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3 June 2014

EFTA Court – Financial reports 2012

This document includes the following:

1. Decision 2013 No. 14 of 12 December 2013 of the ESA/Court Committee on the Approval of the financial statements for the EFTA Court for the financial year 2012
 2. Letter from the EFTA Board of Auditors (EBOA) of 24 June 2013 on the Audit of the 2012 Accounts of the EFTA Court
 3. Financial Statements 2012 of the EFTA Court
-

ESA/COURT COMMITTEE

Decision 2013 No. 14

of 12 December 2013

on the

**Approval of the financial statements for the EFTA Court for the financial year
2012**

THE REPRESENTATIVES OF THE CONTRACTING PARTIES TO THE AGREEMENT BETWEEN THE EFTA STATES ON THE ESTABLISHMENT OF A SURVEILLANCE AUTHORITY AND A COURT OF JUSTICE (the "ESA/Court Committee"),

HAVING REGARD that according to Regulation 13 of its Financial Regulations, the EFTA Court submitted the financial statements for the financial year 2012 to the ESA/Court Committee,

HAVING REGARD that according to Regulation 23 of the Financial Regulations of the EFTA Court the Financial Statements shall be audited by the Board of Auditors who shall report its findings to the ESA/Court Committee but before doing so, afford the EFTA Court the opportunity to comment on their report in accordance with Regulation 25 of the Financial Regulations,

HAVING REGARD to Regulation 26 of the Financial Regulations in which the ESA/Court Committee is invited to approve the Financial Statements, after examining all pertinent documentation,

HAVING REGARD to the audit report and the audit certificate issued by the EFTA Board of Auditors,

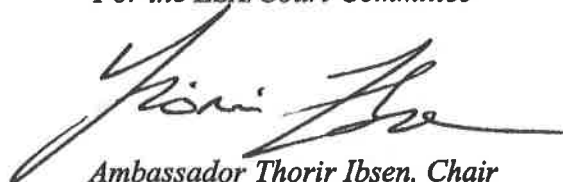
HAVE, BY COMMON ACCORD, DECIDED AS FOLLOWS:

Sole Article

The ESA/Court Committee approves the Financial Statements of the EFTA Court for the period 1 January to 31 December 2012 and discharges the Court of its responsibilities for the same period.

Done at Brussels, 12 December 2013

For the ESA/Court Committee



*Ambassador Thorir Ibsen, Chair
Mission of Iceland to the EU*



EUROPEAN FREE TRADE ASSOCIATION

BOARD OF AUDITORS

The Chairman

EFTA ref. 1124514
24/2013
24 June 2013

Audit of the 2012 Accounts

At their last meeting in Brussels on 4 and 5 June 2012, the Members of the EFTA Board of Auditors (EBOA) reviewed the accounts of the EFTA Court covering the period 1 January to 31 December 2012.

On the basis of the audit report and the management letter from the mandated external auditor, BDO, EBOA has decided to issue a certificate for the 2012 accounts.

EBOA would like to convey BDO's satisfaction with the EFTA Court's cooperation.

In accordance with Financial Regulations 25.5 and 25.16 the Board has given the EFTA Court the opportunity to comment on the matters raised below. The Board has taken those comments into consideration.

EBOA would like to bring the following matters to the attention of the ESA/Court Committee (ECC):

1. Savings Fund

According to the Financial Statement the Savings Fund is based on defined contribution from the association and its staff members. The Savings Fund is not included in the association's Financial Statement. The report by BDO points out an element of uncertainty regarding the liability for the Savings Fund in the case of changes in the value

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Chair of the ESA/Court Committee
Mission of Liechtenstein to the EU
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CC. Carl Baudenbacher, EFTA Court

of these assets, and that no provisions have been made in the Financial Statement for such liability. EBOA would like to continue to stress the importance of harmonisation in the way in which the EFTA institutions handle this matter both in how the issue is dealt with in the financial statements and how the employees affected are informed of the risks. EBOA takes note of the Court's efforts to inform staff on saving options and risks.

2. Compliance with IFRS

EBOA notes that the Financial Statements have been presented in compliance with the International Financial Reporting Standards (IFRS). There remain three exceptions:

- Expenses with an expected lifetime exceeding one year are not capitalised;
- Not all disclosure notes and presentation requirements as prescribed by the IFRS have been included;
- No provisions for future resettlement and removal costs have been set up.

3. Compliance with IPSAS

EBOA notes that the Court is close to full compliance with IFRS. However the IFRS are more suited to businesses and a further compliance may incur further costs for the institute without added value. EBOA therefore encourages ESA to consider the International Public Sector Accounting Standards (IPSAS) which are widely used by intergovernmental organisations.

4. Harmonisation of the EFTA Institutions' Financial Statements

EBOA notes with satisfaction the progress made by the Court together with the EFTA Secretariat and ESA on a harmonized format of the financial statements. EBOA encourages the Heads of Finance to continue working on the harmonisation.

5. IT system security risk

EBOA have encouraged the Court to consider possible risks to its IT system by developing an IT security policy and to have an external evaluation of the overall IT system. EBOA notes that the Court according to the Financial Statements for the financial year 2012, has asked its computer assistance to draw up a report on IT-policies

and – infrastructure, and also that the Court will inform EBOA about the outcome once the report has been finalized

Respectfully yours,



Hans Conrad Hansen

Chairman of the EFTA Board of Auditors



RESTRICTED
RCP 1/2013
30 April 2013

FINANCIAL STATEMENTS

FINANCIAL YEAR 2012

Report by the President

1 Preface to the Financial Statements

In accordance with Financial Regulation 23, the EFTA Court shall submit its Financial Statements together with all pertinent documentation to the Auditors as soon as practicable following the close of the financial period, and no later than three months after the end of the financial year in question.

The EFTA Board of Auditors (EBOA) is entrusted with the audit of the Court's accounts. The Board engaged in 2008 the international audit company BDO to perform the financial audit of the EFTA institutions accounts, including the savings fund, for the financial years 2008 to 2010. They extended BDO Brussels' audit mandate in 2012 for two additional years. BDO performed the interim audit of the Court's accounts for the financial year 2012 on 10 and 11 December 2012 and the final audit on 18 and 19 March 2013.

Once the Court has received the audit report from BDO, the Court will submit the Financial Statements to the ESA/Court Committee for approval.

In the report to the audit of the Court's accounts for 2011, of 4 July 2012, EBOA "urged the three EFTA Institutions to reach an agreement on a harmonised format for their financial statements for the sake of clarity and transparency". This has been done and the Court has therefore changed the lay-out of the Financial Statements for 2012 in line with the harmonised format of ESA and the EFTA Secretariat.

2 The Court's Competence: Upholding EEA law

The Court has jurisdiction with regard to the EFTA States which are parties to the EEA Agreement (Iceland, Liechtenstein and Norway – the EEA EFTA States).

The Court is mainly competent to deal with **infringement actions** brought by the EFTA Surveillance Authority against an EEA EFTA State with regard to the implementation,

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application or interpretation of EEA law, for the settlement of disputes between two or more EEA EFTA States, for appeals concerning decisions taken by the EFTA Surveillance Authority and for giving **advisory opinions** to courts in EEA EFTA States on the interpretation of EEA law. Thus, the jurisdiction of the EFTA Court largely corresponds to the jurisdiction of the Court of Justice of the European Union over EU Member States.

The proceedings before the EFTA Court consist of a **written and an oral part**. Proceedings are in English except in cases where an advisory opinion is sought by a national court of an EEA EFTA State. In the latter case, the judgment of the Court will be in English and in the national language of the requesting court.

3 The Court's Legal Activities in 2012

The Court registered 15 new cases in 2012 compared to 19 in 2011.

Oral hearings were held in 13 cases. With the exception of two, the oral proceedings were held in the courtroom at the Court's premises.

The Court delivered judgment in 18 cases. At the end of the year 14 cases were pending before the Court.

Generally speaking, the cases that have come before the Court in the last years are characterised by increasing complexity.

The Court publishes each year a comprehensive report. Further information on the activities during 2012 can be found in the "Report of the EFTA Court 2012", which is available at the Court, as well as on the Court's home page.

4 Review of Financial Result

The ESA/Court Committee adopted the Court's budget for 2012 on 1 December 2011 (Decision No. 6/2011). The total budget for 2012 was € 3.934.300.

The total expenditure for the financial year 2012 was € 3.896.723, against a total income of 3.953.742 resulting in a budget surplus of € 57.019 or 1,4%.

As compared to 2011, the budget surplus decreased by € 391.076 or 87,3% due to an increase of the expenses by € 357.150 or 10,1% in 2012 compared to 2011.

4.1 Expenditure versus Budget

4.1.0 Total Expenditure versus Budget

Chapter	Actual	Budget	Variation in €	Used in % of budget
Ch. 1 Salaries, Allowances	2.700.848	2.655.100	45.748	101,7
Ch. 2 Travel, Representation, Training	208.523	220.200	-11.677	94,7
Ch. 3 Office Accommodation	327.612	366.000	-38.388	89,5
Ch. 4 Supplies & Services	549.955	456.000	93.955	120,6
Ch. 5 Court Proceedings	109.786	237.000	-127.214	46,3
Ch. 6 Contributions & Other Income	3.953.742	3.934.300	19.442	100,5
Result	57.019			

Expenditure was below the budget allocation in Chapter 2, 3 and 5. In Chapter 1 and 4, expenditure was above the budget estimate. In accordance with Financial Regulation 12, transfers between chapters may be decided by the Court whenever needed, within the limits of the total appropriations of the budget. Thus the “over-spending” on Chapter 1 and 4 was compensated by the “under-spending” on the other budget chapters.

4.1.1 Chapter 1 – Salaries, Allowances & Social Benefits

Account group	Actual	Budget	Variation in €	Used in % of budget
Salaries	1.857.856	1.623.700	234.156	114,4
Allowances & Benefits	356.349	426.600	-70.251	83,5
Social Security	374.810	420.800	-45.990	89,1
Turnover Staff	82.866	148.400	-65.534	55,8
Miscellaneous	28.968	35.600	-6.632	81,4
Total Chapter	2.700.848	2.655.100	45.748	101,7

Account groups “Salaries”, “Allowances & Benefits” and “Social Security” comprises all personnel expenses for staff members and their dependants, and are based on the EFTA Court’s Staff Regulations and Rules.

The result within these account groups depends on the present staff composition (number of non-local staff, grade and step of staff, number of dependants, school fee of dependent children, etc.) and will vary according to this composition.

Account group “Turnover Staff” includes expenses related to the Staff Regulations and Rules for the recruitment of staff, such as installation/resettlement allowance, removal and travel expenses.



Account group “Miscellaneous” includes expenses for travel on home leave for non-local staff, expenses for language courses and fee to other organisations (ILO and OECD/Coordinated Organisations).

Actual expenses on Chapter 1 were € 45.748 higher than the budget estimate. Compared to 2011 expenses increased by € 280.554 or 11,6%.

Total Salaries paid in 2012 amounted to € 1.857.856, which was € 234.156 higher than estimated in the budget. Compared to 2011 actual expenses were € 300.472 or 19,3% higher. The costs cover salaries to Judges and staff, compensation to staff for over-time and unused annual leave and salaries to temporary staff and replacements.

The Court follows the indexation proposed by the Co-ordinated Organisations. This is also true for the daily subsistence allowance rates (DSA-rates).

Salaries of Judges and staff increased by € 72.496 or 4,7% compared to 2011, due to the salary scale increase by 2,2% adopted by the Co-ordinated Organisations, the annual step increases and extra salary expenses due to overlap of leaving and coming staff.

Because one leaving staff member had to finalise preparations for a big case, there was an overlap of 3 ½ months of leaving and coming staff.

Due to the high number of cases during 2012, the Court deemed it necessary to hire two temporary staff members as legal secretaries for the year resulting in costs of € 133.338, whereas only € 10.000 were foreseen in the budget.

Other salary costs were compensation paid for over-time, which was more than twice as high as estimated in the budget - € 11.616 against € 5.000.

Due to the heavy workload during 2012, several staff members were not able to take their total leave entitlement during the course of the year and were allowed to carry-over to 2013 the number of days they had not been able to take during 2012. Expenses of €10.000 had been estimated in the budget for such cases, whereas the Court's obligation as of 31 December 2012 was calculated at € 93.533 (see details in note 8).

Actual expenses on Allowances & Benefits, Social Security, Turnover Staff and Miscellaneous were all below the budget estimate.

Since 1998, the Savings Fund has been deposited with BCEE. As a result of the Euro crisis, the Court in 2011 opened up for having the Savings Fund deposits in other currencies than Euro. Since DNB Luxembourg was able to offer a higher interest rate on NOK deposits and also a more flexible and better solution in general, the Court decided in 2012 to transfer the Savings Fund from BCEE to DNB Luxembourg. This was done in October 2012.

The rates applied for the monthly Savings Fund contributions are 9,5% of the salary for staff and 19% of the salary for the Court.



During 2012 there were changes in two positions at the Court: the Registrar and the President's Legal Secretary (Liechtenstein Cabinet).

4.1.2 Chapter 2 – Travel, Representation & Training

Account group	Actual	Budget	Variation in €	Used in % of budget
Travel	119.350	108.200	11.150	110,3
Representation	83.778	67.000	16.778	125,0
Recruitment	2.350	25.000	-22.650	9,4
Staff Training	3.045	20.000	-16.955	15,2
Total Chapter	208.523	220.200	-11.677	94,7

The result within these accounts/account groups is essentially within the budget.

The account group Travel covers the Judges' and staff's travel expenses, the Court's travel insurance and the expenses for the Court's leased car.

Representation covers expenses for lunches and dinners with business contacts during travel, at the Judges homes or in connection with Court events in Luxembourg or abroad.

4.1.3 Chapter 3 – Office Accommodation

Account group	Actual	Budget	Variation in €	Used in % of budget
Rental Premises	211.372	215.000	-3.628	98,3
Charges & Maintenance	98.685	107.000	-8.315	92,2
Miscellaneous	17.555	44.000	-26.445	39,9
Total Chapter	327.612	366.000	-38.388	89,5

Since September 1996, the Court has been renting offices on floor -2 in 1, rue du Fort Thüngen in Luxembourg. The rental for the premises has been increased five times since the start of the contract, last time from 1 January 2013, when it increased by 5,78%. A major renovation of the offices was done in 2008, when also some offices were transformed into a meeting room and a courtroom.

The account group Charges & Maintenance comprises common charges paid to the landlord (the Luxembourg State) for maintenance of the common areas and the heating system, for water consumption and municipal charges and taxes for waste disposal and sewage. It comprises further expenses billed directly from suppliers delivering services for heating, security (guards) and electricity consumption.

4.1.4 Chapter 4 – Supplies & Services

Account group	Actual	Budget	Variation in €	Used in % of budget
Furniture	62.172	30.000	32.172	207,2
Information Technology	119.405	134.500	-15.095	88,8
Stationery & Supplies	31.842	20.000	11.842	159,2
Postage & Freight	35.387	30.000	5.387	118,0
Telecommunication	32.603	30.000	2.603	108,7
Information on the Court's work	77.270	30.000	47.270	257,6
Library	71.876	65.000	6.876	110,6
Professional Services & Insurance	32.217	42.000	-9.783	76,7
Trainees	85.335	69.000	16.335	123,7
Financial Charges	1.848	5.500	-3.652	33,6
Total Chapter	549.955	456.000	93.955	120,6

The high activity at the Court during 2012 is also reflected in the actual costs for Supplies & Services, which were 20,6% above budget and 21,5% higher than in 2011. Except for three account groups, actual expenses were higher than estimated in the budget.

The Court in 2012 replaced the old library shelves and bought new visitor chairs for the offices. New Mitel IP-telephones with improved functionality were also a major purchase in 2012.

The high activity at the Court resulted in higher expenses on stationery, postage, telecommunications, the library and trainees. Trainees were employed for a longer period than estimated in the budget. As a consequence of the high number of decided cases and of their increasing complexity, the EFTA Court Report for 2012 will contain three volumes.

4.1.5 Chapter 5 – Court Proceedings

Account group	Actual	Budget	Variation in €	Used in % of budget
Court Hearings	4.975	80.000	-75.025	6,2
Translation & Legal Editing	73.433	50.000	23.433	146,9
Ad-hoc Judges	18.303	77.000	-58.697	23,8
Court Seminars	13.075	30.000	-16.925	43,6
Total Chapter	109.786	237.000	-127.214	46,3

See under item 3.

The Court has no in-house translators and must therefore draw on services from freelance translators. Actual expenses were 50% higher than estimated and increased



compared to 2011 by 25%. This again has to do with the increasing complexity of the cases.

4.1.6 Chapter 6 – Income

Account group	Actual	Budget	Variation in €	Used in % of budget
Contributions	3.934.300	3.934.300	0	100,0
Interest	13.771	0	13.771	0,0
Other Income	5.671	0	5.671	0,0
Total Chapter	3.953.742	3.934.300	19.442	100,5

Interest consists of income on the Court's sight account and savings with BCEE and interest on late contributions from Member States. With one exception, all contributions were paid on time in 2012.

5 Distribution of Financial Result

The financial year 2012 resulted in a surplus of € 57.019. The result shall, after the approval of the Financial Statements by the ESA/Court Committee, be reimbursed to the Member States within 30 days. The ESA/Court Committee adopted the contribution scale on 10 May 1995, by which Norway contributes 89%, Iceland 9% and Liechtenstein 2% of the budget.

The result for 2012 will after the approval of the ESA/Court Committee be distributed as follows:

Member State	Contribution	Result of the Period
Norway	89 %	50.747€
Iceland	9%	5.132€
Liechtenstein	2%	1.140€
Total	100%	57.019€

Luxembourg, 30 April 2013

Carl Baudenbacher
President



Financial Statements as of 31 December 2012

Statement of Financial Position (all figures in Euro)

Financial year ending:	Note	31/12/2012	31/12/2011
ASSETS			
Current Assets			
Cash	4	211.453	442.286
Receivables	5	1.195.895	1.104.095
		<u>1.407.348</u>	<u>1.546.381</u>
Long-Term Assets			
Fixed Assets	6	0	0
		<u>0</u>	<u>0</u>
Total Assets		<u>1.407.348</u>	<u>1.546.381</u>
LIABILITIES			
Current Liabilities			
Payables	7	76.396	60.292
Provisions	7a	220.015	52.975
Deferred Income	7b	1.051.800	983.575
		<u>1.272.215</u>	<u>1.096.842</u>
Long-Term Liabilities			
Surplus Account	9	57.137	448.095
Total Liabilities		<u>1.407.348</u>	<u>1.546.381</u>



Statement of Comprehensive Income
(all figures in Euro)

Financial year ending:	Note	31/12/2012	31/12/2011
INCOME			
Member States Contribution	9	3.934.300	3.970.000
Other Income	9	19.442	17.667
Total Income		3.953.742	3.987.667
EXPENDITURE			
Chapter 1		2.700.848	2.420.293
Chapter 2		208.523	189.828
Chapter 3		327.612	329.623
Chapter 4		549.955	452.480
Chapter 5		109.786	147.349
Total Expenditure		3.896.723	3.539.573
Surplus / (deficit) for the year		57.019	448.095
Opening Surplus Account	9a	448.095	968.827
Amount transferred to (+) / from (-) Surplus Account		-448.095	-968.827
Closing Surplus Account		57.019	448.095



Statement of Changes in Equity-like Funds
(all figures in Euro)

Financial year ending 31 December 2012

	Member States' Surplus Accounts
31 December 2011	448.095
Returned to Member States in 2012	-448.095
Profit for 2011 not yet returned	118
Profit for the year 2012	57.019
31 December 2012	57.137

See note 9.



Statement of Cash Flow
(all figures in Euro)

Financial year ending:	Note	31/12/2012	31/12/2011
Cash flow from operating activities			
Surplus (+) / deficit (-) for the year	9	57.137	448.095
Adjustments for:			
Depreciation fixed assets	6	0	0
Increase (+) / decrease (-) in provision for repatriation		0	0
Interest income	10	-13.771	-16.472
Surplus (-) / deficit (-) before working capital changes		43.365	431.623
Decrease (+) / increase (-) in current receivables	5	-91.800	-17.561
Decrease (+) / increase (-) in long-term receivables		0	0
Increase (+) / decrease (-) in payables	7	183.700	3.382
Increase (+) / decrease (-) in unearned revenues	7b	68.225	-77.174
Increase (+) / decrease (-) in long-term payables	7a	0	0
Net cash from (-) / used in (-) investing activities		203.490	340.269
Purchase of fixed assets	6	0	0
Purchase of intangible assets	2d	0	0
Interest income	10	13.771	16.472
		13.771	16.472
Net cash from (+) / used in (-) investing activities			
Cash flow from financing activities			
Member States contribution transfer from Surplus Account	9	-448.095	-968.827
Net cash from (+) / used in (-) financing activities		-448.095	-968.827
Net increase (+) / decrease (-) in cash and cash equivalents		-230.833	-612.087
Cash and cash equivalents at the beginning of the period		442.286	1.054.373
Exchange rate adjustment		0	0
Cash and cash equivalents at the end of the period		211.453	442.286

Notes to the Financial Statements

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1 Reporting entity

The EFTA Court is an international organisation headquartered in Luxembourg. The financial statements concern its operations during 2012.

2 Basis of preparation and significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements of the EFTA Court are set out below:

a) Basis of preparation

The Financial Statements of the EFTA Court have been made in accordance with the accounting standards of the Court's present Financial Regulations and Rules. The revised Financial Regulations and Rules were adopted by the ESA/Court Committee on 7 December 2012.

The accounts are accrual based and made in accordance with International Financial Reporting Standards (IFRS) and have been drawn up on historical cost basis, with some modifications as set out in Financial Regulation 21.

In the report to the audit of the Court's accounts for 2011, of 4 July 2012, EBOA noted that the Court's Financial Statements had been presented in compliance with the International Financial Reporting Standards (IFRS) but that there remained four exceptions:

1. Expenses with an expected lifetime exceeding one year were not capitalised;
2. Not all disclosure notes and presentation requirements as prescribed by the IFRS had been included;
3. The Financial Statements did not include a cash-flow statement or a statement of changes in equity as prescribed by the IFRS;
4. No provisions for future resettlement and removal costs had been set up.

The Court has in 2012 put an effort in presenting the Financial Statements according to the requirements of IFRS and harmonised it with the format of the other two EFTA institutions (ref. point 2 and 3 above). This process will be continued in 2013 when point 1 and 4 will be tried to be recognised in the accounts.

The Court concurs with EBOA's comment under point 3 in the above mentioned report, that the International Public Sector Accounting Standards (IPSAS) are better suited to an independent court of law than the IFRS and will therefore consider compliance with them instead.

b) Changes in accounting policies

As of the current financial year, and in line with International Accounting Standards (IAS) 19 (Employee Benefits), the Court recognises an expense and corresponding



liability due to accrued but unused annual leave. Otherwise, there has not been any change in accounting policies since 2011.

c) Fixed assets

According to the Financial Regulations and Rules, the Court's fixed assets are not recognised in the Statement of Financial Position, and thus, no depreciation is charged as an expense to the accounts. (Ref. under a) above) The Court maintains, however, a pro-forma depreciation table as set out below, and has chosen to include this table in the notes to the Financial Statements, in order to provide a realistic picture of the value of the fixed assets. The Court intends to recognise the fixed assets in the accounts 2013.

The fixed assets are listed at their acquisition cost with depreciation using the straight-line method over the assets' estimated useful lives. With the exception of art, which is not depreciated, assets are depreciated from the date of acquisition. The useful lives of the Court's fixed assets are estimated as follows:

- Furniture, fixtures – 6 years
- Equipment in general – 6 years
- Mobile phones – 2 years
- IT-investments – 3 years

Expenses due to repairs or maintenance are recognised as an expense when occurred.

Items costing less than € 620 are not recorded among assets but expensed in the year of purchase. In the revised Financial Regulations and Rules the limit is increased to € 1.000.

d) Intangible assets

The Court has not so far recognised intangible assets in its accounts. In addition to the standard software, the Court's Judges and staff are using software especially adapted/developed to their needs. The costs for the development have been expensed in the financial year when they occurred.

e) Foreign currency

All transactions entered in the Court's accounts are in Euro.

f) Taxation

The Court is exempt from most taxes in Luxembourg under a special headquarters agreement. (See details in note 11)

g) Inventories

The Court's books (law books, dictionaries, etc.) are recorded in the Court's Library database. Printed publications and loose-leaves are not recorded.



Stationery is of negligible value and not recorded in the inventory.

h) Leased assets

The Court has operating leases (risks and rewards incidental to ownership are not transferred) for computers, printers, laptops, work centres/photocopiers and the official car. The Court is renting premises. (See details in note 12)

i) Revenue recognition

Contributions from the Member States are recognised on an accrual basis in accordance with the budget and Financial Regulation 21.

In relation to sale of goods, revenue is recognised at the delivery of the goods.

3 Financial Risk Management

The financial assets of the Court consist mainly of cash and prepaid expenses. The financial liabilities of the Court consist mainly of debt to suppliers for goods purchased and services rendered.

a) Capital risk

In order not to face capital risk from fire, theft, etc., the Court has insured the value of its premises (furniture, equipment, etc.).

IT-equipment, work centres and the official car are insured in connection with the lease.

b) Credit risk

The cash needed for the Court's operations is placed with BCEE – the State and Savingsbank, Luxembourg. The bank has a high credit rating with the rating agencies Moody's and Standard & Poor (S&P). The bank's present ratings are:

Notation	Moody's	S&P
Long term	Aa1	AA+
Short term	P-1	A-1+

The credit risk on receivables is regarded as low as the Court's debtors are mainly governmental institutions.

c) Currency risk

Due to the Euro crisis, the Court chose to transfer the Savings Fund held in the Court's name for the benefit of the Court's staff from BCEE to DNB Luxembourg in October 2012.

d) Operational risk

The Court has no in-house expertise on network administration due to its size. The Court has instead chosen to buy assistance from a computer expert, who runs his own company. The Court has an oral agreement that the person comes in on a weekly basis to do maintenance on the Court's server and network.

In the audit report of 4 July 2012 mentioned earlier in this document, EBOA encouraged the Court to consider possible risks to its IT system by developing an IT security policy and to have an external evaluation of the overall IT system.

As a first step in this process, the Court has asked its computer assistant to draw up a report on IT-policies and –infrastructure. The first draft of this report has been received and will be evaluated by Administration. The Court will inform EBOA about the outcome of the process once it has been finalised.

4 Cash and cash equivalents

	31/12/2012	31/12/2011
Cash account	1.112	1.378
BCEE sight account	77.491	7.915
BCEE savings account	132.850	432.994
Sum Cash/Bank	211.453	442.286

The Court's cash balance was end 2012 52,2% lower than at the same time the previous year.

5 Receivables

	31/12/2012	31/12/2011
Accounts receivable – normal operations	18.415	13.851
Advances and loans to staff members	11.764	31.944
Receivables from Member States	1.051.800	983.575
Prepaid expenses	113.916	74.725
Sum Receivables	1.195.895	1.104.095

6 Fixed assets

	Inventory at 31 December 2011	Purchases 2012	Depreciation 2012	Disposals 2012	Sold 2012	Inventory at 31 December 2012
Furniture	205.363	62.838	-52.588	0	0	215.614
IT-Equipment	4.091	8.799	-5.322	0	0	7.569
Other Equipment	24.051	19.460	-16.517	0	-2.716	24.278
TOTAL	233.505	91.098	-74.426	0	-2.716	247.461

The Court sold the old Ericsson telephone system to the supplier of the new Mitel.

7 Liabilities

	31/12/2012	31/12/2011
Accounts payables – normal operations	76.396	61.736
Provision for unused annual leave staff	93.533	0
Other provisions for Judges/staff and suppliers	128.482	52.975
Deferred revenue 1 st quarter 2013	1.051.800	983.575
Due to Member States	57.137	448.095
Total Liabilities	1.407.348	1.546.381

a) Provisions

The Court has in the accounts recognized liabilities to Judges, staff members and suppliers where a claim or an invoice had not been received before the end of the financial year and therefore no cash had been paid out.

For the first time, a provision is made for unused annual leave that staff are entitled to according to their annual leave balance on 31 December 2012. The accrued unused annual leave is carried over to 2013 in accordance with Staff Rule 39.5.

Other provisions that are recognised in the accounts are:

- travel claims from Judges and staff members
- education allowances
- compensation for over-time during 2012 for one staff member
- lay-out and printing of an EFTA Court brochure and compliment cards
- printing, packaging and packing of the Court's Annual Report 2012



- lease for 2 work centres/copiers for December 2012
- telecommunication costs for December 2012
- electricity costs for 2012
- auditor's remaining fee and expenses for audit 2012
- fee and travel expenses for an ad-hoc judge acting in a Court case
- fee to out-of house translators for requested translations.

The Court has a contractual obligation to pay a resettlement allowance and to pay removal expenses to all non-locally recruited staff at the end of their term of service. As mentioned under 2a, the Court has not yet recognised any such provisions. The administration intends to record this in the 2013 accounts.

b) Unearned revenues

The deferred/unearned revenue consists of the Court's revenue for the first quarter of 2013. In accordance with Financial Regulation 8 the call for the instalments due on 10 January 2013 were sent out one month earlier. The instalments when received will cover the Court's activity during the first three months of 2013.

8 Loans

The Court had no outstanding housing loans at the end of the year.

4 staff members had outstanding loans in connection with education allowance for school fees for their children. According to the Court's practice, staff members receive a loan for the 10% share of their children's cost of attendance. The loan is reimbursed over a period of up to 12 months through monthly deductions from the staff member's salary.

9 Surplus account

Member States accounts 2012

EFTA States	Distribution key	Surplus 2011	Paid Dec. 2012	Additional surplus 2011	Contributions 2012	Other revenue 2012	Share of expenditure 2012	Balance 31/12/2012
NORWAY	89%	398.804	-398.804	105	3.501.527	17.303	-3.468.084	50.852
ICELAND	9%	40.329	-40.329	11	354.087	1.750	-350.705	5.142
LIECHTENSTEIN	2%	8.962	-8.962	2	78.686	389	-77.934	1.143
TOTALS	100%	448.095	-448.095	118	3.934.300	19.442	-3.896.723	57.137

a) Transactions in current year

The surplus balance according to the Financial Statement 2011 was paid back in December 2012.

b) Distribution key

In accordance with Financial Regulation 8.3, the result of the period/surplus shall be credited to the Member States in accordance with the contribution scale.

c) Member States' balance

The Member States' surplus for 2012 is shown in the last column in the above table. It will be reimbursed to the Member States after the approval of the Financial Statement by the ESA/Court Committee in accordance with Financial Regulation 8.3.

10 Financial items

Interest income/revenue is the earnings that the Court receives on the money deposited on the Court's sight account and the savings account with BCEE.

11 Taxation

The Court's Headquarters Agreement with Luxembourg grants tax exemption for the Court's activities except for national and municipal dues charged as the price of actual services rendered. (Ref. Art. 5)

The Court is also exempt from paying VAT (value added tax) except on invoices of € 240 or less. This is according to Luxembourg regulations.

12 Operating leases

The Court is renting the premises on floor -2 in the Hemicycle building in 1, rue du Fort Thüngen. The rent contract was originally for a period of 4 years from 1 September 1996. After the expiry of the 4 years' period, it was prolonged for an indefinite time. The contract can be cancelled by both parties on a 6 months' notice. The monthly rent amounts to € 18.632 and the common charges to € 1.735.

The Court has other operating leases on a 3 years' basis for office equipment and an official car. The lease payments (including insurance) amounted in 2012 to € 50.676. Based on the present lease contracts the payments for 2013 are calculated at € 56.786, for 2014 at € 44.826 and for 2015 at € 21.713.

13 Contingent liabilities

The Court is not aware of any claims or possible claims against it except for those recorded in the Statement of Financial Position and those mentioned in notes 2a and 8a.

14 Savings Fund

In accordance with Staff Regulation 31, the Court has established a Savings Fund for the Judges and the staff members. The purpose of the Savings Fund is to provide retirement benefits for Judges and staff by building up a capital sum during the period they are employed.

The Savings Fund constitutes a deferred partial payment of salary and is held in the name of the Court for the benefit of Judges and staff. It is based on defined contributions from the Court and its staff members. The Savings Fund is not included in the Court's Financial Statements.

As mentioned under 4.1.1 and in note 3c, the Court decided to transfer the Savings Fund from BCEE to DNB, Luxembourg. In October 2012 Judges' and staff's total balances on the savings accounts and the investment plans were transferred to DNB. NOK term deposits were transferred at maturity. There were no costs involved with the transfer.

Each staff member can decide which currency/currencies he/she would like to choose for his/her savings. Part of the Savings Fund can also be invested in certain funds. The currencies that staff have chosen for their Savings Fund are at present EUR, NOK, SEK and GBP.

The Court has decided that a minimum 25% of the contributions must be held in cash. Up to 75% of the contributions can be invested in defined funds. A staff member may



withdraw part of or the total balance on his/her Savings Fund for the acquisition of a personal residence or other similar purposes. The total contributions in 2012 to the Savings Fund amounted to € 456.344, of which the Court contributed 2/3.

The total value of the EFTA Court Savings Fund was on 31 December 2012 € 1.833.102. The average unrealised gain on the staff members total capital were 4,5% as of 31 December 2012. 2 staff members, who resigned from service at the Court, had their Savings Fund balances of € 337.086 paid out during 2012.

EBOA mentioned in the audit report for 2011, that BDO had mentioned an element of uncertainty regarding the liability for the Savings Fund in the case of changes in the value of these assets, and that no provisions have been made in the Financial Statement for such liability. (Ref. in note 3c) The Court will look into this matter in 2013.

15 Subsequent events

No significant events took place after 31 December 2012.