

**REPORT OF THE COURT OF AUDITORS OF THE EUROPEAN COMMUNITIES**  
**on the financial statements of the European Coal and Steel Community at 31 December 1994**

1. This report concerns the reliability of the accounts drawn up by the Commission (the High Authority), in accordance with Article 45c of the Treaty establishing the European Coal and Steel Community.
2. The Court has audited the accounts and financial statements of the European Coal and Steel Community at 31 December 1994 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 sheet at 31 December 1994, profit and loss account for the financial year ending 31 December 1994, statement of the allocation of surplus for the year ending 31 December 1994 and notes relating to the financial statements at 31 December 1994), which have been drawn up in accordance with generally accepted auditing principles, give a true and fair view of the financial situation of the European Coal and Steel Community at 31 December 1994 and of the results of its operations for the year then ended.

Done at Luxembourg, 29 June 1995.

André MIDDELHOEK

*President of the Court of Auditors*

Aunus SALMI

*Member of the Court of Auditors*

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**FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY  
AT 31 DECEMBER 1994**

(95/C 244/07)

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 45c of the Treaty establishing the ECSC, are published:

- the balance sheet of the European Coal and Steel Community at 31 December 1994,
- the profit-and-loss accounts for the year ending 31 December 1994,
- the allocation of the surplus for the year ending 31 December 1994,
- the notes relating to the financial statements at 31 December 1994.

These financial statements are accompanied by the report of the Court of Auditors provided for under Article 45c of the ECSC Treaty, dealing with the financial operations of the ECSC for 1994 with the exception of those relating to revenue and expenditure of an administrative nature.

## Balance sheets at 31 December 1994

(amounts in ecus)

— Before allocation of surplus —

## ASSETS

	31 December 1994	31 December 1993
Balances with central banks (note 3)	1 568 013	1 179 187
Loans and advances to credit institutions (note 4):		
— repayable on demand	21 005 380	22 027 113
— with agreed maturity dates or periods of notice	434 205 201	418 119 954
— loans	3 369 426 899	3 550 197 206
Total	3 824 637 480	3 990 344 273
Loans and advances to customers (note 5):		
— loans	3 638 552 293	4 126 203 226
— levy	9 510 972	13 567 192
— fines	64 041 463	1 615 162
— credits	7 688 268	540 499
Total	3 719 792 996	4 141 926 079
Bonds and other fixed-income securities (note 6):		
— issued by public bodies	1 455 909 300	1 379 534 947
— issued by other borrowers	167 658 280	322 038 071
Total	1 623 567 580	1 701 573 018
Tangible and intangible assets (note 7)	11 491 861	12 886 095
Other assets (note 8)	13 518 424	68 555 368
Prepayments and accrued income (note 9)	290 270 763	334 866 210
TOTAL ASSETS	9 484 847 117	10 251 330 230
Off-balance-sheet commitments (note 25)	4 082 907 357	4 571 014 854

## — Before allocation of surplus —

## LIABILITIES

	31 December 1994	31 December 1993
<b>LIABILITIES VIS-À-VIS THIRD PARTIES</b>		
Amounts owed to credit institutions (note 10):		
— repayable on demand	0	0
— with agreed maturity dates or periods of notice	0	438 779
— borrowings	2 580 249 457	2 745 123 621
<b>Total</b>	<b>2 580 249 457</b>	<b>2 745 562 400</b>
Debts evidenced by certificates (note 11)	3 990 856 078	4 585 526 867
Other liabilities (note 12)	469 666 079	405 814 982
Accruals and deferred income (note 13)	236 035 314	270 264 348
Provisions for liabilities and charges (note 14)	42 266 409	5 296 750
Commitments for the ECSC Operating Budget (note 15)	1 360 466 550	1 361 211 011
<b>TOTAL LIABILITIES VIS-À-VIS THIRD PARTIES</b>	<b>8 679 539 887</b>	<b>9 373 676 358</b>
<b>NET POSITION</b>		
Provisions for financing the ECSC Operating Budget (note 16)	143 425 758	209 566 925
<b>RESERVES (note 17):</b>		
— Guarantee Fund	429 885 000	429 885 000
— Special Reserve	164 980 000	166 980 000
— Former Pension Fund	60 437 519	58 923 329
<b>Total</b>	<b>655 302 519</b>	<b>655 788 329</b>
Value adjustment reserve	4 911 688	10 684 405
Surplus brought forward	100 023	440 406
Surplus for the financial year	1 567 242	1 173 807
<b>NET TOTAL</b>	<b>805 307 230</b>	<b>877 653 872</b>
<b>TOTAL LIABILITIES</b>	<b>9 484 847 117</b>	<b>10 251 330 230</b>
Off-balance-sheet commitments (note 25)	6 323 533 611	7 042 190 739

## Profit-and-loss accounts for the year ending 31 December 1994

(amounts in ecus)

## CHARGES

	31 December 1994	31 December 1993
Interest payable and similar charges (note 19)	841 807 108	938 822 283
Commissions payable	1 744 846	2 160 026
Net losses on financial operations:		
— foreign-exchange losses	150 527	1 528
— losses on bonds and other fixed-income securities	7 770 085	1 113 477
— value adjustments in respect of bonds and other fixed-income securities (note 6)	69 405 464	0
Total	77 326 076	1 115 005
Administrative expenditure (note 20)	5 000 000	5 000 000
Value adjustments in respect of tangible assets (note 7)	1 394 234	955 729
Other operating charges (note 21)	409 499	362 862
Value adjustments — loans, advances, provisions:		
— value adjustment in respect of loans and advances	209 423	53 754 973
— allocation to the provision for liabilities and charges (note 14)	36 820 955	345 101
Total	37 030 378	54 100 074
TOTAL OPERATING CHARGES	964 712 141	1 002 515 979
Losses on loans	1 284 910	39 277 925
Extraordinary charges	41 420 097	123 665
Conversion difference	5 772 717	2 610 106
Legal commitments for the financial year (note 15)	386 435 194	531 215 791
Allocation to the provision for financing the ECSC Operating Budget (note 16)	42 913 745	89 309 169
TOTAL CHARGES	1 442 538 804	1 665 052 635
Surplus for the financial year (note 18.3)	1 567 242	1 173 807
TOTAL	1 444 106 046	1 666 226 442

## INCOME

	31 December 1994	31 December 1993
Interest receivable and similar income (note 22)		
(including interest on fixed-income securities: 121 056 630 in 1994 and 143 666 210 in 1993)	991 726 279	1 141 835 677
Net profit on financial operations:		
— foreign-exchange profits	150 136	74 934
— profits on bonds and other fixed-income securities	23 121 186	44 799 905
— value-adjustments in respect of bonds and other fixed-income securities (note 6)	0	8 324 241
Total	23 271 322	53 199 080
Value adjustment in respect of loans and advances and provisions		
— withdrawal of value adjustments in respect of loans and advances	30 581 596	39 253 979
— transfer from the provision for liabilities and charges (note 14)	0	367 256
Total	30 581 596	39 621 235
Other operating income (note 23)	3 702 522	1 747 126
TOTAL OPERATING INCOME	1 049 281 719	1 236 403 118
Transfer from the revaluation reserve	5 772 717	2 610 106
Income relating to the Operating Budget (note 24)	208 901 704	217 116 791
Transfer from the provision for financing the ECSC Operating Budget (note 16)	178 149 906	188 096 427
Transfer from the Guarantee Fund/Special Reserve (note 17)	2 000 000	22 000 000
TOTAL INCOME	1 444 106 046	1 666 226 442

**Allocation of the surplus for the year ending 31 December 1994**

(amounts in ecus)

	1994	1993
Surplus not allocated at 1 January	100 023	440 406
Surplus for the year to be allocated	1 567 242	1 173 807
	1 667 265	1 614 213
Allocation to the former Pension Fund (note 17)	1 621 257	1 514 190
Surplus not allocated at 31 December	46 008	100 023

## NOTES RELATING TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1994

(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 at 31 December 1994 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 of 14 August 1978 and OJ No L 372 of 31 December 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 national currency into ecus:

	31. 12. 1994	31. 12. 1993
Belgian and Luxembourg francs	39,161400	40,286900
German mark	1,905330	1,935690
Dutch guilder	2,134240	2,165410
Pound sterling	0,787074	0,755108
Danish krone	7,482330	7,553100
French franc	6,575790	6,577450
Italian lira	1 997,450000	1 909,980000
Irish pound	0,795061	0,790809
Spanish peseta	162,070000	158,928000
Portuguese escudo	195,884000	197,050000
Greek drachma	295,480000	277,970000
United States dollar	1,230040	1,115670
Swiss franc	1,613200	1,652310
Canadian dollar	1,726970	1,482170
Japanese yen	122,659000	124,732000



- 1.4. At 31 December 1994 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	357 894	287 438
Luxembourg franc	70 133	52 990
German mark	3 268 784	3 010 117
Dutch guilder	213 787	162 684
Pound sterling	1 059 546	1 002 259
Danish krone	1 267	0
French franc	1 171 621	1 044 352
Italian lira	1 328 618	1 279 317
Irish pound	1 525	0
Spanish peseta	270 354	242 219
Portuguese escudo	82 638	80 779
Greek drachma	2 039	0
United States dollar	2 336 626	2 311 945
Swiss franc	409 638	409 379
Canadian dollar	49 690	49 690
Japanese yen	258 092	255 605
ECU	- 1 397 405	- 703 927
<b>Total</b>	<b>9 484 847</b>	<b>9 484 847</b>

*NOTES:*

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 3 417 153 319 in 1994.

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. The financial statements are drawn up in accordance with generally recognized accounting principles.
- 2.2. Charges and income for the financial year are entered in national currency and converted to ecus at the monthly accounting rate in force on the day of the transaction.

### 3. BALANCES WITH CENTRAL BANKS

This item represents the ECSC's balances with the central bank of certain 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>(ECU)</i>	
	31. 12. 1994	31. 12. 1993
Up to three months	385 129 835	322 007 854
Three months to one year	34 244 704	76 666 524
Over one year	14 830 662	19 445 576
Total	434 205 201	418 119 954

#### 4.3. Loans

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

	<i>(ECU)</i>	
	31. 12. 1994	31. 12. 1993
Up to three months	56 340 852	41 980 073
Three months to one year	554 730 135	368 118 827
One year to five years	2 395 507 261	2 689 818 013
Over five years	362 848 651	450 280 293
Total	3 369 426 899	3 550 197 206

## 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:

(ECU)

	31. 12. 1994	31. 12. 1993
1. Loans disbursed from borrowed funds		
— Amounts outstanding, excluding redemption premiums	3 594 555 902	4 070 369 795
— Redemption premiums	0	45 000 000
— Value adjustments	— 24 755 428	— 53 616 282
Sub-total	3 569 800 474	4 061 753 513
2. Loans from the special reserve and other own funds for financing subsidized housing	21 691 265	24 162 422
Total I	3 591 491 739	4 085 915 935
The breakdown of these loans by time to maturity is as follows until 31 December:		
	1994	1993
Up to three months	77 819 895	151 131 686
Three months to one year	342 169 183	611 321 216
Over year to five years	2 125 172 233	2 433 832 855
Over five years	1 071 085 856	943 246 460
3. Loans paid from the former pension fund to officials of the European Communities for housing construction	41 308 493	38 734 442
4. Loan repayments overdue and interest on arrears	5 752 061	1 552 849
Grand total	3 638 552 293	4 126 203 226

NB: 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 16 625 804 (ECU 20 472 601 at 31 December 1993). It comprises in particular ECU 5 924 068 subject to legal proceedings (ECU 5 468 070 at 31 December 1993) and ECU 432 179 relating to temporary deferment in respect of coal in stock (ECU 2 884 382 at 31 December 1993).

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

## 5.3. Fines

This item contains the Commission's claims on companies fined in accordance with the rules set out in the Treaty.

After value adjustment it amounts to ECU 64 041 463 (ECU 1 615 162 at 31 December 1993).

The marked increase in this item in 1994 was due to Decision 94/215/ECSC<sup>(1)</sup> of 16 February 1994, in which the Commission imposed fines totalling ECU 104 364 350 on steel companies for infringing the rules on competition in the marketing of steel beams. ECU 32 151 350 has been paid in fines under this Decision, against which appeals have been lodged with the Court of First Instance by virtually all the companies concerned.

(<sup>1</sup>) OJ No L 116, 6. 5. 1994.

#### 5.4. Interest subsidies to be recovered

This item comprises claims on companies in receipt of a subsidized loan which the Commission has been obliged to ask to reimburse all or part of the interest subsidy already paid.

#### 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 1994, whichever is the lower.

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

##### 6.2. Composition

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

<i>(ECU)</i>			
	Value adjustments on bonds and other fixed-income securities (withdrawal)	31. 12. 1994	31. 12. 1993
<b>ISSUED BY PUBLIC BODIES</b>			
— Gross value		1 520 363 795	1 379 749 693
— Value adjustment	(64 239 749)	— 64 454 495	— 214 746
— Net value		1 455 909 300	1 379 534 947
<b>OWN-DEBT SECURITIES</b>			
— Gross value		12 817 980	63 159 716
— Value adjustment	0	0	0
— Net value		12 817 980	63 159 716
<b>ISSUED BY OTHER BORROWERS</b>			
— Gross value		160 368 865	259 241 205
— Value adjustment	(5 165 715)	— 5 528 565	— 362 850
— Net value		154 840 300	258 878 355
<b>TOTAL</b>			
— Gross value		1 693 550 640	1 702 150 614
— Value adjustment	(69 405 464)	— 69 983 060	— 577 596
— Net value		1 623 567 580	1 701 573 018

##### 6.3. Maturities in 1995

Securities in the portfolio reaching final maturity during 1995 represent the following amounts (ECU):

— Issued by public bodies:	185 729 777
— Own-debt securities:	0
— Issued by other borrowers:	38 359 117
<b>Total</b>	<b>224 088 894</b>

**6.4. Listed/unlisted securities**

The securities portfolio comprises ECU 1 542 367 998 of securities with a stock exchange listing, the balance of ECU 81 199 582 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 paper 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 653 956.

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

— Issued by public bodies:	46 174 907
— Own-debt securities:	12 817 980
— Other issuers:	39 363 260
Total	<u>98 356 147</u>

## 7. TANGIBLE AND INTANGIBLE ASSETS

(ECU)

	Year of acquisition	Acquisition price	31. 12. 1993 Net value	Operations during the year			31. 12. 1994 Net value
				Acquisitions	Disposals	Amortization	
<b>Tangible assets:</b>							
— Washington building	1971	882 654	411 852	—	—	58 836	353 016
— Paris building	1990	8 917 465	1	—	1	—	—
— Lisbon building	1986	1 265 526	1 939 623	—	—	224 887	1 714 736
— New York building	1987	2 167 186	1 259 919	—	—	139 990	1 119 929
— Canberra building	1987	2 511 059	1 747 682	—	—	194 186	1 553 496
— Marseille building	1991	406 679	375 925	—	—	41 770	334 155
— Windhoek building	1992	1 129 004	671 150	—	—	74 572	596 578
— Haren	1993	6 000 000	6 000 000	—	—	600 000	5 400 000
			12 406 152	—	1	1 334 241	11 071 910
<b>Intangible assets:</b>							
— Lease on Milan building	1986	879 882	479 944	—	—	59 993	419 951
<b>Total tangible and intangible assets</b>			12 886 096	—	1	1 394 234	11 491 861

The Paris buildings were fully amortized on 31 December 1993. After completion of the work on one of the buildings, ownership was transferred to the EC on 21 December 1994.

The other buildings, which are owned 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.

## 8. OTHER ASSETS

	<i>(ECU)</i>	
	31. 12. 1994	31. 12. 1993
Loans, payments due and not received and rescheduled payments	60 976 586	119 644 481
Portfolio taxes and VAT to be reclaimed	2 184 604	2 836 266
Loans to officials — miscellaneous	6 414 228	3 818 935
ECSC Operating Budget current account	1 565 084	676 748
Miscellaneous	94 133	46 815
	71 234 635	127 023 245
Cumulative value adjustments	— 57 716 211	— 58 467 877
Total	13 518 424	68 555 368

## 9. PREPAYMENTS AND ACCRUED INCOME

	<i>(ECU)</i>	
	31. 12. 1994	31. 12. 1993
Interest on loans and swaps	201 210 833	233 354 697
Interest on securities and deposits portfolio	75 595 242	84 158 418
Levy declared in 1995 for previous years and payable after 31 December	11 063 813	12 252 633
Issuing costs and redemption premiums	2 400 875	5 100 462
Total	290 270 763	334 866 210

## 10. AMOUNTS OWED TO CREDIT INSTITUTIONS

The time to maturity on these operations is as follows:

	(ECU)	
	31. 12. 1994	31. 12. 1993
Repayable on demand	0	0
Up to three months	83 860 315	69 036 758
Three months to one year	269 508 121	383 200 013
One year to five years	1 720 480 700	1 643 372 717
Over five years	506 400 321	649 952 912
Total	2 580 249 457	2 745 562 400

## 11. DEBTS EVIDENCED BY CERTIFICATES

Part of the borrowings outstanding at 31 December 1994 will reach maturity during the 1995 financial year. These borrowings amount to ECU 556 401 590.

## 12. OTHER LIABILITIES

	(ECU)	
	31. 12. 1994	31. 12. 1993
Exchange value in ecus of the difference between currency receivable and payable under currency exchange operations (swaps)	410 704 504	405 756 274
Current account, ECSC Operating Budget	49 426 044	0
Advances on transfer of properties (*)	9 216 194	0
Other	319 337	58 708
Total	469 666 079	405 814 982

(\*) Pursuant to the opportunity provided by the decision of 11 June 1992, the Commission made advances amounting to ECU 9 216 194 on the transfer of buildings made available by the ECSC (note 7) during the 1994 financial year.



## 13. ACCRUALS AND DEFERRED INCOME

	(ECU)	
	31. 12. 1994	31. 12. 1993
Interest on borrowings and credit lines	235 645 518	268 498 659
Commission on loans	389 796	503 189
Redemption premiums on loans	0	1 262 500
Total	236 035 314	270 264 348

## 14. PROVISION FOR LIABILITIES AND CHARGES

	31. 12. 1993	Operations in 1994			31. 12. 1994
		Allocation	Withdrawal	Exchange-rate movement	
Provision for withholding tax to be paid <sup>(1)</sup>	5 096 750	279 775	—	150 123	5 526 648
Provision for purchases and sales of securities on the futures markets <sup>(2)</sup>	0	3 317 951	—	—	3 317 951
Provision for special costs connected with banking activities <sup>(3)</sup>	200 000	1 419	1 419	—	200 000
Provision for appeal against Decision 94/215/ECSC <sup>(4)</sup>	0	33 221 810	—	—	33 221 810
Total	5 296 750	36 820 955	1 419	150 123	42 266 409

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> This provision was created to cover any legal 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.

<sup>(4)</sup> This provision was created from the fines paid under Decision 94/215/ECSC of 16 February 1994 to cover the possible reimbursement of the amounts received should the Court of First Instance rule in favour of the companies which have appealed against this Decision (note 5.3).

## 15. COMMITMENTS FOR THE ECSC OPERATING BUDGET

In 1994, commitments for the ECSC Operating Budget were as follows:

(ECU)

	Commitments at 31. 12. 1993	New legal commitments	Payments	Cancellations	Commitments at 31. 12. 1994
Redeployment	444 369 063	157 000 000	120 558 039	23 607 925	457 203 099
Research	246 194 547	51 969 774	99 715 502	6 142 879	192 305 940
Interest subsidies (Article 54)	15 344 597	0	1 530 502	0	13 814 095
Interest subsidies (Article 56)	401 825 844	51 465 420	35 109 935	27 297 856	390 883 473
Social measures steel industry	141 369 356	86 000 000	37 723 271	6 057 434	183 588 651
Social measures coal industry (Rechar)	112 107 604	40 000 000	29 289 931	146 381	122 671 292
<b>Total</b>	<b>1 361 211 011</b>	<b>386 435 194</b>	<b>323 927 180</b>	<b>63 252 475</b>	<b>1 360 466 550</b>

## 16. PROVISION FOR FINANCING THE ECSC OPERATING BUDGET

(ECU)

	Provisions at 31. 12. 1993	Operations during the year		Provisions at 31. 12. 1994
		Withdrawal	Allocation	
<b>Budgetary contingency reserve (*):</b>				
— Indemnity provision	91 954 337	91 954 337	0	0
— Reserve to cover any shortfall in	32 000 000	4 000 000	0	28 000 000
	123 954 337			28 000 000
<b>Extraordinary income for financing the Operating Budget (*)</b>				
1993 financial year	22 000 000	22 000 000		0
1994 financial year	0		2 000 000	2 000 000
<b>Surplus from the outturn of the Operating Budget</b>				
1993 financial year	60 195 569	60 195 569		0
1994 financial year	0		40 913 745	40 913 745
<b>Effect on the result</b>		178 149 906	42 913 745	
Provision for fines and surcharges to be paid subsequently (*)	1 615 162	0	62 426 301	64 041 463
Provision for subsidies to be recovered *)	1 801 857	0	6 668 693	8 470 550
<b>Total</b>	<b>209 566 925</b>			<b>143 425 758</b>

(\*) At 31 December 1993, this reserve included ECU 92 million to cover the maximum compensation claimed by two companies in respect of losses suffered by them in connection with the application of the quota system which was in force between October 1980 and June 1988. Negotiations with these companies led to the payment of compensation amounting to ECU 32 598 402, charged to the Operating Budget as extraordinary expenditure. The whole of this reserve was drawn as 1994 income.

The part of this reserve intended to cover any difference between expenditure committed and income generated by ECSC activities during the financial year was reduced from ECU 32 million to ECU 28 million.

(\*) The ECSC had constituted a provision of ECU 22 million for financing additional social measures for the iron and steel industry under the 1994 ECSC Operating Budget. On 31 December 1994, it constituted a provision of ECU 2 million to finance the 1995 Operating Budget.

(\*) Fines and interest subsidies whose repayment has been requested are considered as ECSC resources only when they have actually been paid. Fines imposed but not yet paid and interest subsidies whose repayment has been requested are therefore allocated to provisions.

## 17. RESERVES

(ECU)

	Reserves at 31. 12. 1993 prior to allocation	Allocations at 31. 12. 1993	Withdrawal 1994	Reserves at 31. 12. 1994 prior to allocation	Allocation at 31. 12. 1994	Reserves at 31. 12. 1994 after allocation
Guarantee Fund	429 885 000			429 885 000		429 885 000
Special Reserve	166 980 000		2 000 000	164 980 000		164 980 000
Former Pension Fund	58 923 329	1 514 190		60 437 519	1 621 257	62 058 776
Total	655 788 329	1 514 190	2 000 000	655 302 519	1 621 257	656 923 776

The Guarantee Fund is intended to cover lending and borrowing operations. The ECSC's solvency ratio remains within the 14 to 16 % range recommended by a team of international experts to ensure that the structure of the balance sheet remains 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. In order to be able to finance the 1995 Operating Budget and more particularly the social measures for the steel industry for the financial year, ECU 2 million has been withdrawn from the Special Reserve (note 16).

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 outturn of the ECSC Operating Budget.

## 18.1. Non-budgetary operations

(ECU)		
Result	31. 12. 1994	31. 12. 1993
<b>GROSS OPERATING MARGIN BEFORE CHANGES IN PROVISIONS</b>		
— Lending/borrowing operations	— 3 178 192	6 580 868
— Losses on loans and advances (*)	— 1 284 910	— 39 277 925
— Interest on bank accounts	29 886 389	50 243 429
— Transactions concerning portfolio securities	67 002 267	195 676 879
— Miscellaneous	— 11 332 247	— 67 110
<b>Total</b>	<b>81 093 307</b>	<b>213 156 141</b>
<b>CHANGES IN PROVISIONS</b>		
— Provision for liabilities and charges (*)	— 3 599 145	22 155
— Reserve for exchange differences (*)	5 772 717	2 610 106
— Value adjustments in respect of loans and advances	30 372 173	— 14 500 995
<b>Result of non-budgetary operations</b>	<b>113 639 052</b>	<b>201 287 407</b>
<b>Amount allocated to financing the Operating Budget (*)</b>	<b>115 000 000</b>	<b>207 000 000</b>
<b>Result after deducting the net balance allocated to the Operating Budget</b>	<b>— 1 360 948</b>	<b>— 5 712 593</b>

(\*) This loss was offset by a withdrawal from the value-adjustment provision constituted for the purpose on 31 December 1994. This withdrawal is included in the figure given below under 'Value adjustments in respect of loans and advances'.

(\*) Note 14 (\*), (\*) and (\*).

(\*) During 1994, changes in exchange rates led to a conversion loss of ECU 5 772 717, which was offset by a withdrawal from the reserve for exchange differences.

(\*) In accordance with the change of accounting method on 31 December 1992, the income received during the 1994 financial year has been allocated to financing the 1994 Operating Budget (net balance as in 18.2).

18.2. **Outturn of the ECSC Operating Budget**

	(ECU)	
	31. 12. 1994	31. 12. 1993
<b>OUTTURN OF THE BUDGET</b>		
Expenditure:		
— Administrative expenditure (note 20)	5 000 000	5 000 000
— Legal commitments (note 15)	386 435 194	531 215 791
— Miscellaneous (note 16)	32 598 462	0
Total	424 033 656	536 215 791
Revenue (net amounts)		
— Levy (note 24)	107 666 996	121 253 971
— Fines (note 24)	1 350	0
— Interest subsidies (note 24)	4 676 172	0
— Miscellaneous (note 24)	200 500	20 572
— Cancellations of legal commitments (note 24)	63 252 475	94 040 390
— Surplus from the previous budget (note 16)	60 195 571	53 096 427
— Extraordinary revenue for financing the Operating Budget (note 16)	22 000 000	51 000 000
— Withdrawal from the contingency reserve to finance the 1993 Operating Budget (note 16)	91 954 337	70 000 000
— Net balance for the year (note 18.1)	115 000 000	207 000 000
Total	464 947 401	596 411 360
<b>BUDGET OUTTURN</b>	<b>40 913 745</b>	<b>60 195 569</b>

18.3. **Result for the financial year**

	(ECU)	
	31. 12. 1994	31. 12. 1993
Result from non-budgetary operations after deducting the net balance allocated to the Operating Budget (note 18.1)	— 1 360 948	— 5 712 593
Outturn of the budget (note 18.2)	40 913 745	60 195 569
Withdrawal from the Special Reserve (note 17)	2 000 000	22 000 000
Total	41 552 797	76 482 976
Allocation to the provision for liabilities and charges (*)	— 1 071 810	0
Allocation to the provision for financing the Operating Budget (note 16)	— 40 913 745	— 67 309 169
Withdrawal from the provision for financing the Operating Budget (note 16)	4 000 000	14 000 000
Allocation extraordinary revenue 94/95 budget (note 16)	— 2 000 000	— 22 000 000
<b>RESULT BEFORE ALLOCATION</b>	<b>1 567 242</b>	<b>1 173 807</b>

(\*) Net balance of the provision for liabilities and charges of ECU 33 221 810 (note 14.4) and ECU 32 150 000 received in payment of fines (note 5.3).

## 19. INTEREST AND OTHER CHARGES

<i>(ECU)</i>		
	31. 12. 1994	31. 12. 1993
Interest on loans and swaps	837 680 685	918 480 328
Bank interest	372 790	130 265
Issuing costs and redemption premiums	3 753 633	20 211 690
<b>Total</b>	<b>841 807 108</b>	<b>938 822 283</b>

## 20. ADMINISTRATIVE

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

## 21. OTHER OPERATING CHARGES

<i>(ECU)</i>		
	31. 12. 1994	31. 12. 1993
Borrowing costs	269 532	214 916
Swift/Reuters charges	132 657	121 616
Other	7 310	26 330
<b>Total</b>	<b>409 499</b>	<b>362 862</b>

## 22. INTEREST RECEIVED AND SIMILAR INCOME

<i>(ECU)</i>		
	31. 12. 1994	31. 12. 1993
Interest on loans and swaps	837 996 439	929 835 401
Payment and redemption premiums	2 414 031	17 960 373
Bank interest	30 259 179	50 373 693
Interest on bonds and other fixed-income securities	121 056 630	143 666 210
<b>Total</b>	<b>991 726 279</b>	<b>1 141 835 677</b>

## 23. OTHER OPERATING INCOME

	(ECU)	
	31. 12. 1994	31. 12. 1993
Lapsed coupons and bonds	23 737	21 849
Income from buildings	2 159 945	1 327 427
Miscellaneous	1 518 840	397 850
<b>Total</b>	<b>3 702 522</b>	<b>1 747 126</b>

## 24. INCOME RELATING TO THE OPERATING BUDGET

	(ECU)	
	31. 12. 1994	31. 12. 1993
Levy (*)	107 838 925	121 253 971
Fines (†)	32 151 350	0
Miscellaneous	200 500	20 572
Cancellation of legal commitments (note 15)	63 252 475	94 040 390
Repayment of interest subsidies (notes 5.4 and 16) (‡)	5 458 454	1 801 858
<b>Total</b>	<b>208 901 704</b>	<b>217 116 791</b>

(\*) 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 was 0,31 %, for the years 1980 to 1990, 0,29 %, for 1991, 0,27 % for 1992 and 0,25 % for 1993. On 21 December 1993, the Commission decided to set the levy rate for the 1994 financial year at 0,23 %.

At 31 December 1993, levy income included ECU 192 992 in respect of surcharges for late payment (ECU 110 911 at 31 December 1992).

(†) 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.

(‡) This item comprises the revenue from the repayments of interest subsidies which the Commission was obliged to demand.

## 25. OFF-BALANCE-SHEET COMMITMENTS

## 25.1. Commitments received

	(ECU)	
	31. 12. 1994	31. 12. 1993
(a) Commitments arising from swaps:		
— Notional capital commitments relating to interest-rate swaps	661 915 083	784 961 832
— Capital commitments relating to interest-rate and currency swaps	3 370 661 874	3 786 053 022
(b) Commitments on securities		
— Securities bought forward	50 330 400	0
<b>Total</b>	<b>4 082 907 357</b>	<b>4 571 014 854</b>



## 25.2. Commitments given

	<i>(ECU)</i>	
	31. 12. 1994	31. 12. 1993
(a) Loans granted:		
— Global loan contracts, lines still to be used	1 577 092 398	1 617 931 517
— Loans from borrowed funds signed but not yet disbursed	241 646 962	443 656 513
— Loans from own funds signed but not yet disbursed	11 158 653	10 294 160
(b) Commitments arising from swaps:		
— Notional capital commitments relating to interest-rate swaps	648 631 813	778 477 403
— Capital commitments relating to interest-rate and currency swaps	3 794 649 648	4 191 809 297
(c) Commitments on securities:		
— Securities bought forward	50 330 400	0
(d) Receipts from lapsed coupons and bonds	23 737	21 849
Total	6 323 533 611	7 042 190 739

## 26. CHANGES IN THE FINANCIAL SITUATION FOR THE YEAR ENDING 31 DECEMBER 1994

	<i>(ECU million)</i>	
	1994	1993
Origin of funds		
Balance of profit-and-loss account	1,6	1,2
Items not involving a movement of funds:		
— Amortization of issuing costs and redemption premiums	2,7	2,3
— Value adjustments in respect of securities	69,4	— 8,3
— Value adjustments in respect of tangible assets	1,4	0,9
— Value adjustments in respect of loans and advances (net)	— 28,9	13,3
— Increase (decrease) in 'Provision for legal commitments'	— 0,7	78,1
— Increase (decrease) in 'Provision for financing the ECSC Operating Budget'	— 66,1	— 97,8
— Increase (decrease) in accruals and deferred payments	— 34,2	— 10,2
— Decrease (increase) in accruals and deferred income and issuing costs and redemption premiums	41,9	1,2
— Increase (decrease) in other liabilities	63,8	39,8
— Decrease (increase) in 'Other assets'	— 14,7	— 60,1
— Allocation to the provision for risks and charges	37,0	— 0,5
— Allocation to the provision for changes in the ecu rate	— 5,8	— 2,6
— Contributions not yet received from new Member States	0,0	0,0
— Exchange-rate adjustments in respect of borrowings and loans	— 55,4	— 135,9
— Withdrawal from Guarantee Fund/Special Reserve	— 2,0	— 22,0
<b>TOTAL FUNDS</b>	<b>10,0</b>	<b>— 200,6</b>
Other resources:		
— Proceeds of borrowings	643,9	907,6
— Loan repayments	1 334,3	1 067,2
— Contributions from new Member States (paid up)	0,0	0,0
<b>TOTAL RESOURCES</b>	<b>1 988,2</b>	<b>1 774,2</b>
Use of funds:		
— Loan disbursements	677,7	922,9
— Redemption of borrowings	1 303,2	901,3
— Increase (decrease) in bank balances and portfolio	7,3	— 57,3
— Acquisition and construction of buildings	0,0	7,3
<b>TOTAL USES</b>	<b>1 988,2</b>	<b>1 774,2</b>

