

**FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY  
FOR 1985 AND 1984**

(86/C 208/03)

In accordance with undertaking given by the Commission on behalf of the European Coal and Steel Community with regard to its borrowing activities, the following financial statements of the ECSC, drawn up in conformity with Article 78 of the Treaty establishing the ECSC, are published below:

- Balance sheets of the European Coal and Steel Community at 31 December 1985 and 31 December 1984,
- Profit and loss accounts for the years ending 31 December 1985 and 31 December 1984,
- Allocation of profit for the years ending 31 December 1985 and 31 December 1984.

These financial statements are accompanied by the Report of the Court of Auditors, provided for under Article 78f (5) of the ECSC Treaty, dealing with the financial operations of the ECSC for the year 1985 with the exception of those relating to revenue and expenditure of an administrative nature.

**Balance sheets at 31 December 1985 and 31 December 1984**

(amounts expressed in ECU)

*— Before allocation of profit —***Assets**

	1985	1984
Cash in hand and balances with central banks	2 751 573	1 709 396
Balances with credit institutions:		
— repayable on demand	192 603 441	42 805 402
— with agreed maturity dates or periods of notice	1 065 613 596	1 018 812 461
Bank deposits for coupons and bonds due but not yet presented for payment	102 834 753	51 220 169
Debt securities held in portfolio (Note 3)	509 089 878	619 248 668
Loans outstanding (Note 4)	7 051 437 544	7 161 948 902
Issuing costs and redemption premiums for amortization	61 881 898	72 651 843
Land and buildings (Note 5)	469 126	469 126
Other assets (Note 6)	78 328 425	114 938 841
Accruals and deferred income (Note 7)	215 358 105	215 168 904
	9 280 368 339	9 298 973 712

The Notes in the Annex are an integral part of these financial statements.

## — Before allocation of profit —

	Liabilities	
	1985	1984
Amounts owed to credit institutions: with agreed maturity dates or periods of notice	5 965 929	44 195 479
Coupons and bonds due but not yet presented for payment	102 834 753	51 220 169
Long- and medium-term debts (Note 8)	7 034 265 716	7 118 762 833
Other liabilities	17 138 791	1 448 496
Accruals and deferred income (Note 9)	349 853 516	415 224 972
Provision for losses and expenses	2 589 652	—
Commitments for ECSC operating budget (Note 10):		
— legal commitments	752 450 177	700 600 303
— commitments not yet implemented	136 423 771	186 176 545
Total liabilities towards third parties	8 401 522 305	8 517 628 797
Provisions for the financing of the ECSC operating budget (Note 11)	218 100 000	113 200 000
Reserves (Note 12):		
— guarantee fund	420 000 000	380 000 000
— special reserve	165 000 000	163 000 000
— former pension fund	45 639 268	44 742 334
Total reserves	630 639 268	587 742 334
Profit brought forward	105 647	78 665
Profit for the financial year	30 001 119	80 323 916
	9 280 368 339	9 298 973 712

**Profit and loss accounts for the years ending 31 December 1985 and 31 December 1984**

(amounts expressed in ECU)

**Expenditure**

	1985	1984
Interest payable	629 550 113	625 889 826
Issuing costs and redemption premiums	25 660 540	21 806 582
Commission payable	5 173 068	5 053 521
Capital losses on securities	1 203 887	221 332
Other financial costs	389 410	349 365
Allocation to the provision for losses and expenses	2 589 652	—
Value adjustments in respect of claims	17 039 484	73 802 823
Administrative expenditure (fixed amount) (Note 13)	5 000 000	5 000 000
Conversion differences (Note 2)	12 368 477	—
Expenditure relating to fines, deposits and levies (Note 16)	6 195 270	1 745 935
Legal commitments of the financial year (Note 10):		
— Redeployment	215 000 000	140 000 000
— Social measures in connection with the restructuring of the steel industry	—	62 500 000
— Social measures in connection with the restructuring of the coal industry	—	60 000 000
— Research	69 886 779	39 190 401
— Interest subsidies (Article 54)	3 585 669	6 243 389
— Interest subsidies (Article 56)	74 861 326	34 018 024
— Coking coal and metallurgical coke	6 000 000	6 000 000
— Parity changes on legal commitments	34 318	87 238
Allocation to provision for commitments not yet implemented	—	55 365 906
Allocation to provisions for the financing of the ECSC operating budget (Note 11)	67 500 000	—
Other expenditure	—	1 980 754
<b>Total expenditure</b>	<b>1 142 037 993</b>	<b>1 139 255 096</b>
<b>Profit for the financial year</b>	<b>30 001 119</b>	<b>80 323 916</b>
	<b>1 172 039 112</b>	<b>1 219 579 012</b>

The Notes in the Annex are an integral part of these financial statements.

	Revenue	
	1985	1984
Interest receivable (Note 14)	825 451 956	803 287 504
Issuing and redemption premiums	13 080 574	11 353 320
Gains on own bonds	11 240 619	2 317 031
Gains on other securities	18 360 201	8 176 734
Income from value adjustments in respect of securities	6 073 241	4 066 438
Other financial revenue	182 765	788 244
Conversion differences (Note 2)	—	2 635 040
Income from value adjustments in respect of claims	27 277 467	54 227 460
Levy (Note 15)	149 044 836	136 761 312
Fines (Note 16)	16 025 366	41 739 644
Deposits (in accordance with Decision No 3717/83/ECSC)	938 361	414 489
Contributions from the general budget of the European Communities	—	122 500 000
Cancellations of legal commitments (Note 10)	54 569 321	15 712 352
Cancellations of commitments not yet implemented (Note 10)	16 222 280	15 550 648
Withdrawal from the provision for commitments not yet implemented (Note 10)	33 530 494	—
Other revenue	41 631	48 796
	1 172 039 112	1 219 579 012

**Allocation of profit for the years ending 31 December 1985 and 31 December 1984**

(amounts expressed in ECU)

	1985	1984
Profit not allocated at 1 January	105 647	78 665
Profit for the year to be allocated	30 001 119	80 323 916
	30 106 766	80 402 581
<i>Allocations:</i>		
Guarantee fund	20 000 000	40 000 000
Special reserve	9 000 000	2 000 000
Former pension fund	895 554	896 934
To provisions for the financing of the ECSC operating budget	—	3 800 000
To the heading 'fines to be allocated to the financing of the ECSC operating budget' (Note 2)	—	33 600 000
	29 895 554	80 296 934
Profit not allocated at 31 December	211 212	105 647

The Notes in the Annex are an integral part of these financial statements.

## ANNEX

## Notes to financial statements at 31 December 1985 and 31 December 1984

(amounts expressed in ECU)

## 1. Presentation of financial statements

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 levies, borrowings raised on the financial markets and direct bank loans.

In the financial statements at 31 December 1985, changes have been made in the accounting methods and these are explained in Note 2.

ECSC accounts are kept in the various currencies used for its financial activity. The financial statements are expressed in ECU.

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

	31 December	
	1985	1984
Belgian and Luxembourg franc (Convertible)	44,645	44,7168
German mark	2,18386	2,23176
Dutch guilder	2,46133	2,51853
Pound sterling	0,615334	0,609846
Danish krone	7,95672	7,98805
French franc	6,70474	6,83069
Italian lira	1 489,94	1 371,10
Irish pound	0,714055	0,715023
Greek drachma	131,20	91,0428
u. a.	0,450583	0,450111
US dollar	0,887927	0,708946
Swiss franc	1,84023	1,83830
Canadian dollar	1,24088	0,935808
EMU	0,596683	0,609770
Japanese yen	178,207	178,052

## 2. Accounting policies and methods

The financial statements are drawn up in accordance with generally recognized accounting principles. The changes in accounting methods introduced during the financial year are described in Section 2.1 below.

## 2.1. Changes in accounting methods

## ECSC operating budget

The changes in the accounting methods used for the financial statements at 31 December 1984 were intended to harmonize the methods used for the ECSC financial statements with the rules in force for the implementation of the operating budget. The work to bring the two into line continued with the financial statements at 31 December 1985, concentrating on the provisions for financing the operating budget. These provisions (investment interest, budgetary contingencies, fines to be paid) are now funded from an expenditure account and not by allocation of profits as was the case up to 31 December 1984. This change has led to a 67,5 million ECU drop in the profit for the 1985 financial year. If it had been used for the 1984 financial year, the result would have been a 37,4 million ECU fall in profits.

## Interest on arrears of fines, loans and levy

Interest on arrears due from companies but not yet paid are now entered under revenue, whereas until 31 December 1984 only amounts actually paid were entered under this heading. This change has led to a 1,5 million ECU increase in the profit for the 1985 financial year.

## 2.2. Other accounting methods

The balances in currency are included in the balance sheets at the rates of exchange for the ECU as at 31 December. The conversion differences due to the revaluation of the opening balance at the rates of exchange for the ECU at year-end are deferred and entered in the balance under accruals and deferred income. They do not, therefore, affect the result for the year. On the other hand, the conversion differences relating to operations for the year are included in the profit and loss accounts.

Value adjustments are made in respect of loans, fines receivable and levy payments receivable to allow for the potential risks of non-recovery. The criteria are as follows:

- a non-specific value adjustment covers the general risk of the non-recovery of loans,
- specific value adjustments are made when there is an actual risk in respect of given amounts outstanding, e.g. legal proceedings have been started, the company is in financial difficulties, an appeal has been brought before the Court of Justice in respect of fines receivable or there are other problems with debt recovery.

## 3. Debt securities held in portfolio

The securities in the portfolio are evaluated at the lower of average purchase cost or market value.

The portfolio is made up mainly of government bonds and repurchased ECSC bonds.

At 31 December 1985, the gross book value of repurchased ECSC bonds in portfolio is 110 395 254 ECU (1984: 117 653 726 ECU).

## 4. Loans outstanding

This item covers the following amounts:

	31 December	
	1985	1984
<b>1. Loans paid from borrowed funds</b>		
Amounts due, excluding redemption premiums	6 969 809 225	7 093 353 034
Redemption premiums	45 000 000	45 000 000
Parity adjustments for currency-changing transactions (Swaps)	(5 737 084)	(7 058 195)
Value adjustments	(134 325 976)	(148 339 364)
Sub-total	6 874 746 165	6 982 955 475
<b>2. Loans paid from own funds</b>		
Loans paid from the special reserves for the financing of subsidized housing	149 488 179	152 017 095
Loans paid from the pension fund to officials of the European Communities for the construction of housing	23 924 579	23 087 490
Loans paid from the pension fund for the Friuli steel industry	1 812 154	2 297 425
Loans paid for technical and economic research	1 363 922	1 489 747
Loans paid for redeployment	102 545	101 670
Sub-total	176 691 379	178 993 427
Grand total	7 051 437 544	7 161 948 902

Repayments due on the loans but not yet paid at 31 December are entered under the heading 'Other assets'. These loans are usually secured by guarantees from the Member States, banks or companies and by mortgages.

#### 5. Land and buildings

The ECSC owns a building in Washington DC, entered in the ECSC books at 469 125 ECU. Its current value is estimated at 2,8 million ECU.

Another building in Paris is held jointly with the European Atomic Energy Community and the European Economic Community. It is entered in the ECSC books at a token value of 1 ECU. Its total current value is estimated at 2,2 million ECU.

#### 6. Other assets

	31 December	
	1985	1984
Levy receivable	6 962 549	8 323 547
Member States' contributions receivable	29 445	6 786 429
Fines receivable (Note 16)	89 171 915	121 146 184
Loans, payments due and not received	24 908 293	16 954 232
Other	3 712 975	5 280 050
	124 785 117	158 490 442
Cumulative value adjustments	(46 456 752)	(43 551 601)
	78 328 425	114 938 841

The item 'levy receivable' includes 1 510 420 ECU (1984: 3 524 838 ECU) in respect of coal in stock, payment of which is temporarily deferred under a general decision taken in 1972. In addition, 1 801 725 ECU (1984: 1 545 749 ECU) relate to claims on debtors against whom legal proceedings have been instituted.

The cumulative value adjustment refer to the items 'levy receivable', 'fines receivable' and 'loans, payments due and not received'.

#### 7. Accruals and deferred income (assets)

This item comprises mostly accrued interest on loans, time deposits and the portfolio of bonds amounting to 189 643 654 ECU (1984: 193 305 910 ECU) together with levies declared for November and December but not payable until after 31 December.

#### 8. Long- and medium-term debts

The debt consists of private and public bond issues maturing between 1986 and 2001.

#### 9. Accruals and deferred income (liabilities)

This item comprises mostly interest and commission on borrowings accrued at 31 December 1985, amounting to 280 927 747 ECU (1984: 294 281 382 ECU).

The conversion differences arising from the revaluation of the opening balances at the end-of-year ECU rate of exchange, amounting to 29 550 759 ECU (1984: 67 998 849 ECU), are also included in this item.

## 10. Commitments for ECSC operating budget

In 1985, commitments for the ECSC operating budget were as follows:

1. *Legal commitments*

movements for 1985

	Commitments at 31 December 1984	New legal commitments	Cancellations	Payments	Parity changes	Commitments at 31 December 1985
Redeployment	329 589 716	215 000 000	(52 153 867)	(63 805 831)	33 494	428 663 512
Social measures, steel industry	157 642 186	—	—	(97 139 130)	—	60 503 056
Social measures, coal industry	60 000 000	—	—	(18 550 000)	—	41 450 000
Research	86 369 415	69 886 779	(1 317 255)	(50 300 178)	78	104 638 839
Interest subsidies Article 54	16 839 551	3 585 669	(8 496)	(7 371 570)	777	13 045 931
Interest subsidies Article 56	46 814 235	74 861 326	(947 642)	(16 579 049)	(31)	104 148 839
Coking coal	3 345 200	6 000 000	(142 061)	(9 203 139)	—	—
Total	700 600 303	369 333 774	(54 569 321)	(262 948 897)	34 318	752 450 177

2. *Provision for commitments not yet implemented*

movements for 1985

	Commitments at 31 December 1984	Decisions	Transfers to legal commitments	Cancellations	Commitments at 31 December 1985
Research	26 872 132	51 000 000	(69 886 779)	(225 000)	7 760 353
Interest subsidies Article 54	33 842 241	3 806 000	(3 585 669)	—	34 062 572
Interest subsidies Article 56	125 462 172	59 997 280	(74 861 326)	(15 997 280)	94 600 846
Total	186 176 545	114 803 280	(148 333 774)	(16 222 280)	136 423 771
		(33 530 494)			

**11. Provisions for the financing of the ECSC operating budget**

	Provisions as at 31 December 1984 before allocation of profit	Allocation for 1984 (by allocation of profit)	Provisions at 31 December 1984 after allocation of profit	Allocation for 1985 (charged to the current financial year)	Provisions at 31 December 1985
1. Financing of the operating budget from ECSC interest income					
— 'interest on investments and on loans from non-borrowed funds'	70 000 000	—	70 000 000	30 000 000	100 000 000
— 'drawings on contingency reserve'	30 000 000	—	30 000 000	19 400 000	49 400 000
2. Provision for fines imposed but not yet paid:					
— fines expected to be paid the following year	—	17 000 000	17 000 000	12 000 000	29 000 000
— fines expected to be paid subsequently	—	33 600 000	33 600 000	6 100 000	39 700 000
3. Surplus for the budgetary year	13 200 000	(13 200 000)	—	—	—
Total	113 200 000	37 400 000	150 600 000	67 500 000	218 100 000

As the above headings show, ECSC interest income finances two of the resources items in the ECSC operating budget. Amounts allocated to provisions at 31 December are used in the following year's budget.

In addition, fines imposed but not yet paid are allocated to provisions, the operating budget using them as resources only when they are paid, whereas the fines are entered in the ECSC financial statements for the financial year during which the fine was imposed. A distinction is made between fines expected to be paid the following year, which will therefore be included under resources in the operating budget for that year, and fines which will be paid subsequently and which are not therefore included in the operating budget.

As indicated in Note 2, allocations for the financing of the ECSC operating budget are now entered via an expenditure account and not by allocation of profits as was the case up to 31 December 1984.

**12. Reserves**

The guarantee fund is intended to cover loans and borrowing operations.

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

The former pension fund originally represented the total pension obligations covered by the ECSC 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.

**13. Administrative expenditure (fixed amount)**

The ECSC paid 5 million ECU to the administrative budget of the Commission of the European Communities to cover its administrative costs.

**14. Interest received**

At 31 December, this item comprised the following amounts:

	1985	1984
Interest on loans	658 568 671	653 326 872
Interest on deposits	101 954 548	86 700 695
Interest on fixed-income securities	64 928 737	63 259 937
Total	825 451 956	803 287 504

**15. Levy**

The ECSC is authorized under the Treaty to impose a levy on coal and steel produced by undertakings in the Community. The calculation is based on the Community average values of the products concerned. The levy rate has been 0,31 % since 1 January 1980.

**16. Fines**

This item comprises the revenue from fines imposed by the Commission in accordance with Articles 58 and 60 of the ECSC Treaty.

Some companies have appealed to the Court of Justice of the European Communities against fines. At 31 March 1986, six appeals, a total of 3 558 994 ECU, were still awaiting judgment from the Court of Justice.

In 1985 fines totalling 6 178 701 ECU were cancelled or reduced by the Court of Justice or the Commission of the European Communities. This amount is included in the item 'Expenditure relating to fines, deposits and levies'.

**17. Other commitments***(a) Loans granted*

At 31 December 1985 the Commission had granted but not yet paid over loans as follows:

- loans from borrowed funds: 706 702 717 ECU  
(1984: 127 075 698 ECU),
- loans from own funds: 21 049 638 ECU  
(1984: 10 910 093 ECU).

*(b) Commitments arising from forward transactions*

To cover borrowing operations leading to loans in different currencies (Swap operations), the ECSC committed itself to the forward purchase of currencies amounting to 109 635 479 ECU (1984: 138 522 541 ECU) and forward sales amounting to 114 998 310 ECU (1984: 144 702 514 ECU).

At 31 December 1985, the ECSC had brought forward securities to the value of 19 493 725 ECU (1984: 83 882 620 ECU).