



Ref. 15-230

12 January 2015

EFTA Secretariat – Financial reports 2013

This document includes the following:

1. [Excerpt from the Council summary record of 8 December 2014](#)
 2. [Letter from EFTA Board of Auditors \(EBOA\) on Audit of the 2013 Accounts](#)
 3. [Audit Report – EFTA Secretariat](#)
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EUROPEAN FREE TRADE ASSOCIATION

Ref. 14-134297
8 December 2014

TENTH MEETING OF THE COUNCIL

Geneva, 8 December 2014

SUMMARY RECORD

Statement of account for 2013

The Council noted the letter from the Chair of the Budget Committee recommending the approval by the Council of the accounts for 2013, ref. 14-134243. The Council further agreed to the reply letter, ref. 14-131180, from the Council Chair to the Chair of the EFTA Board of Auditors. The Council approved the statement of account for 2013, ref. 14-89551, and discharged the Secretary-General of his responsibilities for the financial period in question.



EUROPEAN FREE TRADE ASSOCIATION

BOARD OF AUDITORS

The Chairman

EFTA ref.1131670
EFTA ref: 14-98986
4/2014
30 June 2014

Audit of the 2013 Accounts

At their last meeting in Brussels on 5 and 6 June 2014, the Members of the EFTA Board of Auditors (EBOA) reviewed the accounts of the **Secretariat** covering the period 1 January to 31 December 2013.

On the basis of the audit report and the draft management letter from the mandated external auditor, Baker Tilly, EBOA has decided to issue a certificate for the 2013 accounts.

EBOA would like to convey Baker Tilly's satisfaction with the Secretariat's cooperation.

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

EBOA would like to bring the following matters to the attention of the Council:

1. Savings Fund

According to the information Secretariat provided in their Financial Statement:" The Savings Fund is not included in the Association's financial statements."

H.E. Mr Martin Eyjólfsson
Ambassador
Avenue Blanc 49
Case postale 86
1211 Geneva 20
Switzerland

CC: Kristinn Árnason, Secretary General, EFTA Secretariat

As BDO, EBOA's previous external audit company pointed out in their audit reports the current one, Baker Tilly, also points out that there is an element of uncertainty concerning the clarification of the Savings Fund as a defined benefit plan or a defined contribution plan. The reason for the uncertainty is the fact that the Savings Fund according to the Staff regulations & staff rules shall be held in the name of the Secretariat. If the Savings Fund has to be considered as a defined benefit plan, risks and contingent liabilities must be described in the Financial Statements and if not so, the auditor would have to give a qualified opinion to the financial statements. EBOA will therefore strongly recommend that the Secretariat seek independent outside advice concerning the regulations and rules for the Savings Fund so there can be no doubt for the future that the obligation concerning the Savings Fund is only the expenses for a defined contribution plan and that the contribution creates no legal liabilities other than the contribution itself.

EBOA has noted that EFTA management has launched a process to review the remuneration system including different aspects of the Savings Fund and that a report has been commissioned from the International Service for Remunerations and Pensions of the Co-ordinate Organization in Paris. It is expected that risks and liabilities identified by the external counsel will be considered in this contexts.

2. Implementations of the International Public Sector Accounting Standards (IPSAS)

EBOA has with satisfaction made note of the fact that the transition from IFRS to ipsas as the Financial Accounting framework for the Secretariat has been done in a professional way and caused no disturbance for the audit of the 2013 accounts.

Respectfully yours,



Hans Conrad Hansen
Chairman of the EFTA Board of Auditors

EUROPEAN FREE TRADE ASSOCIATION

27 June 2014

EFTA ref. 1131668
EBOA 2/2014

1 Annex

Distribution Special

AUDIT REPORT - EFTA SECRETARIAT

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

1. The Board of Auditors has examined the accounts of the EFTA Secretariat 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 Secretariat.

SIGNATURES OF THE BOARD OF AUDITORS

Hans Conrad Hansen
(Norway)
Chair

Ingi K. Magnusson
(Iceland)
Vice-Chairman

Heinz Vogt
(Liechtenstein)
Member

Didier Monnot
(Switzerland)
Member

Annex: Auditor's Report by Baker Tilly including the Financial Statement for the EFTA Secretariat for the year ended 31 December 2013



EUROPEAN FREE TRADE ASSOCIATION

Distribution: EFTA

Ref. 1121998/rev. 1

4 April 2014

Statement of Account

Financial Year 2013

Note by the Secretariat

I. Preface to the financial statements

In accordance with Financial Regulation 14, the Secretary-General shall submit the final accounts for the period just ended to the EFTA Council (the Council) as soon as practicable following the close of the period, and no later than three months after the end of the financial year in question.

1. The EFTA Board of Auditors is entrusted with the audit of the accounts. The Board engaged the international auditing firm Baker Tilly as external auditor to perform the audit of the accounts for the financial year ending 31 December 2013.
2. Once the EFTA Board of Auditors has received the audit report from Baker Tilly, the Board will report back to the Council. This shall be no later than six months after the end of the financial year in question.

II. Mission / main activities

3. The tasks of the EFTA Secretariat consist of assisting the Member States in the management and monitoring of: (i) the relationships between the EFTA States on the basis of the EFTA Convention; (ii) the worldwide network of free trade and partnership agreements between EFTA States and non-EU countries; and (iii) the Agreement on the European Economic Area (the EEA Agreement), which enables Iceland, Liechtenstein and Norway to participate in the Internal Market of the European Union (EU).
4. The servicing of the Council and its committee structure is carried out with the support of the Secretariat in Geneva. In 2013, the Council met eight times at official level (Heads of Permanent Delegations to EFTA in Geneva) and twice at Ministerial level. Norway held the chair during the first six months and Liechtenstein for the second six months of the year.
5. In the area of free trade relations, comprehensive support is provided by the Secretariat in Geneva to Member States in the preparation and negotiation of free trade agreements and joint declarations on cooperation, as well as in the implementation of such agreements through joint committees. In particular, free trade agreements were signed with Costa Rica and Panama, and Bosnia and Herzegovina. The EFTA Ministers also signed a joint declaration on cooperation with Myanmar.
6. Under the EEA Agreement, the main body of work consists of monitoring the preparation of legislation and policy on the EU side with a view to giving timely input, and preparing for the incorporation of relevant legislation into the EEA Agreement. In 2013, the EEA EFTA States

launched efforts to find long-term solutions to reduce the overall time needed to incorporate acts into the EEA Agreement. The Secretariat services committees and working groups under the Standing Committee of the EFTA States and the EEA Joint Committee.

7. The EFTA Statistical Office (ESO) in Luxembourg coordinates EFTA's cooperation with Eurostat and provides statistical support for various other EFTA purposes. ESO provided technical support in the field of statistics to a number of countries that have concluded joint declarations on cooperation or free trade agreements with EFTA.

III. Review of financial result and performance

8. The budget for the financial year 1 January to 31 December 2013 was adopted by the Council on 4 December 2012 in Decision No 6 of 2012 (ref. 32241). The approved net budget for the financial year 2013, including a transfer from the building fund and a carry-over from the 2012 Part II Budget from Geneva, amounts to CHF 8,424,000 and EUR 11,466,116 (CHF 13,874,000), providing a total net budget for the Secretariat of CHF 22,298,000. This was also the basis on which the contributions from Member States were determined.

9. The planned activities of the Secretariat were defined in the Performance Plan for the year 2013 (ref. 1115962).

10. The total expenditure (Part I and Part II) for the financial year 2013 amounted to CHF 21,827,409 (2012: CHF 21,332,014) against a total income of CHF 22,877,743 (2012: CHF 22,659,528), leading to a budget surplus of CHF 1,050,334 (2012: CHF 1,327,514) before financial items. Adding financial items, i.e. mainly interest income and bank charges, having a positive effect on results of CHF 38,488 (2012: CHF 43,278), the year ended with a surplus amount of CHF 1,088,822 (2012: CHF 1,370,793).

11. The net results of Part I and Part II are as follows:

- a) The net expenditure, including net recovery from financial items, in Part I, was CHF 18,622,112 (2012: CHF 18,130,585) or 97% (2012: 94%) of the budget, resulting in a surplus of CHF 646,887 (2012: CHF 1,111,742).
- b) The net expenditure in Part II was CHF 2,563,312 (2012: CHF 2,566,949) or 85% (2012: 91%) of the budget, resulting in a surplus of CHF 441,935 (2012: CHF 259,051). According to Council Decision No 5 of 6 November 2012, CHF 23,753 of the 2013 budget shall be carried over to the 2014 budget, concerning the remaining funds in relation to technical assistance to the Palestinian Authority.

12. The surplus in Part I is mainly due to lower than budgeted employee benefits and expenses. These staff costs amounted to CHF 13,804,018, which is CHF 497,244 lower than budgeted, mainly caused by the following:

- a) Staff allowances CHF 449,301 lower on dependency and education allowances;
- b) Other staff costs (including training) CHF 117,118 lower mainly on lower than budgeted recruitment expenses;
- c) Other operating expenses (including depreciation expenses) CHF 88,947 lower on a mix of CHF 110,033 lower than budgeted travel and representation expenses and

CHF 85,139 lower than budgeted office, business and consultancy expenses and CHF 106,225 higher than budgeted publication and translation costs; and

- d) Salary and savings fund expenses CHF 129,244 higher on increased remaining holiday entitlements and costs associated with temporary replacements.

13. The surplus in Part II is due to fewer projects being undertaken than planned.

14. Compared to the previous year, employee benefits and expenses increased by CHF 313,329 to CHF 14,482,222 (2012: 14,168,893), mainly due to CHF 405,444 higher salary expenses and savings fund contributions and CHF 78,775 lower staff allowance costs. Depreciation and amortisation expenses increased by CHF 47,035 to CHF 425,870 (2012: CHF 378,834), mainly due to IT investments, including the new case handling platform. Other operating expenses increased by CHF 135,031 to CHF 6,919,317, mainly due to an increase in publication and translation expenses (increase of CHF 74,425) and CHF 64,672 higher travel and representation expenses than in 2012.

15. The net cash flow from operating activities decreased from CHF 4,475,917 to CHF 648,790. This is mainly due to a CHF 281,970 lower surplus than the previous year, CHF 7,869 increase in current receivables (2012: CHF 381,360), CHF 317,897 decrease in payables (2012: CHF 794,525 increase), coupled with a CHF 622,576 reduction in special funds, of which a reduction of CHF 446,369 relates to the Financial Mechanism Office (FMO). In 2012, the changes in special funds had a CHF 1,488,180 positive impact to working capital changes (2012: CHF 1,254,637). Overall, compared to 2012, changes in current liabilities had a negative impact of CHF 1,062,813 to working capital. Compared to the 2012 changes in net working capital the difference is approximately CHF 3.5 million negative, as in 2012 a positive change in net working capital was reported of CHF 2.6 million and in 2013 a negative change in net working capital of CHF 0.9 million is reported.

16. In 2013, total investments in fixed and intangible assets amounted to CHF 757,034 (2012: CHF 786,671). Of this amount CHF 513,295 (CHF 356,680) relates to the EFTA Secretariat and the remainder to the FMO. The increase in investments relates to the case handling platform and document management system.

17. During 2013, a surplus in the amount of CHF 1,571,422 (2012: CHF 1,671,676) was returned to the Member States.

IV. Distribution of financial result

18. The possibility of a surplus, and how to deal with it, is foreseen in the Financial Regulations of the Association (see Regulations 10 and 11). The distribution of the financial result is shown in the table below (details in notes 1a)17 and 1a)16):

	Result 2013	Distribution of result 2013	
	CHF Cons.	Member States'	
		Reserve Funds	Surplus Accounts
Part I	646,887	4,486	642,401
Part II	441,935	10,300	431,635
Total	1,088,822	14,786	1,074,036

The financial statements and notes thereto are contained in the following pages.

31 March 2014,



Kristinn F. Arnason
Secretary-General

EFTA

FINANCIAL STATEMENTS 2013

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Statement of Financial Position

Financial year ending:		31/12/2013			31/12/2012			
	Note	Cons. CHF	Geneva CHF	Brussels EUR	Cons. CHF-2013 exch rate	Geneva CHF	Brussels EUR	Cons. CHF-2012 exch rate
ASSETS								
Non-current assets								
Fixed assets	4	351,844	55,642	244,795	290,768	69,907	182,530	292,592
Fixed assets FMO	1, 4	562,884	-	465,193	616,461	-	509,472	621,556
Intangible assets	5	359,812	250	297,159	192,755	1,000	158,475	194,340
Building Brussels	4	-	-	-	144,926	-	119,773	146,123
Non-current receivables	6	71,771	25,545	38,203	71,724	25,500	38,202	72,106
		1,346,311	81,437	1,045,350	1,316,634	96,407	1,008,452	1,326,717
Current assets								
Cash and cash equivalents	7	7,775,547	2,857,386	4,064,596	9,375,177	3,352,371	4,977,526	9,424,952
Receivables and prepayments	8	739,839	123,886	509,051	750,357	170,864	478,919	755,146
		8,515,386	2,981,272	4,573,647	10,125,534	3,523,235	5,456,445	10,180,098
TOTAL ASSETS		9,861,697	3,062,709	5,618,997	11,442,168	3,619,642	6,464,897	11,506,815
LIABILITIES								
Non-current liabilities								
Cooperation programmes provision	9	984,925	-	813,987	984,925	-	813,987	993,065
Repatriation provision	10a	1,073,247	409,175	548,820	1,083,846	353,917	603,247	1,089,879
Repatriation provision FMO	10b	783,485	-	647,509	807,947	-	667,725	814,624
Other non-current liabilities		29,559	-	24,429	29,559	-	24,429	29,803
		2,871,216	409,175	2,034,745	2,906,277	353,917	2,109,388	2,927,371
Current liabilities								
Payables and provisions	12	1,576,011	286,591	1,065,636	1,893,906	276,838	1,336,420	1,907,269
Unearned revenues	13	25,288	-	20,899	2,701	-	2,232	2,723
Building fund	14	-	-	-	144,926	-	119,773	146,123
Special Fund 4: Statistical Co-op	15a	11,395	-	9,417	11,395	-	9,417	11,489
Special Fund 8: Palestinian Co-op	15b	23,753	23,753	-	200,000	200,000	-	200,000
Special funds FMO	15c	1,966,942	-	1,625,572	2,413,271	-	1,994,439	2,433,215
		3,603,389	310,344	2,721,524	4,666,199	476,838	3,462,281	4,700,819
TOTAL LIABILITIES		6,474,605	719,519	4,756,269	7,572,476	830,755	5,571,669	7,628,190
NET ASSETS		3,387,092	2,343,190	862,728	3,869,692	2,788,887	893,228	3,878,625
NET ASSETS/EQUITY								
Reserve funds	16	1,114,900	713,650	331,611	1,100,114	710,884	321,678	1,103,331
Surplus Account	17	2,272,192	1,629,540	531,117	2,769,578	2,078,003	571,550	2,775,294
TOTAL NET ASSETS/EQUITY		3,387,092	2,343,190	862,728	3,869,692	2,788,887	893,228	3,878,625

The notes on pages 11 to 36 are an integral part of these financial statements.

Statement of Comprehensive Income

Financial year ending:		31/12/2013	31/12/2012
	Note	CHF	CHF
INCOME			
Member States' contributions:	18		
- <i>Current year</i>	18a	21,953,074	21,922,203
- <i>Carry-over from 2012</i>	18b	176,247	-
- <i>Building Fund</i>	18c	144,926	146,123
Total Member States' contributions		22,274,247	22,068,326
Other income	19	603,496	591,202
Total income		22,877,743	22,659,528
EXPENDITURE			
Employee benefits and expenses	20	14,482,222	14,168,893
Other Operating Expenses	21	6,919,317	6,784,287
Depreciation and amortisation	4, 5	425,870	378,834
Total Expenditure		21,827,409	21,332,014
NET RESULT BEFORE FINANCIAL ITEMS		1,050,334	1,327,514
Interest income	22	57,432	65,782
Financial expenses	23	-18,944	-22,504
Total financial items		38,488	43,278
Surplus/(deficit) for the year	17	1,088,822	1,370,792
Opening surplus account	17	2,775,294	3,317,788
Exchange difference on Surplus Account	17	-5,716	-72,400
Returned to Member States in 2013	17	-1,571,422	-1,671,675
Advance payment 2013 budget	17	-	-200,000
Amount transferred to (-)/from (+) Reserve Funds	16, 17	-14,786	30,789
Closing Surplus Account	17	2,272,192	2,775,294

The notes on pages 11 to 36 are an integral part of these financial statements.

Statement of Changes in Net Assets/Equity

Amounts in CHF	Note	Reserve Funds	Member States' Surplus Accounts	Total Reserve Funds and Surplus Accounts
Balance as of 1 January 2012		1,182,705	3,317,788	4,500,493
Exchange rate difference	16, 17	-48,585	-72,400	-120,985
Returned to Member States in 2012	17	-	-1,671,676	-1,671,676
Advance payment 2013 budget	17	-	-200,000	-200,000
Total comprehensive income for the period	16, 17	-30,789	1,401,582	1,370,793
Total Changes		-79,374	-542,494	-621,868
Balance as of 31 December 2012		1,103,331	2,775,294	3,878,625
Exchange rate difference	16, 17	-3,217	-5,716	-8,933
Returned to Member States in 2013	17	-	-1,571,422	-1,571,422
Total comprehensive income for the period	16, 17	14,786	1,074,036	1,088,822
Total Changes		11,569	-503,102	-491,533
Balance as of 31 December 2013		1,114,900	2,272,192	3,387,092

The notes on pages 11 to 36 are an integral part of these financial statements.

Statement of Cash Flow

Financial year ending:		31/12/2013	31/12/2012
	Note		
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus (+)/deficit (-) for the year		1,088,822	1,370,792
Adjustments for:			
Depreciation fixed assets (net of impact building fund Brussels)	4, 14	158,939	142,840
Amortisation intangible assets	5	122,005	89,871
Depreciation/amortisation FMO	1, 4	297,317	275,059
Decrease in provision for repatriation	10a	-10,599	-97,965
Decrease (-)/increase (+) in provision for repatriation FMO	10b	-24,462	166,772
Interest income	0	-57,432	-65,782
Surplus before working capital changes		1,574,590	1,881,587
Increase (-)/decrease (+) in current receivables	8	-7,869	381,360
Increase (-)/decrease (+) in long-term receivables	6	-47	5,148
Decrease (-)/increase (+) in payables	12	-317,895	794,525
Increase (+)/decrease (-) in unearned revenues	13	22,587	-74,883
Decrease (-)/increase (+) in Special Funds	15	-622,576	1,488,180
Net cash from operating activities		648,790	4,475,917
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	4	-222,661	-195,441
Purchase of intangible assets	5	-290,634	-161,239
Purchase of fixed assets FMO	4	-243,739	-429,991
Net cash from used in investing activities		-757,034	-786,671
CASH FLOW FROM FINANCING ACTIVITIES			
Member States' repayment of contributions from Surplus Account	17	-1,571,422	-1,671,676
Member States' advance contribution Budget 2013	17	-	-200,000
Interest income received		80,036	67,382
Net cash used in financing activities		-1,491,386	-1,804,294
Net decrease (-)/increase (+) in cash and cash equivalents		-1,599,630	1,884,952
Cash and cash equivalents at the beginning of the period		9,424,952	8,069,463
Exchange rate adjustment of cash		-49,775	-529,463
Total exchange rate adjustments		-49,775	-529,463
Cash and cash equivalents at the end of the period		7,775,547	9,424,952

The notes on pages 11 to 36 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

These financial statements of the European Free Trade Association Secretariat (hereinafter referred to as the EFTA Secretariat, EFTA, the Association or the 'Organisation') concern its operations in Geneva, Switzerland (headquarters), Brussels, Belgium and Luxembourg. The office-related assets and liabilities and related cash flows of the Financial Mechanism Office (FMO) in Brussels, which is administratively part of the EFTA Secretariat, are included, but its income and expenditure are excluded.

The tasks of the EFTA Secretariat consist of assisting the Member States in the management of and monitoring of:

- The relationships between the EFTA States on the basis of the EFTA Convention, which forms the legal basis of the Organisation and governs free trade relations between the four EFTA States (also referred to as "EFTA at four");
- EFTA's worldwide network of free trade and partnership agreements between the EFTA States and non-EU countries; and
- The Agreement on the European Economic Area (the EEA Agreement), which enables three of the four EFTA States (Iceland, Liechtenstein and Norway, also referred to as "EFTA at three") to participate in the Internal Market of the European Union (EU).

EFTA was founded in 1960 on the premise of free trade as a means of achieving growth and prosperity amongst its Member States as well as promoting closer economic cooperation between the Western European countries. Furthermore, the EFTA countries wished to contribute to the expansion of trade globally.

Based on these overall goals, EFTA today maintains the management of the EFTA Convention (intra-EFTA trade), the EEA Agreement (EFTA-EU relations), and EFTA free trade agreements (third-country relations). The EFTA Convention and EFTA free trade agreements are managed by the Geneva office, and the EEA Agreement by the Brussels office.

2. Basis of preparation

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

(A) *Basis of preparation*

The financial statements of the Association have for the first time been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), which are the accounting standards required to be applied according to the Financial Regulations and Rules of the Association as they were in effect during the financial year 2013. In previous years, the International Financial Reporting Standards (IFRS) were used to prepare financial statements. The statements have been prepared under the historical cost system and are prepared in Swiss francs (CHF).

The present Financial Regulations and Rules were approved by the Council on 18 December 1997 and entered into force on 31 December 1997. Since then there have been four amendments

to these regulations, of which the most recent change was made in December 2012 concerning changing the applicable accounting standards from IFRS to IPSAS.

(B) Changes in accounting policies

As a result of the first time adoption of IPSAS, the Organisation adopted all IPSAS that are relevant to its operations and effective for the current year. The adoption of new or revised reporting standards did not result in any substantial changes to the Association's accounting policies. However, some changes were made in the presentation in the financial statements to comply with IPSAS.

(C) Other changes

No new standards became mandatory in 2013 that were relevant to EFTA. There are also no new standards that have been issued but not yet made effective during the year of reporting.

(D) Comparative information

As part of the conversion to IPSAS, certain items have been reclassified in the Statement of Financial Position, Statement of Comprehensive Income and the Cash Flow Statement. These changes can be summarised as follows:

To improve the insight in the Statement of Financial Position, the Reserve Funds were reclassified from Current Liabilities to Equity-like Funds as the background of this item is of an equity-like nature. For the same reason, the comparative information concerning this item in the amount of CHF 1,103,331 was reclassified.

Furthermore, in the Statement of Financial Position, the short-term assets and liabilities were placed below the respective long-term items. This was likewise done for the comparative numbers.

To improve the insight in the Statement of Comprehensive Income, the Income from Member States' contributions was split to show the source of each income stream in the reporting year. Therefore two items, being income from the building fund and income from an advance budget contribution from 2012 were separated from the current year contributions. For the same reason the comparative information concerning the building fund in the amount of CHF 146,123 was reclassified.

In the Cash Flow Statement, interest income received was reclassified from investing activities to financing activities to improve the insight in the different cash flows. The comparative item in the amount of CHF 67,382 was also reclassified. Furthermore, to improve the insight in the changes of working capital for the comparing year, a reclassification took place between the increase in provision for programmes in the amount of CHF 200,000 and a new item Member States' advance contribution to the 2013 budget listed under cash flow from financing activities.

(E) Principles of combined statements

The accounting policies have been consistently applied for the two accounting entities of the Association, i.e. Geneva and Brussels (including the accounting for the office in Luxembourg and the administrative aspects of the FMO). All balances and transactions between the entities have been eliminated.

(F) Foreign currency translation

The combined financial statements of the EFTA entities are presented in CHF, which is EFTA's functional and presentation currency. Items included in the financial information of each of the Organisation's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Hence, all transactions for the Geneva-based entity are booked in Swiss francs (CHF) and in euros (EUR) for the Brussels-based accounting entity. All exchange rate differences are identified immediately. For reporting purposes any transactions between the accounting entities are converted at the rate of exchange used for establishing the annual budget: EUR 1 = CHF 1.21 (2012: EUR 1 = 1.22).

Assets and liabilities of both duty stations are presented in the Statement of Financial Position in the functional currency of said station and in case of euro-denominated items translated at each reporting date in the Statement of Financial Position against the rate of exchange used for the relevant budget: EUR 1 = CHF 1.21 (2012: 1.22).

This requires a revaluation of the net asset/equity value in the Brussels-based entity (the Member States' surplus account), based on the new exchange rate. Due to the strengthening of the Swiss franc, the result of this is an exchange loss of CHF 5,715 (2012: CHF 72,400) which is shown in the Statement of Comprehensive Income as Exchange Difference on Surplus Account.

(G) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in the process of applying EFTA's accounting policies. The Organisation continuously makes estimates and assumptions concerning the future. These estimates and assumptions are based on historic experience and other factors, including Management's expectations of future events believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the actual results.

(H) Fixed assets

Fixed assets are stated at their acquisition cost less depreciation using the straight-line method over the assets' estimated useful lives. Expenditure on repairs or maintenance (leased buildings, computers, furniture, cars, etc), made to restore or maintain future economic benefits expected from the assets, is recognised as an expense when incurred, while improvements are capitalised in line with other fixed assets.

The fixed assets recognised at 31 December 2013 are cars, various IT and non-IT equipment (furniture and infrastructure installations), the fitting out of office premises in Brussels for the Secretariat and the FMO, and assets (IT equipment, software, furniture and fixtures) for the FMO, which is administratively part of the EFTA Secretariat.

Except for furniture, computers and mobile phones, items costing less than CHF 1,500 / EUR 1,000 are not recorded as assets but are expensed in the year of purchase.

Useful lives are estimated as follows:

Asset type	Depreciation period
Vehicles	5 years
IT equipment	3 years
Furniture, fittings and other equipment	5 years
Fitting-out of FMO offices	6 years

The depreciation period for the fitting-out of the FMO offices is based on the length of the initial lease contracts.

Assets are depreciated from the date of acquisition (see also note 4). For the fitting-out of offices the actual date of relocation to the premises is being used.

The useful lives and residual values of fixed assets are reviewed annually by Management.

(I) Intangible assets

Intangible assets are all assets with a finite life and consist only of computer software. These assets are stated at their acquisition cost, including development cost, less amortisation using the straight-line method over the assets' estimated useful lives.

The useful lives of intangible assets are estimated as three years.

(J) Leased equipment

Leases of equipment under which the Association assumes substantially all risks and rewards incidental to ownership are classified as finance leases. The Association is not a party to any lease agreement in either financial year 2012 or 2013 that can be classified as a finance lease.

Other leases are classified as operating leases which concern office space and office equipment.

(K) Taxation

The Association is exempt from most taxes at the three duty stations (see details in note 24).

(L) Inventories

Inventories such as printed publications and stationary are of negligible value and directly taken as period expense in the period of acquisition and not recorded as current assets.

(M) Receivables

Receivables are initially recognised at their nominal value and reduced by appropriate allowances for irrecoverable amounts.

An allowance for the impairment of receivables is established based on a review of amounts outstanding at the reporting date when there is objective evidence that EFTA will not be able to collect all amounts due according to the original terms of the receivables. No allowance for loss is recognised with respect to receivables related to Member States' assessed contributions.

(N) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise cash on hand, deposits held on call with commercial banks and deposits held with the Swiss Federal Department of Finance.

(O) Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

No loans were obtained in either 2012 or 2013 and there were no loans outstanding during the financial year (2012: nil).

(P) Provisions

Provisions are recognised when the Organisation has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of Management's best estimate of the expenditures required to settle the present obligation at the reporting date of the Statement of Financial Position.

(Q) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(R) Fair value

The fair values of cash, trade receivables, trade payables, loans and borrowing are the same as their carrying amounts at the reporting date of the Statement of Financial Position.

(S) Revenue recognition

Contributions from Member States are recognised on an accrual basis in accordance with the budget. Contributions made in EUR during the year are recognised at the exchange rate of the budget.

In relation to both the rendering of services and the sale of goods, revenue is recognised at the delivery date of the services or goods.

(T) Budgeting mechanism

Within the Budgeting mechanism and the accounting of the Association a clear distinction is made between two categories of expenses, being the following:

- (i) Part I: All expenses related to providing secretariat services
- (ii) Part II: All expenses related to the Cooperation Programmes.

As a result the Budget also provides a split in Member States' contributions in part I and II.

(U) Employee benefits and expenses

In accordance with the Staff Regulations and Rules, a savings fund for each staff member is held with commercial banks and the Swiss Federal Department of Finance in the name of the Association. The purpose of the savings fund is to assist staff members and their families in protecting themselves from the economic consequences of old age. The savings fund is based on defined contributions from the Association and its staff members. The savings fund is not included in the Association's financial statements.

3. Financial risk management

The Organisation's activities expose it to a variety of financial risks: (i) market risk (including currency, price and fair value/cash flow interest rate risks, (ii) credit risk, and (iii) liquidity risk. The Management of EFTA undertakes efforts to reduce these risks to the largest extent possible.

(i) *Market risks*

Currency risk

The financial assets of the Association consist mainly of cash and prepaid expenses. These are held in the functional currency of the reporting entity, this means that assets are held primarily in euros (EUR) and Swiss francs (CHF). Besides the risks relating to the functional currency of the Brussels-based entity, the Organisation is exposed to foreign exchange risks arising from commercial transactions denominated in euro, in Norwegian Kroner (NOK) and Icelandic Krona (ISK). There is no hedging policy in place, due to the natural hedge between revenues and supplies for the Brussels-based entity and the relative size of the commercial transaction denominated in other foreign currencies.

The realised exchange loss in the result for the year amounted to CHF 53 (2012: loss of CHF 79). These amounts are considered immaterial.

As income and expense as well as the net asset value of each duty station are predominantly in the functional currency of that particular duty station, the exposure associated with the translation of the net asset value in the financial statements from year to year is not considered a risk for the operations of EFTA. However, for reporting purposes it could have some impact on the consolidated financial statements. These translation exposures are not hedged.

Price risk

The Organisation does not enter into commodity contracts. Therefore EFTA is exposed to price risks for its office energy use. The Organisation does not hold any investments for sale.

Cash flow and fair value interest rate risk

Except for a deposit provided in conjunction with an office lease, EFTA's bank balances and cash equivalents are the only interest-bearing assets available. These assets are held for current cash and foreseen investment requirements of the Organisation and are therefore dependent on changes in market interest rates. EFTA uses known international banks and the Swiss State's Federal Department of Finance to keep its cash assets (see note 7).

No loans receivable were outstanding at the reporting date of Statement of Financial Position (31 December 2012: nil).

(ii) *Credit risks*

Credit risk on receivables is limited as the Association's debtors are mainly Member States' governments and, with regard to debtors in relation to cost-sharing agreements, usually national or international organisations. Calls for funds from Member States are made quarterly in advance. Cost-sharing arrangements are predominantly prepaid for a quarter or half a year. Hence, the credit risk is limited.

(iii) Liquidity risk

This risk is managed through issuing calls for funds from Member States on a quarterly basis for instalments of the available budget. The principle underlying liquidity risk management is that sufficient liquidity should be held to allow its current and future financial obligations to be met.

4. Fixed assets

The carrying value of property and equipment is calculated as follows:

	Vehicles		IT		Other		Total		Total
Depreciation rate in years	3 years		3 years		3-5 years				
	Geneva CHF	Brussels EUR	Geneva CHF	Brussels EUR	Geneva CHF	Brussels EUR	Geneva CHF	Brussels EUR	Cons. CHF
Cost	77,787	41,704	536,179	754,678	586,290	319,381	1,200,256	1,115,763	2,740,011
Accumulated depreciation	-76,089	-41,704	-504,080	-678,012	-523,389	-278,594	-1,103,558	-998,310	-2,481,225
Balance as of 1 January 2012	1,698	0	32,099	76,666	62,901	40,787	96,698	117,453	258,786
New exchange rate									-18,794
Additions	-	-	19,679	80,107	7,250	58,018	26,929	138,125	195,441
Depreciations	-1,696	-	-25,258	-51,430	-26,766	-21,619	-53,720	-73,049	-142,840
Total changes	-1,696	-	-5,579	28,677	-19,516	36,399	-26,791	65,076	33,807
Cost	77,787	41,704	544,984	823,372	593,540	377,072	1,216,311	1,242,149	2,731,732
Accumulated depreciation	-77,786	-41,704	-518,463	-718,029	-550,155	-299,886	-1,146,404	-1,059,619	-2,439,140
Balance as of 31 December 2012	1	-	26,521	105,343	43,385	77,186	69,907	182,530	292,592
New exchange rate									-1,825
Additions	0	-	32,837	118,969	2,412	35,917	35,249	154,886	222,661
Depreciations	-1	-	-24,239	-65,074	-25,051	-25,543	-49,291	-90,617	-158,939
Disposals	-2,203	-17,204	-371,818	-597,260	-82,963	-96,851	-456,984	-711,315	-1,317,674
Disposals of accumulated depreciation	2,203	17,204	372,132	595,554	82,427	96,554	456,762	709,312	1,315,030
Total changes	-1	-	8,912	52,189	-23,175	10,077	-14,264	62,266	59,253
Cost	75,584	24,500	206,003	345,082	512,989	316,138	794,576	685,720	1,624,297
Accumulated depreciation	-75,584	-24,500	-170,570	-187,550	-492,779	-228,875	-738,934	-440,925	-1,272,453
Balance as of 31 December 2013	-	-	35,433	157,532	20,210	87,263	55,642	244,795	351,844

For the preparation of these financial statements, a thorough inventory was made of the Association's fixed assets. This led to the removal from the asset registry of old assets, no longer in use, and the resulting writing down of acquisition costs of fixed assets by a total of CHF 1,317,674. As almost all of these assets were already fully depreciated, accumulated depreciation of CHF 1,315,030 is also removed from the asset registry leading to a net cost effect of CHF 2,644.

The carrying value of the assets of the FMO is calculated as follows in 2013:

	EUR	CHF
At 1 January	509,472	621,556
New exchange rate		-5,094
Additions	201,437	243,739
Disposals		-
Depreciation/amortisation	-245,716	-297,317
At 31 December	465,193	562,884

* This table includes fixed and intangible assets

The carrying value of the fitting-out of office premises in Brussels is calculated as follows in 2013:

	EUR	CHF
At 1 January	119,773	146,123
New exchange rate	-	1,198
Additions	-	-
Depreciation	- 119,773	- 144,926
At 31 December	-	-

The Association is not part a party to any lease agreement that can be classified as a finance lease and has therefore not recognised any asset in connection with its leases. For operating leases, see note 27(A).

5. Intangible assets

The carrying value of intangible assets, consisting of software, is calculated as follows:

	IT Software		Total
<i>Amortisation rate in years</i>	3 years		
	Geneva	Brussels	Cons.
	CHF	EUR	CHF
Cost	84,906	537,940	827,263
Accumulated depreciation	-81,030	-440,320	-688,672
Balance as of 1 January 2012	3,876	97,620	138,591
New exchange rate			-15,619
Additions	-	132,163	161,239
Amortisation	-2,875	-71,307	-89,871
Total changes	-2,875	60,856	55,749
Cost	84,906	670,103	902,432
Accumulated depreciation	-83,906	-511,628	-708,092
Balance as of 31 December 2012	1,000	158,475	194,340
New exchange rate			-1,585
Additions	-	240,193	290,634
Amortisation	-750	-100,211	-122,005
Disposals	-6,450	-194,205	-241,439
Disposals of accumulated amortisation	6,450	192,907	239,868
Total changes	-750	138,684	165,473
Cost	78,456	716,090	944,925
Accumulated depreciation	-78,206	-418,931	-585,113
Balance as of 31 December 2013	250	297,159	359,812

For the preparation of these financial statements, a thorough inventory was made of the intangible assets. This has led to the removal from the asset registry of software no longer in use and the resulting writing down of acquisition costs of these intangible assets by a total of CHF 241,439. As almost all of these assets were already fully depreciated, accumulated depreciation of CHF 239,868 is also removed from the asset registry leading to a net cost effect of CHF 1,571.

6. Non-current receivables

The non-current receivables consist of deposits paid in relation with the lease of office buildings and apartments.

7. Cash and cash equivalents

Note	31/12/2013			31/12/2012			
	Cons. CHF	Geneva CHF	Brussels EUR	Cons. CHF-2013 exch rate	Geneva CHF	Brussels EUR	Cons. CHF-2012 exch rate
ING (EUR)	4,915,749	-	4,062,603	6,020,384	-	4,975,524	6,070,139
UBS - CHF	704,799	704,799	-	555,936	555,936	-	555,936
PostFinance - CHF	3,439	3,439	-	5,118	5,118	-	5,118
Swiss Federal Department of Finance - CHF	2,146,707	2,146,707	-	2,787,859	2,787,859	-	2,787,859
Other	4,853	2,441	1,993	5,880	3,458	2,002	5,900
Total cash and cash equivalents	7,775,547	2,857,386	4,064,596	9,375,177	3,352,371	4,977,526	9,424,952

The long-term obligations credit ratings as per Moody's¹ are A2 since June 2012 for both UBS AG Switzerland (UBS) and ING Belgium SA (ING). Neither UBS nor ING are on credit watch.

EFTA has the ability to deposit cash on short-term deposits with the Swiss Federal Department of Finance. The credit rating as per Moody's¹ for Switzerland is Aaa with a stable outlook.

8. Receivables and prepayments

Note	31/12/2013			31/12/2012			
	Cons. CHF	Geneva CHF	Brussels EUR	Cons. CHF-2013 exch rate	Geneva CHF	Brussels EUR	Cons. CHF-2012 exch rate
Accounts receivable - normal operations	56,255	747	45,874	192,300	345	158,640	193,886
Advances and loans to staff members	58,176	26,166	26,454	16,232	-	13,415	16,366
Prepaid expenses	625,408	96,973	436,723	541,825	170,519	306,864	544,894
Total receivables	739,839	123,886	509,051	750,357	170,864	478,919	755,146

There were no receivables from Member States as at 31 December 2013 (2012: 0). Included in the prepaid expenses are prepaid expenses in the amount of EUR 265,025 (2012: EUR 155,044) related to the FMO.

9. Cooperation programmes provision

The Association has entered into a number of long-term commitments related to cooperation programmes in Part II of the EFTA Budget, including standardisation and technical cooperation in the field of statistics. These commitments are not reported as liabilities in the statements but expensed in the period of execution of the relevant services.

The period expenses for standardisation commitments for the year 2013 amounted to CHF 1,283,555 / EUR 1,060,789 (2012: CHF 1,254,226 / EUR 1,028,054). The carrying value of EFTA standardisation commitments is estimated at CHF 3,170,859 (EUR 2,620,545) at 31 December 2013 (31 December 2012: CHF 3,137,459 / EUR 2,571,687).

¹ Moody's Investor Service, www.moodys.com, 19 March 2014.

In order to make provisions to cover the commitments under Part II, the Council, on 28 May 1999, established a Part II Fund (ref. 28192). Its purpose is to meet long-term commitments related to cooperation programmes in Part II of the EFTA Budget, including standardisation, as well as to provide a buffer should disbursements accelerate in any one year beyond budgetary planning. During the year 2013, no funds were transferred to or from the Part II Fund. The fund is denominated in euros as all said long-term commitments are denominated in this currency.

	Geneva CHF	Brussels EUR	Total CHF
Balance as of 1 January 2012	-	813,987	1,123,303
New exchange rate			-130,238
Utilization of funds	-	-	-
Net contribution to (+) / reduction (-) of provision	-	-	-
Total changes	-	-	-130,238
Balance as of 31 December 2012	-	813,987	993,065
New exchange rate			-8,140
Utilization of funds	-	-	-
Net contribution to (+) / reduction (-) of provision	-	-	-
Total changes	-	-	-8,140
Balance as of 31 December 2013	-	813,987	984,925

10. Repatriation provisions

The Association has a contractual obligation to all non-locally recruited staff to pay a resettlement allowance and removal expenses at the end of their term of service. Based on the present Staff Regulations and Rules, the cost for each staff member has been estimated and provisions recorded assuming salary levels at the end of contractual employment term per employee. The provision is funded per obligation over a four-year period as of the start of employment of the staff member at the EFTA Secretariat or FMO.

(A) *Provision for the resettlement of non-locally recruited EFTA Secretariat staff*

The resettlement provision for the Association is calculated as follows:

	Geneva CHF	Brussels EUR	Total CHF
Balance as of 1 January 2012	440,728	612,389	1,285,825
New exchange rate			-97,982
Resettlement expenses for the year	-23,693	-129,140	-181,244
Net contribution to (+) / reduction (-) of provision	-63,118	119,998	83,280
Total changes	-86,811	-9,142	-195,946
Balance as of 31 December 2012	353,917	603,247	1,089,879
New exchange rate			-6,032
Resettlement expenses for the year	-16,525	-45,685	-71,804
Net contribution to (+) / reduction (-) of provision	71,783	-8,742	61,205
Total changes	55,258	-54,427	-16,631
Balance as of 31 December 2013	409,175	548,820	1,073,247

(B) Provision for the resettlement of non-locally recruited FMO staff

The resettlement provision for the FMO is calculated as follows:

	Geneva CHF	Brussels EUR	Total CHF
Balance as of 1 January 2012	-	531,026	732,815
New exchange rate			-84,964
Resettlement expenses for the year	-	-108,714	-132,631
Net contribution to (+) / reduction (-) of provision	-	245,413	299,403
Total changes	-	136,699	81,808.49
Balance as of 31 December 2012	-	667,725	814,624
New exchange rate			-6,677
Resettlement expenses for the year	-	-128,684	-155,708
Net contribution to (+) / reduction (-) of provision	-	108,468	131,246
Total changes	-	-20,216	-31,139
Balance as of 31 December 2013	-	647,508	783,485

11. Loans and borrowings

No loans or financial leases were taken in either 2013 or 2012, and there were no loans or financial leases outstanding at the end of the year (2012: CHF 0).

12. Payables and provisions

Note	31/12/2013			31/12/2012			
	Cons. CHF	Geneva CHF	Brussels EUR	Cons. CHF-2013 exch rate	Geneva CHF	Brussels EUR	Cons. CHF-2012 exch rate
Current							
Accounts payable	531,700	52,843	395,749	1,041,050	161,605	726,814	1,048,318
Savings fund obligations	41,696	41,696	-	992	861	109	993
Provisions & accrued expenses	1,002,615	192,052	669,887	851,864	114,372	609,497	857,958
Payables and provisions	1,576,011	286,591	1,065,636	1,893,906	276,838	1,336,420	1,907,269

Included under provisions and accrued expenses are provisions for leave not taken and overtime performed by employees of the EFTA Secretariat and the FMO, a provision for unemployment benefits of the EFTA Secretariat and FMO staff and a provision for the publication and external translation of the EEA Supplement. The latter includes costs associated with the translation and publishing of legal acts adopted by the EEA Joint Committee and documents from the EFTA Surveillance Authority and EFTA Court.

The provision for leave not taken and overtime performed by EFTA staff amounts to CHF 349,398 (2012: CHF 213,727) and the provision for leave not taken and overtime performed by FMO staff amounts to CHF 163,473 (2012: CHF 162,232). The provision for unemployment benefits is based on the number of former staff members receiving unemployment benefits at the reporting date. This provision for the Association amounts to CHF 26,860 at 31 December 2013 (2012: nil). The provision for EEA Supplement translation and publication is based on an estimate of the outstanding pages to be translated and published. As at 31 December 2013 the provision amounted to CHF 270,085 (2012: CHF 235,952).

13. Unearned revenues

The unearned revenues for the year consisted of a prepayment under a cost-sharing arrangement and prepayments of pensioners' medical insurance. In 2012, the unearned revenues consisted of prepayments of a Member State fee and pensioners' medical insurance.

14. Building fund

The status of the building fund is as follows:

Source	ICE EUR	LIE EUR	NOR EUR	SWI EUR	TOTAL EUR	Balance EUR	Balance CHF
Transferred from Surplus Fund	6,393	1,576	67,946	153,235	229,150		
Paid by Member States in 2004	40,600	9,741	-	332,323	382,664	611,814	
Paid by Member States in 2005	-	-	466,007	-	466,007	1,077,821	
Out of the fund 2005	-5,221	-1,257	-59,328	-53,951	-119,758	958,063	
Out of the fund 2006	-5,221	-1,257	-59,328	-53,951	-119,758	838,305	
Out of the fund 2007	-5,221	-1,257	-59,328	-53,951	-119,758	718,547	
Out of the fund 2008	-5,218	-1,257	-59,290	-53,916	-119,681	598,867	
Out of the fund 2009	-5,222	-1,258	-59,336	-53,958	-119,773	479,093	
Out of the fund 2010	-5,222	-1,258	-59,336	-53,958	-119,773	359,320	
Out of the fund 2011	-5,222	-1,258	-59,336	-53,958	-119,773	239,547	
Out of the fund 2012	-5,222	-1,258	-59,336	-53,958	-119,773	119,773	
Out of the fund 2013	-5,222	-1,258	-59,336	-53,958	-119,773	-	-
Total	-	-	-	-	-		

The year 2013, which is the last year of the initial lease agreement for the offices at Rue Joseph II in Brussels, is the final year in which the office renovations are depreciated and accordingly the building fund ceases to exist after the end of the year.

15. Special Funds

In accordance with the Financial Regulation and Rules, the Secretariat reports on the status of the Special Funds as at 31 December of each year. At present, there are four Special Funds in EFTA's accounts:

(A) Special Fund: Statistical Cooperation

Net assets on 31/12/2013: CHF 11,395 / EUR 9,417 (2012: CHF 11,489 / EUR 9,417)	
Legal basis:	Article 82(1) (a) of the EEA Agreement; Budget line B-5600 and Point 5 of Protocol 30 to the EEA Agreement. Exchange of letters between Eurostat and the EFTA Secretariat establishing a mechanism to remove this particular matter from the general EU programmes.
Operational procedures:	This fund was not used in the period 2008-2009. On 15 May 2009 the Working Group of the Heads of the EFTA National Statistical Institutes agreed that the then remaining balance should be used for activities and projects concerning EFTA seconded national experts to Eurostat and that the EFTA Statistical Office would administer the fund.
Establishing date:	1 July 1995
Comments:	The balance belongs to the EEA EFTA Member States.

(B) Special Fund: Palestinian Cooperation

Balance on 31/12/2013:	CHF 23,753 / (2012: CHF 200,000)
Legal basis:	Decision No 5 of 2012 of the EFTA Council notes that the Member States' wish to provide targeted technical assistance to the Palestinian Authority. Any remaining funds at the end of 2013 are to be carried forward to 2014 for use. The funds may be earmarked for specific projects approved by the Member States.
Operational procedures:	The remaining funds will be used for specific projects in 2014.
Establishing date:	6 November 2012
Comments:	The balance belongs to the EFTA Member States.

(C) Special Funds: EEA/Norwegian Financial Mechanisms 2004-2014

The FMO with regard to the EEA Financial Mechanism 2004-2014 can be specified as follows:

Balance on 31/12/2013:	CHF 1,083,884 / EUR 895,772 (2012: CHF 1,337,711 / EUR 1,096,485)
Legal basis:	Decisions of the Standing Committee of the EFTA States no. 1/2004/SC of 5 February 2004 and no. 6/2010/SC of 9 December 2010.
Operational procedures:	The EFTA Secretariat carries out administrative functions for the FMO based on a service agreement. The budget of the FMO is approved by the Financial Mechanism Committee.
Establishing date:	1 May 2004
Comments:	The balance belongs to the EEA EFTA Member States. The above balance is the total of two funds: a) the fund for 2004-2009 and b) the fund for 2009-2014.

The FMO with regard to the Norwegian Financial Mechanism 2004-2014 can be specified as follows:

Balance on 31/12/2013:	CHF 883,057 / EUR 729,799 (2012: CHF 1,105,424 / EUR 906,086)
Legal basis:	Decisions of the Standing Committee of the EFTA States no. 1/2004/SC of 5 February 2004 and no. 6/2010/SC of 9 December 2010.
Operational procedures:	The EFTA Secretariat carries out administrative functions for the FMO based on a service agreement. The budget of the FMO is approved by the Financial Mechanism Committee.
Establishing date:	1 May 2004
Comments:	The balance belongs to Norway. The above balance is the total of two funds: a) the fund for 2004-2009 and b) the fund for 2009-2014.

16. Reserve Funds

In accordance with Regulation 10 of the Financial Regulations and Rules, budgetary surpluses for Part I and Part II not exceeding 5% of the budget for that part shall be transferred to the Reserve Funds for Part I and Part II respectively. Surpluses exceeding 5% shall be transferred to the Surplus Account pending a decision by the Council on their use. Deficits are covered by transfers from the respective Reserve Funds.

As of 2009 the Reserve Funds have been kept in euros as well as in Swiss francs. Due to the weakening of the euro against the Swiss franc, the consolidated balance of the Reserve Funds was reduced in both 2013 and 2012 to keep it at its maximum level of 5% of the budget. The excess funds are transferred along with the 2013 net result to the Member States' surplus accounts (see note 17).

Source	Reserve Fund Part I		Reserve Fund Part II		Total		Consolidated CHF*	
	CHF	EUR	CHF	EUR	CHF	EUR	Total consolidated	Balance consolidated
Surplus 2004	710,331	-	137,681	-	848,012	-	848,012	848,012
Out of fund 2005	-129,137	-	-	-	-129,137	-	-129,137	718,875
Surplus 2005	184,270	-	22,467	-	206,737	-	206,737	925,612
Out of fund 2006	-19,712	-	-	-	-19,712	-	-19,712	905,900
Surplus 2006	166	-	4,166	-	4,332	-	4,332	910,232
Out of fund 2007	-459,000	-	-70,000	-	-529,000	-	-529,000	381,232
Surplus 2007	742,412	-	4,193	-	746,605	-	746,605	1,127,837
Surplus 2008	-	-	75,493	-	75,493	-	75,493	1,203,330
Out of fund 2008	-339,299	-	-	-	-339,299	-	-339,299	864,031
Surplus 2009	-36,205	270,550	-13,548	3,836	-49,753	274,386	357,819	1,221,850
2010 exch. rate	-	-	-	-	-	-	6,530	1,228,380
Surplus 2010	-	14,319	-	337	-	14,657	22,120	1,250,500
2011 exch. rate	-	-	-	-	-	-	-37,344	1,213,156
Surplus 2011	-19,890	-	-30,731	14,616	-50,620	14,616	-30,450	1,182,705
Total Reserve fund as per 1 January 2012	633,936	284,869	129,721	18,789	763,658	303,658	1,182,705	1,182,705
2012 exch. rate	-	-	-	-	-	-	-48,585	1,134,120
Surplus 2012	-46,166	21,902	-6,608	-3,882	-52,774	18,020	-30,789	1,103,331
Total Reserve fund as per 31 December 2012	587,771	306,771	123,113	14,907	710,884	321,678	1,103,331	1,103,331
2013 exch. rate	-	-	-	-	-	-	-3,217	1,100,114
Surplus 2013	-2,722	5,957	5,488	3,976	2,766	9,933	14,786	1,114,900
Total Reserve fund as per 31 December 2013	585,049	312,728	128,601	18,883	713,650	331,611	1,114,900	1,114,900
Total in CHF (max 5% of budget)		963,450		151,450		1,114,900		
Budget 2013 in CHF		19,269,000		3,029,000		22,298,000		

* Consolidated total and consolidated balance are shown against the relevant year's exchange rate

17. Surplus account

Transactions in current year

The respective surplus balances resulting from 2011 were paid back or deducted from calls for funds according to the Member States' wishes during 2013, and have now been paid back in full. In December 2013, the Council decided that the 2012 surplus would be returned to the Member States.

Due to the change in exchange rates between CHF and EUR, and the fact that part of the Surplus Account is in EUR, an exchange rate adjustment is calculated on the consolidated balance.

The 2013 surplus is divided in two distinct parts, on one side the EFTA at four surplus which is further split into Part I and Part II surplus, and on the other side the deficit related to the EFTA at three budget concerning the external costs and related overheads associated with the publication of the EEA Supplement.

The Council determines the distribution keys for the allocation to the surplus account. For the period 2009-2013, the keys are as follows:

	Iceland %	Liechtenstein %	Norway %	Switzerland %	Total %
2009: All	4.710	0.920	54.180	40.190	100.000
2009: EEA	4.840	1.020	94.140	-	100.000
2010: All	4.840	0.870	55.740	38.550	100.000
2010: EEA	3.170	1.080	95.750	-	100.000
2011: All	4.350	0.860	56.580	38.210	100.000
2011: EEA	3.050	1.220	95.730	-	100.000
2012: All	3.840	0.880	56.070	39.210	100.000
2012: EEA	2.919	1.195	95.886	-	100.000
2013: All	3.065	0.927	55.318	40.690	100.000
2013: EEA	2.773	1.160	96.068		100.000

Transactions in previous year

In the period between 2004 and 2011, the net result related to the part of the EFTA at three Budget which related to the external costs and related overheads of the publication of the EEA Supplement was not distinguished from the net result of EFTA in general. In 2012, Member States agreed to correct this through a reallocation of previous surplus.

In November 2012, the Council decided to establish a financial facility for technical assistance to the Palestinian Authority, in the amount of CHF 200,000, by carrying said amount from Part II of the 2012 budget over to the 2013 budget (see also note 15). This amount is shown as advance payment of the 2013 budget under current liabilities as at 31 December 2012 in the Statement of Financial Position and was deducted from the surplus of 2012.

In December 2012, the Council decided to correct certain past contributions of Member States, relating to the Brussels Building fund. The correction is shown in the movement table below. The 2012 surplus, so corrected, was paid back to Member States in connection with the first call for funds for 2014.

Member States' balances

The status of the Member States' surplus accounts is shown in the table on the next page.

Movement schedule Surplus Fund

Source	Note	Iceland		Liechtenstein		Norway		Switzerland		Total		Consolidated*		Cummulative Consolidated*	Repayment**
		CHF	EUR	CHF	EUR	CHF	EUR	CHF	EUR	CHF	EUR	CHF	EUR	CHF	
Surplus Part I 2009, restated		-4,975	4,405	-	-	-	-	-42,455	37,583	-47,430	41,988	3,795	3,795	3,795	(a)
Surplus Part II 2009, restated		18,490	9,524	-	-	-	-	157,776	81,266	176,266	90,790	287,029	290,825	290,825	(a)
ILO costs reallocation		-	448	-	-	-	-	-	14,528	-	14,976	18,271	309,095	309,095	(a)
Surplus Part I 2010		35,811	3,029	6,437	544	412,422	34,883	285,233	24,125	739,903	62,581	816,252	1,125,347	1,125,347	(b)
Surplus Part II 2010		25,675	629	4,615	113	295,681	7,248	204,494	5,013	530,465	13,003	546,328	1,671,676	1,671,676	(b)
Surplus Part I 2011*		37,313	-2,111	7,377	-417	485,328	-27,462	327,755	-18,546	857,773	-48,536	798,559	2,470,235	2,470,235	(c)
Surplus Part II 2011		18,982	12,080	3,753	2,388	246,892	157,123	166,733	106,109	436,360	277,700	775,154	3,245,389	3,245,389	(c)
EFTA at three reallocation			-364		-1,215	253,592	89,143	-253,592	-87,564	-	-	-	3,245,389	3,245,389	(c)
Surplus fund as per 1 January 2012		131,296	27,640	22,182	1,413	1,693,915	260,935	845,944	162,514	2,693,337	452,502	3,245,388	3,245,388		
Returned to Member States 2012-1		-13,515	-14,376	-	-	-	-	-115,321	-133,377	-128,836	-147,753	-309,095	2,936,293	2,936,293	Repayment (a)
Returned to Member States 2012-2		-61,486	-3,659	-11,052	-658	-708,103	-42,131	-489,727	-29,138	-1,270,368	-75,586	-1,362,581	1,573,712	1,573,712	Repayment (b)
Returned to Member States 2012		-75,001	-18,035	-11,052	-658	-708,103	-42,131	-605,048	-162,515	-1,399,204	-223,339	-1,671,676			
Surplus Part I, 2012, EFTA at four		23,942	15,646	5,487	3,525	349,590	222,370	244,470	163,171	623,489	404,712	1,117,238	2,690,950	2,690,950	
Surplus Part I, 2012, EFTA at three			334		137		10,963			-	11,434	13,949	2,704,899	2,704,899	
Surplus Part II 2012		13,839	-2,832	3,171	-649	202,066	-41,357	141,305	-28,921	360,381	-73,759	270,395	2,975,294	2,975,294	
Building fund correction surplus 2012			-2,437		-375		15,987		-13,175	-	-	-	2,975,294	2,975,294	
Carryover for Part II in 2013		-7,680		-1,760		-112,140		-78,420		-200,000	-	-200,000	2,775,294	2,775,294	
Results distribution and other allocations 2012		30,101	10,711	6,898	2,638	439,516	207,963	307,355	121,075	783,870	342,387	1,201,582			
Surplus fund as per 31 December 2012		86,396	20,316	18,028	3,393	1,425,328	426,767	548,251	121,074	2,078,003	571,550	2,775,294	2,775,294		
2012 Exchange Rate												-5,716	2,769,578	2,769,578	
Returned to Member States 2013		-56,295	-9,605	-11,130	-756	-985,812	-218,804	-240,896	-	-1,294,133	-229,165	-1,571,422	1,198,156	1,198,156	Repayment (c)
Total available for distribution in 2014***		30,101	10,711	6,898	2,637	439,516	207,963	307,355	121,074	783,870	342,385	1,198,156	1,198,156		
Surplus Part I, 2013, EFTA at four		15,492	6,293	4,686	2,230	279,603	160,468	205,667	46,054	505,448	215,045	765,654	1,963,810	1,963,810	
Surplus Part I, 2013, EFTA at three			-2,824		-1,181		-97,857			-	-101,862	-123,254	1,840,556	1,840,556	
Surplus Part II 2013		10,428	2,316	3,154	700	188,204	41,792	138,436	30,741	340,222	75,549	431,636	2,272,192	2,272,192	
Results distribution 2013		25,920	5,785	7,840	1,749	467,807	104,403	344,103	76,795	845,670	188,732	1,074,036			
Surplus fund as per 31 December 2013		56,021	16,496	14,738	4,386	907,323	312,366	651,458	197,869	1,629,540	531,117	2,272,192	2,272,192		

* Consolidated total and consolidated balance are shown at then current year's exchange rate

** The letters listed in the column repayments are related to the respective repayments of prior years' surplus amounts

*** Council decided in December 2013 that these amounts will be returned to Member States

Note: negative EUR amounts in the surplus allocation are due to a deficit on the EUR entity

18. Member States' Contributions*(A) Current year*

The Member States' contributions can be specified as follows:

	Note	2013			2012		
		Cons. CHF	Geneva CHF	Brussels EUR	Cons. CHF	Geneva CHF	Brussels EUR
Part I		19,124,074	7,724,000	9,421,549	19,096,203	7,909,646	9,169,309
Part II		2,829,000	500,000	1,924,793	2,826,000	500,000	1,906,557
Total Member States contributions current year		21,953,074	8,224,000	11,346,342	21,922,203	8,409,646	11,075,866

(B) Carry-forward from 2012

Member States' contributions from earlier years in the amount of CHF 176,247 (2012: nil) consist solely of the use of the advance payment for the 2013 budget regarding projects in relation to the technical assistance provided to the Palestinian Authority.

(C) Building fund

The income from the building fund in the amount of CHF 144,926 / EUR 119,773 (2012: CHF 146,123 / EUR 119,723) relates to the use of the remaining funds available to finance the fitting-out of the office in Brussels.

19. Other income

Other income mainly consists of cost-sharing arrangements with international organisations for administrative support and other office-related services.

20. Employee benefits and expenses

The employee benefits and expenses can be further specified as follows:

	Note	2013 CHF	2012 CHF
Salary, annual leave and savings fund expenses		11,316,243	10,910,799
Staff allowance expenses		2,262,672	2,341,448
Staff insurance and unemployment benefit expenses		560,204	576,452
Other staff related expenses		343,103	340,194
Total employee benefits and expenses		14,482,222	14,168,893

Savings fund expenses represent amounts made available to the saving funds of individual staff members held in the name of the Association with Commercial Banks and the Swiss Federal Department of Finance. The purpose of these contributions is to assist staff members in protecting themselves from the economic consequences of old age. The contributions provided by the Association are based on a defined contributions scheme. In 2013, the Association contributed CHF 1,753,594 (2012: CHF 1,670,899) to the savings funds of the individual staff members. Further reference is made to note 28.

As at 31 December 2013 the Association had 132 employees (2012: 125) on payroll headcount. Of these, 79 (2012: 75) related to the EFTA Secretariat and 53 (2012: 50) to the FMO. In addition, two Seconded National Experts based in the Luxemburg office received allowances.

21. Other operating expenses

Other operating expenses include housing costs, travel and representation expenses, IT and communication costs, consultancy expenses, publication and translation expenses and project-related expenses which, among other costs, consist mainly of consultancy and travel expenses.

22. Interest income

Interest income derives from deposits of the contributions from the Member States at commercial banks and the Swiss Federal Department of Finance (for further reference see note 7). Contributions to the FMO are placed in separate bank accounts. Regular transfers are made from these bank accounts to meet the payments made in relation to the FMO. Interest on the FMO bank accounts is credited as income for the FMO.

23. Financial expenses

Financial expenses are mainly related to bank fees and charges in the amount of CHF 18,959 (2012: CHF 21,856).

24. Taxation

Headquarters Agreements in Switzerland, Belgium and Luxembourg grant tax exemptions for normal activities with the following exceptions:

Historically two types of taxes have been paid in Brussels in relation to rented real estate, namely a federal tax (*précompte immobilier*) and a regional tax. A third real estate tax was added in 2011, as the municipality in which the Association's offices are located, Ville de Bruxelles, decided to levy a communal tax on office space. Details can be found in the table below:

	note	2013			2012		
		Cons. CHF	Geneva CHF	Brussels EUR	Cons. CHF	Geneva CHF	Brussels EUR
Real Estate Tax		80,192	-	66,274	78,623	-	64,445
Regional Tax		24,000	-	19,835	23,370	-	19,156
Communal Tax		25,141	-	20,778	27,911	-	22,878
Total		129,333	-	106,887	129,904	-	106,479

Value added tax (VAT) is paid on invoices of less than EUR 120 in Belgium and Luxembourg and CHF 100 in Switzerland. In Belgium VAT is also paid on some items carrying a 6% tax.

25. Segment information – Statement of Financial Performance

Segment information is based in the EFTA's main activities and sources of financing. These service segments conform to the Performance Plan of the Association for the years 2013 and 2012. The Part I segment is related to providing secretariat services in accordance with the main missions of the Organisation and the Part II segment is related to cooperation programmes that EFTA provides or participates in. With exception of the EEA Supplement and the costs related

with secretarial services performed for the ESA/Court Committee, for which only EFTA at three is responsible, all activities are financed by all Member States. Furthermore, tasks are divided between the duty stations. Geneva performs headquarter activities and free trade negotiations, Brussels is responsible for standardisation and EEA relations, and Luxemburg manages statistical activities.

Owing to the nature of the Organisation's activities, its assets and liabilities are used jointly by the segments and may therefore not be disclosed separately.

The following table provides a split between the Part I and II activities on one hand and the activities performed for other organisations for which recoveries are received. This is mainly recoveries for cost-sharing arrangement for services with other international organisations.

	Part I						Part II					
	Actuals 2013			Actuals 2012			Actuals 2013			Actuals 2012		
<i>amounts in CHF</i>	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total
<i>Member States':</i>												
Contributions - current year	11,400,074	7,724,000	19,124,074	11,186,557	7,909,646	19,096,203	2,329,000	500,000	2,829,000	2,326,000	500,000	2,826,000
Contributions earlier years	-	-	-	-	-	-	-	176,247	176,247	-	-	-
Building Fund	144,926	-	144,926	146,123	-	146,123	-	-	-	-	-	-
Total Member States' contributions	11,545,000	7,724,000	19,269,000	11,332,680	7,909,646	19,242,326	2,329,000	676,247	3,005,247	2,326,000	500,000	2,826,000
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Total income	11,545,000	7,724,000	19,269,000	11,332,680	7,909,646	19,242,326	2,329,000	676,247	3,005,247	2,326,000	500,000	2,826,000
Wages & staff savings fund costs	6,634,618	4,096,994	10,731,612	6,137,116	4,212,955	10,350,071	223,603	-	223,603	201,249	-	201,249
Staff allowances costs	1,149,188	1,019,911	2,169,099	1,401,183	851,513	2,252,696	-	-	-	-	-	-
Staff Insurances and unemployment benefits	337,023	223,181	560,204	335,755	240,698	576,452	-	-	-	-	-	-
Other Staff Costs	267,090	76,013	343,103	289,785	50,409	340,194	-	-	-	-	-	-
Total employee benefits and expenses	8,387,919	5,416,099	13,804,018	8,163,839	5,355,575	13,519,413	223,603	-	223,603	201,249	-	201,249
Operating expenses	2,657,712	1,773,001	4,430,713	2,343,362	1,932,253	4,275,616	-	-	-	-	-	-
Depreciation and amortisation	376,578	49,292	425,870	325,114	53,720	378,834	-	-	-	-	-	-
Co-operation programmes expenses	-	-	-	-	-	-	2,009,172	330,537	2,339,709	2,219,474	146,227	2,365,700
Total other operating expenses	3,034,290	1,822,293	4,856,583	2,668,476	1,985,973	4,654,450	2,009,172	330,537	2,339,709	2,219,474	146,227	2,365,700
Total expenditure	11,422,209	7,238,392	18,660,601	10,832,315	7,341,548	18,173,863	2,232,775	330,537	2,563,312	2,420,723	146,227	2,566,949
Net result before financial items	122,791	485,608	608,399	500,365	568,098	1,068,463	96,225	345,710	441,935	-	94,723	259,051
Financial items, net	21,370	17,118	38,488	34,053	9,225	43,278	-	-	-	-	-	-
Net result	144,161	502,726	646,887	534,418	577,323	1,111,741	96,225	345,710	441,935	-	94,723	259,051

	Recoveries						TOTAL EFTA					
	Actuals 2013			Actuals 2012			Actuals 2013			Actuals 2012		
<i>amounts in CHF</i>	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total
<i>Member States':</i>												
Contributions - current year	-	-	-	-	-	-	13,729,074	8,224,000	21,953,074	13,512,557	8,409,646	21,922,203
Contributions earlier years	-	-	-	-	-	-	-	176,247	176,247	-	-	-
Building Fund	-	-	-	-	-	-	144,926	-	144,926	146,123	-	146,123
Total Member States' contributions	-	-	-	-	-	-	13,874,000	8,400,247	22,274,247	13,658,680	8,409,646	22,068,326
Other income	594,333	9,163	603,496	584,447	6,755	591,202	594,333	9,163	603,496	584,447	6,755	591,202
Total income	594,333	9,163	603,496	584,447	6,755	591,202	14,468,333	8,409,410	22,877,743	14,243,127	8,416,401	22,659,528
Wages & staff savings fund costs	361,027	-	361,027	359,479	-	359,479	7,219,249	4,096,994	11,316,243	6,697,844	4,212,955	10,910,799
Staff allowances costs	93,573	-	93,573	88,752	-	88,752	1,242,761	1,019,911	2,262,672	1,489,934	851,513	2,341,447
Staff Insurances and unemployment benefits	-	-	-	-	-	-	337,023	223,181	560,204	335,755	240,698	576,453
Other Staff Costs	-	-	-	-	-	-	267,090	76,013	343,103	289,785	50,409	340,194
Total employee benefits and expenses	454,600	-	454,600	448,231	-	448,231	9,066,123	5,416,099	14,482,222	8,813,318	5,355,575	14,168,893
Operating expenses	139,733	9,163	148,896	136,216	6,755	142,971	2,797,444	1,782,164	4,579,608	2,479,579	1,939,008	4,418,587
Depreciation and amortisation	-	-	-	-	-	-	376,578	49,292	425,870	325,114	53,720	378,834
Co-operation programmes expenses	-	-	-	-	-	-	2,009,172	330,537	2,339,709	2,219,474	146,227	2,365,701
Total other operating expenses	139,733	9,163	148,896	136,216	6,755	142,971	5,183,194	2,161,993	7,345,187	5,024,167	2,138,955	7,163,122
Total expenditure	594,333	9,163	603,496	584,447	6,755	591,202	14,249,317	7,578,092	21,827,409	13,837,485	7,494,530	21,332,015
Net result before financial items	-	-	-	-	-	-	219,016	831,318	1,050,334	405,642	921,871	1,327,513
Financial items, net	-	-	-	-	-	-	21,370	17,118	38,488	34,053	9,225	43,278
Net result	-	-	-	-	-	-	240,386	848,436	1,088,822	439,695	931,096	1,370,791

26. Budget Statements

The overview of the actual expenditure and budget is as follows:

Amounts in CHF	Budget 2013	Actual 2013	%	Remainder
Part I	19,269,000	18,660,601	97%	608,399
Part II	3,029,000	2,563,312	85%	465,688
Total expenses as budgeted	22,298,000	21,223,913	95%	1,074,087
Add reimbursed expenses	589,558	603,496	102%	-13,938
TOTAL EXPENSES	22,887,558	21,827,409	95%	1,060,149
Part I				
Contributions	19,124,074	19,124,074	100%	-
From Building Fund	144,926	144,926	100%	-
Part II				
Contributions	2,829,000	2,829,000	100%	-
Carry over from 2012	200,000	176,247	88%	23,753
Total income as budgeted	22,298,000	22,274,247	100%	23,753
Add reimbursements	589,558	603,496	102%	-13,938
TOTAL INCOME	22,887,558	22,877,743	100%	9,815
Net result before financial items	-	1,050,334		
Financial items, net	-	38,488		
RESULT 2013	-	1,088,822		
Transferred to Reserve Funds		-14,786		
Net surplus to Member States		1,074,036		
BREAKDOWN PART I/II				
Part I, net expenditure	19,269,000	18,622,113	97%	646,887
Contributions	19,269,000	19,269,000	100%	-
Net Part I	-	646,887		
Part II, net expenditure	3,029,000	2,563,312	85%	465,688
Contributions	2,829,000	2,829,000	100%	-
Carry over from 2012	200,000	176,247		
Net Part II	-	441,935		
TOTAL 2013	-	1,088,822		
PERFORMANCE & BUDGET REPORT (rounded to nearest CHF 1000)				
Total expenses	22,888,000	21,827,000		
Deduct reimbursed expenses	-590,000	-603,000		
Financial items, net	-	-38,000		
TOTAL PERFORMANCE & BUDGET REPORT	22,298,000	21,186,000		

The Organisation has historically had a results-based planning, budgeting and management framework to support its missions and main activities (see note 1). Resources are deployed to achieve the outcome as envisioned in the yearly Performance Plan, and performance is evaluated twice a year with the EFTA Council through the Performance and Budget Report (PBR). The Mid-Year Review is based on progress reporting and the review after the year-end is based on the full year's results.

The financials of each duty station are recorded in a way to mirror the activities of the Organisation. Senior Management and divisional heads receive performance reports on a monthly basis with the aim of sharpening accountability at all levels of the Organisation.

Besides the split in Part I and Part II (reference is made to note 2(T)), the budget is further split into divisional and project budgets along the operational lines of the Performance Plan.

With regard to budget analysis, further reference is made to part III of the note by the Secretariat to the Statement of Accounts.

The Member States contributions can be specified as follows:

Member State	Share %	Contributions (in CHF)
Iceland	3.08%	686,018
Liechtenstein	0.93%	207,457
Norway	55.81%	12,445,297
Switzerland	40.18%	8,959,228
Total	100.00%	22,298,000

This table includes the 2012 carry-over of CHF 200,000 for Part II.

The performance split in duty station for Part I and II expenditure and revenues is as stated on the next page.

<i>amounts in CHF</i>	Part I						Part II					
	Actuals 2013			Budget			Actuals 2013			Budget		
	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total
<i>Member States':</i>												
Contributions - current year	11,400,074	7,724,000	19,124,074	11,400,074	7,724,000	19,124,074	2,329,000	500,000	2,829,000	2,329,000	500,000	2,829,000
Contributions earlier years	-	-	-	-	-	-	-	176,247	176,247	-	200,000	200,000
Building Fund	144,926	-	144,926	144,926	-	144,926	-	-	-	-	-	-
Member States' contributions	11,545,000	7,724,000	19,269,000	11,545,000	7,724,000	19,269,000	2,329,000	676,247	3,005,247	2,329,000	700,000	3,029,000
Other income	594,333	9,163	603,496	580,666	8,892	589,558	-	-	-	-	-	-
Total income	12,139,333	7,733,163	19,872,496	12,125,666	7,732,892	19,858,558	2,329,000	676,247	3,005,247	2,329,000	700,000	3,029,000
Expenses as budgeted	11,422,208	7,238,393	18,660,601	11,545,000	7,724,000	19,269,000	2,232,775	330,537	2,563,312	2,329,000	700,000	3,029,000
Cost-sharing expenses	594,333	9,163	603,496	580,666	8,892	589,558	-	-	-	-	-	-
Total expenses	12,016,541	7,247,556	19,264,097	12,125,666	7,732,892	19,858,558	2,232,775	330,537	2,563,312	2,329,000	700,000	3,029,000
Net result before financial items	122,792	485,607	608,399	-	-	-	96,225	345,710	441,935	-	-	-

<i>amounts in CHF</i>	Total EFTA								
	Actuals 2013			Budget			Difference		
	Brussels	Geneva	Total	Brussels	Geneva	Total	Brussels	Geneva	Total
<i>Member States':</i>									
Contributions - current year	13,729,074	8,224,000	21,953,074	13,729,074	8,224,000	21,953,074	-	-	-
Contributions earlier years	-	176,247	176,247	-	200,000	200,000	-	-	23,753
Building Fund	144,926	-	144,926	144,926	-	144,926	-	-	-
Member States' contributions	13,874,000	8,400,247	22,274,247	13,874,000	8,424,000	22,298,000	-	-	23,753
Other income	594,333	9,163	603,496	580,666	8,892	589,558	13,667	271	13,938
Total income	14,468,333	8,409,410	22,877,743	14,454,666	8,432,892	22,887,558	13,667	-	23,482
Expenses as budgeted	13,654,984	7,568,930	21,223,914	13,874,000	8,424,000	22,298,000	-	219,016	-
Cost-sharing expenses	594,333	9,163	603,496	580,666	8,892	589,558	13,667	271	13,938
Total expenses	14,249,317	7,578,093	21,827,410	14,454,666	8,432,892	22,887,558	-	205,349	-
Net result before financial items	219,016	831,317	1,050,333	-	-	-	219,016	831,317	1,050,333

Note: (1) For the percentage split in contribution from Member States, reference is made to the previous table and the note 1a)17.

Note (2): Expenses as budgeted are expenses excluding those expected to be recovered.

27. Commitments*(A) Operating leases*

The Association leases its office space in Geneva, Brussels and Luxembourg, as well as some office equipment.

In 2011, the lease for the offices in Brussels was renewed. The second lease term, which started on 1 December 2013, runs for six years and will be prolonged for another three years if neither party terminates the lease six months before the end of the six-year period. Both the former lease and the new lease contain a “diplomatic clause” allowing for earlier termination under certain conditions.

The lease in Geneva is automatically renewed every five years if not terminated one year before the end of the relevant five-year period. The current period ends on 30 June 2015. The lease contains a “diplomatic clause” allowing for earlier termination under certain conditions.

The lease in Luxembourg is automatically renewed every three years if not terminated six months before the end of the relevant three-year period. The current period ends on 5 May 2014.

The total amount of the Association’s future minimum lease payments (not taking into account any “diplomatic clauses”) is as follows:

	2013	2012
Not later than one year	1,075,743	1,078,875
Later than one year and not later than five years	3,244,204	3,378,772
Later than five years	648,419	1,467,280
Total	4,968,366	5,924,927

The Association is not a party to any finance leases (see note 4).

(B) Other unrecognised contractual commitments

Various commitments have been made in respect of cooperation programmes (Part II); reference is made to note 9.

(C) Contingent liabilities

The Association is not aware of any claims or possible claims against it except for those recorded in the Statement of Financial Position, those mentioned in this note and the following: A staff member, dismissed in 2009, has brought a claim before the Administrative Tribunal of the International Labour Organization, claiming monetary loss and moral damages for the temporary withholding of a step increase. The Association does not believe that the claim has merit, but even in the worst case scenario, the associated costs would not be material.

28. Savings fund

In accordance with the Staff Regulations and Rules, a savings fund for staff is held in the name of the Association. The purpose of the savings fund is to assist staff members and their families in protecting themselves from the economic consequences of old age. The savings fund is based

on defined contributions from the Association and its staff members. The savings fund is not included in the Association's financial statements. In 2013, the Association contributed CHF 1,753,594 (2012: CHF 1,670,899) to the savings fund. The FMO contributed CHF 1,243,300 (2012: CHF 1,144,459) to the savings fund.

Savings fund contributions can be kept in three currencies (CHF, EUR and NOK). Contributions are placed with the Swiss Federal Department of Finance, Nordea SA Luxembourg (Zurich branch), DNB Luxembourg SA (new option as of May 2012) or Banca Monte Paschi Belgio SA (BMPB). In February 2013, following negative news and a credit rating downgrade, it was decided that new accounts would not be opened with BMPB and staff who already held savings with the bank were advised to consider the situation carefully.

At 31 December 2013 the balance of the savings fund (including for FMO staff) was as follows (the CHF consolidated figure is at market rate):

Balance	CHF	EUR	NOK	CHF Cons.
BMP (deposits)	-	581,164	-	713,435
Swiss Federal Department of Finance (deposits)	3,566,220	-	-	3,566,220
DNB (deposits)	251,388	1,801,008	5,556,930	3,278,170
Nordea, deposits (CHF, EUR, NOK)	-	67,737	863,086	209,873
Nordea, bonds	-	-	-	840,569
Nordea, equities	-	-	-	444,641
Total				9,052,908
Total deposits				7,767,698

The long-term obligations credit ratings according to the rating agency Moody's² for the parent companies (the local entities are not rated) of different banks are: B2 for Banca Monte dei Paschi di Siena SpA³, A1 for DNB Bank ASA⁴, and Aa3 for Nordea Bank AB⁵. The Moody's rating for Switzerland is Aaa. The Association does not consider itself liable for the assets of the savings fund, whether deposits or securities.

29. Related party transactions

(A) *Related parties / control*

EFTA is under the direct control of the member countries. It has no ownership interest in associations or joint ventures.

(B) *Remuneration key management personnel and governing bodies*

The Organisation is governed by the EFTA Council, which is composed of representatives of all the member countries. The Council is presided over by a rotating Council Chair as agreed by the Council. Council members receive no remuneration from EFTA for their roles.

The EFTA Secretariat is directed by the Secretary-General, who is assisted by Deputy and Assistant Secretaries-General. These posts are considered key management and are shared between the Member States and were fulfilled as follows:

² Moody's Investor Service, www.moody's.com, 19 March 2014.

³ Banca Monte dei Paschi di Siena SpA holds of 99.99% of the shares of Banca Monte Paschi Belgio SA.

⁴ DNB Bank ASA holds 100.0% of the shares of DNB Luxembourg SA.

⁵ Nordea Bank AB holds 99.99% of the shares of Nordea SA Luxembourg.

	2013	2012
Secretary-General	K. F. Árnason	K. Bryn (until August) K. F. Árnason
Deputy Secretary-General	I. Kaufmann H. Skaare	B. Ellertsdóttir (until August) I. Kaufmann
Assistant Secretary-General	G. Baur	G. Baur (from December)

Key management personnel and their aggregate remuneration were as follows:

	2013		2012	
	Number of individuals	Aggregate remuneration	Number of individuals	Aggregate remuneration
Secretary-General, Deputies and Assistant	4 positions	CHF 1,675,197	4 positions/ 5 individuals	CHF 1,352,498

The aggregate remuneration includes salary, savings fund and insurance contributions, and the use of a car, and allowances (representation, rent, dependency benefits, education, installation, relocation and resettlement) according the EFTA's Staff Regulations and Rules. There was no other remuneration or compensation to key management personnel or their close family members.

Note: due to changes in key personnel during 2012, one post was vacated for a significant time and one post was established in December 2012, resulting in a significantly lower aggregate remuneration in 2012 compared to 2013.

No loans receivable are outstanding concerning these key management employees.

30. Subsequent events

No significant events took place after 31 December 2013.

31 March 2014,



Kristinn F. Árnason
Secretary-General



EUROPEAN FREE TRADE ASSOCIATION

CHAIR OF THE EFTA COUNCIL

Ref. 14-131180

8 December 2014

Dear Mr Hansen,

I refer to your letter dated 30 June 2014 on the audit of the 2013 accounts of the EFTA Secretariat. The Council welcomes your letter and in particular takes due note of the matter raised therein concerning the question of the Association's liability for the Savings Fund.

This issue is currently being discussed by the Budget Committee, and the Council will revert to you when these discussions have been concluded.

Yours sincerely,

Chair of the EFTA Council
Remigi Winzap

Mr Hans Conrad Hansen
Chairman
EFTA Board of Auditors
P.O. Box 8130-Dep.
N-0032 OSLO

Cc: Mr Kristinn F. Árnason, Secretary-General