

REPORT OF THE EUROPEAN COURT OF AUDITORS
on the financial statements of the European Coal and Steel
Community at 31 December 1993

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, as introduced by Article H (14) of the Treaty on European Union, which replaced the former Article 78f.
2. The Court has audited the accounts and financial statements of the European Coal and Steel Community at 31 December 1993 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 1993, profit and loss account for the financial year ending 31 December 1993, statement of the allocation of surplus for the year ending 31 December 1993 and notes relating to the financial statements at 31 December 1993), which have been drawn up in accordance with generally accepted auditing practice, give a true and fair view of the financial situation of the European Coal and Steel Community at 31 December 1993 and of the results of its operations for the year then ended.

Done at Luxembourg, 30 June 1994.

André MIDDELHOEK
President of the Court of Auditors

Patrick EVERARD
Member of the Court of Auditors

**FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY
AT 31 DECEMBER 1993**

(94/C 211/06)

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 1993,
- the profit-and-loss accounts for the year ending 31 December 1993,
- the allocation of the surplus for the year ending 31 December 1993,
- the notes relating to the financial statements at 31 December 1993.

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 1993 with the exception of those relating to revenue and expenditure of an administrative nature.

Balance sheets at 31 December 1993

(amounts in ecus)

— Before allocation of surplus —

ASSETS

	31 December 1993	31 December 1992
Balances with central banks (note 3)	1 179 187	530 675
Loans and advances to credit institutions (note 4):		
— repayable on demand	22 027 113	56 203 772
— with agreed maturity dates or periods of notice	418 119 954	651 975 632
— loans	3 550 197 206	3 433 388 311
Total	3 990 344 273	4 141 567 715
Loans and advances to customers (note 5):		
— loans	4 126 203 226	4 267 090 339
— levy	13 567 192	14 719 767
— fines	1 615 162	1 615 162
— credits	540 499	—
Total	4 141 926 079	4 283 425 268
Bonds and other fixed-income securities (note 6):		
— issued by public bodies	1 379 534 947	1 220 874 572
— issued by other borrowers	322 038 071	267 724 137
Total	1 701 573 018	1 488 598 709
Tangible and intangible assets (note 7)	12 886 095	6 523 098
Other assets (note 8)	68 555 368	7 696 871
Prepayments and accrued income (note 9)	334 866 210	342 872 269
TOTAL ASSETS	10 251 330 230	10 271 214 605

Off-balance-sheet commitments (note 26)

4 571 014 854

4 718 395 201

— Before allocation of surplus —

LIABILITIES

	31 December 1993	31 December 1992
LIABILITIES VIS-À-VIS THIRD PARTIES		
Amounts owed to credit institutions (note 10):		
— repayable on demand	0	5 840 231
— with agreed maturity dates or periods of notice	438 779	0
— borrowings	2 745 123 621	2 985 338 811
Total	2 745 562 400	2 991 179 042
Debts evidenced by certificates (note 11)	4 585 526 867	4 341 279 392
Other liabilities (note 12)	405 814 982	365 986 897
Accruals and deferred income (note 13)	270 264 348	284 938 605
Provisions for liabilities and charges (note 14)	5 296 750	5 805 666
Commitments for the ECSC Operating Budget (note 15)	1 361 211 011	1 283 153 200
TOTAL LIABILITIES VIS-À-VIS THIRD PARTIES	9 373 676 358	9 272 342 802
NET POSITION		
Provisions for financing the ECSC Operating Budget (note 16)	209 566 925	307 348 557
RESERVES (note 17):		
— Guarantee Fund	429 885 000	429 885 000
— Special Reserve	166 980 000	188 980 000
— Former Pension Fund	58 923 329	57 469 977
Total	655 788 329	676 334 977
Value adjustment reserve	10 684 405	13 294 511
Surplus brought forward	440 406	20 418
Surplus for the financial year	1 173 807	1 873 340
NET TOTAL	877 653 872	998 871 803
TOTAL LIABILITIES	10 251 330 230	10 271 214 605
Off-balance-sheet commitments (note 26)	7 042 190 739	7 687 872 326

Profit-and-loss accounts for the year ending 31 December 1993

(amounts in ecus)

CHARGES

	31 December 1993	31 December 1992
Interest payable and similar charges (note 19)	938 822 283	953 779 896
Commissions payable	2 160 026	2 243 917
Net losses on financial operations:		
— foreign-exchange losses	1 528	217 196
— losses on bonds and other fixed-income securities	1 113 477	3 514 185
— value adjustments in respect of bonds and other fixed-income securities (note 6)	0	0
Total	1 115 005	3 731 381
Administrative expenditure (note 20)	5 000 000	5 000 000
Value adjustments in respect of tangible assets (note 7)	955 729	782 977
Other operating charges (note 21)	362 862	572 287
Value adjustments — loans, advances, provisions:		
— value adjustment in respect of loans and advances (note 22)	53 754 973	92 673 296
— allocation to the provision for liabilities and charges (note 14)	345 101	355 166
Total	54 100 074	93 028 462
TOTAL OPERATING CHARGES	1 002 515 979	1 059 138 920
Losses on loans	39 277 925	—
Extraordinary charges	123 665	277 845
Conversion difference	2 610 106	0
Allocation to the value adjustment reserve	0	5 520 666
Legal commitments for the financial year (note 15)	531 215 791	477 217 432
Allocation to the provision for financing the ECSC Operating Budget (note 16)	89 309 169	235 733 395
TOTAL CHARGES	1 665 052 635	1 777 888 258
Surplus for the financial year	1 173 807	1 873 340
TOTAL	1 666 226 442	1 779 761 598

INCOME

	31 December 1993	31 December 1992
Interest receivable and similar income (note 23) (including interest on fixed-income securities: 143 666 210 in 1993 and 124 484 602 in 1992)	1 141 835 677	1 171 719 636
Net profit on financial operations:		
— foreign-exchange profits	74 934	10
— profits on bonds and other fixed- income securities	44 799 905	8 986 656
— value-adjustments in respect of bonds and other fixed-income securities (note 6)	8 324 241	318 420
Total	53 199 080	9 305 086
Value adjustment in respect of loans and advances and provisions		
— withdrawal of value adjustments in respect of loans and advances	39 253 979	1 534 081
— transfer from the provision for liabilities and charges (note 14)	367 256	1 789 949
Total	39 621 235	3 324 030
Other operating income (note 24)	1 747 126	1 197 236
TOTAL OPERATING INCOME	1 236 403 118	1 185 545 988
Conversion difference	0	5 520 666
Transfer from the revaluation reserve	2 610 106	0
Income relating to the Operating Budget (note 25)	217 116 791	222 251 936
Transfer from the provision for financing the ECSC Operating Budget (note 16)	188 096 427	313 304 101
Transfer from the provision for fines to be collected	0	138 907
Transfer from the Guarantee Fund/ Special Reserve (note 17)	22 000 000	53 000 000
TOTAL INCOME	1 666 226 442	1 779 761 598

Allocation of the surplus for the year ending 31 December 1993

(amounts in ecus)

	1993	1992
Surplus not allocated at 1 January	440 406	20 418
Surplus for the year to be allocated	1 173 807	1 873 340
	1 614 213	1 893 758
Allocation to the former Pension Fund (note 17)	1 514 190	1 453 352
Surplus not allocated at 31 December	100 023	440 406

NOTES RELATING TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1993

(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 1993 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. 1993	31. 12. 1992
Belgian and Luxembourg francs	40,286900	40,177700
German mark	1,935690	1,955600
Dutch guilder	2,165410	2,196690
Pound sterling	0,755108	0,798221
Danish krone	7,553100	7,574790
French franc	6,577450	6,667820
Italian lira	1 909,980000	1 787,420000
Irish pound	0,790809	0,743157
Spanish peseta	158,928000	138,648000
Portuguese escudo	197,050000	177,760000
Greek drachma	277,970000	260,198000
United States dollar	1,115670	1,210900
Swiss franc	1,652310	1,763070
Canadian dollar	1,482170	1,536030
Japanese yen	124,732000	151,060000

- 1.4. At 31 December 1993 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	318 037	244 251
Luxembourg franc	103 626	89 041
German mark	3 655 623	3 455 367
Dutch guilder	238 865	211 604
Pound sterling	975 699	898 183
Danish krone	3 143	—
French franc	1 357 608	1 236 282
Italian lira	1 426 738	1 368 171
Irish pound	1 490	—
Spanish peseta	253 582	224 484
Portuguese escudo	83 642	80 301
Greek drachma	2 018	0
United States dollar	2 544 663	2 501 172
Swiss franc	426 210	425 331
Canadian dollar	57 897	57 897
Japanese yen	162 569	160 344
ECU	- 1 360 080	- 701 098
Total	10 251 330	10 251 330

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 3 786 053 022 in 1993.

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. 1993	31. 12. 1992
Up to three months	322 007 854	382 962 987
Three months to one year	76 666 524	252 956 207
Over one year	19 445 576	16 056 438
Total	418 119 954	651 975 632

4.3. Loans

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

<i>(ECU)</i>		
	31. 12. 1993	31. 12. 1992
Up to three months	41 980 073	63 235 868
Three months to one year	368 118 827	304 540 293
One year to five years	2 689 818 013	2 563 278 917
Over five years	450 280 293	502 333 233
Total	3 550 197 206	3 433 388 311

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. 1993	31. 12. 1992
1. Loans disbursed from borrowed funds		
— Amounts outstanding, excluding redemption premiums	4 070 369 795	4 196 379 653
— Redemption premiums	45 000 000	45 000 000
— Value adjustments	— 53 616 282	— 40 341 949
Sub-total	4 061 753 513	4 201 037 704
2. Loans from the special reserve and other own funds for financing subsidized housing	24 162 422	26 832 402
Total I	4 085 915 935	4 227 870 106
The breakdown of these loans by time to maturity is as follows until 31 December:		
	1993	1992
Up to three months	151 131 686	138 465 976
Three months to one year	611 321 216	451 572 667
One year to five years	2 433 832 855	3 040 617 738
Over five years	943 246 460	637 555 674
3. Loans paid from the former pension fund to officials of the European Communities for housing construction	38 734 442	37 514 170
4. Loan repayments overdue and interest on arrears	1 552 849	1 706 063
Grand total	4 126 203 226	4 267 090 339

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 20 472 601 (ECU 20 195 663 at 31 December 1992). It comprises in particular ECU 5 468 070 subject to legal proceedings (ECU 4 366 705 at 31 December 1992) and ECU 2 884 382 relating to temporary deferment in respect of coal in stock (ECU 2 382 399 at 31 December 1992).

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 1 615 162 (ECU 1 615 162 at 31 December 1992).

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 1993, 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. 1993	31. 12. 1992
ISSUED BY PUBLIC BODIES			
— Gross value		1 379 749 693	1 228 444 178
— Value adjustment	(7 354 860)	— 214 746	— 7 569 606
— Net value		1 379 534 947	1 220 874 572
OWN-DEBT SECURITIES			
— Gross value		63 159 716	67 638 521
— Value adjustment	0	0	0
— Net value		63 159 716	67 638 521
ISSUED BY OTHER BORROWERS			
— Gross value		259 241 205	201 417 847
— Value adjustment	(969 381)	— 362 850	— 1 332 231
— Net value		258 878 355	200 085 616
TOTAL			
— Gross value		1 702 150 614	1 497 500 546
— Value adjustment	(8 324 241)	— 577 596	— 8 901 837
— Net value		1 701 573 018	1 488 598 709

6.3. Maturities in 1994

Securities in the portfolio reaching final maturity during 1994 represent the following amounts (ECU):

— Issued by public bodies:	112 115 211
— Own-debt securities:	39 859 075
— Issued by other borrowers:	<u>46 303 606</u>
Total	198 277 892

6.4. Listed/unlisted securities

The securities portfolio comprises ECU 1 608 731 706 of securities with a stock exchange listing, the balance of ECU 92 841 312 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 8 731 195.

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

— Issued by public bodies:	42 114 752
— Own-debt securities:	63 159 715
— Other issuers:	<u>51 661 165</u>
Total	156 935 632

7. TANGIBLE AND INTANGIBLE ASSETS

(ECU)

	Year of acquisition	Acquisition price	31. 12. 1992 Net value	Operations during the year			31. 12. 1993 Net value
				Acquisitions	Disposals	Amortization	
Tangible assets:							
— Washington building	1971	882 654	470 688	0	0	58 836	411 852
— Paris building	1990	8 917 465	1	161 494	0	161 494	1
— Lisbon building	1986	1 265 526	759 240	1 405 270	0	224 887	1 939 623
— New York building	1987	2 167 186	1 399 910	0	0	139 991	1 259 919
— Canberra building	1987	2 511 059	1 941 869	0	0	194 187	1 747 682
— Marseille building	1991	406 679	338 899	78 795	0	41 769	375 925
— Windhoek building	1992	1 129 004	1 072 554	- 326 832	0	74 572	671 150
— Haren	1993	0	0	6 000 000	0	0	6 000 000
			5 983 161	7 318 727	0	895 736	12 406 152
Intangible assets:							
— Lease on Milan building	1986	879 882	539 937	0	0	59 993	479 944
Total tangible and intangible assets			6 523 098	7 318 727	0	955 729	12 886 096

The Paris buildings are owned jointly by the three Communities, the ECSC's share being 28 %. The refurbishment work on one of the buildings was completed in 1993.

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 1993 the ECSC acquired additional office space in Lisbon and Marseille and financed the construction of the Commission's central restaurant facilities in Haren.

The valuation of the Windhoek buildings at 31 December 1992 took account of the estimated cost of work in progress. The work was completed in 1993 and the valuation of the buildings was adjusted accordingly.

8. OTHER ASSETS

	<i>(ECU)</i>	
	31. 12. 1993	31. 12. 1992
Loans, payments due and not received and rescheduled payments	119 644 481	55 836 021
Portfolio taxes and VAT to be reclaimed	2 836 266	2 672 333
Loans to officials — miscellaneous	3 818 935	2 789 139
ECSC Operating Budget current account	676 748	0
Miscellaneous	46 815	2 047 886
	127 023 245	63 345 379
Cumulative value adjustments	— 58 467 877	— 55 648 508
Total	68 555 368	7 696 871

9. PREPAYMENTS AND ACCRUED INCOME

	<i>(ECU)</i>	
	31. 12. 1993	31. 12. 1992
Interest on loans	233 354 697	227 060 112
Interest on securities and deposits portfolio	84 158 418	92 763 512
Levy declared for November and December but payable after 31 December	12 252 633	13 439 131
Issuing costs and redemption premiums	5 100 462	11 949 961
	334 866 210	345 212 716
Cumulative value adjustments	0	— 2 340 447
Total	334 866 210	342 872 269

10. AMOUNTS OWED TO CREDIT INSTITUTIONS

The time to maturity on these operations is as follows:

	<i>(ECU)</i>	
	31. 12. 1993	31. 12. 1992
Repayable on demand	0	5 840 231
Up to three months	69 036 758	101 126 985
Three months to one year	383 200 013	408 367 924
One year to five years	1 643 372 717	1 757 000 976
Over five years	649 952 912	718 842 926
Total	2 745 562 400	2 991 179 042

11. DEBTS EVIDENCED BY CERTIFICATES

Part of the borrowings outstanding at 31 December 1993 will reach maturity during the 1994 financial year. These borrowings amount to ECU 729 139 044.

12. OTHER LIABILITIES

	<i>(ECU)</i>	
	31. 12. 1993	31. 12. 1992
Exchange value in ecus of the difference between currency receivable and payable under currency exchange operations (swaps)	405 756 274	308 455 362
Current account, ECSC Operating Budget	0	31 197 886
Other	58 708	26 333 649
Total	405 814 982	365 986 897

13. ACCRUALS AND DEFERRED INCOME

(ECU)		
	31. 12. 1993	31. 12. 1992
Interest on borrowings and credit lines	268 498 659	278 382 236
Commission on loans	503 189	741 369
Redemption premiums on loans	1 262 500	5 815 000
Total	270 264 348	284 938 605

14. PROVISION FOR LIABILITIES AND CHARGES

(ECU)					
	31. 12. 1992	Operations in 1993			31. 12. 1993
		Allocation	Withdrawal	Exchange-rate movement	
Provision for withholding tax to be paid (*)	4 834 353	275 500	0	- 13 103	5 096 750
Provision for purchases and sales of securities on the futures markets (*)	48 629	0	48 629	0	0
Provision for equipping the Paris residence (*)	722 684	0	722 684	0	0
Provision for special costs connected with banking activities (*)	200 000	69 601	69 601	0	200 000
Total	5 805 666	345 101	840 914	- 13 103	5 296 750

(*) 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 was completed in 1993, and the balance of this provision has been divided between the ECSC, Euratom and the EEC in proportion to their initial contribution to the purchase of the Paris building.

(*) 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.