash benefits also dropped. In contrast, the development of treatment costs was stable. The estimate for the Confederation's future liabilities had to be increased significantly in the 2013 financial statements on the recommendations of the Swiss Federal Audit Office. Aside from the existing provision for ongoing pension payments, a new provision was also created for safety margins, loss reserves and short-term insurance benefits. The provision had to be increased by another 59 million to 2.1 billion in 2014 because of the new mortality tables used.

Value adjustments in transfer expenses

Value adjustments in transfer expenses increased by 124 million, or 3.6%, year on year.

- Value adjustments to the FinPT fund amounted to 838 million (+23 mn).

- Value adjustments to the infrastructure fund for urban transportation (rail transportation loan) fell by 128 million to 167 million.

- Value adjustment relating to the SBB service level agreement in respect of infrastructure investments carried out: this amount increased by 72 million to 1,190 million.

- Other value adjustments (e.g. flood protection, protection against natural hazards, nature and countryside, building renovation program, energy and waste heat utilization) rose by 157 million to 1,385 million.

7 Financial revenue

CHF mn	Financial statements 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Financial revenue	**1 325**	**327**	**-998**	**-75.3**
Interest	89	95	6	6.7
Financial interest revenue	1	2	1	100.0
Market value adjustments	13	16	3	23.1
Other financial revenue	1 222	214	-1 008	-82.5

Financial revenue fell by 998 million relative to the previous year and reached 327 million. This was largely due to the absence of the previous year's revenue from the sale of Swisscom shares.

Interest (95 mn; +6 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 fell and ended the year below zero. The yields on money market debt register claims thus remained in negative territory. The decline in discount revenue was due to the reduction in holdings as well as the lower issuance volume seen during the 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.

The significant drop in *other financial revenue* (-1,008 mn) was attributable above all to the absence of the previous year's revenue from the sale of Swisscom shares (unrealized gain in 2013: +1,018 mn). The following factors also affected other financial revenue:

- Price gains of 54 million from the sale of Swisscom shares during the year under review.
- Gains on foreign currencies (+22 mn): the increase was due to two opposing trends, i.e. smaller fluctuations in EUR and USD exchange rates (-28 mn) and a one-time currency conversion (+50 mn).
- Interest rate swaps (-68 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. The expiration of swap contracts and the linear reduction of long-term interest rates led to a much lower valuation.

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 2013	Financial statements 2014	Deviation vs. FS 2013 Absolute	%
Financial expense	**2 682**	**2 600**	**-82**	**-3.1**
Interest expense	2 105	1 961	-144	-6.8
Capital procurement expenses	89	80	-9	-10.1
Value adjustment on financial investments	413	431	18	4.4
Other financial expense	75	128	53	70.7

Financial expense fell by 82 million to 2,600 million primarily as a result of the persistently low level of interest rates. This was equivalent to a year-on year decline of 3.1%.

Interest expense concerns predominantly outstanding bonds, which were reduced by another 662 million in 2014. Like in 2013, capital market redemptions were replaced with new bonds with record-low interest rates, causing the rate of own costs to be reduced further. This resulted in another year-on-year reduction in interest expense for bonds to 1,905 million (-133 mn).

Capital procurement expenses declined as a result of the lower procurement of debt financing. Moreover, because of bonds maturing, there was a drop in amortization contributions for issue tax already paid, which is 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 and those in the area of agriculture (410 mn), as well as financial interests (21 mn).

Other financial expense shows losses on foreign currencies (61 mn) due to exchange rate and market fluctuations. The increase of 14 million was attributable to fluctuations in the EUR and USD exchange rates. Furthermore, this position includes withholding tax on a bond that became due for redemption in 2014 and that had originally been issued at a significant discount (10 mn). Finally, there was an inflow from the (negative) monthly valuation adjustments for interest rate swaps (57 mn).

9 Cash and cash equivalents

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Cash and cash equivalents	**12 051**	**9 861**	**-2 190**	**-18.2**
Cash	6	6	–	–
Swiss Post	433	335	-98	-22.6
Bank	10 660	9 058	-1 602	-15.0
Short-term deposits	952	462	-490	-51.5

At the end of 2014, liquid assets were 2.2 billion lower than the previous year. 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. Unlike in 2014, bonds will not be redeemed until June 2015 rather than early in the year, and therefore it was possible to reduce the level of short-term liquidity as of the end 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 down.

10 Receivables

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Receivables	**7 257**	**7 389**	**132**	**1.8**
Tax and customs receivables	5 446	5 191	-255	-4.7
Current accounts	837	940	103	12.3
Trade receivables	255	545	290	113.7
Other receivables	719	713	-6	-0.8

Receivables increased by 132 million relative to the previous year. 33% (2.5 bn) of the total receivables of 7.4 billion are value added tax receivables.

Tax and customs receivables are comprised of the following:

- Value added tax receivables from taxable persons and entities amounting to 2,748 million (-380 mn). Of this sum, 1,806 million (-287 mn) is related to value added tax receivables from imports.
- Receivables from customs duties amounting to 1,241 million (-38 mn). 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 1,573 million. The year-on-year increase of 140 million is comprised of a rise of 153 million with regard to withholding tax and a drop of 13 million in the case of stamp duty.
- Receivables from alcohol duty amounting to 11 million (2013: 18 mn).
- Allowance for doubtful accounts on outstanding tax and customs receivables amounting to 384 million. The drop of 29 million was due primarily to a recalculation of direct federal tax, withholding tax and stamp duty.

Effective from the 2014 calendar year, a given taxpayer's receivables and liabilities will be reported on a net basis by tax type (net presentation) and no longer separately as receivables and liabilities. This change of practice led to a reduction of 321 million in the reported tax and customs receivables for withholding tax and stamp duty, as well as 91 million in the case of value added tax.

Under *current accounts* of 940 million, 817 million (+86 mn) relates to receivables from the cantons, whereby 679 million is from fiscal equalization (+77 mn) and 139 million (+8 mn) from receivables from military service exemption tax. Current accounts posted a year-on-year increase of 103 million.

Other receivables comprise balances from debt rescheduling agreements amounting to 530 million (-7 mn) as well as SERV receivables from the insurance business of 143 million (-6 mn).

11 Financial investments

Short-term and long-term financial investments

CHF mn	2013 Carrying amount	2013 Market value	2013 Ø interest %	2014 Carrying amount	2014 Market value	2014 Ø interest %
Short-term financial investments	**1 686**			**2 273**		
Held to maturity	**1 686**			**2 273**		
Fixed-term deposits	1 475	1 475	0.0	1 840	1 840	0.0
Positive replacement values	76	n.d.	n.d.	277	n.d.	n.d.
Other short-term financial investments	135	n.d.	n.d.	156	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–
Held for trading	**–**	–	–	**–**	–	–
Long-term financial investments	**224**			**225**		
Held to maturity	**224**			**225**		
Fixed-term deposits	30	n.d.	n.d.	–	–	–
Other long-term financial investments	194	n.d.	n.d.	225	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–

n.d.: not displayed

Investment opportunities remained scarce due to the still high level of market liquidity. Investments in the cantons and cities were increased.

Short-term cash investments with an acceptable degree of risk remain virtually impossible. *Short-term financial investments* were increased slightly in the cantons and cities during the year under review.

Long-term financial investments are composed almost exclusively of fund units from the SIFEM AG portfolio (224 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 solely 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 152 million. This fell by 27 million, as interest rates continually declined relative to the previous year. The market value is made up of individual positions that have either positive or negative replacement values as of the reporting date.
- The *forward contracts* in EUR, USD, NOK and GBP have an underlying nominal value of CHF 2.9 billion. The positive market value of 196 million is derived from the valuation of the corresponding positions as of the reporting date. Holdings of forward contracts at nominal values increased by 556 million. Euro and US dollar hedging is generally carried out for the corresponding budget year alone. Projects with a multi-year liability in a foreign currency are hedged for the entire duration as special transactions.

Derivative financial instruments

CHF mn	Nominal value 2013	Nominal value 2014	Market value 2013	Market value 2014	Positive replacement value 2013	Positive replacement value 2014	Negative replacement value 2013	Negative replacement value 2014
Derivative financial instruments	**3 377**	**3 793**	**-149**	**44**	**76**	**277**	**-225**	**-232**
Interest rate instruments	**1 050**	**910**	**-125**	**-152**	**2**	**10**	**-128**	**-161**
Interest rate swaps	1 050	910	-125	-152	2	10	-128	-161
Options	–	–	–	–	–	–	–	–
Foreign exchange products	**2 327**	**2 883**	**-24**	**196**	**74**	**267**	**-97**	**-71**
Forwards	2 327	2 883	-24	196	74	267	-97	-71
Options	–	–	–	–	–	–	–	–

Financial investments: categories and accounting

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

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

Hedges of future transactions (cash flow hedge)

2014 CHF mn	Nominal value Total	Maturities < 1 year	1 – 5 years	> 5 years
Hedges in EUR, USD, NOK and GBP	**2 884**	**1 530**	**1 302**	**52**
Special transactions	2 030	676	1 302	52
Budget	854	854	–	–

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	–	–

12 Inventories

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Inventories	**336**	**291**	**-45**	**-13.4**
Inventories purchased	324	278	-46	-14.2
Inventories self-produced	12	13	1	8.3

Inventories fell by approximately 13% (-45 mn), primarily as a result of value adjustments on fuel caused by lower market prices.

Inventories purchased essentially comprise the acquisition values of motor fuel (146 mn), combustibles (41 mn), medical supplies (41 mn), production material for circulation coins (12 mn) and biometric passports (12 mn), printed materials and publications (17 mn), and ethanol inventories (19 mn). Value adjustments amounting to 37 million were applied to inventories at risk as well as old and excessive inventories.

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

13 Prepaid expenses and accrued income

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Prepaid expenses and accrued income	**1 058**	**771**	**-287**	**-27.1**
Interest	26	31	5	19.2
Debt discount	207	196	-11	-5.3
Other prepaid expenses and accrued income	825	544	-281	-34.1

The level of prepaid expenses and accrued income declined by 287 million relative to the previous year, driven primarily by lower accruals from forward exchange transactions for hedging foreign currency payments due to the appreciation of the US dollar.

The *debt discount* fell by 11 million as a result of the decline in the level of outstanding bonds relative to 2013. The total share of earlier discounts to be amortized (43 mn) was higher than the discount generated in 2014 (31 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.

Most of the *other prepaid expenses and accrued income* relate to prepaid fees and charges for existing bonds (2014: 524 mn), which fell by 74 million. The total share of fees (including accrued stamp duty; 81 mn) to be amortized was higher than the coupon and security fees (7 mn) paid in 2014. In addition, the accruals from forward exchange transactions for hedging foreign currency payments from the budget and special transactions fell by 219 million (-196 mn at year-end 2014), primarily as a result of the appreciation of the US dollar. Other prepaid expenses and accrued income also include accruals from FINMA supervisory duties (29 mn; -3 mn), as well as various accruals in the ETH Domain (27 mn; -5 mn).

14 Tangible and intangible fixed assets

2014 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 1.1.2014	**93 618**	**3 731**	**33 278**	**56 609**	**514**
Additions	3 400	766	746	1 888	86
Disposals	-1 773	-144	-437	-1 192	-8
Reclassifications	13	5	-5	13	–
Balance at 31.12.2014	**95 258**	**4 358**	**33 582**	**57 318**	**592**
Accumulated depreciation					
Balance at 01.01.2014	**-41 195**	**-2 400**	**-19 258**	**-19 537**	**-287**
Ordinary depreciation	-2 363	-311	-586	-1 466	-73
Disposals	1 595	110	365	1 120	7
Impairments	-1	1	–	-2	-1
Reversed impairments	5	5	–	–	–
Reclassifications	–	-4	4	–	–
Balance at 31.12.2014	**-41 959**	**-2 599**	**-19 475**	**-19 885**	**-354**
Carrying amount at 31.12.2014	**53 299**	**1 759**	**14 107**	**37 433**	**238**

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 1.1.2013	**-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**

The carrying amount of tangible and intangible fixed assets increased by 887 million. This was largely due to the capitalization of newly estimated accelerator facility dismantling and decommissioning costs (+356 mn) as well as significant additions under motorways (1.9 bn).

Movable property, plant and equipment
Almost 80% of the assets held consists of technical equipment and machinery in the ETH Domain (1,387 mn; +444 mn). The additions refer mainly to the capitalization of costs incurred when the accelerator facility is decommissioned, as well as to the interim and final storage of radioactively contaminated construction materials from the dismantling process. During the year under review, accelerator facility costs were increased by 70 million to 426 million based on the 2011 cost study and provisioned accordingly (see section 20). As of the reporting date, assets under construction to the value of 293 million came under this account group (16.7%).

Immovable property, plant and equipment
A total of 4.9 billion of immovable property, plant and equipment is attributable to the military area and 9.2 billion to the civilian area. Immovable property, plant and equipment under construction as of the reporting date totaled 1.4 billion. Key individual construction projects under properties and buildings were:

- Liebefeld new administrative building (64 mn)
- Bern, Guisanplatz 1 (54 mn)
- Zurich, Museumsstrasse 2 (40 mn)

Properties and buildings with individual project investments of less than 10 million (aggregated under the main groups):
- Buildings of the ETH Domain (279 mn)
- Buildings of the Federal Office for Buildings and Logistics (223 mn)
- Assets of the Air Force (148 mn)
- Assets of the Land Forces (109 mn)
- Assets of the Armed Forces Command Support Organisation (105 mn)
- Assets of the Armed Forces Logistics Organisation (93 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 (37.4 bn) recognized include motorways in operation (22.7 bn), assets under construction (10.5 bn), and land (4.2 bn). *Additions* under motorways related primarily to:

- Road network completion (0.6 bn), including the following key projects: A5 Biel bypass (Ostast); A9 Sierre–Gampel–Brig-Glis; A16 national border Porrentruy–France; A16 Delémont–border JU/BE; A16 Court–Tavannes; A28 Prättigauer Strasse.

- Development and maintenance work eligible for capitalization (1.2 bn): just over half of investment expenditure was invested in the following redevelopment and maintenance projects: A1 Coppet–Gland; A9 Vennes–Chexbres and Montreux–Roche; A1 Arrissoules–Kerzers; A5 Colombier–Cornaux; A9 Sion and Simplon Pass area; A1 Bern city expressway; A8 safety tunnel at Iseltwald; A8 Interlaken; A2 Belchen tunnel; A2 Rhine port connection; A1 Härkingen–Wiggertal; A1 Lenzburg–Birrfeld; A8 Sachseln tunnel; A2 Acheregg–Beckenried; A2 Seelisberg tunnel; A2 Schöllenen; A2 Mendrisio connection; A2 Melide–Gentilino; A13 Castione–Roveredo; A13 Roveredo bypass; A1 Zurich East–Effretikon; A1 Limmattaler Kreuz–Schlieren; A4 Galgenbuck tunnel; N1 St. Gallen.

Motorways to the value of 10.5 billion were under construction (28.1%). The following major motorway segments went into operation during the year under review:
- A16 Bure–Porrentruy (337 mn)
- EP Lenzburg–Birrfeld (207 mn)
- A1 Härkingen–Wiggertal (195 mn)
- A5 Serrières tunnel (135 mn)

Intangible fixed assets

The largest additions with regard to acquisition costs concerned development costs for various applications at the Customs Administration (15 mn), for the Tax Administration's Fiscal IT project (14 mn) and for motorway construction IT applications (16 mn).

Accumulated depreciation increased by 73 million via ordinary depreciation in accordance with the useful life.

Definition of fixed assets

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

15 Loans

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Balance at 1.1.	**9 621**	**9 365**	**-256**	**-2.7**
Additions	2 458	5 400	2 942	119.7
Disposals	-1 271	-4 182	-2 911	229.0
Other transactions	-1 443	-1 168	275	-19.1
Balance at 31.12.	**9 365**	**9 415**	**50**	**0.5**
Loans held for the accomplishment of tasks	3 293	3 203	-90	-2.7
Loans held to maturity	6 072	6 212	140	2.3

The loan portfolio rose by 50 million in net terms. While the unemployment insurance (ALV) loan was reduced by 0.9 billion, the carrying amount of the loan to the SBB increased by 1.3 billion.

Additions amounted to a total of 5.4 billion, and were attributable primarily to the following: an increase in loans to the SBB and other licensed transportation companies amounting to 2,796 million for financing infrastructure and rolling stock, an increase of 2,300 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 46 million, newly granted loans of 38 million in the area of regional development, and an increase in loans for non-profit residential construction companies (30 mn).

Disposals amounted to 4,182 million and consisted essentially of the following: partial repayment of unemployment insurance loans (3,300 mn), partial repayment of SBB loans (200 mn), partial repayment of basic price-reduction advances on leased property and loans to cooperative residential associations (116 mn), and repayments of regional development loans (77 mn) and loans to licensed transportation companies (50 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

CHF mn	2013 Acquisition value	2013 Value adjustment	2013 Carrying amount	2014 Acquisition value	2014 Value adjustment	2014 Carrying amount
Loans	**36 782**	**-27 417**	**9 365**	**38 140**	**-28 725**	**9 415**
Unemployment insurance (ALV)	4 200	–	4 200	3 300	–	3 300
SBB AG	18 605	-17 019	1 586	21 081	-18 150	2 931
Loans to cantons in the form of investment credits and operating aid	2 628	-2 628	–	2 673	-2 673	–
Misc. licensed transportation companies	2 494	-2 148	346	2 613	-2 293	320
Non-profit residential construction	1 688	-207	1 481	1 596	-184	1 412
Swissair	1 169	-1 169	–	1 169	-1 169	–
Rhaetian Railway	1 192	-1 046	146	1 277	-1 132	145
Regional development	839	-157	682	800	-133	667
BLS Netz AG	2 615	-2 615	–	2 597	-2 597	–
Loans to FIPOI	395	-150	245	385	-126	259
EUROFIMA	330	–	330	–	–	–
BLS AG	268	-213	55	252	-213	39
Hotel renovation	146	-28	118	156	-28	128
Other loans	213	-37	176	241	-27	214

16 Financial interests

CHF mn	2013 Total	2014 Significant interests	2014 Other financial interests	2014 Total	Deviation vs. 2013 Absolute	Deviation vs. 2013 %
Balance at 1.1.	**19 970**	**20 042**	**21**	**20 063**	**93**	**0.5**
Additions	25	–	22	22	-3	-12.0
Disposals	-241	-14	-3	-17	224	-92.9
Dividends and profit distribution received	-854	-780	–	-780	74	-8.7
Increase in equity value	1 457	1 700	–	1 700	243	16.7
Decrease in equity value	-284	–	–	–	284	-100.0
Other value changes	-10	–	-20	-20	-10	100.0
Balance at 31.12	**20 063**	**20 948**	**20**	**20 968**	**905**	**4.5**

n.d.: not displayed

The carrying amount of financial interests rose by 905 million, due essentially to the equity valuation of significant interests.

The change in the equity value of *significant interests* was marked by the share in the positive result of the four largest financial interests (Swiss Post, SBB, Swisscom and RUAG; together 1,589 mn); moreover, other equity movements at Swiss Post (+281 mn), Swisscom (-257 mn) and RUAG (79 mn) led to an additional unrealized gain. The other equity movements were due primarily to actuarial gains and losses on defined benefit pension plans (IAS 19). The flows to the Confederation in the form of dividends or profit distributions (781 mn) have to be deducted from the change in equity value. The sale of Swisscom shares also reduced the carrying amount (14 mn). The sale resulted in an unrealized gain of 54 million (shown in financial revenue).

Additions to *other financial interests* concerned existing financial interests in development banks which were increased: International Bank for Reconstruction and Development (13 mn), African Development Bank (6 mn), Asian Development Bank (1 mn) and Inter-American Development Bank (1 mn). Under disposals, sales of financial interests in Société des Forces Motrices de l'Avançon FMA and Tranports Régionaux Neuchâtelois TRN SA amounting to 1 million each were reported.

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

Distinction between significant interests and other financial interests

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

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

Other financial interests are recognized at cost net of any impairments required.

Significant interests and other group companies at 31.12.2014

CHF mn	Financial interest in %		Share capital	Consolidation/ valuation method	Acquisition value	Equity value/ carrying amount
Significant interests and other group companies					**12 110**	**20 968**
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**	**20 948**
Swiss Post	100.0		1 300	Equity	1 300	5 430
SBB	100.0		9 000	Equity	9 000	11 151
Swisscom	51.2		52	Equity	29	2 700
Ruag	100.0		340	Equity	340	976
BLS Netz AG	50.1		388	Equity	336	342
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	349
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					**948**	**20**
Council of Europe Development Bank	1.6	EUR	370	AV less value adj.	16	–
International Bank for Reconstruction and Development	1.6	USD	12 418	AV less value adj.	293	–
African Development Bank	1.5	USD	3 023	AV less value adj.	88	–
International Finance Corporation	1.7	USD	2 369	AV less value adj.	56	–
Asian Development Bank	0.8	USD	8 150	AV less value adj.	36	–
Inter-American Development Bank	0.5	USD	4 339	AV less value adj.	32	–
European Fund for Southeast Europe	3.9	EUR	758	AV less value adj.	12	–
Inter-American Investment Corporation	1.5	USD	705	AV less value adj.	12	–
European Bank for Reconstruction and Development	2.8	EUR	6 197	AV less value adj.	227	–
Rhaetian Railway	43.1	CHF	58	AV less value adj.	25	–
Zentralbahn	16.1	CHF	120	AV less value adj.	19	–
BLS AG	21.7	CHF	79	AV less value adj.	17	–
Other financial interests	n.d.	CHF	n.d.	AV less value adj.	115	20

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	2013	2014	Deviation vs. 2013 Absolute	%
Current liabilities	**14 339**	**13 897**	**-442**	**-3.1**
Current accounts	3 929	3 925	-4	-0.1
Trade payables	1 440	1 459	19	1.3
Tax and customs liabilities	6 369	5 684	-685	-10.8
Foundations under management	62	68	6	9.7
Restricted funds from third-party payments	981	1 047	66	6.7
Other current liabilities	1 558	1 714	156	10.0

n.d.: not displayed

Current liabilities amounted to 13.9 billion, with 5.7 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 1.0 billion.

The 3.9 billion carrying amount for *current accounts* consists primarily of the following items:

- Cantons' current accounts amounting to 2,313 million (-31 mn): the decline was attributable to lower 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 2015. The liabilities stand against fiscal equalization and military service exemption tax credit balances amounting to 817 million.

- Current account of the Swiss National Science Foundation amounting to 662 million (+134 mn).

- Investment accounts of international organizations amounting to 546 million (+12 mn).

- Current account of PUBLICA for loans to cooperative residential associations managed on a fiduciary basis amounting to 154 million (-20 mn).

- Current accounts arising from international withholding tax agreements with the United Kingdom and Austria amounting to 58 million (-90 mn).

- The *tax and customs liabilities* of 5.7 billion consist primarily of the following items:

- Credit balances of taxable persons and entities from value added tax amounting to 1,541 million (-534 mn).

- AHV portion of the value added tax share amounting to 551 million (-25 mn).

- IV portion of the value added tax share amounting to 263 million (-12 mn).

- Credit balances of taxable persons and entities from withholding tax and stamp duty amounting to 2,594 million (-315 mn).

- Cantons' share of withholding tax amounting to 546 million (+12 mn).

- Advance payments of tax and customs revenue amounting to 185 million (+185 mn)

As of 31 December, legal cases concerning dividend stripping totaling 264 million were pending. Moreover, liabilities from dividend stripping cases amounting to 89 million were derecognized as revenue in the year under review. Both amounts are recorded under contingent liabilities. The FTA expects that a pioneering Federal Supreme Court ruling will be handed down in favor of the FTA and that reimbursement is not justifiable. Other possible dividend stripping cases amounting to 678 million are in the clarification stage. They are all recorded as liabilities. These cases may result in additional revenue from withholding tax if 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 and the entire dividend is also forwarded. 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.

Effective from the 2014 calendar year, a given taxpayer's receivables and liabilities will be reported on a net basis by tax type (net presentation) and no longer separately as receivables and liabilities. This change of practice led to a reduction of 141 million in tax and customs liabilities in the case of withholding tax and stamp duty, as well as 63 million in the case of value added tax.

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 1,235 million (+37 mn) as well as cash deposits of 399 million (+129 mn). Deposit accounts include primarily the nuclear damage fund (477 mn) as well as foreign currency bank accounts which are in the name of the Confederation but are not available to it (356 mn).

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

18 Financial liabilities

CHF mn	2013 Carrying amount	2013 Market value	2013 Ø interest %	2014 Carrying amount	2014 Market value	2014 Ø interest %
Short-term financial liabilities	**15 589**	**n.d.**	**n.d.**	**13 661**	**n.d.**	**n.d.**
Money market	12 376	12 376	0.19	10 399	10 399	0.16
Savings bank for federal employees	2 955	n.d.	0.42	2 988	n.d.	0.50
Negative replacement values	225	n.d.	n.d.	232	n.d.	n.d.
Other short-term financial liabilities	33	n.d.	n.d.	42	n.d.	n.d.
Long-term financial liabilities	**79 297**	**n.d.**	**n.d.**	**78 675**	**n.d.**	**n.d.**
Federal government companies	50	n.d.	n.d.	50	n.d.	n.d.
Bonds	79 105	89 995	n.d.	78 443	95 115	n.d.
Other long-term financial liabilities	142	n.d.	n.d.	182	n.d.	n.d.

n.d.: not displayed

Short-term financial liabilities declined by 1.9 billion, while long-term financial liabilities fell by 0.6 billion. Overall, financial liabilities fell by some 2.5 billion.

Money market debt register claims were down by 2.0 billion. Bonds fell by 0.7 billion in nominal terms. However, their market value increased by 5.1 billion, as capital market interest rates dropped.

The *negative replacement values* relate to derivative financial instruments. For the first time, SIFEM AG also held derivative financial instruments for interest rate and foreign currency hedging (66 mn) with a negative replacement value in the year under review.

Other long-term financial liabilities include the share of the financing lease for the building of the Federal Administrative Court in St. Gallen (87 mn). Moreover, from 2014 onward, FEDRO warranty retention amounts of 12 million are recognized under short-term liabilities and 27 million under long-term liabilities.

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 4.7 billion.

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

2014 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	3 956	4 500	1 943	–	–	10 399
Long term: bonds	–	–	4 469	27 661	46 313	78 443

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

19 Accrued expenses and deferred income

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Accrued expenses and deferred income	**5 770**	**6 979**	**1 209**	**21.0**
Interest	1 659	1 511	-148	-8.9
Premium	2 763	2 996	233	8.4
Other accrued expenses and deferred income	1 348	2 472	1 124	83.4

The level of accrued expenses and deferred income increased to 7.0 billion (+1.2 bn), due primarily to withholding tax accruals (+1.1 bn).

Accrued expenses and deferred income for *interest* declined by 148 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 662 million, the *premium* position rose by 233 million year on year. This was attributable to the fact that the premium of 556 million generated in 2014 was higher than the share of 324 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 1,147 million in accruals in the area of withholding tax (1,929 mn). In December 2014, a dividend statement for 1,015 million in withholding tax was declared for which no refund request has been submitted yet. This concerns a natural person who has to claim a refund via the canton.

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

- Subsidies for regional passenger transportation for the 2015 timetable period amounting to 47 million (unchanged)
- Accruals for direct payments, dairy industry and sales promotion amounting to 41 million (+2 mn)
- Motorway construction and maintenance as well as Switzerland's contribution to the Global Navigation Satellite System (GNSS) amounting to 156 million (-67 mn)
- Receipts received in advance from meat quota auctions for 2015 amounting to 76 million (+1 mn)
- Accrued expenses for a tenant fitout of ETH Zurich amounting to 7 million (-3 mn.)

20 Provisions

2014 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**15 261**	**9 200**	**2 078**	**2 095**	**1 888**
Creation (incl. increase)	761	–	156	79	526
Reversal	-72	–	–	–	-72
Appropriation	-118	–	-97	-13	-8
Balance at 31.12.	**15 832**	**9 200**	**2 137**	**2 161**	**2 334**
of which short term	866	–	480	–	386

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

Provisions rose by 0.6 billion relative to the previous year. The biggest changes concerned the disposal of radioactive waste (+356 mn), coins in circulation (+ 66 mn) and military insurance (+59 mn).

Withholding tax

Coming in at 24.8 billion, gross receipts on the basis of tax returns were 2.3 billion higher than in 2013. This rise was offset by the 1.1 billion increase in foreign refunds during the year, as well as the 1.1 million rise in accrued expenses and deferred income. Ultimately, the provision remained unchanged at 9.2 billion.

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

Military insurance

The coverage capital and loss reserves have been calculated on a new basis (AHV 7^{bis}). This change resulted in an increase of 182 million in the coverage capital and loss reserves. On the other side, the safety margin was lowered by 53 million. The calculation of the military insurance provision was divided into short- and long-term components for the first time. According to that, 0.5 billion of the total is recorded under the short term.

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

Coins in circulation

A provision is made for coins in circulation. Based on eurozone empirical values, a loss rate of 35% should be anticipated, as not all coins are delivered to the SNB, even after several years have passed. The amount of the provision corresponds to 65% of the nominal value of newly minted coins supplied to the SNB, adjusted for the change in inventories at the SNB (+79 mn). Coins to the value of 13 million were withdrawn and destroyed. These withdrawals are shown under appropriation for this provision.

Other provisions

The main items under other provisions are as follows:

Vacation and overtime; 311 million

Staff vacation entitlement and overtime remained unchanged on the previous year. The average entitlement per employee edged down to just over two weeks. This is in line with private sector employers of equivalent size.

Radioactive waste; 1,000 million

The provision is based on the official 2011 cost study, as well as on data from the Paul Scherrer Institute (PSI) and the Federal Office of Public Health (FOPH) on the amount of waste accumulated. A Federal Council decree on the financing of the waste disposal costs in question is planned for the first half of 2015. The provision is comprised of the following:

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

- *Decommissioning and dismantling costs*: the costs incurred for the decommissioning of nuclear and accelerator facilities as well as the interim and final storage of radioactively contaminated construction materials from the dismantling process (638 mn). During the year under review, the accelerator facility provision was increased by 70 million to 426 million based on the 2011 cost study. As with industrial waste, neither inflation nor discounting was applied here for the same reasons.

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

Pensions for members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor; 339 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 was 339 million (+39 mn). The increase was due to the lower discount rate on account of the low interest rate environment.

Federal military buildings; 205 million

Provisions for structural alterations prescribed by law in relation to contaminated site clean-up, drainage, seismic safety and reinstatement costs. The largest components relate to compliance with statutory requirements (125 mn), reinstatement costs (46 mn) and environmental costs (23 mn). Possible implementation period: 2015 to 2024.

Provisions for outstanding claims; 160 million

Swiss Export Risk Insurance makes a provision for incurred but still unpaid claims. Once the claim has been paid, the provision is reversed, with the amount paid out recorded as a receivable and written off. Swiss Export Risk Insurance adopts a conservative approach to provisions, i.e. it uses a prudent recognition basis. The provision was increased by 10 million during the year under review.

Unearned insurance premiums; 159 million

The provision for unearned insurance premiums covers Swiss Export Risk Insurance (SERV) premiums which were received in the year under review and in previous years but are earned only during the period of coverage. For premium revenue recognition purposes, 20% of premiums is immediately recognized as revenue for administration in the current fiscal year. The remaining 80% is recognized as revenue based on the spread of risk over the contractual terms applying to individual transactions. In the event of a claim, any unutilized portion of the premium is realized immediately. The provision was increased by 43 million during the fiscal year.

Defense social plan costs; 20 million
The provision for early retirements expected in the next few years remained unchanged at 20 million. There were no social plan payouts during the year under review.

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

21 Other liabilities

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Other liabilities	**1 422**	**1 337**	**-85**	**-6.0**
Liabilities toward restricted funds in liabilities	1 422	1 337	-85	-6.0

Restricted funds in liabilities were down by 85 million overall. The biggest changes concerned casino tax (-44 mn) and the family compensation fund special fund (-34 mn).

Special financing

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

VOC and "extra-light" heating oil incentive fees (253 mn): restricted receipts were slightly lower than redistributions, which led to a withdrawal from the fund (-12 mn). VOC and "extra-light" heating oil incentive fees are levied on volatile organic compounds (Ordinance of November 12, 1997 on the Incentive Tax on Volatile Organic Compounds; OVOC; SR *814.018*). The "extra-light" heating oil incentive fee is levied on heating oil that contains sulphur (Ordinance of November 12, 1997 on the Incentive Tax on "Extra-Light" Heating Oil with a Sulphur Content of More than 0.1 Per Cent; ELHOO; SR *814.019*). The fees are redistributed to the public with a two-year time lag.

CO_2 tax on fuel (58 mn and 27 mn): expenditure and receipts were almost equal in the year under review. The CO_2 tax on fuel is an incentive fee on fossil fuels (Federal Act of December 23, 2011 on the Reduction of CO_2 Emissions, SR *641.71*; CO_2 Tax Ordinance, SR *641.712*). The law provides that a third of the funds, but no more than 300 million, shall be appropriated for measures to reduce CO_2 emissions from buildings (building renovation and promotion of renewable energy use in buildings). The remaining restricted receipts are redistributed to households and companies. In the interests of transparency, two separate 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 (593 mn): compared with 2012 (the relevant year for expenditure), receipts in the fiscal year were 23 million lower (increased competition from foreign casinos and online gambling). The corresponding expenditure surplus (-44 mn) led to a withdrawal from the fund. The Confederation transfers casino tax receipts (Art. 94 of the Gambling Ordinance of September 24, 2004; SR *935.521*) to the AHV compensation fund at the start of the next year but one.

Contaminated site fund (144 mn): receipts were 6 million higher than budgeted, meaning the planned expenditure surplus for reducing the accumulated fund assets was fully offset. Ultimately, the fund assets remained unchanged at 144 million. 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 assets of the fund for *federal war transportation insurance* (Ordinance of May 7, 1986 on the Federal War Transport Insurance, FWTIO; SR *531.711*) remained unchanged on the previous year at 55 million.

Special funds

The most significant components and changes concerned the following:

Family compensation fund: the fund assets recorded amounted to 61 million. Another 21 million is recognized under accrued expenses and deferred income rather than restricted funds. The fund thus has total assets of 82 million. 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 29 million (+5 mn).

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 remained unchanged at 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* are also attributed to liabilities or net assets/equity depending on their economic attributes. Special funds normally fall under net assets/equity. 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

2014 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									**1 872**
Operating revenue	**257**	**60 729**	**102**	**760**	**277**	**265**	**17**	**1 642**	**64 049**
Operating expenses	**21 461**	**7 688**	**7 649**	**7 268**	**4 417**	**3 652**	**3 491**	**6 551**	**62 177**
Personnel expenses	335	121	194	2 228	1 500	91	607	2 726	7 802
Other operating expenses	194	226	496	771	2 550	31	192	1 452	5 912
Depreciation	19	7	1 447	413	235	6	–	311	2 438
Transfer expenses	20 913	7 334	5 512	3 856	132	3 524	2 692	2 062	46 025
Investments	**2**	**8**	**1 793**	**469**	**402**	**3**	**1**	**452**	**3 130**
In tangible fixed assets	–	6	1 776	468	402	2	–	390	3 044
In intangible fixed assets	2	2	17	1	–	1	1	62	86

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

Revenue, expenses and investments within the task areas moved in line with the prior-year levels. A greater decline in operating expenses was recorded in the "Education and research" task area as a result of the formation of a provision for the interim and final storage of radioactive industrial waste the previous year.

Social welfare

Transfer expenses in the largest task area were down by 171 million on 2013, due primarily to the previous year's increase in the military insurance provision (644 mn). That provision was increased once again during the year under review, but by only 59 million (see section 42/20). Expenses for old-age and survivors' insurance were also up by 127 million, while those for disability insurance and health insurance (premium reductions) rose by 47 million and 58 million, respectively. The Confederation spent 46 million more on AHV supplementary benefits in 2014 than in the previous year. Migration expenses and those for unemployment insurance and employment centers posted year-on-year increases of 15 million and 23 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 reduction of 0.5 billion in *operating revenue* was attributable to lower tax revenue (-154 mn) and the absence of a profit distribution from the SNB (-333 mn). In the case of transfer expenses, primarily the cantons' share of federal receipts (-54 mn) and losses on receivables were lower than the previous year (-248 mn).

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 fell by 0.5 billion compared with the previous year. In terms of *other operating expenses*, the biggest drop concerned the previous year's formation of a provision for probable costs associated with the interim and final storage of radioactive industrial waste from accelerator and nuclear facilities (341 mn). In the case of *transfer expenses*, there was a decline primarily in expenses for the area of research due to the uncertainty surrounding Switzerland's participation in the EU research programs Horizon 2020 and Euratom. Operating revenue came from third-party funds that were assigned to the ETH Domain. Personnel expenses were likewise largely related to the ETH Domain.

National defense

The reduction in *personnel expenses* for national defense can be explained by the one-time payment of pension contributions amounting to 155 million in 2013. Moreover, defense equipment expenses (*other operating expenses*) fell by 142 million as a result of the rejected procurement of new fighter jets.

Agriculture and food

The *operating expenses* for agriculture remained more or less constant. Direct payments, which account for around three quarters of agriculture expenses, edged up by 16 million relative to the previous year. In the area of production and sales (-19 mn), the measures decided by Parliament in 2013 to support the wine and pear juice market no longer applied.

International relations – international cooperation

Operating expenses posted a year-on-year increase of 220 million, due almost entirely to development assistance (+200 mn). It thus appears possible that the intended objective of raising the rate of official development assistance to 0.5% of gross national income by 2015 can be achieved. Expenditure on economic relations was up by 38 million on the previous year.

Other task areas

Regarding the rise in *operating revenue*, 150 million came from higher SERV insurance revenue, and another 116 million came from higher revenue from the CO_2 tax on fuel. This tax is recorded with no effect on the statement of financial performance, which is why it also leads to an increase in *transfer expenses*.

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	2013	2014	Deviation vs. 2013 Absolute	%
Gross debt	**109 225**	**106 233**	**-2 992**	**-2.7**
Current liabilities	14 339	13 897	-442	-3.1
Short-term financial liabilities	15 589	13 661	-1 928	-12.4
Long-term financial liabilities	79 297	78 675	-622	-0.8
Net debt	**81 935**	**80 273**	**-1 662**	**-2.0**
Gross debt	109 225	106 233	-2 992	-2.7
Deductions	*27 290*	*25 960*	*-1 330*	*-4.9*
Cash and cash equivalents	12 051	9 861	-2 190	-18.2
Receivables	7 257	7 389	132	1.8
Short-term financial investments	1 686	2 273	587	34.8
Long-term financial investments	224	225	1	0.4
Loans held to maturity	6 072	6 212	140	2.3

Gross debt fell by 3.0 billion to 106.2 billion in 2014. The decline in net debt was smaller at 1.7 billion, as the assets deducted from gross debt were also down (-1.3 bn).

Gross debt

The development of the various components of debt varied:

- In the case of *current liabilities*, the 0.4 billion reduction was largely due to the drop in tax and customs liabilities.
- Regarding *financial liabilities*, it was possible for both bonds (-0.6 bn; long term) and money market debt register claims (-2.0 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 1.7 billion to 80.3 billion. Aside from the reduction in gross debt (-3.0 bn), there was also a drop in *deducted elements* (-1.3 bn):

- The largest reduction was in cash and other liquid assets, which had been increased in 2013 in order to redeem a bond issue maturing at the start of 2014.
- Short-term financial investments were up primarily because of new investments in the cantons and cities.

3 Contingent liabilities

The funding deficit for "Employee retirement benefits and other employee benefits" rose by 2.6 billion to 9.4 billion. This was attributable primarily to the sharp decline in interest rates. Further contingent liabilities were up by 2.1 billion to 22.4 billion.

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

A comparison of total employee retirement benefits and the fair value of plan assets showed a funding deficit, or net employee retirement benefits, of 9.4 billion as of December 31, 2014. Comparing only funded retirement benefits against the fair value of plan assets, the funding deficit based on IPSAS 25 was 8.9 billion.

The PUBLICA pension fund accounted for 41.0 billion of *employee retirement benefits* (funded retirement benefits) and other long-term employee benefits of 0.5 billion (unfunded retirement benefits). Overall, the present value of employee retirement benefits rose from 37.2 billion to 41.5 billion in 2014.

Plan assets are measured at fair value. They rose from 30.5 billion to 32.1 billion.

Development of employee retirement benefits

The 2,647 million *change in net retirement benefits* consists of the net retirement benefit cost, actuarial gains and losses to be recognized immediately, and employer contributions (see "Development of liabilities" table).

The *net retirement benefit cost* amounted to 554 million (see "Net retirement benefit cost/gains" table). In 2013, this item included 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.

Actuarial assumptions

	2013	2014
Discount rate	1.60%	0.85%
Expected long-term return on retirement assets	3.00%	3.00%
Expected salary trend	1.15%	1.15%
Expected pension adjustments	0.10%	0.05%

Retirement benefit obligations and other employee benefits

CHF mn	2013	2014	Deviation vs. FS 2013 Absolute	%
Present value of funded net retirement benefit obligations	-36 715	-41 021	-4 306	11.7
Plan assets at fair value	30 462	32 114	1 652	5.4
Funded net retirement benefit obligations	**-6 253**	**-8 907**	**-2 654**	**42.4**
Present value of unfunded net retirement benefit obligations	-513	-506	7	-1.4
Total net retirement benefit obligations	**-6 766**	**-9 413**	**-2 647**	**39.1**

The *sum for immediate recognition* came to -2,932 million. It comprises all changes in the actuarial assumptions relative to the previous year. When valuing employee retirement benefits as of December 31, 2014, the discount rate was adjusted to the current yields available on federal bonds with a maturity of 20 years. It is now 0.85%, versus 1.60% the previous year (see "Actuarial assumptions" table).

Employer contributions paid in amounted to 839 million. They represent the total amount of regulatory savings and risk contributions paid for active insured employees, which rise sharply as a percentage of the insured salary in line with incremental increases as the insured employee ages. The current service cost calculated using the PUC method is 863 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, 2014. They are applied by the pension funds of the Confederation as parent entity and the Swiss National Museum. Some slightly different assumptions are used by the other consolidated entities.

Net retirement benefit cost/gains

CHF mn	2013	2014	Deviation vs. FS 2013 Absolute	%
Current service cost of employer (net)	864	863	-1	-0.1
Interest cost	423	576	153	36.2
Expected return on assets	-866	-903	-37	4.3
Recognized net gains on long-term employee benefits	147	18	-129	-87.8
Amortization of unrecognized items	432	–	-432	-100.0
Ordinary net retirement benefit cost	**1 000**	**554**	**-446**	**-44.6**
Extraordinary net retirement benefit cost/gains (curtailment)	–	–	–	n.d.
Net retirement benefit cost/gains	**1 000**	**554**	**-446**	**-44.6**

n.d.: not displayed

Development of liabilities

CHF mn	2013	2014	Deviation vs. FS 2013 Absolute	%
At 1.1.	**-7 971**	**-6 766**	**1 205**	**-15.1**
Net retirement benefit cost/gains	-1 000	-554	446	-44.6
Sum for immediate recognition	1 108	-2 932	-4 040	-364.6
Employer contributions	1 097	839	-258	-23.5
At 31.12.	**-6 766**	**-9 413**	**-2 647**	**39.1**

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.

Definition of contingent liabilities

A contingent liability is either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of some future event. The occurrence of this event cannot be influenced (e.g. sureties); or
- a present liability that arises from past events but cannot be recognized because it is improbable that an outflow of resources will be required to settle the liability, or the amount of the liability cannot be estimated with sufficient reliability (criteria for recognizing a provision are not met, e.g. litigation with low probability of loss).

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

Further contingent liabilities

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Further contingent liabilities	**20 246**	**22 377**	**2 131**	**10.5**
Sureties	10 980	11 363	383	3.5
Guarantee liabilities	7 618	8 116	498	6.5
Legal cases	410	521	111	27.1
Other contingent liabilities	1 238	2 377	1 139	92.0

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 2,821 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 1,814 million.

- In relation to *national economic supply*, guaranteed credit has been extended in the amount of 693 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 366 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 165 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 6,935 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 930 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 213 million as of the reporting date. The Confederation has also issued a guarantee for a 250 million loan to the HIA Collective Institution for the enforcement of international mutual benefits assistance in relation to health insurance.

Legal cases include:

- Applications for withholding tax refunds (354 mn): a significant proportion concerns applications that were classified as dividend stripping cases. The Federal Tax Administration expects that a pioneering Federal Supreme Court ruling will be handed down in favor of the Confederation and that there is no claim to reimbursement.

- Within the framework of a bankruptcy case, there is a recovery claim from the liquidator for a mineral oil tax payment received in 2012 (77 mn). It is disputed that the payment was in the interests of the group of creditors. The Customs Administration believes that the recovery is not justifiable, as the authorized warehouse owner permit would have been withdrawn from the transportation company without an incoming payment. That would have led to immediate incapacity to act from a business viewpoint, which would have been seriously detrimental for the creditors.

- 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.

Other contingent liabilities include the following:

- The Swiss Federal Institute of Technology Lausanne has a contingent liability of 1,184 million for the possible repercussions of joint and several liability arising from tenancies associated with simple partnerships controlled by it.

- Other contingent liabilities also include potential outflows of funds in relation to buildings (701 mn). The largest items relate to environmental costs in connection with contaminated sites, and compliance with statutory requirements in relation to drainage infrastructure, water supply and seismic safety.

- 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 regularly disburses several million for sureties payable for the promotion of housing construction and commercial guarantees, for example.

4 SERV liability scope

The SERV insurance liabilities amounted to 9.7 billion. This corresponds to 81% 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 2014, the sum of insurance liabilities amounted to 9.7 billion, whereby the liability scope was 81% utilized. There was no application for an increase in the liability scope during the year under review.

5 Contingent assets

CHF mn	2013	2014	Deviation vs. 2013 Absolute	%
Contingent assets	**19 260**	**18 900**	**-360**	**-1.9**
Unrecognized receivables from direct federal tax	18 200	18 000	-200	-1.1
Other contingent assets	1 060	900	-160	-15.1

Contingent assets from direct federal tax and legally contested withholding tax receivables declined by 0.2 billion each.

Unrecognized receivables from direct federal tax (excluding cantons' share of 17%) are levied ex post and only fall due in the year following the fiscal year in question. The booking of receipts is undertaken by the federal government to coincide with the delivery of the federal government's share by the cantons (cash accounting). If direct federal tax were levied at the end of 2014, there would still be an estimated 18.0 billion in receipts anticipated in following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2014 tax year is not possible, however, as these are not yet available as of the reporting date. For this reason, the estimated outstanding balances are reported as contingent assets. Their level corresponds to the receipts that are still anticipated. This estimation takes into account the fact that direct federal tax receipts for a specific fiscal year actually come in over a period of several years. The lion's share (around 75%) is received in the year following the relevant fiscal year. As of December 31, 2014, the Confederation had receivables relating to several fiscal years (2014 and earlier). These assets correspond to a large extent to the budgeted receipts of 16.9 billion (excluding cantons' share of 17%) for the 2015 calendar year. In subsequent years, further receipts are thus still expected from earlier tax years. Contingent assets fell slightly relative to the previous year, as 2014 receipts were down and lower receipts generally have to be expected.

Other contingent assets show the following:

- Disputed receivables from withholding tax and stamp duty (602 mn). These are legally contested receivables whose enforceability has to be clarified. The cases in question were completely or partly removed from the statement of financial position based on expert reports from within the Federal Administration. The difference between the recognized and decreed receivables is shown as contingent assets. These posted a year-on-year decline of 173 million.

- Orders for fines issued by the Competition Commission that were disputed by third parties and are now to be clarified in court (228 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	31.12.2013	31.12.2014	Payable 2015	Payable Later	Deviation vs. 31.12.2013 Absolute	Deviation vs. 31.12.2013 %
Financial pledges and other restricted expenditure	**150 121**	**155 395**	**40 517**	**114 878**	**5 274**	**3.5**
Financial pledges	**98 699**	**103 917**	**27 944**	**75 973**	**5 218**	**5.3**
Financial pledges with a fixed term	**17 138**	**20 376**	**7 884**	**12 492**	**3 238**	**18.9**
Guarantee credits and annual pledge credits	16 685	19 904	7 740	12 164	3 219	19.3
Other financial pledges with a fixed term	453	472	144	328	19	4.2
Financial pledges without a fixed term	**81 561**	**83 541**	**20 060**	**63 481**	**1 980**	**2.4**
Social insurance	66 938	68 763	16 488	52 275	1 825	2.7
Fiscal equalization	13 075	13 331	3 238	10 093	256	2.0
Mandatory contributions to international organizations	1 548	1 447	334	1 113	-101	-6.5
Other expenditure of a highly restricted nature	**51 422**	**51 478**	**12 573**	**38 905**	**56**	**0.1**
Interest expenditure	8 393	7 953	1 937	6 016	-440	-5.2
Third parties' share in federal revenue	40 190	40 563	9 929	30 634	373	0.9
Other restricted expenditure	2 839	2 962	707	2 255	123	4.3

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

Financial pledges amounted to 103.9 billion. A further 51.5 billion came from other future expenditure of a highly restricted nature. 40.5 billion of the total financial pledges and other restricted expenditure of 155.4 billion will be payable in 2015. This means that some 60% of the expense for 2015 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 2013	2014	Acquisition of goods and services/ interest expense 2013	2014	Sale of goods and services/ interest income 2013	2014	Receivables and loans 2013	2014	Liabilities 2013	2014
Related parties	**17 911**	**18 240**	**766**	**782**	**18**	**22**	**25 605**	**26 567**	**114**	**144**
Swisscom	–	–	146	172	7	6	14	12	20	18
SBB	1 886	1 941	31	41	–	–	18 532	21 018	–	–
Swiss Post	175	230	33	31	7	10	211	107	61	109
Ruag	–	–	555	538	4	6	33	33	33	17
BLS Netz AG	197	194	1	–	–	–	2 615	2 597	–	–
Compensation fund (AHV, IV, EO)	15 197	15 417	–	–	–	–	–	–	–	–
Compensation fund (ALV)	456	458	–	–	–	–	4 200	2 800	–	–

Transactions with related entities were in line with prior-year levels. The main changes concerned newly granted loans to the SBB and the partial repayment of 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 2,890 million of the receivables from the SBB are interest-bearing. Interest-bearing loans were increased by 1,350 million during the year under review. Interest-free loans also include loans from the fund for major railway projects (FinPT fund) to AlpTransit Gotthard AG amounting to 6.6 billion (2013: 6.2 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 (2.1 bn) as well as loans from the Confederation (0.5 bn).

- The unemployment insurance fund paid off 1.4 billion on the federal loan during the year under review, bringing it to 2.8 billion.

Compensation to key persons

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

Who are related parties?

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

8 Translation rates

	Closing rates at	
Unit	31.12.2013	31.12.2014
1 euro (EUR)	1.2273	1.2022
1 US dollar (USD)	0.8907	0.9936
1 pound sterling (GBP)	1.4732	1.5486
1 Norwegian krone (NOK)	0.1465	0.1334

9 Events after the reporting date

The 2014 consolidated financial statements were approved by the Federal Council on April 15, 2015. Up to that date, the following events requiring disclosure had occurred after the reporting date.

On January 15, 2015, the Swiss National Bank (SNB) removed the exchange rate floor of CHF 1.20 per euro and at the same time lowered by 0.5% the interest rate for credit balances on giro accounts which exceed a certain threshold, bringing it to -0.75%. As the exchange rate was not allowed to float freely until after the reporting date, the impact is not taken into account in the 2014 financial statements.

In contrast, the financial impact for contingent liabilities has been estimated and disclosed. The interest rate of April 14, 2015 is decisive for the estimate. The key item is as follows:

- A discount rate of 0.85% has been applied to employee retirement benefits in accordance with IPSAS 25 in the notes to the financial statements. This corresponds to the interest rate on federal bonds with a maturity of 20 years. With the current interest rate of 0.30%, net retirement benefits are approximately 3.0 to 3.6 billion higher, rising to around 12.4 to 13.0 billion.

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 transactions, as they are not caught by the debt brake rules. 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). The consolidated statement of financial position makes no such distinction, but divides assets into current and non-current assets in accordance with the International Public Sector Accounting Standards.

Cash flow statement

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

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

Relationship with the Confederation as parent entity

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

Comparison with financial statistics

Different approaches

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

Different groups of consolidated entities

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 2010). The "general government" sector includes the "Confederation" sub-sector, which is comparable with, but not identical to, the scope of the consolidated financial statements.

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

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

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

Differences in valuation

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

52 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

2014	Surplus or deficit		Liabilities		Net assets/equity		Employees	
Entities	CHF mn	%	CHF mn	%	CHF mn	%	FTE	%
Central Federal Administration (Confederation as parent)	**1 193**	**72.6**	**133 714**	**92.2**	**-22 790**	**93.4**	**34 772**	**65.3**
Decentralized Federal Administration	**451**	**27.4**	**11 250**	**7.8**	**-1 608**	**6.6**	**18 448**	**34.7**
Separate accounts								
Swiss Federal Institutes of Technology Domain	119	7.2	1 739	1.2	1 639	-6.7	16 519	31.0
Swiss Alcohol Board	256	15.6	9	0.0	321	-1.3	132	0.2
Fund for major railway projects	- 190	-11.6	8 362	5.8	-8 313	34.1	1	0.0
Infrastructure fund	79	4.8	13	0.0	1 680	-6.9	–	0.0
Decentralized administrative units with their own accounts								
Swiss Financial Market Supervisory Authority (FINMA)	13	0.8	17	0.0	63	-0.3	483	0.9
Swiss Federal Institute for Vocational Education and Training (SFIVET)	- 1	-0.1	6	0.0	3	0.0	169	0.3
Swiss Federal Nuclear Safety Inspectorate (ENSI)	3	0.2	9	0.0	22	-0.1	138	0.3
Swiss Federal Institute of Intellectual Property (IIP)	10	0.6	23	0.0	89	-0.4	212	0.4
Federal Audit Oversight Authority (FAOA)	0	0.0	3	0.0	5	0.0	24	0.0
Swiss Federal Institute of Metrology (METAS)	3	0.2	7	0.0	30	-0.1	153	0.3
Swiss Export Risk Insurance (SERV)	122	7.4	321	0.2	2 571	-10.5	42	0.1
Swiss National Museum (SNM)	1	0.1	9	0.0	7	0.0	137	0.3
Pro Helvetia (PH)	0	0.0	8	0.0	15	-0.1	68	0.1
Swiss Association for Hotel Credit (SAH)	1	0.1	238	0.2	51	-0.2	14	0.0
SIFEM AG	35	2.1	438	0.3	150	-0.6	–	0.0
Swissmedic	0	0.0	48	0.0	59	-0.2	357	0.7
Subtotal	1 644	100.0	144 964	100.0	-24 398	100.0	53 220	100.0
Consolidation adjustments	- 345		-14 583		-1 253		–	
Federal consolidated financial statements	**1 299**		**130 381**		**-25 651**		**53 220**	

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.

53 Transfer expenses

2014 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Transfer expenses	**49 028**	**46 025**	**-3 003**
Third parties' share in federal income	8 903	8 903	–
Compensation to public bodies	1 038	1 038	–
Contributions to own institutions	3 024	1 021	-2 003
Contributions to third parties	15 215	15 328	113
Contributions to social insurance	16 155	16 155	–
Value adjustments on investment contributions	4 303	3 580	-723
Value adjustments on loans and financial interests	390		-390

Contributions to own institutions: -2,003 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 (-2,473 mn), the Swiss Federal Institute for Vocational Education and Training (-37 mn) and the Swiss National Museum (-43 mn), as well as the contribution to the Swiss Federal Institute of Metrology (-26 mn), Swissmedic (-14 mn) and Pro Helvetia (-35 mn) are eliminated.
- The contributions of 575 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: +113 million
Regarding recipients outside of the parent entity, contributions were paid from the infrastructure fund for urgent urban transportation projects, for main roads in mountainous areas, and to compensate for insufficient cantonal funds from the increase in the mileage-related heavy vehicle charge (total 170 mn), as well as contributions from the FinPT fund (30 mn), the ETH Domain (63 mn), the Swiss Alcohol Board (2 mn, alcohol prevention) and Pro Helvetia (26 mn). The contribution to reduce the cost of newspaper and magazine distribution in outlying regions for publishers (50 mn) is now shown under contributions to third parties in the consolidated financial statements. This is still shown under contributions to own institutions in the case of the parent entity. Intercompany relationships of -128 million were additionally recognized.

Value adjustments on investment contributions: -723 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 1,410 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 317 million (investment contributions) were likewise eliminated.
- Additional recognitions include the value adjustments of the FinPT fund (838 mn) and of the infrastructure fund (167 mn).

Value adjustments on loans and financial interests: -390 million
In the consolidated financial statements, the corresponding value adjustments for loans and financial interests are reported in financial expense (see section 42/8) under value adjustments on financial investments.

54 Debt (comparison with the parent entity)

Compared with the parent entity, gross debt is 2.6 billion lower in the consolidated financial statements, due primarily to the fact that liabilities toward consolidated entities are eliminated. In contrast, net debt is 3.7 billion higher in the consolidated financial statements. This is largely attributable to the elimination of the 8.4 billion advance to the FinPT fund recognized in the case of the parent entity.

54 Debt

2014 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Gross debt	**108 797**	**106 233**	**-2 564**
Current liabilities	16 226	13 897	-2 329
Short-term financial liabilities	13 565	13 661	96
Long-term financial liabilities	79 006	78 675	-331
Net debt	**76 593**	**80 273**	**3 680**
Gross debt	108 797	106 233	
Deductions	*32 204*	*25 960*	*-6 244*
Cash and cash equivalents	9 030	9 861	831
Receivables	6 572	7 389	817
Short-term financial investments	2 551	2 273	-278
Long-term financial investments	14 051	225	-13 826
Loans held to maturity		6 212	6 212

Gross debt

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

- *Current liabilities (-2,329 mn)*: liabilities of 3,557 million recognized by the parent entity are eliminated in the consolidated view. These include primarily deposit account liabilities toward Swiss Export Risk Insurance (1,780 mn), the ETH Domain (1,319 mn), the Swiss Association for Hotel Credit (77 mn), the Swiss Federal Institute of Intellectual Property (58 mn), the Swiss National Museum (12 mn) and SIFEM AG (10 mn), as well as a current account liability toward the Swiss Alcohol Board (257 mn). Conversely, the liabilities of the ETH Domain toward third parties (1,185 mn) lead to an increase in liabilities from a consolidated viewpoint.

- *Long-term financial liabilities (-331 mn)*: in its individual statements, the parent entity reports fixed-term deposit liabilities amounting to 250 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 (109 mn). Conversely, the ETH Domain (18 mn) and Swissmedic (10 mn) report their own financial liabilities.

Net debt

In contrast to the lower gross debt, net debt is 3.7 billion higher in the consolidated financial statements than for the parent entity.

- In addition to the receivables of the parent entity, the *receivables* in the consolidated financial statements also contain those of SERV (701 mn), the ETH Domain (59 mn), the Swiss Alcohol Board (16 mn) and Swissmedic (17 mn).

- The parent entity's treasury loan to the FinPT fund (8,361 mn) is eliminated in the consolidated view, which is why the loans held to maturity (consolidated financial statements) are accordingly lower than long-term financial investments (parent entity). This is mitigated by SIFEM AG's long-term financial investments of 224 million. In the consolidated financial statements, the loans of non-administrative assets (6,212 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.