



EFTA Court Financial reports 2013

This document includes the following:

1. The ESA/Court Committee's Approval of the EFTA Court's Financial Statements 2013
2. The EFTA Board of Auditors' (EBOA) Audit Certificate on the audit of the 2013 accounts
3. The EFTA Court's Financial Statements 2013

ESA/COURT COMMITTEE**Decision 2014 No 4****of 12 December 2014****on the****Approval of the Financial Statements for the EFTA Court for the financial year 2013**

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, in accordance with Regulation 13 of its Financial Regulations, the EFTA Court (the "Court") submitted the Financial Statements for its financial year 2013 to the ESA/Court Committee,

HAVING REGARD that, according to Regulation 23 of the Financial Regulations of the Court, the Financial Statements shall be audited by the EFTA Board of Auditors ("EBOA"), which shall report its findings to the ESA/Court Committee but, before doing so, afford the Court the opportunity to comment on its 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 EBOA,

HAVE, BY COMMON ACCORD, DECIDED AS FOLLOWS:

Sole Article

The ESA/Court Committee approves the Financial Statements of the Court for the period 1 January to 31 December 2013 and discharges the Court of its responsibilities for the same period.

Done at Brussels, 12 December 2014

For the ESA/Court Committee



*Ambassador Kurt Jaeger, Chair
Mission of Liechtenstein to the EU*

EUROPEAN FREE TRADE ASSOCIATION

27 June 2014

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AUDIT REPORT - EFTA COURT

CERTIFICATE OF THE BOARD OF AUDITORS ON THE AUDIT OF THE ACCOUNTS OF THE EFTA COURT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2013

1. The Board of Auditors has examined the accounts of the EFTA Court for the period 1 January to 31 December 2013 as outlined in its Rules of Procedure and the Terms of Reference of the Financial Regulations. The audit is carried out according to generally accepted auditing principles and standards, including such tests and other supporting evidence as considered necessary. The audit work has been performed by Baker Tilly on behalf of the Board of Auditors on basis of the contract between the two parties.
2. The Board has reviewed the transactions reflected in the books and have controlled whether these are in accordance with the Financial Regulations and Rules. The various items on the Balance Sheet have been checked and monies on deposit in banks have been verified. Other assets and liabilities as presented in the Balance Sheet have been verified by procedures considered appropriate under the circumstances. The examination of expenditures and income has been carried out on a test basis to the extent considered necessary.

3. The EFTA Board of Auditors states that:
- (a) the financial statements give a true and fair view of the financial position as at the end of the period and the results of the operations for the period;
 - (b) the financial statements were prepared in accordance with the stated accounting principles;
 - (c) the accounting principles were applied on a basis consistent with that of the preceding financial year;
 - (d) transactions were in accordance with the Financial Regulations and Rules of the Court.

SIGNATURES OF THE BOARD OF AUDITORS



Hans Conrad Hansen
(Norway)
Chairman



Ingi K. Magnusson
(Iceland)
Vice Chair



Heinz Vogt
(Liechtenstein)
Member



RCP 3/2014
11 April 2014

FINANCIAL STATEMENTS 2013

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<http://efas03/B/BG/BG00 Documents Financial Statements/Financial Statements 2013 Final.docx>



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President's Report 2013

Introduction

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) engaged in 2013 Baker Tilly Belgium Bedrijfsrevisoren cvba to assist it as external auditors in its audit of the financial statements of the EFTA institutions for the financial years 2013-2017.

Baker Tilly Belgium visited the Court on 17 December 2013 for a first introductory visit. During the interim audit on 23 and 24 January 2014, Baker Tilly carries out a first audit. The final audit took place on 19 and 20 March 2014, when Baker Tilly audited the Court's accounts for the period January to December 2013, the Financial Statements 2013, the EFTA Court Savings Fund and Inventories.

According to the Court's Financial Regulation 25 (5) "the Auditor shall submit his draft reports to the Court for comments". Baker Tilly Belgium shall report the views of the Court concerning its findings and duly take them into account. After having received the Audit Report and Audit Certificate from EBOA, the Court forwards it together with the Financial Statements to the ESA/Court Committee for approval and budgetary discharge.

In EBOA's audit report of 24 June 2013 (2012 accounts), the Board brought some matters to the ESA/Court Committee's attention related to:

1. The EFTA Court Savings Fund
2. Compliance with IFRS
3. Compliance with IPSAS
4. Harmonisation of the EFTA Institutions' Financial Statements
5. IT System Security Risk

The Court has followed up on these issues during 2013 and will comment on them in the explanatory notes to the Financial Statements.

Legal activities - key figures

The Court has jurisdiction with regard to the EEA-EFTA States (Iceland, Liechtenstein and Norway).

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, 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 language of the requesting court.

The Court registered an unprecedented number of 30 new cases in 2013, compared to 15 in 2012.

Oral hearings were held in 14 cases. The hearings were all held in the courtroom at the Court's premises.

The Court delivered judgment in 22 cases. At the end of the year 17 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.

Further information on the activities during 2013 can be found in the "Report of the EFTA Court 2013", which is available at the Court, as well as on the Court's home page.

Future prospects

The trend of increased case load has continued into 2014, as 10 cases have been registered so far.

Financial result

The ESA/Court Committee adopted the Court's budget for 2013 on 7 December 2012 (Decision No. 6/2012). The total budget for 2013 was 4.207.200 €. (See "Comparison of Budget and Actual Amounts").

The total expenditure for the financial year 2013 was 3.968.521 € (3.896.723 € in 2012), against total revenues of 4.210.692 € (3.953.742 € in 2012) resulting in a surplus of 242.171 € (57.019 € in 2012) or 5,8% (1,4% in 2012). (See "Comparison of Budget and Actual Amounts" and "Statement of Financial Performance") The surplus is mainly due to lower than expected expenditure on the following budget lines:

- Training & Courses; not used appropriation 16.884€ (Chapter 2)
- Tenant's improvements; not used appropriation 29.900€ (Chapter 3)

- Electricity; not used appropriation including reversal of accrual 2012 45.700€ (Chapter 3)
- Surveillance; not used appropriation 11.960€ (Chapter 3)
- Furniture (including depreciation); not used appropriation 22.962€ (Chapter 4)
- Rent/Maintenance of Electronic Equipment; not used appropriation 26.591€ (Chapter 4)
- Rent of Courtroom; not used appropriation 25.800€ (Chapter 5)
- Daily fee Ad-hoc Judges and Travel Ad-hoc Judges; not used appropriation (including reversed accrual in 2012) 68.102€ (Chapter 5)
- Court Seminars Abroad; 14.663€ (Chapter 5).

Distribution of financial result

The net surplus will, after the approval of the Financial Statements by the ESA/Court Committee, be reimbursed to the Member States within 30 days.

The net surplus will be reimbursed in accordance with the contribution scale adopted by the ESA/ Court Committee on 10 May 1995.

The distribution of the net surplus is shown in the table below.

Member State	Contribution	Result of the Period
Norway	89 %	215.532 €
Iceland	9%	21.795 €
Liechtenstein	2%	4.843 €
Total	100%	242.171 €

Luxembourg, 11 April 2014



Carl Baudenbacher
President

Financial Statements 2013

Comparison of Budget and Actual Amounts

All amounts in euro	Budget 2013	Actual 2013	%	Variance
Salaries, Allowances & Social Benefits (Ch. 1)	2.888.300	2.867.375	99,3%	20.925
Travel, Representation & Training (Ch. 2)	228.000	217.209	95,3%	10.791
Office Accommodation (Ch. 3)	377.100	286.781	76,0%	90.319
Supplies & Services (Ch. 4)	469.700	467.928	99,6%	1.772
Court Proceedings (Ch. 5)	244.100	129.228	52,9%	114.872
Total Expenses	4.207.200	3.968.521	94,3%	238.679
Contributions	4.207.200	4.207.200	100%	0
Total Revenue as budgeted	4.207.200	4.207.200	100%	0
Sale of assets	0	100		100
Interest	0	3.392		3.392
Total Revenue	4.207.200	4.210.692		3.492
Result / Surplus 2013 to Member States		242.171		242.171

See note 1 Reporting entity.

Statement of Financial Position

See note 2 Basis of preparation and note 3 accounting policies.

All amounts in euro	Note	31/12/2013	31/12/2012
ASSETS			
Cash	4	535.958	211.453
Receivables	5	1.270.058	1.195.895
Current assets		1.806.016	1.407.348
Fixed assets	6	67.004	0
Non-current assets		67.004	0
Total assets		1.873.020	1.407.348
LIABILITIES			
Payables	7	70.283	76.396
Accrued annual leave pay	3, 8	73.301	93.533
Other accrued expenses	9	97.392	128.482
Unearned revenue	10	1.106.350	1.051.800
Current liabilities		1.347.326	1.350.211
Provision for repatriation	3, 11	283.524	0
Non-current liabilities		283.524	0
Surplus account	12	242.171	57.137
Total liabilities		1.873.020	1.407.348

See note 12 Surplus account.

Statement of Financial Performance

All amounts in euro	Note	31/12/2013	31/12/2012
REVENUE			
Member States Contributions	14	4.207.200	3.934.300
Other Revenue	14	3.492	19.442
Total Revenue		4.210.692	3.953.742
EXPENSES			
Salaries, Allowances & Social Benefits	15, 16, 23	2.867.375	2.700.848
Travel, Representation & Training	17	217.209	208.523
Office Accommodation	18	286.781	327.612
Supplies & Services	19, 20	467.928	549.955
Court Proceedings	21	129.228	109.786
Total Expenses		3.968.521	3.896.723
Surplus / (deficit) for the year	12	242.171	57.019
Opening Surplus Account	12	57.019	448.095
Amount transferred from Surplus Account	12	-57.019	-448.095
Closing Surplus Account	12	242.171	57.019

Statement of Changes in Net Assets / Equity

All amounts in euro	Member States' Surplus Accounts
Balance sheet as at 1 January 2013	57.137
Returned to Member States December 2013	-57.137
Surplus 2013	242.171
Balance sheet as at 31 December 2013	242.171

See note 12 Surplus account.

Statement of Cash Flows

All amounts in euro	Note	31/12/2013	31/12/2012
Operating activities:			
Surplus for the year	12	242.171	57.137
Adjustments for:			
Depreciation fixed assets	6	6.201	0
Increase (+)/decrease (-) in accrued expenses	9	-31.090	75.507
Increase (+)/decrease (-) in accrued annual leave pay	8	-20.233	93.533
Increase (+)/decrease (-) in provision for repatriation	11	283.524	0
Interest income	14	3.392	-13.771
Surplus (+) / deficit (-) before working capital changes		477.182	212.405
Decrease (+)/increase (-) in current receivables	5	-74.163	-91.800
Decrease (+)/ increase (-) in long term receivables		0	0
Increase (+)/decrease (-) in payables	7	-6.113	14.660
Increase (+)/decrease (-) in unearned revenues	10	54.550	68.225
Increase (+)/decrease (-) in long-term payables		0	0
Net cash flow from (+)/used in (-) operating activities		451.455	203.490
Cash flow from investing activities:			
Purchase of fixed assets	6	-73.206	0
Purchase of intangible assets		0	0
Interest income	14	3.392	13.771
Net cash flow from (+)/used in (-) investing activities		-69.814	13.771
Cash flow from financing activities:			
Transfer of surplus to Member States	12	-57.137	-448.095
Net cash flow from (+)/used in (-) financing activities		-57.137	-448.095
Net cash flow		324.505	-280.833
Cash as at 1 January		211.453	442.286
Net receipts of cash		324.505	-230.833
Cash as at 31 December	4	535.958	211.453



Notes to the Financial Statements

Note 1 Reporting Entity

The EFTA Court is an international court of justice domiciled in Luxembourg. The Judges and the Registrar enjoy full diplomatic privileges, whereas staff members' privileges are foreseen in the Headquarter's Agreement with the Grand Duchy of Luxembourg and in the Court's Staff Regulations and Rules.

The Court's manning table consists of 15 posts: 3 Judges, 7 in the professional category and 5 in the general services category. In addition to the staff on fixed term appointments, the Court employed 2 lawyers on temporary contracts.

The Court's budget is in euros. It consists of six chapters. In accordance with Financial Regulation 12 Budget Transfers, the Court may decide transfers within each chapter and between chapters of the budget whenever needed, within the limit of the total appropriation of the budget.

The Court's budget is approved by the EEA-EFTA Member States Iceland, Liechtenstein and Norway, represented by the ESA/Court Committee in Brussels. The budget for 2013 was 4.207.200 €.

Contributions from Member States are due in quarterly instalments and called for one month in advance on 10 December, 10 March, 10 May and 10 August. Other revenue is insignificant.

The financial year for the Court is the calendar year. The Financial Statements cover the operations in 2013. They present the Court's financial position, financial performance and cash flows during the financial year 2013.

Note 2 Basis of preparation

The Financial Statements 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) according to the Court's Financial Regulations and Rules. The present Financial Regulations and Rules were approved by the ESA/Court Committee on 7 December 2012. The Financial Statements are based on the historical cost system and prepared in euros (EUR).

The Court continued in 2013 the process of adopting the recording and reporting of the financial transactions to the International Public Sector Accounting Standards (IPSAS), in order to disclose liabilities and costs and thereby improving the financial management. Issues mentioned in the EFTA Board of Auditors' (EBOA's) audit report of 24 June 2013 to the Court's Financial Statements 2012 were followed up (see note 3 Accounting policies, note 6 Fixed assets, note 9 Accrued expenses and note 18 Office Accommodation). In 2014 the administration will go through the Court's Financial Regulations and Rules and propose changes in view of IPSAS.

Note 3 Accounting policies

The Court's accounting is accrual-based: revenue is recognised when earned and not when collected and expenses recognised when incurred and not when paid. The accounts are kept in euros on the basis of the calendar year.

Transactions and events are recorded in the accounts and recognized in the financial statements of the period to which they relate. The elements recognized are assets, liabilities, net assets/equity, revenue, and expenses. The Court operates a Savings Fund recorded off-balance sheet and held in the Court's name on behalf of the staff members.

The Court uses Quickbooks as accounting software. The salaries are calculated in Excel.

As of 2013 and in line with IPSAS 17 Property, Plant and Equipment, the Court started capitalising assets with an expected lifetime exceeding one year. Due to the difficulty in recognising assets fully expensed at the time of acquisition, the administration agreed with the auditors on the following procedure:

- Purchases of fixed assets done after 1 January 2013 are recognised in the Court's accounts. (See note 6 Fixed assets)
- Purchases done before 1 January 2013 are continued to be listed and depreciated off-balance sheet in Excel. (See note 13 Inventories)

Fixed assets are stated at their acquisition cost less depreciation using the straight-line method over the assets' estimated useful lives. The fixed assets classes and useful lives estimated (depreciation periods) are as follows:

Art	not depreciated
Furniture	5 years
IT-Equipment (hardware)	3 years
IT Software/licenses	3 years

The assets are depreciated from the year of acquisition, with the exception of items purchased in the current financial year that will be delivered in the next financial year. For those items the first year of depreciation will be 2014.

Items costing less than 1.000 € are only recorded as fixed assets if they are to be used for more than one year. Other items are expensed in the year of purchase.

As proposed by the auditors, the Court recognised in 2012 an expense and a corresponding liability due to accrued, but unused annual leave. The provision was reversed beginning 2013. An estimate for the accrued annual leave pay was also done at year end 2013 (see note 8 Accrued annual leave pay).

As of 2013, and in line with IPSAS 25 Employee Benefits, the Court has set up a provision for the repatriation of non-locally recruited staff, since the Court has a contractual obligation to pay them a resettlement allowance and to cover their removal expenses at the end of their term of service. (See note 11 Provisions)

Note 4 Cash and cash equivalents

	31/12/2013	31/12/2012
Cash account	981	1.112
BCEE sight account	94.043	77.491
BCEE savings account	440.934	132.850
Sum Cash/Bank	535.958	211.453

Note 5 Receivables

	31/12/2013	31/12/2012
Accounts receivables normal operations	13.813	15.352
Advances and loans to staff members	96.432	9.236
Prepaid expenses to suppliers	53.463	113.916
Accrued income	0	5.590
Receivables from Member States	1.106.350	1.051.800
Sum Receivables	1.270.058	1.195.895

“Accounts receivables - normal operations” contain amounts due from staff and others, as well as recoverable VAT.

“Advances and loans to staff members” contain prepaid education allowance for 2014 for school fees and outstanding loans to staff members for their 10% share of the 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. The Court had no other outstanding loans to staff at the end of the year.

Note 6 Fixed assets

Fixed Assets as of 31/12/2013
(Items purchased after 01/01/2013, all amounts in euro)

	Fixed assets 31/12/12	Purchases 2013	Depreciation 2013	Disposals 2013	Sold 2013	Fixed assets 31/12/13
Art	0	7.300	0	0	0	7.300
Furniture	0	60.561	-4.420	0	0	56.141
IT-Equipment	0	5.345	-1.782	0	0	3.563
TOTAL	0	73.206	-6.201	0	0	67.004

As from 1 January 2013, purchases of fixed assets are capitalised (see note 3 Accounting policies). Items are listed at their acquisition cost with depreciation using the straight-line method over the assets' estimated useful lives. The following tangible fixed assets have been recognised in the accounts: one purchase of art (not depreciated), purchases of furniture (depreciated over 5 years) and IT-equipment (hardware, depreciated over 3 years).

Some furniture purchased in 2013 for the Court's four new offices on -1 in the Hemicycle building could not be delivered due to temporarily lack of space in the premises. These fixed assets have been capitalised in the current financial year, but the depreciation will start next year when the items have been delivered.

The Court has so far not capitalised any intangible fixed assets. Administration is planning to recognise intangible assets as from 2014.

Note 7 Liabilities

	31/12/2013	31/12/2012
Accounts payables – normal operations	70.283	76.396
Accrued annual leave pay	73.301	93.533
Other accrued expenses	97.392	128.482
Unearned revenue 1 st quarter 2014	1.106.350	1.051.800
Provision for repatriation	283.524	0
Due to Member States	242.171	57.137
Total Liabilities	1.873.020	1.407.348

Note 8 Accrued annual leave pay

The provision set up in 2012 for 234 annual leave days carried over to 2013, was reversed beginning 2013.

In accordance with IPSAS 19 "Provisions, contingent liabilities and contingent assets", administration has estimated the expense for the 251½ days of accrued annual leave that staff did not take in 2013 due to heavy workload and may carry over to 2014 (Staff Rule 39.5 (2)).

Note 9 Other accrued expenses

The Court has in the accounts recognized liabilities to pay for goods or services that have been received or supplied, but have not been paid or invoiced, including amounts due to employees. Accrued expenses recognised in the accounts are among others:

- fees to free-lance translators for requested translations of case documents (requests, reports for the hearing, judgments)
- travel claims from Judges and staff members

- pre-school education allowances and education allowances
- lay-out and printing of 2.000 copies of the EFTA Court Report for 2013
- VISA expenses relating to 2013
- telecommunication costs for December 2013
- auditor's remaining fee for auditing the Court's accounts for the financial year

The accrued amounts in 2012 for the estimated costs for daily fees and travel expenses due to one of the Court's ad-hoc Judges when called to the bench as acting judge in a case in 2012 were reversed in 2013, since administration had not received and is not expecting to receive any claim from him.

In 2012 administration raised an accrual towards the Court's electricity supplier LEO (Luxembourg Energy Office) for services delivered January to December in 2012 but not invoiced. No invoices have been received for electricity delivered in 2013 either. Due to a new Luxembourg law, LEO was no longer entitled to invoice the electricity consumption based on a key (the Court's share of the building's electricity consumption was previously estimated at 10,28% according to the rent contract). Electricity meters have to be installed for each tenant, so that the invoicing can be based on the precise consumption measured for each tenant. This has so far not been done and the landlord has therefore paid the electricity bills. The necessary work in order to install the meters, is expected to be done in 2014, when the Hemicycle building will undergo a technical "upgrading".

The landlord's representative confirmed in an e-mail of 20 February 2014 that no bills will be received for the Court's electricity consumption in 2012 and 2013. The accrual raised in 2012 was therefore reversed in 2013 and no accrual raised for the consumption in 2013.

As a result of a tendering process, the landlord chose a new company, Dussmann Security, as provider of security services in the Hemicycle building as from 1 July 2013. Since that date the Court has not received any invoices for this service. The landlord is looking into if the Court's share of the security services should be billed directly by the supplier or stipulated in an annex to the rent contract. The landlord's representative confirmed in the above mentioned e-mail, that the Court will not receive any bill for the security services provided last half year of 2013. No accrual is therefore raised for the security services provided by Dussmann for the period July to December 2013.

Note 10 Unearned revenue

The unearned revenue consists of the Member States' contributions to the Court's budget for the first quarter of 2014. The contributions are due on 10 January 2014, but according to Financial Regulation 8 the Court shall send out call letters one month earlier, which is 10 December 2013. The contributions cover the Court's activity during the first three months of 2014.

Note 11 Provisions

As from 2013 the Court has set up a provision for repatriation of non-locally recruited Judges and staff, since the Court has a contractual obligation to pay them a resettlement allowance and to cover their removal costs from Luxembourg to their home station or, any other place they may designate at the end of their term of service (within the limit of the cost to their home station).

Based on the Staff Regulations and Rules, the cost for each staff member is estimated. The removal costs for the repatriation is estimated at 15.000 € per household, based on paid expenses in the past and future inflation taken into account. The costs for the resettlement allowance are calculated based on the staff member's salary and household size at the end of the current financial year.

As recommended by the auditors, the estimated costs for both obligations are recorded in this financial year's accounts as follows:

For staff members employed for more than 4 years:	100%
For staff members employed for more than 3 years:	75%
For staff members employed for more than 2 years:	50%

	31/12/2013	31/12/2012
At 1 January	0	0
Into the fund	283.524	0
Out of the fund	0	0
At 31 December	283.524	0

Note 12 Surplus account

Member States accounts 2013

EFTA States	Distribution key	Surplus 2012	Paid Contributions Dec. 2013	Contributions 2013	Other revenue 2013	Share of expenditure 2013	Balance 31/12/2013
NORWAY	89%	50.852	-50.852	3.744.408	17.303	-3.531.984	215.532
ICELAND	9%	5.142	-5.142	378.648	1.750	-357.167	21.795
LIECHTENSTEIN	2%	1.143	-1.143	84.144	389	-79.370	4.843
TOTALS	100%	57.137	-57.137	4.207.200	3.492	-3.968.521	242.171

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. The surplus balance according to the Financial Statement 2012 was paid back to the Member States in December 2013 as is shown in the above table.

The Member States' surplus for 2013 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 and discharge of the Court for its activity in 2013 by the ESA/Court Committee.

Other revenue consists of bank interest and income from the sale of assets. The Court received bank interest of 3.392€ on the monies deposited on the Court's savings account with BCEE - 0,4% interest on capital up to 3 million euros and 0,25% on capital above 3 million euros. The Court received no interest on the sight account. The Court sold an old piece of furniture to a staff member for 100 €.

Note 13 Inventories

Inventory Statement as of 31/12/2013 (Items purchased before 01/01/2013; all amounts in euro)

	Inventory 31/12/2012	Transfers 2013	Inventory 2013 after transfers	Depreciation 2013	Disposals 2013	Sold 2013	Inventory 31/12/2013
Furniture	215.614	1.066	216.680	-48.217	0	-100	168.364
IT-Equipment	7.569	23.212	30.780	-14.432	0	0	16.349
Other Equipment	24.278	-24.278	0	0	0	0	0
TOTAL	247.461	0	247.461	-62.648	0	-100	184.712

Until 1 January 2013, purchases of furniture, IT-equipment (hard- and software) and other office machinery and equipment have been recorded off-balance sheet and the acquisition costs fully expensed at the time of purchase. As agreed with the auditors, inventory items purchased after 1 January 2013 will be capitalised as fixed assets (see note 6 Fixed assets), whereas purchases before 1 January 2013 will continue to be recorded and depreciated in Excel off-balance sheet.

The number of inventory lists was reduced from 3 to 2 in 2013, as shown in the above table. One item on the list Office Machinery & Equipment was transferred to the list Furniture and the remaining items transferred to the list IT-Equipment.

Furniture will continue to be depreciated over 6 years and IT-Equipment over 3 years.

The Court's books (law books, dictionaries, etc.) are recorded in the Library directory of the EFTA Court Manager (the Court's specially designed management program). Printed publications and loose-leaves are not recorded.



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

Note 14 Revenue recognition

Contributions from the Member States are recognised on an accrual basis. Calls for funds are made quarterly.

Revenue from the sale of inventory items is recognised at the delivery date of the goods.

Note 15 Salaries, Allowances & Social Benefits (Budget Chapter 1)

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 the 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.

Actual expenses on Chapter 1 increased by € 166.527 or 6,2% compared to 2012. Total salary expenses decreased by 6,7% in 2013, whereas total expenses on allowances and social benefits to staff increased by 34,6%, mainly due to the estimated costs for repatriation of non-locally recruited staff. (See note 11 Provisions)

Note 16 Savings Fund

In accordance with Staff Regulation 31 Savings Fund of the EFTA Court, a Savings Fund for Judges and staff is held in the name of the Court. The Savings Fund constitutes a deferred partial payment of salary, according to Staff Regulation 31.1. The purpose of the EFTA Court 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 is based on defined contributions from the Court and its staff members. The rates applied for the monthly contributions are 9,5% for staff and 19% for the Court of the staff members' salaries.

Since October 2012 the Savings Fund has been held with DNB Luxembourg in the name of the Court for the benefit of Judges and staff. Each staff member has a sub-account under the Court's main account.

The Savings Fund may be kept in different currencies. For reporting purposes, however, the staff member has to decide a base currency. In 2013 staff members kept their Savings Fund in EUR, NOK, SEK and GBP.

The Court has decided that a minimum of 25% of the contributions must be held in cash. Up to 75% of the contributions can be invested. In 2013 DNB Luxembourg proposed a selection of 13 different funds, of which three are regarded as having low risk, three medium risk and seven high risk. The funds are in EUR and/or NOK. The minimum investment amount is 500 EUR.

A staff member may, according to Staff Rule 31.2 (2) withdraw part of or the total balance on his or her Savings Fund for the acquisition of a personal residence or other similar purposes. 4 Judges/staff members withdrew part of their Savings Fund during 2013 in order to:

- make down payments on mortgage loans for houses
- renovations
- pension instalments

In 2013 the total contributions to the Savings Fund amounted to € 494.167, of which the Court contributed 2/3.

The total value of the EFTA Court Savings Fund as at 31 December 2013 was 1.988.182 €. Sub-accounts in base currencies other than EUR are converted to EUR at the rate of exchange on 31 December 2013.

During 2013 371.166 € was withdrawn from the Savings Fund. The sub-account of one temporary staff member, who had resigned from his service, was settled and closed and the accrued capital of 15.416 € transferred to his personal account.

The Savings Fund is not included in the Court's accounts.

Note 17 Travel, Representation & Training (Chapter 2)

Expenses on this chapter increased by 8.687 € or 4,2% compared to 2012, mainly due to high recruitment expenses for two posts.

Note 18 Office Accommodation (Chapter 3)

Total expenses on this chapter decreased by 40.831 € or 12,5% compared to 2012 due to:

- no expenses on electricity in 2013 (see note 9 Accrued expenses)
- reversal of accrued expense in 2012 for electricity from January to December 2012 (see note 9 Accrued expenses)
- 50% lower expenses on security in 2013 (see note 9 Accrued expenses).

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 may 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's landlord, the Luxembourg State, increased the annual rent from 1 January 2013 by 5,8%; 3% had been estimated in the budget. The previous increase of the rent was from 1 January 2011, when the rent increased by 5,09%. The rent is adjusted annually based on the change of the Luxembourg construction index and in accordance with article 4a of the Court's rent contract.

In addition to the rent, the Court pays common charges to the landlord. The amount has never been indexed. The amount covers services and maintenance of the common areas in the Hemicycle building that are not billed directly by the supplier, like heating, water consumption and municipal charges and taxes for waste disposal and sewage.

The Court is in need of more office- and archive space and has received oral confirmation from the landlord for the renting of 4 offices on -1 in the Hemicycle building. The price per sqm will be the same as for the premises on -2, which is very favourable compared to the market rent for offices on Kirchberg. The offices are expected to be available for the Court during the first quarter of 2014.

Note 19 Supplies & Services (Chapter 4)

Total expenses on this chapter decreased by 82.027 € or 14,9% compared to 2012, mainly due to the change in accounting policy of the fixed assets (see note 3 Accounting policies and note 6 Fixed assets).

The Court is leasing most IT-equipment like computers, printers, laptops and work centres/photocopiers. (See note 20 Operating leases)

Note 20 Operating leases

The Court has operating leases on a 3 year basis for office equipment and an official car. The total amount of the Court's future minimum lease payments is as follows:

	2013	2012
Lease payments in current financial year	56.832	50.676
Lease payments in next financial year	44.855	56.786
Lease payments in next financial year +1	21.713	44.826
Lease payments in next financial year +2	0	21.713
Total	123.400	174.001

Note 21 Court proceedings (Chapter 5)

Total expenses on this chapter increased by 17,7% compared to 2012. Increases were due to:

- the international conference the Court hosted in Luxembourg in June 2013
- an increased need of free-lance translations of case documents
- the hire of interpreters and technicians for oral hearings at the Court's premises

Note 22 Revenue (Chapter 6)

The Court's main revenue is the contributions from the Member States. The contributions increased by 6,9% compared to 2012. All contributions were paid on time in 2013.

Other revenue derives from deposits of the contributions from the Member States. Regular transfers are made from the Court's savings account to the Court's sight account to meet payments.

Revenue from bank interest decreased by 15.950 € compared to 2012. The reasons for the decrease are:

- Declining interest received on the Court's accounts with BCEE due to lower interest rates
- Norway's payment of 10% interest due to late payment of the first contribution in 2012.

Note 23 Taxation

Being an international organisation, the Court is exempt from most taxes in Luxembourg under a special Headquarters Agreement.

According to Article 5 of the Agreement, Luxembourg grants tax exemption for the Court's activities except for national and municipal dues charged as the price of actual services rendered.

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

Staff members are exempted from paying income tax in Luxembourg.

Note 24 Financial Risk Management

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

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 ratings are:

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

The ratings have been the same since 1994. In September 2013 the financial reference magazine "Global Finance" confirmed BCEE's performance by ranking it again among the world's 10 safest banks and awarding it "Best Bank – Luxembourg". In November 2013, BCEE was voted for the sixth time "Bank of the Year – Luxembourg" by "The Banker" magazine.

The bank's guarantee system for deposits covers all deposits, regardless of their number up to an amount of 100.000 euros.

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

Currency risk

See under Note 16 Savings Fund.

Operational risk

In the audit report of 24 June 2013, 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.

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 consultant comes to the Court's premises on a weekly basis to do maintenance on the Court's server and network. He has also remote access to the server and the network.

In 2013 the Court formalised the agreement with the IT consultant by signing a contract, in which the services to be provided and the terms of condition for the delivery are specified. The consultant has also drawn up a comprehensive report on the Court's IT policies and IT infrastructure.

Note 25 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 note 20 Operating leases.

Note 26 Subsequent events

No significant events took place after 31 December 2013.