

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

<i>Action to be taken</i>		<i>Voting Procedure</i>
For recommendation to Council	FINANCE COMMITTEE 325 th Meeting 17 June 2009	Simple majority of Member States represented and voting and 51% of the contributions of all Member States
For approval	COUNCIL 151 st Session 19 June 2009	Simple majority of Member States represented and voting

Annual Accounts
(Financial Statements)
for 2008

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 2008 Annual Accounts and to grant discharge to the Director-General.

ANNUAL ACCOUNTS (FINANCIAL STATEMENTS)
FOR 2008

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INTRODUCTION

The financial statements of CERN for the year ending on 31 December 2008 have been drawn up in accordance with the International Public Sector Accounting Standards (IPSAS), as was already the case in 2007.

The year 2008 marked the closing of the books of the LHC Machine at the end of its construction. As a financial consequence, the LHC has been fully recorded under the fixed assets category, and has been depreciated for the first time.

The 19 September incident in the Machine in Sector 3-4, which occurred only nine days after the commissioning with beam on 10 September, prevented the start of normal operation and obliged CERN to concentrate all its resources on the repair as well as on the improvement of the LHC's operating reliability. This is the origin of the major deviation from the 2008 budget. Therefore a provision has been recognized for the repair and for the replenishment of the spare parts.

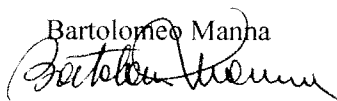
The financial statements for 2008 take into account that the last 200 MCHF Tranche of the EIB loan will be repaid in March 2009.

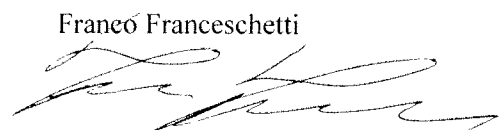
AUDIT CERTIFICATE

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 2008 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".

Rome, 22 May 2009

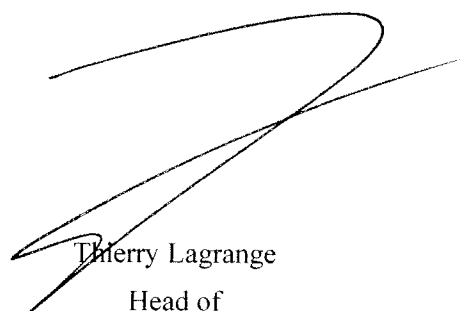
Bartolomeo Manha


Franco Franceschetti


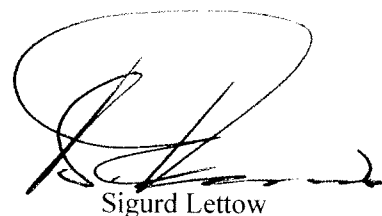
External Auditors

**SIGNATURE OF THE CERN
OFFICIAL REPRESENTATIVES**

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

A handwritten signature in black ink, consisting of a large, sweeping initial 'T' followed by a series of connected loops and a final horizontal stroke.

Thierry Lagrange
Head of
Finance and Procurement Department

A handwritten signature in black ink, featuring a large, circular initial 'S' followed by several loops and a horizontal tail.

Sigurd Lettow
Director for
Administration and General Infrastructure

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**STATEMENT OF COMPARISON OF BUDGET
AND ACTUAL AMOUNTS**

MCHF	Budget	Actual amounts	Difference
Revenue			
Contributions of the Member States	1 075.9	1 075.9	
EC Contributions to EU co-funded projects	12.3	16.5	4.2
Additional contributions from Host States	23.7	24.1	0.4
Internal Taxation	23.7	24.2	0.5
Other revenue	4.7	18.0	13.3
	1 140.3	1 158.7	18.4
Expenses			
Materials	391.0	372.2	- 18.8
Personnel	489.6	493.0	3.4
Debts	30.3	27.6	- 2.7
	910.9	892.8	- 18.1
A. BUDGET SURPLUS FOR THE PERIOD*	229.4	265.9	36.5
B. CAPITAL REPAYMENTS	13.1	13.1	
ALLOCATION TO BUDGET BALANCE (A-B)	216.3	252.8	36.5

* cf. Notes to 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		265.9
ACCOUNTING RECONCILIATION		1 329.0
Expenditure transferred to fixed assets	18.1	1 728.2
Depreciation of fixed assets	20.1	- 149.2
Fixed assets reconciliation		1 579.0
Variation of provision for post-employment benefits	21.1	31.2
Variation of other provisions	20.1	- 280.7
Others		- 0.5
Items not recognized in the Budget Surplus		- 250.0
NET ACCOUNTING SURPLUS FOR THE PERIOD*		1 594.9

* cf. Statement of Financial Performance, Part 2

SUMMARY OF INCOME

kCHF	2008	2007	Variation
Contributions from Member States	1 075 863	1 026 288	49 575
Austria	23 553	22 251	1 302
Belgium	29 533	27 261	2 272
Bulgaria	2 119	2 148	- 29
Czech Republic	10 370	9 076	1 294
Denmark	19 579	18 100	1 479
Finland	15 025	14 416	609
France	160 500	152 719	7 781
Germany	208 666	202 452	6 214
Greece	19 669	15 854	3 815
Hungary	8 920	7 840	1 080
Italy	122 972	123 636	- 664
Netherlands	48 528	45 739	2 789
Norway	29 114	24 300	4 814
Poland	24 731	22 687	2 044
Portugal	12 004	12 243	- 239
Slovak Republic	3 930	3 491	439
Spain	89 779	83 791	5 988
Sweden	27 583	25 452	2 131
Switzerland	32 598	31 462	1 136
United Kingdom	186 690	181 370	5 320
EC Contributions to EU co-funded projects	16 515	18 272	- 1 757
Additional contributions from Host States	24 175	9 000	15 175
France	11 800	9 000	2 800
Switzerland	12 375		12 375
Transfer from the Statement of Financial Position	-	19 230	- 19 230
Internal Taxation	24 208	23 245	963
Other income	17 977	21 459	- 3 482
Unused provisions	-	2 562	- 2 562
Sale of scrap and equipment no longer in use and income from collaborations	6 662	8 121	- 1 459
Sales from the CERN shop	587	289	298
Income from sponsoring	1 304		1 304
Income from technology transfer	2 422	2 721	- 299
Income from the Housing Fund	6 126		6 126
Miscellaneous income	723	5 886	- 5 163
Financial income	153	1 880	- 1 727
Total	1 158 738	1 117 494	41 244

NOTES TO THE BUDGET OUT-TURN

The total expenditure budget of 910.9 MCHF at 2008 prices was approved by the Finance Committee¹ in March 2008. Further transfers of income and expenditure were presented to the Finance Committee in December 2008 in the framework of the 2009 Budget².

The scheduled surplus for 2008 in the Budget was initially 229.4 MCHF and was re-estimated in the 2009 Budget at 259.5 MCHF. The difference essentially concerns deferred expenditure for the New Initiatives.

The final surplus was increased to 265.9 MCHF.

Taking into account the 13.1 MCHF of capital repayments, the amount to be allocated to the budget balance was 252.8 MCHF. This amount will be used to reduce the accumulated budget deficit.

NOTE 1 - EXPENDITURE BY SCIENTIFIC PROGRAMME AND ACTIVITY

Explanations regarding the main differences between actual Material and Personnel expenditure and that indicated in the Budget are given below:

¹ CERN/FC/5169

² CERN/FC/5304/Rev.

Table A - Summary of Expenditure in 2008 by Scientific Programme and Activity (in kCHF)

Activity	2008 Budget CERN/FC/5169 (2008 prices)			2008 Out-Turn CERN/FC/5331 (2008 prices)			Variations of Out-Turn with respect to Budget (2008 prices)		
	Personnel	Materials	Total	Personnel	Materials	Total	Personnel	Materials	Total
OPERATING EXPENDITURE	489 565	421 360	910 925	492 599	370 816	863 415	3 034	- 50 544	- 47 510
Running of Scientific Programmes and Support	444 630	352 130	796 760	444 403	328 745	773 148	- 227	- 23 385	- 23 612
Scientific programmes	279 990	188 580	468 570	277 381	177 194	454 574	- 2 609	- 11 386	- 13 996
LHC (including new initiatives support to detectors)	191 120	145 935	337 055	189 805	134 914	324 719	- 1 315	- 11 021	- 12 336
Non-LHC physics and scientific support	36 170	9 580	45 750	35 507	8 168	43 676	- 663	- 1 412	- 2 074
Accelerators and areas	52 700	33 065	85 765	52 069	34 112	86 180	- 631	1 047	415
General Infrastructure and Services	164 640	163 550	328 190	167 022	151 551	318 573	2 382	- 11 999	- 9 617
Infrastructure & services	109 770	65 335	175 105	115 097	60 588	175 685	5 327	- 4 747	580
Centralised personnel expenditure	31 160		31 160	27 495		27 495	- 3 665		- 3 665
Internal taxation	23 710		23 710	24 208		24 208	498		498
Insurance & Communications, Energy & Water		67 860	67 860		63 363	63 363		- 4 497	- 4 497
Interests and financial costs		30 355	30 355		27 601	27 601		- 2 754	- 2 754
Personnel on detachment*				221		221	221		221
Projects, R&D and Consolidation	44 935	69 230	114 165	48 196	42 071	90 267	3 261	- 27 159	- 23 898
CLIC	12 270	10 105	22 375	10 205	9 339	19 544	- 2 065	- 766	- 2 831
LINAC 4	1 000	10 230	11 230	3 897	2 617	6 513	2 897	- 7 613	- 4 717
Focus Quadrupoles (NbTi)				735	198	933	735	198	933
R&D studies (PS2, SPL, detectors)	11 845	5 275	17 120	10 457	2 585	13 041	- 1 388	- 2 690	- 4 079
R&D Computing (EU)	5 500	920	6 420	6 921	974	7 895	1 421	54	1 475
Consolidation	14 320	42 700	57 020	15 982	26 358	42 340	1 662	- 16 342	- 14 680
OTHER EXPENDITURE**				385	28 992	29 377	385	28 992	29 377
Total	489 565	421 360	910 925	492 984	399 809	892 792	3 419	- 21 551	- 18 133

* In 2008 Budget (CERN/FC/5169) allocated to the activity of the detached staff.

** Housing Fund, Stores activity, Depreciation expenses, IPSAS reconciliation.

At the end of the 2008 financial year, overall expenditure was 18.1 MCHF less than initially planned. The following factors contributed to this reduction:

- Carry-forward of the initial 2008 funds earmarked for Detectors re-scoping to 2009. A delay in starting the new initiatives was mainly due to the LHC beam commissioning in September 2008, followed by the incident in Sector 3-4;
- Centralised expenditure: mainly due to the reduction of the centralised personnel budget, insurance and financial costs (as explained below in the Table C “Infrastructure and Services”);
- Carry-forward of the unspent 2008 project funds to 2009, in line with the newly-approved Financial Rules. The overall focus on the LHC commissioning and the repair resulted in a delay in procurement of consolidation materials and a later start of the civil engineering for Linac 4.

Table B - Summary of Expenditure in 2008 - Scientific Programmes (in kCHF)

Activity	2008 Budget CERN/FC/5169 (2008 prices)			2008 Out-Turn CERN/FC/5331 (2008 prices)			Variations of Out-Turn with respect to 2008 Budget (2008 prices)		
	Personnel	Materials	Total	Personnel	Materials	Total	Personnel	Materials	Total
LHC Programme (including projects)	191 120	145 935	337 055	189 805	134 914	324 719	- 1 315	- 11 021	- 12 336
LHC Machine and Injectors	96 100	89 115	185 215	97 383	85 762	183 145	1 283	- 3 353	- 2 070
LHC Detectors	77 090	30 255	107 345	75 436	22 975	98 411	- 1 654	- 7 280	- 8 934
ATLAS detector	23 875	4 245	28 120	23 319	4 328	27 647	- 556	83	- 473
CMS detector	24 500	3 535	28 035	25 437	4 495	29 932	937	960	1 897
Alice detector	11 800	2 865	14 665	10 979	3 254	14 233	- 821	389	- 432
LHCb detector	11 120	3 235	14 355	10 139	2 650	12 789	- 981	- 585	- 1 566
Common items, other experiments (including Totem)	4 820	1 540	6 360	5 562	1 881	7 444	742	341	1 084
Detectors Re-scoping	975	14 835	15 810		6 366	6 366	- 975	- 8 469	- 9 444
LHC Computing	17 930	26 565	44 495	16 986	26 177	43 162	- 944	- 388	- 1 333
Non-LHC Physics and Scientific support	36 170	9 580	45 750	35 507	8 168	43 676	- 663	- 1 412	- 2 074
Non-LHC Physics	4 400	1 360	5 760	2 998	1 622	4 620	- 1 402	262	- 1 140
General Scientific Support	31 770	8 220	39 990	32 509	6 546	39 055	739	- 1 674	- 935
Scientific Support	21 735	6 545	28 280	22 024	4 951	26 975	289	- 1 594	- 1 305
Theory	10 035	1 675	11 710	10 485	1 595	12 080	450	- 80	370
Accelerators and Areas	52 700	33 065	85 765	52 069	34 112	86 180	- 631	1 047	415
ISOLDE, AD, n-Tof	5 680	3 305	8 985	5 767	2 437	8 204	87	- 868	- 781
PS complex	17 170	8 440	25 610	15 546	5 771	21 316	- 1 624	- 2 669	- 4 294
SPS complex (including CNGS)	16 665	15 400	32 065	13 523	11 948	25 471	- 3 142	- 3 452	- 6 594
Accelerator Technical Services	13 185	5 920	19 105	17 233	13 956	31 189	4 048	8 036	12 084
Total	279 990	188 580	468 570	277 381	177 194	454 574	- 2 609	- 11 386	- 13 996

- The LHC machine construction ended within the revised CtC. The difference in materials is due to the creation of the magnet rescue facility project that is accounted for under accelerator technical services.
- Detectors re-scoping refers to the earmarked new initiative heading of 24 MCHF in 2008 and 2009. In 2008, funds were transferred for the CERN contribution to CMS (ECAL, DAQ) and some funds for ALICE. The remaining funds of the 2008 initial allocation are carried forward to 2009.
- The commissioning with beam in September 2008 followed by the incident in sector 3-4 led to a shift in manpower allocation to accelerator technical services for the repair. The incident also meant a delay in the start of new initiatives such as the experiment re-scoping.
- The concentration of the LHC and its infrastructure resulted in higher allocations in personnel for general scientific support and in personnel and materials for accelerator technical services (which includes funds for the magnet rescue facility), whereas the earmarked allocations for non-LHC physics, and LHC upgrade were reduced, reflecting the delay in these activities.

Table C - Summary of Expenditure in 2008 - General infrastructure and services (in kCHF)

Activity	2008 Budget CERN/FC/5169 (2008 prices)			2008 Out-Turn CERN/FC/5331 (2008 prices)			Variations of Out-Turn with respect to 2008 Budget (2008 prices)		
	Personnel	Materials	Total	Personnel	Materials	Total	Personnel	Materials	Total
Infrastructure & Services	109 770	65 335	175 105	115 097	60 588	175 685	5 327	- 4 747	580
Manufacturing facilities	11 045	470	11 515	10 641	1 851	12 492	- 404	1 381	977
General facilities and logistics	21 205	28 910	50 115	23 764	28 737	52 501	2 559	- 173	2 386
Informatics	23 590	11 390	34 980	23 695	8 178	31 873	105	- 3 212	- 3 107
Safety, health and environment	16 245	8 110	24 355	19 044	4 673	23 716	2 799	- 3 437	- 639
Administration	30 390	8 210	38 600	30 223	5 864	36 087	- 167	- 2 346	- 2 513
Outreach and TT	7 295	8 245	15 540	7 730	11 286	19 015	435	3 041	3 475
Centralised Personnel Expenditure	31 160		31 160	27 495		27 495	- 3 665		- 3 665
Internal Taxation	23 710		23 710	24 208		24 208	498		498
Insurance & Communications, Energy & Water		67 860	67 860		63 363	63 363		- 4 497	- 4 497
Insurance & Communications		9 535	9 535		6 001	6 001		- 3 534	- 3 534
Energy & Water		58 325	58 325		57 362	57 362		- 963	- 963
Interests & Financial Costs		30 355	30 355		27 601	27 601		- 2 754	- 2 754
Personnel on detachment				221		221	221		221
Total	164 640	163 550	328 190	167 022	151 551	318 573	2 382	- 11 999	- 9 617

- Whereas the total expenditure for infrastructure is as predicted, the variations for general facilities and logistics is due to additional maintenance needs, compensated by less IT equipment purchases in 2008 as well as the implementation of the accounting rule which entails charging upfront license payments to the budget year concerned. This open commitment will lead to a budget carry-forward in line with the newly-approved Financial Rules.
- Staff expenditure for safety, health and environment increased, essentially due to the necessary payments of shift-worker allowances of staff exercising their right to early retirement.
- Materials expenditure for outreach increased significantly due to LHC events such as Open Days, LHC First Beam and the LHC Inauguration. It should be noted that 1.3 MCHF in sponsoring was received, thus limiting CERN's expenditure to some 1.5 MCHF.
- Centralised expenditure reduces, essentially due to a reduction of the centralised personnel budget since the end-of-contract indemnities are now charged to the activities of departing staff and the negative variation of the provision for untaken leave. The amount of internal taxation is equal to the income heading.
- Energy expenditure reduced slightly due to the sector 3-4 incident. It should be noted that most of the LHC energy is linked to the cryogenics and thus the reduction is not significant when most of the LHC is kept cold.
- Expenditure for insurances and for financial costs (interests, bank charges) reduced; the latter essentially as a consequence of the reduced interest rates by national banks.
- Personnel on detachment refers to staff on the CERN payroll who are charged to another organisation. This expenditure is equal to the corresponding income.

Table D - Summary of Expenditure in 2008 - Projects, R&D and Consolidation (in kCHF)

Activity	2008 Budget CERN/FC/5169 (2008 prices)			2008 Out-Turn CERN/FC/5331 (2008 prices)			Variations of Out-Turn with respect to 2008 Budget (2008 prices)		
	Personnel	Materials	Total	Personnel	Materials	Total	Personnel	Materials	Total
CLIC	12 270	10 105	22 375	10 205	9 339	19 544	- 2 065	- 766	- 2 831
Linac 4	1 000	10 230	11 230	3 897	2 617	6 513	2 897	- 7 613	- 4 717
Focus Quadrupoles (NbTi)				735	198	933	735	198	933
R&D studies	11 845	5 275	17 120	10 457	2 585	13 041	- 1 388	- 2 690	- 4 079
R&D Accelerators (RF, Coll., SPS, PS2, SPL, etc.)	10 375	3 220	13 595	8 805	1 518	10 324	- 1 570	- 1 702	- 3 271
R&D Detectors (Theme 3)	1 470	2 055	3 525	1 651	1 066	2 718	181	- 989	- 807
R&D Computing (EU)	5 500	920	6 420	6 921	974	7 895	1 421	54	1 475
Consolidation	14 320	42 700	57 020	15 982	26 358	42 340	1 662	- 16 342	- 14 680
Total	44 935	69 230	114 165	48 196	42 071	90 267	3 261	- 27 159	- 23 898

- Less manpower than planned could be deployed to CLIC due to the ongoing efforts for LHC and the start-up of the Linac 4 and the LHC Inner Triplet Quadrupoles projects.
- Linac 4 staff was redeployed from generic accelerator R&D. The reduction in materials expenditure is due to the later start of the civil engineering with respect to the 2007 schedule.
- The increase for R&D Computing stems from re-profiled and new EU projects with corresponding income.
- The heading Consolidation covers major repairs for the infrastructure, replacements and upgrades of IT infrastructure as well as the 'core' consolidation of the accelerator and technical infrastructure. The manpower was made available as foreseen for the intensive repairs during shutdown. However, the overall focus of the CERN staff on the LHC commissioning and later on the LHC repairs resulted in a delay in procurement of consolidation materials. Most of these funds are nonetheless committed (such as the replacement of the PS power converters), and the unspent project funds for these will be carried forward to 2009.

NOTE 2 - MATERIALS EXPENDITURE

In addition to NOTE 1 detailing expenditure by Scientific Programme and Activity, the following table shows the breakdown of Materials budget expenditure by nature.

MCHF	As at 31.12.2008		
	Budget	Expenditure	Difference
Goods, Consumables and Supplies	184.5	140.8	- 43.7
Electricity, heating gas and water	58.3	57.9	- 0.4
Support services	55.7	58.7	3.0
Repair and Maintenance	46.9	33.2	- 13.7
Third party payments and consultants	23.6	26.1	2.5
Insurance and Communications	9.5	6.4	- 3.1
Other overheads	12.5	26.3	13.8
Depreciation expenses *	-	22.8	22.8
Total	391.0	372.2	- 18.8

* provision for repair Sector 3-4

NOTE 3 - PERSONNEL EXPENDITURE

In addition to NOTE 1 detailing expenditure by Scientific Programme and Activity, the following table shows the breakdown of Personnel budget expenditure.

MCHF	As at 31.12.2008		
	Budget	Expenditure	Difference
Staff Members	399.2	407.6	8.4
Fellows	30.4	28.4	- 2.0
Paid Associates and Apprentices	5.1	5.3	0.2
	434.7	441.3	6.6
Centralised Personnel Budget (CPB)	31.2	31.2	-
Internal taxation	23.7	24.2	0.5
Annual variation - Paid leave		- 3.7	- 3.7
Total	489.6	493.0	3.4

For 2008, 489.6 MCHF were initially allocated to the Personnel Budget, covering 2'304 staff member Full-Time Equivalents (FTEs) and 295.50 fellow and associate FTEs.

The final expenses charged to the personnel budget amounted to 493 MCHF, covering 2'330 staff member FTEs and 302 fellow and associate FTEs.

The additional expenses charged to personnel expenses are explained by the extensions to limited-duration contracts made necessary by the repairs in Sector 3-4 and by the need to bring forward recruitment originally planned for 2009 to meet the needs in technical infrastructure and cryogenic operations.

In addition, the termination-of-contract indemnities to be paid are shown in the non-centralised personnel budget for the first time.

Concerning the Short-Term Saved Leave scheme (STSL) for 2008, 1'203 slices of 1.5% and 2.5% have been subscribed to, resulting in a reduction in expenses amounting to 2.6 MCHF, compared to the 2.3 MCHF estimated in the initial Budget.

3.1 STAFF MEMBERS

3.1.1 BASIC SALARIES

Over the last two years, basic salaries have progressed as follows:

	2008	2007
Average staff numbers (in FTE)	2 329.8	2 470.1
Basic salaries (in kCHF)	261 773.0	271 798.0
Average annual basic salary (in CHF)	112 358.6	110 035.0
Variation, in %, with respect to the previous year	2.1%	2.5%

3.1.2 EXPENDITURE BY NATURE

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

kCHF	2008		2007	
	Amount	Index	Amount	Index
Basic salaries	261 773	100.0	271 798	100.0
Non-resident allowances / International indemnities	19 830	7.6	21 113	7.8
Family and child allowances	21 151	8.1	21 547	7.9
Special allowances	7 486	2.9	3 381	1.2
Overtime	2 175	0.8	1 804	0.7
Various allowances	12 915	4.9	10 582	3.9
Social security	84 875	32.4	88 116	32.4
Sub-total	410 205	156.7	418 341	153.9
Contributions to SLS programme			- 4 490	
Contributions to STSL scheme*	- 2 643			
A. Total related to basic salaries	407 562		413 851	
Installation and removal costs	1 160		903	
Termination allowances	6 342		10 218	
Additional periods of membership in the Pension Fund for shift workers	4 239		3 880	
Contribution to Health Insurance for pensioners	16 988		16 437	
Contribution to Long Term Care for pensioners	2 427		2 348	
B. Centralised Personnel Budget (CPB)	31 156		33 786	
C. Annual variation - Paid leave	- 3 661			
Total (A + B + C)	435 057		447 637	

* Short-Term Saved Leave scheme

Remarks:

- A. The overall index at 31 December 2008 was 156.7, i.e. 2.8 points higher than in 2007, excluding expenditure charged to the Centralised Personnel Budget and annual variation of paid leave, before the deduction in the framework of the Short-Term Saved Leave scheme (STSL).
- B. The Centralised Personnel Budget (CPB) records all expenditure of a general or exceptional nature relating to staff members, such as installation and removal costs, termination allowances, etc.
- C. The annual variation in leave records all the variations in paid leave for members of the personnel (annual, saved and compensatory leave) and special leave for long service.

3.1.3 DISTRIBUTION OF STAFF MEMBERS**a) Staff Members as at 31 December 2008**

Activity	In post on 31.12.2008	FTE CERN Budget	FTE outside CERN Budget
LHC Programme (incl. projects)	943.6	950.2	28.7
LHC Machine and Injectors	540.2	557.1	0.2
LHC Detectors	320.6	311.4	25.8
LHC Computing	82.8	81.7	2.7
Other programmes	488.6	460.0	4.5
Non-LHC physics	11.4	11.4	1.0
General Scientific Support	164.4	141.9	2.3
Accelerators and Areas	312.9	306.7	1.2
Infrastructure and services	722.8	682.1	12.5
Infrastructure	346.1	330.2	1.3
Safety, health and environment	135.7	130.3	
Administration	198.5	178.1	11.1
Outreach and TT	42.5	42.6	
Centralised expenditure		0.9	
Projects	245.0	237.4	4.3
CLIC	47.1	46.7	
Linac 4	20.9	20.1	
Focus Quadrupoles (NbTi)	4.2	4.2	
R&D	79.8	78.3	0.3
Consolidation	93.0	88.1	4.0
Total	2 400.0	2 329.8	49.9

b) Movements of total Staff Members in post

In post as at 31.12.2007	2 544
Increase	90
Fellows and Associates who became Staff Members	21
External recruitment	69
Decrease	- 234
Departures	- 232
Deaths	- 2
In post as at 31.12.2008	2 400

3.2 FELLOWS AND ASSOCIATES

Budget expenditure for these two categories of personnel at the end of the financial year amounted to 33.7 MCHF (including the cost of apprentices).

3.2.1 BREAKDOWN OF BUDGET EXPENDITURE BY NATURE**a) Fellows**

kCHF	2008	2007
Basic salary	20 250.5	19 439.7
Non-resident allowance	751.6	1 472.1
Special allowances	1 134.2	949.0
Social contributions	5 585.8	6 012.2
Family allowances	687.3	765.1
Total	28 409.4	28 638.0

b) Paid Associates and Apprentices

kCHF	2008	2007
Basic salary	4 323.4	3 697.0
Non-resident allowance	37.2	164.5
Social contributions	653.4	663.6
Various allowances	273.6	296.2
Family allowances	21.4	82.7
Total	5 309.0	4 904.1

3.2.2 BREAKDOWN OF FTES BY ACTIVITY

Activity	2008			2007		
	Fellows	Associates and Apprentices	Total	Fellows	Associates and Apprentices	Total
LHC Programme (incl. projects)	123.9	26.7	150.6	133.4	21.4	154.9
LHC Machine and Injectors	27.1		27.1	31.5	0.2	31.6
LHC Detectors	88.7	25.7	114.4	94.8	19.6	114.4
LHC Computing	8.1	1.0	9.1	7.2	1.7	8.8
Other programmes	54.8	12.7	67.5	59.4	13.5	72.9
Non-LHC physics	5.0	0.5	5.5	10.3	1.4	11.7
General Scientific Support	39.7	11.8	51.6	42.9	12.1	55.0
Accelerators and Areas	10.2	0.3	10.5	6.1		6.1
Infrastructure and services	31.3	25.2	56.4	22.1	26.7	48.8
Infrastructure	22.8		22.8	13.0	0.5	13.5
Safety, health and environment	5.1		5.1	5.7		5.7
Administration	0.1	25.2	25.3		26.2	26.2
Outreach and TT	3.3		3.3	3.4		3.4
Projects	50.9	1.1	52.1	38.8	1.5	40.3
CLIC	10.6		10.6	10.3	0.5	10.8
Linac 4	1.9		1.9			
Focus Quadrupoles (NbTi)						
R&D	24.6	0.5	25.1	20.8	1.0	21.8
Consolidation	13.8	0.6	14.4	7.6		7.6
Total	260.9	65.7	326.6	253.7	63.1	316.9

NOTE 4 - DEBT SERVICING

MCHF	As at 31.12.2008		
	Budget	Expenditure	Difference
FORTIS	15.0	15.0	-
EIB	6.6	6.6	-
Short-term interest	8.5	5.8	- 2.7
Bank charges	0.2	0.2	-
Total	30.3	27.6	2.7

Due to earlier payments of Member States' contributions and to successful hedging against the increase of interest rates, short-term interest has been reduced by 2.7 MCHF.

NOTE 5 - CAPITAL REPAYMENTS

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

MCHF	As at 31.12.2008		
	Budget	Expenditure	Difference
FORTIS	12.2	12.2	-
FIPOI loans	0.9	0.9	-
Total	13.1	13.1	-

As indicated in the Budget document, the amount of 13.1 MCHF has to be allocated to the budget balance.

Annex 1

**SUMMARY OF EXPENDITURE
IN 2008
BY DEPARTMENT**

(figures rounded off to the nearest thousand Swiss francs)

	2008 Budget (A)				2008 Expenditure (B)				Variation (B - A)			
	Personnel	Materials	Debt servicing	Total	Personnel	Materials	Debt servicing	Total	Personnel	Materials	Debt servicing	Total
Directorate & DG's Office	38 770	21 060		59 830	41 755	19 852		61 607	2 985	- 1 208		1 777
FI Department	12 150	2 295		14 445	11 926	1 786		13 712	- 224	- 509		- 733
HR Department	9 985	2 140		12 125	10 413	1 642		12 055	428	- 498		- 70
PH Department	108 845	25 515		134 360	109 787	30 450		140 237	942	4 935		5 877
IT Department	51 540	47 340		98 880	54 817	43 181		97 998	3 277	- 4 159		- 882
LHC Office	840	4 780		5 620	1 877	5 110		6 987	1 037	330		1 367
AB Department	95 165	61 320		156 485	100 312	62 378		162 690	5 147	1 058		6 205
AT Department	42 915	51 590		94 505	42 919	49 001		91 920	4	- 2 589		- 2 585
TS Department	64 825	69 025		133 850	66 868	66 692		133 560	2 043	- 2 333		- 290
Centralised expenditure	64 530	105 940		170 470	52 310	92 116		144 426	- 12 220	- 13 824		- 26 044
Debt servicing			30 355	30 355			27 600	27 600	-	-	- 2 755	- 2 755
Total	489 565	391 005	30 355	910 925	492 984	372 209	27 600	892 792	3 419	- 18 796	- 2 755	- 18 133

Annex 2**LHC Project**

The following table shows expenditure for Materials and Personnel allocated directly to the various parts of the LHC.

The overall P+M direct budget allocations dedicated to the LHC in 2008 amounted to 221.8 MCHF, as shown in the table below.

LHC – Expenditure 2008**(MCHF)**

(rounded figures)

	Materials			Personnel (c)	Total
	Construction	Operation	Total		
	(a)	(b)	3=1+2		
	1	2	3=1+2	4	5=3+4
Machine & Experimental Areas	20.1	36.2	56.3	64.7	121.0
Injectors	0.3	0.2	0.5	1.0	1.5
Detectors	2.6	7.8	10.4	52.6	63.0
LHC computing	20.0	5.0	25.0	11.3	36.3
Total	43.0	49.2	92.2	129.6	221.8

The above table covers only direct expenditure charged to the LHC.

(a) Figures as at 31.12.2008

(b) and (c) Figures as at 31.08.2008

LHC expenditure

(in thousands of Swiss francs)

The LHC was approved in December 1994 (CERN/SPC/695 - CERN/CC/2072). The table below gives a summary of the expenditure for Personnel and Materials broken down into LHC Machine, Detectors, Injectors & LHC computing.

This table gives the expenditure charged to the CERN budget from 1995 to 2008.

	From 1995 to 2007 Accounts (CERN/FC/5245)			2008 Accounts*			TOTAL 1995 - 2008		
	Personnel	Materials	Total	Personnel	Materials	Total	Personnel	Materials	Total
Machine & Experimental areas	906 796	3 221 116	4 127 912	25 198	20 060	45 258	931 994	3 241 176	4 173 170
Machine	840 973	2 846 732	3 687 704	22 147	17 876	40 023	863 120	2 864 608	3 727 727
Magnet components	262 144	1 579 457	1 841 601	1 349	3 031	4 380	263 493	1 582 488	1 845 981
Cryogenic equipment	79 929	468 199	548 128	1	1 224	1 225	79 930	469 423	549 353
Other accelerator components	165 359	236 806	402 165	6 610	5 427	12 037	171 969	242 233	414 202
Transfer lines, Beam injectors and dump	51 002	86 833	137 835	746	207	953	51 748	87 040	138 788
Civil engineering	9 471	221 804	231 275	11	19	30	9 482	221 823	231 305
Technical services infrastructure	273 068	253 633	526 701	13 430	7 968	21 398	286 498	261 601	548 099
Experimental areas	65 823	374 385	440 208	3 051	2 184	5 235	68 874	376 569	445 443
Civil engineering	9 785	275 749	285 534		22	22	9 785	275 771	285 556
Technical services infrastructure	56 039	98 635	154 674	3 051	2 162	5 213	59 090	100 797	159 887
Machine R&D	71 829	66 504	138 333	-	-	-	71 829	66 504	138 333
Machine: Tests & pre-operation	107 150	341 029	448 179	39 565	36 224	75 789	146 715	377 253	523 968
Total Machine	1 085 775	3 628 649	4 714 424	64 763	56 284	121 047	1 150 538	3 684 933	4 835 471
Detectors including R&D	826 760	309 394	1 136 154	52 592	2 620	55 212	879 352	312 014	1 191 366
ATLAS	298 199	128 782	426 981	16 771	9	16 780	314 970	128 791	443 761
LHCb	75 654	18 886	94 540	7 336	1 059	8 395	82 990	19 945	102 935
CMS	271 553	127 466	399 019	18 479	382	18 861	290 032	127 848	417 880
ALICE	118 761	27 424	146 185	7 583	884	8 467	126 344	28 308	154 652
TOTEM	6 120	1 919	8 039			-	6 120	1 919	8 039
Others	56 473	4 918	61 391	2 423	286	2 709	58 896	5 204	64 100
Detectors: Tests & pre-operation	-	172 935	172 935		7 769	7 769	-	180 704	180 704
Total Detectors	826 760	482 329	1 309 089	52 592	10 389	62 981	879 352	492 718	1 372 070
Injectors	85 539	65 984	151 523	958	537	1 494	86 497	66 521	153 018
LHC computing	74 316	67 893	142 209	11 288	25 044	36 332	85 604	92 937	178 541
TOTAL	2 072 390	4 244 855	6 317 245	129 601	92 254	221 854	2 201 991	4 337 109	6 539 099
Machine + Detectors + Injectors + LHC computing									

* Figures as at 31.08.2008 for Personnel and recurrent Materials; figures as at 31.12.2008 for non-recurrent Materials.

LHC Machine expenditure
Special contributions in kind
(in thousands of Swiss francs, current prices)

At the request of the External Auditors in their report on the 2001 Annual Accounts (CERN/FC/4557), the table below gives a summary of LHC Machine expenditure financed by special contributions.

Column 1 shows the agreed special contributions according to the signed protocols.

The cash contributions were distributed as budget income and expenditure for the relevant years.

Overheads, manpower, prototypes, etc., are not included in the cost to completion of the machine. The last column shows the LHC project value of these special contributions taken into account in the cost to completion of the project.

	PROTOCOL VALUES				Charged to CERN Budget	Manpower Prototyping Overheads, etc.		LHC Project Value (*)
	Past 1995-2007	2008	Future NON LHC	Total	1995-2008	1995-2008	Future NON LHC	1995-2008
	<i>1</i>				<i>2</i>	<i>3</i>		<i>4=1-2-3</i>
Canada #	39 100	-	-	39 100	-	20 379	-	18 721
France	64 500	-	-	64 500	12 590	48 950	-	2 960
India (I)	33 503	-	897	34 400	16 751	2 367	897	14 385
India (II)	7 310	1 732	16 958	26 000	4 521	521	16 958	4 000
Japan I/II/III (LHC+ATLAS) ##	174 565	-	-	174 565	-	55 278	-	119 287
Russian Federation (I) ###	107 432	204	2 364	110 000	35 879	1 348	2 364	70 409
Russian Federation (II)	51 172	3 421	5 407	60 000	27 296	5 359	5 407	21 938
United States	290 000	-	-	290 000	-	112 263	-	177 737
Switzerland	25 000	-	-	25 000	22 365	-	-	** 2 635
Total	792 582	5 357	25 626	823 565	119 402	246 465	25 626	432 072

Canadian fiscal year begins on 1st April (e.g. 2008 = 1 April 2007-31 March 2008).

Including interest from 1995 to 2006 (14 119 kCHF for the Asian Fellows & Associates programme and allowances to KEK staff).

Not including an in-kind contribution of 1 080 kCHF made by the JINR (DUBNA) prior to Russian Fund I agreement.

(*) Based on the last LHC Status Report (CERN/FC/5256, 5 June 2008).

** In the first year, this was charged to a Balance Sheet account.

PART 2**ACCOUNTING STATEMENTS****TABLE OF CONTENTS**

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STATEMENT OF FINANCIAL POSITION

kCHF	Note	As at 31.12.2008	As at 31.12.2007
ASSETS			
Non-current assets			
Fixed assets			
Infrastructure and services buildings	3	161 466	172 242
LHC	3	7 874 183	
PS Consolidation	3	40 426	
SPS Consolidation	3	24 098	
CNGS	3	62 577	70 800
In progress	3	106 708	6 447 427
Financial Assets - CHIS Fund	9	94 185	96 332
		8 363 643	6 786 801
Current assets			
Inventories	4	5 495	6 004
Receivables - Member States	5	8 919	23 648
Receivables - Taxes	5	20 060	28 732
Receivables - Teams & Collaborations	5	18 183	25 888
Other receivables and prepayments	5	9 753	10 913
Cash and cash equivalents	6	61 837	24 076
		124 247	119 261
Total		8 487 890	6 906 062
LIABILITIES & NET ASSETS			
Net assets			
Reserves	7	687	687
Accumulated surpluses		1 138 698	2 394 491
Net surplus for the year		1 594 903	608 565
		2 734 288	3 003 743
Non-current liabilities			
Long-term debts	8	451 887	664 895
CHIS Fund - liabilities	9	94 185	96 332
Member States	10	20 040	49 810
Post-employment benefits	11	3 836 445	2 044 669
Provisions - Others	11	309 795	6 463
		4 712 352	2 862 169
Current liabilities			
Short-term debt and bank overdrafts	12	626 132	663 590
Payables - Trade accounts	13	42 067	62 111
Payables - Teams & Collaborations	13	139 793	138 304
Payables - Employee benefits	13	171 327	133 362
Deferred revenues	14	60 180	41 432
Other current liabilities	15	1 751	1 351
		1 041 250	1 040 150
Total		8 487 890	6 906 062

STATEMENT OF CHANGES IN NET ASSETS*

in kCHF	Contributed capital (working balance & special reserve)	Accumulated surpluses (deficits)	Total
Balance as at 31.12.2006	687	1 466 663	1 467 350
Net surplus for the period		608 565	608 565
Net revenue recognized directly in net assets		927 828	927 828
<i>* cf. Notes</i>		(a)	
Balance as at 31.12.2007	687	3 003 056	3 003 743
Net surplus for the period		1 594 903	1 594 903
Net expenses recognized directly in net assets		-1 864 358	-1 864 358
Net revenue recognized directly in net assets			
<i>* cf. Notes</i>		(b)	
Balance as at 31.12.2008	687	2 733 601	2 734 288

** Notes*

As at 31.12.2007

(a)

Net revenue recognized directly in net assets

Variation due to actuarial estimates – Health Care 282 233

Variation due to actuarial estimates – Pensions 645 595

927 828

As at 31.12.2008

(b)

Net expenses recognized directly in net assets

Accruals for shift work compensation - 41 360

Variation due to actuarial estimates – Health Care - 181 559

Variation due to actuarial estimates – Pensions -1 641 439

-1 864 358

* cf. NOTE 7

STATEMENT OF FINANCIAL PERFORMANCE

kCHF	Note	2008	2007	Variation
OPERATING REVENUE				
Contributions for the financial year	16	1 075 863	1 026 288	49 575
Additional contributions from Host States	16	24 175	9 000	15 175
EC contributions to EU co-funded projects	17	16 516	18 272	- 1 756
Transfers to the fixed assets	18	1 728 170	497 432	1 230 738
Other in-kind contributions	18	15 194	14 245	949
Other revenue	19	42 032	43 560	- 1 528
Total		2 901 950	1 608 797	1 293 153
OPERATING EXPENSES				
MATERIALS				
Goods, Consumables & Supplies		142 008	210 005	- 67 997
Electricity, heating gas and water		57 877	49 001	8 876
Support services		58 738	83 520	- 24 782
Repair* & Maintenance		33 272	45 409	- 12 137
Fees and Subsistence		26 113	34 123	- 8 010
CERN contributions to Collaborations		11 481	13 201	- 1 720
Other overheads		24 138	24 239	- 101
Depreciation expenses		452 648	19 498	433 150
	20	806 275	478 997	327 278
PERSONNEL				
Remuneration		300 345	308 615	- 8 270
Social insurance cover		93 575	102 960	- 9 385
Social and family benefits		65 381	64 043	1 338
Post-employment benefits		- 11 807	- 6 983	- 4 824
Internal taxation		24 208	23 245	963
	21	471 702	491 880	- 20 178
Total		1 277 977	970 877	307 100
NET SURPLUS FROM OPERATING ACTIVITIES		1 623 973	637 919	986 053
Financial Revenue	22	1 129	4 799	- 3 670
Financial Expenses	22	30 199	34 153	- 3 954
NET DEFICIT FROM FINANCIAL ACTIVITIES		29 070	29 354	- 284
NET SURPLUS FOR THE PERIOD		1 594 903	608 565	986 338

* Excluding provision for Sector 3-4 repair recorded under Depreciation expenses

CASH-FLOW STATEMENT

kCHF	2008	2007
CASH-FLOW FROM OPERATING ACTIVITIES		
RECEIPTS		
Contributions from Member States	1 086 758	1 004 851
EC contributions to EU co-funded projects	106 910	6 671
Teams and Collaborations	141 622	161 690
Taxation	34 357	31 551
Interest	1 048	2 168
Other receipts	10 536	16 351
	1 381 231	1 223 282
PAYMENTS		
Personnel	- 376 566	- 247 005
Suppliers (fixed assets excluded)	- 231 513	- 205 587
Teams and Collaborations	- 131 883	- 172 541
Partners in the EU Projects	- 64 683	- 5 467
Taxation	269	- 206
Financial costs	- 26 729	- 30 059
Other payments		- 8
	- 831 105	- 660 874
Net cash-flow - Operating Activities	550 126	562 408
CASH-FLOW FROM INVESTING ACTIVITIES		
Personnel expenditure	- 165 538	- 215 966
Material expenditure	- 98 385	- 281 466
CHIS Fund capitalization	2 644	- 93 619
Net cash-flow - Investing activities	- 261 279	- 591 051
CASH-FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1 000	
Repayments of long-term borrowings	- 256 086	- 12 195
Net variation of short-term borrowings	4 000	54 000
Net cash-flow - Financing activities	- 251 086	41 805
NET INCREASE IN CASH AND CASH EQUIVALENTS	37 761	13 163
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24 076	10 913
CASH AND CASH EQUIVALENTS AT END OF PERIOD	61 837	24 076

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The financial statements of CERN as at and for the year ending 31 December 2008 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS):

- on a going-concern basis;
- 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 2009.

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 used (EUR, USD, GBP, JPY) are converted into Swiss francs using the exchange rate prevailing in the week the transaction is recorded. Transactions denominated in other currencies are converted using the exchange rate prevailing in the month the transaction is recorded.

At the end of the year, all holdings in currencies are converted at the rates of exchange applying on the last working day of the year. 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

According to 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 introduces 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, to be shown on the assets side of the CERN Statement of Financial Position:

- 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- and 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 recorded 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 the date of its start-up. 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 the present note.

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

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

According to IPSAS 21, an impairment loss shall 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 complex assemblies, we will only quote the value used 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 concern secured amounts due from national institutes, laboratories, Member States 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 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 available in various bank and postal cheque accounts. Some small petty cash accounts exist.

Short-term deposits are made in Swiss francs and other currencies depending on the overall cash position of the Organization, interest rates available on the money markets, planned payments schedules, etc.

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 before 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 revenues from the European Union and third parties which are accounted for as income up to the extent of the related projects' expenses.

Debts to the personnel include more particularly:

- The accumulated present value 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 benefitting 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.

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 income 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 expenditure and on the evolution of the market rates.
- Sale of scrap, obsolete equipment, rents, overnight stays at CERN hostels, revenues from Collaborations and miscellaneous revenues. These are recorded at the time of the transactions.

- 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 to fixed assets which are recognized as revenue and incorporated into the fixed assets at the date of start-up.

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 income is offset by a similar amount shown under Personnel expenditure.

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 financial instruments are recognized in the Financial Statements at their fair value. When they are designated as fair-value hedges, changes in the fair value of both the financial instruments and the hedged items are recognized in the income statement. When they are designated as cash-flow hedges, the change in their fair value is recognized in the statement of Financial Position when the hedged item affects earnings. The fair value of cash-flow hedges are shown in the notes (cf. NOTE 24).

Other financial instruments that are not classified as hedging instruments are recorded at fair value at the end of the year, with changes in fair value recorded directly in the Financial Position.

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 31.12.2008	As at 31.12.2007
CHF	11 979	15 571
EUR	25 631	63 174
GBP	115	290
JPY	-	86
NOK	-	59
SEK	177	220
USD	142	393
Total	38 044	79 793

2.3 FUTURE COMMITMENTS TO SUPPLIERS

Currency	Future commitments kCHF					
	As at 31.12.2008			As at 31.12.2007		
	Total	Year 2009	Year 2010 and further	Total	Year 2008	Year 2009 and further
CHF	30 927	30 846	81	48 965	48 736	229
EUR	60 334	60 334		58 266	58 156	110
GBP	580	580		385	385	
JPY	-	-		112	112	
USD	1 888	1 888		5 526	5 526	
OTHERS	59	59		1 062	1 062	
Total	93 788	93 707	81	114 316	113 977	339

2.4 FINANCIAL INSTRUMENTS

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

NOTE 3 - FIXED ASSETS

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

kCHF	Gross balance as at 31.12.2007	Additions 2008	Disposals and Transfers 2008	Gross balance as at 31.12.2008	Accumulated Depreciation as at 31.12.2007	Variation 2008	Accumulated Depreciation as at 31.12.2008	Net book value as at 31.12.2007	Net book value as at 31.12.2008
	1	2	3	4=1+2-3	5	6	7=5+6	8=1-5	9=4-7
Infrastructure and services buildings	329 022			329 022	156 780	10 776	167 556	172 242	161 466
LHC		8 003 347		8 003 347		129 164	129 164		7 874 183
PS Consolidation		41 065		41 065		639	639		40 426
SPS Consolidation		24 479		24 479		381	381		24 098
CNGS	82 008			82 008	11 208	8 223	19 431	70 800	62 577
Sub-total (A)	411 030	8 068 891		8 479 921	167 988	149 183	317 171	243 042	8 162 750
Fixed Assets in progress									
LHC	6 317 245	1 686 102	8 003 347					6 317 245	
CLIC Test Facility	74 455	16 591		91 046				74 455	91 046
PS Consolidation	35 981	5 084	41 065					35 981	
SPS Consolidation	19 746	4 733	24 479					19 746	
Extension Building 40		601		601					601
LINAC 4		6 513		6 513					6 513
LHC Improvement		7 842		7 842					7 842
LHC Inner Triplets Upgrade		706		706					706
Sub-total (B)	6 447 427	1 728 170	8 068 891	106 708				6 447 427	106 708
Total (A + B)	6 858 457	9 797 061	8 068 891	8 586 629	167 988	149 183	317 171	6 690 469	8 269 458

3.1 INFRASTRUCTURE AND SERVICES BUILDINGS

The Infrastructure and services buildings were recognized as fixed assets for the first time on 1st January 2006.

Their carrying value as at 31 December 2008 corresponds to:

- the balance of the value of the buildings prior to 1992: 246.9 MCHF
- the value of new structures built since 1992 (Building 40, Building for the Common Control Centre, the Globe and Housing Fund hostels).

3.2 LHC

Following a construction phase that began in 1995, the LHC was started on 10 September 2008.

Its book value, as presented in the Statement of Financial Position, corresponds to the following elements:

- material and personnel expenditure¹,
- special in-kind contributions²,
- in-kind contributions by the collaborations to the construction of the ATLAS, CMS, LHCb and ALICE detectors for a total amount of some 1'032 MCHF.

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.

3.3 PS and SPS CONSOLIDATION

The date of start-up and the depreciation schedule of these two assets are linked with those of the LHC since the renovation of the PS and SPS is directly linked to the LHC programme.

A 5% linear depreciation has been applied with effect from 10 September 2008.

3.4 CNGS

The CNGS was recognized as a fixed asset for the first time on 1st January 2006.

The CNGS was commissioned in 2006 and a depreciation has been calculated on a straight-line basis at a rate of 10% of its gross value.

¹ as per table in Annex 2 of Part 1 “LHC Expenditure, in thousand of Swiss francs”

² as per table in Annex 2 of Part 1 “LHC Machine Expenditure, Special Contributions in kind”

3.5 FIXED ASSETS IN PROGRESS

3.5.1 Extension Building 40

The work on the extension of Building 40 began in 2008. The associated value as at 31 December 2008 corresponds to the amounts of material expenditure in the 2008 accounts.

No depreciation is shown in the accounts as the asset in question was still in the process of being built as at 31 December 2008.

3.5.2 CLIC Test Facility

The Compact Linear Collider Test Facility (CLIC) was recognized as a fixed asset for the first time on 1st January 2006.

Its carrying value as at 31 December 2008 corresponds to the cumulative amounts of Material and Personnel expenditures incurred from the 2005 to 2008 accounts.

There is no depreciation as the project has not yet been fully commissioned.

3.5.3 LINAC 4, LHC Improvement and LHC Inner Triplet Upgrade (LITUP)

The work associated with the installation of the Linac 4 began during the 2008 financial year.

The same applies to the LHC improvement phases.

The associated book values as at 31 December 2008 correspond to the amounts of material and personnel expenditure shown in the 2008 accounts.

No depreciation is recorded in the accounts as these assets were in the process of being constructed as at 31 December 2008.

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 31.12.2008	As at 31.12.2007
Gross value	7 120	7 495
Depreciation	- 1 625	- 1 491
Total	5 495	6 004

The decrease of the net stock value is also the consequence of a slowing-down of activity and its effect on the amount of the depreciation.

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 31.12.2008	As at 31.12.2007
Contributions - Italy	8 672	23 648
Special contributions - France	247	-
Total	8 919	23 648

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 31.12.2008	As at 31.12.2007
French Income Tax	16 175	17 948
French VAT	3 564	10 179
VAT other Member States	12	-
Swiss taxes and levies	309	605
Total	20 060	28 732

The balance of French Income Tax corresponds to taxes paid by CERN for years prior to the introduction of the internal taxation in 2005 to be repaid by France. The difference in the amounts between 2007 and 2008 is due to the variation of the exchange rate used at the end of the year.

5.3 TEAMS AND COLLABORATIONS

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

kCHF	As at 31.12.2008	As at 31.12.2007
CMS	7 469	8 207
Others	10 714	17 681
Total	18 183	25 888

The various Teams and Collaborations owed 18.2 MCHF at the end of 2008. However, 139.8 MCHF were received in advance on 31 December 2008, 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 31.12.2008	As at 31.12.2007
Advances to suppliers	2 456	4 215
Revenues to be received	3 469	2 874
Expenses in advance	1 506	1 559
Sundry debtors	2 322	2 265
Total	9 753	10 913

As at 31 December 2007, an amount of 2.49 MCHF has been recorded by CERN for repairs to the inner triplet magnets. Negotiations are in progress for in-kind contributions from Fermilab to the LHC Improvement Project. Accordingly, as at 31 December 2008, CERN has continued to record this amount in its entirety.

NOTE 6 - CASH AND CASH EQUIVALENTS

At the end of 2008 liquid assets showed a balance of 61.84 MCHF.

This amount mainly results from contributions and other income received during the end-of-year closure of the Organization.

It 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 2008, the changes in net assets amount to -269.46 MCHF. This amount can be broken down as follows:

- Net surplus for 2008: + 1'594.90 MCHF
- First recognition of accruals for shift work compensation as at 31 December 2008: - 41.36 MCHF
- Post-employment benefits – actuarial loss 2008: - 1'823 MCHF.

The reconciliation with the Budget deficit is summarized in the following table:

MCHF	Budget deficit	Accounting reconciliation						Net assets
		Loan repayments	Fixed assets Gross value	Fixed assets depreciation	Not recognized in the Budget surplus	Other reserves	Total	
As at 31.12.2006	- 1 152.3	- 514.6	6 114.1	- 149.1	- 3 088.9	258.2	2 619.7	1 467.4
Allocation to Budget Balance 2007	118.4	12.2	497.4	- 18.9	- 0.6		490.2	608.6
Post-employment benefits					927.8		927.8	927.8
As at 31.12.2007	- 1 033.9	- 502.4	6 611.5	- 168.0	- 2 161.7	258.2	4 037.7	3 003.8
Allocation to Budget Balance 2008	252.8	13.1	1 728.2	- 149.2	- 250.0		1 342.2	1 595.0
Post-employment benefits					- 1 823.0		- 1 823.0	- 1 823.0
Shift work compensation					- 41.4		- 41.4	- 41.4
As at 31.12.2008	- 781.1	- 489.3	8 339.7	- 317.2	- 4 276.1	258.2	3 515.4	2 734.3

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 31.12.2008	As at 31.12.2007
EIB		200 000
FORTIS	419 990	433 117
FIPOI	31 897	31 777
Total	451 887	664 895

8.1 EIB

As approved by the Council in December 2002¹, a loan for the LHC project was contracted with the European Investment Bank (EIB). A total amount of 443 MCHF has been received under this loan agreement.

The amount of 837 kCHF represents the part of interest charged in 2008 but to be paid in 2009 according to contractual conditions.

kCHF	Less than 12 months	More than 12 months	Total
Capital	200 000		200 000
Accrued interests	837		837
Total	200 837		200 837

¹ CERN/2477

8.2 FORTIS

As approved by the Council in June 2006¹, a loan of 462.88 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	13 127	419 990	433 117
Total	13 127	419 990	433 117

8.3 FIPOI

In line with the decision of the Swiss Federal Chambers in 1996, no interest is charged on the two loans granted by FIPOI for the construction of the buildings for physicists. Another loan was taken out in 2008 for the extension of the building for physicists (Building 42). A first amount of 1 MCHF was received in December 2008. No interest is charged for this new loan from FIPOI.

kCHF	Less than 12 months	More than 12 months	Total
Capital FIPOI 1	210	5 471	5 681
Capital FIPOI 2	670	25 426	26 096
Capital FIPOI 3		1 000	1 000
Total	880	31 897	32 777

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 31.12.2008	As at 31.12.2007
Shares and bonds	89 791	
Deposits and bank accounts	1 184	93 619
CHIS contractor	2 809	2 713
Withholding tax	401	
Total	94 185	96 332

¹ CERN/2676

b) The Financial asset shown above has its counterpart in the liabilities as follows:

kCHF	As at 31.12.2008	As at 31.12.2007
CHIS Fund - Others	59 858	64 772
Accrued benefits on repayments	15 085	14 362
Accrued benefits on LTC allowances	19 242	17 198
Total	94 185	96 332

c) The change in the CHIS Fund balance is the result of health insurance scheme movements throughout the year, a breakdown of which is shown in the following table. The financial performance of the Fund suffered directly from the 2008 financial crisis.

	kCHF
Position as at 31.12.2007	96 332
Contributions	68 033
Receivable amount from contractor	1 000
Benefits	- 61 811
Contractor fees and overheads	- 2 307
Financial loss	- 7 062
Position as at 31.12.2008	94 185

NOTE 10 - MEMBER STATES

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

kCHF	As at 31.12.2008	As at 31.12.2007
Switzerland - contribution in advance		30 000
ppbar contributions	20 040	19 810
Total	20 040	49 810

10.1 SWITZERLAND

The Swiss Confederation paid an amount of 90 MCHF as advances on its contributions for the years 2007, 2008 and 2009. The remaining amount of 30 MCHF is shown under current liabilities as at 31 December 2008.

kCHF	Less than 12 months	More than 12 months	Total
Capital	30 000		30 000
Accrued interests			
Total	30 000		30 000

10.2 PPBAR CONTRIBUTIONS

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 annual rate of cost variation granted by the Council. The indexation rate for 2008 was + 1.16%.

kCHF	Total due as at 31.12.2007 (A)	Indexation 2008 (B)	Total due as at 31.12.2008 (A + B)
Austria	1 149	13	1 162
Denmark	823	10	833
France	9 377	109	9 486
Italy	6 280	73	6 353
Switzerland	2 181	25	2 206
Total	19 810	230	20 040

NOTE 11 - POST-EMPLOYMENT BENEFITS AND OTHER PROVISIONS

These provisions cover obligations of uncertain amount and timing.

kCHF	Comments	As at 31.12.2008	As at 31.12.2007
Pension scheme	A	2 397 697	829 766
Health Insurance Scheme (HIS)	A	1 438 748	1 214 903
Post-employment benefits		3 836 445	2 044 669
Radioactive waste management	B	287 000	6 463
Repair Sector 3-4	C	22 795	
Others		309 795	6 463

Comments:

A. Post-employment benefits

- a) 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:

Pension Benefits

kCHF	As at 31.12.2008	As at 31.12.2007
Future benefits obligation	5 836 107	5 278 290
Plan assets	-3 438 410	-4 448 524
Net liabilities	2 397 697	829 766

HIS Benefits

kCHF	As at 31.12.2008	As at 31.12.2007
Future benefits obligation	1 498 606	1 279 675
Assets	- 59 858	- 64 772
Net liabilities	1 438 748	1 214 903

- 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 were as follows:

	As at 31.12.2008		As at 31.12.2007	
	Pension benefits	HIS benefits	Pension benefits	HIS benefits
Discount rate	2.59%	2.59%	3.34%	3.34%
Future salary increase	3.30%	3.30%	3.30%	3.30%
Future pension increase	1.00%	1.00%	1.00%	1.00%
Future health cost increase	NA	2.00%	NA	2%
Return on plan assets	5.00%	3.50%	5.00%	NA
% of award of indefinite contracts	50.00%	50.00%	50.00%	50.00%
Demographic tables	EVK 2000	EVK 2000	EVK 2000	EVK 2000

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 31.12.2008	
	Pension benefits	HIS benefits
Present value of future benefits obligation (in MCHF)	5 836	1 499
Effect if increase of + 0.5% point in discount rate (in %)	6.3%	9.3%
Effect if increase of + 0.5% point in discount rate (in MCHF)	- 368	- 139

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 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 the 94.2 MCHF of gross value of the CHIS fund as at 31 December 2008, minus 34.3 MCHF of estimated accrued benefits to be paid from the fund, as reported in NOTE 9.

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

kCHF	As at 31.12.2008		
	Pension benefits	HIS benefits	Total
Net liabilities as at 31.12.2007	829 766	1 214 903	2 044 669
Employer cost	- 73 508	42 286	- 31 222
Actuarial loss	1 641 439	181 559	1 822 998
Net liabilities as at 31.12.2008	2 397 697	1 438 748	3 836 445

The employer cost represents the service cost and the interest cost minus the expected capital return and the employer contributions anticipated for the financial year by the actuaries.

The actuarial gains or losses comprise adjustments experienced i.e. the effect of differences between the previous actuarial assumptions and what has actually occurred and the effect of changes in actuarial assumptions.

The decrease in the discount rate used for retirement benefits and for health cover from 3.34% at 31 December 2007 to 2.59% at 31 December 2008 is one of the reasons for the increase in the obligations at 31 December 2008, accounting for approximately 556 MCHF for the Pension benefits and 209 MCHF for the HIS benefits. The other reason is the decrease, amounting to some 1'079 MCHF, in the value of the Pension Fund's plan assets which directly suffered from the effect of the financial crisis.

As demonstrated above, the estimate of post-employment benefits according to the international accounting standard is closely dependant on the condition of the financial

markets as at 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 capital return and from increased manpower. This is why other methods of evaluating long-term financing of benefits plans exist.

Thus, the CERN Pension Fund uses another actuarial method for evaluating and assessing its funding ratio. The ratio is calculated using Swiss actuarial calculation rules and a technical interest rate of 4.5 %. The technical interest rate is a kind of discount rate which corresponds to the average annual rate of return which the Fund hopes to achieve in the long-term future, with a built-in safety margin. At the end of 2008, the funding ratio of the Pension Fund had fallen to 82%, compared to a ratio of 106.3% at the end of 2007.

B. Radioactive waste management

Radioactive waste generated by CERN's activities is delivered to the Laboratory's waste treatment centre where, after reception, it is preconditioned and transported to the temporary storage areas.

The Organization has entered into discussions with the Host States regarding the various options for the disposal of CERN's radioactive waste. In this framework, a study has been carried out to identify and evaluate the costs entailed by the disposal of this waste.

At 31 December 2007 only the costs for the disposal of waste originating from the dismantling of LEP had been reliably evaluated and thus made the subject of a provision.

During 2008, the Organization made significant progress in establishing the inventory of the radioactive waste located in the temporary storage areas and evaluating the cost of disposal.

The provision shown in the liabilities as at 31 December 2008 covers the estimated costs for the elimination of CERN's radioactive waste by the Host States. These estimates will have to be reassessed prior to the start of their elimination.

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

A certain amount of radioactive material is also stored elsewhere 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.

C. Repair Sector 3-4

The incident that occurred in Sector 3-4 on 19 September 2008 required the LHC to be shut down. According to forecasts, the LHC should be re-started in September 2009, once the repairs have been completed. A provision for repairs has been made as at the reporting date. It is based on an estimate of the direct costs in terms of material and the industrial support necessary for:

- the repairs in Sector 3-4

* except for the waste originating from the LEP dismantling

- full replenishment of the spares inventory to pre-incident levels.

It does not include the cost of CERN staff members assigned to the repairs.

D. Other Items not recognized in the Financial Statements

a) Dismantling

There is nothing to indicate that CERN has an obligation to rehabilitate its site after dismantling. Thus, in the absence of any legal or implicit obligation, no provisions for dismantling are included in the financial statements.

However, if CERN were to be required to dismantle installations such as the LHC or the CNGS, such operations would involve substantial costs.

b) Litigations

On 4 February 2009, the Administrative Tribunal of the International Labour Organization (ILOAT) delivered four Judgments in cases filed against CERN. The Organization prevailed on the merits in each case.

In addition, as of the date of this report, one case is in the process of being withdrawn by the complainant from the ILOAT, pursuant to successful settlement negotiations.

One appeal was filed with the ILOAT in 2008. It is the third of three recent cases challenging the Organization's contract policy, the first two of which were successfully defended by CERN before the Tribunal. The ILOAT is expected to deliver its Judgment in this case in February 2010

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 31.12.2008	As at 31.12.2007
EIB - to be reimbursed within 1 year	200 000	243 000
FORTIS - to be reimbursed within 1 year	13 127	12 206
FIPOI - to be reimbursed within 1 year	880	880
Accrued interest on loans	837	1 853
Short-term borrowings from banks	409 000	405 000
Accrued interest on short-term borrowings	2 288	651
Total	626 132	663 590

CERN has credit lines with various financial establishments. These do not generate any financial cost on top of the interest incurred when used. At 31 December 2008, the total amount used by CERN on these credit lines was 409 MCHF, and the corresponding interest amounted to 2.29 MCHF.

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, more particularly:

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.

In October 2002, the Government of the Russian Federation signed with CERN an extension to the 1996 Protocol for additional in-kind contributions from Russian Laboratories for a total value of up to 60 MCHF.

The balance on this account at the end of 2008 was some 0.42 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 2008 of 6.68 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 2008 was some 0.39 MCHF.

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 2008 amounted to 56.42 MCHF for ATLAS, 4.04 MCHF for ALICE and 10.07 MCHF for LHCb.

The debtor balance of 7.47 MCHF as at 31 December 2008 for CMS is shown in Receivables in the Statement of Financial Position.

The status of the LHC experiments is reported regularly to Council, most recently in June 2008 (CERN/SPC/903 - CERN/FC/5258 - CERN/2796).

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 31.12.2008	As at 31.12.2007
Accruals		
Paid leaves	117 112	121 425
Shift work compensation	41 360	
Paid leaves for long service	6 919	6 267
Termination allowances	4 991	4 228
Other payables	944	1 442
Total	171 327	133 362

The Organization is committed to compensate the disadvantages entailed by long-term performance of shift work, as provided in the Staff Rules and Regulations. The compensation consists in granting special leave or equivalent to be used at the end of the career, according to the duration of the shift work performed by the people concerned. Accruals of shift work compensation were recognized in the liabilities, for the first time, in 2008.

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

kCHF	As at 31.12.2008			As at 31.12.2007		
	Long service	Shift work compensation	Termination allowance	Long service	Shift work compensation	Termination allowance
Discount rate	2.15%	1.30%	1.01%	3.11%	NA	2.50%
Future salary increase	3.30%	3.30%	3.30%	3.30%	NA	3.30%
% of award of indefinite contracts	50.00%	NA	50.00%	50.00%	NA	50.00%

13.3.2 Other employee benefits not recognized in the Financial Statements

Reinstallation indemnities

As provided 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 10.7 MCHF as at the reporting date.

NOTE 14 - DEFERRED REVENUES

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

kCHF	As at 31.12.2008	As at 31.12.2007
Switzerland - within 1 year	30 000	30 000
Hungary - within 1 year	7 211	8 920
Slovak Republic - within 1 year	3 700	
EU projects	17 125	612
Other revenues in advance	2 144	1 900
Total	60 180	41 432

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. 16.52 MCHF have been used in 2008 and transferred to income.

The sub-heading "Other revenues in advance" mainly concerns balances of Openlab 2 and of various technology transfer projects awaiting recognition as revenues according to the stage of completion of contracts.

NOTE 15 - OTHER CURRENT LIABILITIES

This heading amounted to 1.75 MCHF as at 31 December 2008 and included the balance of advanced payments from various companies, CERN schools and social activities.

NOTE 16 - MEMBER STATES' CONTRIBUTIONS

The details of annual contributions, amounting to 1'075.86 MCHF, and special contributions amounting to 24.17 MCHF, are shown in the Summary of Income (PART 1).

NOTE 17 - EC CONTRIBUTIONS TO EU CO-FUNDED PROJECTS

Following the agreement between the CE and CERN in the context of the European Commission's 6th and 7th Framework Programmes, an amount of 16.52 MCHF was used to cover expenditure in 2008. The corresponding EU projects were:

MCHF	
EGEE projects	7.05
MARIE CURIE Actions	3.99
SLHC.PP project	0.76
EURISOL project	0.59
EURONS project	0.51
ETICS project	0.50
EUROTEV project	0.47
EGL-DS project	0.38
D4-Science project	0.26
CARE project	0.22
ISSEG project	0.21
Others	1.58
Total	16.52

NOTE 18 - TRANSFERS TO THE FIXED ASSETS AND OTHER IN-KIND CONTRIBUTIONS**18.1 TRANSFERS TO THE 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 2008.

kCHF	2008	2007
Infrastructure and services buildings	601	1 553
LHC	1 686 101	467 898
CLIC	16 591	13 155
PS Consolidation	5 084	8 515
SPS Consolidation	4 732	6 311
LINAC 4	6 513	
LHC Improvement	7 842	
LHC Inner Triplets Upgrade	706	
Total	1 728 170	497 432

18.2 OTHER IN-KIND CONTRIBUTIONS

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

kCHF	2008	2007
Loans and advances with no interest	2 620	3 377
Lands at free disposal	2 634	993
Other revenue	9 940	9 875
Total	15 194	14 245

The first item represents the estimate of the advantage granted to the Organization according to the equivalent interest rates prevailing when the loans were granted. This in-kind revenue has its counterpart in financial expenses.

The second item represents the estimate of the advantage to the Organization deriving from the making available of land without charge. This in-kind revenue has its counterpart within the sub-heading Other overheads under Materials expenses.

The last item represents the equivalent of personnel expenditure within the Organization that is not recorded within the CERN Budget, but charged directly to Team accounts. This amount excludes the 0.4 MCHF of personnel expenditure charged to the Housing Fund.

NOTE 19 - OTHER REVENUE

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

kCHF	2008	2007
Unused accrued commitments		2 562
Sale of scrap and equipment no longer in use, and income from collaborations	6 662	5 318
Sales from the CERN shop	587	289
Income from sponsoring	1 304	
Income from technology transfer	2 422	1 938
Income from the Housing Fund	6 126	5 255
Miscellaneous income	723	4 952
Internal taxation	24 208	23 245
Total	42 032	43 560

NOTE 20 - MATERIALS EXPENSES

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

k CHF	2008	2007
Goods, Consumables, Equipment & Supplies	142 008	210 005
Stock variations	375	- 106
Buildings, civil-engineering equipment and supplies	18 032	22 431
Electrotechnics, electronics equipment and supplies	41 797	73 239
IT equipment and supplies	32 573	28 151
Mechanics equipment and supplies	13 970	38 438
Vacuum and particle detection equipment and supplies	13 937	27 602
Cryogenics and gases for experiments	6 935	4 607
Transport, handling and hoisting equipment and supplies	3 452	3 620
Miscellaneous supplies	10 937	12 023
Electricity, heating gas and water	57 877	49 001
Support Services	58 738	83 521
Admin. & IT support	10 355	9 763
Technical support	46 191	71 608
Temporary work	2 192	2 150
Repair & Maintenance	33 272	45 409
Fees and Subsistence	26 113	34 124
Subsistence	22 837	29 708
Experts' and consultants' fees	3 276	4 416
CERN contributions to Collaborations	11 481	13 201
Other overheads	24 138	24 239
Equipment hire	1 357	959
Insurance premiums	4 932	5 114
Library	2 218	1 773
Visits and conferences	1 610	1 738
Duty travel and hospitality expenses	6 196	7 212
Transport	2 736	2 312
Training costs	2 730	2 572
Communications	1 493	1 642
Miscellaneous overheads	866	917
Depreciation expenses	452 648	19 498
Depreciation of fixed assets	149 183	18 882
Depreciation of current assets	133	420
Variation of provision for repair	22 795	
Variation of provision for elimination of radioactive waste	280 536	195
Total	806 275	478 997

- 20.2** The Materials expenditure charged to the budget for 2008 and shown in PART 1 of the Financial Statements amounted to 372.2 MCHF. It can be reconciled with the above as follows:

	MCHF
Materials Budget expenditure	372.2
Depreciation fixed assets	149.2
Variation of provisions	280.7
Jobs charged in advance	1.2
Land made available without charge	2.6
Bank charges (in Materials instead of Debts)	0.3
Materials expenses	806.2

NOTE 21 - PERSONNEL EXPENSES

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

k CHF	2008	2007
Remuneration	300 345	308 615
Staff members	273 832	283 396
Fellows	21 967	21 343
Associates and Apprentices	4 546	3 876
Social insurance cover	93 575	102 960
Staff members	86 710	95 492
Fellows	6 104	6 696
Associates and Apprentices	761	772
Social and family benefits	65 381	64 043
Staff members	62 262	59 961
Fellows	2 688	3 472
Associates and Apprentices	431	610
Post-employment benefits	- 11 807	- 6 983
Contribution to Health Insurance for pensioners	16 988	16 437
Contribution to Long-Term Care for pensioners	2 427	2 348
Changes in provision for the Pension scheme	- 73 508	- 48 583
Changes in provision for the Health scheme	42 286	22 815
Internal taxation	24 208	23 245
Total	471 702	491 880

21.2 The Personnel expenditure charged to the budget for 2008 and shown in PART 1 of the Financial Statements amounted to 493.0 MCHF. It can be reconciled with the above as follows:

	MCHF
Personnel Budget expenditure	493.0
Employer costs - Pension benefits *	- 73.5
Employer costs - HIS benefits *	42.3
Personnel costs externally funded	9.9
Personnel expenses	471.7

* cf. Note 11 d) table

NOTE 22 - FINANCIAL REVENUE AND EXPENSES

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

kCHF	2008	2007
Financial revenue		
Interest	1 066	2 168
Exchange gain	63	2 631
Total	1 129	4 799
Financial expenses		
Interest on EIB loan	6 545	11 119
Interest on Fortis loan	14 994	15 385
Loans with no interest	2 620	3 377
Cost of short-term borrowings	5 408	2 753
Outcome of Future Rate Agreements	258	- 982
Bank interest retrocession	144	2 168
ppbar indexation	230	333
Exchange loss		
Total	30 199	34 153

NOTE 23 - MANAGEMENT OF FINANCIAL RISKS

As part of its normal activities, the Organization is exposed to various financial risks. The management of the Organization's risks takes account of the unpredictable nature of trends in the financial markets and aims to minimize their potentially unfavourable impact on the Organization's financial performance. The Organization is thus obliged to use hedging tools to cover certain aspects of its exposure to exchange rate and interest rate risk.

23.1 LIQUIDITY RISK

The policy for funding activities is normally based on regularly obtaining contributions to finance its operating cash flows and thus aims to ensure that, over and above a positive net financial position, the Organization has cash reserves so as to meet all eventualities in an autonomous manner.

For the construction of the LHC project, as the level of Member State contributions was insufficient to cover the corresponding cash flows in each year, the Organization's governing bodies authorized a budget deficit and recourse to bank loans to finance the project.

In order to guarantee the necessary availability of short-term loans to finance the LHC project, the Organization benefits from broad permanent or specific short-term credit lines.

23.2 CREDIT OR COUNTERPARTY RISK

The financial contributions of the Member States or the integration of the contribution of a new Member State are governed by rules and regulations and subject to the decision of the Organization's Council.

Operations relating to the management of cash flows, loans, payment flows and exchange rate and interest rate risk expose the Organization to counterparty risks. The procedures in place aim to limit the choice of counterparties to top-rated banks and financial establishments and the amount authorized for each counterparty.

The Organization may be obliged to recharge research institutes for expenditure commitments it has entered into on their behalf in order to facilitate their participation in the experiments conducted on the CERN site. The internal control procedures lay down the conditions for opening and operating these accounts and impose a cap on the amount of credit granted.

The Organization's purchasing procedures stipulate the requirement to verify the supplier's capacity to comply with the terms of his contractual commitments as well as the use of bank guarantees as surety against advance payments or to guarantee that contracts are properly executed.

23.3 CASH-FLOW RISK

The risk of fluctuation in the amount of the Organization's future cash flows may result in particular from the effect of the variation in interest rates or exchange rates.

23.3.1 Variations in interest rates

The aim is to minimize uncertainty surrounding outgoing cash flows resulting from future variations in interest rates. With that end in view, the Organization may have recourse to hedging tools that are commensurate with the nature of the future loans and with the level of uncertainty regarding their estimated value and duration. Financial instruments are used only to hedge exposure to anticipated transactions. The instruments that can be used to hedge against the risk of interest rate increases are FRAs (Forward Rate Agreements), interest rate swaps or the equivalent. The hedging relationship between the instruments and the risk hedged must fulfil the conditions required for the application of hedging accounting.

23.3.2 Variations in exchange rates

The aim is to minimize uncertainty surrounding outgoing cash flows resulting from future variations in exchange rates. In view of the virtually permanent nature of outgoing cash flows in the major currencies, the introduction of systematic hedging is considered to be inefficient as a hedging measure since it would merely delay the impact of exchange-rate variations on cash flows. In the context of normal liquid-asset management, exchange operations are

carried out to meet payment deadlines, for immediate settlement or for settlement within less than three months, taking account of market opportunities.

Specific hedging operations can be introduced in order to cover:

- certain types of highly probable expenditure where hedging is for a maximum duration of six months.
- certain types of firm and substantial non-recurrent commitments, where hedging is decided on a case-by-case basis.

Hedging tools are used only to hedge exposure with regard to anticipated transactions. The instruments that can be used as protection against the risk of exchange-rate increases are short-term currency purchases, currency swaps, exchange options or the equivalent.

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 business. The Organization does not sell or purchase derivative financial instruments for purposes other than hedging.

24.1 CURRENCY EXPOSURE

The financial instruments used by CERN are mainly forward exchange contracts to purchase foreign currencies and cross currency swaps. There were no contracts outstanding as at 31 December 2008.

24.2 INTEREST EXPOSURE

In order to hedge exposure to fluctuations in interest rates resulting from the foreseen cash deficit and the corresponding commercial loans, CERN has entered into Forward Rate Agreements (FRA).

At the reporting date, the notional amounts and maturities of FRAs are as follows:

	Notional principal amounts (cumulative) MCHF	Notional principal amounts (yearly average) MCHF	Contractual hedging rate (average) %	Maturity
FRAs on CHF Libor 1 month	1 410	118	2.730%	2009
FRAs on CHF Libor 1 month	330	28	2.782%	2010

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 net fair value of Forward Rate Agreements (FRA) is their market value. It represents the present value of the estimated future cash flows at the reporting date. The unrealised losses in favour of CERN as at 31 December 2008 were:

	Net fair value (cumulative) kCHF	Contractual hedging rate (average) %	Maturity
FRA on CHF Libor 1 month	- 2 763	2.730%	2009
FRA on CHF Libor 1 month	- 541	2.782%	2010
Total	- 3 304		