

REPORT OF THE EUROPEAN COURT OF AUDITORS**on the financial statements of the European Coal and Steel Community as at 31 December 1995**

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 as at 31 December 1995 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 as at 31 December 1995, profit and loss account for the financial year ending 31 December 1995, statement of the allocation of surplus for the year ending 31 December 1995 and notes relating to the financial statements as at 31 December 1995), which have been drawn up in accordance with generally accepted accounting principles, give a true and fair view of the assets and financial situation of the European Coal and Steel Community as at 31 December 1995 and of the results of its operations for the year then ended.

Luxembourg, 28 June 1996.

Bernhard FRIEDMANN
President of the Court of Auditors

Armindo de SOUSA RIBEIRO
Member of the Court of Auditors

COUNCIL REGULATION (EEC) No 4064/89

(96/C 251/04)

(Text with EEA relevance)

The examination by the Commission of a possible proposed concentration between Blokker BV and Toys R Us BV⁽¹⁾ has led to the conclusion that this operation had not been made sufficiently concrete to allow an assessment under Regulation (EEC) No 4064/89.

⁽¹⁾ OJ No C 216, 26. 7. 1996, p. 6.

**FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY
AT 31 DECEMBER 1995**

(96/C 251/03)

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

- the balance sheet of the European Coal and Steel Community at 31 December 1995,
- the profit-and-loss accounts for the year ending 31 December 1995,
- the allocation of the surplus for the year ending 31 December 1995,
- the notes relating to the financial statements at 31 December 1995.

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 1995 with the exception of those relating to revenue and expenditure of an administrative nature.

Balance sheets at 31 December 1995

(amounts in ecus)

— Before allocation of surplus —

ASSETS

	31 December 1995	31 December 1994
Balances with central banks (note 3)	1 421 415	1 568 013
Loans and advances to credit institutions (note 4):		
— repayable on demand	16 431 583	21 005 380
— with agreed maturity dates or periods of notice	456 992 393	434 205 201
— loans	2 980 530 792	3 369 426 899
Total	3 453 954 768	3 824 637 480
Loans and advances to customers (note 5):		
— loans	3 193 515 705	3 638 552 293
— levy	1 194 631	9 510 972
— fines	64 703 179	64 041 463
— credits	9 467 717	7 688 268
Total	3 268 881 232	3 719 792 996
Bonds and other fixed-income securities (note 6):		
— issued by public bodies	1 516 639 552	1 455 909 300
— issued by other borrowers	174 701 367	167 658 280
Total	1 691 340 919	1 623 567 580
Tangible and intangible assets (note 7)	5 297 626	11 491 861
Other assets (note 8)	30 376 971	13 518 424
Prepayments and accrued income (note 9)	261 821 124	290 270 763
TOTAL ASSETS	8 713 094 055	9 484 847 117
Off-balance-sheet commitments (note 26)	3 307 530 417	4 082 907 357

— Before allocation of surplus —

LIABILITIES

	31 December 1995	31 December 1994
LIABILITIES VIS-À-VIS THIRD PARTIES		
Amounts owed to credit institutions (note 10):		
— repayable on demand	0	0
— with agreed maturity dates or periods of notice	0	0
— borrowings	2 599 459 636	2 580 249 457
Total	2 599 459 636	2 580 249 457
Debts evidenced by certificates (note 11)	3 366 056 778	3 990 856 078
Other liabilities (note 12)	349 844 179	469 666 079
Accruals and deferred income (note 13)	207 600 082	236 035 314
Provisions for liabilities and charges (note 14)	41 190 278	42 266 409
Commitments for the ECSC Operating Budget (note 15)	1 255 300 224	1 360 466 550
TOTAL LIABILITIES VIS-À-VIS THIRD PARTIES	7 819 451 177	8 679 539 887
NET POSITION		
Provisions for financing the ECSC Operating Budget (note 16)	144 793 939	143 425 758
Provisions for large exposures (note 17)	55 000 000	0
RESERVES (note 18):		
— Guarantee Fund	435 314 322	429 885 000
— Special Reserve	170 517 642	164 980 000
— Former Pension Fund	64 141 812	60 437 519
— New Member States' contribution not yet called	22 050 000	0
Total	692 023 776	655 302 519
Value adjustment reserve	0	4 911 688
Surplus brought forward	46 008	100 023
Surplus for the financial year	1 779 155	1 567 242
NET TOTAL	893 642 878	805 307 230
TOTAL LIABILITIES	8 713 094 055	9 484 847 117
Off-balance-sheet commitments (note 26)	5 186 159 225	6 323 533 611

Profit-and-loss accounts for the year ending 31 December 1995

(amounts in ecus)

CHARGES

	31 December 1995	31 December 1994
Interest payable and similar charges (note 20)	768 492 969	841 807 108
Commissions payable	1 895 731	1 744 846
Net losses on financial operations:		
— foreign-exchange losses	815	150 527
— losses on bonds and other fixed-income securities	11 008 977	7 770 085
— value adjustments in respect of bonds and other fixed-income securities (note 6)	2 739 881	69 405 464
Total	13 749 673	77 326 076
Administrative expenditure (note 21)	5 000 000	5 000 000
Value adjustments in respect of tangible assets (note 7)	894 235	1 394 234
Other operating charges (note 22)	426 702	409 499
Value adjustments — loans, advances, provisions:		
— value adjustment in respect of loans and advances	106 832 429	209 423
— allocation to the provision for liabilities and charges (notes 14 and 17)	57 176 522	36 820 955
Total	164 008 951	37 030 378
TOTAL OPERATING CHARGES	954 468 261	964 712 141
Losses on loans	0	1 284 910
Extraordinary charges	80 090	41 420 097
Conversion difference	5 379 102	5 772 717
Allocation to the value adjustment reserve		
Legal commitments for the financial year (note 15)	277 908 755	386 435 194
Allocation to the provision for financing the ECSC Operating Budget (note 16)	42 623 043	42 913 745
TOTAL CHARGES	1 280 459 251	1 442 538 804
Surplus for the financial year (note 19)	1 779 155	1 567 242
TOTAL	1 282 238 406	1 444 106 046

INCOME

	31 December 1995	31 December 1994
Interest receivable and similar income (note 23)		
(including interest on fixed-income securities: 114 998 188 in 1995 and 121 056 630 in 1994)	918 747 800	991 726 279
Net profit on financial operations:		
— foreign-exchange profits	0	150 136
— profits on bonds and other fixed-income securities	10 012 911	23 121 186
— value-adjustments in respect of bonds and other fixed-income securities (note 6)	69 983 060	0
Total	79 995 971	23 271 322
Value adjustment in respect of loans and advances and provisions:		
— withdrawal of value adjustments in respect of loans and advances	35 233 838	30 581 596
— transfer from the provision for liabilities and charges (note 14)	3 317 951	0
Total	38 551 789	30 581 596
Other operating income (note 24)	3 468 409	3 702 522
TOTAL OPERATING INCOME	1 040 763 969	1 049 281 719
Transfer from the reserve for exchange differences	4 911 688	5 772 717
Income relating to the Operating Budget (note 25)	184 649 004	208 901 704
Transfer from the provision for financing the ECSC Operating Budget (note 16)	42 913 745	178 149 906
Transfer from the Guarantee Fund/Special Reserve (note 18)	9 000 000	2 000 000
TOTAL INCOME	1 282 238 406	1 444 106 046

Allocation of the surplus for the year ending 31 December 1995

(amounts in ecus)

	1995	1994
Surplus not allocated at 1 January	46 008	100 023
Surplus for the year to be allocated	1 779 155	1 567 242
	1 825 163	1 667 265
Allocation to the former Pension Fund (note 18)	1 692 676	1 621 257
Surplus not allocated at 31 December	132 487	46 008

NOTES RELATING TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1995

(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 1995 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. 1995	31. 12. 1994
Belgian and Luxembourg francs	38,697900	39,161400
German mark	1,883970	1,905330
Dutch guilder	2,108570	2,134240
Pound sterling	0,847242	0,787074
Danish krone	7,295360	7,482330
French franc	6,439790	6,575790
Italian lira	2 082,710000	1 997,450000
Irish pound	0,820478	0,795061
Spanish peseta	159,549000	162,070000
Portuguese escudo	195,505000	195,884000
Greek drachma	311,567000	295,480000
Finnish mark	5,71695	5,82915
Austrian schilling	13,2554	13,4074
Swedish krone	8,69726	9,17793
United States dollar	1,314240	1,230040
Swiss franc	1,512820	1,613200
Canadian dollar	1,790650	1,726970
Japanese yen	135,590000	122,659000

- 1.4. At 31 December 1995 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	353 643	287 278
Luxembourg franc	58 704	35 514
German mark	3 027 098	2 780 765
Dutch guilder	186 619	145 752
Pound sterling	945 787	961 986
Danish krone	1 376	0
French franc	1 066 216	942 247
Italian lira	1 092 035	1 047 012
Irish pound	1 503	0
Spanish peseta	193 054	163 146
Portuguese escudo	68 011	65 397
Greek drachma	2 797	0
Finnish mark	0	0
Austrian schilling	0	0
Swedish krone	244	0
United States dollar	1 853 458	1 830 221
Swiss franc	383 163	382 471
Canadian dollar	13	13
Japanese yen	196 233	193 814
Ecu	- 716 862	- 122 524
Total	8 713 092	8 713 092

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 2 699 467 815 in 1995.

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 PRINCIPLES 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. 1995	31. 12. 1994
Up to three months	333 077 473	385 129 835
Three months to one year	104 438 986	34 244 704
Over one year	19 475 934	14 830 662
Total	456 992 393	434 205 201

4.3. Loans

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

	<i>(ECU)</i>	
	31. 12. 1995	31. 12. 1994
Up to three months	227 109 463	56 340 852
Three months to one year	701 549 848	554 730 135
One year to five years	1 780 712 301	2 395 507 261
Over five years	271 159 180	362 848 651
Total	2 980 530 792	3 369 426 899

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. 1995	31. 12. 1994
1. Loans disbursed from borrowed funds		
— Amounts outstanding, excluding redemption premiums	3 218 956 659	3 594 555 902
— Value adjustments	— 90 844 746	— 24 755 428
Sub-total	3 128 111 913	3 569 800 474
2. Loans from the special reserve and other own funds for financing subsidized housing	21 136 359	21 691 265
Interim total	3 149 248 272	3 591 491 739
The breakdown of these loans by time to maturity is as follows:		
	1995	1994
Up to three months	161 281 532	77 819 895
Three months to one year	759 539 469	342 169 183
One year to five years	1 239 762 948	2 125 172 233
Over five years	1 079 509 069	1 071 085 856
3. Loans paid from the former pension fund to officials of the European Communities for housing construction	43 444 208	41 308 493
4. Loan repayments overdue and interest on arrears	823 225	5 752 061
Grand total	3 193 515 705	3 638 552 293

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 8 355 018 at 31 December 1995 (ECU 16 625 804 at 31 December 1994). It comprises in particular ECU 6 110 892 subject to legal proceedings (ECU 5 924 068 at 31 December 1994) and ECU 416 014 relating to temporary deferment in respect of coal in stock (ECU 432 179 at 31 December 1994).

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 64 703 179 (ECU 64 041 463 at 31 December 1994).

The main component in this item is fines totalling ECU 104 364 350 that the Commission imposed on steel companies for infringing the rules on competition in the marketing of steel beams (Decision 94/215/ECSC⁽¹⁾ of 16 February 1994). 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.

⁽¹⁾ 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 1995, 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:

(ECU)			
	Value adjustments on bonds and other fixed-income securities (withdrawal)	31. 12. 1995	31. 12. 1994
ISSUED BY PUBLIC BODIES:			
— Gross value		1 519 379 433	1 520 363 795
— Value adjustment	(61 714 614)	— 2 739 881	— 64 454 495
— Net value		1 516 639 552	1 455 909 300
OWN-DEBT SECURITIES			
— Gross value		23 159 482	12 817 980
— Value adjustment	0	0	0
— Net value		23 159 482	12 817 980
ISSUED BY OTHER BORROWERS			
— Gross value		151 541 885	160 368 865
— Value adjustment	(5 528 565)	0	— 5 528 565
— Net value		151 541 885	154 840 300
TOTAL			
— Gross value		1 694 080 800	1 693 550 640
— Value adjustment	(67 243 179)	— 2 739 881	— 69 983 060
— Net value		1 691 340 919	1 623 567 580

6.3. Maturities in 1996

Securities in the portfolio reaching final maturity during 1996 represent the following amounts (ECU):

— Issued by public bodies:	231 557 213
— Own-debt securities:	2 263 428
— Issued by other borrowers:	28 005 400
Total	261 826 041

6.4. Listed/unlisted securities

The securities portfolio comprises ECU 1 619 284 906 of securities with a stock-exchange listing, the balance of ECU 68 850 353 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 582 828.

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

— Issued by public bodies	85 840 563
— Own-debt securities	23 159 483
— Other issuers	49 330 743
Total	<u>158 330 789</u>

7. TANGIBLE AND INTANGIBLE ASSETS

(ECU)

	Year of acquisition	Acquisition price	31. 12. 1994 Net value	Operations during the year			31. 12. 1995 Net value
				Acquisitions	Net book value of disposals	Amortization	
Tangible assets:							
— Washington	1971	882 654	353 316	—	—	58 836	294 180
— Lisbon	1986-1993	2 670 796	1 714 736	—	—	224 887	1 489 849
— New York	1987	2 167 186	1 119 929	—	—	139 991	979 938
— Canberra	1987	2 511 059	1 553 496	—	—	194 187	1 359 309
— Marseille	1991-1993	485 474	334 155	—	—	41 769	292 386
— Windhoek buildings	1992	802 172	596 578	—	—	74 572	522 006
— Haren	1993	6 000 000	5 400 000	—	5 300 000	100 000	0
			11 071 910	—	5 300 000	834 242	4 937 668
Intangible assets:							
— Lease on Milan building	1986	879 882	419 951	—	—	59 993	359 958
Total tangible and intangible assets			11 491 861	—	5 300 000	894 235	5 297 626

The various buildings owned by the ECSC were originally leased to the European Community. The rent paid on such leases provided a return on the funds invested by the ECSC.

Under the terms of the leases, in 1994 and 1995, the Commission repaid the outstanding principal due to the ECSC with a view to transferring ownership officially from the ECSC to the European Community.

At 31 December 1995, the Haren building was the only one for which the transfer of ownership had been completed.

For the ECSC, this transaction generated a capital gain of ECU 339 066, this being the difference between the transfer price (ECU 5 639 066) and the net book value (ECU 5 300 000) at 27 February 1995, the date of the transfer.

As regards the other buildings, pending the completion of legal formalities for the transfer of ownership, the advances received from the European Community feature on the liabilities side of the balance sheet for a total of ECU 7 288 355.

8. OTHER ASSETS

(ECU)

	31. 12. 1995	31. 12. 1994
Loans, payments due and not received and rescheduled payments	60 788 899	60 976 586
Portfolio taxes and VAT to be reclaimed	3 183 301	2 184 604
New Member States' contribution to be reclaimed	13 700 000	0
Loans to officials — miscellaneous	3 539 712	6 414 228
Miscellaneous	74 379	1 659 217
	81 286 291	71 234 635
Cumulative value adjustments	— 50 909 320	— 57 716 211
Total	30 376 971	13 518 424

9. PREPAYMENTS AND ACCRUED INCOME

(ECU)

	31. 12. 1995	31. 12. 1994
Interest on loans and swaps	177 628 165	201 210 833
Interest on securities and deposits portfolio	71 631 831	75 595 242
Levy declared in 1995 for previous years and payable after 31 December	24 088 183	11 063 813
Issuing costs and redemption premiums	1 429 356	2 400 875
	274 777 535	290 270 763
Cumulative value adjustments	— 12 956 411	0
Total	261 821 124	290 270 763

10. AMOUNTS OWED TO CREDIT INSTITUTIONS

The time to maturity on these operations is as follows:

	<i>(ECU)</i>	
	31. 12. 1995	31. 12. 1994
Repayable on demand	0	0
Up to three months	63 050 503	83 860 315
Three months to one year	284 992 768	269 508 121
One year to five years	1 804 656 593	1 720 480 700
Over five years	446 759 772	506 400 321
Total	2 599 459 636	2 580 249 457

11. DEBTS EVIDENCED BY CERTIFICATES

Part of the borrowings outstanding at 31 December 1995 will reach maturity during the 1996 financial year. These borrowings amount to ECU 1 613 175 985.

12. OTHER LIABILITIES

	<i>(ECU)</i>	
	31. 12. 1995	31. 12. 1994
Exchange value in ecus of the difference between currency receivable and payable under currency exchange operations (swaps)	311 104 425	410 704 504
Current account, ECSC Operating budget	31 413 880	49 426 044
Advance payments for transfer of buildings (*)	7 288 355	9 216 194
Other	37 519	319 337
Total	349 844 179	469 666 079

(*) In accordance with the possibility offered under the decision of 11 June 1992, in the course of 1994 and 1995, the Commission made advance payments amounting to ECU 7 288 355 in respect of the transfer of the buildings leased to it by the ECSC (note 7).

13. ACCRUALS AND DEFERRED INCOME

(ECU)

	31. 12. 1995	31. 12. 1994
Interest on borrowings and credit lines	207 262 129	235 645 518
Commission on loans	337 953	389 796
Total	207 600 082	236 035 314

14. PROVISION FOR LIABILITIES AND CHARGES

(ECU)

	31. 12. 1994	Operations in 1995			31. 12. 1995
		Allocation	Withdrawal	Exchange-rate movement	
Provision for withholding tax to be paid ⁽¹⁾	5 526 648	287 709	—	65 298	5 879 655
Provision for purchases and sales of securities on the futures markets ⁽²⁾	3 317 951	—	3 317 951	—	0
Provision for special costs connected with banking activities ⁽³⁾	200 000	—	—	—	200 000
Provision for appeal against Decision 94/215/ECSC ⁽⁴⁾	33 221 810	1 888 813	—	—	35 110 623
Total	42 266 409	2 176 522	3 317 951	65 298	41 190 278

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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 1995, commitments for the ECSC Operating Budget were as follows:

(ECU)

	Commitments at 31. 12. 1994	New legal commitments	Payments	Cancellations	Commitments at 31. 12. 1995
Redeployment	457 203 099	123 782 511	144 659 948	24 541 018	411 784 644
Research	192 305 940	61 394 400	60 612 646	11 741 823	181 345 871
Interest subsidies (Article 54)	13 814 095	0	1 452 733	1 065 845	11 295 517
Interest subsidies (Article 56)	390 883 473	11 450 000	41 173 497	15 444 673	345 715 303
Social measures steel industry	183 588 651	41 281 844	36 016 733	9 612 376	179 241 386
Social measures coal industry (Rechar)	122 671 292	40 000 000	28 481 826	8 271 963	125 917 503
Total	1 360 466 550	277 908 755	312 397 383	70 677 698	1 255 300 224

16. PROVISION FOR FINANCING THE ECSC OPERATING BUDGET

(ECU)

	Provisions at 31. 12. 1994	Operations during the year		Provisions at 31. 12. 1995
		Withdrawal	Allocation	
Budgetary contingency reserve ⁽¹⁾	28 000 000		28 000 000	56 000 000
Extraordinary income for financing the Operating Budget				
— 1994 financial year	2 000 000	2 000 000		0
Surplus from the outturn of the Operating Budget				
— 1994 financial year	40 913 745	40 913 745		0
— 1995 financial year	0		14 623 043	14 623 043
Effect on the result		42 913 745	42 623 043	
Provision for fines and surcharges to be paid subsequently ⁽²⁾	64 041 463	0	661 716	64 703 179
Provision for subsidies to be recovered ⁽²⁾	8 470 550	0	997 167	9 467 717
Total	143 425 758			144 793 939

⁽¹⁾ This reserve is intended to cover any differences between expenditure committed and income generated by activities during the budget period.

⁽²⁾ 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. PROVISION FOR LARGE EXPOSURES

Against the background of the expiry of the ECSC Treaty in 2002 and the gradual reduction in outstanding loans, exposure is becoming increasingly concentrated on a limited number of large loans (these large exposures are defined in accordance with Directive 92/121/EEC of 21 December 1992 on the monitoring and control of large exposures).

The provision for large exposures concerns loans exceeding 25 % of the ECSC's own funds not covered by first-rate guarantees.

It is intended to provide cover specifically for this concentration of risk and enable the ECSC to weather any major default.

The provision, calculated on the basis of outstanding large exposures at 31 December 1995 and according to a procedure recommended by a group of international experts, totalled ECU 55 million.

18. RESERVES

(ECU)

	Reserves at 31. 12. 1994 after allocation	New Member States' con- tributions (1995 instalment)	Withdrawal	Reserves at 31. 12. 1995 prior to allocation	Allocations at 31. 12. 1995	Reserves at 31. 12. 1995 after allocation
Guarantee Fund	429 885 000	14 429 322	9 000 000	435 314 322		435 314 322
Special Reserve	164 980 000	5 537 642		170 517 642		170 517 642
Former Pension Fund	62 058 776	2 083 036		64 141 812	1 692 676	65 834 488
New Member States' contributions not yet called	0	22 050 000		22 050 000		22 050 000
Total	656 923 776	44 100 000	9 000 000	692 023 776	1 692 676	693 716 452

The Guarantee Fund is intended to cover lending and borrowing operations. After allocation of the 1995 instalment of new Member States' contributions (ECU 14 429 322) and the withdrawal of ECU 9 million, the Guarantee Fund totalled ECU 435 314 322 at 31 December 1995. 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.

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, via the General Budget, 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.

As regards the new Member States' contributions, Protocol 5 annexed to the Treaty of Accession of Austria, Finland and Sweden dated 24 June 1994 makes provision for a contribution of ECU 44 100 000 to ECSC reserves payable in two equal interest-free instalments, the first on 1 January 1995 and the second on 1 January 1996.

The first 1995 payment of ECU 22 050 000 was distributed between the Guarantee Fund, the Special Reserve and the former Pension Fund.

19. 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.

19.1. Non-budgetary operations

<i>(ECU)</i>		
Result	31. 12. 1995	31. 12. 1994
GROSS OPERATING MARGIN BEFORE CHANGES IN PROVISIONS:		
— Lending/borrowing operations	— 258 693	— 3 178 192
— Losses on loans and advances	0	— 1 284 910
— Interest on bank accounts	33 192 903	29 886 389
— Transactions concerning portfolio securities	181 245 301	67 002 267
— Miscellaneous	— 2 854 883	— 11 332 247
Total	211 324 628	81 093 307
CHANGES IN PROVISIONS:		
— Provision for liabilities and charges ⁽¹⁾	1 141 429	— 3 599 145
— Provision for large exposures ⁽²⁾	— 55 000 000	
— Reserve for exchange differences ⁽³⁾	4 911 688	5 772 717
— Value adjustments in respect of loans and advances	— 71 598 590	30 372 173
Result of non-budgetary operations	90 779 155	113 639 052
Amount allocated to financing the Operating Budget ⁽⁴⁾	— 70 000 000	— 115 000 000
Result after deducting the net balance allocated to the Operating Budget	20 779 155	— 1 360 948

⁽¹⁾ Note 14.

⁽²⁾ Note 17.

⁽³⁾ During 1995, changes in exchange rates led to exchange losses of ECU 5 379 102, which were partly offset by a withdrawal from the reserve for exchange differences.

⁽⁴⁾ In accordance with the change of accounting method on 31 December 1992, income received during the 1995 financial year has been allocated to financing the 1995 Operating Budget (net balance as in note 19.2).

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

	<i>(ECU)</i>	
	31. 12. 1995	31. 12. 1994
OUTTURN OF THE BUDGET		
Expenditure:		
— Administrative expenditure (note 21)	5 000 000	5 000 000
— Legal commitments (note 15)	277 908 755	386 435 194
— Miscellaneous (note 16)	0	32 598 462
Total	282 908 755	424 033 656
Revenue (net amounts):		
— Levy (note 25)	102 343 728	107 666 996
— Fines (note 25)	3 338 003	1 350
— Interest subsidies (note 25)	8 017 721	4 676 172
— Miscellaneous (note 25)	240 903	200 500
— Cancellations of legal commitments (note 25)	70 677 698	63 252 475
— Surplus from the previous budget (note 16)	40 913 745	60 195 571
— Extraordinary revenue for financing the Operating Budget (note 16)	2 000 000	22 000 000
— Withdrawal from the contingency reserve to finance the Operating Budget	0	91 954 337
— Net balance for the year (note 19.1)	70 000 000	115 000 000
Total	297 531 798	464 947 401
BUDGET OUTTURN	14 623 043	40 913 745

19.3. **Result for the financial year**

	<i>(ECU)</i>	
	31. 12. 1995	31. 12. 1994
Result from non-budgetary operations after deducting the net balance allocated to the Operating Budget (note 19.1)	20 779 155	— 1 360 948
Outturn of the budget (note 19.2)	14 623 043	40 913 745
Withdrawal from the Special Reserve (note 18)	9 000 000	2 000 000
Total	44 402 198	41 552 797
Allocation to the provision for liabilities and charges	0	— 1 071 810
Allocation to the provision for financing the Operating Budget (note 16)	— 42 623 043	— 40 913 745
Withdrawal from the provision for financing the Operating Budget (note 16)	0	4 000 000
Allocation extraordinary revenue 1994/95 budget (note 16)	0	— 2 000 000
RESULT BEFORE ALLOCATION	1 779 155	1 567 242

20. INTEREST AND OTHER CHARGES

<i>(ECU)</i>		
	31. 12. 1995	31. 12. 1994
Interest on loans and swaps	767 382 600	837 680 685
Bank interest	73 854	372 790
Issuing costs and redemption premiums	1 036 515	3 753 633
Total	768 492 969	841 807 108

21. ADMINISTRATIVE EXPENDITURE

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.

22. OTHER OPERATING CHARGES

<i>(ECU)</i>		
	31. 12. 1995	31. 12. 1994
Borrowing costs	209 717	269 532
Swift/Reuters charges	207 552	132 657
Other	9 433	7 310
Total	426 702	409 499

23. INTEREST RECEIVED AND SIMILAR INCOME

<i>(ECU)</i>		
	31. 12. 1995	31. 12. 1994
Interest on loans and swaps	768 408 542	837 996 439
Payment and redemption premiums	2 074 313	2 414 031
Bank interest	33 266 757	30 259 179
Interest on bonds and other fixed-income securities	114 998 188	121 056 630
Total	918 747 800	991 726 279

24. OTHER OPERATING INCOME

	(ECU)	
	31. 12. 1995	31. 12. 1994
Lapsed coupons and bonds	21 080	23 737
Income from buildings (note 7)	0	2 159 945
Miscellaneous	3 447 329	1 518 840
Total	3 468 409	3 702 522

25. INCOME RELATING TO THE OPERATING BUDGET

	(ECU)	
	31. 12. 1995	31. 12. 1994
Levy (*)	102 374 679	107 838 925
Fines (†)	3 338 003	32 151 350
Miscellaneous	240 903	200 500
Cancellation of legal commitments (note 15)	70 677 698	63 252 475
Repayment of interest subsidies (notes 5.4 and 16) (‡)	8 017 721	5 458 454
Total	184 649 004	208 901 704

(*) 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, 0,25 % for 1993, 0,23 % for 1994 and 0,21 % for 1995. On 14 November 1995, the European Commission decided to set the levy rate for the 1996 financial year at 0,19 %.

At 31 December 1995, levy income included ECU 62 021 in respect of surcharges for late payment (ECU 99 591 at 31 December 1994).

(†) This item comprises the revenue from fines imposed by the Commission in accordance with Articles 58 and 65 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.

26. OFF-BALANCE-SHEET COMMITMENTS

26.1. Commitments received

	(ECU)	
	31. 12. 1995	31. 12. 1994
(a) Commitments arising from swaps		
— Notional capital commitments relating to interest-rate swaps	628 382 890	661 915 083
— Capital commitments relating to interest-rate and currency swaps	2 649 891 527	3 370 661 874
(b) Commitments on securities		
— Securities bought forward	29 256 000	50 330 400
Total	3 307 530 417	4 082 907 357

26.2. Commitments given

	<i>(ECU)</i>	
	31. 12. 1995	31. 12. 1994
(a) Loans granted:		
— Global loan contracts, lines still to be used	1 284 509 628	1 577 092 398
— Loans from borrowed funds signed but not yet disbursed	261 680 599	241 646 962
— Loans from own funds signed but not yet disbursed	21 314 032	11 158 653
(b) Commitments arising from swaps:		
— Notional capital commitments relating to interest-rate swaps	607 135 909	648 631 813
— Capital commitments relating to interest-rate and currency swaps	2 982 242 933	3 794 649 648
(c) Commitments on securities:		
— Securities bought forward	29 256 000	50 330 400
(d) Receipts from lapsed coupons and bonds	20 124	23 737
Total	5 186 159 225	6 323 533 611

27. CHANGES IN THE FINANCIAL SITUATION FOR THE YEAR ENDING 31 DECEMBER 1995

	<i>(ECU million)</i>	
	1995	1994
Origin of funds:		
Balance of profit-and-loss account	1,8	1,6
Items not involving a movement of funds		
— Amortization of issuing costs and redemption premiums	1,0	2,7
— Value adjustments in respect of securities	— 67,2	69,4
— Value adjustments in respect of tangible assets	0,9	1,4
— Value adjustments in respect of loans and advances (net)	79,0	28,9
— Increase (decrease) in 'Provision for legal commitments'	— 105,2	— 0,7
— Increase (decrease) in 'Provision for financing the ECSC Operating Budget'	1,4	— 66,1
— Increase (decrease) in accruals and deferred payments	— 28,4	— 34,2
— Decrease (increase) in accruals and deferred income and issuing costs and redemption premiums	14,5	41,9
— Increase (decrease) in 'Other liabilities'	— 119,8	63,8
— Decrease (increase) in 'Other assets'	— 6,1	— 14,7
— Allocation to the provision for risks and charges	— 1,1	37,0
— Allocation to the provision for large exposures	55,0	
— Allocation to (withdrawal from) the provision for changes in the ecu rate	— 4,9	— 5,8
— Contributions not yet received from new Member States	22,1	0,0
— Exchange-rate adjustments in respect of borrowings and loans	— 39,0	— 55,4
— Withdrawal from Guarantee Fund/Special Reserve	— 9,0	— 2,0
TOTAL FUNDS	— 205,0	10,0
Other resources:		
— Proceeds of borrowings	385,5	643,9
— Loan repayments	1 125,7	1 334,3
— Contributions from new Member States (paid up)	22,1	0,0
— Disposals of buildings	5,3	0,0
TOTAL RESOURCES	1 333,6	1 988,2
Use of funds		
— Loan disbursements	408,2	677,7
— Redemption of borrowings	906,8	1 303,2
— Increase (decrease) in bank balances and portfolio	18,6	7,3
TOTAL USES	1 333,6	1 988,2

OUTTURN OF THE ECSC OPERATING BUDGET FOR 1995

(ECU million)

Requirements	Forecast (1)	Outturn	Resources	Forecast (1)	Outturn
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)	133	123,8	1.1. Yield from levy at 0,21 %	100,5	102,3
3. Aid for research (Article 55)	63	61,4	1.2. Net balance	120	70
3.1. Steel	40	39,8	1.3. Fines and surcharges for late payment	3,3	3,3
3.2. Coal	22	21,6	1.4. Miscellaneous	4	8,3
3.3. Social	1	—	2. Cancellation of commitments unlikely to be implemented	60,3	70,7
4. Aid for conversion in the form of Interest subsidies (Article 56)	33	11,4	3. Unused resources carried over from 1994	40,9	40,9
5. Social measures (steel)	57	41,3	4. Utilization of the contingency reserve	p. m.	p. m.
6. Social measures (coal)	40	40	5. Extraordinary resources	2	2
7. Damages payable	p. m.	p. m.			
Surplus	—	14,6			
TOTAL	331	297,5	TOTAL	331	297,5
Operations financed by loans from non-borrowed funds			Origin of non-borrowed funds		
Subsidized housing	11,5	11,5	Special Reserve and former ECSC Pension Fund	11,5	11,5

(1) See the Commission's outturn forecast of 9 November 1995 (OJ No C 302, 14. 11. 1995).