



EFTA Court Financial reports 2014

This document includes the following:

1. The ESA/Court Committee's Approval of the EFTA Court's Financial Statements 2014
2. The EFTA Board of Auditors' (EBOA) Audit Certificate on the audit of the 2014 accounts
3. The EFTA Court's Financial Statements 2014

ESA/COURT COMMITTEE**Decision 2015 No 6****of 15 December 2015****on the****Approval of the Financial Statements for the EFTA Court for the financial year 2014**

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 to the Agreement on the European Economic Area (EEA Agreement) signed in Porto on 2 May 1992 and the Adjusting Protocol thereto signed on 17 March 1993,

HAVING REGARD to the provisions of the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice, last amended by the Agreement adjusting certain agreements between EFTA States signed on 29 December 1994,

HAVING REGARD to Decision No 1/95 of the EEA Council on the entry into force of the EEA Agreement for the Principality of Liechtenstein,

HAVING REGARD that, in accordance with Regulation 13 of its Financial Regulations, the EFTA Court (Court) submitted its Financial Statements for the financial year 2014 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:

Article 1

The ESA/Court Committee approves the Financial Statements of the Court for the period 1 January to 31 December 2014 and discharges the Court of its responsibilities for the same period.

Article 2

This Decision shall enter into force on the day of its adoption.

Done at Brussels, 15 December 2015

For the ESA/Court Committee



*Oda Helen Sletnes,
Ambassador,
Chair of the ESA/Court Committee*

EUROPEAN FREE TRADE ASSOCIATION

2 June 2015

EFTA ref. 15-3586

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1 Annex

Distribution Special

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 2014

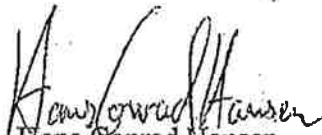
1. The Board of Auditors has examined the accounts of the EFTA Court for the period 1 January to 31 December 2014 as outlined in its Rules of Procedure and the Terms of Reference of the Financial Regulations. The audit is carried out according to generally accepted auditing principles and standards, 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


Angi K. Magnusson
(Iceland)
Vice Chair


Heinz Vogt
(Liechtenstein)
Member

Annex: Auditor's Report by Baker Tilly including the Financial Statement for the EFTA Court for the year ended 31 December 2014



RCP 01/2015
20 April 2015

FINANCIAL STATEMENTS 2014

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<http://eftasp2013/B/BG/BG00 Documents Financial Statements/Financial Statements 2014.docx>



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President's report

The Court was established on 1 January 1994. It 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 **nullity actions** against decisions taken by the EFTA Surveillance Authority and for giving **judgments in the form of 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**. Judgments in direct actions are in English, judgments in the form of an advisory opinion are in English and in the language of the requesting court.

In accordance with Financial Regulation 23, the Court hereby submits its Financial Statements for the calendar year 2014. The Financial Statements provide information on the Court's activities, the financial resources made available for it by the Member States Iceland, Liechtenstein and Norway, and the Court's expenditures.

The interim audit of the Court's accounts for 2014 was performed on 10 and 11 December 2014 and the final audit on 23 and 24 February 2015 by Baker Tilly Belgium Bedrijfsrevisoren cvba, on behalf of the EFTA Board of Auditors (EBOA). The Court will receive the Audit Report and the Audit Certificate from EBOA no later than 30 June and will then forward the Financial Statements 2014 together with the Audit Report to the ESA/Court Committee (ECC) for approval and discharge of its responsibilities for 2014.

The Court's activity

The Court registered 25 new cases in 2014. Over the last years there has been a sharp increase of incoming cases. This continues also in 2015 with already 9 cases registered during the first four months. Oral hearings were held in 12 cases. All hearings except 2 were held at the Court's premises. The Court delivered 23 judgments and rendered 5 orders. At the end of the year 13 cases were pending before the Court. In average the Court renders judgment in preliminary reference cases in 6 to 8 months after having registered them.

The Court's 20th anniversary was marked by a reception on 19 June 2014, an international conference on 20 June 2014 and the publishing of a commemorative book ("Festschrift") on 4 December 2014. Comprehensive information on the Court's activities, may be found in the "Report of the EFTA Court 2014", which is available in printed version at the Court and electronically on the Court's website. The report



contains information on the judgments and orders rendered by the Court from 1 January to 31 December 2014.

Financial result

The Court achieved in 2014 a surplus of 455.529 €, an increase of 88% compared to 2013. Total expenses increased by 0,6% compared to 2013. 90,2% of the Court's financial resources for 2014 were used.

The surplus will, after the approval of the Financial Statements by the ESA/Court Committee, be distributed to the Member States within 30 days in accordance with the contribution scale adopted by the ECC on 10 May 1995, as shown below.

Member State	Contribution	Result 2014
Norway	89 %	405.421 €
Iceland	9%	40.998 €
Liechtenstein	2%	9.111 €
Total	100%	455.529 €

Luxembourg, 20 April 2015

Carl Baudenbacher
President

Financial Statements 2014

Statement of Financial Position (Balance Sheet)

as at 31 December 2014

	Notes	2014 EUR	2013 EUR
ASSETS	1, 2, 3		
Cash	4	706.051	535.958
Receivables	5	1.303.400	1.270.058
Current assets		2.009.451	1.806.016
Fixed assets	6, 7	193.290	67.004
Non-current assets		193.290	67.004
Total assets		2.202.741	1.873.020
LIABILITIES	8		
Payables	8	55.572	70.283
Accrued expenses employees	9	142.222	73.301
Accrued expenses suppliers	10	116.049	97.392
Unearned revenue	11	1.131.925	1.106.350
Current liabilities		1.445.768	1.347.326
Provision employees	12	301.445	283.524
Non-current liabilities		301.445	283.524
Total liabilities		1.747.212	1.630.850
Surplus / Net assets	13	455.529	242.171
Total liabilities and surplus		2.202.741	1.873.020



Statement of Financial Performance (Profit & Loss)

	Notes	2014 EUR	2013 EUR
REVENUE	14		
Contribution from Iceland		398.286	378.648
Contribution from Liechtenstein		88.508	84.144
Contribution from Norway		3.938.606	3.744.408
Total Contributions from Member States	14	4.425.400	4.207.200
Other Revenue	14	22.186	3.492
Total Revenue		4.447.586	4.210.692
EXPENSES			
Employee benefits	15, 16	-2.906.192	-2.867.375
Travel, representation & training	17	-187.292	-217.209
Office accommodation	18	-302.242	-286.781
Supplies & services	19, 20	-579.983	-467.928
Court proceedings	21	-16.348	-129.228
Total Expenses		-3.992.057	-3.968.521
Surplus	13	455.529	242.171



Statement of Changes in Net Assets

		Net assets EUR
Balance on 31 December 2012		57.137
Distribution to Iceland		-5.142
Distribution to Liechtenstein		-1.143
Distribution to Norway		-50.852
Total changes in net assets for 2013		-57.137
Balance on 31 December 2013 carried forward		242.171
Balance on 31 December 2013		242.171
Distribution to Iceland		-21.795
Distribution to Liechtenstein		-4.843
Distribution to Norway		-215.532
Total distributions to Member States 2014		-242.171
Surplus 2014	13	455.529
Balance on 31 December 2014 carried forward		455.529



Cash Flow Statement

	Notes	31/12/2014 EUR	31/12/2013 EUR
Surplus for the year	13	455.529	242.171
OPERATING ACTIVITIES			
Depreciation	6	40.063	6.201
Decrease in payables		-14.711	-6.113
Increase in receivables employees		-3.483	829
Increase in receivables Member States	5	-26.405	-54.550
Increase in receivables others		-3.455	-20.442
Increase in unearned revenue Member States	11	25.575	54.550
Increase in accrued expenses	10	33.032	-31.090
Increase in employee provisions	12	72.467	263.291
Net cash flow from operating activities		578.612	454.848
INVESTING ACTIVITIES			
Purchase of fixed assets	6	-152.049	-73.206
Net cash flow used in investing activities		-152.049	-73.206
FINANCING ACTIVITIES			
Distribution of surplus to Member States	13	-242.171	-57.137
Adjusted surplus 2013	13	-14.300	0
Net cash flow used in financing activities		-256.471	-57.137
Net increase in cash flow for period		170.093	324.505
Cash as at 1 January		535.958	211.453
Net receipts of cash		170.093	324.505
Cash as at 31 December		706.051	535.958



Comparison of Budget and Actual Amounts

	Notes	Budget 2014 EUR	Actual 2014 EUR	%	Variance EUR
Salaries, Allowances & Social Benefits	15, 16	2.973.000	2.906.192	97,8	-66.808
Travel, Representation & Training	17	235.900	187.292	79,4	-48.608
Office Accommodation	18	421.500	302.242	71,7	-119.258
Supplies & Services	19, 20	533.000	579.983	108,8	46.983
Court Proceedings	21	262.000	16.348	6,2	-245.652
Total Expenses		4.425.400	3.992.057	90,2	-433.343
Contributions from Member States	22	4.425.400	4.425.400	100	0
Revenue	22	0	22.186		22.186
Total Revenue	22	4.425.400	4.447.586	100,5	22.186
Surplus 2014	13		455.529		455.529



Notes to the Financial Statements

Note 1 Reporting Entity

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

The Court's budget is approved by the EEA-EFTA Member States Iceland, Liechtenstein and Norway, represented by the ECC in Brussels.

The 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.

Contributions from the 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 Member States represented by the ESA/Court Committee in Brussels, adopted the Court's budget for 2014 on 12 December 2013 (Decision No. 12/2013). The budget appropriation was 4.425.400 €.

The Court's manning table consists of 15 posts: 3 Judges, 7 staff members in the professional category and 5 staff members in the general services category. All are employed on fix-term appointments: the Judges for 6 years and staff members for 2 to 3 years. The Court may employ temporary staff members within the limit of the total budget appropriation.

The financial year for the Court is the calendar year. The Financial Statements cover the operations in 2014. They present the Court's financial position, financial performance and cash flows during the financial year 2014.

Note 2 Accounting principles

Basis for preparation

The Court's accounting is accrual based. The Financial Statements are prepared in accordance with the Court's Financial Regulations and Rules (approved by ECC on 7 December 2012) and comply with the International Financial Reporting Standards (IFRS). Administration has in 2014 continued the process of complying the accounting with the International Public Sector Accounting Standards (IPSAS) in order to improve the financial management and facilitate the comparison with other public institutions.



The Financial Statements are prepared on a historical cost basis. 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's functional currency and presentation currency is euro. All decimal values are rounded to nearest euro.

The Financial Statements are prepared on a going concern basis and the accounting policies applied consistently throughout the period.

The Court implemented in 2014 a new more detailed chart of accounts, in order to improve financial management and financial reporting. As a consequence of this, certain accounts were transferred from one chapter of the budget to another.

The Court operates a Savings Fund held in the Court's name on behalf of the staff members and recorded off-balance sheet. (See note 16)

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. Administration has updated the provisions in line with the procedure agreed with the auditors. (See note 12 Provisions)

Changes in accounting principles

The Court started in 2014 entering IT software and licenses and Leasehold improvements in the fixed asset register.

The basis for the calculation of Accrued Annual Leave Pay is changed from calendar days to working days in 2014. (See note 9)

Conversion of transactions in foreign currency

All transactions are initially recognised in the "Statement of Financial Performance" or the "Statement of Financial Position" at the transaction date foreign exchange rate.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Expenses are recognised as they incur, normally when the services are rendered or the goods purchased are delivered.

Cash Flow Statement

The Cash Flow Statement is prepared in accordance with the direct method.

Note 3 Significant accounting estimates and assumptions

The Court points out that it regards the EFTA Court Savings Fund as a contribution plan and not a benefit plan. (See note 16)

Note 4 Cash and cash equivalents

	31/12/2014	31/12/2013
	EUR	EUR
Cash account	1.520	981
BCEE current account	295.243	94.043
BCEE savings account	8.104	440.934
BCEE 35 days' notice savings account	401.183	0
DNB, Luxembourg account	0	0
Sum Cash/Bank	706.051	535.958

Note 5 Receivables

	31/12/2014	31/12/2013
	EUR	EUR
Receivable VAT and Receivable others	19.840	12.634
Loans to employees	14.417	10.934
Prepaid expenses to staff and suppliers	128.041	139.954
Deposits to suppliers	5.764	185
Accrued income	2.583	0
Receivable 1 st contribution 2015 from Member States	1.132.755	1.106.350
Sum Receivables	1.303.400	1.270.058

Accounts receivables contain amounts due from staff and others, as well as recoverable VAT.

Loans to staff contain prepaid education allowance for 2015 for school fees and outstanding loans to staff members for their 10% share of the children's cost of attendance. The loans are reimbursed over a period of up to 12 months through deductions from the staff members' monthly salaries. The Court had no other outstanding loans to staff at the end of the year.

The amount due from the Member States for the 1st contribution 2015 includes the interest due from one Member State for the late payment of the fourth contribution to the Court's budget for 2014.

Note 6 Inventories fixed assets

Inventories fixed assets as at 31/12/2014

(Items purchased after 01/01/2013. Amounts in EUR)

	Fixed assets 31/12/13	Adjustment 2014	Purchases 2014	Deprecia- tion 2014	Disposals 2014	Sold 2014	Fixed assets 31/12/14
Art	7.300	0	5.999	0	0	0	13.299
Furniture	56.141	-24.163	25.891	-12.458	0	0	45.412
IT Equipment	3.563	0	31.447	-12.264	0	0	22.747
IT Software & Licenses	0	0	50.468	0	0	0	50.468
Leasehold Improvements	0	0	76.705	-15.341	0	0	61.364
TOTAL	67.004	-24.163	190.511	-40.063	0	0	193.290

As of 2013 and in line with IPSAS 17 Property, Plant and Equipment, the Court started capitalising assets with a purchase price equal to or above 1.000€ or an expected lifetime exceeding one year.

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 and licenses	3 years
Leasehold improvements	5 years

The assets are depreciated from the year of acquisition, with the exception of items purchased the previous financial year but delivered this financial year. For those items the first year of depreciation is 2015.

The Court has no intangible fixed assets.



From 2015 on, the Court is renting 4 additional offices on level -1. The offices were renovated in 2014 to the same standard as the offices on level -02. The Court paid for the upgrading of the standard, whereas the landlord paid for the work done by architect for the project management. Purchases of furniture, IT-equipment and leasehold improvements are related to the Court's additional premises on -1.

Furniture

Some furniture purchased in 2013 for the Court's four new offices on level -1 in the Hemicycle building, was not delivered due to temporarily lack of space in the premises. The order for one supplier was changed in 2014 for various reasons (lay-out in offices was changed, use of existing furniture, etc.). The activated booking in 2013 for this order was reversed in 2014 and the amounts of the actual furniture delivered, activated in 2014. (See above Adjustment 2014) Depreciation for these fixed assets started in 2014 when the items were delivered.

IT-Equipment hardware

The following expenses are activated on account IT Equipment, hardware:

- Purchase and installation of an updated version of the conference system for the courtroom
- Purchase and installation of a video surveillance system on -1, the same as on -2
- Purchase and installation of an access control system on -1 and upgrading the same system on -2.

IT-Software and licenses

The Court activated in 2014 installation costs for the migration from SharePoint 2007 to SharePoint 2013. SharePoint is a web application framework and platform developed by Microsoft. It integrates intranet, content management and document management. It has an MS Office-like interface, and is closely integrated with the Office suite. It provides intranet portals, document and file management among others. The Court uses a version available at no cost. The migration was done by an IT-consultant in cooperation with the Court's regular IT-expert.

The Court activated further the costs for the e-case system to be developed by the Court's IT-consultant. The project will be integrated with the Court's EFTA Manager System and finalised in spring 2015.

Leasehold improvements

The following expenses are activated on account "Leasehold improvements":

- Purchase and installation of false ceilings
- Purchase and installation of wooden floor
- Purchase and installation of glass doors to the offices

- Purchase and installation of lamps
- Purchase and cabling for the IT-network from the server on -2 to the offices on -1

Note 7 Inventories off-balance sheet

Off-balance Sheet Inventories as at 31/12/2014

(Items purchased before 01/01/2013. Amounts in EUR)

	Inventory 31/12/2013	Adjustment 2013	Balance 01/01/2014	Depreciation 2014	Disposals 2014	Sold 2014	Inventory 31/12/2014
Furniture	168.364	0	168.364	-31.072	0	0	137.292
IT- Equipment	16.349	2.801	19.150	-7.249	0	0	11.901
TOTAL	184.712	2.801	187.513	-38.321	0	0	149.193

Until 1 January 2013, purchases of furniture, IT-equipment (hard- and software) and other office machinery and equipment were recorded off-balance sheet and the acquisition costs fully expensed at the time of purchase. As agreed with the auditors, inventory items purchased before 1 January 2013 continue to be recorded and depreciated in Excel off-balance sheet. Furniture is continued to be depreciated over 6 years and IT-Equipment over 3 years.

The Court's literature (law books, law journals, 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 8 Liabilities

	31/12/2014	31/12/2013
Accounts payables – normal operations	55.571	70.283
Accrued annual leave pay	127.847	73.301
Other accrued expenses employees	14.375	0
Accrued expenses suppliers	116.049	97.392
Unearned revenue 1 st quarter 2015	1.131.925	1.106.350
Provision for resettlement allowance	140.195	129.774
Provision for removal on separation	161.250	153.750
Due to Member States	455.530	242.171
Total Liabilities	2.202.741	1.873.020

Note 9 Accrued expenses employees

The amount covers accrued annual leave pay and other accrued expenses for staff (like costs for official travel, costs for travel on home leave, etc.)

As proposed by EBOA, the Court has since the Financial Statements 2012 started to recognise an expense and a corresponding liability due to accrued, but unused annual leave as at 31 December. The accrued amount is reversed at the beginning of the following year. Administration has also calculated the accrued annual leave pay as at 31/12/2014. (See note 9 Accrued annual leave pay)

The accrued amount in 2013 for 251,5 annual leave days carried over to 2014, was reversed beginning 2014.

In accordance with IPSAS 19 "Provisions, contingent liabilities and contingent assets", administration has estimated the expense for the 283,5 days of accrued annual leave that staff did not take in 2014 due to heavy workload and may carry over to 2015 (Staff Rule 39.5 (2)). The basis for the calculation is changed from calendar days to working days, as defined in the Staff Regulations and Rules. As a consequence the estimated provision per staff member increases by 47%.

Note 10 Accrued expenses suppliers

The Court has in the accounts recognized liabilities to staff and suppliers for goods or services that have been received or supplied, but have not yet been paid or invoiced. Accrued expenses recognised in the accounts are among others:

- travel claims from Judges and staff members
- compensation for overtime by staff members
- claims for pre-school education allowance and education allowance
- remuneration to free-lance translators for requested translations of case documents
- lay-out and printing of 750 copies of the EFTA Court Report for 2014
- invoices for lamps for offices on -1
- committed not yet invoiced amount for migration from SharePoint 2007 to SharePoint 2013
- invoice for a legal consultant's fee for the update of the Court's Rules of Procedure
- VISA expenses relating to 2014
- bank fees for Oct-Dec 2014
- telecommunication costs for December 2014
- auditor's remaining fee for auditing the Court's accounts for 2014

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 were received for electricity delivered in 2013 or 2014. Due to a new Luxembourg law, LEO was no longer entitled to invoice the electricity

consumption based on a key division. 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 process 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 2015, 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. No provision is therefore raised for the consumption in 2014.

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 provision is therefore raised for the security services provided by Dussmann in 2014.

Note 11 Unearned revenue

The unearned revenue consists of the Member States’ contributions to the Court’s budget for the first quarter of 2015. The contributions are due on 10 January 2015, but according to Financial Regulation 8 the Court shall send out call letters one month earlier, which is 10 December 2014. The contributions cover the Court’s activity during the first three months of 2015.

Note 12 Employee 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 an average of 15.000 € per household, based on paid expenses in the past and future inflation. 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.

The estimates for both provisions have been updated in 2014. 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%

One staff member resigned in 2014 from his service at the Court and the provision for his repatriation taken out of the fund.

Provision for repatriation	31/12/2014	31/12/2013
	EUR	EUR
As at 1 January	283.524	0
Into the fund	39.102	283.524
Out of the fund	-21.181	0
As at 31 December	301.445	283.524

Note 13 Surplus account

Member States' Accounts 2014

Member States	Distribution key	Surplus 2013	Paid Dec. 2014	Contributions 2014	Other revenue 2014	Share of expenditure 2014	Balance 31/12/2014
NORWAY	89%	215.532	-215.532	3.938.606	19.745	-3.552.930	405.421
ICELAND	9%	21.795	-21.795	398.286	1.997	-359.285	40.998
LIECHTENSTEIN	2%	4.843	-4.843	88.508	444	-79.841	9.111
TOTALS	100%	242.171	-242.171	4.425.400	22.186	-3.992.057	455.530

In accordance with Financial Regulation 8.3, the surplus (result of the period) shall be credited to the Member States in accordance with the contribution scale. The surplus 2013 was distributed to the Member States in December 2014 as shown in the above table.

The surplus for 2014 due to the Member States is shown in the last column in the above table. It will be distributed to the Member States after the approval of the Financial Statements by the ESA/Court Committee, which discharges the Court for its activity in 2014.

Other revenue consists of bank interest (less bank charges), income from the University of Tromsø for the internship of a law student, an amount due from Gjøvik Tingrett for a lunch advanced by the Court and recoveries from suppliers.

The Court received bank interest of 3.006 € on the money deposited on the Court's accounts with BCEE. Their fees for 2014 were 959 €. DNB Luxembourg's annual fee for the administration of the 17 sub-accounts of the EFTA Court Savings Fund was € 850.

The Adjusted surplus 2013 is due to an after balance 2013 booking mistake related to the fixed assets furniture 2013. The booking was correctly taken into account in the accounts 2013.

Note 14 Revenue recognition

Contributions from the Member States are recognised on an accrual basis. Calls for funds are made quarterly, one month before they are due on the Court's account.

Interest due on late payment of contributions is called for together with the next contribution. (See note 5)

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)

The accounts in Chapter 1 comprise all personnel expenses for the 15 staff members and their dependants, based on remuneration agreed in Judges' and staff's appointment letters and the Court's Staff Regulations and Rules.

The expenses comprise further remuneration to 6 ad-hoc Judges, 3 staff members on annual (temporary) contracts (2 lawyers and 1 economist) and 7 trainees usually employed for a period of 2 to 4 months.

One staff member resigned in 2014 from his service at the Court. There was a 1 month's overlap in the post.

73% of the Court's expenses are personnel costs. Average personnel costs per employee based on the manning table of 15 staff members, were 193.746 €, and 161.455 € based on the total number of staff employed of 18.

As a consequence of the new chart of accounts implemented as from 1 January 2014, expenses for the remuneration to the ad-hoc Judges and the trainees are entered in chapter 1. The ad-hoc Judges' remuneration was previously entered on chapter 5 and the trainees' grants on chapter 4.

Actual expenses on Chapter 1 increased by € 38.817 or 1,4% compared to 2013. Total salary expenses increased by € 242.124 or 14% in 2014, whereas total expenses on



allowances and social benefits to staff decreased by € 203.307 or 16,5%, mainly due to the lower addition to the provisions for repatriation in 2014 compared to 2013. (See note 12 Provisions)

The result within each account 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.

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 Court regards this as a contribution plan and not a benefit plan. (See note 3)

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. 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.

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.

The Savings Fund may be kept in different currencies. For reporting purposes, however, the staff member has to decide a base currency.

Since 2013 DNB Luxembourg has proposed a selection of 13 different funds, of which three are regarded as having low risk, three as having medium risk and seven as having high risk. The funds are in EUR and/or NOK. The minimum investment amount is 500 EUR.

The monthly contributions are transferred to the Court’s main account with DNB Luxembourg and distributed from there to the staff members’ sub-accounts and split onto cash deposits and investments as indicated by the Court in a table.

In 2014 staff members kept their deposits in EUR, NOK and GBP. The average interest received on the deposits in 2014 was 0,62% on EUR deposits, 1,01% on GBP deposits and 2,03% on NOK deposits.

In 2014 one third of staff invested in 6 different funds. All except one fund had a positive 12 month yield in 2014.

In 2014 the total monthly contributions to the Savings Fund amounted to € 487.585. 170.482,47 € were withdrawn from the EFTA Court Savings Fund by two staff members for the purpose of purchasing a personal residence in one staff member’s

home country and for the purpose of financing the education of a dependent child abroad for the other staff member. 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.

One staff member, who in 2014 resigned from his service at the Court, settled his Savings Fund account. The accrued capital of 814.269,25 NOK (approx. 100.150 EUR) was transferred to his personal bank account in Norway and the sub-account closed.

The market value of the EFTA Court Savings Fund as at 31 December 2014 was 2.239.371 €. (See below table) The result is based on the market value of the staff members' sub-accounts at the end of the financial year. Sub-accounts in other reporting currencies than euro have been converted to euro at the rate of exchange on 31 December 2014. The currency exchange differences reflect the differences between the market value of the sub-accounts in currencies (other than euro) as at 31 December compared to the value of the transactions in euro over the year. The Savings Fund is not included in the Court's accounts.

EFTA Court Savings Fund	31/12/2014	31/12/2013	31/12/2012
	EUR	EUR	EUR
Value of fund as at 1 January	1.966.184	1.834.866	1.681.507
Total monthly contributions	487.585	494.167	461.087
Interest	16.094	15.319	28.689
Net realised capital gains	28.969	10.139	-162
Withdrawals	-170.482	-371.166	-213.045
Unrealised capital gains	58.133	45.217	645
Settlements	-100.195	-15.416	-123.685
Currency exchange differences	-46.917	-45.151	-1.961
Market value as at 31 December	2.239.371	1.966.184	1.833.076

Note 17 Travel, Representation & Training (Budget Chapter 2)

Expenses on this chapter decreased by 29.917 € or 13,8% compared to 2013, mainly due to lower representation costs and transfer of recruitment costs from this chapter to chapter 1 in accordance with the new chart of accounts.

Note 18 Office Accommodation (Budget Chapter 3)

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 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. The last rent increase for the Court's premises was from 1 January 2013.

In addition to the rent, the Court pays common charges to the landlord, the Luxembourg State. 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.

Total expenses on this chapter increased by 15.461 € or 5,4% compared to 2013. (The expenses in 2013 were reduced by 21.000€ due to reverse of the provision for heating and electricity.)

As of 31 December 2014, no charges have been invoiced for the rent for -1, electricity/heating and the services of the guards.

Note 19 Supplies & Services (Budget Chapter 4)

Total expenses on this chapter increased by 112.055 € or 23,9% compared to 2013, mainly due to:

- the entering of costs for translations and legal editing on this chapter (previously entered on chapter 5)
- the increase of depreciation costs
- the increase of information costs due to the Court's 20th anniversary celebration.

Due to the high number of cases, costs for translation and legal editing increased in 2014 by 21% compared to 2013. The Court has outsourced this task since October 2009.

Information costs increased by 16,8% in 2014 due to the Court's 20th anniversary, which was celebrated by an international conference in June 2014 and the publication of a commemorative book ("Festschrift") in December 2014.

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:

	2014	2013
	EUR	EUR
Lease payments in current financial year	47.690	56.832
Lease payments in next financial year	47.788	44.855
Lease payments in next financial year +1	14.848	21.713
Lease payments in next financial year +2	11.744	0
Total	122.070	123.400

The lease for the car was prolonged for another year until 05/07/2015. The Court was reimbursed the remaining amount on the lease and the monthly lease adjusted based on the prolongation.

The Court replaced in September 2014 – one year before the expiry of the lease period - the 2 work centres (for copying, scanning and printing) on level -2 with 2 identical newer models. The lease for the replaced work centres was terminated and the 3 years' lease for the new works centres starting as from October 2014. No rent has, however, been invoiced yet. Administration has in the accounts accrued an estimated amount for the lease period October to December 2014.

The lease for the 3 water fountains was automatically prolonged for another 3 years' period from 12/09/2014.

Note 21 Court proceedings (Budget Chapter 5)

Total expenses on this chapter decreased by 112.880 € or 87,3% compared to 2013. The following expenses previously entered on chapter 5 are after the implementation of the new Chart of Accounts moved as follows:

- Translation & legal editing moved to chapter 4
- Court seminars moved to Chapter 4
- Remuneration Ad-hoc Judges moved to Chapter 1

All court hearings, except 2 were held at the Court's premises in the Hemicycle building. For 1 court hearing at the Court's premises 4 interpreters were hired.

Note 22 Revenue (Budget Chapter 6)

The Court's main revenue is the contributions from the Member States. The contributions increased by 5,6% compared to 2013. One Member State was in arrears with the payment of the first and the last contribution in 2014, but was only invoiced late interest on payment for the fourth and last contribution, since the payment of the first contribution was only late by a few days. All other contributions were paid on time.



“Other revenue” derives from deposits of the contributions from the Member States, royalties on book sales and reimbursements from suppliers. Regular transfers are made from the Court’s savings account to the Court’s current account to meet payments.

Note 23 Taxes

Being an international organisation, the Court is exempt from most taxes in Luxembourg under the Headquarters Agreement. According to Article 5 “Tax Arrangements”, the “Court, its assets, income and other property are exempt from all direct national and municipal taxes”. The Court is further “exempt from all indirect taxes” on goods and services purchased “strictly necessary for its official activities”. The “Court is exempt from all national and municipal dues, except dues charged as the price of actual services rendered”.

According to Luxembourg regulations, the VAT exemption is only valid for purchases equal or above 240 €.

The Judges, the Registrar and all officials of the Court, are according to Article 13 “Tax exemption” of the Headquarters Agreement “exempt in the Grand Duchy of Luxembourg from all national taxes on salaries, emoluments and indemnities paid to them by the Court. This income shall be subject to a tax in favour of the Court”. The Court calculates every year the internal income tax at the end of the year.

Note 24 Risk Management

Organisation and authorisation

Authorisations and financial limits are determined by the Court’s President.

Monitoring and use

All officials are responsible for risk within their own area of responsibility.

Risk categories

Credit risk

Credit risk is the risk of losses due to failure of the institution’s banks to meet their payment obligations.

The credit risk is considered to be low as the Court’s bankers the State and Savingsbank, Luxembourg (BCEE) and DNB both have high credit ratings with the rating agencies Moody’s and Standard & Poor (S&P). The bank’s ratings are:

Notation S & P	DNB Bank ASA	BCEE
Short term	A-1	A-1+
Long term	A+	AA+

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

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

Liquidity risk

Liquidity risk is the risk that the institution will be unable to meet its payment obligations. The institution's liquidity risk is considered to be insignificant.

Operational risk

Operational risk is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.

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. This was done in 2013.

In 2014 the Court updated the Document Management System SharePoint from version 2007 to version 2013. This was done with success by a different IT-company in cooperation with the Court's IT-consultant.

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.

Currency risk

See under Note 16 Savings Fund.

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 2014.