EUROPEAN FREE TRADE ASSOCIATION

Ref. 15-8038

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EFTA Secretariat – Financial reports 2014

This document includes the following:

Confidential Ref. 15-7616

Distribution: EFTA 8 December 2015

TENTH MEETING OF THE COUNCIL

Geneva, 7 December 2015

SUMMARY RECORD

Statement of account for 2014

The Council noted the letter from the Chair of the Budget Committee recommending the approval by the Council of the accounts for 2014, ref. 15-7347. The Council approved the statement of account for 2014, ref. 15-573, 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: 15-3722
EBOA ref: 10/2015
2 June 2015

Audit of the 2014 Accounts

At their last meeting in Brussels on 1 and 2 June 2015, the Members of the EFTA Board of Auditors (EBOA) reviewed the accounts of the **Secretariat** covering the period 1 January to 31 December 2014.

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 2014 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 in Baker Tilly's management letter and the matter raised below. The Board has taken such comments into consideration.

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

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

EBOA's current external audit company Baker Tilly, as well as the previous external audit company BDO, have pointed out in their audit reports that there is an element of

H.E. Peter Matt
Chair of the Council
Permanent Mission of the Principality of Liechtenstein to EFTA
35-37, avenue Giuseppe-Motta
P.O. Box 158
CH-1211 Geneva 20

CC: Kristinn Árnason, Secretary General, EFTA Secretariat uncertainty concerning the clarification of the Savings Fund as a defined benefit plan or a defined contribution plan (see under "Emphasis of matter" in Baker Tilly's audit report).

EBOA notes the reply from the Chair of the Council, dated 28 May 2015, where the Council states its opinion that the EFTA Savings Fund is a defined contribution plan. EBOA is still of the opinion that an independent outside advice from an employee benefit consultant on the qualification of the Savings Fund is necessary.

Without such an independent outside advice on the qualification of the Savings Fund as contribution or benefit plan the Financial Statement may not comply with IPSAS 25 (employee benefits) and may influence EBOA's future audit reports.

Respectfully yours,

Hans Conrad Hansen

Hans Conrad Hansen
Chairman of the EFTA Board of Auditors

EUROPEAN FREE TRADE ASSOCIATION

2 June 2015

EFTA ref. 15-3590
EBOA 7/2015

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 2014

1. The Board of Auditors has examined the accounts of the EFTA Secretariat 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 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 2014

EUROPEAN FREE TRADE ASSOCIATION

Distribution: EFTA | Ref. 15-573

27 March 2015

Statement of Account

Financial Year 2014

Note by the EFTA 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 (EBOA) is entrusted with the audit of the accounts. EBOA engaged the international auditing firm Baker Tilly as external auditor to perform the audit of the accounts for the financial year ending 31 December 2014.

2. Once EBOA has received the audit report from Baker Tilly, it 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 agreements (FTAs) between EFTA States and non-European Union (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 EU.

4. The servicing of the Council and its committee structure is carried out with the support of the EFTA Secretariat in Geneva. In 2014, the Council met eight times at official level (Heads of Permanent Delegations to EFTA in Geneva) and twice at Ministerial level. Iceland held the chair during the first six months and Switzerland for the second six months of the year.

5. In the area of free trade relations, comprehensive support is provided by the EFTA Secretariat in Geneva to Member States in the preparation and negotiation of FTAs and joint declarations on cooperation (JDCs), as well as in the implementation of such agreements through joint committees. In particular, a JDC was signed in 2014 with the Philippines.

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 providing timely input and preparing for the incorporation of relevant legislation into the EEA Agreement. In 2014, new internal EFTA procedures were adopted to reduce the overall time needed to incorporate acts into the EEA Agreement. More legal acts were incorporated into the Agreement than in any year since the late 1990s, resulting in a 30% reduction in the number of legal acts awaiting incorporation into the

Agreement. The Agreement on the Accession of Croatia to the EEA and the incorporation of the new generation of EU programmes for the 2014-2020 period were among the key decisions adopted during the year. Finally, negotiations on a continuation of the EEA Financial Mechanism were launched in 2014.

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 JDCs or FTAs with EFTA.

III. Review of financial result and performance

8. The budget for the financial year 1 January to 31 December 2014 was adopted by the Council on 11 December 2013 in Decision No 5 of 2013 (ref. 14-129489). The approved net budget for the financial year 2014, including an adjusted carry-over from the 2013 Part II Budget from Geneva, amounts to CHF 7,991,461 and EUR 11,553,284 (CHF 14,210,539), providing a total net budget for the EFTA Secretariat of CHF 22,202,000. The Council Decision originally included a CHF 191,000 carry-over from 2013 that later had to be adjusted downwards to CHF 24,000. This adjustment was a result of actual spending in the financial year 2013 and was based on the principles underlying the funding decision for the project to provide technical assistance to the Palestinian Authority.

9. The planned activities of the EFTA Secretariat were defined in the performance plan for the year 2014 (ref. 14-93064).

10. The total expenditure (Part I and Part II) for the financial year 2014 amounted to CHF 22,159,083 (2013: CHF 21,827,409) against a total income of CHF 22,828,574 (2013: CHF 22,877,743), leading to a budget surplus of CHF 669,491 (2013: CHF 1,050,334) before financial items. Adding financial items, i.e. mainly interest income and bank charges, having a positive effect on results of CHF 11,837 (2013: CHF 38,488), the year ended with a surplus amount of CHF 681,328 (2013: CHF 1,088,822).

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 19,089,658 (2013: CHF 18,622,112) or 99% (2013: 97%) of the budget, resulting in a surplus of CHF 229,342 (2013: CHF 646,887).

b) The net expenditure in Part II was CHF 2,421,508 (2013: CHF 2,563,312) or 84% (2013: 85%) of the budget, resulting in a surplus of CHF 451,986 (2013: CHF 465,688).

12. The surplus in Part I is mainly due to lower than budgeted other operating expenses (including depreciation expenses). These operating expenses amounted to CHF 4,685,364 compared to budgeted costs in the amount of CHF 4,841,971. The main drivers are related to lower costs associated with free trade negotiations and lower than budgeted office, business and consultancy expenses; and higher than budgeted publication and translation costs. The budget overrun of the latter costs are directly linked to the increased number of published acts.

13. Employee benefits and expenses within Part I amounted to CHF 15,052.849, which is almost in line with the budget amount of CHF 15,076,905.

14. The surplus in Part II is based on a mix of fewer projects being undertaken than planned with regard to technical cooperation projects in conjunction with free trade activities and an overrun of costs associated with the support of activities of European standards organisations.

15. Compared to the previous year, total employee benefits and expenses increased by CHF 778,070 to CHF 15,260,292 (2013: CHF 14,482,222), mainly due to CHF 395,256 higher salary expenses and savings fund contributions and CHF 292,033 higher staff allowance costs. The significant increase in salary expenses is mainly due to two temporary project related positions at senior officer level, which supported the EEA Efficiency Project through the year. Depreciation and amortisation expenses decreased by CHF 77,210 to CHF 348,659 (2013: CHF 425,829). The depreciation expenses for 2013 included an amount of CHF 147,321 associated with the fitting-out of the Brussels office (2014: nil). IT investments in recent years are the major influence for the CHF 70,151 increase in costs when taking out the depreciation cost for the office fit out. Expenses related to cooperation programmes decreased by CHF 125,645 on a mix of fewer technical cooperation projects and higher costs associated with supporting European standards organisations. Other operating expenses decreased by CHF 243,543 to CHF 4,336,065, mainly due to lower costs associated with free trade negotiations and lower than budgeted office, business and consultancy expenses than in 2013, and an increase in publication and translation expenses.

The net cash flow from operating activities increased from CHF 648,790 to CHF 4,572,657. This is due to a CHF 1,887,273 increase in payables and unearned revenues (2013: CHF 295,308 decrease), a CHF 432,013 decrease in receivables (2013: CHF 7,916 decrease) and a CHF 407,494 lower surplus than the previous year. In addition, donor states' net contribution to the special funds for the Financial Mechanism Office (FMO) increased by CHF 1,806,678, whereas there was actually an outflow of these special funds in 2013 of CHF 466,273. This inflow in special funds in 2014 is driven by the higher investment levels in IT infrastructure at the FMO, which in later years will lead to higher depreciation expenses and therefore outflow. Overall, compared to 2013, changes in current liabilities had a positive impact of CHF 3.7 million to working capital driven by special funds, unearned revenues and savings fund payables. Net working capital improved by approximately CHF 3.2 million, while in 2013 a negative change in net working capital of CHF 0.9 million was reported.

16. In 2014, total investments in fixed and intangible assets amounted to CHF 1,289,764 (2013: CHF 757,034). Of this amount, CHF 518,152 (2013: CHF 513,295) relates to the EFTA Secretariat and the remainder to the FMO. The increase in investments mainly relates to the case handling platform, document management system and video conferencing equipment.

17. During 2014, a surplus in the amount of CHF 1,205,005 (2013: CHF 1,571,422) 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 16 and 17):

	Result 2014	**Distribution of result 2014**	
	CHF Cons.	Reserve Funds	Member States' Surplus Accounts
Part I	229,342	(3,755)	233,097
Part II	451,986	(7,678)	459,664
Total	681,328	(11,432)	692,760

In addition, the remaining amount in the special fund for technical assistance to the Palestinian Authority in the amount of CHF 9,260 is transferred to the surplus accounts for Member States.

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

27 March 2015,

Kristinn F. Árnason
Secretary-General

EFTA

FINANCIAL STATEMENTS 2014

Contents

Statement of Financial Position

Financial year ending:			31/12/2014				31/12/2013
	Note	Cons. **CHF**	*Geneva CHF*	*Brussels EUR*	Cons. **CHF-2014 exch rate**	*Geneva CHF*	*Brussels EUR*	Cons. **CHF-2013 exch rate**
ASSETS								
Non-current assets								
Fixed assets	4	**532,962**	*169,509*	*295,490*	**356,740**	*55,642*	*244,795*	**351,844**
Fixed assets FMO	1, 4	**983,251**	*-*	*799,391*	**572,187**	*-*	*465,193*	**562,884**
Intangible assets	5	**354,161**	*-*	*287,936*	**365,756**	*250*	*297,159*	**359,812**
Building Brussels	4	**-**	*-*	*-*	**-**	*-*	*-*	**-**
Non-current receivables	6	**72,552**	*25,562*	*38,203*	**72,534**	*25,545*	*38,203*	**71,771**
		1,942,926	*195,071*	*1,421,020*	**1,367,217**	*81,437*	*1,045,350*	**1,346,311**
Current assets								
Cash and cash equivalents	7	**9,985,485**	*3,866,323*	*4,974,929*	**7,856,839**	*2,857,386*	*4,064,596*	**7,775,547**
Receivables and prepayments	8	**1,178,806**	*155,525*	*831,935*	**750,019**	*123,886*	*509,051*	**739,839**
		11,164,291	*4,021,848*	*5,806,864*	**8,606,858**	*2,981,272*	*4,573,647*	**8,515,386**
TOTAL ASSETS		**13,107,217**	*4,216,919*	*7,227,884*	**9,974,075**	*3,062,709*	*5,618,997*	**9,861,697**
LIABILITIES								
Non-current liabilities								
Cooperation programmes provision	9	**1,001,364**	*-*	*814,117*	**1,001,205**	*-*	*813,987*	**984,925**
Repatriation provision	10a	**1,027,216**	*311,987*	*581,487*	**1,084,223**	*409,175*	*548,820*	**1,073,247**
Repatriation provision FMO	10b	**863,160**	*-*	*701,756*	**796,435**	*-*	*647,509*	**783,485**
Other non-current liabilities		**30,048**	*-*	*24,429*	**30,048**	*-*	*24,429*	**29,559**
		2,921,788	*311,987*	*2,121,789*	**2,911,911**	*409,175*	*2,034,745*	**2,871,216**
Current liabilities								
Payables and provisions	12	**3,023,330**	*1,163,963*	*1,511,681*	**1,597,322**	*286,591*	*1,065,636*	**1,576,011**
Unearned revenues	13	***486,967***	*486,967*	*-*	**25,706**	*-*	*20,899*	**25,288**
Building fund	14	**-**	*-*	*-*	**-**	*-*	*-*	**-**
Special Fund 4: Statistical Co-op	15a	***11,583***	*-*	*9,417*	**11,583**	*-*	*9,417*	**11,395**
Special Fund 8: Palestinian Co-op	15b	**-**	*-*	*-*	**23,753**	*23,753*	*-*	**23,753**
Special funds FMO	15c	***3,773,620***	*-*	*3,067,984*	**1,999,454**	*-*	*1,625,572*	**1,966,942**
		7,295,500	*1,650,930*	*4,589,082*	**3,657,818**	*310,344*	*2,721,524*	**3,603,389**
TOTAL LIABILITIES		**10,217,288**	*1,962,917*	*6,710,871*	**6,569,729**	*719,519*	*4,756,269*	**6,474,605**
NET ASSETS		**2,889,929**	*2,254,002*	*517,013*	**3,404,346**	*2,343,190*	*862,728*	**3,387,092**
NET ASSETS/EQUITY								
Reserve funds	16	**1,110,100**	*718,162*	*318,648*	**1,121,532**	*713,650*	*331,611*	**1,114,900**
Surplus Account	17	**1,779,829**	*1,535,840*	*198,365*	**2,282,814**	*1,629,540*	*531,117*	**2,272,192**
TOTAL NET ASSETS/EQUITY		**2,889,929**	*2,254,002*	*517,013*	**3,404,346**	*2,343,190*	*862,728*	**3,387,092**

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

Statement of Comprehensive Income

Financial year ending:		31/12/2014	31/12/2013
	Note	CHF	CHF
INCOME			
Member States' contributions:	18		
- Current year	18a	22,178,000	21,953,074
- Carry-over from previous year	18b	14,494	176,247
- Building Fund	18c	-	144,926
Total Member States'contributions		22,192,494	22,274,247
Other income	19	636,080	603,496
Total income		22,828,574	22,877,743
EXPENDITURE			
Employee benefits and expenses	20	15,260,294	14,482,222
Other Operating Expenses	21	6,550,129	6,919,317
Depreciation and amortisation	4, 5	348,660	425,870
Total Expenditure		22,159,083	21,827,409
NET RESULT BEFORE FINANCIAL ITEMS		669,491	1,050,334
Interest income	22	31,617	57,432
Financial expenses	23	(19,780)	(18,944)
Total financial items		11,837	38,488
SURPLUS/(DEFICIT) FOR THE YEAR	17	681,328	1,088,822
Opening surplus account	17	2,272,192	2,775,295
Exchange difference on Surplus Account	17	10,622	(5,716)
Returned to Member States in 2014	17	(1,205,005)	(1,571,423)
Reversal remaining funds - carry-over 2013	17	9,260	-
Amount transferred to (-)/from (+) Reserve Funds	16, 17	11,432	(14,786)
Closing Surplus Account	17	1,779,829	2,272,192

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 2013		1,103,331	2,775,295	3,878,626
Exchange rate difference	16, 17	(3,217)	(5,716)	(8,933)
Returned to Member States in 2013	17	-	(1,571,423)	(1,571,423)
Advance payment 2014 budget	17	-		-
Total comprehensive income for the period	16, 17	14,786	1,074,036	1,088,822
Total Changes		11,569	(503,103)	(491,534)
Balance as of 31 December 2013		1,114,900	2,272,192	3,387,092
Exchange rate difference	16, 17	6,632	10,622	17,254
Returned to Member States in 2014	17	-	(1,205,005)	(1,205,005)
Reversal remaining funds - carry-over Part II 2013	17, 18	-	9,260	9,260
Total comprehensive income for the period	16, 17	(11,432)	692,760	681,328
Total Changes		(4,800)	(492,363)	(497,163)
Balance as of 31 December 2014		1,110,100	1,779,829	2,889,929

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

Statement of Cash Flow

Financial year ending:		31/12/2014		31/12/2013	
	Note				
CASH FLOW FROM OPERATING ACTIVITIES					
Surplus (+)/deficit (-) for the year		681,328		1,088,822	
Adjustments for:					
Depreciation fixed assets (net of impact building fund Brussels)	4, 14	203,386		158,939	
Amortisation intangible assets	5	145,274		122,005	
Depreciation/amortisation FMO	1, 4	355,072		297,317	
Decrease in provision for repatriation	10a	(57,007)		(10,599)	
Decrease (-) /increase (+) in provision for repatriation FMO	10b	66,725		(24,462)	
Increase (+)/decrease (-) in provision for programmes	10b	159		-	
Interest income		(31,617)		(57,432)	
Surplus before working capital changes		1,363,320		1,574,590	
Increase (-) /decrease (+) in current receivables	8	(431,995)		(7,869)	
Increase (-) /decrease (+) in long-term receivables	6	(18)		(47)	
Decrease (-)/increase (+) in payables	12	1,426,008		(317,895)	
Increase (+)/decrease (-) in unearned revenues	13	461,261		22,587	
Decrease (-)/increase (+) in Special Funds	15	1,750,413		(622,576)	
Net cash from operating activities			4,568,989		648,790
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of fixed assets	4	(384,472)		(222,661)	
Purchase of intangible assets	5	(133,679)		(290,634)	
Purchase of fixed assets FMO	4	(771,613)		(243,739)	
Disposal of assets	6	10,342		-	
Net cash from used in investing activities			(1,279,422)		(757,034)
CASH FLOW FROM FINANCING ACTIVITIES					
Member States' repayment of contributions from Surplus Account	17	(1,205,005)		(1,571,422)	
Reversal special fund	17	9,260		-	
Interest income received		34,824		80,036	
Net cash used in financing activities			(1,160,921)		(1,491,386)
Net decrease (-)/increase (+) in cash and cash equivalents			2,128,646		(1,599,630)
Cash and cash equivalents at the beginning of the period			7,775,547		9,424,952
Exchange rate adjustment of cash		81,292		(49,775)	
Total exchange rate adjustments			81,292		(49,775)
Cash and cash equivalents at the end of the period			9,985,485		7,775,547

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 agreements (FTAs) with non-European Union (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 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 FTAs (third-country relations). The EFTA Convention and EFTA FTAs 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 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 2014. 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 International Financial Reporting Standards (IFRS) to IPSAS.

(B) Changes to accounting policies
No changes were made to the accounting policies.

(C) Other changes
No new standards became mandatory in 2014 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
The classifications introduced with last year's conversion to IPSAS were also followed during this accounting year in the Statement of Financial Position and Statement of Comprehensive Income, as well as in the Cash Flow Statement. No changes in the comparative information were needed.

(E) Principles of combined statements
The accounting policies have been applied consistently 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). At the consolidated level, all balances and transactions between the entities have been eliminated. However, at the reporting entity level accrued expense and prepaid expense balances exist for costs that were prepaid by the other reporting entity.

(F) Foreign currency translation
The combined financial statements of the EFTA entities are presented in Swiss francs (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 CHF and all transactions for the Brussels-based accounting entity in euros (EUR). 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 1.23 (2013: EUR 1 = 1.21).

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 1.23 (2013: 1.21).

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 10,622 (2013: CHF 5,715) 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 2014 are cars, various items of IT and non-IT equipment (furniture and infrastructure installations), the fitting-out of office premises in Brussels for the EFTA 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 the financial year 2013 or 2014 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 taken directly as period expenses 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 2013 or 2014 and there were no loans outstanding during the financial year (2013: 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 Parts 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, meaning that assets are held primarily in euros and Swiss francs. 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, 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 transactions denominated in other foreign currencies.

The realised exchange loss in the result for the year amounted to CHF 449 (2013: CHF 53). These amounts are considered immaterial.

As income and expenses, 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).

Except for short-term staff loans, classified as staff advances, in the amount of CHF 10,448 (2013: CHF 14,574) which are provided in conjunction with obtaining housing when staff relocate to the duty stations, no loans receivable were outstanding at the reporting date of the Statement of Financial Position (31 December 2013: 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	41,704.00	544,984	823,372	593,540	377,072	1,216,311	1,242,149	2,731,732
Accumulated depreciation	(77,786)	(41,704.00)	(518,463)	(718,029)	(550,155)	(299,886)	(1,146,404)	(1,059,619)	(2,439,140)
Balance as of 1 January 2013	1	-	26,521	105,343	43,385	77,186	69,907	182,530	292,592
New exchange rate									(1,825)
Additions	-	-	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)	(17,204.00)	(371,818)	(597,260)	(82,963)	(96,851)	(456,984)	(711,315)	(1,317,674)
Disposals of accumulated depreciation	2,203	17,204.00	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	24,500.00	206,003	345,082	512,989	316,138	794,576	685,719	1,624,297
Accumulated depreciation	(75,584)	(24,500.00)	(170,570)	(187,550)	(492,779)	(228,875)	(738,934)	(440,924)	(1,272,453)
Balance as of 31 December 2013	-	-	35,433	157,532	20,210	87,263	55,642	244,795	351,844.05
New exchange rate									4,896
Additions	-	-	151,240	100,854	33,360	61,644	184,600	162,498	384,472
Depreciations	-	-	(51,359)	(77,990)	(18,104)	(30,891)	(69,463)	(108,881)	(203,386)
Disposals	-	-	(2,709)	(5,630)	-	-	(2,709)	(5,630)	(9,635)
Disposals of accumulated depreciation	-	-	1,439	2,708	-	-	1,439	2,708	4,770
Total changes	-	-	98,611	19,942	15,256	30,753	113,867	50,695	181,117
Cost	75,584	24,500	354,534	440,306	546,349	377,782	976,467	842,587	2,012,849
Accumulated depreciation	(75,584)	(24,500)	(220,490)	(262,832)	(510,883)	(259,766)	(806,958)	(547,097)	(1,479,888)
Balance as of 31 December 2014	-	-	134,044	177,474	35,466	118,016	169,509	295,490	532,962

The carrying value of the fitting-out of office premises in Brussels is nil (2013: nil). In 2013, an amount of CHF 144,926 (EUR 119,773) was taken as depreciation costs in the Statement of Comprehensive Income.

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

The carrying value of the FMO's assets is calculated as follows:

Depreciation rate in years	6 years	5 years	3 years	3 years		
	Office fit out	Furniture	IT Equipment	IT Software	Brussels	**Cons**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**CHF**
Cost	336,277	32,669	257,890	474,176	1,101,012	1,343,235
Accumulated depreciation	(299,929)	(7,312)	(102,736)	(181,564)	(591,541)	(721,680)
Balance as of 1 January 2013	36,348	25,357	155,154	292,612	509,472	621,556
New exchange rate						(5,095)
Additions	-	5,226	49,591	146,621	201,438	243,739
Depreciations	(6,352)	(6,534)	(74,772)	(158,059)	(245,716)	(297,317)
Total changes	(6,352)	(1,308)	(25,181)	(11,438)	(44,279)	(58,672)
Cost	336,277	37,895	307,481	620,798	1,302,450	1,575,965
Accumulated depreciation	(306,281)	(13,846)	(177,507)	(339,623)	(837,257)	(1,013,081)
Balance as of 31 December 2013	29,996	24,049	129,974	281,174	465,193	562,884
New exchange rate						9,304
Additions	10,475	16,809	138,657	461,386	627,327	771,613
Depreciations	(7,618)	(9,359)	(114,810)	(156,890)	(288,677)	(355,072)
Disposals	(298,165)	-	(17,498)	-	(315,663)	(388,265)
Disposals of accumulated depreciation	295,165	-	16,044	-	311,209	382,788
Total changes	(143)	7,450	22,394	304,495	334,197	420,367
Cost	48,587	54,705	428,640	1,082,183	1,614,115	1,985,361
Accumulated depreciation	(18,734)	(23,205)	(276,272)	(496,514)	(814,724)	(1,002,111)
Balance as of 31 December 2014	29,854	31,500	152,368	585,670	799,391	983,250

5. Intangible assets

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

	IT Software		Total
Amortisation rate in years	3 years		
	Geneva	Brussels	Cons.
	CHF	**EUR**	**CHF**
Cost	84,906	670,103	902,432
Accumulated depreciation	(83,906)	(511,628)	(708,092)
Balance as of 1 January 2013	1,000	158,475	194,340
New exchange rate			(1,585)
Additions	-	240,193	290,634
Amortisation	(750)	(100,211)	(122,005)
Total changes	(750)	138,684	165,473
Cost	78,456	716,091	944,925
Accumulated depreciation	(78,206)	(418,931)	(585,113)
Balance as of 31 December 2013	250	297,159	359,812
New exchange rate			5,943
Additions	-	108,682	133,679
Amortisation	(250)	(117,905)	(145,274)
Disposals	-	-	-
Disposals of accumulated amortisation	-	-	-
Total changes	(250)	(9,223)	(5,651)
Cost	78,456	824,773	1,092,926
Accumulated depreciation	(78,456)	(536,837)	(738,765)
Balance as of 31 December 2014	-	287,936	354,161

6. Non-current receivables

Non-current receivables consist of deposits paid in relation to the lease of office buildings and apartments.

7. Cash and cash equivalents

	Note			31/12/2014				31/12/2013
		Cons.	Geneva	Brussels	Cons.	Geneva	Brussels	Cons.
		CHF	**CHF**	**EUR**	**CHF-2013 exch rate**	**CHF**	**EUR**	**CHF-2013 exch rate**
ING (EUR)		**6,117,035**	-	4,973,199	**4,997,002**	-	4,062,603	**4,915,750**
UBS - CHF		**1,003,601**	1,003,601	-	**704,799**	704,799	-	**704,799**
PostFinance - CHF		**3,185**	3,185	-	**3,439**	3,439	-	**3,439**
Swiss Federal Department of Finance - CHF		**2,854,419**	2,854,419	-	**2,146,707**	2,146,707	-	**2,146,707**
Other		**7,245**	5,118	1,730	**4,892**	2,441	1,993	**4,852**
Total cash and cash equivalents		**9,985,485**	3,866,323	4,974,929	**7,856,839**	2,857,386	4,064,596	**7,775,547**

The long-term obligations credit ratings as per Moody's[1] are A2 since June 2012 for both UBS AG Switzerland (UBS) and ING Belgium SA (ING). Both banks have a "Possible Upgrade" status.

[1] Moody's Investor Service, www.moodys.com, 19 March 2015.

EFTA has the ability to deposit cash on short-term deposits with the Swiss Federal Department of Finance. The credit rating as per Moody's[1] for Switzerland is Aaa and is "Not on Watch". This facility will end by 31 December 2015. EFTA is currently considering the alternative options it has to hold its funds securely.

8. Receivables and prepayments

Note	31/12/2014						31/12/2013
	Cons.	Geneva	Brussels	Cons.	Geneva	Brussels	Cons.
	CHF	**CHF**	**EUR**	**CHF-2014 exch rate**	**CHF**	**EUR**	**CHF-2013 exch rate**
Accounts receivable - normal operations	23,073	1,275	17,722	57,172	747	45,874	56,255
Advances and loans to staff members	44,536	8,877	28,991	58,705	26,166	26,454	58,176
Prepaid expenses	1,111,197	145,373	785,222	634,142	96,973	436,723	625,408
Total receivables	1,178,806	155,525	831,935	750,019	123,886	509,051	739,839

There were no receivables from Member States as at 31 December 2014 (2013: 0). Included in the prepaid expenses are prepaid expenses in the amount of CHF 575,240 (2013: CHF 320,680) 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 as expensed in the period of execution of the relevant services.

The period expenses for standardisation commitments for the year 2014 amounted to CHF 1,308,560 / EUR 1,063,870 (2013: CHF 1,283,555 / EUR 1,060,789). The carrying value of EFTA standardisation commitments is estimated at CHF 3,225,969 (EUR 2,622,739) at 31 December 2014 (31 December 2013: CHF 3,170,859 / EUR 2,620,545).

In order to make provisions to cover the commitments under Part II, on 28 May 1999 the Council established a Part II Fund (ref. 14-123746). 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 2014, the fund was utilised for standardisation-related expenses in the amount of CHF 135,140, which were the expenses in excess of the budget for standardisation. As the commitment level has not changed, there was also a requirement to contribute to the fund in the amount of CHF 135,300. The fund is denominated in EUR as all said long-term commitments are denominated in this currency.

	Geneva CHF	Brussels EUR	Total CHF
Balance as of 1 January 2013	**-**	**813,987**	**993,065**
New exchange rate			(8,140)
Utilisation of funds	-	-	-
Net contribution to (+) / reduction (-) of provision	-	-	-
Total changes	-	-	(8,140)
Balance as of 31 December 2013	-	813,987	984,925
New exchange rate			16,280
Utilisation of funds	-	(109,870)	(135,140)
Net contribution to (+) / reduction (-) of provision	-	110,000	135,300
Total changes	-	130	16,439
Balance as of 31 December 2014	-	814,117	1,001,364

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 2013	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
New exchange rate			10,976
Resettlement expenses for the year	(149,508)	(171,795)	(360,816)
Net contribution to (+) / reduction (-) of provision	52,320	204,462	303,809
Total changes	(97,188)	32,667	(46,031)
Balance as of 31 December 2014	311,987	581,487	1,027,216

(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 2013	-	667,725	814,625
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	-	647,509	783,485
New exchange rate			12,950
Resettlement expenses for the year	-	(158,519)	(194,979)
Net contribution to (+) / reduction (-) of provision	-	212,766	261,703
Total changes	-	54,247	79,674
Balance as of 31 December 2014	-	701,756	863,159

11. Loans and borrowings

No loans or financial leases were taken in either 2014 or 2013, and there were no loans or financial leases outstanding at the end of the year (2013: CHF 0).

12. Payables and provisions

Note	31/12/2014						31/12/2013
Current	Cons. **CHF**	Geneva **CHF**	Brussels **EUR**	Cons. **CHF-2014 exch rate**	Geneva **CHF**	Brussels **EUR**	Cons. **CHF-2013 exch rate**
Accounts payable	**1,357,512**	146,305	984,721	**539,615**	52,843	395,749	**531,700**
Savings fund obligations	**732,346**	732,346	-	**41,696**	41,696	-	**41,696**
Provisions & accrued expenses	**933,472**	285,312	526,960	**1,016,013**	192,052	669,887	**1,002,615**
Payables and provisions	**3,023,330**	1,163,963	1,511,681	**1,597,324**	286,591	1,065,636	**1,576,011**

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 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 214,134 (2013: CHF 349,398) and the provision for leave not taken and overtime performed by FMO staff amounts to CHF 164,574 (2013: CHF 163,473). The provision for unemployment benefits is based on the number of former staff members receiving or having rights to receiving unemployment benefits at the reporting date, taking into account historical data on actual usage. At 31 December 2014, this provision amounts to CHF 93,251 for former staff of the Association (2013: CHF 26,860) and CHF 52,381 (CHF 17,900) for former FMO staff. The provision for EEA Supplement translation and publication is based on an estimate of the outstanding pages to be translated and published. At 31 December 2014 the provision amounted to CHF 316,629 (2013: CHF 270,085).

13. Unearned revenues

The unearned revenues for the year consisted of prepayments of a Member State fee and pensioners' medical insurance. In 2013, the unearned revenues consisted of rent for one of the sub-lessees in the Brussels office and prepayments of pensioners' medical insurance.

14. Building fund

Until 2013, a building fund existed to finance the office renovations that were carried out in the offices at Rue Joseph II in Brussels. This fund was fully utilised at the end of said year and the following table provides a movement schedule until 31 December 2013:

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	-	-	-	-	-		

15. Special Funds

In accordance with the Financial Regulation and Rules, the EFTA 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 31/12/2014:	CHF 11,583 / EUR 9,417 (2013: CHF 11,395 / 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 States.

(B) Special Fund: Palestinian Cooperation

Balance on 31/12/2014:	CHF 0 / (2013: CHF 23,753)
Legal basis:	Decision No 5 of 2012 of the EFTA Council notes the Member States' wish to provide targeted technical assistance to the Palestinian Authority. The funds may be earmarked for specific projects approved by the Member States. Unused funds at the end of the financial years were to be transferred to the Member States' surplus funds.
Operational procedures:	CHF 9,260 is allocated to the Member States' surplus funds at 31 December 2014. The fund is now closed.
Establishing date:	6 November 2012
Comments:	The balance belongs to the EFTA States.

(C) Special Funds: EEA/Norwegian Financial Mechanisms 2009-2014

The special funds with regard to the FMO's EEA Financial Mechanism 2009-2014 can be specified as follows:

Balance on 31/12/2014:	CHF 2,040,448 / EUR 1,658,901 (2013: CHF 1,083,884 / EUR 895,772)
Legal basis:	Decision of the Standing Committee of the EFTA States 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:	9 December 2010
Comments:	The balance belongs to the EEA EFTA States.

The special funds with regard to FMO's Norwegian Financial Mechanism 2009-2014 can be specified as follows:

Balance on 31/12/2014:	CHF 1,733,172 / EUR 1,409,083 (2013: CHF 883,058 / EUR 729,800)
Legal basis:	Decision of the Standing Committee of the EFTA States 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:	9 December 2010
Comments:	The balance belongs to the Member State Norway.

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 EUR as well as in CHF. In 2014, the consolidated balance of the Reserve Funds was reduced to align with its maximum level of 5% of the budget.

The excess funds are transferred along with the 2014 net result to the Member States' surplus accounts (see note 17). In 2013 there was a net increase to the Reserve Fund.

	Reserve Fund Part I		Reserve Fund Part II		Total		Consolidated CHF*	
Source	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
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 1 January 2013	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
2014 exch. rate	-	-	-	-	-	-	6,632	1,121,532
Surplus 2014	(4,378)	507	8,890	(13,470)	4,512	(12,963)	(11,432)	1,110,100
Total Reserve fund as per 31 December 2014	580,671	313,235	137,492	5,413	718,162	318,648	1,110,100	1,110,100
Total in CHF (max 5% of budget)		965,950		144,150		1,110,100		
Budget 2014 in CHF		19,319,000		2,883,000		22,202,000		

** 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 2012 were paid back or deducted from calls for funds according to the Member States' wishes during 2014, and have now been paid back in full. In December 2014, the Council decided that the 2013 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.

In addition, the Member States' surplus accounts were increased with the remaining balance as per 31 December 2014 of the special fund for technical assistance to the Palestinian Authority in the amount of CHF 9,260.

The Council determines the distribution keys for the allocation to the surplus account. For the period 2009-2014, the keys are as follows:

	Iceland	Liechtenstein	Norway	Switzerland	Total
	%	%	%	%	%
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
2014: All	**2.727**	**0.956**	**54.696**	**41.621**	**100.000**
2014: EEA	**2.620**	**1.120**	**96.260**		**100.000**

Transactions in previous year

Transactions in the previous year consisted of the surplus allocation associated with the financial year 2013 and the 2011 surplus repayments repaid in connection with the first call for funds for 2013.

Member States' balances

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

Movement Schedule Surplus Fund

		Iceland		Liechtenstein		Norway		Switzerland		Total		Consolidated*	Cummulative Consolidated*	
Source	Note	CHF	EUR	CHF	EUR	CHF	EUR	CHF	EUR	CHF	EUR	CHF	CHF	Repayment**
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	798,559	(a)
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	1,573,713	(a)
EFTA at three reallocation			(364)		(1,215)	253,592	89,143	(253,592)	(87,564)	-	-	-	1,573,713	(a)
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	2,690,951	(b)
Surplus Part I, 2012, EFTA at three			334		137		10,963			-	11,434	13,949	2,704,901	(b)
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	2,975,296	(b)
Building fund correction surplus 2012			(2,437)		(375)		15,987		(13,175)	-	-	-	2,975,296	(b)
Carry-over for Part II in 2013		(7,680)		(1,760)		(112,140)		(78,420)		(200,000)	-	(200,000)	2,775,296	(b)
Surplus fund as per 1 January 2013		86,396	20,316	18,028	3,393	1,425,328	426,767	548,251	121,075	2,078,003	571,551	2,775,295	2,775,295	
2013 Exchange Rate												(5,716)	2,769,579	
Returned to Member States 2013		(56,295)	(9,605)	(11,130)	(756)	(985,812)	(218,804)	(240,896)	-	(1,294,133)	(229,165)	(1,571,423)	1,198,156	Repayment (a)
Returned to Member States 2013		(56,295)	(9,605)	(11,130)	(756)	(985,812)	(218,804)	(240,896)	-	(1,294,133)	(229,165)	(1,571,423)		
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	
Surplus Part I, 2013, EFTA at three			(2,824)		(1,181)		(97,857)			-	(101,863)	(123,254)	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	2,272,191	
Results distribution and other allocations 2013		25,920	5,785	7,840	1,749	467,807	104,403	344,103	76,795	845,670	188,731	1,074,036	1,074,036	
Surplus fund as per 31 December 2013		56,021	16,496	14,738	4,386	907,323	312,366	651,458	197,870	1,629,540	531,117	2,272,192	2,272,192	
2014 Exchange Rate												10,622	2,282,814	
Returned to Member States 2014		(30,101)	(10,711)	(6,898)	(2,637)	(439,516)	(207,963)	(307,355)	(121,075)	(783,870)	(342,386)	(1,205,005)	1,077,809	Repayment (b)
Total available for distribution in 2015* **		25,920	5,785	7,840	1,749	467,807	104,403	344,103	76,795	845,670	188,731	1,077,809	1,077,809	
Surplus Part I, 2014, EFTA at four		6,033	1,395	2,115	489	121,013	27,978	92,085	21,290	221,246	51,152	284,163	1,361,972	
Surplus Part I, 2014, EFTA at three			(1,088)		(465)		(39,966)			-	(41,518)	(51,068)	1,310,904	
Surplus Part II 2014		12,535	-	4,394	-	251,418	-	191,317	-	459,664	-	459,664	1,770,568	
Reversal remaining funds - carry-over Part II 2013		356		81		5,192		3,631		9,260	-	9,260	1,779,828	
Results distribution 2014		18,924	307	6,591	24	377,623	(11,988)	287,032	21,290	690,170	9,634	702,020		
Surplus fund as per 31 December 2014		44,844	6,092	14,431	1,773	845,430	92,415	631,135	98,085	1,535,840	198,365	1,779,829	1,779,829	

* 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 2014 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			2014			2013
		Cons.	Geneva	Brussels	**Cons.**	Geneva	Brussels
		CHF	CHF	EUR	**CHF**	CHF	EUR
Part I		19,319,000	7,467,461	9,635,398	19,124,074	7,724,000	9,421,549
Part II		2,859,000	500,000	1,917,886	2,829,000	500,000	1,924,793
Total Member States contributions current year		22,178,000	7,967,461	11,553,284	21,953,074	8,224,000	11,346,342

(b) Carry-over from previous year

Member States' contributions from earlier years in the amount of CHF 14,494 (2013: CHF 176,247) consist solely of the use of the advance payment for the 2014 budget regarding projects in relation to technical assistance provided to the Palestinian Authority.

(c) Building fund

As the building fund set up for the fitting-out of the EFTA Secretariat's offices in Brussels was fully utilised in 2013, no income was recorded in 2014 (2013: CHF 144,926 / EUR 119,773).

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

Employee benefits and expenses can be further specified as follows:

		2014	2013
	Note	CHF	CHF
Salary, annual leave and savings fund expenses		11,711,499	11,316,243
Staff allowance expenses		2,554,705	2,262,672
Staff insurance and unemployment benefit expenses		608,036	560,204
Other staff related expenses		386,054	343,103
Total employee benefits and expenses		**15,260,294**	**14,482,222**

Savings fund expenses represent amounts made available to the saving funds of individual staff members held on blocked accounts in the name of the staff members with commercial banks and on a deposit account for staff members' savings deposits with 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 2014, the Association contributed CHF 1,817,459 (2013: CHF 1,817,459) to the savings funds of the individual staff members. Further reference is made to note 28.

As at 31 December 2014, the Association had 138 employees (2013: 132) on payroll headcount. Of these, 80 (2013: 79) related to the EFTA Secretariat and 58 (2013: 53) 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 mainly consist 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 18,962 (2013: CHF 18,959).

24. Taxation

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

Three types of taxes are payable in Belgium in relation to rented real estate, namely a federal tax (*précompte immobilier*) and a regional tax, as well as one tax charged by the municipality of Brussels where the Association's offices are located. Details can be found in the table below:

				2014			2013
	note	Cons.	Geneva	Brussels	Cons.	Geneva	Brussels
		CHF	CHF	EUR	CHF	CHF	EUR
Real Estate Tax		83,624	-	69,111	80,192	-	66,274
Regional Tax		24,682	-	20,398	24,000	-	19,835
Communal Tax		25,141	-	20,778	25,141	-	20,778
Total		133,447	-	110,287	129,333	-	106,887

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 on EFTA's main activities and sources of financing. These service segments conform to the performance plan of the Association for the years 2014 and 2013. 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 the exception of the EEA Supplement and the costs related to 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, whilst 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 the one hand and the activities performed for other organisations for which recoveries are received on the other. This is mainly recoveries for cost-sharing arrangements for services with other international organisations.

	Part I						Part II					
	Actuals 2014			Actuals 2013			Actuals 2014			Actuals 2013		
amounts in CHF	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**
Member States':												
Contributions - current year	11,851,539	7,467,461	19,319,000	11,400,074	7,909,646	19,309,720	2,359,000	500,000	2,859,000	2,329,000	500,000	2,829,000
Contributions earlier years	-	-	-	-	-	-	-	14,494	14,494	-	176,247	176,247
Building Fund	-	-	-	144,926	-	144,926	-	-	-	-	-	-
Total Member States' contributions	11,851,539	7,467,461	19,319,000	11,545,000	7,909,646	19,454,646	2,359,000	514,494	2,873,494	**2,329,000**	**676,247**	**3,005,247**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Total income	11,851,539	7,467,461	19,319,000	11,545,000	7,909,646	19,454,646	2,359,000	514,494	2,873,494	**2,329,000**	**676,247**	**3,005,247**
Wages & staff savings fund costs	6,873,049	4,199,257	11,072,306	6,634,618	4,096,994	10,731,612	207,444	-	207,444	223,603	-	223,603
Staff allowances costs	1,339,913	1,128,929	2,468,842	1,149,188	1,019,911	2,169,099	-	-	-	-	-	-
Staff Insurances and unemployment benefits	330,225	277,811	608,036	337,023	223,181	560,204	-	-	-	-	-	-
Other Staff Costs	298,173	87,879	386,052	267,090	76,013	343,103	-	-	-	-	-	-
Total employee benefits and expenses	8,841,360	5,693,876	14,535,236	8,387,919	5,416,100	13,804,018	207,444	-	207,444	**223,603**	**-**	**223,603**
Operating expenses	2,720,517	1,497,082	4,217,599	2,657,712	1,773,001	4,430,713	-	-	-	-	-	-
Depreciation and amortisation	278,947	69,713	348,660	376,579	49,291	425,870	-	-	-	-	-	-
Co-operation programmes expenses	-	-	-	-	-	-	2,168,124	45,940	2,214,064	2,009,172	330,537	2,339,709
Total other operating expenses	2,999,464	1,566,795	4,566,259	3,034,291	1,822,292	4,856,583	2,168,124	45,940	2,214,064	**2,009,172**	**330,537**	**2,339,709**
Total expenditure	11,840,824	7,260,671	19,101,495	11,422,210	7,238,392	18,660,601	2,375,568	45,940	2,421,508	**2,232,775**	**330,537**	**2,563,312**
Net result before financial items	10,715	206,790	217,505	122,790	671,254	794,045	(16,568)	468,554	451,986	**96,225**	**345,710**	**441,935**
Financial items, net	1,758	10,079	11,837	21,370	17,118	38,488	-	-	-	-	-	-
Net result	12,473	216,869	229,342	144,160	688,372	832,533	(16,568)	468,554	451,986	**96,225**	**345,710**	**441,935**

	Recoveries						TOTAL EFTA					
	Actuals 2014			Actuals 2013			Actuals 2014			Actuals 2013		
amounts in CHF	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**
Member States':												
Contributions - current year	-	-	-	-	-	-	14,210,539	7,967,461	22,178,000	13,729,074	8,409,646	22,138,720
Contributions earlier years	-	-	-	-	-	-	-	14,494	14,494	-	176,247	176,247
Building Fund	-	-	-	-	-	-	-	-	-	144,926	-	144,926
Total Member States' contributions	-	-	-	-	-	-	14,210,539	7,981,955	22,192,494	13,874,000	8,585,893	22,459,892
Other income	627,378	8,702	636,080	594,333	9,163	603,496	627,378	8,702	636,080	594,333	9,163	603,496
Total income	627,378	8,702	636,080	594,333	9,163	603,496	14,837,917	7,990,657	22,828,574	14,468,333	8,595,056	23,063,388
Wages & staff savings fund costs	431,751	-	431,751	361,027	-	361,027	7,512,244	4,199,257	11,711,501	7,219,249	4,096,994	11,316,243
Staff allowances costs	85,863	-	85,863	93,573	-	93,573	1,425,776	1,128,929	2,554,705	1,242,761	1,019,911	2,262,672
Staff Insurances and unemployment benefits	-	-	-	-	-	-	330,225	277,811	608,036	337,023	223,181	560,204
Other Staff Costs	-	-	-	-	-	-	298,173	87,879	386,052	267,090	76,013	343,103
Total employee benefits and expenses	517,614	-	517,614	454,600	-	454,600	9,566,418	5,693,876	15,260,294	9,066,122	5,416,100	14,482,222
Operating expenses	109,764	8,702	118,466	139,733	9,163	148,896	2,830,281	1,505,784	4,336,065	2,797,444	1,782,164	4,579,608
Depreciation and amortisation	-	-					278,947	69,713	348,660	376,579	49,291	425,870
Co-operation programmes expenses	-	-					2,168,124	45,940	2,214,064	2,009,172	330,537	2,339,709
Total other operating expenses	109,764	8,702	118,466	139,733	9,163	148,896	5,277,352	1,621,437	6,898,789	5,183,196	2,161,992	7,345,188
Total expenditure	627,378	8,702	636,080	594,333	9,163	603,496	14,843,770	7,315,313	22,159,083	14,249,318	7,578,092	21,827,410
Net result before financial items	-	-	-	-	-	-	(5,853)	675,344	669,491	219,015	1,016,964	1,235,978
Financial items, net	-	-	-	-	-	-	1,758	10,079	11,837	21,370	17,118	38,488
Net result	**-**	**-**	**-**	**-**	**-**	**-**	**(4,095)**	**685,423**	**681,328**	**240,385**	**1,034,082**	**1,274,466**

26. Budget Statements

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

Amounts in CHF	Budget 2014	Actual 2014	%	Remainder
Part I	19,296,758	19,101,495	99%	195,263
Part II	2,883,000	2,421,508	84%	461,492
Total expenses as budgeted	22,179,758	21,523,003	**97%**	656,755
Add reimbursed expenses	620,000	636,080	103%	(16,080)
TOTAL EXPENSES	**22,799,758**	**22,159,083**	**97%**	640,675
Part I				
Contributions	19,319,000	19,319,000	100%	-
Part II				
Contributions	2,859,000	2,859,000	100%	-
Carry over from 2013	24,000	14,494	60%	9,506
Total income as budgeted	**22,202,000**	**22,192,494**	**100%**	9,506
Add reimbursements	620,000	636,080	103%	(16,080)
TOTAL INCOME	**22,822,000**	**22,828,574**	**100%**	(6,574)
Net result before financial items	22,242	669,491		
Financial items, net	(22,242)	11,837		
RESULT 2014	**-**	**681,328**		
Transferred from Reserve Funds	-	11,432		
Other transfers		9,260		
Net surplus to Member States	**-**	**702,020**		
BREAKDOWN PART I/II				
Part I, net expenditure	19,319,000	19,089,658	99%	229,342
Contributions	19,319,000	19,319,000	100%	-
Net Part I	**-**	**229,342**		
Part II, net expenditure	2,883,000	2,421,508	84%	461,492
Contributions	2,859,000	2,859,000	100%	-
Carry over from 2013	24,000	14,494	60%	
Net Part II	**-**	**451,986**		
TOTAL 2014	**-**	**681,328**		
PERFORMANCE & BUDGET REPORT (rounded to nearest CHF 1000)				
Total expenses	22,800,000	22,159,000		
Deduct reimbursed expenses	(620,000)	(636,000)		
Financial items, net	22,242	(12,000)		
TOTAL PERFORMANCE & BUDGET REPORT	**22,202,242**	**21,511,000**		

Historically, the organisation has 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 midyear review is based on progress reporting and the review after year-end is based on the full year's results.

The financials of each duty station are recorded in a way that mirrors 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 EFTA Secretariat's note to the Statement of Accounts.

The Member States' contributions can be specified as follows:

	2014		**2013**	
	Share %	Cons. **CHF**	Share %	Cons. CHF
Iceland	2.727%	605,345	3.077%	686,018
Liechtenstein	0.958%	212,801	0.930%	207,457
Norway	55.347%	12,288,163	55.814%	12,445,297
Switzerland	40.968%	9,095,691	40.180%	8,959,228
Total Member States contributions current year	**100.0%**	**22,202,000**	100.0%	22,298,000

This table includes for the current year the 2013 carry-over of CHF 24,000 for Part II (2013: the 2012 carry-over of CHF 200,000).

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

	Part I						Part II					
	Actuals 2014			Budget			Actuals 2014			Budget		
amounts in CHF	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**
Member States':												
Contributions - current year	11,851,539	7,467,461	19,319,000	11,851,539	7,467,461	19,319,000	2,359,000	500,000	2,859,000	2,359,000	500,000	2,859,000
Contributions earlier years	-	-	-	-	-	-	-	14,494	14,494	-	24,000	24,000
Member States' contributions	11,851,539	7,467,461	19,319,000	11,851,539	7,467,461	19,319,000	2,359,000	514,494	2,873,494	2,359,000	524,000	2,883,000
Other income	627,378	8,702	636,080	612,986	7,014	620,000	-	-	-	-	-	-
Total income	12,478,917	7,476,163	19,955,080	12,464,525	7,474,475	19,939,000	2,359,000	514,494	2,873,494	2,359,000	524,000	2,883,000
Expenses as budgeted	11,840,824	7,260,671	19,101,495	11,829,297	7,467,461	19,296,758	2,375,568	45,940	2,421,508	2,359,000	524,000	2,883,000
Cost-sharing expenses	627,378	8,702	636,080	612,986	7,014	620,000	-	-	-	-	-	-
Total expenses	12,468,202	7,269,373	19,737,575	12,442,283	7,474,475	19,916,758	2,375,568	45,940	2,421,508	2,359,000	524,000	2,883,000
Net result before financial items	10,715	206,790	217,505	22,242	-	22,242	(16,568)	468,554	451,986	-	-	-

	Total EFTA								
	Actuals 2014			Budget			Difference		
amounts in CHF	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**	**Brussels**	**Geneva**	**Total**
Member States':									
Contributions - current year	14,210,539	7,967,461	22,178,000	14,210,539	7,967,461	22,178,000	-	-	-
Contributions earlier years	-	14,494	14,494	-	24,000	24,000	-	(9,506)	(9,506)
Member States' contributions	14,210,539	7,981,955	22,192,494	14,210,539	7,991,461	22,202,000	-	(9,506)	(9,506)
Other income	627,378	8,702	636,080	612,986	7,014	620,000	14,392	1,688	16,080
Total income	14,837,917	7,990,657	22,828,574	14,823,525	7,998,475	22,822,000	14,392	(7,818)	6,574
Expenses as budgeted	14,216,392	7,306,611	21,523,003	14,188,297	7,991,461	22,179,758	28,095	(684,850)	(656,755)
Cost-sharing expenses	627,378	8,702	636,080	612,986	7,014	620,000	14,392	1,688	16,080
Total expenses	14,843,770	7,315,313	22,159,083	14,801,283	7,998,475	22,799,758	42,487	(683,162)	(640,675)
Net result before financial items	(5,853)	675,344	669,491	22,242	-	22,242	(28,095)	675,344	647,249

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

Note (2): Expenses as budgeted are expenses excluding those expected to be recovered through cost sharing arrangements with other international organisations.

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 2017.

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

	2014	2013
Not later than one year	1,116,513	1,075,743
Later than one year and not later than five years	4,063,010	3,244,204
Later than five years	120,172	648,419
Total	5,299,695	4,968,366

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 2014, the Association contributed CHF 1,841,438 (2013: CHF 1,753,594) to the savings fund. The FMO contributed CHF 1,085,499 (2013: CHF 1,243,300) 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, DNB Luxembourg SA or Banca Monte Paschi Belgio SA (BMPB). In February 2013, following negative news and a credit rating downgrade, it was decided that no new accounts would be opened with BMPB and staff who already held savings with the bank were advised to consider the situation carefully.

At 31 December 2014 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	31/12/2014 Cons. CHF	31/12/2013 Cons. CHF
BMP (deposits)	-	413,664	-	507,812	713,435
Swiss Federal Department of Finance (deposits)	3,413,462	-	-	3,413,462	3,566,220
DNB (deposits)	376,545	1,979,048	9,060,992	4,136,357	3,278,170
Nordea, deposits (CHF, EUR, NOK)	-	45,722	1,561,080	285,327	209,873
Nordea, bonds	-	-	-	669,755	840,569
Nordea, equities	-	-	-	183,750	444,641
Total				**9,196,462**	**9,052,908**
Total deposits				8,342,958	7,767,698

The long-term obligations credit ratings according to the rating agency Moody's[2] for the parent companies (the local entities are not rated) of different banks are: B1 (On Watch for a Possible Downgrade) for Banca Monte dei Paschi di Siena SpA[3], A1 for DNB Bank ASA[4], and Aa3 for Nordea Bank AB[5] (On Watch for a Possible Downgrade). 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 two Deputy Secretaries-General and one Assistant Secretary-General. These posts are considered key management and are shared between the Member States. They are fulfilled as follows:

[2] Moody's Investor Service, www.moodys.com, 19 March 2015.

[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.

	2014	2013
Secretary-General	K. F. Árnason	K. F. Árnason
Deputy Secretary-General	I. Kaufmann (until 31 August 2014) H. Skaare (until 30 November 2014) M. Zbinden (started 1 September 2014)	I. Kaufmann H. Skaare
Assistant Secretary-General	G. Baur	G. Baur

Key management personnel and their aggregate remuneration were as follows:

	2014		2013	
	Number of individuals	Aggregate remuneration	Number of individuals	Aggregate remuneration
Secretary-General, Deputies and Assistant	4 positions	CHF 1,657,790	4 positions	CHF 1,675,197

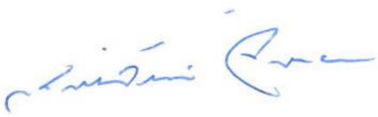
Aggregate remuneration includes salary, savings fund, insurance contributions, the use of a car, and allowances (representation, rent, dependency benefits, education, home leave, installation, relocation and resettlement) according EFTA’s Staff Regulations and Rules. There was no other remuneration or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

No loans receivable are outstanding concerning these key management employees.

30. Subsequent events

No significant events took place after 31 December 2014.

27 March 2015,



Kristinn F. Árnason
Secretary-General

EUROPEAN FREE TRADE ASSOCIATION

CHAIR OF THE EFTA COUNCIL

Ref. 16-945

24 February 2016

Dear Mr Hansen,

I refer to your letter dated 2 June 2015 regarding the Audit of the 2014 accounts, in particular the comments with regard to the nature of the EFTA Savings Fund. Further reference is also made to previous correspondence on this subject, including the letter from the Chair of the Council of 28 May 2015.

The issue has been thoroughly discussed by the Council, and following consultations with EFTA staff, the Council as well as the other EFTA institutions, on 7 December 2015, adopted a number of amendments to Regulation 31 on the Savings Fund, along with amendments to other regulations and rules. A copy of Council Decision No 8/2015 is enclosed for your information. These amendments entered into force on 1 January 2016[1].

The Council has consistently held that the Savings Fund is a defined contribution plan, and the amendments to Regulation 31 aim, *inter alia*, at further clarifying this. Attention is drawn, in particular, to the wording of the new paragraph 5, which states that the payment due upon separation of service will be the net balance of holdings in the individual staff member's name. This wording takes into account that the staff member may have chosen investment options that may result in his or her Savings Fund being less than the accrued contributions (as provided for in paragraph 2), and also that the staff member may have been permitted to withdraw parts of his or her funds during their time of employment.

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

Cc: Mr Kristinn F. Árnason, Secretary-General

[1] Please note that transitional arrangements apply.

The Council considers that any possible uncertainty with regard to the nature of the Savings Fund should be fully removed with the abovementioned changes.

Please let me know if you have questions or need for further clarifications.

Yours sincerely,

Remigi Winzap
Chair of the EFTA Council