Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

28-Jun-2011

English - Or. French

COUNCIL

Budget Committee

FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT AS AT 31 DECEMBER 2010

Summary:

This document presents the Financial Statements for 2010, with the opinion of the External Auditor.

Budget Committee Action:

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

JT03304642

OECD 50
BETTER POLICIES FOR BETTER LIVES

30 May 2011

REPORT OF MANAGEMENT

The Organisation for Economic Co-operation and Development's financial statements have been prepared in accordance with International Public Sector Accounting Standard (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 as at 31 December 2010 and the results of operations and cash flows for year ended at that date. The statements have been audited by the External Auditor, whose report follows.

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

2, rue André-Pascal
75775 Paris Cedex 16 - France

www.oecd.org

Tel. : +33 (0)1 45 24 82 00

Free translation from the French opinion of the External Auditors

The First President

Paris, June 23rd, 2011

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 2010, 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 2010 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
Statement of Financial Position as at

	Notes	31 December 2010 €'000	31 December 2009 €'000	
ASSETS				
Current assets				
Cash and cash equivalents, unrestricted	5	101 915	150 780	
Cash and cash equivalents, restricted	5	35 974	34 876	
Inventories	6	496	532	
Accounts receivable and prepayments	7	128 742	95 396	
Staff loan program	8	3 586	3 155	
Total current assets		**270 713**	**284 739**	
Non current assets				
Financial assets	9	307 287	269 800	*
Receivables	7	19 380	12 248	
Staff loan program	8	4 868	4 127	
Furniture, fixtures and equipment	10	18 710	17 748	*
Land and buildings	11	455 963	412 161	*
Intangible assets	12	1 108	1 348	*
Total non current assets		**807 316**	**717 432**	
TOTAL ASSETS		**1 078 029**	**1 002 171**	
LIABILITIES				
Current liabilities				
Borrowings	13	8 200	6 800	
Payables	14	94 513	94 475	
Provisions for liabilities and charges	15	169	111	
Employee benefits	16	75 860	74 517	
Deferred revenue	17	89 714	93 002	
Total current liabilities		**268 456**	**268 905**	
Non current liabilities				
Employee benefits	16	1 558 868	1 462 987	*
Deferred revenue	17	179 502	194 304	
Total non current liabilities		**1 738 370**	**1 657 291**	
TOTAL LIABILITIES		**2 006 826**	**1 926 196**	
NET ASSETS		**(928 797)**	**(924 025)**	
Member countries' contributed interest	18	(1 166 788)	(1 109 993)	
Pension Budget and Reserve Fund reserve (PBRF)	18	251 240	186 176	
Other reseves	18	30 976	29 397	
Net deficit for the period	18 & 25	(44 225)	(29 605)	
TOTAL NET ASSETS		**(928 797)**	**(924 025)**	

* The amount disclosed as at 31December 2009 has been modified, following revised disclosures made in 2010. The revised disclosures are explained in Note 3.

OECD
Statement of Financial Performance for the year ended

	Notes	31 December 2010 €'000	31 December 2009 €'000	
<u>OPERATING REVENUES</u>				
Assessed contributions	19	277 365	263 781	
Voluntary contributions	19	94 132	90 091	
Pension contributions	16 & 19	81 713	78 201	
Sales of publications	19	16 634	16 306	
Other	19	23 997	17 776	
Total operating revenues		**493 841**	**466 155**	
<u>OPERATING EXPENSES</u>				
Personnel	20	259 348	247 881	
Pensions and post-employment benefits	16 & 20	159 622	157 506	
Consulting	20	35 051	27 662	*
Travel	20	23 061	22 039	
Operating	20	79 301	75 550	*
Other	20	1 103	285	
Total operating expenses		**557 486**	**530 923**	
Deficit from operating activities		**(63 645)**	**(64 768)**	
Financial revenue and expense, net	21	19 420	35 163	
Deficit from ordinary activities		**(44 225)**	**(29 605)**	
<u>DEFICIT FOR THE PERIOD</u>	18 & 25	**(44 225)**	**(29 605)**	

* The amount disclosed as at 31December 2009 has been modified, following revised disclosures made in 2010. The revised disclosures are explained in Note 20.

OECD
Statement of Cash Flow for the year ended

	Notes	31 December 2010 €'000	31 December 2009 €'000
Cash flow from operating activities			
Deficit from ordinary activities		(44 225)	(29 605)
Depreciation, net	10, 11 & 12	19 362	17 348
Loss / (gain) on disposal of fixed assets	10 & 12	14	(74)
Increase / (Decrease) in provisions for liabilities and charges	15	58	(10 242)
Increase in employee benefits - defined benefit programmes	16	97 731	106 256
(Increase) / decrease in receivables	7	(40 478)	11 293
Decrease in inventories	6	36	194
Increase / (decrease) in payables	14	38	(17 198)
(Decrease) / increase in deferred revenue	17	(18 090)	18 256
Net cash flow from operating activities		**14 446**	**96 228**
Cash flow from investing activities			
Purchase of fixed assets	10, 11 & 12	(9 635)	(12 062)
Proceeds from sale of fixed assets	10, 11 & 12	6	176
Increase in staff loan program	8	(1 172)	(639)
Decrease in financial assets - Staff Provident Fund	9	506	11 202 *
Decrease in financial assets - other	9	647	16
Increase in financial assets - PBRF	9	(38 640)	(75 175)
Net cash flow from investing activities		**(48 288)**	**(76 482)**
Cash flow from financing activities			
Decrease in liabilities - Staff Provident Fund	16	(506)	(11 202) *
Proceeds from borrowings	8 & 13	15 700	13 500
Repayment of borrowings	8 & 13	(14 300)	(12 990)
Credits to member countries and others	18	(14 819)	(11 071)
Net cash flow from financing activities		**(13 925)**	**(21 763)**
Net decrease in cash and cash equivalents		**(47 767)**	**(2 017)**
Cash and cash equivalents at beginning of period	5	185 656	187 673
Cash and cash equivalents at end of period	**5**	**137 889**	**185 656**

* The amount disclosed as at 31December 2009 has been modified, following revised disclosures made in 2010. The revised disclosures are explained in Note 3.

Income relating to 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
Statement 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 as at 31 December 2008	**(1 000 082)**	**(19 478)**	**34 327**	**213 795**	**(111 911)**	**(883 349)**
Allocation of prior year result	(90 487)	5 051	1 144	(27 619)	111 911	-
Credited to Member countries and other participants	-	(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	(90 487)	54	(4 930)	(27 619)	82 306	(40 676)
Balance as at 31 December 2009	**(1 090 569)**	**(19 424)**	**29 397**	**186 176**	**(29 605)**	**(924 025)**
Allocation of prior year result	(106 256)	9 063	2 524	65 064	29 605	-
Credited to Member countries and other participants	-	(567)	-	-	-	(567)
Reserves/surpluses transferred to Budget	-	(13 306)	(945)	-	-	(14 251)
Surplus on revaluation of property	54 271	-	-	-	-	54 271
Net deficit for the period	-	-	-	-	(44 225)	(44 225)
Subtotal	(51 985)	(4 810)	1 579	65 064	(14 620)	(4 772)
Balance as at 31 December 2010	**(1 142 554)**	**(24 234)**	**30 976**	**251 240**	**(44 225)**	**(928 797)**

Member countries' contributed interest includes the pension benefits and post-employment health cover 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.

Any surplus on the revaluation of property is credited directly to net assets, except if 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 34 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; and

- 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 representative offices in Washington (DC), Mexico City, Berlin and Tokyo.

The Organisation enjoys privileges and immunities, notably that of being exempt from 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 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. All of 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 and/or relating to sectors of activity not covered by Part I. Part II programmes are funded according to a scale of contributions or other financing arrangements agreed among the participating countries. Annex Budgets are established for certain specific activities such as the Pension Schemes, Site Project Investment and Publications. Note 23 gives further details of the income and expenditure budget and actual results for 2010.

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 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 subsidiary bodies of the Organisation. Enhanced Engagement programmes have been in place for Brazil, China, India, Indonesia and South Africa since 2007.

The Organisation also maintains active relationships with business, labour, civil society and parliamentarians. These stakeholders benefit from and make valuable contributions to the work of the OECD.

During 2010, Chile became a member of the Organisation in May, Slovenia in July, Israel in September, and Estonia in December. Membership of the Organisation thus increased from 30 to 34 countries.

Note 2: Adoption of new and revised standards

In 2009 the Organisation elected to adopt IPSAS 24 ("Presentation of Budget Information in Financial Statements"). The statements compariing the budget and actual amounts for income and expenditure are included in Note 23. This note was expanded in 2010 to show expenditure recognised during the year deriving from voluntary contributions in comparison to the amounts recorded/expected in the Programme of Work.

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 prescribe any specific standard, IFRSs and IASs are applied.

The financial statements have been prepared on a going-concern basis, and accounting policies have been applied consistently throughout the period.

Adjustments were made in 2010 to the amounts appearing in the Statements of Financial Position, Financial Performance and Cash Flows for 2009. These adjustments were carried out to ensure better comparability between the transactions of the two years.

The following table summarises adjustments to the Statement of Financial Position:

Items	2010 Financial statements (2009 column) €'000	2009 Financial statements €'000
Financial assets	269 800	275 579
Furniture, fixtures and equipment	17 748	16 291
Land and buildings	412 161	413 633
Intangible assets	1 348	1 333
Total assets	**1 002 171**	**1 007 950**
Employee benefits	1 462 987	1 468 766
Total non-current liabilities	1 657 291	1 663 070
Total liabilities	**1 926 196**	**1 931 975**

The adjustments under the headings Financial assets and Employee benefits stem from a change to the consolidation of the Staff Provident Fund in the OECD financial statements. Reference thereto is made under the heading "Investments and other financial assets" of this note and in the corresponding Notes 9 and 16. The other adjustments were made between the various categories of fixed assets in progress cited in the table (Furniture, fixtures and equipment; Land and buildings; and Intangible assets) and are dealt with in Notes 10, 11 and 12.

The financial statements 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 denominated in foreign currencies are translated into euros at the exchange rates prevailing on the date of the Statement of Financial Position.

Foreign-currency transactions are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities 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 forecast future 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 forecast 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 lives, not exceeding a period of three years.

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

Tangible assets

Property, furniture, fixtures and equipment

Land and buildings are carried in the Statement of Financial Position at their revalued amounts, *i.e.* at their fair value at the date of revaluation, adjusted for any subsequent additions, accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity that carrying amounts do not differ materially from those that 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 if 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 the 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 recognised in the Statement of Financial Performance. Due to the significantly different useful lives of the individual categories 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 lives of all components of buildings are reviewed periodically, and if they change significantly, depreciation charges to current and future periods are adjusted accordingly.

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: 4 - 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 2008, as well as for more-recent issues with inventory on hand in excess of one year's sales volume.

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 amounts outstanding 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 participants in 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 bank deposits. The investment funds may be invested in bonds, equity, real estate and derivative financial instruments based on risk and performance objectives.

The restatement of the financial assets of the Pension Budget and Reserve Fund (PBRF) to fair value is recorded in the Statement of Financial Performance, whereas the income and expenditure of the Staff Provident Fund are not reported in the Statement of Financial Performance since the investment results accrue to the participants. Because an investment of the PBRF in the Staff Provident Fund is included in the total assets of the Fund's portfolio, the amount of this investment and its interest income (6 005 K€ at year-end 2010) is presented in the PBRF portfolio and subtracted in consolidation from the Fund's assets and liabilities.

In order to compare financial periods, the 2009 accounts have been also been restated (in the Statement of Financial Position to eliminate the assets invested by the Staff Provident Fund on account of the PBRF and liability owed to the PBRF (-5 779 K€), and the Statement of Cash Flow has also been amended. There was no impact in 2010 or 2009 on the net assets reported in the Statement of Financial Position or on the Statement of Financial Performance.

Both the assets of the Staff Provident Fund and PBRF 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 to record the investments at fair value. The value is determined 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-income securities, or from contract valuations obtained from the fund manager in respect of unlisted investments. The difference between the fair value and the book cost is recorded as an 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 the 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, are compared with the capital cost of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, term 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 strategies in accordance with its Financial Rules and Regulations. The Organisation is exposed to a variety of financial risks, including market risk (foreign exchange and price), liquidity and credit risks. The Organisation makes only limited use of financial derivatives to hedge risk exposures.

a) Foreign exchange risk

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

Outside the euro zone, the Organisation has representative offices in the USA, Japan and Mexico which hold 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 because of investments by 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 limited credit risk since its contributors generally have excellent credit ratings.

Provisions

Provisions are constituted when the Organisation recognises a liability arising from a past event, for which it will probably have to bear the cost. 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

Defined-contribution scheme

The Staff Provident Fund is a defined-contribution retirement savings plan which has been closed to new entrants since 1974. 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 affiliated employees at a rate of 7%, and from the Organisation at 14%, of salaries, manages its assets and pays participants' account withdrawals.

The Fund is consolidated in the accounts of the Organisation, and the Fund's assets and liabilities are included in the Statement of Financial Position. Revenues and expenses are not reported in the Statement of Financial Performance since they accrue to the participants. Accordingly, even though it is a defined-contribution plan, a provision and an equivalent asset are recognised in the Organisation's Statement of Financial Position.

Defined-benefit schemes

The Organisation operates a number of defined-benefit plans, including: pension schemes, post-employment health cover and long-service benefits (end-of-service allowances for a closed group of employees).

The Joint Pension Administration Section (JPAS, which administers the pension schemes of six Co-ordinated Organisations, of which the OECD is one), in its capacity as the Organisation's actuary, performs valuations of defined-benefit obligations and related expenses, which are recognised annually.

The latest actuarial valuations, as at 31 December 2010, were carried out using the Projected Unit Credit Method, which attributes an additional unit of benefit entitlement for each period of service. Each unit is measured separately until the final obligation is constituted.

The Organisation's employee benefit obligations are partially funded by assets held separately and recognised on the Organisation's Statement of Financial Position. The assets of the Pension Budget and Reserve Fund and those of the Staff Provident Fund are distinct from all other assets of the Organisation. Both Funds' assets may be used solely to pay out benefits and finance the Funds' expenses.

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 scheme assets or the present value of gross defined benefit obligations under the scheme at the beginning of the period.

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 revenue relating to future periods are deferred accordingly.

Revenue from sales of publications is recognised upon shipment, and revenue from sales of access to OECD statistics and electronic data is 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 revenue, including costs reimbursed by third parties, is recognised when it is acquired, either contractually or, in the absence of a contract, upon receipt.

Leasing

The Organisation does not have any financial leases.

Operating lease rentals are recognised as an expense 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, 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: the fair value of land and buildings, defined-benefit pension and other post-employment benefit obligations, amounts for litigations, valuation of publications sales returns, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and the degree of impairment of fixed assets.

Note 5: Cash and cash equivalents

	31 December 2010 €'000	31 December 2009 €'000
Cash on hand	4	5
Deposits with banks unrestricted - euros	100 268	147 495
Deposits with banks unrestricted - other currencies	1 643	3 280
Total unrestricted cash	**101 915**	**150 780**
Deposits with banks restricted	22 000	21 717
Deposits with banks and cash equivalents - PBRF	13 974	13 159
Total restricted cash	**35 974**	**34 876**
Total cash and cash equivalents	**137 889**	**185 656**

Cash deposits are generally held in instant-access interest-bearing bank accounts, low-risk money market securities, one- to six-month bank deposits and savings accounts. Interest-bearing bank accounts yielded interest at an average rate of 0.56% (2009: 0.92%; 2008: 3.5%). The substantial decrease in interest rates since 2008 results from actions taken by the European Central Bank to reduce short-term lending rates in response to the worldwide financial crisis.

There has been a large reduction in unrestricted cash deposits, from 150.8 M€ at 31 December 2009 to 101.9 M€ at 31 December 2010. The decrease is due primarily to 2010 assessed contributions that were still unpaid as of 31 December (64.8 M€, compared to 23.9 M€ at end-December 2009). In January 2011, two member countries paid a large portion of their assessed contributions for 2010 (45.8 M€ out of a total of 56.8 M€ due from the two countries).

Certain cash deposits are restricted for specific uses:

- Funds received from sale of the offices at Chardon Lagache, which have been allocated to a special reserve (Note 18).

- The "Deposits with banks restricted" item includes a medical plan investment. This investment is restricted to covering the cost of claims administration and the risk of variation in loss experience on the health insurance scheme for the Organisation's staff and retirees. The balance of this deposit at 31 December 2010 was 9.2 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 slightly higher than they were the previous year but lower than in 2008, due mainly to the establishment of long-term investments in accordance with the investment strategy approved by the Council in 2007.

The Organisation has no confirmed credit lines but does maintain limited and informal overdraft arrangements with its banks. These arrangements may be withdrawn by the banks at any time. No borrowing was done on overdraft facilities in 2010 or in 2009.

Note 6: Inventories

	31 December 2010 €'000	31 December 2009 €'000
Finished publications	1 756	2 029
Supplies	-	-
Diplomatic reserve	33	33
Gross inventories	**1 789**	**2 062**
Provision for depreciation of inventories	(1 293)	(1 530)
Net inventories	**496**	**532**

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. The provision for depreciation of inventories represents the write-down of inventories of finished publications to net realisable value. In order to reduce storage costs, it was decided to destroy 151 600 copies at the beginning of 2011. The gross value of this material is estimated at 666 K€. This operation will be reflected in the financial statements for 2011.

Note 7: Accounts receivable and prepayments

	31 December 2010 €'000	31 December 2009 €'000
Current - accounts receivable and prepayments		
Assessed contributions - member countries	64 357	23 467
Assessed contributions - non-member countries participating in Part II programmes	875	514
Provision for uncollected assessed contributions - non-member countries participating in Part II programmes	(35)	(116)
Voluntary contributions	38 706	51 217
Provision for uncollected voluntary contributions	(95)	(29)
Prepayments	1 170	1 058
Other receivables	23 733	19 277
Provision for uncollected other receivables	(469)	(469)
Publications	618	579
Provision for uncollected publications	(118)	(102)
Total current - accounts receivable and prepayments	**128 742**	**95 396**
Non-current accounts receivable		
Voluntary contributions	19 380	12 248
Total accounts receivable and prepayments	**148 122**	**107 644**

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

The increase in member countries' assessed contributions receivable is due to the payments received later than in 2009, as discussed in Note 5.

The decrease in the current portion of voluntary contributions receivable at 31 December 2010, as compared to 31 December 2009, is due to the advancement of work funded by voluntary contributions received prior to 2010.

Other receivables consist mainly of 19.9 M€ in reimbursable taxes (2009: 15.3 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 increase in non-current receivables is due mainly to the cyclical payment schedule of multi-year voluntary contributions for the Programme of Work.

Note 8: Staff loan programme

	31 December 2010 €'000	31 December 2009 €'000
Current	3 586	3 155
Non-current	4 868	4 127
Total staff loan program	**8 454**	**7 282**

The Organisation operates a staff loan programme through which staff can obtain loans subject to defined limits. Loans to staff are financed by a short-term bank borrowing of 8.2 M€ (2009: 6.8 M€). The interest rate charged on staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, plus a margin for loan administration costs. Collections are assured through payroll withholding and staff severance payments.

Loans outstanding 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.

Note 9: Financial assets – non-current

	Notes	31 December 2010 €'000	31 December 2009 €'000
Deposits on office leases	a	977	1 624
Staff Provident Fund	b & d	26 537	27 043
Pension Budget and Reserve Fund	c & d	279 773	241 133
Total financial assets - non-current		**307 287**	**269 800**

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. The decrease in deposits at 31 December 2010 stems from the refunds recorded in 2010 corresponding to the termination of leases at Porte Maillot (-391 K€) and the Mangin annex (-101 K€), as well as an accounting adjustment to the IEA's security deposit for its premises (-99 K€).

b) The Staff Provident Fund was closed to new entrants in 1974, when participants were given the choice of remaining in the Fund or transferring their pension rights to the Organisation's new defined-benefit Pension Scheme. In 2006, administration of the Provident Fund was transferred to the JPAS.

   In October 2008, Council gave its approval allowing participants of the Staff Provident Fund who met certain criteria transfer the balance of the amounts credited to their Staff Provident Fund accounts to the Organisation in order to acquire pension rights in the Organisation's New Pension Scheme (NPS) on an actuarial basis. The option to join the NPS expired in April 2009.

At 31 December 2009, 23 participants had transferred their rights amounting to 11.5 M€. When those rights were transferred, the Pension Budget and Reserve Fund (PBRF) left the sum of 5.8 M€ in the Staff Provident Fund's capitalisation fund as a PBRF investment.

Because the aforementioned investment of the PBRF is included in the total assets of the Staff Provident Fund's portfolio, the amount of this investment and its interest income (6 005 K€ at year-end 2010) is presented in the PBRF portfolio (under item c below) and subtracted in consolidation from the Staff Provident Fund's assets and liabilities. In order to compare financial periods, the accounts for 2009 were adjusted, in respect of both assets and liabilities, for equivalent amounts (-5 779 K€). There was no impact in 2010 or 2009 on the OECD's net assets reported in the Statement of Financial Position or on the OECD's Statement of Financial Performance.

The Staff Provident Fund participants at 31 December include 11 serving staff (2009: 17) and 221 retired staff (2009: 234).

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. In 2008, the underlying proceeds were invested in a blocked liquidation fund until its maturity date, which is probably in 2013. The investment was valued at the period end at a cost of 214 K€. The OECD has brought a legal action against the fund manager to reclaim the loss on the investment and damages. This suit is expected to be examined by a French court in 2011. The outcome hinges on the court's ruling.

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

	31 December 2009	Additions	Disposals / adjustments	31 December 2010
	€'000	€'000	€'000	€'000
Gross investment				
Capitalisation contract	32 535	1 264	(1 500)	32 299
Elimination of PBRF Investment	(5 779)	(226)	-	(6 005)
Oddo Cash Arbitrages Liquidité Longue Fund	214	-	-	214
Cash in portfolio	69	-	(41)	28
Total gross investment	**27 039**	**1 038**	**(1 541)**	**26 536**
Other Assets	4	-	(3)	1
Total Staff Provident Fund	**27 043**	**1 038**	**(1 544)**	**26 537**

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 increase progressively 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 2009 €'000	Additions €'000	Disposals / adjustments €'000	Unrealised gains/losses at reporting date €'000	31 December 2010 €'000
Gross investment					
Bond funds	57 790	17 099	-	-	74 889
Equity funds	155 741	24 972	(16 374)	-	164 339
Real Estate funds	14 046	5 895	(9 362)	-	10 579
Investment in Staff Provident Fund	5 779	226	-	-	6 005
Total gross investment	**233 356**	**48 192**	**(25 736)**	**-**	**255 812**
Adjustment to fair value					
Bond funds	1 058	-	-	706	1 764
Equity funds	6 807	-	-	14 506	21 313
Real Estate funds	(88)	-	-	972	884
Investment in Staff Provident Fund	-	-	-	-	-
Total adjustment to fair value	**7 777**	**-**	**-**	**16 184**	**23 961**
Net value	**241 133**	**48 192**	**(25 736)**	**16 184**	**279 773**

The Pension Budget and Reserve Fund is restricted to paying staff pension benefits and is managed according to its statutes. The Fund's assigned investment objectives recognise the long-term nature and the type of liabilities under the OECD pension schemes. The Fund invests in equities, fixed-income securities and shares in listed real estate funds. Its long-term strategic position is designed to maximise total return, subject to controls over credit and liquidity risk and limited volatility. At 31 December 2010, 66.4% of the Fund's net investments were in equities, 29.5% in bonds and 4.1% in real estate funds. Unrealised gains and losses on investments are recognised in the Statement of Financial Performance. The net fair value of investments at year-end 2010 increased by 16% over year-end 2009.

The Staff Provident Fund and the Pension Budget and Reserve Fund are exposed to the financial risks of changes in foreign currency exchange rates, interest rates and securities market prices. Securities held by both funds are denominated mainly in euros or covered against exchange risk to minimise this 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 2009 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfers €'000	31 December 2010 €'000
Cost of furniture, fixtures and equipment					
Leasehold premises - fixtures and fittings	2 588	-	-	2 270	4 858
Other furniture, fixtures and equipment	40 066	5 261	(260)	276	45 343
Fixed assets in progress	1 624	1 091	-	(2 546)	169
Total cost of furniture, fixtures and equipment	**44 278**	**6 352**	**(260)**	**-**	**50 370**
Depreciation					
Leasehold premises - fixtures and fittings	(263)	(459)	-	-	(722)
Other furniture, fixtures and equipment	(26 267)	(4 911)	240	-	(30 938)
Total depreciation	**(26 530)**	**(5 370)**	**240**	**-**	**(31 660)**
Net furniture, fixtures and equipment					
Leasehold premises - fixtures and fittings	2 325	(459)	-	2 270	4 136
Other furniture, fixtures and equipment	13 799	350	(20)	276	14 405
Fixed assets in progress	1 624	1 091	-	(2 546)	169
Total net furniture, fixtures and equipment	**17 748**	**982**	**(20)**	**-**	**18 710**

Acquisitions under Leasehold premises - fixtures and fittings are related to the fitting out of offices that have been leased.

Acquisitions of Other furniture, fixtures and equipment are related mainly to office equipment for the Marshall Building and leased premises.

The Fixed assets in progress balance at 31 December 2009 was increased by 1 457 K€, corresponding to a transfer from the Buildings in progress line of Land and buildings in Note 11. This amount represented fixtures in progress in 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 2009 €'000	Acquisitions / Depreciation €'000	Disposals €'000	Transfers €'000	Revaluation €'000	31 December 2010 €'000
At cost/revaluation						
Land	80 560	-	-	-	6 040	86 600
Buildings	344 195	1 137	(1 958)	2 463	23 063	368 900
Buildings in progress	1 384	1 542	-	(2 463)	-	463
Total land and buildings	**426 139**	**2 679**	**(1 958)**	**-**	**29 103**	**455 963**
Depreciation						
Buildings	(13 978)	(11 431)	241	-	25 168	-
Total depreciation	**(13 978)**	**(11 431)**	**241**	**-**	**25 168**	**-**
Net land and buildings						
Land	80 560	-	-	-	6 040	86 600
Buildings	330 217	(10 294)	(1 717)	2 463	48 231	368 900
Buildings in progress	1 384	1 542	-	(2 463)	-	463
Total net land and buildings	**412 161**	**(8 752)**	**(1 717)**	**-**	**54 271**	**455 963**

In January 2000 Council decided to renovate the La Muette headquarters buildings: these works constitute the ongoing 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 was financed by contributions from the member countries.

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 4^{th} Quarter 2007, and the renovation of the Marshall Building was completed during the 4^{th} Quarter 2008. Landscaping the gardens at the Chateau and final fitting out of the offices were undertaken in 2010 and will continue in 2011.

The balance of "Buildings in progress" at 31 December 2009 was reduced by 1 457 K€, corresponding to a transfer to "Fixed assets in progress" in Note 10. In addition, an amount of 15 K€ was reclassified as "Intangible assets in progress" in Note 12.

Revaluation

As the office property market in Paris rose in 2010, land and buildings that are carried at fair value have been revalued on the basis of their fair market value at 31 December 2010, 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	Recognised in the Statement of Financial Position
	€'000	€'000
Balance 31 December 2009		
Revaluation increase on land	-	6 549
Revaluation increase on buildings	-	162 879
Balance 31 December 2010		
Revaluation increase on land	-	6 040
Revaluation increase on buildings	-	48 231
Net accumulated revaluation variances at 31 December 2010	**-**	**223 699**

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 2009	Acquisitions / Depreciation	Disposals	Transfers	31 December 2010
	€'000	€'000	€'000	€'000	€'000
Cost	4 875	569	-	49	5 493
Intangible assets in progress	15	35	-	(49)	1
Depreciation	(3 542)	(844)	-	-	(4 386)
Total net intangible assets	**1 348**	**(240)**	**-**	**-**	**1 108**

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

The balance of "Intangible assets in progress" at 31 December 2009 was increased by 15 K€, corresponding to a transfer from the line "Buildings in progress" of "Lands and buildings" in Note 11.

Note 13: Borrowings

	31 December 2010 €'000	31 December 2009 €'000
Relating to staff loan programme (see Note 8)	**8 200**	**6 800**

Note 14: Payables

	31 December 2010 €'000	31 December 2009 €'000
Suppliers and accrued charges	34 312	33 173
Payables to staff and welfare institutions	27 201	27 130
Advances on assessed and voluntary contributions	21 446	19 124
Other payables	11 554	15 048
Total payables	**94 513**	**94 475**

Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed during the year but not yet invoiced. Accrued charges amounted to 21.7 M€ at 31 December 2010 (2009: 18.1 M€).

Payables to staff primarily represent accrued annual leave, other entitlements to leave and other payments due to staff. Payables to welfare institutions consist of current contributions, the most significant of which is in respect of the health insurance contract.

Other payables comprise budget surpluses and interest, amounting to 1.5 M€ (2009: 3.6 M€), and advance payments (5.6 M€) 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 2009 have been approved by Council.

Note 15: Provisions for liabilities and charges

	31 December 2010 €'000	31 December 2009 €'000
Total provisions for liabilities and charges	**169**	**111**

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. In 2010, additional provisions were made for 169 K€, amounts used during the period were 40 K€ and unused amounts reversed during the period came to 71 K€.

Note 16: Employee benefits

Defined-contribution schemes

The Staff Provident Fund, which has been closed to new entrants since 1974, operates a defined-contribution scheme. The obligation of the Organisation is restricted to contributions paid in, which are recognised as expenses.

As the assets invested are held by the Organisation, a liability is recognised to offset the Fund's assets as described above in Note 9.

The OECD paid 39 K€ in contributions to the Staff Provident Fund in 2010 (2009: 32 K€).

Defined-benefit schemes

The Organisation has been operating employee defined-benefit plans that include a Pension Scheme co-ordinated with five other international organisations, a New Pension Scheme for employees hired after 1 January 2002, post-employment health cover and a long-service benefit plan (end-of-service allowances) applicable to a group of employees that has been closed since 1993.

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

Actuarial assumptions

At 31 December, the main actuarial assumptions used to calculate the defined-benefit liability (expressed as weighted averages) were:

	2010		2009	
	Pension benefits	Post-employment health coverage	Pension benefits	Post-employment health coverage
Discount rate	3.88%	3.96%	4.27%	4.36%
Future salary increase	2.15%		2.15%	
Future Pension Scheme increase	2.15%		2.15%	
Future New Pension Scheme increase	1.80%		1.80%	
Future health cost increase		3.80%		3.80%

All demographic assumptions are reviewed every five years, the last review having taken place in 2008.

Provisions as at 31 December 2010

Provisions for Pension Scheme obligations and other social obligations are as follows:

	31 December 2010 €'000	31 December 2009 €'000
Staff Provident Fund	26 537	27 043
Defined contribution programmes	**26 537**	**27 043**
Pension Scheme	1 329 784	1 251 070
Post-employment health coverage	278 408	259 391
Defined benefit programmes	**1 608 192**	**1 510 461**
Total employee benefits	**1 634 728**	**1 537 504**
Employee benefits current	75 860	74 517
Employee benefits non-current	1 558 868	1 462 987

The 2009 Staff Provident Fund liability has been adjusted for the same amount as the corresponding asset in Note 9 (-5 779 K€), as explained in Note 3.

The breakdown of the provision for defined-benefit schemes is set out as follows:

	31 December 2010			31 December 2009		
	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000	Pension benefits €'000	Post-employment health coverage €'000	Total benefits €'000
Present value of employee future benefits obligation	(1 750 299)	(325 725)	(2 076 024)	(1 595 259)	(289 770)	(1 885 029)
Unrecognised actuarial losses	420 515	47 317	467 832	344 189	30 379	374 568
Liability recognised in Statement of Financial Position	**(1 329 784)**	**(278 408)**	**(1 608 192)**	**(1 251 070)**	**(259 391)**	**(1 510 461)**

Cost of the defined-benefit schemes

The amounts recognised in the Statement of Financial Performance are:

	31 December 2010			31 December 2009		
	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	49 176	-	49 176	47 880	-	47 880
Employer contributions	27 487	-	27 487	25 670	-	25 670
Other contributions (tax reimbursements)	5 050	-	5 050	4 651	-	4 651
Pension and other contributions for the year	**81 713**	**-**	**81 713**	**78 201**	-	**78 201**
Current service cost	62 386	11 377	73 763	65 090	11 527	76 617
Interest cost	66 649	12 526	79 175	60 556	11 232	71 788
Actuarial losses recognised in the year	18 466	140	18 606	27 687	2 246	29 933
Employee contributions from salary	(15 637)	-	(15 637)	(14 458)	-	(14 458)
Employee contributions including transfers from the Staff Provident Fund	(1 557)	-	(1 557)	(11 261)	-	(11 261)
Other expenses (tax reimbursements, post-employment health costs)	5 050	222	5 272	4 651	236	4 887
Pensions and other expenses for the year	**135 357**	**24 265**	**159 622**	**132 265**	**25 241**	**157 506**

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 pension tax adjustments (reimbursements by the member countries of a portion of the taxes that retirees must pay on their pensions), which are reported as expenses as well.

The decrease in “Employee contributions, including transfers from the Staff Provident Fund” between 2009 and 2010 is due mainly to the fewer number of Staff Provident Fund participants transferring to the New Pension Scheme, as indicated in Note 9.

Changes in defined-benefit obligations

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

The actuarial valuation of the defined-benefit 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 expected terms of the related benefit liabilities.

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

	31 December 2010			31 December 2009		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
Opening employee future benefits obligation	(1 595 259)	(289 770)	(1 885 029)	(1 602 748)	(290 077)	(1 892 825)
Expense for the period:						
Current service cost	(62 386)	(11 377)	(73 763)	(65 090)	(11 527)	(76 617)
Interest cost	(66 649)	(12 526)	(79 175)	(60 556)	(11 232)	(71 788)
Benefits paid	68 787	5 026	73 813	67 862	4 220	72 082
Net actuarial gains / (losses) for the period	(94 792)	(17 078)	(111 870)	65 273	18 846	84 119
Employee future benefits obligation at end of December	**(1 750 299)**	**(325 725)**	**(2 076 024)**	**(1 595 259)**	**(289 770)**	**(1 885 029)**

Changes in actuarial differences of defined-benefit plans:

	31 December 2010			31 December 2009		
	Pension benefits	Post-employment health coverage	Total benefits	Pension benefits	Post-employment health coverage	Total benefits
	€'000	€'000	€'000	€'000	€'000	€'000
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	344 189	30 379	374 568	437 149	51 471	488 620
Actuarial (gains) / losses for the year	94 792	17 078	111 870	(65 273)	(18 846)	(84 119)
Losses recognised in the year	(18 466)	(140)	(18 606)	(27 687)	(2 246)	(29 933)
Unrecognised actuarial losses at end of December	**420 515**	**47 317**	**467 832**	**344 189**	**30 379**	**374 568**
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	344 189	30 379	374 568	437 149	51 471	488 620
Limit of the corridor: 10% of the defined benefits obligation at the beginning of the year	(159 526)	(28 977)	(188 503)	(160 275)	(29 008)	(189 283)
Actuarial losses to be amortised over the expected average remaining working lives of the employees participating in the plan	184 663	1 402	186 065	276 874	22 463	299 337
Expected average remaining working lives of the employees participating in the plan	10	10		10	10	
Actuarial losses recognised in the year	**(18 466)**	**(140)**	**(18 606)**	**(27 687)**	**(2 246)**	**(29 933)**

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 decrease in the discount rate from 31 December 2009 to 31 December 2010 for pension benefits, from 4.27% to 3.88%, and post-employment health coverage, from 4.36% to 3.96%, is the main reason for actuarial losses of approximately 95 M€ and 17 M€ respectively in 2010.

Sensitivity to medical cost inflation assumption

Assumed healthcare cost trends have a significant effect on the amounts recognised in the Statement of Financial Performance. A one percentage point change in the assumed rate of healthcare cost trends 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	8 627	(6 238)
Effect on defined benefit obligation	84 539	(64 604)

History of the liability, value of financial assets and actuarial experience variances

For the defined-benefit pension plans, the five-year history and experience adjustments is as follows:

	31 December 2010 €'000	31 December 2009 €'000	31 December 2008 €'000	31 December 2007 €'000	31 December 2006 €'000
Present value of defined benefit obligation	1 750 298	1 595 259	1 602 748	1 388 617	1 430 655
Net value of assets in PBRF fund	293 886	251 240	186 175	213 795	180 242
Experience adjustments in percentage of scheme liabilities	5.8	2.4	(4.4)	(2.9)	0.1

Contributions of the Organisation expected in 2011

The Organisation expects to contribute approximately 77 M€ to its pension schemes in 2011.

Note 17: Deferred revenue

	Current		Non-current	
	31 December 2010 €'000	31 December 2009 €'000	31 December 2010 €'000	31 December 2009 €'000
Site Project	8 748	11 928	102 829	110 366
Voluntary contributions	58 598	58 565	76 563	83 772
Publications	6 248	5 959	110	166
Other operations, Part I, Part II and Annex budgets	16 120	16 550	-	-
Total deferred revenue	**89 714**	**93 002**	**179 502**	**194 304**

Deferred revenue corresponds to revenue that has been 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 2009 €'000	IPSAS adjustments carried forward €'000	Budgetary surpluses to be allocated €'000	Previous year results added to reserves €'000	Net reserves and budget surpluses added to future budgets €'000	Budget surpluses to be returned to member countries and other donors €'000	Transfers / revaluations and current year deficiit €'000	31 December 2010 €'000
Pension benefits	(1 165 599)	-	-	(85 471)	-	-	-	(1 251 070)
Post employment health coverage	(238 606)	-	-	(20 785)	-	-	-	(259 391)
Land and Buildings	313 636	-	-	-	-	-	54 271	367 907
Accumulated surplus / (deficit)	(19 424)	(4 810)	14 719	(846)	(13 306)	(567)	-	(24 234)
Total member countries' contributed interest	**(1 109 993)**	**(4 810)**	**14 719**	**(107 102)**	**(13 306)**	**(567)**	**54 271**	**(1 166 788)**
Pension Budget and Reserve Fund reserve	**186 176**	**-**	**-**	**65 064**	**-**	**-**	**-**	**251 240**
Medical plan reserve	9 978	-	-	(355)	-	-	-	9 623
Medical plan - Preventive programmes	152	-	-	(93)	-	-	-	59
Asbestos early retirement scheme	572	-	-	(41)	-	-	-	531
Chardon Lagache	11 814	-	-	254	-	-	-	12 068
BFMP project	1 370	-	-	(377)	-	-	-	993
Publications (Part I)	1 201	-	-	-	-	-	-	1 201
Loss of employment on posts funded by voluntary contributions	874	-	-	-	-	-	-	874
Observer fees from non-members	301	-	-	-	-	-	(101)	200
Travel services	63	-	-	-	-	-	(63)	-
Parking rentals to staff	731	-	-	-	-	-	(731)	-
Exchange differences	(1 668)	-	-	2 332	-	-	-	664
Part II - Sahel	701	-	-	-	-	-	-	701
Part II - Agriculture	168	-	-	-	-	-	(50)	118
Part II - IEA - Office space	1 316	-	-	(42)	-	-	-	1 274
Part II - IEA - Loss of Employment	727	-	-	-	-	-	-	727
Part II - IEA - Net publications revenue result and electronic data	1 097	-	-	-	-	-	-	1 097
Part II - IEA - 2009 Net publications results	-	-	-	846	-	-	-	846
Total reserves	**29 397**	**-**	**-**	**2 524**	**-**	**-**	**(945)**	**30 976**
Allocation of the net deficit for the prior period	**(29 605)**	**4 810**	**(14 719)**	**39 514**	**-**	**-**	**-**	**-**
Net deficit for the current period	**-**	**-**	**-**	**-**	**-**	**-**	**(44 225)**	**(44 225)**
Total member countries' contributed interest and reserves	**(924 025)**	**-**	**-**	**-**	**(13 306)**	**(567)**	**9 101**	**(928 797)**

Member countries' contributed interest represents: the liability related to Pension benefits and Post-employment health cover, detailed in Note 16; and the counterpart of Land and Buildings owned by the Organisation.

The balance shown at 31 December 2010 for pension benefits, post-employment health cover 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.

Note 19: Operating revenues

	12 months ended 31 December 2010 €'000	12 months ended 31 December 2009 €'000
Assessed contributions	277 365	263 781
Voluntary contributions	94 132	90 091
Pension contributions	81 713	78 201
Sales of publications	16 634	16 306
Other	23 997	17 776
Total operating revenues	**493 841**	**466 155**

The main variances between 2010 and 2009 are as follows:

- Assessed contributions for Part I, Part II and Annex Budgets changed in line with the annual Budget.
- Voluntary contributions recognised during the period were higher, despite the decrease in contributions accepted in 2010, because of the substantial balance of prior-year contributions financing additions to the annual Programme of Work.
- Pension contributions include amounts paid by member countries to the PBRF, employer contributions and other contributions in respect of tax reimbursements.
- Sales of publications increased in 2010, with high volumes of subscriptions to OECD iLibrary (previously SourceOECD), buoyed both by favourable exchange rates and by strong book sales as compared to 2009.
- 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 2010 €'000	12 months ended 31 December 2009 €'000
Personnel costs:		
Salaries and benefits	244 077	234 295
Temporary staff salaries and benefits	13 893	12 184
Other personnel costs (incl. training)	1 378	1 402
Total personnel costs	**259 348**	**247 881**
Total pension and post-employment benefits costs (See Note 16)	**159 622**	**157 506**
Consulting costs:		
Fees to individual consultants	13 185	11 668
Fees to companies and organisations	21 866	15 994
Total consulting costs	**35 051**	**27 662**
Travel costs:		
Travel costs missions - personnel	15 331	13 818
Travel costs - external invitees	7 730	8 221
Total travel costs	**23 061**	**22 039**
Operating costs:		
External services	13 773	12 151
Building rentals	15 774	19 357
Maintenance and repairs	9 928	6 397
Utilities	1 435	1 330
Consumable and supplies	4 544	4 507
Printing and reproduction	784	718
Conference, interpretation and translations	5 874	5 576
Communication	3 133	3 039
Marketing	2 432	2 445
External publications	1 989	1 760
Depreciation	19 362	17 348
Inventory variation	273	922
Total operating costs	**79 301**	**75 550**
Other costs:		
Non refundable taxes and insurance	1 073	1 049
Other administration expenses and operating gains and losses	265	121
Provisions for liabilities and charges, risk on uncollected receivables and publications inventories	(235)	(885)
Total other costs	**1 103**	**285**
Total operating expenses	**557 486**	**530 923**

The main variances between 2010 and 2009 are as follows:

- The increase in personnel costs is due primarily to the rise in staffing levels between 2009 and 2010 (+4%) funded by the Budget and for the most part voluntary contributions recorded in the 2009-2010 Programme of Work.

- The increase in pension and post-employment benefit costs is due mainly to the increased accumulation of rights by a greater number of employees.

- Building rental expenses are lower than in 2009 due to the cancellation of the lease for Tour Europe during the 2nd Quarter 2009. Additional office space was leased in 2009 at lower cost.

- The increase in the line for Maintenance and repairs is due primarily to works in the buildings.

- The increase in depreciation charges stems mainly from the annual revision of useful lives and to the replacement of certain building components, in accordance with the principles laid down in Note 3.

A new presentation has combined fees to organisations with fees to companies, thus combining the consultancy work performed for substantive directorates. As a comparison, an amount of 200 K€ in the 2009 column has been transferred from the "External services" line to the line "Fees to companies and organisations". Total Operating expenses for 2009 were not affected by this reclassification.

Note 21: Financial revenue and expenses

	12 months ended 31 December 2010 €'000	12 months ended 31 December 2009 €'000
Interest income on restricted funds	513	1 355
Interest income on general treasury funds	705	1 063
Pension Budget and Reserve Fund investment gain / (loss)	16 966	32 134
Net foreign currency conversion gain / (loss)	1 575	1 024
Total financial revenue	**19 759**	**35 576**
Interest expense	103	175
Bank charges	236	238
Total financial expenses	**339**	**413**
Financial revenue, net	**19 420**	**35 163**

Interest income decreased by 1 201 K€ for the period ending 31 December 2010 as compared to the period ending 31 December 2009 because of steadily declining interest rates, as a result of the decision taken by the European Central Bank to cut short-term lending rates in response to the worldwide financial crisis.

Interest income earned by the Pension Budget and Reserve Fund was 142 K€ for the period ending 31 December 2010, compared to 477 K€ for the period ending 31 December 2009, due mainly to a decrease in short-term deposits in 2010. In 2009, because of the volatility of financial markets, cash earmarked for long-term investments had in fact been placed in term deposits in order to stagger market purchases.

Interest income on general treasury funds is earned mostly from voluntary contributions received in advance of the related expenditure, and the interest earned in 2010 is lower than that earned in 2009, 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 2010 is derived mainly from equity investments that have increased in value, in line with the recovery in equity markets. In the year ending 31 December 2010, PBRF long-term investments had a positive return of 6.56% (2009: return of 15.8%, following a sharp drop in market values in 2008).

Net foreign exchange gains for the year ending 31 December 2010 of 1 575 K€ (to compare with a gain of 1 024 K€ in 2009) are due mainly to the difference in the valuation of voluntary contribution accounts receivable at 31 December 2010 as compared to the amounts of the receivables recorded at the time of acceptance.

Interest expense, relating to borrowings to fund the staff loan programme, is lower than in the prior year, due mainly to lower interest rates.

Note 22: Segment information - Statement of Financial Performance

Segment information is based on the Organisation's main activities and sources of financing. 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 the 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, foreign exchange variances and other sundry operations.

Owing to the nature of the Organisation's activities, its assets and liabilities are used jointly by all segments and may therefore not be disclosed separately.

The following table combines budgetary and IPSAS financial reporting. IPSAS adjustments are accounting entries that are required for compliance with IPSAS but are not mandated by the Organisation's budgetary reporting rules. The primary purpose of the adjustments is to apply the accrual accounting principle with regard to expenses and revenues, pension benefits and other personnel costs, fixed assets and related depreciation. When possible, accrual adjustments are allocated to revenue 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)	
	2010	2009	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	176 515	166 905	85 511	78 206	13 677	18 670	-	-
Voluntary contributions	-	-	-	-	-	-	94 132	90 091
Pension contributions	-	-	-	-	5 050	4 651	-	-
Sales of publications	-	-	6 113	5 854	10 521	10 434	-	18
Other	2 474	1 924	3 592	3 792	14 373	8 717	1 757	1 995
Total operating revenues	**178 989**	**168 829**	**95 216**	**87 852**	**43 621**	**42 472**	**95 889**	**92 104**
Personnel	145 062	136 413	50 837	47 141	13 568	17 277	51 880	49 859
Pension & post-empl. benefits	3 656	3 900	-	-	5 050	4 651	-	-
Consulting	7 744	5 695	10 601	7 800	661	726	16 251	13 468
Travel	5 346	3 982	4 026	3 529	723	763	12 915	13 765
Operating	41 770	36 310	12 184	12 439	17 572	19 452	5 182	5 521
Other	1 285	631	89	139	(375)	(583)	93	(7)
Total operating expenses	**204 863**	**186 931**	**77 737**	**71 048**	**37 199**	**42 286**	**86 321**	**82 606**
Surplus / (deficit) from operating activities	**(25 874)**	**(18 102)**	**17 479**	**16 804**	**6 422**	**186**	**9 568**	**9 498**
Other financial revenue and expenses, net	514	860	-	-	(44)	(50)	(2)	(2)
PBRF investment income	-	-	-	-	-	-	-	-
Total financial revenue and expense, net	**514**	**860**	**-**	**-**	**(44)**	**(50)**	**(2)**	**(2)**
Surplus / (deficit) from ordinary activities	**(25 360)**	**(17 242)**	**17 479**	**16 804**	**6 378**	**136**	**9 566**	**9 496**
Internal operations	23 034	20 607	(12 541)	(11 214)	(39)	(164)	(9 566)	(9 496)
Net surplus / (deficit) for the period	**(2 326)**	**3 365**	**4 938**	**5 590**	**6 339**	**(28)**	**-**	**-**

	Non-budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (7)		**TOTAL (1 to 7)**	
	2010	2009	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assessed contributions	1 662	-	-	-	-	-	277 365	263 781
Voluntary contributions	-	-	-	-	-	-	94 132	90 091
Pension contributions	-	-	76 663	73 550	-	-	81 713	78 201
Sales of publications	-	-	-	-	-	-	16 634	16 306
Other	1 801	1 348	-	-	-	-	23 997	17 776
Total operating revenues	**3 463**	**1 348**	**76 663**	**73 550**	**-**	**-**	**493 841**	**466 155**
Personnel	377	(1 126)	-	-	(2 376)	(1 683)	259 348	247 881
Pension & post-empl. benefits	-	-	50 810	41 016	100 106	107 939	159 622	157 506
Consulting	19	42	-	-	(225)	(69)	35 051	27 662
Travel	51	-	-	-	-	-	23 061	22 039
Operating	445	1 180	-	-	2 148	648	79 301	75 550
Other	1	2	-	-	10	103	1 103	285
Total operating expenses	**893**	**98**	**50 810**	**41 016**	**99 663**	**106 938**	**557 486**	**530 923**
Surplus / (deficit) from operating activities	**2 570**	**1 250**	**25 853**	**32 534**	**(99 663)**	**(106 938)**	**(63 645)**	**(64 768)**
Other financial revenue and expenses, net	1 844	1 524	142	697	-	-	2 454	3 029
PBRF investment income	-	-	16 966	32 134	-	-	16 966	32 134
Total financial revenue and expense, net	**1 844**	**1 524**	**17 108**	**32 831**	**-**	**-**	**19 420**	**35 163**
Surplus / (deficit) from ordinary activities	**4 414**	**2 774**	**42 961**	**65 365**	**(99 663)**	**(106 938)**	**(44 225)**	**(29 605)**
Internal operations	(573)	567	(315)	(300)	-	-	-	-
Net surplus / (deficit) for the period	**3 841**	**3 341**	**42 646**	**65 065**	**(99 663)**	**(106 938)**	**(44 225)**	**(29 605)**

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 Programme of Work; 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 achieved are the ones expected in terms of policymaking in the 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. These 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 allocation and for Committee planning, budgeting and reporting.

The following schedule shows the amount of the original Budget of income and expenditure for 2010 that was approved by Council in 2009, and the final Budget, which includes commitments carried forward from 2009, appropriations carried forward for certain Part II programmes and, in accordance with new provisions of the Financial Regulations, new, revised and supplementary budgets approved in 2010. This budget does not include financing for the Site Project or voluntary contributions.

	Budget Amount: Original Budget €'000	Budget Amount: Final Budget €'000	Actual €'000	Difference: Final Budget and Actual €'000
Income				
Part I	170 615	195 538	194 886	(652)
Part II	68 136	100 342	100 901	559
Annex budgets	68 952	70 438	70 868	430
Pre-accession	15 476	15 476	15 476	-
Enhanced engagement	198	198	198	-
Total income	**323 377**	**381 992**	**382 329**	**337**
Expenditure				
Part I	170 615	195 538	194 543	995
Part II	68 136	100 342	95 845	4 497
Annex budgets	68 952	70 438	70 780	(342)
Pre-accession	15 476	15 476	9 176	6 300
Enhanced engagement	198	198	193	5
Total expenditure	**323 377**	**381 992**	**370 537**	**11 455**
Net result				
Part I	-	-	343	343
Part II	-	-	5 056	5 056
Annex budgets	-	-	88	88
Pre-accession	-	-	6 300	6 300
Enhanced engagement	-	-	5	5
Total net result	**-**	**-**	**11 792**	**11 792**

Part I income is under-budget, due mainly to lower interest income as a result of lower interest rates, offset in part by fees from non-member economies accepted as observers to various subsidiary bodies.

Part II income is over-budget, due mainly to higher sales of IEA publications.

Income in the Annex Budgets is over-budget, due primarily to higher contributions to the pension fund, which are offset by a similar increase in expenses.

Savings on Part I expenditure stem mainly from the budgets for personnel costs, due to savings on loss-of-employment payouts during the period. With regard to Part II, some programmes are allowed to carry a portion of their budgets forward to subsequent periods to offset future cost overruns.

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 refunded to candidate countries after their accession to the OECD Convention and the closing of the accounts.

The following schedule shows the original and final expenditure budgets as well as planned expenditure on voluntary contributions, actual expenditure against the Budget and voluntary contributions, and the difference between the Budget and planned expenditure for Part I, by Output Group, and by Part II programme.

	Budget Amount		Voluntary Contributions	Total	Expenditure [3]			
	Original Budget	Final Budget	Planned Expenditure	Final Budget and Planned Expenditure	Budget Actual	Voluntary Contributions	Total	Difference: Budget & Planned and Expenditure
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Part I: Output Group								
Economic Surveillance	17 812	18 989	371	19 360	18 992	286	19 278	82
Industrial and Sectoral Policies	2 303	2 543	3 830	6 373	2 531	1 403	3 934	2 439
Science and Technology Policies	6 411	7 377	5 316	12 693	7 382	1 283	8 665	4 028
Human and Social Capital	2 829	3 621	5 706	9 327	3 617	4 134	7 751	1 576
Employment Policies and Social Cohesion	5 234	5 663	3 536	9 199	5 719	2 449	8 168	1 031
Environmental Sustainability	6 674	8 347	7 854	16 201	8 300	3 784	12 084	4 117
Health System Performance	2 119	2 332	2 165	4 497	2 305	1 061	3 366	1 131
International Trade	4 803	5 013	340	5 353	4 992	193	5 185	168
Agriculture	6 567	7 154	1 420	8 574	7 117	880	7 997	577
Taxation	4 825	4 876	3 911	8 787	5 123	3 040	8 163	624
Business Climate	5 895	6 142	14 273	20 415	6 122	9 938	16 060	4 355
Competition and Market Efficiency	5 676	6 190	7 516	13 706	6 119	4 103	10 222	3 484
Effective and Efficient Government	4 506	4 410	18 470	22 880	4 543	15 739	20 282	2 598
Development	5 617	5 609	20 276	25 885	5 612	16 518	22 130	3 755
Global relations	1 612	1 747	75	1 822	1 898	120	2 018	(196)
Corporate Management	8 304	8 194	6 324	14 518	8 250	3 069	11 319	3 199
Statistics	6 379	6 850	772	7 622	6 860	461	7 321	301
Corporate Services	65 320	68 592	-	68 592	68 090	9	68 099	493
Corporate Visibility	7 729	7 985	1 125	9 110	8 382	513	8 895	215
Carry forward for income shortfall	-	725	-	725	-	-	-	725
2009 commitments carried forward	-	13 179	-	13 179	12 589	-	12 589	590
							-	
Total Part I	**170 615**	**195 538**	**103 280**	**298 818**	**194 543**	**68 983**	**263 526**	**35 292**
Part II: Programme								
International Energy Agency [1]	26 612	28 388	-	28 388	28 388	9 560	37 948	(9 560)
Development Centre	5 913	6 207	7 376	13 583	6 071	4 548	10 619	2 964
Sahel & West Africa Club [1]	-	2 523	-	2 523	1 949	318	2 267	256
OECD Nuclear Energy Agency	10 407	10 958	591	11 549	10 958	1 597	12 555	(1 006)
Nuclear Energy Agency Data Bank	2 954	3 486	171	3 657	3 469	57	3 526	131
Centre for Educational Research and Innovation	3 530	3 757	2 134	5 891	3 687	573	4 260	1 631
Joint OECD/ITF Transport Research Centre	-	1 276	1 200	2 476	1 268	1 450	2 718	(242)
International Transport Forum [1]	-	5 315	-	5 315	5 315	-	5 315	-
Special Programme on the Control of Chemicals	1 822	1 862	441	2 303	1 861	1 088	2 949	(646)
Steel	678	845	245	1 090	845	-	845	245
Biological Resource Management for Sustainable Agricultural Systems [1]	770	943	-	943	916	-	916	27
Co-operative Action on Local Economic & Employment Development	1 360	1 392	3 027	4 419	1 388	2 723	4 111	308
Programme for International Assessment of Adult Competencies [1]	-	4 351	-	4 351	3 869	485	4 354	(3)
Financial Action Task Force [1]	-	3 176	-	3 176	3 046	188	3 234	(58)
OECD Global Science Forum	556	559	126	685	559	276	835	(150)
Agricultural Codes and Schemes for International Trade [1]	1 052	1 197	-	1 197	1 189	6	1 195	2
Network on Fiscal Relations [1]	338	338	-	338	338	157	495	(157)
Shipbuilding	380	422	490	912	422	43	465	447
Global Forum on Transparency and Exchangeof Info. for Tax Purposes	-	2 930	154	3 084	2 575	2	2 577	507
Inter-Organisations Section [1]	2 408	2 522	-	2 522	2 158	64	2 222	300
Joint Pensions Administrative Section [1]	3 182	3 213	-	3 213	2 956	16	2 972	241
German Linguistic Section	1 675	1 679	-	1 679	1 429	-	1 429	250
Italian Linguistic Section	475	701	-	701	363	-	363	338
Reimbursable Posts	1 692	1 692	-	1 692	1 491	-	1 491	201
Programme for International Student Assessment	-	8 181	3 235	11 416	7 152	1 114	8 266	3 150
Programme on Institutional Management in Higher Education	1 026	1 117	3 768	4 885	1 038	2 166	3 204	1 681
Centre for Effective Learning Environments	546	552	50	602	400	19	419	183
Omesys (medical claims administration)	760	760	-	760	745	-	745	15
Total Part II	**68 136**	**100 342**	**23 008**	**123 350**	**95 845**	**26 450**	**122 295**	**1 055**
Adjustments [2]						456	456	(456)
Total Part I & Part II	**238 751**	**295 880**	**126 288**	**422 168**	**290 388**	**95 889**	**386 277**	**35 891**

Notes:

1 These Part II programmes did not include 'Planned Expenditure' financed by Voluntary Contributions in their 2010 Programme of Work and Budget.

2 Accounting adjustments.

3 Note 22

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 prepared on a cash/commitment basis by Output Group, Part II programme and Annex Budgets. The following note provides a 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 with the results after IPSAS adjustments, differences between budget and accrual accounting need to be taken into account. These differences can be attributable to timing, or they can constitute 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 include only 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 cover 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 long-term cost 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 cover is estimated by an actuary in accordance with a methodology set out in accounting standard IPSAS 25. The pension and post-employment health cover 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	Transfer to reserves and carry forward to 2010	**Results for the year**	IPSAS adjustments	Nature of reconciling adjustments	**Net results for the year**
	(1)	(2)	**(3) = (1) + (2)**	(4)		**(3) + (4)**
	€'000	€'000	€'000	€'000		€'000
Part I	343	-	**343**	(2 669)	a, d	**(2 326)**
Part II	5 056	-	**5 056**	(118)	a, d	**4 938**
Annex budgets	88	-	**88**	(54)	a, d	**34**
Pre Accession	6 300	-	**6 300**	-		**6 300**
Enhanced Engagement	5	-	**5**	-		**5**
Subtotal - Budget operations	**11 792**	**-**	**11 792**	**(2 841)**		**8 951**
Non-budgetary operations	-	3 841	**3 841**	-		**3 841**
Pension Budget and Reserve Fund	-	42 646	**42 646**	-		**42 646**
Subtotal - Other operations	**-**	**46 487**	**46 487**	**-**		**46 487**
Other IPSAS adjustments						
Change in employee defined benefit liabilities	-	-	**-**	(97 730)	c	**(97 730)**
Adjustments for assets capitalised and depreciated	-	-	**-**	(1 933)	b	**(1 933)**
Change in provision for asbestos removal	-	-	**-**	-	a	**-**
Subtotal - Accounting adjustments	**-**	**-**	**-**	**(99 663)**		**(99 663)**
Net result for the period	**11 792**	**46 487**	**58 279**	**(102 504)**		**(44 225)**

Note 25: Proposed allocation of the results for the period

The results for 2010 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 2011	Budgetary results to be allocated
	€'000	€'000	€'000	€'000
Part I	343	-	-	343
Part II	5 056	-	-	5 056
Annex budgets	88	-	-	88
Pre Accession	6 300	-	-	6 300
Enhanced Engagement	5	-	-	5
Non-budgetary funds	3 841	-	3 841	-
Pension Budget and Reserve Fund	42 646	-	42 646	-
Subtotal	**58 279**	**-**	**46 487**	**11 792**
IPSAS adjustments				
Included in Part I	(2 669)	(2 669)	-	-
Included in Part II	(118)	(118)	-	-
Included in Annex budgets	(54)	(54)	-	-
Other IPSAS adjustments	(99 663)	(99 663)	-	-
Subtotal IPSAS adjustments	**(102 504)**	**(102 504)**	**-**	**-**
Net result for the period	**(44 225)**	**(102 504)**	**46 487**	**11 792**

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 set up an early retirement scheme for a closed group of employees that had been exposed to an asbestos risk. The scheme allows these employees to request early retirement if they are over 50 and under 60 years of age, provided they meet certain conditions as to their job duties and medical condition. At 31 December 2010, only one employee was receiving early retirement payments under the scheme. In the unlikely event that all remaining eligible employees applied for benefits under the scheme, the maximum amount payable by the Organisation 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 five 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 under 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 equalisation 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. Management considers that the equalisation account available to the Insurer totalled 20 M€ at year-end 2010 (the estimated figure at year-end 2009 had been 16.5 M€). A new contract for the period from 1 January 2011 to 31 December 2015 has been signed with the Insurer, in which the projected transfer of the equalisation provision was reduced by 7 M€, which was transferred to the OECD in January 2011. This amount will be recognised as revenue in the 2011 accounts and allocated to a reserve.

B. Capital commitments

a) Site Project

The Site Project consists of the renovation of the La Muette site in Paris, where the Organisation has been headquartered since its creation. The overall operation, in addition to large-scale asbestos removal, comprises large redevelopment, demolition and construction works. The Organisation has, at the same time, reconfigured 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 during the work.

At 31 December 2010, the budget situation of the Site Project is as follows:

	Authorised budget	Cumulated expenses (actual and contracted) at 31 December 2010			Available budget at 31 December 2010
		Committed or contracted	Spent	Total	
	€ million	€ million	€ million	€ million	€ million
Relocation costs	143.9	-	131.4	131.4	12.5
Construction and renovation costs	148.4	1.0	157.0	158.0	(9.6)
Other costs	6.2	-	6.3	6.3	(0.1)
Total capital commitments	**298.5**	**1.0**	**294.7**	**295.7**	**2.8**

b) Operating lease commitments

Future minimum lease payments for the following periods are:

	31 December 2010	31 December 2009
	€' million	€' million
Within one year	12	13
In the second to fifth years inclusive	56	53
After five years	26	38
Total operating lease commitments	**94**	**104**

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.

Two leases expired in 2010 and were not renewed. Another lease was renewed for a period of nine years running until 31 January 2019.

c) Bank guarantees

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 Scheme was adopted by a Council Resolution of 16 November 1976 [C/M(76)20/FINAL]. This Resolution constitutes a decision that is 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 for 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 pensions. Article 40 of the defined-benefit Pension Scheme 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 2010 of 1 750 M€ (2009: 1 595 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 Fund's assets at 31 December 2010 was 293.9 M€ (2009: 251.2 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 Secretaries-General 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. Council members receive no remuneration from the OECD for their roles.

Key management personnel and their aggregate remuneration were as follows:

	31 December 2010		31 December 2009	
	Number of individuals	Aggregate remuneration €'000	Number of individuals	Aggregate remuneration €'000
The Secretary-General, Deputies and other senior managers	7	2 174	7	1 890
Senior officers	31	6 935	29	5 992
Total key management personnel		**9 109**		**7 882**

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

Note 28: Related-party transactions

There were no material transactions with related parties during the years 2010 and 2009.

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