Unclassified **EXD/BC(2006)1**

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

24-Mar-2006

English - Or. English

EXECUTIVE DIRECTORATE
BUDGET COMMITTEE

EXD/BC(2006)1
Unclassified

FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT AS OF 31 DECEMBER 2005

English - Or. English

JT03206396

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD OCDE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

SECRETARIAT GENERAL
GENERAL SECRETARIAT

Secretary-General

15th March 2006

REPORT OF MANAGEMENT

Management of the Organisation for Economic Co-operation and Development is responsible for these financial statements, which have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the Organisation's Financial Rules and Regulations, and is responsible for establishing and maintaining adequate internal control over financial reporting.

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

Matters of internal control and financial reporting are overseen by the Review Committee currently composed of seven members designated by Council. The Committee meets regularly and, among other things, reviews reports by management, the Auditor General and the Board of Auditors.

In management's opinion, these financial statements present fairly the Organisation's financial position, results of operations and cash flows. The statements have been audited by the Board of Auditors, appointed by Council, and by external experts Deloitte & Associés. Their reports follow.

Donald J. Johnston
Secretary-General

Normand Saucier
Head of the Finance Service

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OPINION OF THE BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE ORGANISATION FOR ECONOMIC DEVELOPMENT AND CO-OPERATION (OECD) FOR THE YEAR ENDED DECEMBER 31, 2005

To the Council of the Organisation for Economic Development and Co-operation:

Under Article 31 of the Financial Regulations, the Board of Auditors is required to audit the accounts and the soundness of the financial administration of the Organisation. In this connection, the Board has examined the OECD's financial statements for 2005.

The Board performed its audit consistent with the International Standards on Auditing (ISAs) established by the International Federation of Accountants (IFAC), incorporating the perspective of the public sector, as set forth in annexes to each of the relevant standards.

Based on the procedures we performed including review of the work carried out by the Secretariat's contractual auditor "Deloitte et Associés", the Board concludes that it has reasonable assurance that the financial statements give a true and fair view of the Organisation's financial position at 31 December 2005 and of its financial performance and its cash flows for the year then ended in accordance with international public sector accounting standards (IPSASs) or, where no such standards have yet been formulated, International Financial Reporting/Accounting Standards (IFRSs/IASs).

This opinion, accompanied by the comments on the financial statements, constitutes the first report of the Board of Auditors as stipulated in Article 33 of the Financial Regulations.

Signed, after deliberation in Paris at the headquarters of the Organisation,

17 March 2006

Patrick Mordacq	Leslie G. Aronovitz	Gabor Foldvari	John Rossetti

REPORT OF THE INDEPENDENT ACCOUNTANT

Deloitte.

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92524 Neuilly-sur-Seine Cedex
France
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Independant Auditor's Report

OECD
2, rue André Pascal
75775 Paris Cedex 16

March 15, 2006

To the Secretary General of the Organisation for Economic Co-operation and Development

We have audited the accompanying statement of financial position of the Organisation for Economic Co-operation and Development ("OECD") as of December 31, 2005 and the related statements of financial performance and cash flows for the year then ended. These financial statements set out on pages 1 to 33 are the responsibility of the OECD's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the OECD as of 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Public Sector Accounting Standards.

Deloitte & Associés
Gilles Pedini
Partner

OECD
Statements of Financial Position as at

(thousands of euros)	Notes	December 31, 2005	December 31, 2004
ASSETS			
Current assets			
Cash and cash equivalents , unrestricted	3	78,235	34,438
Cash and cash equivalents , restricted	3	55,400	28,363
Inventories	4	693	834
Accounts receivable and prepayments	5	74,453	101,658
Investments	6	10,133	9,504
Total current assets		**218,914**	**174,797**
Non-current assets			
Other financial assets	7	182,685	146,595
Non-current receivables	8	10,175	8,002
Fixed assets	9	289,033	253,367
Total non current assets		**481,893**	**407,964**
TOTAL ASSETS		**700,807**	**582,761**
LIABILITIES			
Current liabilities			
Borrowings	10	10,000	10,000
Accounts payable and deferred income	11	236,644	177,497
Provisions for liabilities and charges	12	10,336	9,426
Employee benefits	13	62,184	59,175
Total current liabilities		**319,164**	**256,098**
Non-Current liabilities			
Employee benefits	13	1,072,848	990,004
Total non-current liabilities		**1,072,848**	**990,004**
TOTAL LIABILITIES		**1,392,012**	**1,246,102**
NET ASSETS		**(691,205)**	**(663,341)**
Member countries' contributed interest	14	(763,395)	(709,591)
Pension Budget and Reserve Fund reserve	14	101,328	69,182
Other reserves	14	32,455	23,917
Net deficit for the period	15 & 16	(61,593)	(46,849)
TOTAL NET ASSETS		**(691,205)**	**(663,341)**

OECD
Statements of Financial Performance for the year ending

(thousands of euros)	Notes	December 31, 2005	December 31, 2004
OPERATING REVENUES			
Assessed contributions		239,145	243,308
Voluntary contributions		54,816	44,743
Pension contributions		61,854	62,201
Sales of publications		12,712	12,421
Other		10,205	8,060
Total operating revenues		**378,732**	**370,733**
OPERATING EXPENSES			
Personnel		186,853	186,045
Pensions		150,526	112,717
Consulting		19,170	16,998
Travel		18,001	15,962
Operating		79,865	92,902
Other		3,323	2,461
Total operating expenses	17	**457,738**	**427,085**
Deficit from operating activities		**(79,006)**	**(56,352)**
Financial revenue and expense, net	18	17,413	9,503
Deficit from ordinary activities		**(61,593)**	**(46,849)**
NET DEFICIT FOR THE PERIOD	15 & 16	**(61,593)**	**(46,849)**

OECD
Statements of Cash Flow for the year ending

(thousands of euros)	December 31, 2005	December 31, 2004
Cash flow from operating activities		
Deficit from ordinary activities	(61,593)	(46,849)
Depreciation, net	29,331	33,043
Revaluation of land	(4,201)	7,250
Increase / (decrease) in provisions for liabilities and charges	910	(1,318)
Increase in employee benefits	85,665	52,776
(Increase) / decrease in receivables	25,031	(29,320)
Decrease in inventories	141	173
Increase in investments	(629)	(1,152)
Increase in payables	59,147	32,002
Net cash flow from operating activities	**133,802**	**46,605**
Cash flow from investing activities		
Increase in fixed assets	(13,993)	(12,052)
(Increase) / decrease in financial assets - Staff Provident Fund	(188)	804
Increase in financial assets - other	(47)	(720)
Increase in financial assets - Pension Budget and Reserve Fund	(35,854)	(20,940)
Net cash flow from investing activities	**(50,082)**	**(32,908)**
Cash flow from financing activities		
Increase / (decrease) in liabilities, Staff Provident Fund	188	(804)
Increase in borrowings	-	1,000
Credits to Member countries and others	(13,074)	(12,995)
Net cash flow from financing activities	**(12,886)**	**(12,799)**
Net Increase in cash and cash equivalents	**70,834**	**898**
Cash and cash equivalents at beginning of period	62,801	61,903
Cash and cash equivalents at end of period	**133,635**	**62,801**

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

OECD
Statements of Changes in Net Assets / Equity

(thousands of euros)	Member countries' contributed interest	Accumulated surplus / (deficit)	Reserves	Pension Budget and Reserve Fund	Net surplus / (deficit) for the period	Total
Balance at December 31, 2002	**(640,770)**	**(53,922)**	**33,296**	**26,207**	**(18,374)**	**(653,563)**
Reclassifications	-	4,112	(4,112)	-	-	-
Surplus / (deficit) added to Member countries' net interest	-	(18,374)	-	-	18,374	-
Surplus / (deficit) added to accumulated surplus	-	330	(330)	-	-	-
Surplus / (deficit) added to reserves	-	2,467	(2,467)	-	-	-
Amounts credited to Member countries	-	(8,966)	1,700	-	-	(7,266)
Accumulated surplus / (deficit) added to Pension Budget and Reserve Fund	-	(14,066)	-	14,066	-	-
Reserves transferred to Budget	-	-	(1,830)	-	-	(1,830)
Net deficit for the period	-	-	-	-	(3,832)	(3,832)
Subtotal	-	*(34,497)*	*(7,039)*	*14,066*	*14,542*	*(12,928)*
Balance at December 31, 2003	**(640,770)**	**(88,419)**	**26,257**	**40,273**	**(3,832)**	**(666,491)**
Surplus / (deficit) added to Member countries' net interest	-	(3,832)	-	-	3,832	-
Surplus / (deficit) added to reserves	-	(30)	30	-	-	-
Amounts credited to Member countries and other	62,995	(10,626)	200	-	-	52,569
Accumulated surplus / (deficit) added to Pension Budget and Reserve Fund	-	(28,909)		28,909	-	-
Reserves transferred to Budget	-	-	(2,570)	-	-	(2,570)
Net deficit for the period	-	-	-	-	(46,849)	(46,849)
Subtotal	*62,995*	*(43,397)*	*(2,340)*	*28,909*	*(43,017)*	*3,150*
Balance at December 31, 2004	**(577,775)**	**(131,816)**	**23,917**	**69,182**	**(46,849)**	**(663,341)**
Surplus / (deficit) added to Member countries' net interest	(52,929)	(3,920)	10,000	-	46,849	-
Surplus / (deficit) added to reserves	-	(557)	557	-	-	-
Amounts credited to Member countries and other	39,725	(5,508)	-	-	-	34,217
Accumulated surplus / (deficit) added to Pension Budget and Reserve Fund	-	(30,615)	-	30,615	-	-
Reserves transferred to Budget	-	-	(2,019)	1,531	-	(488)
Net deficit for the period					(61,593)	(61,593)
Subtotal	(13,204)	(40,600)	8,538	32,146	(14,744)	(27,864)
Balance at December 31, 2005	**(590,979)**	**(172,416)**	**32,455**	**101,328**	**(61,593)**	**(691,205)**

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of euros, unless otherwise stated)

Note 1: Objectives and Budget of the Organisation

The "Organisation for Economic Co-operation and Development" (the "Organisation) was founded in 1961, replacing the Organisation for European Economic Co-operation, which had been established in 1948 in conjunction with the Marshall Plan. The Organisation groups 30 Member countries in an organisation that, most importantly, provides governments with a setting in which to discuss and develop economic and social policy, in line with the mission and role set forth in the Organisation's Convention:

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

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

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

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

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

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

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

The Budget is the act whereby Council accords the necessary commitment authorisation and makes the necessary appropriations for the functioning of the Organisation and the carrying out of its activities. It determines the amount of contributions to be paid by Members after taking into account other resources of the Organisation. All the Organisation Member countries fund the Budget for Part I programmes, accounting for about 80% of the consolidated Budget. Their contributions are based on a scale of contributions proportional to the relative size of their economies, with a cap of 24.975%. Part II Budgets include programmes of interest to a limited number of Members or relating to special sectors of activity not covered by Part I. Part II programmes are funded according to a scale of contributions or other agreements among the participating countries.

Over 40 non-Member countries and several international organisations also participate to various degrees in the Organisation's programme of work. Non Member country involvement in the Organisation includes participation in Part I committees, full participation in Part II programmes and as observers in various Organisation subsidiary bodies.

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.

Note 2: Significant accounting policies

Basis of preparation

These financial statements have been prepared on a going-concern basis.

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

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

The financial statements in this report were authorised for issue on 10 March 2006 by the Secretary-General of the Organisation

Foreign currency transactions

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

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transactions. 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.

Intangible fixed assets

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

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

Fixed assets

Property, plant and equipment

Land and buildings are shown at fair value based on valuations prepared by independent experts at each reporting date. All other property, plant and equipment are stated at historical 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, over their estimated useful lives using the straight-line method on the following basis:

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

Impairment

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. As the Organisation is a non-profit activity, 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. Finished publications are valued at raw material, printing and distribution costs. Due to the rapid obsolescence of the content of publications a provision for depreciation is made for all of those issued prior to 2002, as well as more recent issues with inventory on hand in excess of one year’s sales volume. A provision for depreciation is made for supplies held in inventory for more than one year and in excess of one year’s consumption.

Receivables

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

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

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

Investments and other financial assets

Investments and other financial assets reflected in the Statement of Financial Position consist mainly of investments held on behalf of the participants of the Staff Provident Fund, and of contributions by Member countries to the Pension Budget and Reserve Fund. These financial assets consist of shares in investment funds and in marketable bonds. The funds are invested in bonds, equity and derivative financial instruments based on risk and performance objectives.

The assets of the Pension Budget and Reserve Fund are considered at fair value through the Statement of Financial Performance, whereas those of the Staff Provident Fund are not reported through the Statement of Financial Position since they accrue to the participants. Both Funds are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position reporting date.

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

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

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

The investment portfolio is recorded at fair market value. Therefore, at the end of each year a valuation is made of the investments held by the Fund. The value is made by reference to official prices quoted on the day of valuation, excluding accrued interest from the date of the last interest payment in the case of bonds and fixed interest securities. The difference between the fair market value and the book cost is recorded as unrealised portfolio gain or loss.

Financial risks

The Organisation has developed risk management policies in accordance with its Financial Rules and Regulations. The Organisation is exposed to a variety of financial risks, including market risk (foreign currency exchange and price), liquidity and credit risks. Risk management focuses on the unpredictability of the financial environment and seeks to minimise potential adverse effects on the Organisation's financial performance. The Organisation does not use significant derivative financial instruments to hedge risk exposures.

Risk management is carried out as follows:

a) Foreign currency exchange risk

The Organisation receives voluntary contributions in currencies other than the euro and is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. The exchange risk is partly limited by a charge to these contributions of a fixed percentage of the future expenditures (5% for 2005).

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

b) Price risk

The Organisation is exposed to equity securities price risk related to investments.

c) Liquidity risk

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

d) Credit risk

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

Provisions

Provisions are recognised when the Organisation has a legal or constructive obligation as a result of a past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.

Employee benefits

The Organisation operates a number of defined benefit schemes, including a pension plan, post employment health coverage, and long service benefits and a defined contribution pension plan.

Until such time as IPSAS include a specific standard in respect of employee benefits, IAS 19 is recognised as applicable to public organisations in accounting for their employee benefit obligations.

The Joint Pension Administration Service (JPAS), acting as the Organisation's independent actuary performs valuations of the defined benefit obligations and the related expense is recognised annually. The latest actuarial valuations were carried out as at 31 December 2005, using the Projected Unit Credit Method. The pension and other post-retirement benefits expense recognised in the Statement of Financial Performance include the amortisation, over the estimated average remaining service lives of the Organisations staff, of actuarial gains and losses in excess of a corridor. The corridor is the highest of 10% of either the defined benefit obligation or the value of assets at the beginning of the financial year. The Organisations pension benefit obligations are partially funded by separately held assets. During the period the Organisation renamed the Pension Reserve Fund the Pension Budget and Reserve Fund. The assets for this fund and the assets of the Staff Provident Fund are held separately from all the other assets of the Organisation. The Funds' assets may be used only to pay Pension Scheme benefits and the Funds' expenses.

Revenue recognition

Assessed and voluntary contributions are recorded when Council approves these resources.

Revenues from voluntary contributions are recorded as revenue on the date that the contribution was approved by the Organisation. Revenue that relates to future financial years is deferred accordingly.

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

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

Use of estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Significant estimates include, but are not limited to, fair value of land and buildings, defined benefit pensions and other post employment benefits, amounts for litigations, valuation of publications sales returns, financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Note 3: Cash and cash equivalents

	December 31, 2005	December 31, 2004
Cash on hand	7	8
Deposits with banks unrestricted - euros	75,483	31,134
Deposits with banks unrestricted - other currencies	2,745	3,296
Sub total, unrestricted cash	**78,235**	**34,438**
Deposits with banks restricted - euros	2,317	2,183
Deposits with banks and cash equivalent PBRF - euros	2,839	3,646
Deposits with banks restricted Site Project - euros	50,244	22,534
Sub total, restricted cash	**55,400**	**28,363**
Total cash and cash equivalents	**133,635**	**62,801**

Cash deposits are generally held in instant access interest-bearing bank accounts. Interest-bearing bank accounts denominated in euros yielded interest at an average rate of 2.09% (2004: 2.04%). Cash deposits denominated in foreign currencies are retranslated to euros at the closing date exchange rates.

Unrestricted cash represents funds from Part I, Part II and grants available to pay current liabilities.

Restricted cash deposits are designated for specific uses:

- The Funds received from Member countries for the Site Project (see Notes 9 and 19) together with funds that relate to the Suchet and Chardon Lagache reserves (see Note 14) are specifically earmarked for the Site project;

- The cash deposits of the Pension Budget and Reserve Fund (PBRF) (see Note 7) are restricted to the payment of certain pension benefits as defined by the Fund Statutes.

The Organisation has no confirmed credit lines but does maintain limited and informal overdraft arrangements with its relationship banks. These arrangements may be withdrawn by the banks at any time. During 2005 the Organisation used overdraft facilities, to a maximum of 15.3 M€, in April and May 2005

Note 4: Inventories

	December 31, 2005	December 31, 2004
Finished publications	2,144	1,851
Supplies	270	332
Diplomatic reserve	20	104
Gross inventories	**2,434**	**2,287**
Provision for depreciation of inventories	(1,741)	(1,453)
Net inventories	**693**	**834**

Supplies include printing papers for publications stocked at the Organisation and on consignment at a supplier's warehouse.

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

Note 5: Accounts receivable and prepayments

	December 31, 2005	December 31, 2004
Assessed contributions - Member countries	28,128	60,104
Assessed contributions - Non member countries participating in Part II programmes	598	1,348
Provision for uncollected assessed contributions - Non member countries participating in Part II programmes	(458)	(543)
Voluntary contributions	32,238	30,741
Provision for uncollected voluntary contributions	(2,310)	(2,187)
Reimbursable taxes	5,668	3,986
Other non budgetary receivables	11,483	8,786
Provision for uncollected other non budgetary receivables	(994)	(1,008)
Publications	238	650
Provision for uncollected publications	(138)	(219)
Total accounts receivable and prepayments	**74,453**	**101,658**

Assessed and voluntary contribution receivables represent uncollected revenues committed to the Organisation by Member and non-member countries and donors for completion of the Programme of Work.

Assessed contributions from Member countries also include an amount of 2.085 M€ (2004: 2.074 M€) representing the short term portion of a receivable from Member countries in respect of past restructuring costs. Improvements in the timeliness of payments of assessed contributions from Member countries explain the decrease of receivables from 2004 to 2005.

Other non budgetary receivables are mainly in respect of advance payments made to suppliers, principally related to the Site project, 7.278 M€ (2004: 6.414 M€) and from Member countries related to refunds for various services rendered, including office rental and staff costs.

The non-current part of voluntary contributions covering several years is shown in non-current receivables (see Note 8).

Note 6: Investments – current

	December 31, 2005	December 31, 2004
Deposit with an insurance company	**10,133**	**9,504**

The deposit with an insurance company corresponds to the funding of the medical plan reserve (see Note 14). It is restricted to cover the cost of the claims administration and the risk of variation in costs associated with the health insurance contract for the Organisations' staff and retirees. Under the terms of the contract, the insurance company manages the deposit in an investment account. The investment is denominated in euros and stated at nominal value plus accumulated interest. The increase in the deposit results from a surplus in medical contributions transferred to the investment in excess of the claim administration cost and interest earned on the fund at an estimated rate of 4.5% (2004: 4.3%).

A new contract to provide healthcare benefits for employees and retirees has been signed with an insurance company effective from 1 January 2006. The deposit has been assigned to the new contract.

Note 7: Other financial assets

	December 31, 2005	December 31, 2004
Loans to staff	9,900	10,041
Deposits on office leases	1,342	1,153
Staff Provident Fund	46,536	46,348
Pension Budget and Reserve Fund	124,907	89,053
Total other financial assets	**182,685**	**146,595**

a) Loans to staff are financed by a short-term bank borrowing of 10 M€ at 31 December 2005 (2004: 10 M€). The interest rate charged to staff loans is adjusted semi-annually, on the basis of the rate charged by the bank, plus 0.5% to cover loan administration expenses. Loans to staff are managed as a self-financed operation in a separate fund. Collections are assured through payroll withholding and staff separation payments.

b) 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.

c) The Staff Provident Fund is a defined contribution retirement plan. In accordance with the Fund's rules, it constitutes a segregated entity managed by the Secretary-General on behalf of affiliated employees and retirees. The Fund collects contributions from the affiliated employees of 7% and from the Organisation of 14% of salaries, manages its assets and pays entitlements to its participants. The assets and liabilities of the Fund are reported globally in the Statement of Financial Position, whereas revenues and charges are not reported in the Statement of Financial Performance since they accrue to the participants. The Fund was closed to new entrants in 1974 when participants were given the choice of remaining in the Fund or using their accumulated account balances to buy rights to prior years of service on an actuarial basis in the newly created defined benefit pension plan. The Staff Provident Fund participants include 75 serving staff (2004: 92) and 293 retired staff (2004: 305).

The assets of the Staff Provident Fund consist of:

	December 31, 2004	Additions	Disposals / adjustments	Adjustment to fair value at reporting date	December 31, 2005
Gross investment					
Fixed income investment funds	10,916	-	(4,411)	356	6,861
Equity investment funds	4,108	1,116	(740)	940	5,424
Monetary funds	19,395	6,600	(6,282)	290	20,003
Alternative funds	11,208	1,077	(12,285)	-	-
Cash in portfolio	626	13,535	-	-	14,161
Total gross investment	**46,253**	**22,328**	**(23,718)**	**1,586**	**46,449**
Other Assets	95	87	(95)	-	87
Total Staff Provident Fund	**46,348**	**22,415**	**(23,813)**	**1,586**	**46,536**

These investments are managed by the representatives of the Secretary-General in consultation with the Advisory and Investment committees of the Fund.

d) In 2000, the Organisation created the Pension 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". As such, the Pension Reserve Fund represents a means to supplement annual contributions from Member countries, rather than a representation of a true capitalisation of the pension liability. In 2005 Council carried out a thorough review of the Fund and agreed to: change the name of the Pension Reserve Fund to Pension Budget and Reserve Fund (PBRF); segregate the funding for pensions from other flows of funds including through the use of special(s) account(s) with custodian(s) bank(s) to receive payments from Member countries and staff and to continue long-term financing structure in order to progressively increase the percentage of pension liabilities which are funded.

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

	December 31, 2004	Additions	Disposals / adjustments	Adjustment to fair value at reporting date	December 31, 2005
Gross investment					
Fixed income investment funds	31,425	51,118	(35,133)	-	47,410
Equity investment funds	48,024	76,253	(53,161)	-	71,116
Total gross investment	**79,449**	**127,371**	**(88,294)**	**-**	**118,526**
Adjustment to fair value					
Fixed income investment funds	1,495	-	(1,495)	273	273
Equity investment funds	8,109	-	(8,109)	6,108	6,108
Total adjustement to fair value	**9,604**	**-**	**(9,604)**	**6,381**	**6,381**
Net value	**89,053**	**127,371**	**(97,898)**	**6,381**	**124,907**

The Pension Budget and Reserve Fund is restricted to pay the pension benefits of staff and is managed according to its statutes. The investment objectives for the Fund recognise the long-term nature and the type of liabilities under the Pension Plan. The Fund invests about 60% of its long-term assets in equity funds with the remaining 40% in fixed income funds. This long-term strategic position is designed to maximise total return subject to controls over credit and liquidity risk and reduce volatility. Unrealised gains and losses on Investments are recognised in the Statement of Financial Performance. The revenue and expenses of the Fund are presented in Note 15: Segment information – Statement of Financial Performance.

e) The Staff Provident Fund and the Pension Budget and Reserve Fund are exposed to the financial risks of changes in foreign currency exchange rates, in interest rates and in market price related to investments. Securities held by the two funds are denominated mainly in euros to minimise foreign currency exchange risk. To cover the specific short-term liability for current year pension benefit payments, a portion of the fund's assets is held in money market funds. Assets at the reporting date are valued on a mark to market basis.

Note 8: Non current receivables

	December 31, 2005	December 31, 2004
Voluntary contributions	10,175	5,917
Other receivables from Member countries	-	2,085
Total non-current receivables	**10,175**	**8,002**

Non current voluntary contributions are due after more than one year in accordance with the terms of the offer and the advancement of the related project.

Other receivables from Member countries represented the reimbursement of restructuring costs (Special Departure and Renewal Programme) incurred by the Organisation in 1997 and 1998. Council decided on a multiyear reimbursement plan from 2002 through 2006. The amount due for 2006 is included in current accounts receivable and prepayments (Note 5).

Note 9: Fixed assets

Changes in fixed assets and related depreciation for the year were as follows:

	December 31, 2004	Acquisitions / Depreciation	Disposals	Transfer	Revaluation	December 31, 2005
Gross Fixed assets						
Intangible assets	3,872	336	(33)	-	-	4,175
Land	66,619	-	-	-	4,201	70,820
Buildings	163,089	-	-	-	17,467	180,556
Other assets	17,943	3,058	(302)	108	-	20,807
Fixed assets in progress	7,594	28,012	-	(108)	-	35,498
Total gross fixed assets	**259,117**	**31,406**	**(335)**	-	**21,668**	**311,856**
Depreciation						
Intangible assets	(2,633)	(731)	33	-	-	(3,331)
Buildings	(3,986)	(24,988)	-	-	22,258	(6,716)
Other assets	(9,131)	(3,946)	301	-	-	(12,776)
Total gross depreciation	**(15,750)**	**(29,665)**	**334**	**-**	**22,258**	**(22,823)**
Net Fixed assets						
Intangible assets	1,239	(395)	-	-	-	844
Land	66,619	-	-	-	4,201	70,820
Buildings	159,103	(24,988)	-	-	39,725	173,840
Other assets	8,812	(888)	(1)	108	-	8,031
Fixed assets in progress	7,594	28,012	-	(108)	-	35,498
Total net fixed assets	**243,367**	**1,741**	**(1)**	-	**43,926**	**289,033**
Building held for sale	10,000	-	(10,000)	-	-	-
Total fixed assets	**253,367**	**1,741**	**(10,001)**	**-**	**43,926**	**289,033**

a) Intangible assets consist of purchased software.

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

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

- Renovation and upgrading to modern norms of the Chateau;
- Asbestos removal and renovation of the New building and Pascal wing, without modification of the structure;
- Construction of a new Conference centre.

During the construction and renovation period some of the staff have been temporarily relocated to rented premises, the majority of them to Tour Europe in La Defense.

The total cost of the Project is reported in Note 19-B Capital commitments. Renovation/construction costs are accumulated under “Fixed assets in progress” for each building until the renovation/construction is completed and duly accepted by the Organisation.

The Project is financed by contributions from Member countries called up on a quarterly basis.

The whole Project is due for completion by the end of 2008. The Chateau will be operational again in the first quarter 2006.

In addition, the Franqueville Building, also on the La Muette site but not included in the Site Project, has been given limited refurbishment during 2005, notably to bring it up to modern standards for fire safety and access for handicapped persons. This work has been funded from the Suchet Reserve and from the normal operating budget of the Organisation.

The cost of the works contracted and completed at the reporting date for the renovation of the La Muette Site are shown as work in progress as detailed below:

	December 31, 2005	December 31, 2004
Conference Centre	13,355	3,291
Château	15,860	1,862
New building	3,484	2,333
Total Site	32,699	7,486
Franqueville building	2,546	-
Other assets	253	108
Total fixed assets in progress	**35,498**	**7,594**

When a building is considered out of service for renovation purposes, the net cost of the components to be renovated are written off at that date. The related loss is accounted for in the Statement of Financial Performance. The acceleration of depreciation of components to be renovated is the reason for the high depreciation charge in the Statement of Financial Performance, for 22.2 M€.(2004: 24.5 M€)

c) Revaluation

In accordance with the alternative provisions of IPSAS 17 (fair value method), land and buildings at the end of 2005 have been revalued on the basis of their fair market value at that date.

For this purpose, the accumulated depreciation at that date has been deducted from the gross carrying amount of the buildings and the net resulting amount has been restated to the fair value, less the cost of the contracted works for the Château. The result is that the accumulated depreciation is zero at 31 December 2005 (2004: zero) and the gross value of the fixed assets are shown at the revaluation amount The resulting revaluation increase in the value of land of 4.2 M€ has been accounted for in the Statement of Financial Position, whereas the net revaluation increase of 39.7 M€ on buildings has been posted to the revaluation surplus from prior years (see Note 14).

The cumulative effect of these operations is as follows:

	Revaluation variances	
	Recognised in the Statement of Financial Performance M€	Recognised in the Statement of Financial Position M€
2004		
Revaluation deficit on land	(7.2)	-
Revaluation surplus on buildings	-	63.0
2005		
Revaluation surplus on land	4.2	-
Revaluation surplus on buildings	-	39.7
Net accumulated revaluation variances at December 31, 2005	**(3.0)**	**102.7**

d) The building held for sale at 31 December 2004 was sold for 10.4 M€ in January 2005. The net proceeds of this sale have been posted to reserves (See Note 14).

Note 10: Borrowings

	December 31, 2005	December 31, 2004
Borrowing related to Staff loan programme (see Note 7)	**10,000**	**10,000**

Note 11: Accounts payable and deferred income

	December 31, 2005	December 31, 2004
Suppliers and accrued charges	26,121	20,482
Payables to staff and welfare institutions	19,450	17,722
Other payables - advances on assessed and voluntary contributions	18,495	4,630
Other payables	15,766	15,355
Deferred income	156,812	119,308
Total accounts payable and deferred income	**236,644**	**177,497**

Suppliers and accrued charges include invoices received from suppliers not yet settled and obligations to suppliers for services performed not yet invoiced. Accrued charges amount to 13.3 M€ in 2005 (2004: 14.4 M€). The increase in 2005 over 2004 is due mainly to the Site Project. An amount of 3.5 M€ (2004: 0.1 M€) has been retained from contractors as guarantees against the Site Project work.

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

Other payables are made up of budget surpluses and the residual balance of a reduction of 2.5% in the 1996 budget assessment. These budget surpluses are credited to Member countries after they are approved by Council and are then available for any use that Member countries may decide.

Deferred income corresponds to revenues recorded in 2005 or before, but for which corresponding charges will be incurred after the reporting date. They consist of:

	December 31, 2005	December 31, 2004
Budget Part I, Part II, Annex budgets	6,535	4,470
Publications	4,511	4,017
Site	72,604	46,372
Voluntary contributions	73,100	64,247
Non budgetary funds	62	202
Total deferred income	**156,812**	**119,308**

Note 12: Provisions for liabilities and charges

	December 31, 2005	December 31, 2004
Provision for asbestos removal	9,024	8,080
Other provisions for risks	1,312	1,346
Total provisions for liabilities and charges	**10,336**	**9,426**

In accordance with IPSAS 19, provisions for charges relate to present obligations that will be settled in future periods.

The provision for asbestos removal represents the cost, at 31 December 2005, of the present obligation related to the removal of asbestos from the main building at the headquarters, updated in line with contracted costs.

Provisions for risks represent the evaluation at closing date of the payments to be made in respect of various litigations to which the Organisation is party. This provision also includes the cost of publication sale returns from distributors which amounts to 0.144 M€ in 2005 (2004: 0.116 M€).

Note 13: Employee benefits

	December 31, 2005	December 31, 2004
Employee benefits current	**62,184**	**59,175**
Employee benefits non-current	1,026,312	943,656
Staff Provident Fund	46,536	46,348
Total employee benefits non-current	**1,072,848**	**990,004**

Staff Provident Fund represents the offsetting liability of the asset described in Note 7 above.

Employee benefits represent the estimated actuarial liability for retirement benefits, post employment health benefits and long service rewards.

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

In 2005, the Organisation reviewed its main financial actuarial assumptions: discount rates, future salary and benefit levels and future medical costs. All demographic assumptions were reviewed in 2003 as done every five years.

The system set up in accordance with IAS 19 for determining the employee benefits obligation is based on the comparison of the actuarial valuation at closing date of the employee benefits obligation, with the value of this obligation, also at close of period, which would result from the increase in the obligation less the benefits paid during the year.

The increase in obligation is the total of the estimated benefits resulting from employee service in the current period, plus the interest cost due to the decrease in the time period remaining before the settlement of the benefits.

The difference between these two values is an actuarial gain or loss. The portion of these actuarial variances that exceeds 10% of the present value of the obligation is amortised over the expected average remaining service lives of the employees. The standard implies that the benefit obligations are best viewed as a 'corridor' around the best estimate.

Discount rates are defined by reference to the sterling accruing French government securities at the average maturity dates of the debts services. An increase or decrease of one half percentage point in the assumed discount rates would result in a change in the benefit obligation of approximately 8% for pension benefits and 11% for post employment health benefits at 31 December 2005.

The decrease in the discount rates, for pension benefits from 4.5% at 31 December 2004 to 3.6% at 31 December 2005 and for post employment benefits from 4.6% at 31 December 2004 to 3.6% at 31 December 2005, explains the increase in the 31 December 2005 obligation of approximately 272 M€ and 37 M€ respectively over 2004.

The expected average remaining service lives of employees is 11 years in 2005, unchanged since 2004.

The following table sets out the changes in the accumulated benefit obligation and the amounts recognised in the Organisation's Statements of Financial Position at 31 December 2005 and 2004 and the evolutions of actuarial assumptions:

	December 31, 2005			December 31, 2004		
	Pension benefits	Post-employment health benefits	Total benefits	Pension benefits	Post-employment health benefits	Total benefits
The amounts recognised in the balance sheet are as follows :						
Employee future benefits obligation	(1,494,810)	(273,342)	**(1,768,152)**	(1,222,291)	(204,092)	**(1,426,383)**
Unrecognised actuarial (gains) / losses	577,537	102,119	**679,656**	371,481	52,071	**423,552**
Liability recognised in Statement of Financial Position	(917,273)	(171,223)	**(1,088,496)**	(850,810)	(152,021)	**(1,002,831)**
The movements of actuarial (gains) and losses are:						
Unrecognised actuarial losses at beginning of the year	371,481	52,071	**423,552**	170,597	9,884	**180,481**
Actuarial losses for the year	228,715	52,926	**281,641**	207,476	42,187	**249,663**
(Gains) / losses recognised in the year	(22,659)	(2,878)	**(25,537)**	(6,592)	-	**(6,592)**
Unrecognised actuarial losses at end of the year	577,537	102,119	**679,656**	371,481	52,071	**423,552**
Limit of the corridor and recognised actuarial (gains) / losses are:						
Unrecognised actuarial losses at beginning of the year	371,481	52,071	**423,552**	170,597	9,884	**180,481**
Limit of the corridor, 10% of the defined obligation at the beginning of the year	(122,229)	(20,409)	**(142,638)**	(98,080)	(14,973)	**(113,053)**
Actuarial losses to be amortised over the average remaining working lives of the employees participating in the plan	249,252	31,662	**280,914**	72,517	-	**72,517**
Average remaining working lives of the employees participating in the plan	11	11		11	11	
Actuarial (gains) / losses recognised	22,659	2,878	**25,537**	6,592	-	**6,592**

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

	December 31, 2005			December 31, 2004		
	Pension benefits	Post-employment health benefits	Total benefits	Pension benefits	Post-employment health benefits	Total benefits
Member country PBRF contributions	44,860	-	44,860	47,130	-	47,130
Employee contributions from salary	11,915	-	11,915	10,625	-	10,625
Other contributions (tax reimbursements, employee payments)	5,079	-	5,079	4,446	-	4,446
Pension contributions for the year	**61,854**	**-**	**61,854**	**62,201**	**-**	**62,201**
Current service cost	48,324	8,989	57,313	38,343	5,912	44,255
Interest cost	53,693	9,343	63,036	49,600	8,183	57,783
Actuarial losses recognised in the year	22,659	2,878	25,537	6,592	-	6,592
Other expenses (tax reimbursements, post employment health cost)	4,274	366	4,640	3,968	119	4,087
Pensions expense for the year	**128,950**	**21,576**	**150,526**	**98,503**	**14,214**	**112,717**

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

	December 31, 2005			December 31, 2004		
	Pension benefits	Post-employment health benefits	Total benefits	Pension benefits	Post-employment health benefits	Total benefits
Opening employee future benefits obligation	(1,222,291)	(204,092)	**(1,426,383)**	(980,804)	(149,731)	**(1,130,535)**
Pensions expense for the year	(102,017)	(18,332)	**(120,349)**	(87,942)	(14,095)	**(102,038)**
Benefits paid	58,214	2,008	**60,222**	53,932	1,922	**55,854**
Net actuarial gains / (losses) for the period	(228,715)	(52,926)	**(281,641)**	(207,476)	(42,187)	**(249,664)**
Employee future benefits obligation at end of year	**(1,494,810)**	**(273,342)**	**(1,768,152)**	**(1,222,291)**	**(204,092)**	**(1,426,383)**

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

	2005		2004	
	Pension benefits	Post-employment health benefits	Pension benefits	Post-employment health benefits
Discount rates	3.6%	3.6%	4.5%	4.6%
Future salary increase	2.2%	2.2%	2.1%	-
Future Pension Scheme increase	2.2%	2.2%	2.1%	-
Future New Pension Scheme increase	1.8%	-	1.7%	-
Future health cost increase	-	3.8%	-	3.7%

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	6,944	(5,005)
Effect on defined benefit obligation	68,260	(51,603)

The assets and liabilities recognised in the Statements of Financial Position in regard to the defined employee benefits obligation can be summarised as follows:

	December 31, 2005			December 31, 2004		
	Pension benefits M€	Post-employment health benefits M€	Total benefits M€	Pension benefits M€	Post-employment health benefits M€	Total benefits M€
Present value of employee future benefits obligation	(1,495)	(273)	(1,768)	(1,222)	(204)	(1,426)
Fair value of PBRF assets	135	-	135	100	-	100
	(1,360)	(273)	(1,633)	(1,122)	(204)	(1,326)
Unrecognised actuarial losses	578	102	680	371	52	423
Net liability	**(782)**	**(171)**	**(953)**	**(751)**	**(152)**	**(903)**
The PBRF assets include the following:						
Financial investments	125	-	125	89	-	89
Other net assets	10	-	10	11	-	11
Total fair value of PBRF assets	**135**	**-**	**135**	**100**	**-**	**100**

Note 14: Accumulated deficit

	December 31, 2004	Previous year net results	Previous year results added to reserves	Transfers	Net reserves and budget surpluses added to current year budget	Budget surpluses returned to Member countries and other	December 31, 2005
Pension benefits	(836,621)	-	-	-	-	-	(836,621)
Asbestos removal	(8,080)	-	-	-	-	-	(8,080)
Fixed assets	266,926	-	-	(52,929)	-	39,725	253,722
Accumulated surplus / (deficit)	(131,816)	(46,849)	(31,172)	42,929	-	(5,508)	(172,416)
Total Member countries' contributed interest and accumulated surplus / (deficit)	**(709,591)**	**(46,849)**	**(31,172)**	**(10,000)**	**-**	**34,217**	**(763,395)**
Chardon-Lagache	-	-	-	9,985	-	-	9,985
Medical plan reserve	8,813	-	702	-	-	-	9,515
Suchet reserve	1,765	-	24	15	-	-	1,804
Omesys reserve	4,801	-	-	-	(1,630)	-	3,171
Other reserves	8,538	-	(169)	-	(389)	-	7,980
Total reserves	**23,917**	**-**	**557**	**10,000**	**(2,019)**	**-**	**32,455**
Pension Budget and Reserve Fund reserve	**69,182**	**-**	**30,615**	**-**	**-**	**1,531**	**101,328**
Total Member countries' contributed interest and reserves	**(616,492)**	**(46,849)**	**-**	**-**	**(2,019)**	**35,748**	**(629,612)**

Member countries' contributed interest represents the counterpart of land and buildings owned by the Organisation, the provision for the removal of asbestos and the liability related to pension benefit obligation and post employment health benefit. The effect of the revaluation of buildings at the end of 2005 amounting to 102.7 M€ is shown in Note 9.

Accumulated surplus/ (deficit) result from accounting losses carried forward and from the distribution of budget surpluses.

Restricted reserves, Chardon Lagache, Omesys, Suchet and the reserve for medical plan, correspond to funds to be used for purposes specified by the Council or by the Secretary-General.

Other reserves represent non-budgetary earnings retained based on management decisions. Their purpose is to give added assurance against the effect of potential financial or operating liabilities.

Note 15: Segment information - Statements of Financial Performance

Segment information is based on the principal budgetary and non budgetary structure of activities and sources of financing of the Organisation. These service segments conform to the Programme of Work of the Organisation for the year 2005.

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

The table below combines budgetary and IPSAS reporting. IPSAS adjustments are accounting entries required to conform to IPSAS and are not part of budgetary reporting. These adjustments principally concern accrual accounting relating to expenses and revenues, pension benefits and other personnel costs, fixed assets and related depreciation. When this is possible, accrual adjustments are allocated to income and expenditure by segment. Those IPSAS accrual adjustments that are not allocated to a specific segment are reported in the "IPSAS" column. They amount to 103.9 M€ in 2005, including 85.7 M€ in respect of employee benefits and 18.2 M€ in respect of fixed assets. Internal operations reflect the estimated cost of services exchanged between segments.

	Budget Title I Part I (1)		Budget Title I Part II (2)		Annex Budgets (3)		Voluntary contributions (4)	
	2005	2004	2005	2004	2005	2004	2005	2004
Assessed contributions	148,672	150,550	64,306	65,445	26,167	27,158	-	-
Voluntary contributions	-	-	-	-	-	-	54,815	44,743
Pension contributions	-	-	-	-	26,512	27,715	-	-
Sales of publications	(68)	3,895	3,988	3,652	8,788	4,871	4	2
Other revenues	1,144	2,278	215	938	1,453	1,494	1,226	1,292
Total operating revenues	**149,748**	**156,723**	**68,509**	**70,035**	**62,920**	**61,238**	**56,045**	**46,037**
Personnel	117,396	121,269	34,721	33,534	9,691	7,243	25,096	23,623
Pension	2,373	232	-	-	45,338	47,063	-	-
Consulting	3,006	2,722	5,863	5,653	484	349	9,787	8,129
Travel	3,873	3,964	3,370	3,725	296	323	10,450	7,939
Operating	20,683	23,377	8,659	9,661	24,092	25,600	2,757	2,474
Other operating expenses	1,495	1,518	237	207	710	418	176	(310)
Total operating expenses	**148,826**	**153,082**	**52,850**	**52,780**	**80,611**	**80,996**	**48,266**	**41,855**
Surplus/ (deficit) from operating activities	**922**	**3,641**	**15,659**	**17,255**	**(17,691)**	**(19,758)**	**7,779**	**4,182**
Financial revenue and expenses, net	481	(145)	-	-	(50)	(51)	(4)	(3)
Surplus / (deficit) from ordinary activities	**1,403**	**3,496**	**15,659**	**17,255**	**(17,741)**	**(19,809)**	**7,775**	**4,179**
Internal operations	(643)	(3,620)	(12,602)	(12,563)	20,989	21,228	(7,775)	(4,179)
Net surplus / (deficit) for the period	**760**	**(124)**	**3,057**	**4,692**	**3,248**	**1,419**	**-**	**-**

	Non budgetary operations (5)		Pension Budget and Reserve Fund (6)		IPSAS (7)		**TOTAL (1 to 7)**	
	2005	2004	2005	2004	2005	2004	2005	2004
Assessed contributions	-	155	-	-	-	-	239,145	243,308
Voluntary contributions	-	-	-	-	1	-	54,816	44,743
Pension contributions	-	-	35,342	34,486	-	-	61,854	62,201
Sale of publications	-	1	-	-	-	-	12,712	12,421
Other revenue	1,966	2,058	-	-	4,201	-	10,205	8,060
Total operating revenues	**1,966**	**2,214**	**35,342**	**34,486**	**4,202**	**-**	**378,732**	**370,733**
Personnel	337	221	210	155	(598)	-	186,853	186,045
Pension	-	-	16,553	12,646	86,262	52,776	150,526	112,717
Consulting	56	79	107	66	(133)	-	19,170	16,998
Travel	6	11	6	0	-	-	18,001	15,962
Operating	1,102	546	19	12	22,553	31,232	79,865	92,902
Other	705	628	-	-	-	-	3,323	2,461
Total operating expenses	**2,206**	**1,485**	**16,895**	**12,879**	**108,084**	**84,008**	**457,738**	**427,085**
Surplus/ (deficit) from operating activities	**(240)**	**729**	**18,447**	**21,607**	**(103,882)**	**(84,008)**	**(79,006)**	**(56,352)**
Financial revenue and expenses, net	1,959	675	15,027	9,027	-	-	17,413	9,503
Surplus / (deficit) from ordinary activities	**1,719**	**1,404**	**33,474**	**30,634**	**(103,882)**	**(84,008)**	**(61,593)**	**(46,849)**
Internal operations	66	(847)	(35)	(19)	-	-	-	-
Net surplus / (deficit) for the period	**1,785**	**557**	**33,439**	**30,615**	**(103,882)**	**(84,008)**	**(61,593)**	**(46,849)**

Note 16: Reconciliation of budgetary and net accounting results and proposed allocation of results

16.1 Reconciliation of budgetary results with the net deficit for the period.

In order to respect IPSAS accounting principles, a number of timing or permanent differences exist with budget accounting which requires adjustments to be made:

- In budget accounting, revenue is required to cover all committed expenditures. In IPSAS accounting, revenue and expenses only includes amounts corresponding to amounts accruing to the period. The difference is treated as deferred revenue or expenses in IPSAS.

- In budget accounting, capital expenditures are recorded as current year expenses. This cost is capitalised and depreciated over the useful lives in IPSAS accounting. These capital expenditures and associated depreciation are recorded net on the asset side of the Statement of Financial Position. Depreciation expense is recorded in the Statement of Financial Performance.

- For employee benefits, budget expenditure is accounted for on a pay as you go basis, whereas in IPSAS accounting, the charge reflects the pension and post employment heath benefits accrued to employees during the year and is fully recorded in the Statement of Financial Performance. The pension obligation is reported in the Statement of Financial Position as detailed in Note 8.

- Publications receipts including subscriptions are recorded on a cash basis in the Budget. These sales are recorded as revenue when delivered in IPSAS accounting, and adjusted by provisions for losses on receivables or returns of goods sold.

The table below reconciles budgetary results with the net deficit for the period:

	December 31, 2005	December 31, 2004
Results before IPSAS adjustments		
Part I	10,231	8,975
Part II	7,834	8,039
Annex budgets	5,286	3,026
Site project	20,308	14,837
Voluntary contributions	77,746	66,260
Non budgetary funds	1,785	557
PBRF	33,439	30,615
Gross surplus	**156,629**	**132,309**
Less: deferred revenue of budgetary contributions	(13,652)	(14,532)
Less: deferred revenue of voluntary contributions and Site project	(98,054)	(81,097)
Net surplus	**44,923**	**36,680**
IPSAS adjustments to expenses - decrease / (increase)		
Net accrued expenses	2,445	(5,800)
Net prepaid expenses	451	(13)
Other net adjustments	(2,201)	534
Pension expenses	(85,665)	(52,776)
Capital expenditures transferred to fixed assets	30,201	11,171
Depreciation expenses	(29,665)	(33,043)
Land revaluation	-	(7,249)
Sub-total expenses	**(84,434)**	**(87,176)**
IPSAS adjustments to revenue - (decrease) / increase		
Net deferred income on adjustments to charges	(2,446)	3,368
Net deferred income on Site project adjustments	(22,931)	(1,890)
Net accrued publications and other revenue	(906)	2,169
Land revaluation	4,201	-
Sub-total revenue	**(22,082)**	**3,647**
Net deficit for the period	**(61,593)**	**(46,849)**

16.2 Proposed allocation of results

The results for 2005 will be allocated as follows, subject to ultimate approval by Council:

	Financial performance	Proposed treatment of the deficit				
		Transfer to accumulated deficit	Transfer to reserves	Transfer to 2006 budget	Transfer to Pension Budget and Reserve Fund	Budgetary surpluses to be allocated
Surplus from Part I	2,635	-	-	-	-	2,635
Surplus from Part II	3,317	-	-	-	-	3,317
Surplus from Other annex budgets	275	-	-	-	-	275
Surplus from Pension annex budget	3,472	-	-	-	3,472	-
Surplus from Pension Budget and Reserve Fund	33,439	-	-	-	33,439	-
Surplus from non-budgetary funds	1,785	-	1,785	-	-	-
Sub-total net surplus	**44,923**	**-**	**1,785**	**-**	**36,911**	**6,227**
IPSAS adjustments to expenses	(84,434)	(84,434)	-	-	-	-
IPSAS adjustments to revenue	(22,082)	(22,082)	-	-	-	-
Sub-total IPSAS adjustments	**(106,516)**	**(106,516)**	**-**	**-**	**-**	**-**
Net deficit	**(61,593)**	**(106,516)**	**1,785**	**-**	**36,911**	**6,227**

Note 17: Operating expenses

	December 31, 2005	December 31, 2004
Personnel costs:		
Wages and salaries	177,488	174,675
Temporary staff	8,527	10,557
Other personnel costs	838	813
Total personnel costs	**186,853**	**186,045**
Total pension costs	**150,526**	**112,717**
Consuting costs:		
Fees to individual consultants	9,315	7,824
Fees to companies	9,855	9,174
Total consulting costs	**19,170**	**16,998**
Total travel costs	**18,001**	**15,962**
Operating costs:		
External services	6,681	7,803
Building rentals	21,848	20,491
Equipment maintenance	4,826	5,638
Consumable and supplies	2,926	3,315
Conference costs	2,465	2,735
Communication costs	3,225	3,540
Depreciation	29,260	33,046
Inventory variation	(146)	7
Maintenance and repairs	1,822	2,275
Marketing and other costs	1,884	1,770
Utilities	1,320	1,472
Translations	1,556	1,631
Printing and reproduction	871	782
External publications	1,327	1,147
Revaluation losses	-	7,250
Total operating costs	**79,865**	**92,902**
Other costs:		
Membership fees in administrative ventures	634	862
Administrative costs of welfare and insurance schemes	610	595
Non refundable taxes and insurance	1,249	1,224
Operating losses	124	18
Provisions for risks	135	(159)
Provisions for publications	288	(235)
Other	283	156
Total other costs	**3,323**	**2,461**
Total operating expenses	**457,738**	**427,085**

Main variances are as follows:

- The change in personnel costs reflects the increases in salaries, headcount and accrued charges for loss of employment indemnities.
- The variation in depreciation is due to the accelerated depreciation of components of the buildings over the remaining useful lives prior to their renovation (see Note 9).

Note 18: Financial revenue and expenses

	December 31, 2005	December 31, 2004
Interest income on restricted funds		
Pension Budget and Reserve Fund	144	11
Funded Reserve (Suchet and Chardon Lagache)	215	39
Investment Fund for health insurance (Omesys)	420	469
Staff loan program	286	285
Site interest income	573	138
Interest income on general treasury	649	485
Pension Budget and Reserve Fund financial income	14,882	9,015
Net foreign currency conversion gain / (loss)	696	(538)
Total financial revenue	**17,865**	**9,904**
Interest expense for staff loan program	234	203
Bank charges	218	198
Total financial expenses	**452**	**401**
Financial revenue, net	**17,413**	**9,503**

Three factors explain the increase of 7.9 M€ in financial revenue in 2005 over 2004: increased interest income due to increased interest yielding deposit and slightly increased interest rates (689 K€), improved financial market conditions and increased financial investments of the PBRF (5 867 K€) and reversal of foreign exchange and conversion variances from a loss position into a net profit (1 234 K€).

Interest income on general treasury funds is earned mostly from voluntary contributions paid in advance of the related expenditure.

Note 19: Contingencies and capital commitments

A. Contingencies

The Organisation is or may be a party to a limited number of legal proceedings or technical disputes, but management believes that the liabilities that might result from said litigation will not be material in relation to the Organisation’s operations or financial position.

In 2002, the Organisation signed a lease for office space in La Défense covering the period 2002-2011. In the event that the lease would be cancelled before its current end date, the Organisation would be liable to pay penalties, the actual amount depending on the notice of cancellation given. In accordance with the present schedule of the Site project, which provides for the vacation of the leased premises in 2009, the sum of 8,625 K€ has been included in the 2001-2009 total Site Budget that was voted by Council in 2003.

B. Capital commitments

a) Site project and asbestos removal

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

The Statement of Financial Position includes a provision amounting to 9.0 M€, (2004: 8.1 M€), specifically limited to the removal of asbestos (see Note 12).

The total Site project cost is estimated at 298 M€ and includes all costs related to the temporary relocation of staff over several years. At 31 December 2005 the budget situation, in millions of euros of the Site project is:

	Authorised budget	Cumulated expenses (actual and contracted) at December 31, 2005			Available budget at December 31, 2005
		Committed or contracted	Spent	Total	
	M€	M€	M€	M€	M€
Relocation costs	144	65	70	135	9
Construction and renovation costs	148	38	36	74	74
Other costs	6	1	4	5	1
Total capital commitments	**298**	**104**	**110**	**214**	**84**

Rental expenses

Rental expense under existing lease contracts were 21.8 M€ in 2005 (2004: 20.5 M€). Future minimum rental commitments under existing contracts are estimated as follows, in millions of euros:

	2006	2007	2008	2009	2010
	M€	M€	M€	M€	M€
Rental commitments	**23**	**24**	**24**	**25**	**25**

b) Financial instruments

During the year 2005, the Organisation contracted with a bank to sell a monthly average of 200 thousands US dollars for the equivalent amount of euros. These contracts were designed to partially offset the risk of the Organisation's exposure to voluntary contributions offered in US dollars. The final instrument expired on 12 December 2005.

c) Bank guarantee

The Organisation's obligations to lessors of office premises are guaranteed by banks for a maximum of 3.7 M€. The most important one applies to the La Défense offices for 3.6 M€ over the duration of the lease.

d) Pensions

The Organisation's defined benefit pension plan was adopted by a Council Resolution of 16 November 1976 (C/M(76)20 Final). This Resolution constitutes a decision binding upon the Organisation and its Member countries by virtue of articles 5 a) of the Convention on the Organisation and 18 a) of its Rules of Procedure. The Organisation believes that this creates both a legal obligation upon the Organisation towards pensioners and staff and an offsetting legal obligation for the Member countries, with the same full legal force as the treaty from which it derives, to contribute amounts needed to pay the pensions. Article 40 of the defined benefit pension plan confirms that pensions are a charge on the Organisation's budget, and provides a joint guarantee of that liability by its Member countries. That guarantee is equivalent in amount to the accrued pension obligation of 1,495 M€ (2004: 1,222 M€) as stated in Note 13.

Note 20: Related party transactions

The Organisation is governed by a Council composed of representatives of all the Member countries. They do not receive any remuneration from the Organisation. The Council is presided over by the Secretary-General who directs the Secretariat, assisted by four Deputy Secretary-Generals and other senior management staff. 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.

There were no material transactions with related parties as defined by IPSAS 20, during the years 2005 and 2004.

Key management personnel and their aggregate remuneration, determined on a full time equivalent basis, were as follows:

	December 31, 2005		December 31, 2004	
	Number of individuals	Aggregate remuneration	Number of individuals	Aggregate remuneration
The Secretary-General, Deputies and other staff	8	1,896	8	1,817
Senior officers	25	4,575	23	4,104
Total related party transactions		**6,471**		**5,921**

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