

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

FINANCE DIVISION

Financial Report

for the year 1958

N° 4

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

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FINANCE DIVISION

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In previous Financial Reports all tables, balance-sheets and statements of revenue and expenditure were expressed in Units of Account of the European Payments Union (E.P.U.). Since the E.P.U. agreement lapsed at the end of 1958 and was replaced by the European Monetary Agreement (E.M.A.), figures in our reports will, until further notice, be expressed in E.M.A. Units of Account instead of E.P.U. Units of Account. As both these Units have the same value in gold (0.88867088 gr fine gold), no corrections to previous figures are necessary.

In this Report, and in the accompanying High Authority balance-sheet and statement of revenue and expenditure, the amounts presented in Units of Account are the equivalent of various currencies computed at the following rates for

1. E.M.A. Unit :

U.S. \$:	1.00	
DM	:	4.20	
Bfr.	:	50.00	
Ffr.	:	{	350.00 to August 10, 1957
			420.00 from August 11, 1957
			493.706 from December 29, 1958
Lire	:	625.00	
Lfr.	:	50.00	
Hfl.	:	3.80	
Sfr.	:	4.29	

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Statement of Revenue and Expenditure

Balance-sheet as of December 31, 1958

The Fourth Financial Report of the High Authority covers the calendar year 1958, the European Coal and Steel Community's sixth year of operation.

I. INTRODUCTION

The slackening in the rate of economic expansion, the first signs of which appeared towards the end of 1957, continued, in the United States, during the first half of the year under review. In the second half of the year the situation improved and this improvement has since continued provoking renewed discussion of the danger of inflationary trends.

In the Community countries, on the other hand, it was not until the second half-year that economic activity began to fall off, primarily in the basic industries. This development, however, did not have a corresponding effect on the actual amounts invested in the Community industries ; it would, nevertheless, appear that the pattern of capital expenditure is beginning to change somewhat. The Community enterprises' demand for long-term capital continued during 1958 to exceed the supply. This was indicated by, among other things, the volume of applications to the High Authority for credits throughout the year.

The High Authority accordingly continued, as in previous years, to do its best, within the possibilities open to it, to raise long-term funds for the enterprises on advantageous terms. As interest rates in the Community countries were high, and their money markets not yet ready to take up international bond issues, the High Authority was once again obliged to have recourse to the American capital market. This it did at the end of the first half-year, shortly before a change in that market once again hardened interest rates. A detailed account of this issue (which is, incidentally, the High Authority's third public loan) will be found in the chapter « Borrowing Operations ».

In the meantime, some of the European capital markets have been showing distinct signs of improvement. Particular mention should be made of Germany, where the reduction in rates of interest, hoped for by all and encouraged by the authorities, has now gone so far that the discrepancy between these and the rates in most of the other major international markets (United States, Switzerland, Netherlands) has either practically disappeared or at least diminished very satisfactorily. The German capital market may therefore be expected in the foreseeable future to regain its pre-1914 position of international importance : this is particularly desirable in view of the possibilities it offers for a co-ordinated flow of exports of capital. In Switzerland, too, the position improved appreciably as indicated by the readmission of foreign bond issues. The Netherlands money market has also improved, and in view of the strong currency position of this country it may reasonably be expected, before long, to show its traditional receptivity to foreign loan issues.

The prospects for a more plentiful supply of long-term capital on better terms for the enterprises of the Community are thus brighter than they have been for some years. Both, the High Authority and the enterprises themselves will be able to take advantage of this improvement, when necessary, for the purpose of financing capital schemes.

II. THE LEVY

A. Proceeds

The High Authority maintained the levy for the financial year 1958-59 at the rate of 0.35%, to which it had been reduced on July 1, 1957 : this rate therefore remained in force throughout the calendar year 1958. It was maintained at this level in view of the uncertain trend of economic activity, which suggested a probable decrease in leviable values and an increase in expenditure on assistance of all kinds. The proceeds for 1958 were less than for 1957, in the first-half of which year a higher rate was operative. None the less, the High Authority was able to authorize certain assistance for the coalmining industry, in view of the critical situation which arose, particularly, in Belgium and the Federal Republic, in the Community collieries. These measures included :

- temporary reimbursement or deferment of levy payments on coal remaining in stock at the pit-heads ;
- provision of non-repayable grants or loans to finance pit-head stocks so high as to endanger employment.

The yield of the levy during 1958 totalled 28.17 million Units of Account, in absolute figures approximately 8% less than in 1957 (30.73 million Units of Account). Leviable production in 1958 was to a total value of over 8 milliard Units of Account.

The aggregate proceeds of the general levy from the inception of the Community to December 31, 1958, amounted to

232.64 million Units of Account

The following table shows the breakdown of this amount by countries and years.

TABLE 1
Proceeds of the Levy

(in million Units of Account)

Country	1953-56	1957	1958	Total	%
Germany	81.96	14.72	13.21	109.89	47.2
Saar	10.85	1.72	1.56	14.13	6.0
Belgium	19.08	3.10	2.61	24.79	10.7
France	39.77	6.83	6.64	53.24	22.9
Italy	10.30	2.40	2.28	14.98	6.5
Luxembourg	5.46	0.96	0.83	7.25	3.1
Netherlands	6.32	1.00	1.04	8.36	3.6
Total	173.74	30.73	28.17	232.64	100.0

In former Reports this chapter of the Report and Table 1 included the item « Sundry Receipts » of the High Authority. Since such receipts, and also revenue from the service charges on loans granted and expenditure on those raised, have reached a fairly considerable level, this year's Report contains for the first time a special chapter giving details of all revenue and expenditure.

With reference to levy proceeds, it should be noted in conclusion that as a consequence of the currency measures introduced by the French Government at the end of 1958 the amounts payable in levy by enterprises in France and the Saar automatically increased proportionately with the devaluation of the franc in effect from January 1, 1959.

B. Enterprises subject to the levy

As at December 31, 1958, 874 coalmining and iron and steel enterprises were subject to the Community's jurisdiction. Some of these either operated plants in several Community countries or were producers of two or more Treaty products (iron ore, manganese ore, coal, iron and steel). For this reason it was impossible to avoid including certain enterprises more than once in Table 2, which, as will be observed, relates to 924. Of these only 457 were required to pay levy; the remaining 467 are exempt, their production being either non-leviable as such (e.g. iron ore) or negligible in value (less than 40 Units of Account in levy per month). The breakdown of the enterprises by types of production is as follows :

TABLE 2
Enterprises Subject to the Community's Jurisdiction

Type of enterprise	Number of enterprises		
	subject to Community's jurisdiction	subject to payment of levy	not subject to payment of levy
Integrated iron and steel plants	210	210	—
Other iron and steel plants	232	58	174
Renn plants	2	—	2
Iron-ore mines	89	—	89
Manganese-ore mines	7	—	7
Coalmines	305	176	129
Hard-coal briquetting-plants	53	—	53
Brown-coal briquetting-plants	13	13	—
Independent coking-plants	13	—	13
Total	924	457	467

III. EMPLOYMENT OF THE PROCEEDS OF THE LEVY

As indicated in previous Financial Reports, the considerable funds which the High Authority has accumulated from the levy in the course of its six years

of activity have been used in the first place to cover its own and the other Community institutions' administrative expenses and the expenditure involved in readaptation and research. A Guarantee Fund of 100 million Units of Account, one of the mainstays of the High Authority's credit for its bond-issuing operations, has been built up and the remainder has been set aside for the financing of readaptation and research in future years. The reserves thus established during the years of the coal and steel boom have proved outstandingly valuable since the end of 1958, when business, particularly in the coal sector, began to decline. As already mentioned in the chapter on the levy, the High Authority has hereby been enabled to introduce various special measures to assist the coalmining industry, over and above the action specifically provided for in the Treaty.

In order that the proceeds of the levy should not remain unproductive in the meantime, the High Authority in its investment policy, described in previous Reports, has always concentrated on

1. arranging for additional short and medium-term credit facilities to be extended to the enterprises of the coalmining and iron and steel industries through the banks in the Community countries ;
2. utilizing investment media adapted to its liquidity requirement ;
3. obtaining maximum interest on its funds. (Interest received is paid into the « Special Reserve » from which the High Authority makes available long-term low-interest credits for the financing of workers' housing).

This policy was continued as far as possible during 1958. In consequence, the total volume of indirect credit facilities made available to the coalmining and iron and steel industries increased still further. Under agreements concluded between the High Authority and banks in the Community countries, further medium-term credits to a total value of approximately 18 million Units of Account in national currencies, were advanced by the banks on their own responsibility to collieries, iron-ore mines and iron and steel works during 1958. The aggregate amount of the medium-term credits alone up to December 31, 1958, came to 66.2 million Units of Account, the breakdown being as follows :

TABLE 3
Indirect Medium-Term Credits

Country	Amount in national Currency	Equivalent in million Units of Account
Germany	DM 150,000,000	35.7
Saar	Ffr. 1,250,000,000	2.5
Belgium	Bfr. 448,000,000	8.9
France	Ffr. 2,500,000,000	5.0
Italy	Lire 4,500,000,000	7.2
Luxembourg	Lfr. 100,000,000	2.0
Netherlands	Hfl. 18,700,000	4.9
Community		66.2

In addition to these medium-term credit facilities, which are easy to compute statistically, similar or larger amounts were advanced to Community enterprises in the form of short-term credits by the banks with which the High Authority's own funds are deposited. The High Authority continuously solicits its banking friends to extend still further their credit facilities to the Community industries.

IV. BORROWING OPERATIONS

THE THIRD AMERICAN LOAN AND CREDITS FOR INDUSTRIAL INVESTMENT

In the Report for 1957 the view was expressed that the uncertainty as to coming economic developments and the consequent slackening in investment activity were likely to result in an easing of the capital markets and a lowering of interest rates. This prediction proved correct, in regard to the American as well as to the European markets. Although the movement of interest rates in the American market during 1958 was not uniform, it seemed by about the middle of the year that they had dropped to a level where a fresh loan could usefully be floated by the High Authority. Negotiations were begun at once, and successfully concluded shortly afterwards : on June 24, 1958, an agreement was signed between the High Authority and its traditional banking syndicate, consisting of sixty well-known investment houses under the leadership of

Kuhn Loeb & Co.,
The First Boston Corporation and
Lazard Frères & Co.,

whereby the syndicate purchased from the High Authority an issue of

\$ 50,000,000

This was made up as follows :

- a) \$ 35 million 5% Secured Bonds with a lifetime of 20 years, issued at 97% in the form either of bearer bonds in denominations of \$ 1,000, \$ 500 and \$ 100, or of fully-registered bonds in denominations of \$ 1,000 and multiples thereof ;
- b) \$ 15 million $4\frac{1}{2}\%$ Serial Secured Notes in three tranches of \$ 5 million each with a lifetime of 3, 4 and 5 years and issued at 99.72%, 99.64% and 99.56% respectively, in denominations of \$ 1,000, \$ 10,000 and \$ 100,000.

These Bonds and Notes, like all previous High Authority loans, are secured in accordance with the Act of Pledge concluded in 1954 with the Bank for International Settlements, Basle. Under this pledge agreement, the provisions of which were described in detail in the First Financial Report (1953-54-55)⁽¹⁾ all evidences of indebtedness received by the High Authority from its debtors in

⁽¹⁾ By means of the amendments described in the Financial Report of 1956, the Act of Pledge was subsequently modified with reference to experience gained in the interval.

respect of loans made by it from the proceeds of its own borrowings, together with the securities therefore, are held in special pledge by the Bank for International Settlements as security for all present and future lenders to the High Authority. The holders of the 1958 Bonds and Notes thus enjoy the same security as all previous lenders to the High Authority.

A public offering was made on June 25, 1958, and the securities were all sold on that day. In contrast to the experience in 1957, subscriptions by American buyers on this occasion exceeded those from European sources.

	1957 loan		1958 loan	
	Amount	%	Amount	%
American subscribers	\$ 12.8 million	36.6	\$ 25.7 million	51.4
European subscribers	\$ 22.2 million	63.4	\$ 24.3 million	48.6
Total	\$ 35.0 million	100.0	\$ 50.0 million	100.0

These figures are clear evidence that the success of the first issue and the steadiness of its market quotation have attracted a wider circle of American investors.

Other respects in which the 1958 loan represented an improvement on that of 1957 include :

1. larger principal, viz. \$ 50 million as against \$ 35 million ;
2. later maturity date, viz. 20 years as against 18 ;
3. lower effective rate of interest, viz.
 - a) $5\frac{1}{4}\%$ as against $5\frac{1}{2}\%$ for the Bonds and
 - b) 4.6% as against 5% for the Notes.

The High Authority's success in floating a second issue, which brought it, even by American standards, into the class of large-scale issuers, has shown that its credit standing in the United States can now be regarded as firmly established. It is interesting to note in this connection that no other non-American issuer since the war has succeeded in raising a loan of \$ 50 million on the New York money market.

The Bonds of the 1958 issue are quoted on the Stock Exchanges of New York, Paris and Luxembourg.

Our experience in connection with our third American loan entitles us to hope that our existing good relations with the American money market may further be improved in the future : the signs of generally increased responsiveness on the part of American investors to issues of foreign institutions suggest that this may well be possible.

The proceeds of our 1958 loan were, as on previous occasions, lent to enterprises in the Community at cost. Thus the long-term credits were granted at 5% per annum at par, and the medium-term at 5% per annum at par. The difference between these rates and the nominal rates of the Bonds and Notes covers the initial issuing costs and the service charges.

Of the total credits allocated, \$ 28 million went to the coal industry, \$ 19 million to the iron and steel industry and \$ 3 million to the iron-ore mines. Priority was given to the projects considered to be most germane to the General Objectives of the Community.

The breakdown by countries is as follows :

Germany	\$ 28.0 million
France	\$ 13.5 million
Italy	\$ 8.5 million
	<u>\$ 50.0 million</u>

The total cost of the projects thus assisted comes to 340 million Units of Account. Part of the excess funds required is raised by the enterprises in their own capital markets or from investment banks in their countries, and the remainder comes from their own resources.

V. FINANCING OF WORKERS' HOUSING

From its earliest days the High Authority has considered that fresh capital outlays for the modernization and rationalization of production in the Community industries would only contribute to the achievement of the planned objectives if paralleled by improvements in the living and working conditions of the labour force. Above all, it was necessary to see that more better-quality housing was made available to the workers at low rents. For this reason, the High Authority has already, in the short space of six years, approved and vigorously promoted three successive housing programmes. Towards this purpose it had to work out entirely new methods of financing through which it would become possible to increase the comparatively small amounts of money available and to reduce to a level acceptable for workers' housing the relatively high rates of interest.

Thanks to the whole-hearted co-operation of the housing authorities and banks in the different countries, arrangements have been made, more particularly since the second housing programme, whereby, local sources contribute two or three times the amount initially allocated by the High Authority.

As a result three or four times as many dwellings can be built. At the same time, the integration of the unduly high interest rate charged on local funds with the very low rate charged by the High Authority on its allocation, produces an equitable average. The High Authority funds employed come entirely from the Special Reserve which has been built up out of interest received on bank deposits and securities, the proceeds of fines and interest on arrears. This Reserve is growing steadily year by year.

The following points may be noted in connection with the three housing programmes :

First programme

This programme involved a total expenditure of 25.2 million Units of Account, and provided for the construction of approximately 15,000 housing units. At the end of the year under review, 10,524 housing units had been completed and the remainder were building.

Second programme

This programme provided for a High Authority contribution of 18.8 million Units of Account, to be supplemented by local funds to a total of approximately 40 million Units of Account.

Building operations are at varying stages in the different countries.

Germany

The whole of the High Authority's contribution of DM30 million has been paid over. Of the additional credits from within Germany, totalling DM 45 million the Kreditanstalt für Wiederaufbau has provided DM27 million and the remaining DM 18 million has been provided by social-security institutions through the Bank für Gemeinwirtschaft.

The rate of interest to the final borrower is $5\frac{1}{4}$ % per annum, the maturity at 32 years date and the annual instalment $6\frac{1}{2}$ %.

Saar

The whole High Authority contribution of Ffr. 280 million has been paid over. The additional credit of Ffr. 560 million has been made available by the Landesbank und Girozentrale Saar. The rate of interest for the final borrower is 5%, the maturity at 27 years date and the annual instalment 7%.

Belgium/Luxembourg

Of the High Authority's planned total contribution of Bfr. 230 million, Bfr.30 million has so far been paid over from the Special Reserve. In addition, the High Authority has made available Bfr.90 million out of a loan contracted with a social-insurance institution in Luxembourg.

The average rate of interest for the final borrower is 4.5% and the maturity at 25 years date.

In accordance with its investment policy, the High Authority has deposited the sum of Bfr. 40 million with the Caisse Générale d'Epargne et de Retraite, Brussels : by the terms of an agreement between them, the Caisse Générale will employ this amount to grant a loan, on its own account, for the building of houses to be owned by their occupants.

The exact manner in which the remainder of the second Belgian housing programme and the Luxembourg programme are to be carried out has not yet been finally decided. For these operations a further contribution of Bfr. 70 million is due from the High Authority.

France

The High Authority's contribution amounts to Ffr. 1,500 million. Discussions are still in progress as to the amount of additional funds to be raised within France.

In accordance with an agreement entered into with the Crédit Foncier de France, work has already been begun on the technical implementation of the programme.

Italy

Of the planned total of Lire 1,509 million the High Authority has made available Lire 350 million, which has been fully drawn down. The Banca Nazionale del Lavoro has added a further Lire 350 million. The maturity of the loans is 25 years, and the combined rate of interest for the final borrower 4% p.a. Since this rate is none the less higher than those charged under Government building schemes, the Italian Government is paying a yearly subsidy of Lire 40 million on the programme sponsored by the High Authority.

In addition, the High Authority has arranged through special institutions for a total of Lire 1,159 million to be made available to enterprises in the Italian iron and steel and iron-ore industries.

Netherlands

The High Authority's contribution amounts to Hfl.4 million which has been supplemented by Hfl. 16 million from the Algemeen Mijnerwerkersfonds van de Steenkolenmijnen in Limburg. The total thus assembled was distributed through the Bank voor Nederlandsche Gemeenten.

The rate of interest for the final borrower is 4% p.a., and the maturity of the loans is at 32 years date.

It may be noted in conclusion that of the planned total of approximately 20,500 housing units 6,895 had been completed by December 31, 1958 with the remainder either building or in preparation.

Third programme

This programme has already passed the preparatory stage : on April 23, 1958, the High Authority decided that it should be implemented and that 15 million Units of Account should be made available out of the Special Reserve. It is to be carried out in 1959 and 1960, and will therefore be mainly financed from the funds flowing into the Special Reserve during these years. Only to the extent that the Special Reserve disposed of funds in excess of the requirements of the earlier programmes, the High Authority was able to launch part of the third programme ahead of schedule and to ratify the necessary agreements. As operations under the second programme had progressed faster in Germany than elsewhere, it was felt that the third programme could best be initiated there ; in the other Community countries the aim will be to conclude the appropriate agreements in the course of 1959.

Germany

Of the planned total of DM 30 million the High Authority has already granted DM 23.4 million, which is being supplemented by a total of DM 57.6 million from sources within Germany (DM 10 million from the Kreditanstalt für Wiederaufbau, DM 13 million from the Rheinische Girozentrale und Provinzialbank, DM 13 million from the Landesbank für Westfalen, and DM 21.6 million from social-insurance institutions through the Bank für Gemeinwirtschaft).

The interest rate to the final borrower is 5½% on a first tranche of DM 15 million and 4¾% on the remaining DM 66 million ; the maturity of the loans at 33½ years date and the annual instalment 6%. The DM 6.6 million still unexpended plus the corresponding supplementary funds, will be made available in 1959.

Plans for the construction of 12,500 housing units are in preparation.

In view of certain statistical corrections which were necessitated by the French currency measures of 1957 and 1958, we feel it necessary to revise the tables for the first two programmes, as the relevant figures can now be given with some accuracy.

TABLE 4
First Housing Programme

Country	Number of housing units	Total cost in million units of national currency	High Authority's contribution	
			in million Units of national currency	in million Units of Account
Germany	10,000	DM 200	DM 50	= 11.9
Saar	350	Ffr. 800	Ffr. 350	= 0.7
Belgium	1,600	Bfr. 400	Bfr. 220	= 4.4
France	2,500	Ffr. 5,000	Ffr. 2,500	= 5.1
Italy	400	Lire 1,000	Lire 500	= 0.8
Luxembourg	25	Lfr. 10	Lfr. 5	= 0.1
Community	14,875			23.0

In the case of this programme the credits in Germany, Belgium, Luxembourg and the Saar were granted out of loans raised by the High Authority, while those in Italy and France came direct from mortgage banks under agreements with the High Authority.

TABLE 5
Second Housing Programme

Country	Number of housing units (planned)	Total cost in million units of national currency	High Authority's contribution		
			Direct credits		Supplementary credits, in million units of national currency
			in million Units of Account	in million units of national currency	
Germany	14,000	DM 315	7.1	DM 30	DM 45
Saar	600	Ffr. 1,720	0.6	Ffr. 280	Ffr. 560
Belgium/ Luxembourg.	1,200	Bfr. 352	4.6	Bfr. 230	Bfr. 105
France	1,000	Ffr. 3,750	3.0	Ffr. 1,500	not yet known
Italy	2,500	Lire 7,000	2.4	Lire 1,509	Lire 350
Netherlands ...	1,200	Hfl. 20,6	1.1	Hfl. 4	Hfl. 16
Community	20,500		18.8 (1)		

(1) Of which 14.4 million Units of Account from the Special Reserve ;
3.0 million Units of Account from funds raised from outside sources ;
1.4 million Units of Account from other funds.

EXPERIMENTAL HOUSING PROGRAMMES

We can hardly close the chapter on housing without mentioning the High Authority's experimental building programmes. Part of the High Authority's research programme to be executed in accordance with Article 55 of the Treaty establishing the Community has been directed to devising new methods of using steel for the construction of workers' houses and of rationalizing building operations. With this objective two experimental programmes were approved and carried through.

Experimental Programme I was entirely financed by non-repayable grants, and involved the equivalent of 1 million Units of Account. 1,022 workers' dwellings were built.

For Experimental Programme II the equivalent of 4.2 million Units of Account was allocated, 1 million as a non-repayable grant and 3.2 million in the form of loans for a period of 35 years. For this purpose 3 million Units of Account were transferred from the Allocation for Research to the Special Reserve, and the loans were then extended to the housing associations concerned, plus an addition of 200,000 Units of Account. The breakdown by countries was as follows:

TABLE 6
Experimental Housing Programme II

Country	Number of housing Units	High Authority loans	
		in national currency	in thousand Units of Accounts
Germany	876	DM 5,632,200	1,341
Belgium	306	Bfr. 23,100,000	462
France	582	Ffr. 375,900,000	761
Luxembourg	54	Lfr. 4,150,000	83
Italy	200	Lire 203,125,000	325
Netherlands	152	Hfl. 866,400	228
Community	2,170		3,200

VI. TOTAL AMOUNT OF BORROWINGS

The loan of \$ 50 million contracted in the United States in mid-1958 brought the total amount borrowed by the High Authority since its inception to

215,768,697.49 Units of Account

As may be seen from the item « Secured Notes » in the balance-sheet, redemption payments up to the end of 1958 have reduced this figure to 212,179,458.95 Units of Account.

The details of the loans raised by the High Authority are given in the following table, which shows the gross amount borrowed, i.e. with no deduction of subsequent redemption payments made, but allowing for the changes in the Units of Account value of the 1956 Saar loan in consequence of the devaluation of the French franc.

TABLE 7

Total Amount of Borrowings

Country	Lender	Year	Inter- est % p.a.	Life- time (years)	Amount	
					in currency concerned	equivalent in EMA Units of Account
U.S.A.	Bank	1954	3 7/8	25	\$ 100,000,000	100,000,000
Germany	Bank	1955	3 3/4	25	DM 50,000,000	11,904,762
Belgium	Bank	1955	3 1/2	25	Bfr. 200,000,000	4,000,000
Luxembourg	Bank	1955	3 1/2	25	Lfr. 5,000,000	100,000
Luxembourg	Bank	1955	3 1/2	25	Lfr. 20,000,000	400,000
Saar	Bank	1956	4 1/4	20	Ffr. 350,000,000	708,923
Switzerland	Capital market	1956	4 1/4	18	Sfr. 50,000,000	11,655,012
U.S.A.	Capital market	1957	5 1/2	18	\$ 25,000,000	25,000,000
U.S.A.	Capital market	1957	5	3-4-5	\$ 7,000,000	7,000,000
U.S.A.	Banks	1957	5	3-4-5	\$ 3,000,000	3,000,000
Luxembourg	Social-insurance institution	1957	5 3/8	25	Lfr. 100,000,000	2,000,000
U.S.A.	Capital market	1958	5	20	\$ 35,000,000	35,000,000
U.S.A.	Capital market	1958	4 1/2	3-4-5	\$ 15,000,000	15,000,000
Total						215,768,697

VII. LENDING OPERATIONS

From its inception up to the end of 1958 the High Authority granted in all 175 credits to 101 enterprises. During the same period one credit was repaid in full and three credits were repaid in part. The sums thus received were then re-lent.

The High Authority had available for lending purposes borrowed funds totalling 215,768,697 Units of Account, and its own resources in the Special Reserve of 22,902,626 Units of Account, i.e. in all

238,671,323 Units of Account

Special Reserve

a) In this and previous Reports it was mentioned that the High Authority has expended on the financing of housing programmes for miners and steelworkers the whole of its revenue from interest on bank deposits, fines, and interest on arrears. As a footnote to the detailed description contained in previous Reports of the financing methods employed, by which the volume of the credits made available for housing purposes has been considerably augmented, it may be added that these arrangements have been welcomed as being of real social value by industry and by the workers.

b) To enable the High Authority to grant loans in connection with Experimental Programme II, the sum of 3 million Units of Account was transferred from the Provision for Research to the Special Reserve.

c) Finally, the sum of 720,000 Units of Account was transferred from unallocated Revenue to the Special Reserve, to be used to grant a loan for the building of the European School in Luxembourg. The redemption of this loan is already in progress.

The Special Reserve shown in the balance-sheet for December 31, 1958, was made up as follows :

<i>(in thousand Units of Account)</i>	
a) Net receipts from interest on funds invested	18,846
b) Interest on loans	258
c) Fines and interest on arrears	78
d) Transfer from Allocation for Research	3,000
e) Transfer from unallocated Revenue	720
	22,902
less repayment to re-transfer to unallocated Revenue (redemption)	— 164
	22,738

Credits Granted

Practically the whole of the amount available for lending was committed by December 31, 1958. By the qualifying date, several of the credits granted had not been drawn down, or had been drawn down only in part ; on others redemption payments have been made in the interval. The overall picture as at the end of the year was as follows :

TABLE 8
Overall Picture of Credit Operations

<i>(in million Units of Account)</i>			
	Loans from borrowed funds	Loans from High Authority's own resources (Special Reserve)	Total
Amount available	215.77	22.90	238.67
Amount committed	215.57	22.70 ⁽¹⁾	238.27
Paid out	215.57	12.57	228.14
Redemption payments	— 3.66	— 0.16	— 3.82
Amount outstanding as per balance-sheet of December 31, 1958	211.91	12.41	224.32
Not yet drawn down	—	10.13	10.13
Not yet committed	0.20	0.20	0.40

⁽¹⁾ Since reduced to 22.54 as a result of subsequent redemption payments totalling 160,000 Units of Account (see Balance-sheet, Assets II).

The breakdown of the « amount committed » by the countries is as follows :

TABLE 9

Distribution of Credits committed by Types of Investment

(in million Units of Account)

	Credits from borrowed funds	Credits from own resources	Total
Coalmining industry (incl. mine-owned coking- plants)	87.14	—	87.14
Pithead power-stations	46.31	—	46.31
Iron-ore mines and ore-pre- paration plant	21.85	—	21.85
Iron and steel industry (incl. coking-plants)	40.36	—	40.36
Housing for miners and steelworkers	19.91	21.98	41.89
Others projects	—	0.72	0.72
Total	215.57	22.70	238.27

The breakdown of the « amount committed » by the countries is as follows :

TABLE 10

Distribution of Credits committed by Countries
as of December 31, 1958

Country	Number of		Amount in million Units of Account		
	Debtors	Loans	Borrowed funds	Own resources	Total
Germany	58	104	120.70	14.05	134.75
Saar	4	6	12.28	0.57	12.85
Belgium	14	20	18.40	1.06	19.46
France	12	17	35.10	3.80	38.90
Italy	8	22	26.19	1.14	27.33
Luxembourg	3	4	2.90	0.80	3.70
Netherlands	2	2	—	1.28	1.28
Total	101	175	215.57	22.70	238.27

The rates of interest payable by final borrowers on the credits granted were as follows :

TABLE 11
Rates of Interest to Final Borrowers

Source of funds or Purpose of credits	Rate of Interest
First American loan	4.1 %
Second American loan	5 ⁷ / ₈ %
Third American loan	5 - 5 ⁵ / ₈ %
Swiss loan	4 ⁷ / ₈ %
First housing programme	3 ³ / ₄ - 4 ¹ / ₂ %
Second housing programme	5 - 5 ¹ / ₄ %
Third housing programme (Germany)	4 ³ / ₄ - 5 ¹ / ₂ %
Other credits	3 %

The credits outstanding as at December 31, 1958, were secured as follows :

TABLE 12
Securities for credits granted from Borrowed Funds
(As at December 31, 1958)

(in million Units of Account)

1. Guarantees by Governments of member countries, plus negative pledge clauses	23.99
2. Guarantees by Governments of member countries	6.64
3. Guarantees by State or public banks, plus mortgages	107.73
4. First mortgages	11.89
5. Second mortgages	3.03
6. Guarantees by industrial concerns, plus negative pledge clauses	43.46
7. Guarantees by industrial concerns	14.20
8. Negative-pledge clauses	0.97
Total	211.91

VIII. GUARANTEE OPERATIONS

In 1958 the High Authority carried out its first, if limited, guarantee operation, it guaranteed a loan of 432,000 Units of Account raised by a Community enterprise from a bank.

IX. PAYMENTS FOR READAPTATION

As will be seen from chapter XI and from the balance-sheet and statement of revenue and expenditure, the total amount set aside by the High Authority for readaptation payments out of the proceeds of the levy since its inception is 34,35 million Units of Account. By the end of the year under review, 5,38 million Units of Account had been paid out. The remaining amount of 28,97 million Units of Account is shown in the balance-sheet as an allocation. The following table gives the details.

TABLE 13

Expenditure on Readaptation

(in thousand Units of Account)

	1953-56	1957	1958	Total
From proceeds of levy				
a) paid out	2,364	2,143	872	5,379
b) set aside	21,760	4,907	2,304	28,971
Total	24,124	7,050	3,176	34,350

The total amount committed for readaptation payments in the various national currencies up to the end of 1958 came to the equivalent of 21.1 million Units of Account. This figure includes a provision of 7 million Units of Account for the coalmining industry, mentioned in chapter II, and designed to prevent unemployment. The breakdown by countries is as follows :

TABLE 14

Geographical Distribution of Expenditure on Readaptation

(in thousand Units of Account)

Country/Industry	Amounts authorized (gross commitment)	Amounts paid out up to December 31, 1958
<i>Germany</i>		
Coalmining industry	381	238
Total	381	238
<i>Belgium</i>		
Coalmining industry	2,120	40
Total	2,120	40
<i>France</i>		
Coalmining industry	1,104	140
Iron and steel industry	798	256
Iron-ore mines	48	29
Total	1,950	425
<i>Italy</i>		
Coalmining industry	2,246	996
Iron and steel industry	7,400	3,680
Total	9,646	4,676
<i>Distribution not yet known</i>		
Coalmining industry (financing of pithead stocks) ...	7,000	—
Grand Total	21,097	5,379
Undisbursed balance		15,718

Against the allocation of 28.97 million Units of Account the High Authority thus has undisbursed commitments totalling 15.72 million Units of Account. Only a comparatively small amount is therefore available for the applications now under examination and for those which will undoubtedly be coming in to the High Authority as a result of the present situation in the coalmining industry.

It will moreover be necessary, inter alia to draw upon this amount to implement the other relief measures planned, such as temporary refunding and deferment of levy payments in respect of unsold coal stocked at the pit-heads.

X. FINANCING OF RESEARCH

As will be seen from chapter XI and from the balance-sheet and statement of revenue and expenditure, the total amount set aside by the High Authority for research (including experimental housing as described in chapter V) out of the proceeds of the levy since its inception is 19.15 million Units of Account, of which 3.66 million Units of Account has been paid out by the end of the year under review. The remaining 15.49 million Units of Account are shown in the balance-sheet as an allocation.

TABLE 15
Expenditure on Research

(in thousand Units of Account)

	1952-56	1957	1958	Total
From proceeds of levy				
a) paid out	1,416	648	1,596	3,660
b) set aside	7,008	1,811	6,671	15,490
Total	8,424	2,459	8,267	19,150

The total amount authorized by the High Authority for assistance in the various national currencies up to the end of 1958 came to the equivalent of 22,2 million Units of Account, the breakdown by fields of research being as follows :

TABLE 16
Distribution of Research Projects by Industrial Sectors
and Types of Research

(in thousand Units of Account)

Industrial sector or type of research	Amounts authorized (gross commitment)	Amounts paid out up to December 31, 1958
Coalmining industry	3,265	408
Iron and steel industry	4,798	1,116
Iron-ore mines	5,000	—
Experimental housing I	1,964	—
Experimental housing II	3,000	1,262
Industrial health, safety and medicine	4,195	874
Total	22,222	3,660
Transfer to Special Reserve to permit to grant of loans for experimental housing	— 3,000	—
Total	19,222	3,660
Undisbursed balance		15,562

Against an allocation of 15.49 million Units of Account the High Authority thus has undisbursed commitments totalling 15.56 million Units of Account. The deficit will be covered from levy accruing in the first half of 1959.

XI. EMPLOYMENT OF SURPLUS REVENUES

Since revenues from interest on deposits, investments and loans granted on the one hand and expenditures for readaptation, for research and for the service of loans raised on the other have now assumed greater importance, it has been considered advisable to include henceforth in each Report a special chapter giving a summary of the High Authority's income (i.e. levy and all other revenue) and of all sorts of expenditure. The following tables show these details.

TABLE 17

Total Revenue of the High Authority

(in million Units of Account)

Nature of revenue	1952-56	1957	1958	Total
Levy	173.74	30.73	28.17	232.64
Revenue from service of credits granted ...	5.48	9.88	8.99	24.35
Interest on bank deposits and investments	7.99	5.18	5.99	19.16
Interest on arrears, fines	0.05	0.01	0.02	0.08
Receipts for Pension Fund	—	3.37	1.70	5.07
Other receipts	0.18	0.01	0.09	0.28
Total	187.44	49.18	44.96	281.58

TABLE 18

Actual Expenditure of the High Authority

(in million Units of Account)

Nature of expenditure	1952-56	1957	1958	Total
Administrative Expenses	32.81	10.71	13.17	56.69
Loan Service	5.46	9.77	8.50	23.73
Bank charges and issue costs	0.83	1.11	2.45	4.39
Readaptation	2.37	2.14	0.87	5.38
Research	1.41	0.65	1.60	3.66
Pensions	—	0.12	0.08	0.20
Total	42.88	24.50	26.67	94.05

The allocation of the excess of revenue over expenditure at the end of each year is shown in table 19. The figures for 1957 and 1958 duly reflect changes in Units of Account values following the two French currency devaluations.

TABLE 19
Allocation of Surplus

(in million Units of Account)

	1953	1954	1955	1956	1957	1958
I - a) Guarantee Fund ...	20.0	52.5	95.0	100.0	100.0	100.0
b) Special Reserve ...	—	1.5	1.7	8.6	16.8	22.7
II - Allocations :						
a) for financing of readaptation oper- ations	3.8	12.7	15.9	21.8	26.7	28.9
b) for financing of research	0.2	3.0	3.6	7.0	8.8	15.5
c) for administrative expenses (incl. un- allocated balances)	1.0	1.0	2.8	7.1	7.5	3.4
d) for loan service charges	—	—	—	—	0.2	0.5
III - Pension Fund	—	—	—	—	3.2	4.9
Total	25.0	70.7	119.0	144.5	163.2	175.9

In explanation of these figures, it should be noted that :

1. the amount of the Guarantee Fund has remained unchanged since 1956. The present total of 100 million Units of Account is an adequate and indispensable basis for future borrowing operations ;
2. the Special Reserve, the make-up and purpose of which are described in chapter VII, rose during the year under review by 5.9 million Units of Account to a total of 22.7 million Units of Account. The increase was chiefly accounted for by interest receivable on bank deposits and investments, which in the last few years have grown as follows :

(in million Units of Account)

1953-56	8.0
1957	5.2
1958	5.9

The fact that the level of interest receivable remained steady for the last year is particularly noteworthy in view of the general lowering of interest rates which occurred, in most countries in 1958. The reason for this is that a considerable number of the time deposits were made at the beginning of the year, when the downturn was less pronounced than in subsequent months.

The great majority of the funds accumulated in the Special Reserve were by the end of the year, firmly committed for the financing of housing projects ;

3. for details of the allocations for readaptation and research, see chapters IX and X.

The decrease in the allocation for administrative expenses (including unallocated balances) is due mainly to the fact that the accounting loss resulting from the revaluation of the High Authority's French-franc assets at the end of 1958 was debited against this item. The amount involved, as a result of the French currency measures of December 28, 1958, was 5.5 million Units of Account.

The books of the High Authority are kept in the various national currencies. On certain dates when a comparative balance-sheet is drawn up, the national currencies are converted into E.M.A. Units of Account. A revaluation of assets thus takes place automatically.

XII. CONCLUSIONS AND OUTLOOK

Financially 1958 was a wholly satisfactory year for the High Authority. While the loan issue floated in the United States, on terms so much better than before, demonstrated once again the soundness of our credit standing, we were able, in accordance with our traditional financial policy, not only to contribute to capital investment in the coalmining and iron and steel industries themselves, but also vigorously to promote building programmes of workers'houses and to provide financial relief for the coalmining industry.

1958 was likewise a year of achievement and promise for the cause of European integration. At the beginning of the year the institutions of the two new Communities — the Common Market and Euratom — and the European Investment Bank assumed their functions. The fund of experience which the High Authority has been able to assemble during the first six years of its activity will be of great value to these new institutions. From the experience acquired in financial matters the European Investment Bank⁽¹⁾ will benefit particularly. The High Authority will take the greatest care to maintain the present close relations with all these institutions, for co-operation among the three European Communities is absolutely vital if their common responsibilities are to be effectively fulfilled and their common objective of a united Europe ultimately achieved.

The close of 1958 saw a series of developments which will also be of great importance to our work. These include, in particular, the measures taken in countries both inside and outside the Community with the aim of bringing about currency convertibility and the liberalization of the movement of capital.

(1) One of the Directors of The Finance Division was appointed Acting Vice-President of the Bank and in the first six months of 1958 took an active part in the organization of the Bank's activities, another is now a deputy member of the Board of Directors, while two officials who were for some years on the staff of the Finance Division now hold important appointments at the Bank.

All these measures may be considered directed towards the further economic integration of Europe and the creation of one large European capital market. The freeing of the movement of capital — an indispensable corollary to that of the movement of goods — will be beneficial to the raising of capital for new prospects.

In conclusion, we would draw special attention to the accompanying Final Report on the Perequation Levy, to the High Authority's Balance-Sheet as of December 31, 1958, and to the Statement of Revenue and Expenditure to the same date.

*For the High Authority
of the European Coal and Steel Community*

THE DIRECTOR OF THE FINANCE DIVISION

ANNEXES

FINAL REPORT ON THE PEREQUATION LEVY

The German and Dutch coal industries, the production costs of which were below the average costs of the Community, were subject, in addition to the general levy, to a perequation levy during the transition period (February 10, 1953, to February 10, 1958). The proceeds of the perequation levy were used for the payment of grants to Belgian and Italian mines the production costs of which were above the Community average. Since the transition period ended in 1958 a final report on the whole operation is submitted herewith.

A. Collection of the Perequation Levy

The collection of the Levy from both the German and the Dutch mines started on March 15, 1953.

The collection was discontinued :

- for the Dutch mines on June 25, 1957
- for the German mines on December 11, 1957.

B. Payment of the Grants

The disbursement of grants to the Italian mines started on October 23, 1953, and ceased on July 16, 1956.

The disbursement of grants to the Belgian mines started on June 27, 1953, and ceased on April 4, 1958.

C. Review of Accounts

Fiscal year	Payments received				Total Units of Account (b + d)
	from German mines		from Dutch mines		
	DM (a)	Units of Account (b)	Guilders (c)	Units of Account (d)	
1952/53	12,314,506.12	2,932,025.27	941,494	247,761.58	3,179,786.85
1953/54	58,297,557.95	13,880,370.94	4,577,785	1,204,680.26	15,085,051.20
1954/55	60,829,708.22	14,483,263.86	4,597,388	1,209,838.95	15,693,102.81
1955/56	46,115,256.78	10,979,823.04	4,267,571	1,123,045.—	12,102,868.04
1956/57	31,924,184.93	7,600,996.41	2,590,601	681,737.11	8,282,733.52
1957/58	11,106,656.—	2,644,441.90	—	—	2,644,441.90
Total	220,587,870.—	52,520,921.42	16,974,839	4,467,062.90	56,987,984.32

The German mines paid 92.1% and the Dutch 7.9% of the total.

The interest from the temporary placement of levy funds in the period to December 31, 1958, totalled 128,838.41 Units of Account.

When it became evident that the payment of the perequation levy was too a heavy burden for a number of small German mines, the High Authority decided to exempt them from it. Consequently, a refund in the aggregate amount of DM 1,224,658.— or 291,585.24 Units of Account was made to 98 mines on April 17, 1957.

Fiscal year	Disbursements of Grants				Total Units of Account (b + d)
	to Belgian mines		to Italian mines		
	Bfr. (a)	Units of Account (b)	Lire (c)	Units of Account (d)	
1952/53	24,384,523.50	487,690.47	—	—	487,690.47
1953/54	594,452,524.50	11,889,050.49	1,500,000,000	2,400,000	14,289,050.49
1954/55	709,168,022.10	14,183,360.44	1,650,000,000	2,640,000	16,823,360.44
1955/56	591,528,765.75	11,830,575.32	600,000,000	960,000	12,790,575.32
1956/57	399,833,515.—	7,996,670.30	325,000,000	520,000	8,516,670.30
1957/58	184,289,041.—	3,685,780.82	—	—	3,685,780.82
Total	2,503,656,391.85	50,073,127.84	4,075,000,000	6,520,000	56,593,127.84

The Belgian mines received 88.48% and the Italian 11.52% of the total.

Final account as of December 31, 1958 :

Receipts	Units of Account	Disbursements	Units of Account
a) Levy paid by German mines DM 220,587,869.88 .	52,520,921.42	a) Grants to Belgian mines Bfr. 2,503,656,391.85	50,073,127.84
b) Levy paid by Dutch mines Hfl. 16,964,839.02 .	4,467,062.90	b) Grants to Italian mines Lire 4,075,000,000.—	6,520,000.—
c) Interest received ...	130,660.90	c) Refundig to 98 small mines DM 1,224,658.—	291,585.24
d) Sundry receipts ...	31,902.78	d) Bank charges	1,130.81
		<i>Surplus</i>	56,885,843.89
			264,704.11
	57,150,548.—		57,150,548.—

In compliance with the general taxation practice of returning excess tax received, the High Authority decided to return the surplus of 264,704.11 Units of Account to the enterprises in proportion to their payments. The German mines will thus receive 92.1% and the Dutch 7.9% of this amount.

REVENUES AND EXPENDITURES OF THE HIGH AUTHORITY

Expenditures	Total for period August 10, 1952 to June 30, 1958	Period July 1, 1958 to December 31, 1958	Total
I — EXPENDITURES IN CONNECTION WITH BORROWING OPERATIONS :			
— Interest on Secured Notes	17,943,750.60	4,656,231.65	22,599,982.25
— Fees to depositary and agent banks	915,315.—	218,712.74	1,134,027.74
— Miscellaneous	13.98	250.—	263.98
<i>Total Expenditures in connection with borrowing operations</i>	<i>18,859,079.58</i>	<i>4,875,194.39</i>	<i>23,734,273.97</i>
II — OTHER EXPENDITURES :			
— Administrative Expenses	51,152,989.61	5,534,117.73	56,687,107.34
— Financial Expenses	2,025,682.98	2,360,532.08	4,386,215.06
— Expenditures for Research	2,552,322.98	1,108,094.94	3,660,417.92
— Expenditures for Readaptation	5,291,017.30	88,791.85	5,379,809.15
— Expenditures for Pensions	135,723.—	62,048.52	197,771.52
<i>Total other Expenditures</i>	<i>61,157,735.87</i>	<i>9,153,585.12</i>	<i>70,311,320.99</i>
Total Expenditures	80,016,815.45	14,028,779.51	94,045,594.96
EXCESS OF REVENUES OVER EXPENDITURES	179,076,989.84	8,456,035.93	187,533,025.77
<i>Revaluation of Assets</i>	<i>—6,013,022.11</i>	<i>—5,566,519.50</i>	<i>—11,579,541.61</i>
<i>Net Excess of Revenues over Expenditures</i>	<i>173,063,967.73</i>	<i>2,889,516.43</i>	<i>175,953,484.16</i>
ALLOCATIONS FROM EXCESS OF REVENUE			
— to Guaranty Fund	100,000,000.—	—	100,000,000.—
— to Special Fund	19,782,147.30	2,956,112.70	22,738,260.—
— for Readaptation	29,058,982.70	—88,791.85	28,970,190.85
— for Technical and Economic Research	11,197,677.02	4,291,905.06	15,489,582.08
— to Reserve for Loan Service	259,002.14	227,680.41	486,682.55
— to Pension Fund	4,368,160.83	505,238.72	4,873,399.55
<i>Total Allocations</i>	<i>164,665,969.99</i>	<i>7,892,145.04</i>	<i>172,558,115.03</i>
<i>Total Unallocated Balance</i>	<i>8,397,997.74</i>	<i>—5,002,628.61</i>	<i>3,395,369.13</i>

Auditor's Certificate

Having examined the books, vouchers and documents of the book-keeping and the explanations given to me, I hereby certify that the financial condition of the High Authority as of December 31, 1958, is correctly and properly reflected in the above document.

Luxembourg, March 1, 1959

Urbain J. Vaes
Auditor

REVENUES AND EXPENDITURES OF THE HIGH AUTHORITY

(including Revenues and Expenditures in connection with Borrowing
and Lending Operations)

All amounts are stated in E.M.A. Units of Account and are the equivalent of the
various currencies computed at the rates set forth on page 4 of this Report.

Revenues	Total for period August 10, 1952 to June 30, 1958	Period July 1, 1958 to December 31, 1958	Total
I — REVENUES FROM LENDING OPERATIONS :			
Interest Received :			
— on loans from borrowed funds	18,087,540.31	4,973,215.61	23,060,755.92
— on undisbursed loan funds	904,246.38	128,666.49	1,032,912.87
— on loans from funds not borrowed	164,174.93	93,788.78	257,963.71
Sundry Receipts :	886.—	993.—	1,879.—
<i>Total Revenue from lending operations</i>	<i>19,156,847.62</i>	<i>5,196,663.88</i>	<i>24,353,511.50</i>
II — LEVY RECEIVED FROM :			
— German Enterprises	103,490,407.33	6,399,515.41	109,889,922.74
— Belgian Enterprises	23,541,108.35	1,244,279.88	24,785,388.23
— French Enterprises	50,052,824.31	3,186,049.82	53,238,874.13
— Italian Enterprises	13,883,142.79	1,096,716.36	14,979,859.15
— Luxembourg Enterprises	6,839,860.62	415,294.48	7,255,155.10
— Dutch Enterprises	7,831,914.63	528,615.01	8,360,529.64
— Saar Enterprises	13,384,967.92	747,103.43	14,132,071.35
<i>Total Levy received</i>	<i>219,024,225.95</i>	<i>13,617,574.39</i>	<i>232,641,800.34</i>
III — OTHER REVENUES :			
— Interest on Deposits and Investments	16,114,292.97	3,044,494.57	19,158,787.54
— Fines	66,776.03	11,392.18	78,168.21
— Receipts for Pension Fund	4,503,883.83	567,287.24	5,071,171.07
— Miscellaneous	227,778.89	47,403.18	275,182.07
<i>Total other Revenues</i>	<i>20,912,731.72</i>	<i>3,670,577.17</i>	<i>24,583,308.89</i>
Total Revenues	259,093,805.29	22,484,815.44	281,578,620.73

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**HIGH AUTHORITY
OF THE
EUROPEAN COAL AND STEEL COMMUNITY**

BALANCE-SHEET DECEMBER 31, 1958

All amounts are stated in E.M.A. Units of Account (1 E.M.A. Unit = U.S.A.\$ 1.—)
and are the equivalent of the various currencies computed at the rates set forth on
page 4 of this Report.

Liabilities

I - SECURED NOTES		
a) in U.S.A.dollars	185,000,000.00	
less repayments	<u>2,900,000.00</u>	182,100,000.00
b) in German (W) marks	11,904,761.90	
less repayments	<u>554,761.90</u>	11,350,000.00
c) in Belgian francs	4,400,000.00	
less repayments	<u>100,000.00</u>	4,300,000.00
d) in French francs	708,923.93	
less repayments	<u>21,976.64</u>	686,947.29
e) in Luxembourg francs	2,100,000.00	
less repayments	<u>12,500.00</u>	2,087,500.00
f) in Swiss francs		<u>11,655,011.66</u>
		212,179,458.95
II - RESERVES		
a) Guaranty Fund		100,000,000.00
b) Special Fund		<u>22,738,260.00</u>
		122,738,260.00
III - ALLOCATIONS FROM REVENUE		
a) For readaptation		28,970,190.85
b) For technical and economic research		15,489,582.08
c) For loan service		<u>486,682.55</u>
		44,946,455.48
IV - PENSION FUND		
		4,873,399.55
V - CONTINGENT LIABILITIES (per contra)		
		1,191,749.86
VI - INTEREST AND COMMISSIONS ON SECURED NOTES		
payable but not yet due		3,509,393.21
VII - OTHER LIABILITIES		
		1,286,515.82
VIII - UNALLOCATED REVENUE		
		3,395,369.13
IX - LIABILITY UNDER GUARANTEES (per contra)		
	<u>432,000.00</u>	
		<u><u>394,120,602.00</u></u>

**For the High Authority
of the European
Coal and Steel Community**

P. Finet
President

H. Skribanowitz
Director of the Finance Division

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35a were a one-page
foldout.*

Assets

I - LOANS FROM FUNDS BORROWED		
1. For the financing of industrial projects :		
in U.S.A.dollars	184,000,000.00	
less repayments	<u>2,926,320.00</u>	181,073,680.00
in Swiss francs		<u>11,655,011.66</u>
		192,728,691.66
2. For the financing of housing projects :		
in U.S.A.dollars		1,000,000.00
in German (W) marks	11,904,761.90	
less repayments	<u>602,857.14</u>	11,301,904.76
in Belgian francs	4,400,000.00	
less repayments	<u>100,000.00</u>	4,300,000.00
in Luxembourg francs	1,900,000.00	
less repayments	<u>12,500.00</u>	1,887,500.00
in French francs	708,923.93	
less repayments	<u>21,976.64</u>	686,947.29
		19,176,352.05
3. Undisbursed balances		<u>211,905,043.71</u>
in Luxembourg francs		200,000.00
in German (W) marks		48,095.24
in U.S.A.dollars		<u>26,320.00</u>
		274,415.24
		<u>212,179,458.95</u>
II - OTHER LOANS		
1. Amount committed :	<u>22,544,319.88</u>	
2. Amount disbursed :		
a) for the financing of housing projects		10,809,104.06
b) for the financing of experimental housing projects		1,040,847.92
c) Sundry loans		<u>555,633.74</u>
		12,405,585.72
3. Undisbursed balances		<u>10,138,734.16</u>
		22,544,319.88
III - CASH AND OTHER CURRENT ITEMS		
1. Cash and due from banks		132,815,497.90
2. Other current items		<u>16,522,217.35</u>
		149,337,715.25
IV - INVESTMENT SECURITIES		
1. Securities at cost		1,883,027.36
2. Accrued Interest		<u>63,208.18</u>
		1,946,235.54
V - ADVANCES TO THE OTHER EUROPEAN COMMUNITIES AND COMMON INSTITUTIONS		
		1,146,143.23
VI - CONTINGENT INTEREST (per contra)		
		1,191,749.86
VII - INTEREST ON LOANS		
Réceivable but not yet due		3,546,295.08
VIII - OTHER ASSETS		
		2,228,684.21
IX - ENTERPRISES' LIABILITY UNDER GUARANTEES (per contra)		
	<u>432,000.00</u>	
		<u>394,120,602.00</u>

Note : The Claims and Securities under Loans (see Assets I) are pledged to the Bank for International Settlements, Basle, in favour of the holders of Secured Notes issued by the High Authority (see Liabilities I).

Auditor's Certificate

Having examined the books, vouchers and documents of the book-keeping and the explanations given to me, I hereby certify that the financial condition of the High Authority as of December 31, 1958, is correctly and properly reflected in the above document.

Luxembourg, March 1, 1959

Urbain J. Vaes
Auditor