Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development **08-Jun-2010**

English - Or. English

COUNCIL

Budget Committee

FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT AS AT 31 DECEMBER 2009

Summary:

This document presents the Financial Statements for 2009, with the opinion of the External Auditor.

Budget Committee Action:

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

JT03285065

12 May 2010

REPORT OF MANAGEMENT

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

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

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

In the opinion of OECD management, these financial statements present fairly the Organisation's financial position at 31 December 2009 and of the results of operations and cash flows for year ended at that date. The statements have been audited by the External Auditor. Its report follows.

P. van Haute

Anthony J Rottier

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

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Free translation from the French opinion of the External Auditors

The First President

Paris, May 12th, 2010

To Mr. Angel GURRÍA,
Chairman of the Council of the Organisation for Economic Co-operation and Development

OPINION OF THE EXTERNAL AUDITOR

We have examined the OECD's financial statements for the year ending on 31 December 2009, which comprise the Statement of Financial Position, Statements of Financial Performance, Statement of Cash Flow and Statement of Changes in Net Assets, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the OECD's management. Our responsibility is to express an opinion on these financial statements on the basis of our audit.

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

It is our opinion that the financial statements give a true and fair view of the financial position of the OECD as at 31 December 2009 and of the result of its operations and cash flows for the year then ended, and that they have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) or, where no such standards have yet been formulated, International Financial Reporting Standards (IFRSs / IASs).

Didier MIGAUD

OECD
Statements of Financial Position as at

	Notes	31 December 2009 €'000	31 December 2008 €'000
ASSETS			
Current assets			
Cash and cash equivalents, unrestricted	5	150,780	106,301
Cash and cash equivalents, restricted	5	34,876	81,372
Inventories	6	532	726
Accounts receivable and prepayments	7	95,396	98,976
Staff loan program	8	3,155	2,703
Total current assets		**284,739**	**290,078**
Non-current assets			
Financial assets	9	275,579	205,843
Receivables	7	12,248	19,961
Staff loan program	8	4,127	3,940
Furniture, fixtures and equipment	10	16,291	14,323
Land and buildings	11	413,633	420,981
Intangible assets	12	1,333	1,341
Total non-current assets		**723,211**	**666,389**
TOTAL ASSETS		**1,007,950**	**956,467**
LIABILITIES			
Current liabilities			
Borrowings	13	6,800	6,290
Payables	14	94,475	111,673
Provisions for liabilities and charges	15	111	10,353
Employee benefits	16	74,517	68,951
Deferred revenue	17	93,002	92,553
Total current liabilities		**268,905**	**289,820**
Non-current liabilities			
Employee benefits	16	1,468,766	1,373,499
Deferred revenue	17	194,304	176,497
Total non-current liabilities		**1,663,070**	**1,549,996**
TOTAL LIABILITIES		**1,931,975**	**1,839,816**
NET ASSETS		**(924,025)**	**(883,349)**
Member countries' contributed interest	18	(1,109,993)	(1,019,560)
Pension Budget and Reserve Fund reserve (PBRF)	18	186,176	213,795
Other reserves	18	29,397	34,327
Net deficit for the period	18 & 25	(29,605)	(111,911)
TOTAL NET ASSETS		**(924,025)**	**(883,349)**

OECD
Statements of Financial Performance for the year ended

	Notes	31 December 2009 €'000	31 December 2008 €'000
OPERATING REVENUES			
Assessed contributions	19	263,781	276,894
Voluntary contributions	19	90,091	79,274
Pension contributions	16 & 19	78,201	76,440
Sales of publications	19	16,306	15,071
Other	19	17,776	13,518
Total operating revenues		**466,155**	**461,197**
OPERATING EXPENSES			
Personnel	20	247,881	236,911
Pension and post-employment benefits	16 & 20	157,506	146,309
Consulting	20	27,462	27,987
Travel	20	22,039	22,767
Operating	20	75,750	79,240
Other	20	285	11,554
Total operating expenses		**530,923**	**524,768**
Deficit from operating activities		**(64,768)**	**(63,571)**
Financial revenue and expense, net	21	35,163	(48,340)
Deficit from ordinary activities		**(29,605)**	**(111,911)**
DEFICIT FOR THE PERIOD	18 & 25	**(29,605)**	**(111,911)**

OECD
Statements of Cash Flow for the year ended

	Notes	31 December 2009 €'000	31 December 2008 €'000
Cash flow from operating activities			
Deficit from ordinary activities		(29,605)	(111,911)
Depreciation, net	10,11 & 12	17,348	14,525
(Gain)/Loss on disposal of fixed assets	10 & 12	(74)	2
(Decrease) / increase in provisions for liabilities and charges	15	(10,242)	9,674
Increase in employee benefits - defined benefit programmes	16	106,256	90,488
Decrease / (increase) in receivables	7	11,293	(23,500)
Decrease / (increase) in inventories	6	194	(24)
Decrease in investments	5	-	10,529
(Decrease) / increase in payables	14	(17,198)	10,498
Increase in deferred revenue	17	18,256	42,830
Net cash flow from operating activities		**96,228**	**43,111**
Cash flow from investing activities			
Purchase of fixed assets	10,11 & 12	(12,062)	(43,681)
Proceeds from sale of fixed assets	10,11 & 12	176	-
(Increase) / decrease in staff loan program	8	(639)	1,219
Decrease in financial assets - Staff Provident Fund	9	5,423	4,632
Decrease / (increase) in financial assets - other	9	16	(121)
(Increase) / decrease in financial assets - PBRF	9	(75,175)	37,971
Net cash flow from investing activities		**(82,261)**	**20**
Cash flow from financing activities			
Decrease in liabilities - Staff Provident Fund	16	(5,423)	(4,632)
Proceeds from borrowings	13	13,500	13,190
Repayment of borrowings	13	(12,990)	(14,800)
Credits to member countries and others	18	(11,071)	(9,791)
Net cash flow from financing activities		**(15,984)**	**(16,033)**
Net (decrease) / increase in cash and cash equivalents		**(2,017)**	**27,098**
Cash and cash equivalents at beginning of period	5	187,673	160,575
Cash and cash equivalents at end of period	**5**	**185,656**	**187,673**

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

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

OECD
Statements of Changes in Net Assets

	Member countries' contributed interest €'000	Accumulated surplus / (deficit) €'000	Reserves €'000	Pension Budget and Reserve Fund €'000	Net surplus / (deficit) for the period €'000	Total €'000
Balance at 31 December 2007	**(912,442)**	**(17,568)**	**33,544**	**180,242**	**(60,442)**	**(776,666)**
Allocation of prior year result	(102,659)	7,250	1,414	33,553	60,442	-
Credited to Member countries and other donors	-	(2,743)	-	-	-	(2,743)
Reserves/surpluses transferred to Budget	-	(6,417)	(631)	-	-	(7,048)
Surplus on revaluation of property	15,019	-	-	-	-	15,019
Net deficit for the period	-	-	-	-	(111,911)	(111,911)
Subtotal	(87,640)	(1,910)	783	33,553	(51,469)	(106,683)
Balance at 31 December 2008	**(1,000,082)**	**(19,478)**	**34,327**	**213,795**	**(111,911)**	**(883,349)**
Allocation of prior year result	(90,676)	5,240	1,144	(27,619)	111,911	-
Credited to Member countries and other donors	-	(1,155)	(5,395)	-	-	(6,550)
Reserves/surpluses transferred to Budget	-	(3,842)	(679)	-	-	(4,521)
Surplus on revaluation of property	-	-	-	-	-	-
Net deficit for the period	-	-	-	-	(29,605)	(29,605)
Subtotal	(90,676)	243	(4,930)	(27,619)	82,306	(40,676)
Balance at 31 December 2009	**(1,090,758)**	**(19,235)**	**29,397**	**186,176**	**(29,605)**	**(924,025)**

Member countries' contributed interest includes the pension benefits and post-employment health coverage liability, and the counterpart of land and buildings, as detailed in Note 18.

The Pension Budget and Reserve Fund is the value of the fund's net assets at the prior year end. The result of the fund for the current period is included in the net deficit for the period and is shown in the Statement of Financial Performance by Segment in Note 22.

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General information

The "Organisation for Economic Co-operation and Development" (the "Organisation") was founded in 1961, replacing the Organisation for European Economic Co-operation, which had been established in 1948 in conjunction with the Marshall Plan. The Organisation groups 30 member countries committed to democratic government and the market economy and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations, in line with the mission and role set forth in the Organisation's Convention:

- Achieve the highest sustainable growth and a rising standard of living in member countries, while maintaining financial stability,

- Contribute to sound economic expansion, in member as well as non-member countries in the process of economic development,

- Contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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

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

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

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

The Budget is the act whereby Council accords the necessary commitment authorisation and makes the necessary appropriations for the functioning of the Organisation and the carrying out of its activities. It determines the amount of contributions to be paid by members after taking into account other resources of the Organisation. The Organisation's member countries fund the Budget for Part I programmes, accounting for about 50% of the consolidated Budget. Their contributions are based on both a proportion that is shared equally and a scale proportional to the relative size of their economies. Part II Budgets include programmes of interest to a limited number of members or relating to special sectors of activity not covered by Part I. Part II programmes are funded according to a scale of contributions or other agreements among the participating countries. Annex Budgets are established for certain specific activities such as the Pension Schemes, Site Project and Publications. Note 23 gives further details of the income and expenditure budget and actual results for 2009.

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

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

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

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

Helping ensure development beyond the OECD's membership has been part of the Organisation's mission from the start. The Organisation maintains active relationships with business, labour, civil society and parliamentarians. These stakeholders benefit from and make valuable contributions to the work of the OECD. It also shares expertise and exchanges views with more than 100 other economies

In November 2007 Council adopted the roadmaps for the accession of Chile, Estonia, Israel, Russia and Slovenia to the OECD Convention. Accession negotiations are taking place individually between the candidate countries and the OECD Committees that handle substantive aspects of the Organisation's work. Once the OECD Committees are satisfied that a candidate country fulfils their requirements for membership, a final decision on whether to issue an invitation for membership will be taken by Council. In addition, Enhanced Engagement programmes have been launched for Brazil, China, India, Indonesia and South Africa. Enhanced Engagement is a fundamental proposal by the OECD member countries to forge a more structured and coherent partnership, based on mutual interest, with these five major economies.

On 15 December 2009, Council decided to invite Chile to accede to the OECD Convention and thereby become a member of the Organisation. On 11 January 2010, an Accession Agreement was signed between Chile and the Organisation on the terms of Chile's accession to the Organisation. This Agreement sets out, in the format of an international treaty, Chile's Final Statement, accepting the obligations of membership and the Council's Decision to invite Chile to accede to the OECD Convention. Chile will become a member of the Organisation on the date of the deposit of its instrument of accession to the OECD Convention, currently foreseen by the end of May 2010.

Note 2: Adoption of new and revised Standards

In 2008 the Organisation elected to adopt IPSAS 25 Employee Benefits in advance of its effective date of annual financial statements covering periods beginning on or after 1st January 2011. As IPSAS 25, which is based on IAS 19, "Employee Benefits", was already adopted by the Organisation, the adoption of this standard has not led to any changes in the Organisation's accounting policies and no changes were required to prior period reported numbers.

The Organisation will take advantage of the transitional provisions in its adoption of IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers), in respect of voluntary contributions and grants that it receives that are non-exchange transactions. These transactions are currently recognised as exchange transaction voluntary contributions and recognised as revenue as indicted in Note 3: Significant accounting policies – Revenue recognition.

In 2009 the Organisation elected to adopt IPSAS 24 Presentation of Budget Information in Financial Statements. The statements of comparison of budget and actual amounts for income and expenditure are included in Note 23.

Note 3: Significant accounting policies

Basis of accounting

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

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

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

The principal accounting policies adopted are set out below.

Foreign currencies

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

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

Hedge accounting

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

Intangible assets

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

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

Tangible assets

Property, furniture, fixtures and equipment

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

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

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

Freehold land is not depreciated.

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

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

- Structure of buildings: 50 years
- Roofing and windows: 15 - 33 years
- Fixtures and fittings: 5 - 25 years
- Other fixed assets: 3 - 10 years

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

Impairment of tangible and intangible assets

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution. Due to the short to medium term focus of publications, a provision for depreciation is made for all of those issued prior to 2007, as well as more recent issues with inventory on hand in excess of one year's sales volume. A provision for depreciation is made for supplies held in inventory for more than one year and in excess of one year's consumption.

Receivables

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

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

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

Investments and other financial assets

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

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

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

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

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

Cash and cash equivalents

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

Financial risks

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

a) Foreign currency exchange risk

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

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

b) Price risk

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

c) Liquidity risk

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

d) Credit risk

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

Provisions

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

Employee benefits

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

The Joint Pension Administration Section (JPAS), (a Section that administrates the pension schemes for 6 co-ordinated organisations, of which the OECD is one), acting as the Organisation's actuary, performs valuations of the defined benefit obligations and the related expense, which is recognised annually. The latest actuarial valuations were carried out as at 31 December 2009 using the Projected Unit Credit Method.

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

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

Revenue recognition

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

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

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

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

Leasing

The Organisation does not have any finance leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Note 4: Accounting judgements and estimates

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

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

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

Note 5: Cash and cash equivalents

		31 December 2009 €'000	31 December 2008 €'000
Cash on hand		5	5
Deposits with banks unrestricted - euros		147,495	102,838
Deposits with banks unrestricted - other currencies		3,280	3,458
	Total unrestricted cash	**150,780**	**106,301**
Deposits with banks restricted		21,717	54,529
Deposits with banks and cash equivalents - PBRF		13,159	26,843
	Total restricted cash	**34,876**	**81,372**
Total cash and cash equivalents		**185,656**	**187,673**

Cash deposits are generally held in instant access interest-bearing bank accounts, a money market fund and short-term time deposits. Interest-bearing bank accounts yielded interest at an average rate of 0.9% (2008: 3.5%). The significant decrease in interest rates results from action taken by the European Central Bank to reduce short-term lending rates in response to the worldwide financial crisis.

Certain cash deposits are restricted for specific uses:

- Funds received from sale of the offices at Chardon Lagache;

- In January 2008 the Organisation transferred its medical plan investment of 10.5 M€ from a deposit with its insurance company to short term bank deposits and it is now included in "Deposits with banks restricted". It is restricted to cover the cost of the claims administration and the risk of variation in costs associated with the health insurance contract for the Organisation's staff and retirees. The balance of this deposit at 31 December 2009 was 9.7 M€;

- The PBRF assets, including cash deposits, are restricted to the payment of pension benefits and Fund administration expenses as defined by the Fund Statutes. The cash deposits, which are held in interest-bearing bank accounts, term deposits or certificates of deposit, are lower than at the previous year end due mainly to the decision to commence investing in long term funds in accordance with the new investment strategy.

The balance of funds received from member countries to finance the Site Project are now included in unrestricted deposits as the Project is nearing completion and the members' agreement on segregated interest on the Site Project treasury balances terminated at the end of 2008. Site Project treasury was included in restricted deposits at 31 December 2008 (32.5 M€) and interest earned on the funds up to 31 December 2008 was returned to members in 2009.

The Organisation has no confirmed credit lines but does maintain limited and informal overdraft arrangements with its relationship banks. These arrangements may be withdrawn by the banks at any time. No borrowing was done on overdraft facilities in 2009 or in 2008.

Note 6: Inventories

	31 December 2009 €'000	31 December 2008 €'000
Finished publications	2,029	2,747
Supplies	-	218
Diplomatic reserve	33	19
Gross inventories	**2,062**	**2,984**
Provision for depreciation of inventories	(1,530)	(2,258)
Net inventories	**532**	**726**

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

During 2009 it was decided to fully outsource the printing of OECD publications. The supplies of printing equipment maintenance parts, printing inks and paper were disposed of as part of the sale of printing machines. There were no supplies remaining at 31 December 2009.

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

Note 7: Accounts receivable and prepayments

	31 December 2009 €'000	31 December 2008 €'000
Current - accounts receivable and prepayments		
Assessed contributions - member countries	23,467	32,795
Assessed contributions - non-member countries participating in Part II programmes	514	550
Provision for uncollected assessed contributions - non-member countries participating in Part II programmes	(116)	(122)
Voluntary contributions	51,217	43,149
Provision for uncollected voluntary contributions	(29)	(73)
Prepayments and other receivables	20,335	23,028
Provision for uncollected other receivables	(469)	(469)
Publications	579	218
Provision for uncollected publications	(102)	(100)
Total current - accounts receivable and prepayments	**95,396**	**98,976**
Non-current accounts receivable		
Voluntary contributions	12,248	19,961
Total accounts receivable and prepayments	**107,644**	**118,937**

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

The decrease in member countries assessed contributions is due to more timely payments in 2009 compared to 2008.

The increase in voluntary contributions receivable at 31 December 2009 compared to 31 December 2008 is due mainly to the increase in voluntary contributions offered to the organisation in the period to 31 December 2009. These amounted to 109.4 M€ in 2009 compared to 104.5 M€ for the same period in 2008.

Prepayments and other receivables are mainly in respect of advance payments made to suppliers, principally related to the Site Project, 0.5 M€ (2008: 5.5 M€), reimbursable taxes 15.3 M€ (2008: 8.3 M€), and receivables from member countries for various services rendered, including office rental and staff costs.

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

Note 8: Staff loan program

	31 December 2009 €'000	31 December 2008 €'000
Current	3,155	2,703
Non-current	4,127	3,940
Total staff loan program	**7,282**	**6,643**

The Organisation operates a staff loan program through which staff can obtain loans subject to defined limits. Loans to staff are financed by a short-term bank borrowing of 6.8 M€ (2008: 6.3 M€). The interest rate charged to staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, plus a margin for loan administration cost. Collections are assured through payroll withholding and staff separation payments.

Staff loans were previously reported in financial assets but are now reported separately and the outstanding loans at 31 December are classified as either current assets, i.e. repayments due within one year, or as non-current assets for amounts due in more than one year.

The balance at 31 December 2008 has been restated accordingly.

Note 9: Financial assets – non-current

	Notes	31 December 2009 €'000	31 December 2008 €'000
Deposits on office leases	a	1,624	1,640
Staff Provident Fund	b & d	32,822	38,245
Pension Budget and Reserve Fund	c & d	241,133	165,958
Total financial assets - non-current		**275,579**	**205,843**

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

b) The Staff Provident Fund is a defined contribution retirement savings plan. In accordance with the Fund's rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated employees and retirees. The Fund collects contributions from the affiliated employees of 7% and from the Organisation of 14% of salaries, manages its assets and pays participants account withdrawals. The assets and liabilities of the Fund are reported globally in the Statement of Financial Position. Revenues and charges are not reported in the Statement of Financial Performance since they accrue to the participants. The Fund was closed to new entrants in 1974 when participants were given the choice of remaining in the Fund or transferring their pension rights into the Organisation's newly created defined benefit pension plan. In 2006 the administration of the fund was transferred to the JPAS.

In October 2008 Council approved that participants of the Staff Provident Fund that met certain criteria could transfer to the Organisation the balance of the amounts credited to their Staff Provident Fund account in order to acquire pension rights in the Organisation's New Pension Scheme (NPS) on an actuarial basis. At 31 December 2009 23 participants had transferred their rights amounting to 11.5 M€. The option to join the NPS, which is irrevocable, and the corresponding transfer, was open for six months from the date of notification sent to participants during the 4th Quarter 2008, closed in April 2009.

The Staff Provident Fund participants at 31 December include 17 serving staff (2008: 30) and 234 retired staff (2008: 253).

An investment in a fund was suspended from trading during 2007. A partial distribution equivalent to approximately 50% of the investment was made in 2007. The investment was liquidated in 2008 and the proceeds have been reinvested in a newly created long-term fund, that includes the underlying investments in the prior fund, and which will be held to maturity, with a probable maturity date of 2013, during which period the investment cannot be sold. The investment was valued at the period end at cost of 214 K€. The Staff Provident Fund has brought a legal action against the fund manager to reclaim the loss on the investment and damages. The Tribunal hearing should be held during 2010. The amount that will be finally realised from this investment is uncertain.

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

	31 December 2008 €'000	Additions €'000	Disposals / adjustments €'000	31 December 2009 €'000
Gross investment				
Capitalisation contract	34,301	1,390	(3,156)	32,535
Oddo Cash Arbitrages				
Liquidité Longue Fund	214	-	-	214
Cash in portfolio	222	-	(153)	69
Total gross investment	**34,737**	**1,390**	**(3,309)**	**32,818**
Other Assets	3,508	-	(3,504)	4
Total Staff Provident Fund	**38,245**	**1,390**	**(6,813)**	**32,822**

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

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

	31 December 2008 €'000	Additions €'000	Disposals / adjustments €'000	Unrealised losses at reporting date €'000	31 December 2009 €'000
Gross investment					
Bond funds	78,706	57,791	(78,707)	-	57,790
Equity funds	107,522	69,544	(21,325)	-	155,741
Real Estate funds	-	14,046	-	-	14,046
Investment in Staff Provident Fund	-	5,779			5,779
Total gross investment	**186,228**	**147,160**	**(100,032)**	**-**	**233,356**
Adjustment to fair value					
Bond funds	7,892	-	-	(6,834)	1,058
Equity funds	(28,162)	-	-	34,969	6,807
Real Estate funds	-	-	-	(88)	(88)
Investment in Staff Provident Fund	-	-	-	-	-
Total adjustment to fair value	**(20,270)**	-	**-**	**28,047**	**7,777**
Net value	**165,958**	**147,160**	**(100,032)**	**28,047**	**241,133**

The Pension Budget and Reserve Fund is restricted to pay the pension benefits of staff and is managed according to its statutes. The investment objectives for the Fund recognise the long-term nature and the type of liabilities under the Pension Plan. The Fund invests approximately 60% of its long-term assets in equity funds with the remaining balance in fixed income, real estate and diversified funds. This long-term strategic position is designed to maximise total return subject to controls over credit and liquidity risk and reduce volatility. At 31 December 2009, the Fund was invested at 24.4% in bond funds, 60.6% in equity funds, 1.9% in real estate funds and 13.1% in cash deposits. Due to the equity component of the portfolio the investments follow, nevertheless, short term fluctuations in financial markets. The performance for the 12 months ended 31 December 2009 has been a positive return of 15.2%. Unrealised gains and losses on investments are recognised in the Statement of Financial Performance. The revenue and expenses of the Fund are presented in Note 22: Segment information – Statement of Financial Performance.

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

Note 10: Furniture, fixtures and equipment

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

	31 December 2008 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	31 December 2009 €'000
Cost of furniture, fixtures and equipment					
Leasehold premises - fixtures and fittings	15,711	2,588	(15,711)	-	2,588
Other furniture, fixtures and equipment	35,998	4,677	(1,014)	405	40,066
Fixed assets in progress	205	367	-	(405)	167
Total cost of furniture, fixtures and equipment	**51,914**	**7,632**	**(16,725)**	**-**	**42,821**
Depreciation					
Leasehold premises - fixtures and fittings	(14,909)	(1,065)	15,711	-	(263)
Other furniture, fixtures and equipment	(22,682)	(4,497)	912	-	(26,267)
Total depreciation	**(37,591)**	**(5,562)**	**16,623**	**-**	**(26,530)**
Net furniture, fixtures and equipment					
Leasehold premises - fixtures and fittings	802	1,523	-	-	2,325
Other furniture, fixtures and equipment	13,316	180	(102)	405	13,799
Fixed assets in progress	205	367	-	(405)	167
Total net furniture, fixtures and equipment	**14,323**	**2,070**	**(102)**	**-**	**16,291**

The acquisitions in leasehold premises - fixtures and fittings are related to the fitting out of new offices that have been leased during 2009. The investment in leasehold premises - fixtures and fittings for La Défense (Tour Europe), related to the relocation of personnel due to the Site Project, was fully depreciated and is included in disposals, as the lease was terminated and the offices vacated in 2009.

During the 4th Quarter 2008 the renovation work to the Marshall Building was accepted from the contractor and the redeployment of staff, mainly from Tour Europe, was completed during the 1st Quarter 2009. The acquisitions of other furniture, fixtures and equipment are mainly related to office equipment for the Marshall Building and the new leased premises.

Note 11: Land and buildings

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

	31 December 2008 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfer €'000	Revaluation €'000	31 December 2009 €'000
At cost/revaluation						
Land	80,560	-	-	-	-	80,560
Buildings	343,432	478	-	285	-	344,195
Buildings in progress	67	3,074	-	(285)	-	2,856
Total land and buildings	**424,059**	**3,552**	**-**	**-**	**-**	**427,611**
Depreciation						
Buildings	(3,078)	(10,900)	-	-	-	(13,978)
Total depreciation	**(3,078)**	**(10,900)**	**-**	**-**	**-**	**(13,978)**
Net land and buildings						
Land	80,560	-	-	-	-	80,560
Buildings	340,354	(10,422)	-	285	-	330,217
Buildings in progress	67	3,074	-	(285)	-	2,856
Total net land and buildings	**420,981**	**(7,348)**	**-**	**-**	**-**	**413,633**

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

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

The Site Project is financed by contributions from member countries.

During the construction and renovation period a number of staff were temporarily relocated to rented premises, the majority of them to Tour Europe in La Défense. Notice was served on the lease of Tour Europe, which was terminated in the 2nd Quarter 2009, and the redeployment of staff back to the Marshall Building and other office accommodation was completed during the 1st Quarter 2009. The offices at Tour Europe have been vacated and there are no further commitments regarding this lease.

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

All major construction and renovation work has been completed on time and within budget for the Site Project. The Chateau was operational again in the 1st Quarter 2006, the construction of the Conference Centre, including staff restaurant facilities, was completed during the 4th Quarter 2007 and the renovation of the Marshall Building was completed during the 4th Quarter 2008. Landscaping the gardens at the Chateau and final fitting out of the offices will be completed in 2010.

Due to the difficulty to establish a market value for the specialised Conference Centre, including staff restaurant facilities, the fair value was estimated by management using the depreciated replacement cost of the asset. In this context the depreciated cost as at 31 December 2009 of 51.5 M€ (2008: 52.4M€) is considered by management as representative of its replacement value.

As indicated in Note 3: Significant Accounting Policies, buildings costs are allocated into a number of components and are depreciated over their useful lives on a straight line basis.

Revaluation

As the property market in Paris has been relatively stable during 2009, land and buildings that are carried at fair value have been revalued on the basis of their fair market value at 31 December 2008, in accordance with the valuation made by France Domaine Paris.

The cumulative effect of revaluations has been recognised as follows:

	Revaluation variances	
	Recognised in the Statement of Financial Performance €'000	Recognised in the Statement of Financial Position €'000
Balance 31 December 2007		
Revaluation increase on land	-	4,249
Revaluation increase on buildings	-	150,160
2008		
Revaluation increase on land	-	2,300
Revaluation increase on buildings	-	12,719
Net accumulated revaluation variances at 31 December 2009	**-**	**169,428**

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

Note 12: Intangible assets

Intangible assets consist of purchased software.

	31 December 2008 €'000	Acquisitions / Depreciation €'000	Disposals €'000	31 December 2009 €'000
Cost	6,670	878	(2,673)	4,875
Depreciation	(5,329)	(886)	2,673	(3,542)
Total net intangible assets	**1,341**	**(8)**	**-**	**1,333**

Disposals are mainly in respect of software that has been replaced by either newer versions of the software or alternative software better suited to the Organisation's operations.

Note 13: Borrowings

	31 December 2009 €'000	31 December 2008 €'000
Relating to staff loan programme (see Note 8)	**6,800**	**6,290**

Note 14: Payables

	31 December 2009 €'000	31 December 2008 €'000
Suppliers and accrued charges	33,173	47,269
Payables to staff and welfare institutions	27,130	28,774
Advances on assessed and voluntary contributions	19,124	15,209
Other payables	15,048	20,421
Total payables	**94,475**	**111,673**

Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Accrued charges amount to 18.1 M€ at

31 December 2009 (2008: 13.0 M€). A total amount of 3.0 M€ (2008: 14.3 M€) has been retained from various contractors as guarantees against the Site Project work.

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

Other payables consist of budget surpluses and interest, amounting to 3.6 M€ (2008: 2.7 M€), and advance payments for special projects and from accession countries. The budget surpluses are credited to an account attributable to each member country after they are approved by Council and are then available for any use that the individual member country may decide. All surpluses through the end of 2008 have been approved by Council.

Note 15: Provisions for liabilities and charges

	31 December 2009 €'000	31 December 2008 €'000
Total provisions for liabilities and charges	**111**	**10,353**

Provisions for liabilities and charges represent the evaluation at the closing date of payments to be made in respect of various litigations to which the Organisation is party and the cost of publication sale returns from distributors. The provision at 31 December 2008 included early cancellation indemnities of lease contracts, in respect of offices and parking facilities, that were settled during the 2nd Quarter 2009. In 2009 additional provisions were made for 111 K€, amounts used during the period were 10 168 K€ and unused amounts reversed during the period were 185 K€.

Note 16: Employee benefits

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

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

The long service benefit plan was closed to new entrants in 1993 and at 31 December 2009 had 563 eligible employees (2008: 614).

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

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

	31 December 2009 €'000	31 December 2008 €'000
Employee benefits current	**74,517**	**68,951**
Employee benefits non-current	1,435,944	1,335,254
Staff Provident Fund	32,822	38,245
Total employee benefits non-current	**1,468,766**	**1,373,499**
Total employee benefits	**1,543,283**	**1,442,450**
Defined contribution programme		
Staff Provident Fund	**32,822**	**38,245**
Defined benefit programmes		
Defined benefit programmes - current	74,517	68,951
Defined benefit programmes - non-current	1,435,944	1,335,254
Total defined benefits programmes	**1,510,461**	**1,404,205**

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

The Organisation performs an actuarial valuation of the various defined benefit schemes in force at the reporting date to measure its employment benefits obligation.

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

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The amounts recognised in the balance sheet are as follows :						
Employee future benefits obligation	(1,595,259)	(289,770)	**(1,885,029)**	(1,602,748)	(290,077)	**(1,892,825)**
Unrecognised actuarial losses	344,189	30,379	**374,568**	437,149	51,471	**488,620**
Liability recognised in Statement of Financial Position	(1,251,070)	(259,391)	**(1,510,461)**	(1,165,599)	(238,606)	**(1,404,205)**

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

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	437,149	51,471	**488,620**	294,704	27,695	**322,399**
Actuarial (gains) /losses for the year	(65,273)	(18,846)	**(84,119)**	158,029	24,071	**182,100**
Losses recognised in the year	(27,687)	(2,246)	**(29,933)**	(15,584)	(295)	**(15,879)**
Unrecognised actuarial losses at end of December	344,189	30,379	**374,568**	437,149	51,471	**488,620**
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	437,149	51,471	**488,620**	294,704	27,695	**322,399**
Limit of the corridor, 10% of the defined benefits obligation at the beginning of the year	(160,275)	(29,008)	**(189,283)**	(138,862)	(24,750)	**(163,612)**
Actuarial losses to be amortised over the expected average remaining working lives of the employees participating in the plan	276,874	22,463	**299,337**	155,842	2,945	**158,787**
Expected average remaining working lives of the employees participating in the plan	10	10		10	10	
Actuarial losses recognised the year	27,687	2,246	**29,933**	15,584	295	**15,879**

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

The increase in the discount rate from 31 December 2008 to 31 December 2009 for pension benefits, from 3.90% to 4.27%, and post-employment health coverage, from 3.90% to 4.36%, is the main reason for actuarial gains of approximately 65 M€ and 19 M€ respectively in 2009.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are recognised in the Statement of Financial Performance to the extent that they exceed 10% of the greater of the fair value of the plan assets or the present value of the gross defined benefit obligations in the scheme at the beginning of the period. Actuarial gains and losses exceeding 10% are amortised over the expected average remaining working lives of the employees participating in the scheme, 10 years in 2009 (2008: 10 years).

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

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Member country PBRF contributions	47,880	-	47,880	47,052	-	47,052
Employer contributions	25,670	-	25,670	24,852	-	24,852
Other contributions (tax reimbursements)	4,651	-	4,651	4,535	-	4,535
Pension and other contributions for the year	**78,201**	**-**	**78,201**	**76,440**	**-**	**76,440**
Current service cost	65,090	11,527	76,617	55,920	11,097	67,017
Interest cost	60,556	11,232	71,788	63,786	11,297	75,083
Actuarial losses recognised in the year	27,687	2,246	29,933	15,584	295	15,879
Employee contributions from salary	(14,458)	-	(14,458)	(13,913)	-	(13,913)
Employees contributions including transfers from the Staff Provident Fund	(11,261)	-	(11,261)	(2,563)	-	(2,563)
Other expenses (tax reimbursements, post employment health costs)	4,651	236	4,887	4,535	271	4,806
Pensions and other expenses for the year	**132,265**	**25,241**	**157,506**	**123,349**	**22,960**	**146,309**

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

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

Other contributions include contributions of tax reimbursements.

The increase in employee contributions, including transfers from the Staff Provident Fund, is significantly higher in 2009 due mainly to the transfer of participants from the Staff Provident Fund to the New Pension Scheme as indicated in Note 9.

Contributions from participants to buy pension rights for past service, including transfers from the Staff Provident Fund, which were previously reported as revenue, have been reclassified as a deduction of pension expense and included in employee contributions including transfers from the Staff Provident Fund. The prior period has been restated accordingly for an amount of 2 563 K€

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

	31 December 2009			31 December 2008		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Opening employee future benefits obligation	(1,602,748)	(290,077)	**(1,892,825)**	(1,388,617)	(247,499)	**(1,636,116)**
Expense for the period:						
Current service cost	(65,090)	(11,527)	**(76,617)**	(55,920)	(11,097)	**(67,017)**
Interest cost	(60,556)	(11,232)	**(71,788)**	(63,786)	(11,297)	**(75,083)**
Benefits paid	67,862	4,220	**72,082**	63,604	3,887	**67,491**
Net actuarial gains / (losses) for the period	65,273	18,846	**84,119**	(158,029)	(24,071)	**(182,100)**
Employee future benefits obligation at end of December	**(1,595,259)**	**(289,770)**	**(1,885,029)**	**(1,602,748)**	**(290,077)**	**(1,892,825)**

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

	2009		2008	
	Pension benefits	Post-employment health coverage	Pension benefits	Post-employment health coverage
Discount rate	4.27%	4.36%	3.90%	3.90%
Future salary increase	2.15%		2.10%	
Future Pension Scheme increase	2.15%		2.20%	
Future New Pension Scheme increase	1.80%		1.75%	
Future health cost increase		3.80%		3.75%

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

	One percentage point increase €'000	One percentage point decrease €'000
Effect on the aggregate of the service cost and interest cost	7,388	(5,312)
Effect on defined benefit obligation	71,745	(55,154)

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

	31 December 2009 €'000	31 December 2008 €'000	31 December 2007 €'000	31 December 2006 €'000	31 December 2005 €'000
Present value of defined benefit obligations	1,595,259	1,602,748	1,388,617	1,430,655	1,494,810
Net value of assets in PBRF fund	251,240	186,175	213,795	180,242	134,767
Experience adjustments on scheme liabilities					
Percentage of scheme liabilities %	2.4	(4.4)	(2.9)	0.1	1.0

The Organisation expects to contribute approximately 75 M€ to its pension plans in 2010.

Note 17: Deferred revenue

	Current		Non-current	
	31 December 2009 €'000	31 December 2008 €'000	31 December 2009 €'000	31 December 2008 €'000
Site Project	11,928	4,509	110,366	113,791
Voluntary contributions	58,565	61,416	83,772	62,386
Publications	5,959	5,167	166	220
Other operations, Part I, Part II and Annex budgets	16,550	21,461	-	100
Total deferred revenue	**93,002**	**92,553**	**194,304**	**176,497**

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

In future periods the movement in deferred revenue for the Site Project will mainly reflect the period depreciation charge for the buildings that were constructed/renovated and financed as part of the Site Project.

Note 18: Member countries' contributed interest and reserves

	31 December 2008 €'000	IPSAS adjustments carried forward €'000	Previous year results added to reserves €'000	Budgetary surpluses to be allocated €'000	Transfers / revaluations and current year deficiit €'000	Net reserves and budget surpluses added to future budgets €'000	Budget surpluses to be returned to member countries and other donors €'000	31 December 2009 €'000
Pension benefits	(1,093,914)	-	(71,685)	-	-	-	-	(1,165,599)
Post employment health coverage	(219,804)	-	(18,802)	-	-	-	-	(238,606)
Land and buildings	313,636	-	-	-	-	-	-	313,636
Accumulated surplus / (deficit)	(19,478)	55	(189)	5,185	-	(3,842)	(1,155)	(19,424)
Total member countries' contributed interest	**(1,019,560)**	**55**	**(90,676)**	**5,185**	**-**	**(3,842)**	**(1,155)**	**(1,109,993)**
Pension Budget and Reserve Fund reserve	**213,795**	**-**	**(27,619)**	**-**	**-**		**-**	**186,176**
Chardon Lagache reserve	11,264	-	550		-	-	-	11,814
Medical Plan reserve	10,008	-	(30)		-	-	-	9,978
Other reserves	13,055	-	624	-	(679)	-	(5,395)	7,605
Total reserves	**34,327**	**-**	**1,144**	**-**	**(679)**	**-**	**(5,395)**	**29,397**
Allocation of the net deficit for the prior period	**(111,911)**	**(55)**	**117,151**	**(5,185)**	**-**	**-**	**-**	**-**
Net deficit for the current period	**-**	**-**	**-**	**-**	**(29,605)**	**-**	**-**	**(29,605)**
Total member countries' contributed interest and reserves	**(883,349)**	**-**	**-**	**-**	**(30,284)**	**(3,842)**	**(6,550)**	**(924,025)**

Member countries' contributed interest represents: the liability related to the pension benefit obligation and post-employment health coverage, detailed in Note 16; and the counterpart of land and buildings owned by the Organisation.

The balance shown at 31 December 2009 for pension benefits, post-employment health coverage and the Pension Budget and Reserve Fund reserve are the value at the prior year end as the movements for the current year are included in the net deficit for the current period.

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

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

Other reserves represent net surpluses retained for future use. The reserve for the Site Project interest income was closed during the period and the funds returned to member countries.

Note 19: Operating revenues

	12 months ended 31 December 2009 €'000	12 months ended 31 December 2008 €'000
Assessed contributions	263,781	276,894
Voluntary contributions	90,091	79,274
Pension contributions	78,201	76,440
Sales of publications	16,306	15,071
Other	17,776	13,518
Total operating revenues	**466,155**	**461,197**

Main variances between 2009 and 2008 are as follows:

- Assessed contributions for Part I, Part II and Annex budgets changed in line with the Annual Budget. The main reason for the decrease is the reduction in contributions for the Site Project which is nearing completion;

- Voluntary contributions recognised during the period were higher due to increased contributions from donors financing additions to the Programme of Work;

- Pension contributions include amounts paid by member countries to the PBRF fund, employer contributions and other contributions of tax reimbursements. Contributions from participants to buy pension rights for past service, including transfers from the Staff Provident Fund, which were previously reported as revenue, have been reclassified as a deduction of pension expense. The prior period has been restated accordingly for an amount of 2 563 K€;

- Sales of publications increased in 2009 partly due to an increase in the number of subscribers for SourceOECD and OECD iLibrary, which now account for approximately 75% of publication revenues.

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

Note 20: Operating expenses

	12 months ended 31 December 2009 €'000	12 months ended 31 December 2008 €'000
Personnel costs:		
Salaries and benefits	234,295	225,913
Temporary staff salaries and benefits	12,184	10,070
Other personnel costs (incl. training)	1,402	928
Total personnel costs	**247,881**	**236,911**
Total pension and post-employment benefits costs (See Note 16)	**157,506**	**146,309**
Consulting costs:		
Fees to individual consultants	11,668	11,029
Fees to companies	15,794	16,958
Total consulting costs	**27,462**	**27,987**
Travel costs:		
Travel costs missions - personnel	13,818	14,226
Travel costs - external invitees	8,221	8,541
Total travel costs	**22,039**	**22,767**
Operating costs:		
External services	12,351	12,369
Building rentals	19,357	25,550
Maintenance and repairs	6,397	7,953
Utilities	1,330	1,172
Consumable and supplies	4,507	4,208
Printing and reproduction	718	1,174
Conference, interpretation and translations	5,576	5,385
Communication	3,039	2,930
Marketing	2,445	2,711
External publications	1,760	1,571
Depreciation	17,348	14,525
Inventory variation	922	(308)
Total operating costs	**75,750**	**79,240**
Other costs:		
Non refundable taxes and insurance	1,049	1,290
Other administration expenses and operating gains and losses	121	254
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	(885)	10,010
Total other costs	**285**	**11,554**
Total operating expenses	**530,923**	**524,768**

Main variances between 2009 and 2008 are as follows:

- The increase of 4.6% in personnel costs is primarily due to additions to the voluntary contributions financing the Programme of Work;

- The increase in pension and post-employment benefits costs is due mainly to the increased accumulation of rights by a higher number of employees, partly offset by 3.3 M€ decrease in interest costs and 9.9 M€ transferred from the Staff Provident Fund participants who elected to join the OECD New Pension Scheme as detailed in Note 9. Contributions from participants to buy pension rights for past service, including transfers from the Staff Provident Fund, which were previously reported as revenue, have been reclassified as a deduction of pension expense. The prior period has been restated accordingly for an amount of 2 563 K€;

- Building rentals are lower than in 2008 due to the cancellation of the lease for Tour Europe during the 2nd Quarter 2009. Additional office space has been acquired in 2009 and lease charges for these premises commence during 2009 and 2010;

- The increase in depreciation costs in 2009 is due mainly to the completion of the Site Project buildings put in service and being depreciated;

- The inventory variation is due to a reduction in printed publications and the disposal of printing supplies, as the printing of publications that had been carried out internally, is being outsourced in 2010.

- Other costs include a provision in 2008 for indemnities for the early cancellation of lease contracts in respect of offices and parking facilities that were settled during the 2nd Quarter 2009. This one-off cost in 2008, and a reduction in the provisions for depreciation of inventories and risk on uncollected receivables in 2009, is the main reason for lower “Other costs” in 2009 compared to 2008.

Note 21: Financial revenue and expenses

	12 months ended 31 December 2009 €'000	12 months ended 31 December 2008 €'000
Interest income on restricted funds	1,355	3,564
Interest income on general treasury funds	1,063	3,229
Pension Budget and Reserve Fund investment gain / (loss)	32,134	(53,298)
Net foreign currency conversion gain / (loss)	1,024	(1,268)
Total financial revenue	**35,576**	**(47,773)**
Interest expense	175	337
Bank charges	238	230
Total financial expenses	**413**	**567**
Financial revenue, net	**35,163**	**(48,340)**

Total interest income decreased by 4 375 K€ for the period ending 31 December 2009 compared to the period ending 31 December 2008 due mainly to lower interest rates as a result of action taken by the European Central Bank to reduce short-term lending rates in response to the worldwide financial crisis.

Interest income earned by the Pension Budget and Reserve Fund was 695 K€ for the period ending 31 December 2009 compared to 484 K€ for the period ending 31 December 2008 due mainly to an increase of short-term deposits destined for investing in long term funds.

Interest income on general treasury funds is earned mostly from voluntary contributions received in advance of the related expenditure, and the interest earned in 2009 is lower than interest earned in 2008 due mainly to lower interest rates.

The investment income on the long-term investments of the Pension Budget and Reserve Fund for the period to 31 December 2009 is mainly related to the equity investments which have increased in value in line with the recovery in equity markets. In the year ending 31 December 2009 the PBRF long term investments had a positive return of 15.8% (2008: negative return 24.8%).

Net foreign currency gains for the year ending 31 December 2009 of 1 136 K€ (2008: loss 1 268 K€) are mainly due to the difference in the valuation of voluntary contributions accounts receivable at 31 December 2009 compared to the amount of the receivable recorded on acceptance.

Interest expense is for the borrowing used to fund the staff loan programme and is lower than the prior year mainly due to lower interest rates.

Note 22: Segment information - Statement of Financial Performance

Segment information is based on the principal activities and sources of financing of the Organisation. These service segments conform to the Programme of Work of the Organisation for the years 2009 and 2010. Part I is for programmes financed by members and Part II is for special programmes financed by some or all members and non-members. Annex budgets include the Site Project. Non-budgetary operations include the staff loan programme, exchange variances and other sundry operations.

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

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

Statement of Financial Performance by Segment

	Part I (1)		Part II (2)		Annex budgets (3)		Voluntary contributions (4)	
	2009	2008	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	166,905	154,864	78,206	73,843	18,670	48,187	-	-
Voluntary contributions	-	-	-	31	-	-	90,091	79,243
Pension contributions	-	-	-	-	4,651	4,535	-	-
Sales of publications	-	-	5,854	5,297	10,434	9,774	18	-
Other	1,924	1,257	3,792	495	8,717	8,411	1,995	2,087
Total operating revenues	**168,829**	**156,121**	**87,852**	**79,667**	**42,472**	**70,907**	**92,104**	**81,330**
Personnel	136,413	139,726	47,141	41,581	17,277	16,535	49,859	39,998
Pension & post-empl. benefits	3,900	3,259	-	38	4,651	4,535	-	-
Consulting	5,695	4,497	7,800	9,745	726	974	13,268	12,729
Travel	3,982	4,347	3,529	3,896	763	992	13,765	13,525
Operating	36,310	27,096	12,439	10,770	19,452	36,484	5,721	5,148
Other	631	333	139	127	(583)	10,969	(7)	157
Total operating expenses	**186,931**	**179,258**	**71,048**	**66,157**	**42,286**	**70,489**	**82,606**	**71,557**
Surplus/ (deficit) from operating activities	**(18,102)**	**(23,137)**	**16,804**	**13,510**	**186**	**418**	**9,498**	**9,773**
Other financial revenue and expenses, net	860	3,071	-	-	(50)	(53)	(2)	(9)
PBRF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	**860**	**3,071**	**-**	**-**	**(50)**	**(53)**	**(2)**	**(9)**
Surplus / (deficit) from ordinary activities	**(17,242)**	**(20,066)**	**16,804**	**13,510**	**136**	**365**	**9,496**	**9,764**
Internal operations	20,607	19,989	(11,214)	(9,493)	(164)	(619)	(9,496)	(9,764)
Net surplus / (deficit) for the period	**3,365**	**(77)**	**5,590**	**4,016**	**(28)**	**(254)**	**-**	**-**

	Non-budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (7)		**TOTAL (1 to 7)**	
	2009	2008	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	-	-	-	-	-	-	263,781	276,894
Voluntary contributions	-	-	-	-	-	-	90,091	79,274
Pension contributions	-	-	73,550	71,905	-	-	78,201	76,440
Sales of publications	-	-	-	-	-	-	16,306	15,071
Other	1,348	1,268	-	-	-	-	17,776	13,518
Total operating revenues	**1,348**	**1,268**	**73,550**	**71,905**	**-**	**-**	**466,155**	**461,197**
Personnel	(1,126)	615	-	-	(1,683)	(1,544)	247,881	236,911
Pension & post-empl. benefits	-	-	41,016	46,445	107,939	92,032	157,506	146,309
Consulting	42	107	-	-	(69)	(65)	27,462	27,987
Travel	-	7	-	-	-	-	22,039	22,767
Operating	1,180	1,233	-	-	648	(1,491)	75,750	79,240
Other	2	(32)	-	-	103	-	285	11,554
Total operating expenses	**98**	**1,930**	**41,016**	**46,445**	**106,938**	**88,932**	**530,923**	**524,768**
Surplus/ (deficit) from operating activities	**1,250**	**(663)**	**32,534**	**25,460**	**(106,938)**	**(88,932)**	**(64,768)**	**(63,571)**
Other financial revenue and expenses, net	1,524	1,465	697	484	-	-	3,029	4,958
PBRF investment income	-	-	32,134	(53,298)	-	-	32,134	(53,298)
Total financial revenue and expense, net	**1,524**	**1,465**	**32,831**	**(52,814)**	**-**	**-**	**35,163**	**(48,340)**
Surplus / (deficit) from ordinary activities	**2,774**	**803**	**65,365**	**(27,354)**	**(106,938)**	**(88,932)**	**(29,605)**	**(111,911)**
Internal operations	567	152	(300)	(265)	-	-	-	-
Net surplus / (deficit) for the period	**3,341**	**955**	**65,065**	**(27,619)**	**(106,938)**	**(88,932)**	**(29,605)**	**(111,911)**

Note 23: Statement of Budget and Actual amounts

The Organisation has moved in recent years to implement a results-based planning, budgeting and management framework, identifying the policy impacts member governments are seeking; deploying resources to achieve these outcomes through the work programme; and evaluating performance after the fact.

The focus on results aims to sharpen accountability at all levels in the Organisation, to reassure member countries that the resources they entrust to the Organisation are managed efficiently and used for the purposes for which they were intended; and to ensure both that the Organisation's outputs respond to the most important policy concerns of governments, and that the results produced are those that are expected on policy making in capitals.

The Organisation's Programme of Work and Budget (PWB) forms part of an integrated, continuous management cycle linking planning, prioritisation, budgeting, reporting and evaluation.

Since 2002, the Organisation has had in place a Strategic Management Framework based on six Strategic Objectives that reflect the OECD Convention. They are:

1. Promote Sustainable Economic Growth, Financial Stability and Structural Adjustment

2. Provide Employment Opportunities for All, Improve Human Capital and Social Cohesion and Promote a Sustainable Environment

3. Contribute to Shaping Globalisation for the Benefit of All through the Expansion of Trade and Investment

4. Enhance Public and Private Sector Governance

5. Contribute to the Development of Non-Member Economies

6. Provide Effective and Efficient Corporate Management

These Strategic Objectives cascade down to Output Groups and, at a lower level, to Output Areas. The Strategic Management Framework provides the basis for Council decisions on resource allocations and for Committee planning, budgeting and reporting.

The following schedule shows the amount of the original budget of income and expenditure for 2009 that was approved by Council in 2008, and the final budget, which includes commitments carried forward from 2008, appropriations carried forward for certain Part II programmes and in accordance with the Financial Regulations, new, revised and supplementary budgets approved in 2009. This budget does not include financing for the Site Project nor voluntary contributions.

	Budget Amount: Original Budget €'000	Budget Amount: Final Budget €'000	Actual €'000	Difference: Final Budget and Actual €'000
Income				
Part I	165,645	183,922	183,884	(38)
Part II	69,670	93,040	93,731	691
Annex budgets	67,892	69,044	68,563	(481)
Pre-accession	15,015	15,015	15,015	-
Enhanced engagement	814	814	814	-
Total income	**319,036**	**361,835**	**362,007**	**172**
Expenditure				
Part I	165,645	183,922	176,743	7,179
Part II	69,670	93,040	87,815	5,225
Annex budgets	67,892	69,044	68,563	481
Pre-accession	15,015	15,015	13,400	1,615
Enhanced engagement	814	814	689	125
Total expenditure	**319,036**	**361,835**	**347,210**	**14,625**
Net result				
Part I	-	-	7,141	7,141
Part II	-	-	5,916	5,916
Annex budgets	-	-	-	-
Pre-accession	-	-	1,615	1,615
Enhanced engagement	-	-	125	125
Total net result	**-**	**-**	**14,797**	**14,797**

Part I income is lower than budget due mainly to lower interest income as a result of lower interest rates, partly offset by an increase in fees from non-member economies accepted as observers to various subsidiary bodies of the Organisation.

Part II income is more than budget due mainly to higher sales of publications, particularly by the IEA.

Income in the Annex budgets is lower than budget mainly due to lower distribution and publishing charge-back from Part II programmes and lower income from printing services. There is also a lower amount of tax on pensions that is reimbursed by member countries in respect of income taxes paid by retirees on their pensions received from the Organisation.

Savings on expenditure in Part I and Part II stem mainly from the budgets for personnel costs due to unfilled vacancies during the period. In some cases unfilled vacancies delay the implementation of the program of work and produce additional savings in operating expenditure.

In the pre-accession budgets the pace of implementation has varied. Actual spending reflects the timing of staff recruitment, which in turn is influenced by the schedule of Committee accession reviews of each candidate country. Amounts unspent will be carried forward to 2010 in order to continue and complete studies.

The following schedule shows the original and final expenditure budgets, actual expenditure and the difference between the actual expenditure and the final budget for Part I, by Output Group, and Part II programme.

	Budget Amount			
	Original Budget €'000	Final Budget €'000	Actual €'000	Difference: Final Budget and Actual €'000
Part I : Output Group				
Economic Surveillance	17,425	17,610	16,814	796
Industrial and Sectoral Policies	2,343	2,370	2,234	136
Science and Technology Policies	6,188	6,169	5,417	752
Human and Social Capital	2,716	2,859	2,695	164
Employment Policies and Social Cohesion	5,182	5,151	4,934	217
Environmental Sustainability	6,542	6,508	5,923	585
Health System Performance	2,065	1,990	1,956	34
International Trade	4,675	4,657	4,538	119
Agriculture	6,426	6,705	6,378	327
Taxation	4,559	4,792	4,814	(22)
Business Climate	5,577	5,522	5,384	138
Competition and Market Efficiency	5,508	6,173	6,050	123
Effective and Efficiient Government	4,352	4,124	4,180	(56)
Development	5,495	5,457	5,472	(15)
Global relations	1,579	1,709	1,591	118
Corporate Management	8,012	7,574	7,279	295
Statistics	6,292	6,263	6,112	151
Corporate Services	64,041	69,188	66,619	2,569
Corporate Visibility	7,518	7,594	7,594	-
Other operations	(850)	-	-	-
2008 commitments carried forward	-	11,507	10,759	748
Total Part I	**165,645**	**183,922**	**176,743**	**7,179**
Part II : Programme				
International Energy Agency	25,701	26,367	25,805	562
Development Centre	5,514	6,091	5,862	229
Sahel & West Africa Club	1,448	2,354	2,155	199
OECD Nuclear Energy Agency	-	11,011	10,808	203
Nuclear Energy Agency Data Bank	-	3,462	3,275	187
Centre for Educational Research and Innovation	3,515	3,659	3,508	151
Joint OECD/ITF Trasnsport Research Centre	1,074	1,186	1,183	3
International Transport Forum	4,850	5,230	5,230	-
Special Programme on the Control of Chemicals	1,822	1,912	1,911	1
Steel	678	701	542	159
Biological Resource Management for Sustainable Agricultural	770	946	934	12
Co-operation Action on Local Eco. & Employment	1,289	1,322	1,296	26
International Assesment of Adult Competencies	4,080	4,295	3,993	302
Financial Action Task Force	-	2,940	2,918	22
OECD Global Science Forum	556	556	556	-
Agricultural Codes and Schemes for International Trade	1,029	1,120	1,009	111
Network on Fiscal Relations Across Levels of Government	329	335	335	-
Shipbuilding	365	402	361	41
Inter-Organisations Section	2,355	2,419	2,269	150
Joint Pensions Administrative Section	3,085	3,253	3,054	199
German Linguistic Section	1,626	1,626	1,361	265
Italian Linguistic Section	480	483	279	204
Reimbursable Posts	1,575	1,575	1,376	199
Programme for International Student Assessment	5,375	7,614	5,811	1,803
Programme on Instuiutional Management in Higher Education	874	900	821	79
Centre for Effective Learning Environments	540	541	431	110
Omesys (medical claims administration)	740	740	732	8
Total Part II	**69,670**	**93,040**	**87,815**	**5,225**
Total expenditure Part I & Part II	**235,315**	**276,962**	**264,558**	**12,404**

The budget and the accounting bases differ. The financial statements for the Organisation are prepared on the accrual basis using a classification based on the nature of the expense in the Statement of Financial Performance. The budget is based on a cash/commitment basis by Output Group, Part II programme and Annex budgets. The following note provides reconciliation between the budgetary results and the financial statements.

Note 24: Reconciliation of budgetary results and results after IPSAS adjustments

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

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

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

c) In budget accounting, post-employment health coverage expenditure for employee benefits is accounted for on a pay as you go basis. For pension benefits, the budget contributions are estimated on an actuarial basis to represent the cost in the long-term of the benefits provided. In addition to the normal budget member countries provide supplemental pension budget contributions to meet unfunded past service costs. In accrual accounting, the expense for both pensions and post-employment health coverage is estimated by an actuary in accordance with a methodology set out in accounting standard IPSAS 25. The pension and post-employment health coverage benefits obligation is reported in the Statement of Financial Position as detailed in Note 16.

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

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

	Budgetary results to be allocated (1) €'000	Transfer to reserves and carry forward to 2010 (2) €'000	**Results for the year** **(3) = (1) + (2)** €'000	IPSAS adjustments (4) €'000	Nature of reconciling adjustments	**Net results for the year** **(3) + (4)** €'000
Part I	7,141	-	**7,141**	(3,776)	a, d	**3,365**
Part II	5,916	-	**5,916**	(326)	a, d	**5,590**
Annex budgets	-	-	**-**	(28)	a, d	**(28)**
Pre Accession	1,615		**1,615**	(1,615)		**-**
Enhanced Engagement	125		**125**	(125)		**-**
Sub total - Budget operations	**14,797**	**-**	**14,797**	**(5,870)**	**-**	**8,927**
Non-budgetary operations	-	3,341	**3,341**	-		**3,341**
Pension Budget and Reserve Fund	-	65,065	**65,065**	-		**65,065**
Sub total - Other operations	**-**	**68,406**	**68,406**	**-**		**68,406**
Other IPSAS adjustments						
Change in employee defined benefit liabilities	**-**	**-**	**-**	(106,256)	c	**(106,256)**
Adjustments for assets capitalised and depreciated	**-**	**-**	**-**	(682)	b	**(682)**
Sub total - Accounting adjustments	**-**	**-**	**-**	**(106,938)**		**(106,938)**
Net result	**14,797**	**68,406**	**83,203**	**(112,808)**		**(29,605)**

Note 25: Proposed allocation of the results for the period

The results for 2009 will be allocated as follows, subject to approval by Council:

	Net results for the year	Proposed treatment of the results		
		Transfer to accumulated deficit	Transfer to reserves and carry forward to 2010	Budgetary results to be allocated
	€'000	€'000	€'000	€'000
Part I	7,141	-	6,416	725
Part II	5,916	-	-	5,916
Annex budgets	-	-	-	-
Pre Accession	1,615	-	1,615	-
Enhanced Engagement	125	-	125	-
Non-budgetary funds	3,341	-	3,341	-
Pension Budget and Reserve Fund	65,065	-	65,065	-
Sub-total	**83,203**	**-**	**76,562**	**6,641**
IPSAS adjustments				
Included in Part I	(3,776)	(3,776)	-	-
Included in Part II	(326)	(326)	-	-
Included in Annex budgets	(28)	(28)	-	-
Included in Pre Accession	(1,615)	(1,615)		
Included in Enhanced Engagement	(125)	(125)		
Other IPSAS adjustments	(106,938)	(106,938)	-	-
Sub-total IPSAS adjustments	**(112,808)**	**(112,808)**	**-**	**-**
Net result for the period	**(29,605)**	**(112,808)**	**76,562**	**6,641**

Note 26: Contingencies and capital commitments

A. Contingencies

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

In 2002, the Organisation signed a lease for office space in La Défense (Tour Europe) covering the period 2002-2011 following a standard 9 year lease term. The original plan and budget of the Site Project provided for the early termination of the lease in 2009. The Organisation has met the projected timing of the project and the termination notice has been served on the lease as of April 2009. The relocation of employees located in Tour Europe commenced during the 4th Quarter 2008 and was completed during the 1st Quarter 2009. The final payment in respect of the Tour Europe lease was made during the 2nd Quarter 2009.

In 2002, the Organisation set up an early retirement scheme for a closed group of employees that had been exposed to an asbestos risk. The scheme allows the employees to request early retirement providing they are over 50 and less than 60 years of age, and meet certain conditions as to job function and medical condition. At 31 December 2009 one employee was receiving early retirement payments under the scheme. In the unlikely event that all the remaining eligible employees benefited fully from the scheme the maximum amount payable would be approximately 3.5 M€ over the period to June 2031.

In December 2005 the Organisation renewed its insurance contract for a period of 5 years, from 1 January 2006 to 31 December 2010, with Médéric Prévoyance (the Insurer), to cover payments of medical expenses, salary for temporary work disability, salary for permanent work disability, lump sum payments for death or permanent disability for any cause and lump sum payments for death related to an accident at work or work related illness.

The contract includes a provision in which the difference between the premiums due to the Insurer and the amounts paid out by it in claims each year is transferred by the Insurer to a provision for equalization account, which is available to manage risk in respect of the events described above, thereby allowing premiums to be lower than would be the case were the provision not to exist. As we are approaching the end of the present contract (i.e. 31 December 2010), it is probable that part at least of any amount remaining in the equalization account would be transferred for a similar purpose to the Insurer in accordance with the new contract. If, on the other hand, the account were to be in deficit and a new Insurer chosen, the current Insurer would bear this deficit.

Management's estimate of the equalization provision available to the Insurer at 31 December 2009 was 16.5 M€. This compares with the latest insurance company final accounts at 31 December 2008 of 14.0 M€.

B. Capital commitments

a) Site Project

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

The total Site Project cost is estimated at 298.5 M€ and includes all costs related to the temporary relocation of staff over several years. At 31 December 2009 the budget situation of the Site Project is:

	Authorised budget	Cumulated expenses (actual and contracted) at 31 December 2009			Available budget at 31 December 2009
		Committed or contracted	Spent	Total	
	€ million	€ million	€ million	€ million	€ million
Relocation costs	143.9	-	131.6	131.6	12.3
Construction and renovation costs	148.4	1.6	153.8	155.4	(7.0)
Other costs	6.2	-	6.3	6.3	(0.1)
Total capital commitments	**298.5**	**1.6**	**291.7**	**293.3**	**5.2**

b) Operating lease commitments

Future minimum lease rental payments for the following periods are:

	31 December 2009	31 December 2008
	€' million	€' million
Within one year	13	26
In the second to fifth years inclusive	53	39
After five years	38	13
Total operating lease commitments	**104**	**78**

Operating lease payments represent rental payments for certain properties. The rents payable under these leases are subject to renegotiation at various intervals specified in the lease contracts. In 2008 notice was served on the lease for Tour Europe and the offices were vacated by April 2009.

Three new leases have been entered into in 2009 for rental of office space and parking. These leases are for a period of nine years each and the most recent lease will run until 31 December 2018.

c) Bank guarantee

The Organisation's obligations to lessors of certain office premises are guaranteed by banks for a maximum of 1.9 M€. The guarantees are for obligations under leases for offices and parking for periods up to 31 December 2018.

C. Pensions

The Organisation's defined benefit pension plan was adopted by a Council Resolution of 16 November 1976 (C/M (76)20 Final). This Resolution constitutes a decision binding upon the Organisation and its member countries by virtue of articles 5 a) of the Convention on the Organisation and 18 a) of its Rules of Procedure. The Organisation believes that this creates both a legal obligation upon the Organisation towards pensioners and staff and an offsetting legal obligation for the member countries, with the same full legal force as the treaty from which it derives, to contribute amounts needed to pay the pensions. Article 40 of the defined benefit pension plan confirms that pensions are a charge on the Organisation's budget, and provides a joint guarantee of that liability by each of its member countries. That guarantee is equivalent in amount to the accrued pension obligation at 31 December 2009 of 1 589 M€ (2008: 1 603 M€), as shown in Note 16. The member countries participate in the constitution of a fund (Pension Budget and Reserve Fund) towards this liability. The net value of the assets of the fund at 31 December 2009 was 251.2 M€ (2008: 186.2 M€).

Note 27: Key management personnel

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

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

Key management personnel and their aggregate remuneration were as follows:

	31 December 2009		31 December 2008	
	Number of individuals	Aggregate remuneration €'000	Number of individuals	Aggregate remuneration €'000
The Secretary-General, Deputies and other senior managers	7	1,890	7	2,146
Senior officers	29	5,992	28	6,302
Total key management personnel		**7,882**		**8,448**

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

Note 28: Related party transactions

There were no material transactions with related parties during the years 2009 and 2008.

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