

ORGANISATION EUROPEENNE POUR LA RECHERCHE NUCLEAIRE
CERN **EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH**

Action to be taken

Voting Procedure

For recommendation to Council	FINANCE COMMITTEE 336 th Meeting 22 June 2011	Simple majority of Member States represented and voting and 51% of the contributions of all Member States
For approval	COUNCIL 159 th Session 23 June 2011	Simple majority of Member States represented and voting

Annual Accounts
(Financial Statements)
for 2010

Audited by two representatives of the

ITALIAN COURT OF AUDIT

CORTE DEI CONTI

The Finance Committee is invited to recommend the Council and the Council is invited to approve the 2010 Annual Accounts and to grant discharge to the Director-General.

Annual Accounts
(Financial Statements)
for 2010

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INTRODUCTION

The Annual Accounts (financial statements) of CERN for the year ending on 31 December 2010 have been drawn in accordance with the Public Sector Accounting Standards (IPSAS), as was already the case since 2007.

The scheduled surplus for 2010 in the Budget was initially foreseen to 178.3 MCHF. The actual surplus amounted to 288 MCHF. The difference of 109.7 MCHF can mainly be explained by savings realized due to the Swiss franc appreciation over the year, additional revenues without corresponding expenses and open commitments amounting to some 75 MCHF in connection with delayed multi-annual projects.

Taking into account the 15.1 MCHF of capital repayment, the final amount to be allocated to the budget balance is 272.9 MCHF. This amount will be used to reduce the accumulated budget deficit.

Short-term borrowing from banks have significantly decreased and stood at 26 MCHF at the year end, compared to 290 MCHF at the end of 2009 and 409 MCHF at the end of 2008.

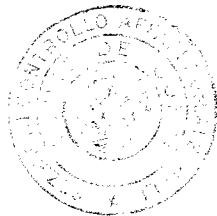
AUDIT CERTIFICATE

In accordance with Article 21 of the CERN Financial Rules, and for approval by the Council, the report is presented to the Finance Committee to certify the correctness of the financial statements as follows:

"The financial statements of the Organization for the financial year ending 31 December 2010 have been examined in accordance with the instructions given to us. We have obtained all the information and explanations that we have required and we certify, as a result of the audit, that in our opinion the financial statements give a true and fair view of the state of affairs of the Organization, subject to the observations in our report".

Without qualifying our opinion, we draw the Council's attention to the fact that the Statement of Financial Position shows provisions for actuarial liability for post-employment benefits totalling 5.509.491.000 CHF (2.994.514.000 CHF for Pension Scheme and 2.514.977.000 CHF for Health insurance Scheme). Details of our analysis are included in our report. Remedial measures have been submitted by the Management to the Council and approved in December 2010.

Rome, 24 May 2011



Michele Cosentino
Michele Cosentino

Franco Franceschetti
Franco Franceschetti

SIGNATURE OF THE CERN
OFFICIAL REPRESENTATIVES

The undersigned hereby certify that, to the best of their knowledge, the information contained in the Annual Accounts for 2010 fairly presents the financial conditions and results of operations of the Organization.



Thierry Lagrange

Head of
Finance and Procurement Department



Sigurd Lettow

Director for
Administration and General Infrastructure

PART 1

2010 BUDGET OUT-TURN

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

MCHF	Budget	Actual amounts	Difference
Revenue			
Member States' contributions	1 112.2	1 112.2	
Contributions from candidate for accession*		3.2	3.2
Additional contributions from Host States	22.4	23.9	1.6
EU Contributions	13.8	15.1	1.3
Personnel paid on team accounts	10.4	12.6	2.2
Personnel on detachment	0.7	1.1	0.4
Knowledge and technology transfer	2.5	1.2	- 1.3
Other in-kind contributions		5.5	5.5
External revenues for new amphitheatre	10.0		- 10.0
Other revenue	8.4	21.7	13.3
Financial revenue	0.2	0.8	0.6
Internal taxation	24.0	26.2	2.2
	1 204.5	1 223.5	19.0
Expenses			
Materials	481.7	380.1	- 101.6
Personnel	528.2	538.1	9.9
Interests and Financial Costs	16.4	17.3	0.9
	1 026.3	935.5	- 90.8
A. BUDGET SURPLUS FOR THE PERIOD*	178.3	288.0	109.7
B. CAPITAL REPAYMENTS	15.1	15.1	
ALLOCATION TO BUDGET BALANCE (A-B)	163.2	272.9	109.7

* cf. Notes on the Budget out-turn

ACCOUNTING RECONCILIATION

The differences between the budget out-turn (actual amounts) and the amounts recognized in the accounting statements are shown in the following table:

	Note	MCHF
BUDGET SURPLUS FOR THE PERIOD (A)		288.0
Fixed assets reconciliation (B)		- 293.6
Expenses transferred to fixed assets	18.1	143.7
Depreciation of fixed assets	20	- 437.3
Items not recognized in the Budget Surplus (C)		- 65.6
Variation of provision for post-employment benefits	21	- 19.0
Variation of provision for elimination of radioactive waste	20	- 64.0
Amortization of staff benefit accruals*		17.3
TOTAL ACCOUNTING RECONCILIATION (D) = (B)+(C)		- 359.2
NET ACCOUNTING DEFICIT FOR THE PERIOD = (A)+(D)**		- 71.2

* Amortization of the accruals of staff's paid leave and similar allowances, introduced for the first time in the 2007 Financial Statements (CERN/2787)

** cf. Statement of Financial Performance, Part 2

SUMMARY OF REVENUE

kCHF	2010	2009	Variation
Member States' contributions	1 112 153	1 098 567	13 586
Contributions from candidates for accession	3 232	-	3 232
Additional contributions from Host States	16 675	16 575	100
France	11 400	11 400	
Switzerland	5 275	5 175	100
Additional contributions in-kind - France	7 244	1 916	5 328
EU Contributions	15 124	19 261	- 4 137
Personnel paid on team accounts	12 586	11 283	1 303
Personnel on detachment	1 088	809	279
Knowledge and technology transfer	1 197	1 386	- 189
Other in-kind contributions	5 527	6 382	- 855
Other revenue	21 669	14 839	6 830
Sale of scrap and equipment no longer in use and revenue from collaborations	9 324	5 014	4 310
Sales from the CERN shop	699	482	217
Revenue for LHC repair	-	100	- 100
Revenue from the Housing activity	6 167	5 978	189
Revenue from the Globe of Science & Innovation	880	1 300	- 420
Miscellaneous revenue	4 599	1 965	2 634
Financial revenue	823	656	167
Internal Taxation	26 198	24 729	1 469
Total	1 223 516	1 196 403	27 113

NOTES ON THE BUDGET OUT-TURN

The total 2010 Budget¹ for expenses of 1,026.3 MCHF at 2010 prices was endorsed by the Finance Committee in December 2009. Probable 2010 revenues and expenses were presented to the Finance Committee in December 2010 in the framework of the 2011 Budget².

The scheduled surplus for 2010 in the Budget was initially foreseen to 178.3 MCHF.

The actual surplus amounted to 288.0 MCHF. The difference of 109.7 between the Budget and actual amounts can be explained mainly by the following factors:

- savings realized due to the appreciation of the Swiss Franc (about 21 MCHF)
- as candidate for accession, Romania paid 25% of its calculated total contribution of 2010 as defined in the Council resolution CERN/2829 and updated by the agreement signed by CERN and Romania on February 11th 2010 (3.2 MCHF)
- additional revenues without corresponding expenses (about 8 MCHF)
- open commitments amounting to some 75 MCHF in connection with delayed multi-annual projects

Taking into account the 15.1 MCHF of capital repayment (c.f. NOTE 5), the final amount to be allocated to the budget balance is 272.9 MCHF. This amount will be used to reduce the accumulated budget deficit.

NOTE 1 - SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY

Explanations regarding the main differences between actual Materials and Personnel expenses and Budget are given in the Annual Progress Report for 2010 (cf. CERN/FC/5508).

¹ CERN/FC/5397

² CERN/FC/5495

Summary of Revenue and Expenses by Activity (in MCHF)

(in MCHF, rounded off)	2010 Budget	2010 Out-Turn	Variations of Out-Turn	
	CERN/FC/5397	CERN/FC/5508	with respect to Budget	
	(2010 prices)	(2010 prices)	kCHF	%
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(a)
REVENUES	1'204.5	1'223.5	19.0	1.6%
Member States' contributions	1'112.2	1'112.2	0.0	0.0%
Additional contributions from Host States	22.4	23.9	1.5	6.9%
Additional contribution from Romania as Candidate for Accession		3.2	3.2	
EU contributions	13.8	15.1	1.3	9.5%
Personnel paid on team accounts	10.4	12.6	2.2	21.5%
Personnel on detachment	0.7	1.1	0.4	55.5%
Internal taxation	24.0	26.2	2.2	9.1%
Knowledge and technology transfer	2.5	1.2	-1.3	-52.1%
External revenues for new amphitheatre	10.0		-10.0	-100.0%
Other revenues (including other in-kind, housing fund, sales)	8.6	28.0	19.4	225.3%
OPERATING EXPENSES	998.8	899.4	-99.3	-9.9%
Running of scientific programmes and support	899.0	808.0	-90.9	-10.1%
Scientific programmes	494.5	425.1	-69.4	-14.0%
<i>LHC (including spares and new initiatives support to detectors)</i>	<i>325.1</i>	<i>264.3</i>	<i>-60.9</i>	<i>-18.7%</i>
<i>Non-LHC physics and scientific support</i>	<i>64.6</i>	<i>52.5</i>	<i>-12.1</i>	<i>-18.7%</i>
<i>Accelerators and areas</i>	<i>104.8</i>	<i>108.3</i>	<i>3.6</i>	<i>3.4%</i>
Infrastructure and services	404.5	382.9	-21.5	-5.3%
<i>General infrastructure and services</i>	<i>205.8</i>	<i>199.4</i>	<i>-6.4</i>	<i>-3.1%</i>
<i>Infrastructure consolidation, buildings and renovation</i>	<i>31.6</i>	<i>19.4</i>	<i>-12.3</i>	<i>-38.8%</i>
<i>Centralised personnel expenses</i>	<i>31.1</i>	<i>27.8</i>	<i>-3.3</i>	<i>-10.7%</i>
<i>Internal taxation</i>	<i>24.0</i>	<i>26.2</i>	<i>2.2</i>	<i>9.1%</i>
<i>Paid but not available</i>		<i>9.5</i>	<i>9.5</i>	
<i>Personnel internal mobility</i>		<i>0.2</i>	<i>0.2</i>	
<i>Personnel on detachment</i>	<i>0.7</i>	<i>1.0</i>	<i>0.2</i>	<i>33.3%</i>
<i>Insurances and postal charges, energy and water</i>	<i>90.6</i>	<i>80.3</i>	<i>-10.4</i>	<i>-11.4%</i>
<i>Housing fund</i>	<i>4.2</i>	<i>3.9</i>	<i>-0.3</i>	<i>-6.5%</i>
<i>Interest and financial costs</i>	<i>16.4</i>	<i>15.4</i>	<i>-1.0</i>	<i>-6.1%</i>
Projects (including R&D)	99.8	91.4	-8.4	-8.4%
<i>CLIC / Linear collider</i>	<i>21.2</i>	<i>23.6</i>	<i>2.4</i>	<i>11.1%</i>
<i>Linear collider detector R&D</i>	<i>2.1</i>	<i>2.5</i>	<i>0.4</i>	<i>21.5%</i>
<i>LINAC 4</i>	<i>36.4</i>	<i>25.5</i>	<i>-10.9</i>	<i>-29.8%</i>
<i>HIE-ISOLDE</i>		<i>2.0</i>	<i>2.0</i>	
<i>R&D and studies</i>	<i>10.5</i>	<i>13.1</i>	<i>2.5</i>	<i>24.0%</i>
<i>High luminosity machine upgrade</i>	<i>23.2</i>	<i>11.2</i>	<i>-12.0</i>	<i>-51.8%</i>
<i>High luminosity detectors upgrade</i>	<i>5.4</i>	<i>11.3</i>	<i>5.9</i>	<i>110.2%</i>
<i>High energy LHC studies / High field magnets</i>		<i>2.3</i>	<i>2.3</i>	
<i>Construction PS2/SPLS-LHC (machine and detectors)</i>	<i>1.0</i>		<i>-1.0</i>	<i>-100.0%</i>
OTHER EXPENSES	27.5	36.1	8.6	31.1%
Personnel paid on team accounts	10.4	12.6	2.2	21.5%
Various	17.2	23.5	6.3	36.9%
<i>Reversal of sector 3-4 provision</i>		<i>-7.7</i>	<i>-7.7</i>	
<i>In-kind</i>		<i>12.8</i>	<i>12.8</i>	
<i>Stores activity</i>	<i>0.2</i>	<i>0.1</i>	<i>-0.1</i>	<i>-63.5%</i>
<i>Depreciation of current assets</i>		<i>0.2</i>	<i>0.2</i>	
<i>Miscellaneous (inc. schools, conferences)</i>		<i>0.8</i>	<i>0.8</i>	
<i>Budget amortization of staff benefits accruals</i>	<i>17.0</i>	<i>17.3</i>	<i>0.3</i>	<i>1.9%</i>
TOTAL EXPENSES	1'026.3	935.5	-90.8	-8.8%
BALANCE				
Annual balance	178.3	288.0	109.7	61.6%
Capital repayment allocated to the budget (Fortis, FIPOI 1 and 2)	-15.1	-15.1		
Annual balance allocated to budget deficit	163.2	272.9	109.7	67.3%
-Cumulative Balance-	-488.7	-325.5	109.7	-33.7%

NOTE 2 - MATERIALS EXPENSES

In addition to NOTE 1 which details expenses by Activity, the following table shows the breakdown of Materials budget expenses by nature.

MCHF	As at 31.12.2010		
	Budget	Expenses	Difference
Goods, Consumables and Supplies	236.3	165.2	- 71.1
Electricity, heating gas and water	83.4	71.6	- 11.8
Support services	54.3	50.3	- 4.0
Repair and Maintenance	35.5	32.5	- 3.0
Fees and Subsistence	31.0	26.8	- 4.2
Other overheads	41.3	41.2	- 0.1
Depreciation of current assets	-	0.2	0.2
Reversal of sector 3-4 provision	-	- 7.7	- 7.7
Total	481.7	380.1	- 101.6

NOTE 3 - PERSONNEL EXPENSES

The following table shows the breakdown of Personnel budget expenses.

MCHF	As at 31.12.2010		
	Budget	Expenses	Difference
Staff Members	400.8	409.6	8.8
Centralised Personnel Budget (CPB)	31.1	27.8	- 3.3
Annual variation - Paid leave		- 2.6	- 2.6
	431.9	434.8	2.9
Fellows, Associates and Apprentices	44.6	46.9	2.9
Annual variation - Paid leave		0.3	- 0.3
	44.6	47.2	2.6
Internal taxation	24.0	26.2	2.2
Amortization of staff benefits accruals	17.0	17.3	0.3
	41.0	43.5	2.5
Personnel externally funded	10.7	12.6	1.9
Total	528.2	538.1	9.9

For 2010, 528.2 MCHF were initially allocated to the Personnel Budget.

The final expenses charged to the personnel budget amounted to 538.1 MCHF.

Concerning the Short-Term Saved Leave (STSL) scheme for 2010, 1'373 slices of 1.5% and 2.5% have been subscribed to, resulting in a reduction in expenses amounting to 3.1 MCHF.

3.1 EXPENSES BY NATURE

3.1.1 Staff

The following table shows the variation in allowances, indemnities and social security contributions paid by the Organization, in relation to basic salaries.

kCHF	2010		2009	
	CERN Budget*	Externally funded	CERN Budget	Externally funded
Basic salaries	266 944	6 687	261 642	5 645
Special allowances	4 001	23	3 915	7
Overtime	2 777	32	2 224	5
Non-resident allowances / International indemnities	18 840	355	19 071	300
Family and child allowances	22 322	519	21 923	438
Various allowances	11 516	257	9 970	124
Social security	86 377	2 149	84 620	1 816
<i>Pension Fund</i>	67 799	1 711	66 330	1 446
<i>Health Insurance</i>	18 658	438	18 369	370
<i>Miscellaneous</i>	- 80		- 79	
Sub-total	412 777	10 022	403 365	8 335
Contributions to STSL scheme**	- 3 137		- 2 955	
A. Total related to basic salaries	409 640	10 022	400 410	8 335
Installation and removal costs	1 827	67	1 221	77
Termination allowances	4 853	5	5 106	
Additional periods of membership in the Pension Fund for shift workers	- 173		1 884	
Contribution to Health Insurance for pensioners	18 608		18 052	
Contribution to Long Term Care for pensioners	2 658		2 579	
B. Centralised Personnel Budget (CPB)	27 773	72	28 842	77
C. Annual variation - Paid leave	- 2 644		- 5 477	
Total (A + B + C)	434 769	10 094	423 775	8 412
Total	444 863		432 187	

* Including 9.4 MCHF for personnel not available (PNA)

** Short-Term Saved Leave scheme

Remarks:

The Centralised Personnel Budget (CPB) records all expenses of a general or exceptional nature relating to staff members, such as installation and removal costs, termination allowances, etc.

The annual variation in leave records all the variation in paid leave for members of the personnel (annual, saved and compensatory leave) and special leave (long service, CA22).

3.1.2 Fellows, Associates and Apprentices

Actual expenses for these three categories of personnel at the end of the financial year amounted to 49.7 MCHF.

kCHF	2010		2009	
	CERN Budget	Externally funded	CERN Budget	Externally funded
Fellows				
Basic salary	30 930	1 704	24 486	1 948
Non-resident allowance			97	22
Family allowances	1 091	57	710	45
Various allowances	910	77	1 291	46
Social contributions	7 509	415	6 079	492
<i>Pension Fund</i>	5 503	305	4 492	366
<i>Health Insurance</i>	2 006	110	1 587	126
Annual variation - Paid leave	278		230	
	40 718	2 253	32 893	2 553
Associates and apprentices				
Basic salary	5 335	34	4 595	127
Non-resident allowance			15	
Family allowances			7	
Various allowances	376	24	286	40
Social contributions	810	181	713	151
<i>Health Insurance</i>	800	181	703	151
<i>Miscellaneous</i>	10		10	
	6 521	239	5 616	318
Sub-total	47 239	2 492	38 509	2 871
Total	49 731		41 380	

3.2 DISTRIBUTION OF FTE BY ACTIVITY

3.2.1 Staff

Activity	FTE ⁽¹⁾ CERN Budget	FTE Personnel not available	FTE Externally funded
LHC Programme (incl. projects)	756.7		29.1
Other programmes	547.6		7.5
Infrastructure and services	702.8	49.8	22.4
Projects	220.5		4.1
Total	2 227.6	49.8	63.1
	2 340.5		

⁽¹⁾ Including staff financed by EU, TT and OpenLab funds.

3.2.2 Fellows, Associates and Apprentices

Activity	FTE CERN Budget		FTE Externally funded	
	Fellows	Associates & Apprentices	Fellows	Associates & Apprentices
LHC Programme (incl. projects)	159.3	25.4	10.1	0.1
Other programmes	74.8	19.2	3.6	0.2
Infrastructure and services	52.5	26.3	6.9	
Projects	89.3	0.5	0.2	
	375.9	71.4	20.8	0.3
Sub-Total	447.3		21.1	
Total	468.4			

3.3 MOVEMENTS OF TOTAL STAFF MEMBERS IN POST

In post as at 31.12.2009	2 377
Increase	229
Fellows and Associates who became Staff Members	72
External recruitment	157
Decrease	- 179
Departures	- 177
Deaths	- 2
In post as at 31.12.2010	2 427

NOTE 4 - INTERESTS AND FINANCIAL COSTS

MCHF	As at 31.12.2010		
	Budget	Expenses	Difference
Fortis Bank	14.1	14.1	-
In-kind (FIPOI interests 0%)	-	1.8	1.8
Short-term interest	1.6	0.9	- 0.7
ppbar indexation	0.4	0.2	- 0.2
Bank charges	0.3	0.2	- 0.1
Total	16.4	17.3	0.9

NOTE 5 - CAPITAL REPAYMENTS

In line with International Public Sector Accounting Standards (IPSAS), the capital repayment of long-term loans is not shown as budget expenses but deducted from the liabilities in the Statement of Financial Position.

MCHF	As at 31.12.2010		
	Budget	Repayment	Difference
FORTIS loan	14.2	14.2	-
FIPOI loans	0.9	0.9	-
Total	15.1	15.1	-

As indicated in the Budget document, the amount of 15.1 MCHF is to be allocated to the budget balance.

PART 2

ACCOUNTING STATEMENTS

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STATEMENT OF FINANCIAL POSITION

k CHF	Note	As at 31.12.2010	As at 31.12.2009
ASSETS			
Non-current assets			
Fixed assets			
Infrastructure and services buildings	3	144 127	150 707
LHC	3	7 044 217	7 459 102
PS Consolidation	3	36 320	38 373
SPS Consolidation	3	21 650	22 874
CNGS	3	46 175	54 376
In progress	3	336 647	197 300
<i>Sub-total - Fixed assets</i>		7 629 136	7 922 732
Financial Assets - CHIS Fund	9	111 758	102 766
		7 740 894	8 025 498
Current assets			
Inventories	4	5 633	5 035
Receivables - Member States	5	51 248	43 554
Receivables - Taxes	5	6 205	8 336
Receivables - Teams & Collaborations	5	9 331	9 248
Other receivables and prepayments	5	14 499	12 847
Cash and cash equivalents	6	37 274	26 702
		124 190	105 722
Total		7 865 084	8 131 220
LIABILITIES & NET ASSETS			
Net assets			
Reserves	7	687	687
Accumulated surpluses		1 056 726	2 515 107
Net deficit for the year		- 71 232	- 16 158
		986 181	2 499 636
Non-current liabilities			
Long-term debts	8	424 932	441 326
CHIS Fund - liabilities	9	111 758	102 766
Member States	10	20 678	20 441
Post-employment benefits	11	5 509 491	4 048 309
Provisions - Others	11	352 290	295 992
		6 419 149	4 908 834
Current liabilities			
Short-term debt and bank overdrafts	12	47 396	305 084
Payables - Trade accounts	13	55 999	52 874
Payables - Teams & Collaborations	13	177 460	158 960
Payables - Employee benefits	13	155 533	163 824
Deferred revenue	14	19 248	38 847
Other current liabilities	15	4 118	3 161
		459 754	722 750
Total		7 865 084	8 131 220

STATEMENT OF NET SURPLUS/DEFICIT & GAINS/LOSSES RECOGNIZED DIRECTLY IN NET ASSETS

in kCHF	2010	2009
Net deficit for the period	- 71 232	- 16 158
Losses from defined benefits plans	-1 442 223	- 218 494
Actuarial losses – Health Care	- 880 075	- 157 326
Actuarial losses – Pensions	- 562 148	- 61 168
Net deficit and gains and losses recognized directly in net assets	-1 513 455	- 234 652

The above statement includes the Organization's net deficit for the year as well as other valuations adjustments which under IPSAS are not recorded in the Statement of Financial Performance but directly reported in the Statement of Financial Position.

In 2010, these included the actuarial losses on defined benefit plans.

STATEMENT OF CHANGES IN NET ASSETS*

in kCHF	Contributed capital (working balance & special reserve)	Accumulated surpluses (deficits)	Total
Balance as at 31.12.2008	687	2 733 601	2 734 288
Net deficit for 2009 and losses recognized directly in net assets		- 234 652	- 234 652
Balance as at 31.12.2009	687	2 498 949	2 499 636
Net deficit for 2010 and losses recognized directly in net assets		-1 513 455	-1 513 455
Balance as at 31.12.2010	687	985 494	986 181

* cf. NOTE 7

STATEMENT OF FINANCIAL PERFORMANCE

kCHF	Note	2010	2009	Variation
OPERATING REVENUE				
Contributions for the financial year	16	1 112 153	1 098 567	13 586
Contributions from candidates for accession	16	3 232		3 232
Additional contributions from Host States	16	23 919	18 491	5 428
EU contributions	17	15 124	19 261	- 4 137
Transfers to the fixed assets	18	143 694	90 610	53 084
Other in-kind contributions	18	5 528	6 382	- 854
Other operating revenue	19	36 540	28 317	8 223
Internal taxation		26 198	24 729	1 469
Total		1 366 388	1 286 357	80 031
OPERATING EXPENSES				
MATERIALS				
Goods, Consumables & Supplies		165 195	141 064	24 131
Electricity, heating gas and water		71 585	61 882	9 703
Support services		50 246	63 677	- 13 431
Repair & Maintenance		32 514	29 677	2 837
Fees and Subsistence		26 835	26 155	680
CERN contributions to Collaborations		11 515	14 104	- 2 589
Other overheads		29 892	28 709	1 183
Depreciation expenses		493 821	423 716	70 105
	20	881 603	788 984	92 619
PERSONNEL				
Remuneration		315 329	301 638	13 691
Social and family benefits		63 097	60 790	2 307
Social insurance cover		97 268	95 755	1 513
Annual variation - paid leave		- 2 366	- 5 247	2 881
Post-employment benefits		40 226	14 001	26 225
Internal taxation		26 198	24 729	1 469
	21	539 752	491 666	48 086
Total		1 421 355	1 280 650	140 705
NET SURPLUS/DEFICIT FROM OPERATING ACTIVITIES		- 54 967	5 707	- 60 674
Financial Revenue	22	823	656	167
Financial Expenses	22	17 088	22 486	- 5 398
NET SURPLUS/DEFICIT FROM FINANCIAL ACTIVITIES		- 16 265	- 21 830	- 5 565
NET SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS		- 71 232	- 16 123	- 55 109
Extraordinary items			- 35	35
NET SURPLUS/DEFICIT FOR THE PERIOD		- 71 232	- 16 158	- 55 074

CASH-FLOW STATEMENT

kCHF	2010	2009
CASH-FLOW FROM OPERATING ACTIVITIES		
RECEIPTS		
Contributions from Member States	1 121 530	1 060 248
EU contributions	21 083	35 787
Teams and Collaborations	186 450	145 121
Taxation	14 482	29 653
Interest	184	123
Other receipts	42 223	19 718
	1 385 952	1 290 650
PAYMENTS		
Personnel	- 449 490	- 428 846
Suppliers (fixed assets excluded)	- 301 112	- 314 713
Teams and Collaborations	- 168 998	- 114 958
Partners in the EU Projects	- 12 294	- 15 313
Taxation	- 275	- 482
	- 932 169	- 874 312
Net cash-flow - Operating Activities (A)	453 783	416 338
CASH-FLOW FROM INVESTING ACTIVITIES		
Personnel expenses	- 44 698	- 32 368
Material expenses	- 98 996	- 58 242
CHIS Fund capitalization	- 8 583	- 9 067
Net cash-flow - Investing activities (B)	- 152 277	- 99 677
CASH-FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	5 000	4 500
Repayments of long-term borrowings	- 15 061	- 214 007
Financial costs	- 16 873	- 23 289
Net variation of short-term borrowings	- 264 000	- 119 000
Net cash-flow - Financing activities (C)	- 290 934	- 351 796
NET VARIATION IN CASH AND CASH EQUIVALENTS (A+B+C)	10 572	- 35 135
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26 702	61 837
CASH AND CASH EQUIVALENTS AT END OF PERIOD	37 274	26 702

NOTES ON THE ACCOUNTING STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The financial statements of CERN as at and for the year ending 31 December 2010 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and in conformity with the Financial Rules and their implementing regulations approved by the Organization's governing bodies.

They have been approved by the Head of the Finance and Procurement Department and the Director for Administration and General Infrastructure on 31 March 2011.

1.1 UNIT OF ACCOUNT AND FOREIGN CURRENCY TRANSLATION

The unit of account for all transactions is the Swiss franc, in conformity with Article 4 of the Financial Rules.

Transactions denominated in the other main currencies (EUR, USD, GBP) are converted into Swiss francs using a reference exchange rate for the week in which the transaction is recorded. Transactions denominated in other currencies are converted using a reference exchange rate for the month in which the transaction is recorded.

At the end of the year, all holdings in currencies are converted at the rates of exchange applicable on the last working day of the year. The rates of exchange used are those of the Swiss National Bank and if not available, those of the European Central Bank. These operations, as well as those relating to foreign currency transactions during the financial year, are recorded in the Exchange Gains and Losses Account included in the Statement of Financial Performance.

1.2 ASSETS

1.2.1 Property, plant and equipment

In compliance with IPSAS 17, items must have future economic benefits in order to be recognised as an asset. They must also be identifiable and controlled, and it must be possible to reliably measure their cost.

Owing to the specificities of CERN's activities, a new policy for recording fixed assets has been implemented in 2006.

It introduced internal accounting rules guaranteeing the presentation of relevant information in a way that reflects the Organization's main activities.

The following are considered as fixed assets:

- a) All complex assemblies identified as a medium or long-term scientific project:

- concerning the creation of accelerators and auxiliary apparatus constituting the tools allowing the physicists to conduct their research,
- comprising a multitude of inseparable components of different kinds,
- reported in the Budget.

The complex assemblies identified as CERN's medium or long-term scientific projects display the characteristics which allow them to be recognised as infrastructure assets under §21 of IPSAS 17.

- b) All infrastructure and services buildings, i.e. the buildings not included in the above-mentioned complex assemblies and of an amount exceeding 3 MCHF.

Each item recorded as a fixed asset is recognized at cost of acquisition or at construction cost. Where applicable, the values of in-kind contributions and dismantling cost are incorporated into the fixed asset at its starting date of exploitation. The dismantling cost is incorporated into the fixed asset when the corresponding provision is recognised in the Financial Statement, in accordance with paragraph 1.3.4 of these Notes.

It is depreciated on a straight-line basis with effect from its starting date over a period:

- of 30 years for infrastructure and services buildings,
- to be defined for each individual assembly, based on technical criteria.

Under IPSAS 21, an impairment loss must be recognized when the recoverable service amount of an asset is less than its carrying value. Recoverable value corresponds to the higher of the value in use and the market value. As there is no market for CERN's scientific assemblies, only the value in use will be quoted for comparison with the carrying value.

- c) For the four detectors ATLAS, CMS, LHCb and Alice, it has been agreed that their value should be shown on the assets side of the CERN balance sheet and that depreciation should be applied to them as CERN is deemed to be the body that controls them.

1.2.2 Financial assets – CHIS Fund

In December 2007 the CERN Council approved the setting-up of a capitalized fund for the CERN Health Insurance Scheme (CERN/FC/5209 - CERN/2759).

This item represents investments in shares and bonds, plus deposits dedicated to the scheme and available in specific bank accounts.

This item is carried at market value.

1.2.3 Inventories

The carrying amount of stock is carried at fair value, according to the stores inventory.

The value of stock is based on the weighted average method.

The cost of stock is based on a standard cost which is determined by applying a coefficient to the purchasing cost of each item. This coefficient represents the costs incurred in bringing the items to their present location and condition.

A depreciation is calculated for supplies held on the inventory according to stock consumption and recorded in order to show the estimate of the net realisable value of inventories.

1.2.4 Receivables and prepayments

Receivables mainly relate to amounts due from Member States, national institutes, laboratories and the European Union. The amounts due from private companies, which are normally covered by appropriate bank guarantees, are shown under the sub heading “Other receivables and prepayments”. Receivables are recorded at their estimated net realisable value.

The expenditure committed on behalf of collaborations or research institutes in order to facilitate their participation in the experiments conducted on the CERN site as well as internal recharging are not reported in the Statement of Financial Performance but charged to the corresponding third party account.

1.2.5 Cash and cash equivalents

These items represent funds which are held in various bank accounts and are available immediately. Some small petty cash accounts exist.

Short-term deposits are contracted when there is excess cash depending on planned payments schedules.

Cash equivalents are carried at market value.

Bank overdrafts are shown under current liabilities of the Statement of Financial Position.

1.3 LIABILITIES

1.3.1 Borrowings

Borrowings are carried at their nominal value. The amounts expected to be settled after more than twelve months from the reporting date are shown under Non-current liabilities. The amounts expected to be settled within twelve months from the reporting date, including the accrued interest over the period, are shown as part of Current liabilities.

1.3.2 CHIS Fund - Liabilities

In December 2007 the CERN Council approved the setting-up of a capitalized fund for the CERN Health Insurance Scheme (CERN/FC/5209 - CERN/2759).

The fund will be allocated exclusively to the Organization's health insurance liabilities and will contribute to facing the problem of an ageing population and to improving the financial balance of the Health Insurance Scheme. The value of the liability is affected by the capital return and by the difference between contributions and benefits and external overheads.

This item includes the accrued benefits to be paid from the fund at the reporting date.

1.3.3 Post-employment benefits

Post-employment benefits represent the estimated actuarial liability of defined-benefit plans for retirement benefits and post-employment health cover.

The actuarial liability of the defined-benefit plans for retirement benefits and post-employment health cover is the present value of the defined-benefit obligations at the reporting date minus the fair value of the corresponding plan assets.

The defined-benefit obligation is calculated annually by independent actuaries using the projected credit method. The present value of the defined-benefit obligations is determined by the estimated future cash outflows using the long-term Swiss Confederation Bonds interest rate as the discount rate.

The actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in net assets.

The Organization's post-employment benefits are partly funded by separately held assets: the Pension Fund and the CHIS fund.

As indicated in NOTE 2, the accounts of the Pension Fund are subject to separate Financial Statements reported by the Administration of the Pension Fund.

Since the CERN Pension Fund holds the retirement benefits for both CERN and ESO members, the scheme must be considered to be multi-employer. Therefore, the fair value of plan assets to be considered by CERN is calculated prorata of the employers' obligations by independent actuaries.

1.3.4 Provisions

Provisions are recognised when the Organization 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.

1.3.5 Current liabilities

Current liabilities are expected to be settled in the normal course of the operating cycle or are due to be settled within twelve months.

This heading includes mainly:

- The current liability of the long-term debts as well as the short-term borrowings from commercial banks.
- Debts to the suppliers and to the personnel.
- Debts to third parties and advances from Teams and Collaborations.
- Deferred revenue from the European Union and third parties which are accounted for as revenue up to the extent of the related projects' expenses.

Debts to the personnel include more particularly:

- The accumulated present value of remuneration to be paid in the future to the members of the personnel when they are absent for annual, saved or compensation leave reasons.
- The present accrued value of special leaves for long service to be paid in the future to members of the personnel.
- The present accrued value of the shift work compensation to be paid in the future to members of the personnel benefiting from the provisions of Administrative Circular 22.
- The present accrued value of the contract termination allowances to be paid in the event of contract termination.

The present value of the special leaves for long service and the present value of the contract termination allowances is calculated using the projected credit method. The discount rate used for calculating the present value is the relevant Swiss Confederation Bond's interest rate (30 years).

1.4 USE OF ESTIMATES

The financial statements necessarily include amounts based on estimates and assumptions by Management. Estimates include, but are not limited to: post-employment benefits obligations, provisions, financial risk on inventories and receivables, accrued charges, contingent 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.

1.5 REVENUE

Contributions and special contributions from Member States are non-exchange transactions which are recognised in the period in which the transfer arrangement becomes binding.

EU contributions and revenue from Technology Transfer are recognized as revenue according to the stage of completion of the various projects involved. The yearly amounts allocated to revenue are based on the related projects' expenses.

The other revenue mainly concerns:

- Bank interest earned on the short-term deposits in various currencies at certain times of the year. The amount of interest varies from year to year depending on the funds

available, i.e. the receipt of contributions from the Member States and the timing of personnel and materials expenses and on the evolution of the market rates.

- Sale of scrap, obsolete equipment, rents, overnight stays at CERN hostels, revenue from Collaborations and miscellaneous revenue. These are recorded at the time of the transactions.
- In-kind contributions to fixed assets which are recognized as revenue and incorporated into the fixed assets at the date of start-up.

For all the in-kind contributions below, the amounts shown in revenue are offset by similar amounts shown in expenses.

- In-kind contributions resulting from the advantage granted to the Organization from loans without interest. The estimate is based on the equivalent interest rates prevailing when the loans were granted.
- In-kind contributions resulting from the advantage granted to the Organization from land made available without charge. The estimate is based on the market value of the farming or building land in question, according to the use the Organization is making of it.
- In-kind contributions resulting from the advantage granted to the Organization from various supplies or services made available without charge. The estimate is based on the market value of such supplies or services.

1.6 INTERNAL TAXATION

In accordance with document CERN/2599 - CERN/FC/4914, the system of internal taxation of remuneration, payments and other financial benefits was introduced with effect from 1 January 2005.

The amount shown in revenue is offset by a similar amount shown under Personnel expenses.

1.7 FINANCIAL INSTRUMENTS

The Organization uses financial instruments for the purpose of managing its exposure to currency fluctuations and interest-rate risks (cf. NOTE 23).

These instruments, which mainly comprise foreign currencies, options, forward exchange contracts to purchase foreign currencies and forward rate agreements, are not recognised in the Accounting Statements. However, full disclosure of contracts outstanding at year end is given in NOTE 24.

NOTE 2 - COMMITMENTS OUTSIDE THE STATEMENT OF FINANCIAL POSITION

Some memoranda accounts which do not appear in the Statement of Financial Position are given below. They relate to the Pension Fund, guarantees received by the Organization, future treasury commitments and future commitments to suppliers.

2.1 PENSION FUND

Although the Pension Fund is legally part of the Organization, its accounts are the subject of a separate report by the Administration of the Pension Fund. The report is endorsed by the Governing Board of the Pension Fund and submitted to the Council for approval through the Finance Committee.

2.2 BANKER'S GUARANTEES IN OUR POSSESSION

The following amounts relate to banker's guarantees provided by various suppliers in connection with CERN contracts: the list of amounts corresponding to these guarantees is shown below.

Currency	Banker's guarantees kCHF	
	As at 31.12.2010	As at 31.12.2009
CHF	10 984	14 507
EUR	12 025	19 208
GBP	184	34
JPY	38	-
SEK	31	32
USD	467	95
Total	23 730	33 876

2.3 FUTURE COMMITMENTS TO SUPPLIERS

Currency	Future commitments kCHF			
	As at 31.12.2010		As at 31.12.2009	
	Year 2011	Year 2012 and further	Year 2010	Year 2011 and further
CHF	21 305	8 727	18 991	35
EUR	26 649	10 863	10 510	1 322
USD	3 667	594	2 872	420
GBP	1 797	321	45	
OTHERS	102	286	197	
	53 520	20 791	32 615	1 777
Total	74 311		34 392	

2.4 FINANCIAL INSTRUMENTS

The Organization uses financial instruments to manage its exposure to currency and interest-rate risks incurred in the normal course of exploitation (for more details see NOTE 24).

NOTE 3 - FIXED ASSETS**3.1 FIXED ASSETS COMPLETED**

In compliance with the policy for recording fixed assets described in NOTE 1, changes in the net book value of the fixed assets completed can be detailed in the following table:

kCHF	Gross balance as at 31.12.2009	Additions 2010	Disposals and Transfers 2010	Gross balance as at 31.12.2010
	1	2	3	4=1+2-3
Infrastructure and services buildings	329 039	4 347		333 386
LHC	8 003 347			8 003 347
PS Consolidation	41 065			41 065
SPS Consolidation	24 479			24 479
CNGS	82 008			82 008
Total Fixed Assets - completed	8 479 938	4 347		8 484 285

kCHF	Accumulated Depreciation as at 31.12.2009	Variation 2010	Accumulated Depreciation as at 31.12.2010	Net book value as at 31.12.2009	Net book value as at 31.12.2010
	5	6	7=5+6	8=1-5	9=4-7
Infrastructure and services buildings	178 332	10 927	189 259	150 707	144 127
LHC	544 245	414 885	959 130	7 459 102	7 044 217
PS Consolidation	2 692	2 053	4 745	38 373	36 320
SPS Consolidation	1 605	1 224	2 829	22 874	21 650
CNGS	27 632	8 201	35 833	54 376	46 175
Total Fixed Assets - completed	754 506	437 290	1 191 796	7 725 432	7 292 489

While for infrastructure and services buildings depreciation is calculated using a linear method at the rate of 3.33%, the depreciation rate for complex scientific assemblies is defined for each individual assembly, based on technical criteria.

For LHC, PS and SPS consolidation, depreciation is calculated using a linear method at the rate of 5% of the gross value of the various components, except for the computing component, to which various rates of depreciation are applied, according to the nature of the assets.

For CNGS, depreciation is calculated on a straight-line basis at a rate of 10% of its gross value.

In 2010, the permanent exhibition in the Globe of Science and Innovation has been completed and its depreciation started from the 1st of July 2010 on a ten year basis.

3.2 FIXED ASSETS IN PROGRESS

The detail of the fixed assets in progress is shown in the following table.

There is no depreciation as the assets in question are still in the process of being built as at 31 December 2010.

It can be underlined that the LHC Inner Triplet Upgrade (LITUP) has been cancelled and consequently has been written off for an amount of 3.8 MCHF.

As for the permanent exhibition for the Globe of Science and Innovation, it has been transferred to the fixed assets completed.

kCHF	Gross balance as at 31.12.2009	Additions 2010	Disposals and Transfers 2010	Gross balance as at 31.12.2010
	1	2	3	4=1+2-3
Fixed Assets in progress				
CLIC Test Facility	109 065	22 830		131 895
PS Consolidation	6 536	7 063		13 599
SPS Consolidation	2 907	7 267		10 174
Extension Building 40	3 901	6 506		10 407
Permanent exhibition - Globe of Science and Innovation	1 192	821	2 013	
LINAC 4	25 673	25 389		51 062
LHC Improvement	44 271	28 325		72 596
LHC Inner Triplets Upgrade	3 755		3 755	
Infrastructure consolidation		22 343		22 343
Magnet Rescue Facility		12 497		12 497
High radiation material test facility		4 258		4 258
HIE - Isolde		1 953		1 953
Isolde Robot safety upgrade		131		131
NA62 infrastructure and construction		2 702		2 702
Extension Restaurant 1		74		74
Renovation auditorium and ground floor of the main building		296		296
Renovation Building 867		2 050		2 050
Building 107		25		25
AMS Payload operations control center		585		585
Total Fixed Assets - in progress	197 300	145 115	5 768	336 647
		139 347		

NOTE 4 - INVENTORIES

A general trend is to develop the virtual stock concept (items proposed in the stores catalogue directly delivered to the users without being stored) which results in low stock values.

kCHF	As at 31.12.2010	As at 31.12.2009
Gross value	7 708	6 841
Depreciation	- 2 075	- 1 806
Total	5 633	5 035

The increase of the net stock value in 2010 is the direct consequence of the recognition in the current assets of the items sold at the CERN shop and particularly the high value of books.

NOTE 5 - RECEIVABLES**5.1 MEMBER STATES**

The amount shown in the Statement of Financial Position under this sub-heading can be broken down as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
Contributions - Belgium	5 840	1 443
Contributions - Germany	684	3 636
Contributions - Greece	10 745	-
Contributions - Hungary	3 805	356
Contributions - Poland	-	15 647
Contributions - Spain	22 235	7 288
Special contributions - France	7 939	15 184
Total	51 248	43 554

Special contributions represent the balance of in-kind contributions due from France. The counterpart is shown under current liabilities “Deferred Revenue” for the same amount.

5.2 TAXES

The amount shown in the Statement of Financial Position under this sub-heading can be broken down as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
French Income Tax	3	3
French VAT	5 860	8 013
VAT other Member States	65	68
Swiss taxes and levies	277	252
Total	6 205	8 336

5.3 TEAMS AND COLLABORATIONS

The various Teams and Collaborations owed 9.3 MCHF at the end of 2010 which is slightly the same amount as at the end of 2009. However, 177.5 MCHF were received in advance on 31 December 2010, as shown under Liabilities.

5.4 OTHER RECEIVABLES AND PREPAYMENTS

The amount shown in the Statement of Financial Position under this sub-heading can be broken down as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
Advances to suppliers	1 781	4 916
Revenues to be received	2 730	1 670
Expenses in advance	7 795	4 341
Sundry debtors	2 193	1 920
Total	14 499	12 847

In the last days of December, CERN paid its 2011 premium to one of its insurance company which resulted in the increase of the item Expenses in advance.

NOTE 6 - CASH AND CASH EQUIVALENTS

The variations of cash and cash equivalents between 31 December 2009 and 31 December 2010 are explained in the Cash-Flow Statement.

At the end of 2010 liquid assets showed a balance of 37.3 MCHF compared to 26.7 MCHF at the end of 2009.

This balance must be appreciated in relation to the sub-heading “Short-term debt and bank overdrafts” shown under Liabilities.

NOTE 7 - NET ASSETS

The statement of changes in net assets is shown in PART 2 of the Financial Statements.

During 2010, the net assets decreased by 1513.4 MCHF. This amount can be broken down as follows:

- Net deficit for 2010: 71.2 MCHF
- Post-employment benefits – actuarial losses 2010: 1442.2 MCHF.

The reconciliation with the cumulative budget deficit is summarized in the following table:

MCHF	as at 31.12 2005	Var.* 2006	as at 31.12 2006	Var.* 2007	as at 31.12 2007	Var.* 2008	as at 31.12 2008	Var.* 2009	as at 31.12 2009	Var.* 2010	as at 31.12 2010
Cumulative Budget Balance	- 968	- 184	- 1 152	118	- 1 034	253	- 781	292	- 489	273	- 216
Accounting reconciliation											
Fixed assets: gross value less depreciation	1176	61	1237	5 454	6 691	1579	8 270	- 346	7 924	- 293	7 631
Capital repayments (loans)		- 463	- 463	- 39	- 502	13	- 489	14	- 475	15	- 460
Personnel: Paid leave and CA22				- 132	- 132	- 38	- 170	17	- 153	17	- 136
Provision: Post employment benefits				- 2 045	- 2 045	- 1791	- 3 836	- 212	- 4 048	- 1462	- 5 510
Provision: Elimination of waste				- 6	- 6	- 281	- 287		- 287	- 64	- 351
Others				30	30	- 3	27		27		27
Net Assets	208	- 586	- 378	3 380	3 002	- 268	2 734	- 235	2 499	- 1 514	986

* Variation

NOTE 8 LONG-TERM DEBTS

This heading includes amounts expected to be settled after more than twelve months from the reporting date:

	kCHF	As at 31.12.2010	As at 31.12.2009
FORTIS		385 519	405 808
FIPOI		39 413	35 518
Total		424 932	441 326

8.1 FORTIS

As approved by the Council in June 2006¹, a loan of 462.9 MCHF has been taken out with FORTIS Bank for the purposes of repaying the Organization's debt to the Pension Fund.

	kCHF	Less than 12 months	More than 12 months	Total
Capital		20 289	385 519	405 808
Total		20 289	385 519	405 808

¹ CERN/2676

8.2 FIPOI

In line with the decision of the Swiss Federal Chambers in 1996, no interest is charged on the loans granted by FIPOI for the construction of buildings at CERN. A new loan was taken out in 2008 for the extension of the building for physicists (Building 42). As at 31 December 2010, 10.5 MCHF had been received. The last part of the loan (0.8 MCHF) is expected to be received at the beginning of 2011. The first instalment for the reimbursement of this new loan is planned for 31 December 2011.

kCHF	Less than 12 months	More than 12 months	Total
Capital FIPOI 1 - Buildings 32 & 33	210	5 050	5 260
Capital FIPOI 2 - Building 40	670	24 089	24 759
Capital FIPOI 3 - Building 42	226	10 274	10 500
Total	1 106	39 413	40 519

NOTE 9 - CHIS FUND

In December 2007, the Council approved the setting-up of a capitalized fund for the CERN Health Insurance Scheme (CERN/FC/5209 - CERN/2759).

- a) The amount shown in the assets of the Statement of Financial Position can be broken down as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
Shares and bonds	102 770	96 773
Deposits and bank accounts	5 855	3 269
CHIS contractor	2 256	1 325
Withholding tax	877	1 399
Total	111 758	102 766

- b) In order to enhance the visibility of the CHIS, the following table shows the distinction between Health Insurance (HIS) and Long Term Care (LTC).

kCHF	As at 31.12.2010	As at 31.12.2009
CHIS Fund - HIS	38 213	34 001
CHIS Fund - LTC	27 800	29 934
Sub-total Plan Assets	66 013	63 935
Accrued benefits on HIS repayments	15 772	17 041
Accrued benefits on LTC allowances	29 959	21 790
Sundry creditors	14	
Total	111 758	102 766

- c) The change in the CHIS Fund balance is the result of Health and LTC movements throughout the year, a breakdown of which is shown in the following table.

	in kCHF
HIS	
Position as at 31.12.2009	51 042
Additional contribution from CERN	1 000
Ordinary contributions	65 396
Health benefits paid	- 62 056
Contractor fees and overheads	- 2 412
Financial gain on financial assets	1 016
Position as at 31.12.2010	53 986
LONG TERM CARE	
Position as at 31.12.2009	51 724
Ordinary contributions	8 268
LTC benefits paid	- 3 336
Contractor fees and overheads	- 18
Financial gain on financial assets	1 134
Position as at 31.12.2010	57 772

The 2010 financial performance of the funds invested with UBS and SARASIN banks amounted to 2.1 MCHF. This performance is based on a valuation of the portfolio at market prices as at 31.12.2010. The gross yield is 2.2% in 2010 compared to 10.5% in 2009. The 2009 figure mainly reflected the rebound from the poor 2008 performance linked to global financial crisis.

NOTE 10 - MEMBER STATES

The amount shown in the Statement of Financial Position under this sub-heading corresponds to the ppbar contributions from Member States.

The ppbar improvement project was presented to and approved by the Council in December 1983.

In February 1984, the Director-General's proposals for the funding of the project were approved by the Finance Committee (CERN/FC/2711 - CERN/CC/1526). Part of the financing procedures for the project was based on loans received from Member States during the first few years. In addition, it was decided to index the sums received from the date of receipt of funds to the date of repayment. Indexation is based on the overall cost-variation index for the indexation of Member States' contributions granted by the Council. The indexation rate for 2010 was + 1.16%.

kCHF	Total due as at 31.12.2009 (A)	Indexation 2010 (B)	Total due as at 31.12.2010 (A + B)
Austria	1 186	14	1 200
Denmark	849	10	859
France	9 676	112	9 788
Italy	6 480	75	6 555
Switzerland	2 250	26	2 276
Total	20 441	237	20 678

NOTE 11 - POST-EMPLOYMENT BENEFITS AND OTHER PROVISIONS

These provisions cover obligations of uncertain amount and timing.

kCHF	Comments	As at 31.12.2010	As at 31.12.2009
Pension scheme	A	2 994 514	2 450 921
Health Insurance Scheme (HIS)	A	2 514 977	1 597 388
Post-employment benefits		5 509 491	4 048 309
Radioactive waste management	B	351 000	287 000
Repair Sector 3-4	C	1 240	8 942
Water damage Building 354	C	50	50
Others		352 290	295 992

Comments:

A. Post-employment benefits

- a) As explained in NOTE 1 (Accounting Principles, § 1.3.3), post-employment benefits represent the estimated actuarial liability of defined-benefit plans for pension benefits and post-employment Health Insurance Scheme (HIS) benefits towards employed and retired members of the CERN personnel as at the reporting date.

The amounts recognized in the Statement of Financial Position are determined as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
Pension Benefits		
Future benefits obligation	6 621 836	6 139 911
Plan assets	-3 627 322	-3 688 990
Net liabilities	2 994 514	2 450 921
HIS Benefits		
Future benefits obligation	2 580 990	1 661 323
Plan assets	- 66 013	- 63 935
Net liabilities	2 514 977	1 597 388

- b) The calculation of the present value of defined-benefit obligations is based on demographic and financial assumptions. The principal actuarial assumptions used by the actuaries for calculation as at 31 December 2010 were as follows:

	As at 31.12.2010		As at 31.12.2009	
	Pension benefits	HIS benefits	Pension benefits	HIS benefits
Discount rate	2.10%	2.10%	2.55%	2.55%
Future salary increase	3.40%	3.40%	3.30%	3.30%
Future pension increase	1.00%	1.00%	1.00%	1.00%
Future health cost increase	NA	3.00%	NA	2.00%
Return on plan assets	5.00%	3.50%	5.00%	3.50%
% of award of indefinite contracts	60.00%	60.00%	60.00%	60.00%
Demographic tables	EVK 2000 Rev	LPP 2005	EVK 2000	LPP 2005

According to the standard, the discount rate used to reflect the present value of future cash-flows has to be modified each year according to the current position of the financial markets as at the reporting date.

- c) As a consequence, due to the systematic change of such a sensitive parameter, it can be difficult to compare present value from year to year. As shown in the table below, an increase or decrease of half a percentage point in the assumed discount rate would result in a significant change to the present values of pension benefits and health cover obligations.

	As at 31.12.2010	
	Pension benefits	HIS benefits
Present value of future benefits obligation (in MCHF)	6 622	2 581
Effect if increase of + 0.5% point in discount rate (in MCHF)	- 450	- 297
Effect if increase of + 0.5% point in discount rate (in %)	6.8%	11.5%

Since the CERN Pension Fund holds the retirement benefits for both CERN and ESO members, the plan assets deducted from the Pension benefits obligation has been calculated by the independent actuary prorata of the employers' obligations and based on the actuarial commitments reported in the Annual Report of the Pension Fund.

The plan assets deducted from the HIS benefits obligations consist of 66 MCHF as reported in NOTE 9.

d) The change in the net liabilities resulted in the following:

k CHF	As at 31.12.2010		
	Pension benefits	HIS benefits	Total
Net liabilities as at 31.12.2009	2 450 921	1 597 388	4 048 309
Employer cost	- 18 554	37 514	18 960
Actuarial loss	562 147	880 075	1 442 222
Net liabilities as at 31.12.2010	2 994 514	2 514 977	5 509 491

The amount shown under the "Employer cost" heading corresponds to the difference between the employer's actual contributions for the year and the estimated cost for the year calculated according to the actuarial assessment made at the end of the previous year. The actuarial assessment corresponds to the sum of the service cost and the interest cost, minus the expected return on the plan assets.

The actuarial gains or losses are attributable to changes in the actuarial assumptions and to adjustments to take account of what has actually occurred (differences between what has occurred and the estimates made using assumptions).

In 2010, the actuarial loss for pension benefits amounts to 562 MCHF, broken down as follows:

- -153 MCHF due to the reduction in the discount rate¹ from 2.55% to 2.10%,
- -288 MCHF due to:
 - ✓ the updated rate of future salary increase;
 - ✓ the inclusion of an increase in the liabilities to the pensioners resulting from an increase in life-expectancy (0.5% per year from 2000 to 2010). It is planned to use a new actuarial table, more recent for the calculation as of 31.12.2011;
- -59 MCHF due to adjustments to take account of what has actually occurred;
- -62 MCHF due to the decrease in the value of the Pension Fund's assets.

In 2010, the actuarial loss for health insurance benefits amounts to 880 MCHF, broken down as follows:

- -715 MCHF due to the change in the medical costs assumption: rate of inflation of 3% instead of 2% in 2009.
- -173 MCHF due to the reduction in the discount rate from 2.55% to 2.10%,
- +8 MCHF due to other changes: rate of contributions, related population, plan assets.

¹ Long-term Swiss Confederation Bonds interest rate.

The estimate of post-employment benefits according to the international accounting standard is closely dependent on the condition of the financial markets as at the reporting date. Moreover, while it integrates a salary increase assumption for calculating the probable future cost of benefits, it does not reflect future financing resulting from contributions to the schemes, from capital return and from increased manpower. This is why other methods of evaluating long-term financing of benefits plans exist.

For 2010, the Pension Fund Governing Board decided to use for the Annual Accounts of the Pension Fund two different sets of assumptions:

- The first set of assumptions follows the IPSAS principles (i.e. using the discount rate of 2.10%). At the end of 2010, the funding ratio of the Pension Fund calculated according to this set is 54.8%;
- The second set of assumptions reflecting the long-term actuarial assumptions used in the document “Report by the Pension Fund Governing Board on Funding principles and policy and measures to restore full funding of the CERN Pension Fund” (CERN/FC/5432/RA – CERN/2897/RA). At the end of 2010, the funding ratio of the Pension Fund calculated according to this set is 69.4% compared to 69.5% at the end of 2009.

B. Radioactive waste management

Radioactive waste generated by CERN’s activities is sent to the Laboratory’s waste treatment centre where it is preconditioned for interim storage on the CERN site. The Organization maintains an inventory of its radioactive waste. It allows the different types of waste to be categorised and quantified.

The new Tripartite Agreement on radiation safety and radiation protection, signed on 15th November 2010 by CERN and its host States represented by the Swiss Federal Office of Public Health (OFSP) and the French Authority for National Security (ASN), replace the existing conventions and agreements in this matters. The new agreement include, among others, the opportunity to agree on various options for the disposal of CERN’s radioactive waste.

It foresees that the radioactive waste from CERN will be disposed of according to (article 7 of the agreement) the “most technically and economically advantageous” elimination pathways available in the two Host States. CERN will propose the most suitable elimination pathways for the different type of radioactive waste in a document (“Waste Study”) that will be submitted on a yearly base to ASN and OFSP in the frame of a Tripartite Meeting for its agreement. The criterion of choice of the best elimination pathway will take into consideration the principle of equity of disposal in quantity, toxicity and total activity among the two Host States.

The estimated costs will correspond to the chosen elimination pathways.

Pending the finalization of this study the estimated costs have been reassessed (based on updated quantities and costs) and the provision shown in the liabilities as at 31.12.2010 covers the estimated costs for the disposal of radioactive waste stored at CERN as at 31.12.2010.

The following costs are not included in this provision: tools and manpower needed for the radiological characterization of the waste, handling and conditioning of the waste, provision of containers¹ and transport of waste to the final disposal facilities. These costs depend on specifications set by the authorities responsible for the final repositories.

A certain amount of radioactive material is also stored at CERN, but given its possible re-use at CERN, this is not to be considered as radioactive waste and no elimination cost is therefore included in the present estimate. This material will be included in the “waste study” only when it is declared to be radioactive waste by the CERN Safety Unit.

C. Repair Sector 3-4

A provision for repairs was made as at 31 December 2008 so as to take into account the foreseen expenses for a restart of the LHC during autumn 2009. It was based on an estimate of the direct costs in terms of material and the industrial support necessary for:

- the repairs in Sector 3-4,
- full replenishment of the spares inventory to pre-incident levels.

At the end of 2009 the repairs were completely carried out which resulted in reversing the dedicated provision.

At the end of 2010 a balance of 1.2 MCHF is kept under Liabilities to be used in 2011 for the completion of the replenishment of the spares.

D. Other Items not recognized in the Financial Statements

a) Dismantling

The applicable texts (in particular CERN's founding Convention and the pertinent agreements with Switzerland and France) do not stipulate an obligation for CERN to dismantle the LHC or the CNGS at the end of their operating period.

In the absence of an obligation to dismantle and given that the fate and state of the installations at the end of their operating period is not foreseeable at present, no provisions for dismantling are included in the financial statements.

If CERN were to dismantle installations such as the LHC or the CNGS, such operations would have to be carried out in the applicable legal framework and involve costs which cannot be determined today however.

b) Litigation

In February 2010, the Administrative Tribunal of the International Labour Organization (ILOAT) delivered a judgment against CERN in respect of an appeal

¹ except for the waste originating from the LEP dismantling

filed by a third staff member against the decision not to grant an indefinite contract. In accordance with Article VI of the Statute of the International Labour Organization Administrative Tribunal (ILOAT), the judgments delivered by the Tribunal are “final and without appeal”. The Organization has been ordered to pay 30 kCHF in compensation of procedural shortcomings and 5 kCHF in costs. The corresponding accrual was already shown in the 2009 Annual Accounts and it has been settled in 2010.

Since the ILOAT judgment the procedure for the award of an indefinite contract has been modified so that such a case should not appear in the future.

There were no other pending cases requiring setting up accruals at the end of the year.

c) Claims

Since January 2010, CERN has received two claims in relation to work carried out at CERN by a CERN Contractor from 2001 to 2007:

- a claim submitted directly by the Contractor for the settlement of outstanding invoices for a total amount of 0.4 MEUR, part of which CERN rejects;
- a claim made through the Contractor’s lawyer for damages estimated at 5.6 MEUR covering alleged violations by CERN of contractual and extra-contractual obligations. The amounts claimed are not substantiated in any way and CERN considers the claim unfounded.

CERN is currently trying to negotiate a global settlement of these claims.

NOTE 12 - SHORT-TERM DEBT AND BANK OVERDRAFT

As mentioned under Long-term debts, the amounts falling due next year are included under this heading in addition to the short-term borrowing from banks.

kCHF	As at 31.12.2010	As at 31.12.2009
FORTIS - to be reimbursed within 1 year	20 289	14 181
FIPOI - to be reimbursed within 1 year	1 106	880
Short-term borrowings from banks	26 000	290 000
Accrued interest on short-term borrowings	1	23
Total	47 396	305 084

CERN has credit lines with various financial establishments. These do not generate any financial cost on top of the interest incurred when used. The total amount used by CERN on these credit lines decreased from 290 MCHF at the end of 2009 to 26 MCHF at the end of 2010.

NOTE 13 - PAYABLES

13.1 TRADE ACCOUNTS

This sub-heading represents outstanding invoices and accrued Material expenses due to suppliers.

13.2 TEAMS AND COLLABORATIONS

The sub-heading represents the advances received from Teams and Collaborations and other Funds. The most important part concerns Collaborations and mainly:

The LHC Experiments

- ATLAS (A Toroidal LHC Apparatus)
- CMS (Compact Muon Solenoid)
- ALICE (A Large Ion Collider Experiment)
- LHCb (LHC beauty)

The balances as at 31 December 2010 amounted to 81.28 MCHF for ATLAS, 6.87 MCHF for ALICE, 19.12 MCHF for CMS and 8.23 MCHF for LHCb.

The status of the LHC experiments is reported regularly to Council, most recently in June 2010 (CERN/SPC/948/Rev. - CERN/FC/5450/Rev. - CERN/2915/Rev.).

Russian LHC Fund

Following the 1993 Co-operation Agreement between CERN and the Government of the Russian Federation, a Protocol was signed in June 1996 concerning the participation in the Large Hadron Collider Project.

The balance on this account at the end of 2010 was some 1.14 MCHF.

Indian LHC Fund

Following the 1991 Co-operation Agreement between CERN and the Department of Atomic Energy (DAE) of the Government of India, a Protocol concerning participation in the Large Hadron Collider Project (LHC) was signed in March 1996.

This account showed a year-end balance in 2010 of 7.58 MCHF.

Pakistan LHC Fund

In July 2003 CERN and the Government of Pakistan, represented by PAEC, signed a Protocol to its 1994 Co-operation Agreement. Under the terms of that Protocol, which provides for a special contribution by Pakistan to the Large Hadron Collider Project (LHC), a Pakistan Fund was set up as a Team Account at CERN.

The balance on this account at the end of 2010 was some 0.19 MCHF.

13.3 EMPLOYEE BENEFITS

13.3.1 Employee benefits recognized in the Financial Statements

- a) The amount shown in the Statement of Financial Position under this sub-heading can be broken down as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
Accruals		
Paid leaves	113 650	116 809
Shift work compensation	31 493	35 876
Paid leaves for long service	7 614	7 147
Termination allowances	2 636	3 430
Other payables	140	562
Total	155 533	163 824

- b) The principal assumptions used for calculating the present value of special leaves for long service, shift work compensation and termination allowances were as follows:

kCHF	As at 31.12.2010			As at 31.12.2009		
	Long service	Shift work compensation	Termination allowance	Long service	Shift work compensation	Termination allowance
Discount rate	1.67%	1.09%	0.63%	1.97%	0.99%	0.72%
Future salary increase	3.40%	3.40%	3.40%	3.30%	3.30%	3.30%
% of award of indefinite contracts	60.00%	NA	60.00%	60.00%	NA	60.00%

13.3.2 Other employee benefits not recognized in the Financial Statements

Reinstallation indemnities

As provided for in the Staff Rules and Regulations, reinstallation indemnities may be paid under certain conditions to non-resident staff within 30 months following the termination of their contract. The corresponding contingent liability towards the members of personnel amounted to 9.7 MCHF as at the reporting date.

NOTE 14 - DEFERRED REVENUE

The amount shown in the Statement of Financial Position under this heading can be broken down as follows:

kCHF	As at 31.12.2010	As at 31.12.2009
Italy - within 1 year	469	
France - within 1 year	184	476
Slovak Republic - within 1 year	29	3 074
EU projects	7 904	17 678
Other revenues in advance	2 689	2 435
Deferred in kind	7 973	15 184
Total	19 248	38 847

Following the agreement with the EU in the context of the European Commission's 7th Framework Programme in 2008, CERN received advances for a large number of projects. These advances are either redistributed to other parties when CERN is project coordinator or kept to cover CERN expenditure. 15.1 MCHF have been used in 2010 and transferred to revenue.

The sub-heading "Other revenue in advance" mainly concerns balances of Openlab and of various technology transfer projects awaiting recognition as revenue according to the stage of completion of contracts.

NOTE 15 - OTHER CURRENT LIABILITIES

This heading amounted to 4.1 MCHF as at 31 December 2010 and included the balance of advanced payments from various companies, CERN schools and social activities.

NOTE 16 - MEMBER STATES' CONTRIBUTIONS

The detail of annual Member States' contributions is shown in the following table:

kCHF	2010	2009
Austria	25 032	24 661
Belgium	31 346	30 446
Bulgaria	3 556	2 406
Czech Republic	12 055	12 690
Denmark	19 601	19 390
Finland	16 514	16 992
France	173 786	168 725
Germany	225 767	218 583
Greece	21 489	20 473
Hungary	7 611	8 572
Italy	129 420	126 544
Netherlands	50 588	52 715
Norway	30 669	27 820
Poland	29 594	31 376
Portugal	13 114	12 485
Slovak Republic	6 701	5 914
Spain	98 908	93 726
Sweden	26 720	30 376
Switzerland	26 851	33 086
United Kingdom	162 831	161 587
Total	1 112 153	1 098 567

Additional contributions from Host States amounting to 23.9 MCHF, are shown in the Summary of Revenue (PART 1).

Besides, a contribution of 3.2 MCHF has been received from Romania, candidate for accession.

NOTE 17 - EU CONTRIBUTIONS

Following the agreement between the EU and CERN in the context of the European Commission's 6th and 7th Framework Programmes, an amount of 15.1 MCHF was used to cover expenses in 2010. The corresponding EU projects were:

	MCHF
MARIE CURIE Actions	5.0
SLHC-PP project	2.4
EGEE III project	1.5
EMI project	0.9
EUCARD project	0.8
D4 Science II project	0.6
EGI-Inspire project	0.4
MassTeV project	0.4
EUROnu project	0.4
Cosmo@LHC project	0.3
EGI-DS project	0.2
SOAP project	0.2
Others	2.0
Total	15.1

NOTE 18 - TRANSFERS TO FIXED ASSETS AND OTHER IN-KIND CONTRIBUTIONS**18.1 TRANSFERS TO FIXED ASSETS**

In compliance with the policy for recording fixed assets described in NOTE 1, this sub-heading represents the amount of expenses recognized as fixed assets during 2010.

	kCHF	2010	2009
Infrastructure and services buildings		35 034	4 509
CLIC		22 830	18 019
PS Consolidation		7 063	6 536
SPS Consolidation		7 267	2 907
LINAC 4		25 389	19 160
LHC Improvement		28 325	36 430
LHC Inner Triplets Upgrade		- 3 755	3 049
Magnet Rescue Facility		12 497	
High radiation material test facility		4 258	
HIE - Isolde		1 953	
Isolde Robot safety upgrade		131	
NA62 infrastructure and construction		2 702	
Total		143 694	90 610

The amount of 143 694 kCHF can be reconciled with table 3.1 (4 347 kCHF) and table 3.2 (139 347 kCHF)

18.2 OTHER IN-KIND CONTRIBUTIONS

The amount shown under this sub-heading represents the estimate of advantages granted to the Organization. These in-kind revenues have their counterpart within Material Expenses. They can be broken as follows:

kCHF	2010	2009
Loans and advances with no interest	1 845	1 898
Lands made available without charge	2 421	2 662
Computing : material and training	469	386
In-kind Fermilab		1 436
Novae : material and furniture for restaurant 1	267	
In-kind CNRS and CEA	526	
Total	5 528	6 382

NOTE 19 - OTHER OPERATING REVENUE

The amount shown under this heading can be broken down as follows:

kCHF	2010	2009
Personnel paid on Team accounts	12 586	11 283
Personnel on detachment	1 088	809
Knowledge and technology transfer	1 197	1 386
Sale of scrap and equipment no longer in use and revenue from collaborations	9 324	5 014
Sales from the CERN shop	699	482
Revenue for LHC repair		100
Revenue from the Housing activity	6 167	5 978
Revenue from the Globe of Science & Innovation	880	1 300
Miscellaneous revenue	4 599	1 965
Total	36 540	28 317

NOTE 20 - MATERIALS EXPENSES

Details of some headings of materials expenses are shown in the following table:

kCHF	2010	2009
Goods, Consumables, Equipment & Supplies	165 195	141 064
Stock variations	- 431	278
Buildings, civil-engineering equipment and supplies	37 184	31 884
Electrotechnics, electronics equipment and supplies	40 508	42 301
IT equipment and supplies	30 540	21 273
Mechanics equipment and supplies	16 899	13 931
Vacuum and particle detection equipment and supplies	8 975	7 347
Cryogenics and gases for experiments	3 483	6 459
Transport, handling and hoisting equipment and supplies	6 022	1 810
Miscellaneous supplies	22 015	15 781
Electricity, heating gas and water	71 585	61 882
Support Services	50 246	63 677
Admin. & IT support	8 849	10 490
Technical support	39 457	51 339
Temporary work	1 940	1 848
Repair & Maintenance	32 514	29 677
Fees and Subsistence	26 835	26 155
Subsistence	23 597	22 348
Experts' and consultants' fees	3 238	3 807
CERN contributions to Collaborations	11 515	14 104
Other overheads	29 892	28 709
Equipment hire	1 054	1 334
Insurance premiums	4 913	5 414
Library	2 202	1 554
Visits and conferences	2 039	2 316
Duty travel and hospitality expenses	8 261	7 067
Transport	5 314	5 657
Training costs	3 995	3 157
Communications	1 278	1 421
Miscellaneous overheads	836	789
Depreciation and variation of provisions	493 821	423 716
Depreciation of fixed assets	437 290	437 335
Depreciation of current assets	232	184
Variation of provision for repair	- 7 702	- 13 854
Variation of provision for elimination of radioactive waste	64 000	
Variation of other provisions		50
Total	881 603	788 984

The Materials expenses charged to the budget for 2010 and shown in PART 1 NOTE 2 of the Financial Statements amounted to 380.1 MCHF. It can be reconciled with the above as follows:

	MCHF
Materials Budget expenses	380.1
Depreciation fixed assets	437.3
Variation of provisions	64.0
Bank charges (in Materials instead of Interests & Financial Costs)	0.2
Materials expenses	881.6

NOTE 21 PERSONNEL EXPENSES

The details of personnel expenses are shown in the following table:

kCHF	2010	2009
Remuneration	315 329	301 638
Staff members	277 326	270 482
Fellows	32 634	26 434
Associates and Apprentices	5 369	4 722
Social and family benefits	63 097	60 790
Staff members	60 562	58 230
Fellows	2 135	2 212
Associates and Apprentices	400	348
Social insurance cover	97 268	95 755
Pension Fund	75 144	74 519
Staff members	69 336	69 661
Fellows	5 808	4 858
Health Insurance	22 194	21 306
Staff members	19 096	18 739
Fellows	2 116	1 713
Associates and Apprentices	982	854
Miscellaneous	- 70	- 70
Staff members	- 80	- 79
Associates and Apprentices	10	9
Annual variation - paid leave	- 2 366	- 5 247
Staff members	- 2 644	- 5 477
Fellows	278	230
Post-employment benefits	40 226	14 001
Contribution to Health Insurance for pensioners	18 608	18 052
Contribution to Long-Term Care for pensioners	2 658	2 579
Changes in provision for the Pension scheme	- 18 554	- 7 944
Changes in provision for the Health scheme	37 514	1 314
Internal taxation	26 198	24 729
Total	539 752	491 666

The Personnel expenses charged to the budget for 2010 and shown in PART 1 NOTE 3 of the Financial Statements amounted to 538.1 MCHF. It can be reconciled with the above as follows:

	MCHF
Personnel Budget expenses	538.1
Employer costs - Pension benefits *	- 18.5
Employer costs - HIS benefits *	37.5
Amortization of staff benefits accruals	- 17.3
Personnel expenses	539.8

* cf. Note 11 A d) - table

NOTE 22 - FINANCIAL REVENUE AND EXPENSES

The details of financial revenue and expenses are shown in the following table:

kCHF	2010	2009
Financial revenue		
Interest	185	110
Exchange gain	638	546
Total	823	656
Financial expenses		
Interest on EIB loan		1 241
Interest on Fortis loan	14 118	14 573
Loans with no interest	1 845	1 898
Cost of short-term borrowings	115	1 270
Outcome of Future Rate Agreements (FRA)	765	3 102
Bank interest retrocession	8	1
ppbar indexation	237	401
Total	17 088	22 486

The Interests and Financial costs charged to the budget for 2010 and shown in PART 1 NOTE 4 of the Financial Statements amounted to 17.3 MCHF. It can be reconciled with the above as follows:

	MCHF
Interests and Financial Costs Budget Expenses	17.3
Bank charges (in Materials instead of Interests & Financial Costs)	- 0.2
Financial expenses	17.1

NOTE 23 - MANAGEMENT OF FINANCIAL RISKS

23.1 LIQUIDITY RISK

CERN's activities are financed by the annual contributions of the Member States.

Nevertheless, CERN may, if necessary, cover its exposure to liquidity risks by having recourse to short-term bank loans or credit lines. In the event of a cash surplus, CERN may invest the amounts concerned.

23.2 COUNTERPARTY RISK

CERN must take the following steps to protect itself from the risk of counterparty default:

- having recourse to top-rated financial institutions and setting a ceiling on the level of operations authorised with each counterparty;
- applying rules and procedures defining the conditions for opening and managing third-party accounts and limiting the amounts managed and the transactions authorised;
- applying procurement rules that allow CERN to ensure that its contractors have the capacity to comply with the contractual conditions.

The goal of financial risk management is to minimise the impact of the unpredictable nature of financial market trends on CERN's financial position.

The Director-General may have recourse to financial instruments to cover financial market risks such as variations in interest and exchange rates

NOTE 24 - FINANCIAL INSTRUMENTS

The Organization uses hedging tools to manage its exposure to currency and interest rate risks incurred in the normal course of exploitation. The Organization does not sell or purchase derivative financial instruments for purposes other than hedging.

24.1 CURRENCY EXPOSURE

CERN uses forward exchange contracts and options to hedge its foreign exchange risk.

As 31.12.2010, the portfolio of foreign exchange hedging instruments was as follows:

Forward Contracts

Transaction date	Maturity date	Currency	Buy in kEUR	Exchange rate	Value in kCHF
30.11.2010	07.01.2011	EUR	2'000	1.3014	2'603
09.12.2010	02.02.2011	EUR	3'000	1.2994	3'898
09.12.2010	01.03.2011	EUR	3'000	1.2987	3'896
15.12.2010	05.04.2011	EUR	3'000	1.2780	3'834
			11'000		14'231

Forward Knock-In Contracts *

Transaction date	Maturity date	Currency	Value in kEUR	Exchange rate
16.12.2010	03.05.2011	EUR	3'000	1.195 - 1.290 *
16.12.2010	07.06.2011	EUR	3'000	1.195 - 1.290 *
16.12.2010	07.07.2011	EUR	3'000	1.195 - 1.290 *
			9'000	

* Guaranteed rate of 1.29 with CERN being able to benefit from a fall up to 1.195 (knock-in barrier)
If the rate reaches 1.195 during the life of the contract, the applicable rate will be 1.29

24.2 INTEREST EXPOSURE

Since 2005, CERN has been using forward rate agreements (FRA) to protect itself against interest rate fluctuations. The final instalment of these contracts fell in April 2010.

CERN has not used any other interest-rate hedging contracts.

24.3 NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**24.3.1 On Balance sheet**

The net fair value of cash and cash equivalents of financial assets and of non-interest bearing monetary financial liabilities of the entity approximates to their carrying amounts.

24.3.2 Off Balance sheet

The fair value of the interest-rate hedging instruments as at 31.12.2010, communicated by the financial establishments with which they were contracted, is shown in the tables below:

Forward Contracts

	Buy in kEUR	Buy in kCHF	Fair Value as at 31/12/2010 in kCHF	Unrealised losses
TOTAL	11'000	14'231	13'744	-487

Knock-In Forward

	Value in kEUR	Fair Value as at 31/12/2010 in kEUR	Fair Value as at 31/12/2010 in kCHF
TOTAL	9'000	-259	-324

*

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