

REPORT**of the Court of Auditors of the European Communities on the financial statements of the European Coal and Steel Community as at 31 December 1992**

1. This report concerns the regularity of accounting and financial management by the Commission (the High Authority), in accordance with Article 78f (5) of the Treaty establishing the European Coal and Steel Community, as amended by Article 8 of the Treaty of 22 July 1975 amending certain financial provisions of the Treaties establishing the European Communities and of the Treaty establishing a Single Council and a Single Commission of the European Communities.
2. The Court has audited the accounts and financial statements of the European Coal and Steel Community at 31 December 1992, in accordance with generally accepted auditing standards and carried out such checks as it considered necessary.
3. In the Court's opinion, the attached financial statements (balance sheets at 31 December 1992 and 1991, profit-and-loss accounts, for the financial years ending 31 December 1992 and 1991, the notes relating to balance sheets and profit-and-loss accounts, allocation of profit for the financial years ending 31 December 1991 and 1990), which have been prepared in accordance with generally accepted accounting practice (and the Council's published instructions in particular), give a true and fair view of the financial situation of the European Coal and Steel Community at 31 December 1991 and of the results of its operations for the year then ended.

Luxembourg, 30 June 1993

A. MIDDELHOEK

President of the Court of Auditors

B. FRIEDMANN

Member of the Court of Auditors

**FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY
AT 31 DECEMBER 1992 AND 31 DECEMBER 1991**

(93/C 220/03)

In accordance with undertakings given by the Commission on behalf of the ECSC with regard to its borrowing activities, the following financial statements, drawn up in conformity with Article 78 of the Treaty establishing the ECSC, are published:

- balance sheets of the European Coal and Steel Community at 31 December 1992 and 31 December 1991,
- profit-and-loss accounts for the years ending 31 December 1992 and 31 December 1991,
- allocation of the surplus for the years ending 31 December 1992 and 31 December 1991.

These financial statements are accompanied by the report of the Court of Auditors provided for under Article 78f (5) of the ECSC Treaty, dealing with the financial operations of the ECSC for 1992 with the exception of those relating to revenue and expenditure of an administrative nature.

Balance sheets at 31 December 1992 and 31 December 1991

(amounts in ecus)

— before allocation of surplus —

ASSETS

	31 December 1992	31 December 1991
Balances with central banks (note 3)	530 675	1 081 028
Loans and advances to credit institutions (note 4):		
— repayable on demand	56 203 772	34 036 866
— with agreed maturity dates or periods of notice	651 975 632	803 286 645
— loans	3 433 388 311	3 239 875 489
Total	4 141 567 715	4 077 199 000
Loans and advances to customers (note 5):		
— loans	4 267 090 339	4 276 210 661
— levy	14 719 767	13 845 058
— fines	1 615 162	1 754 070
Total	4 283 425 268	4 291 809 789
Bonds and other fixed-income securities (note 6):		
— issued by public bodies	1 220 874 572	1 069 105 622
— issued by other borrowers (including own-debt securities: 67 638 521 in 1992 and 88 954 023 in 1991)	267 724 137	244 402 965
Total	1 488 598 709	1 313 508 587
Tangible and intangible assets (note 7)	6 523 098	6 021 801
Other assets (note 8)	7 696 871	10 722 601
Prepayments and accrued income (note 9)	342 872 269	335 432 183
TOTAL ASSETS	10 271 214 605	10 035 774 989
Off-balance-sheet commitments (note 25)	4 718 395 201	3 793 241 962

— before allocation of profit —

LIABILITIES

	31 December 1992	31 December 1991
LIABILITIES VIS-A-VIS THIRD PARTIES		
Amounts owed to credit institutions (note 10):		
— repayable on demand	5 840 231	0
— with agreed maturity dates of periods of notice	—	85 978 663
— borrowings	2 985 338 811	2 936 886 431
Total	2 991 179 042	3 022 865 094
Debts evidenced by certificates (note 11)	4 341 279 392	4 202 296 133
Other liabilities (note 12)	365 986 897	107 922 528
Accruals and deferred income (note 13)	284 938 605	284 484 893
Provisions for liabilities and charges (note 14)	5 805 666	7 084 687
Commitments for the ECSC operating budget (note 15)	1 283 153 200	1 288 934 244
TOTAL LIABILITIES VIS-A-VIS THIRD PARTIES	9 272 342 802	8 913 587 579
NET POSITION		
Provisions for financing the ECSC operating budget (note 16)	307 348 557	385 058 170
RESERVES (note 17):		
— Guarantee Fund	429 885 000	482 885 000
— special reserve	188 980 000	188 980 000
— former pension fund	57 469 977	56 150 435
Total	676 334 977	728 015 435
Value adjustment reserve	13 294 511	7 773 845
Surplus brought forward	20 418	166 085
Surplus for the financial year	1 873 340	1 173 875
NET TOTAL	998 871 803	1 122 187 410
TOTAL LIABILITIES	10 271 214 605	10 035 774 989
Off-balance-sheet commitments (note 25)	7 687 872 326	6 057 194 847

Profit-and-loss accounts for the years ending 31 December 1992 and 31 December 1991

(Amounts in ecus)

CHARGES

	31 December 1992	31 December 1991
Interest payable and similar charges:		
— interest	942 239 470	853 945 655
— issuing costs and redemption premiums	11 540 426	16 185 304
Total	953 779 896	870 130 959
Commissions payable	2 243 917	2 419 396
Net losses on financial operations:		
— foreign-exchange losses	217 196	0
— losses on securities	3 514 185	3 163 224
— value adjustments in respect of securities	0	0
Total	3 731 381	3 163 224
Administrative expenses (note 19)	5 000 000	5 000 000
Value adjustments in respect of tangible assets (note 7)	782 977	895 511
Other operating charges (note 20)	572 287	751 705
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments (note 21):		
— Value adjustment in respect of loans and advances	92 673 296	1 000 069
— Allocation to the provision for liabilities and charges (note 14)	355 166	1 946 642
Total	93 028 462	2 946 711
TOTAL OPERATING CHARGES	1 059 138 920	885 307 506
Extraordinary charges	277 845	444 491
Allocation to the reserve for exchange differences	5 520 666	633 848
Legal commitments for the financial year (note 15)	477 217 432	454 375 588
Allocation to the provision for financing the ECSC operating budget (note 16)	235 733 395	313 304 101
TOTAL CHARGES	1 777 888 258	1 654 065 534
Surplus for the financial year	1 873 340	1 173 875
TOTAL	1 779 761 598	1 655 239 409

INCOME

	31 December 1992	31 December 1991
Interest receivable and similar income (note 22):		
— interest (including interest on fixed-income securities: 124 484 602 in 1992 and 125 091 970 in 1991)	1 162 894 880	1 081 577 404
— issuing and redemption premiums	8 824 756	12 670 676
Total	1 171 719 636	1 094 248 080
Net profit on financial operations:		
— foreign-exchange profits	10	23 286
— profits on securities	8 986 656	8 931 669
— value adjustments in respect of securities	318 420	20 110 244
Total	9 305 086	29 065 199
Value adjustments in respect of loans and advances and provisions:		
— withdrawal of value adjustments in respect of loans and advances	1 534 081	10 676 489
— transfer from the provision for liabilities and charges	1 789 949	324 254
Total	3 324 030	11 000 743
Other operating income (note 23)	1 197 236	720 849
TOTAL OPERATING INCOME	1 185 545 988	1 135 034 871
Conversion difference	5 520 666	633 848
Income relating to the operating budget (note 24)	222 251 936	207 401 206
Transfer from the provision for financing the ECSC operating budget	313 304 101	311 851 569
Transfer from the provision for fines to be collected	138 907	317 915
Transfer from the Guarantee Fund	53 000 000	—
TOTAL INCOME	1 779 761 598	1 655 239 409

Allocation of surplus for the years ending 31 December 1992 and 31 December 1991

(Amounts in ecus)

	1992	1991
Surplus not allocated at 1 January	20 418	166 085
Surplus for the year to be allocated	1 873 340	1 173 875
	1 893 758	1 339 960
Allocation to the former pension fund	1 453 352	1 319 542
Surplus not allocated at 31 December	440 406	20 418

NOTES RELATING TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1992 AND AT
31 DECEMBER 1991

(Amounts in ecus)

1. PRESENTATION OF THE FINANCIAL STATEMENTS

- 1.1. The European Coal and Steel Community (ECSC) was established by the Treaty of 18 April 1951. According to the Treaty, the task of the ECSC is to contribute to the economic expansion of the Member States through the establishment of a common market for coal and steel. Most of the ECSC's funds come from the levy, the net profit from its financial activity, borrowings raised on the financial markets and direct bank loans.
- 1.2. The ECSC's financial statements for 1992 and the notes thereto are presented in accordance with Council Directives 78/660/EEC and 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions (OJ No L 222, 14. 8. 1978 and OJ No L 372, 31. 12. 1986).
- 1.3. ECSC accounts are kept in the various currencies used for its financial activity. The financial statements are expressed in ecus.

The following rates have been used for converting year-end balance-sheet amounts expressed in currency into ecus:

	31 December	
	1992	1991
Belgian and Luxembourg franc	40,1777	41,9308
German mark	1,9556	2,03553
Dutch guilder	2,19669	2,29352
Pound sterling	0,798221	0,716117
Danish krone	7,57479	7,92945
French franc	6,66782	6,95338
Italian lira	1 787,42	1 542,40
Irish pound	0,743157	0,766332
Spanish peseta	138,648	129,668
Portuguese escudo	177,76	179,886
Greek drachma	260,198	235,065
United States dollar	1,2109	1,34093
Swiss franc	1,76307	1,81763
Canadian dollar	1,53603	1,55078
Japanese yen	151,06	167,549

- 1.4. At 31 December 1992 the various currencies listed in 1.3. together with the ecu, made up the ECSC's balance sheet as follows:

(ECU 1 000)

Currency	Assets	Liabilities
Belgian franc	369 203	290 059
Luxembourg franc	146 486	126 620
German mark	3 882 441	3 764 905
Dutch guilder	264 681	206 164
Pound sterling	886 553	793 216
Danish krone	2 782	—
French franc	1 008 126	871 488
Italian lira	1 579 707	1 503 881
Iris pound	1 519	0
Spanish peseta	320 522	270 725
Portuguese escudo	93 034	89 016
Greek drachma	3 826	0
United States dollar	2 356 818	2 278 759
Swiss franc	471 103	457 879
Canadian dollar	55 867	55 867
Japanese yen	133 778	132 398
ECU	— 1 305 231	— 569 762
Total	10 271 215	10 271 215

NB: The ecu has a much larger place in the ECSC's accounts than suggested by the above table.

The apparently small share in ecus is explained by certain accounting operations, mainly the offsetting of accounts receivable and payable relating to currency swaps.

The offsetting of these items on the assets and liabilities sides is designed to prevent artificial inflation of the balance sheet.

This accounting operation is carried out in ecus and involved a total of ECU 3 852 663 317 in 1992.

The real weight of the ecu in the ECSC's accounts can therefore be assessed more accurately if this amount is added both to the assets and to the liabilities sides of the balance sheet.

2. ACCOUNTING POLICIES AND METHODS

2.1. General accounting methods

2.1.1. The financial statements are drawn up in accordance with generally recognized accounting principles.

2.1.2. Charges and income for the financial year are entered in currency and converted to ecus at the monthly accounting rate in force on the day of the transaction.

2.2. Change in the accounting method

Until 31 December 1991 the ECSC used the net balance from one financial year to finance the operating budget of the following financial year. This involved allocating the year's income to the provision for financing the operating budget under the heading 'Net balance'.

On 31 December 1992 this accounting method was changed to enable the operating budget for 1993 to be financed by income received during 1993.

The net balance generated by ECSC activity during 1992, ECU 131 636 968, has been allocated to the contingency reserve (note 16).

3. BALANCES WITH CENTRAL BANKS

This item represents the ECSC's balances with the central banks of the 12 Member States.

4. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

4.1. Repayable on demand

This item also includes loans and advances to Cedel repayable on demand.

4.2. With agreed maturity dates or periods of notice

The breakdown of the time to maturity of these loans is as follows:

	<i>(in ecus)</i>	
	31 December	
	1992	1991
Up to three months	382 962 987	421 074 157
Three months to one year	252 956 207	382 212 488
Over one year	16 056 438	—
Total	651 975 632	803 286 645

4.3. Loans

The breakdown of the time to maturity of these loans is as follows:

	<i>(in ecus)</i>	
	31 December	
	1992	1991
Up to three months	63 235 868	51 050 748
Three months to one year	304 540 293	294 276 498
One year to five years	2 563 278 917	2 217 629 092
Over five years	502 333 233	676 919 151
Total	3 433 388 311	3 239 875 489

5. LOANS AND ADVANCES TO CUSTOMERS

5.1. Loans

The loans granted to credit institutions are shown under 'Loans and advances to credit institutions' (see note 4).

The other loans break down as follows:

(in ecus)

	31 December	
	1992	1991
1. Loans paid from borrowed funds		
Amounts outstanding, excluding redemption premiums	4 196 379 653	4 085 515 680
Redemption premiums	45 000 000	45 000 000
Value adjustments	(40 341 949)	(3 781 296)
Subtotal	4 201 037 704	4 126 734 384
2. Loans from the special reserve and other own funds for financing subsidized housing	26 832 402	27 468 907
Total I	4 227 870 106	4 154 203 291
The breakdown of the time to maturity of these loans is as follows:		
	1992	1991
Up to three months	138 465 976	296 273 320
Three months to one year	451 572 667	532 460 889
One year to five years	3 040 617 738	2 735 497 429
Over five years	637 555 674	593 752 949
3. Loans paid from the former pension fund to officials of the European Communities for housing construction	37 514 170	33 422 568
4. Loan repayments overdue and interest on arrears	1 706 063	88 584 802
Grand total	4 267 090 339	4 276 210 661

These loans are usually secured by guarantees from the Member States, banks or companies, or by mortgages.

5.2. Levy

Before value adjustment, this item amounts to ECU 20 195 663 of 31 December 1992 (ECU 18 687 124 at 31 December 1991). It comprises in particular ECU 4 366 705 subject to legal proceedings (ECU 3 988 246 at 31 December 1991) and ECU 2 382 399 relating to temporary deferment in respect of coal in stock (ECU 1 101 482 at 31 December 1991).

Payment of the levy in respect of coal in stock is temporarily deferred under a general decision taken in 1972.

5.3. Fines

After value adjustment the item 'Fines receivable' amounts to ECU 1 615 162 (ECU 1 754 070 at 31 December 1991).

6. BONDS AND OTHER FIXED-INCOME SECURITIES

6.1. Valuation

Bonds and other fixed-income securities are valued at average purchase price or market value at 31 December 1992, whichever is the lower.

This principle is not applied in the case of securities considered as financial fixed assets (see 6.5).

6.2. Composition

Bonds and other fixed-income securities break down as follows:

(in ecus)

	Value adjustments on securities (Withdrawal)	31 December	
		1992	1991
ISSUED BY PUBLIC BODIES			
— Gross value		1 228 444 178	1 077 382 650
— Value adjustment	(707 422)	(7 569 606)	(8 277 028)
— Net value		1 220 874 572	1 069 105 622
OWN-DEBT SECURITIES			
— Gross value		67 638 521	88 954 023
— Value adjustment	—	—	—
— Net value		67 638 521	88 954 023
ISSUED BY OTHER BORROWERS			
— Gross value		201 417 847	156 392 171
— Value adjustment	389 002	(1 332 231)	(943 229)
— Net value		200 085 616	155 448 942
TOTAL			
— Gross value		1 497 500 546	1 322 728 844
— Value adjustment	(318 420)	(8 901 837)	(9 220 257)
— Net value		1 488 598 709	1 313 508 587

6.3. Maturities in 1993

Securities in the portfolio reaching final maturity during 1992 represent the following amounts (in ecus):

— issued by public bodies:	197 199 472
— own-debt securities:	141 380
— issued by other borrowers:	<u>39 784 660</u>

Total 237 125 512

6.4. Listed/unlisted securities

The securities portfolio comprises ECU 1 406 700 893 of securities with a stock-exchange listing, the balance of ECU 81 897 816 being unlisted securities.

6.5. Financial fixed assets

6.5.1. Financial fixed assets are defined as securities that will remain in the portfolio until their final maturity.

They comprise mainly short-term papers and own-debt securities repurchased for servicing ECSC borrowings.

6.5.2. Financial fixed assets are valued at average purchase price or redemption value, whichever is the lower.

The redemption value of these securities exceeds the average purchase price by a total of ECU 9 498 106.

6.5.3. Financial fixed assets are made up as follows (in ecus):

— issued by public bodies:	57 759 076
— own-debt securities:	67 638 524
— issued by other borrowers:	<u>6 827 125</u>
Total	132 224 725

7. TANGIBLE AND INTANGIBLE ASSETS

(in ecus)

	Year of acquisition	Acquisition price	31 December	
			1992	1991
Tangible assets:				
— Paris buildings	1990	8 804 938	1	1
— Washington buildings	1971	882 654	470 688	529 524
— Lisbon buildings	1986	1 265 526	759 240	843 600
— New York buildings	1987	2 132 944	1 399 910	1 539 901
— Canberra buildings	1987	2 350 603	1 941 869	2 136 056
— Marseille buildings	1991	406 679	338 899	372 789
— Windhoek buildings	1992	1 129 004	1 072 554	—
			5 983 161	5 421 871
Intangible assets:				
— Lease on Milan buildings	1986	879 883	539 937	599 930
Total tangible and intangible assets			6 523 098	6 021 801

The Paris buildings are owned jointly by the three Communities, the ECSC's share being 28 %.

The other buildings, which are owned solely by the ECSC, are let to the Commission; the rent paid provides a return on the funds invested by the ECSC and amortizes the debt. When these buildings have been fully amortized, ownership will be transferred to the European Economic Community.

In 1992 the ECSC purchased three buildings in Windhoek, Namibia.

8. OTHER ASSETS

(in ecus)

	31 December	
	1992	1991
Loans, payments due and not received	55 836 021	4 992 807
Portfolio taxes and VAT to be reclaimed	2 672 333	2 577 892
Loans to officials — miscellaneous	2 789 139	5 713 640
Miscellaneous	2 047 886	1 176 995
	63 345 379	14 461 334
Cumulative value adjustments	(55 648 508)	(3 738 733)
Total	7 696 871	10 722 601

The increase in 'Loans, payments due and not received' and 'Value adjustments' is connected with the deterioration in the financial situation of several major steel companies as a result of the serious crisis which the steel sector has been facing for some time.

9. PREPAYMENTS AND ACCRUED INCOME

(in ecus)

	31 December	
	1992	1991
Interest on loans	227 060 112	207 561 591
Interest on deposits and securities portfolio	92 763 512	88 627 521
Levy declared for November and December but payable after 31 December	13 439 131	20 673 918
Issuing costs and redemption premiums	11 949 961	18 569 153
	345 212 716	335 432 183
Cumulative value adjustments	(2 340 447)	—
Total after value adjustments	342 872 269	335 432 183

10. AMOUNTS OWED TO CREDIT INSTITUTIONS

The time to maturity on these operations is as follows:

(in ecus)

	31 December	
	1992	1991
Repayable on demand	5 840 231	—
Up to three months	101 126 985	332 641 259
Three months to one year	408 367 924	536 923 621
One year to five years	1 757 000 976	1 495 925 208
Over five years	718 842 926	657 375 006
Total	2 991 179 042	3 022 865 094

11. DEBTS EVIDENCED BY CERTIFICATES

Part of the borrowings outstanding at 31 December 1992 will reach maturity during the 1993 financial year. These borrowings amount to ECU 377 215 485.

12. OTHER LIABILITIES

(in ecus)

	31 December	
	1992	1991
Exchange value in ecus of the difference between currency receivable and payable under currency exchange operations (Swaps)	308 455 362	93 395 325
Current account, ECSC operating budget	31 197 886	8 882 422
Other	26 333 649	5 644 781
Total	365 986 897	107 922 528

13. ACCRUALS AND DEFERRED INCOME

(in ecus)

	31 December	
	1992	1991
Interest on borrowings and credit lines	278 382 236	273 292 973
Commission on loans	741 369	786 920
Redemption premiums on loans	5 815 000	10 405 000
Total	284 938 605	284 484 893

14. PROVISIONS FOR LIABILITIES AND CHARGES

(in ecus)

	31 December	
	1992	1991
Provision for withholding tax to be paid (*)	4 834 353	4 367 533
Provision for purchases and sales of securities on the future markets (†)	48 629	1 681 943
Provision for equipping the Paris residence (‡)	722 684	835 211
Provision for special costs connected with banking activities (¶)	200 000	200 000
Total	5 805 666	7 084 687

(*) This provision was created to allow the ECSC to meet its obligations in respect of a securities transaction on which there is a difference of interpretation regarding the applicability of withholding tax.

(†) This provision was created to cover the risk of price movements on the futures contracts existing at the end of the financial year for the purchase and sale of securities.

(‡) This provision was created from the profit on the sale of the Paris building at the end of 1990 with a view to purchasing car-parking spaces in 1991 and equipping the residence in Avenue H. Martin. Work on the residence will be completed in 1993, and the balance of this provision can then be divided between the ECSC, Euratom and the Community in proportion to their initial contribution to the purchase of the Paris building.

(¶) This provision was created to cover any assistance costs and other unforeseen expenditure. The risk in question is primarily in the legal field because the ECSC has less recourse, for its operations, to national agents who bear all expenditure relating to loan operations.

15. COMMITMENTS FOR THE ECSC OPERATING BUDGET

In 1992, commitments for the ECSC operating budget were as follows:

(in ecus)

	Commitments at 31 December 1991	New legal commitments	Payments	Cancellations	Commitments at 31 December 1992
Redeployment	540 310 836	154 795 282	200 227 767	44 526 949	450 351 402
Research	232 769 324	120 230 550	107 721 203	7 887 564	237 391 107
Interest subsidies Article 54	26 903 649	—	3 505 987	1 831 848	21 565 814
Interest subsidies Article 56	302 558 405	106 000 000	43 794 967	12 932 789	351 830 649
Social measures, steel industry	115 713 545	46 191 600	28 938 750	8 429 541	124 536 854
Social measures, coal industry (Rechar)	70 678 485	50 000 000	23 041 670	159 441	97 477 374
Total	1 288 934 244	477 217 432	407 230 344	75 768 132	1 283 153 200

16. PROVISION FOR FINANCING THE ECSC OPERATING BUDGET

(in ecus)

	Provisions at 31 December 1991	Changes at 31 December 1992		Provisions at 31 December 1992
		Withdrawal	Allocation	
Net balance for the financial year ⁽¹⁾ :				
1991	253 500 000	253 500 000		
Contingency reserve ⁽²⁾	70 000 000	—	131 636 968	201 636 968
Extraordinary income for financing the 1993 operating budget ⁽³⁾	—	—	51 000 000	51 000 000
Surplus from the implementation of the operating budget				
1991	59 804 101	59 804 101	—	—
1992			53 096 427	53 096 427
Total allocations withdrawn from the provision to finance the OB	—	313 304 101	235 733 395	—
Provision for fines and surcharges to be paid subsequently ⁽⁴⁾	1 754 069	138 907	—	1 615 162
Total	385 058 170	313 443 008	235 733 395	307 348 557

⁽¹⁾ Until 31 December 1991 the net balance of the ECSC's financial activity allocated to provisions at the end of the year was added to the resources of the ECSC operating budget for the next financial year. From 31 December 1992 onwards a different accounting method has been applied (note 2).

⁽²⁾ This reserve is intended to cover the following amounts:

- ECU 70 million for the requirements of the 1993 operating budget that have been decided,
- ECU 85,6 million for the maximum amount of compensation which the ECSC is likely to have to pay to companies in respect of losses likewise suffered by them in connection with the application of the quota system which was in force between October 1980 and June 1988;
- ECU 46 million for any difference between expenditure committed and income generated by ECSC activities during the financial year as a result of the change in method described in note 2.

⁽³⁾ The ECSC has constituted a provision of ECU 51 million for financing additional social measures for the iron and steel industry under the 1993 ECSC operating budget.

⁽⁴⁾ Fines are considered as ECSC resources only when they have actually been paid. Fines imposed but not yet paid are therefore allocated to provisions.

17. RESERVES

The pattern of reserves was as follows:

(in ecus)

	Reserves at 31 December 1991 prior to allocation	Allocations at 31 December 1991	Withdrawal 1992	Reserves at 31 December 1992 prior to allocations	Allocations at 31 December 1992	Reserves at 31 December 1992 after allocations
Guarantee fund	482 885 000	—	(53 000 000)	429 885 000	—	429 885 000
Special reserve	188 980 000	—		188 980 000	—	188 980 000
Former pension fund	56 150 435	1 319 542		57 469 977	1 453 352	58 923 329
Total	728 015 435	1 319 542	(53 000 000)	676 334 977	1 453 352	677 788 329

The Guarantee Fund is intended to cover lending and borrowing operations. In order to cover partially the constitution of specific value adjustments in respect of loans and advances which is connected with the deterioration in the financial situation of several major steel companies as a result of the serious crisis which the steel sector has been facing for some time, ECU 53 million has been withdrawn from the Guarantee Fund. Despite this reduction, the ECSC's solvency ratio remains within the 14 and 16 % range recommended by a team of international experts to ensure that the structure of the balance sheet remained in equilibrium, having regard to the special status of the ECSC.

The special reserve is used to grant loans from ECSC own funds to finance subsidized housing.

The former pension fund originally represented the ECSC's total pension obligations prior to 5 March 1968. Since that date, the Member States have assumed responsibility for the payment of staff pensions. This fund is used to finance housing loans for officials of the European Communities and has also been used to grant special loans to the coal and steel industries.

18. ANALYSIS OF THE RESULT FOR THE FINANCIAL YEAR

Overall ECSC performance is influenced by both the result of non-budgetary operations (lending/borrowing — investment — exchange-rate variations) and the out-turn of the ECSC operating budget.

18.1. Non-budgetary operations

(in ecus)

Result	31 December	
	1992	1991
GROSS OPERATING MARGIN BEFORE CHANGES IN PROVISIONS:		
— lending/borrowing operations	3 670 975	6 524 561
— interest on bank accounts	87 304 194	89 620 755
— transactions concerning portfolio securities	130 088 182	150 829 272
— miscellaneous	5 672 055	603 357
Total	226 735 406	247 577 945
CHANGES IN PROVISIONS:		
— provisions for liabilities and charges	1 434 783	(1 946 642)
— reserve for exchange differences (*)	(5 520 666)	(633 848)
— value adjustments in respect of loans and advances	(91 139 215)	9 676 420
RESULT ON NON-BUDGETARY OPERATIONS	131 510 308	254 673 875

(*) During 1992, changes in exchange rates led to a conversion profit of ECU 5 520 666, which was offset by the transfer of the same amount to the value adjustment reserve. The corresponding figure for 1991 was ECU 633 848.

18.2. Implementation of the ECSC operating budget

(in ecus)

	31 December	
	1992	1991
IMPLEMENTATION OF THE BUDGET		
Expenditure:		
— administrative expenditure	5 000 000	5 000 000
— legal commitments	477 217 432	454 375 588
— miscellaneous	243 505	73 086
Total	482 460 937	459 448 674
Revenue:		
— levy (note 24)	146 473 186	175 054 804
— fines (note 24)	—	—
— deposits (note 24)	8	18 348
— cancellations of legal commitments (note 24)	75 768 132	32 311 852
— miscellaneous	11 937	16 202
— surplus from the last budget (note 16)	59 804 101	91 351 569
— net balance from the last financial year (note 16)	253 500 000	220 500 000
Total	535 557 364	519 252 775
BUDGET OUT-TURN	53 096 427	59 804 101

(in ecus)

	31 December	
	1992	1991
Result on non-budgetary operations	131 510 308	254 673 875
Budget out-turn	53 096 427	59 804 101
Withdrawal from the Guarantee Fund	53 000 000	—
Total	237 606 735	314 477 976
Allocation to the provisions for financing the operating budget for the following financial year:		
— surplus from the implementation of the budget	53 096 427	59 804 101
— contingency reserve	131 636 968	—
— net balance	—	253 500 000
— extraordinary revenue (1993 budget)	51 000 000	—
SURPLUS BEFORE ALLOCATION	1 873 340	1 173 875

19. ADMINISTRATIVE EXPENSES (FIXED AMOUNT)

The ECSC paid a lump sum of ECU 5 million to the general budget of the Commission of the European Communities to cover its administration costs.

20. OTHER OPERATING CHARGES

(in ecus)

	31 December	
	1992	1991
Borrowing costs	420 531	601 827
Swift/Reuters charges	140 812	137 716
Other	10 944	12 162
Total	572 287	751 705

21. VALUE ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES

The increased allocation to 'Value adjustments in respect of loans and advances' is connected with the deterioration in the financial situation of several major steel companies as a result of the serious crisis which the steel sector has been facing for some time.

22. INTEREST RECEIVED

(in ecus)

	31 December	
	1992	1991
Interest on loans	949 599 939	866 686 298
Payment and redemption premiums	8 824 756	12 670 676
Bank interest	88 810 339	89 799 136
Interest on fixed-income securities	124 484 602	125 091 970
Total	1 171 719 636	1 094 248 080

23. OTHER OPERATING INCOME

(in ecus)

	31 December	
	1992	1991
Lapsed coupons and bonds	11 089	27 779
Income from buildings	1 071 714	683 299
Miscellaneous	114 433	9 771
Total	1 197 236	720 849

24. INCOME RELATING TO THE OPERATING BUDGET

(in ecus)

	31 December	
	1992	1991
Levy (*)	146 473 186	175 054 804
Fines (†)	—	—
Deposits	8	18 348
Cancellation of legal commitments	75 768 132	32 311 852
Miscellaneous	10 610	16 202
Total	222 251 936	207 401 206

(*) The ECSC is authorized under the Treaty to impose a levy on coal and steel produced by undertakings in the Community. The levy is calculated on the basis of the average values in the Community of the various products concerned. The levy rate had been 0,31 % since 1 January 1980. The rate applicable during 1992 was 0,27 %. On 23 December 1992 the Commission decided to set the levy rate for the 1993 financial year at 0,25 %. At 31 December 1992 levy income included ECU 110 911 in respect of surcharges for late payment (ECU 276 819 at 31 December 1991).

(†) This item comprises the revenue from fines imposed by the Commission in accordance with Articles 58 and 60 of the ECSC Treaty, together with surcharges for late payment.

25. OFF-BALANCE-SHEET COMMITMENTS

25.1. Commitments received

(in ecus)

	31 December	
	1992	1991
(a) Commitments arising from swaps		
— Notional capital commitments relating to interest-rate swaps	840 423 237	498 370 172
— Capital commitments relating to interest-rate and currency swaps	3 852 663 317	3 232 090 075
(b) Commitments on securities		
— Securities bought forward	25 308 647	62 781 715
— Securities sold forward	—	—
Total	4 718 395 201	3 793 241 962

25.2. Commitments given

	<i>(in ecus)</i>	
	31 December	
	1992	1991
(a) Loans granted		
— Global loan contracts, lines still to be used	1 829 227 870	1 778 170 000
— Loans from borrowed funds signed but not yet paid	851 968 081	365 528 748
— Loans from own funds	18 238 892	26 412 033
(b) Commitments arising from swaps		
— Notional capital commitments relating to interest-rate swaps	840 423 237	498 370 172
— Capital commitments relating to interest-rate and currency swaps	4 122 694 510	3 325 904 400
(c) Commitments on securities		
— Securities bought forward	25 308 647	62 781 715
— Securities sold forward	—	—
(d) Receipts from lapsed coupons and bonds	11 089	27 779
Total	7 687 872 326	6 057 194 847

**CHANGES IN THE FINANCIAL SITUATION FOR THE YEARS ENDING 31 DECEMBER 1992
AND 31 DECEMBER 1991**

	<i>(ECU million)</i>	
	1992	1991
Origin of funds		
Balance of profit-and-loss account	1,9	1,1
Items not involving a movement of funds:		
— amortization of issuing costs and redemption premiums	2,7	3,0
— value adjustments in respect of securities	(0,3)	(20,1)
— value adjustments in respect of tangible assets	0,8	0,9
— value adjustments in respect of loans and advances (net)	91,2	(9,7)
— increase (decrease) in 'Provision for legal commitments'	(5,7)	112,7
— increase (decrease) in 'Provision for financing of ECSC operating budget'	(78,1)	1,2
— increase (decrease) in accruals and deferred income (liabilities)	4,9	31,1
— decrease (increase) in accruals and deferred income (assets) and issuing costs and redemption premiums	(16,9)	(48,4)
— increase (decrease) in 'Other liabilities'	258,1	(37,9)
— decrease (increase) in 'Other assets'	2,1	(16,0)
— allocation to the provision for risks and charges	(1,3)	1,7
— increase (decrease) in the provision for changes in the ecu rate	5,5	0,7
— contribution not yet received from new Member States	—	—
— exchange adjustments in respect of borrowings and loans	(190,3)	6,4
— withdrawal from Guarantee Fund	(53,0)	—
TOTAL FUNDS	21,6	26,7
Other resources:		
— proceeds of borrowings	1 474,4	1 445,7
— loan repayments	1 295,2	889,8
— contribution from new Member States (paid up)	—	—
TOTAL RESOURCES	2 791,2	2 362,2
Use of funds:		
— loan disbursements	1 405,0	1 471,2
— redemption of borrowings	1 259,9	1 003,7
— increase (decrease) in bank balances and portfolio	125,0	(113,6)
— acquisition and construction of buildings	1,3	0,9
TOTAL USES	2 791,2	2 362,2

IMPLEMENTATION OF THE ECSC OPERATING BUDGET FOR 1992

(ECU million)

Requirements	Forecast (*)	Out-turn	Resources	Forecast (*)	Out-turn
Operations to be financed from current resources (not reimbursable)			Resources for the financial year		
1. Administrative expenditure	5	5	1. Current resources		
2. Aid for redeployment (Article 56)	170	154,8	1.1. Yield from levy at 0,27 %	150,2	146,2
3. Aid for research (Article 55)	123	120,2	1.2. Net balance from the preceding financial year	253,5	253,5
3.1. Steel (*)	58	58	1.3. Fines and surcharges for late payment (*)	2,15	0
3.2. Coal (*)	50	47,7	1.4. Miscellaneous	t. e.	t. e. (*)
3.3. Social (*)	15	14,5	2. Cancellation of commitments unlikely to be implemented	70,35	75,8
4. Interest subsidies	131	106	3. Unused resources carried over from 1991	59,8	59,8
4.1. Investment (Article 54)	25	0	4. Extraordinary receipts		
4.2. Conversion (*) (Article 56)	106	106	Social measures in connection with the restructuring of the steel industry	t. e.	t. e.
5. Social measures in connection with the restructuring of the steel industry	53	46,2	5. Utilization of the contingency reserve	t. e.	- t. e.
6. Social measures in connection with the restructuring of the coal industry (*)	50	50			
Surplus	4	53,1			
TOTAL	536	535,3	TOTAL	536	535,3
Operations financed by loans from non-borrowed funds			Origin of non-borrowed funds		
Subsidized housing	18	18	Special reserve and former ECSC pension fund	18	18

(*) See the Commission's implementation forecast of 17 November 1992 (OJ No C 307, 25. 11. 1992).

(*) Aid for projects with a specific impact on the environment:

forecast: lines 3.1.: 8	out-turn: lines 3.1.: 6,9
3.2.: 16	3.2.: 16,7
3.3.: 3	3.3.: 3,7
4.1.: 1,9	4.1.: —

(*) Amounts chargeable to the Rechar programme:

forecast: lines 4.2.: 50	out-turn: lines 4.2.: 44,8
6.: 50	6.: 50

(*) The amount still due to the ECSC at 31 December 1991 was ECU 1 622 199.

(*) The amount actually collected was ECU 10 618.