

**ACP-EU COTONOU AGREEMENT**

---

**AFRICAN, CARIBBEAN AND  
PACIFIC GROUP OF STATES**

---

**COUNCIL OF  
THE EUROPEAN UNION**

---

**Brussels, 24 May 2016**

**ACP-UE 2113/16**

**COVER NOTE**

---

from:	Chairman of the Executive Board of the Centre for the Development of Enterprise
date of receipt:	10 May 2016
to:	Co-President of the ACP-EU Committee of Ambassadors
Subject:	Centre for the Development of Enterprise (CDE) - Financial Statements and Audit Reports on the accounts for financial years 2011 and 2012

---

In accordance with Article 27 of the Financial Regulation applicable to the Centre for the Development of Enterprise of 17 December 2004, delegations will find attached the financial statements and audit reports on the accounts of the Centre for financial years 2011 and 2012.

\_\_\_\_\_



Immeuble Serenitas  
Avenue Edmond Van Nieuwenhuyse 2A  
B-1160 Brussels - Belgium  
Tel. 32-2-679.18.11 /  
Fax. 32-2-675.26.03  
Web: <http://www.cde.int>

CENTRE POUR LE DEVELOPPEMENT  
DE L'ENTREPRISE  
CENTRE FOR THE DEVELOPMENT  
OF ENTERPRISE



DIR/edv/1/2016

Date 21.04.2016

SECRÉTARIAT GÉNÉRAL DU CONSEIL DE L'UNION EUROPÉENNE	
SGE16/04515	
Reçu le	10-05-2016
DEST. PRINC.	M. SCHIAVO
DEST. COPISTES	
(44 ANNEXES)	

ACP-EU Committee of Ambassadors  
Attn ACP Chairman, Mr Roger-Julien Menga  
ACP Secretariat  
Avenue Georges Henri, 1200 Brussels  
BELGIUM

Attn EU Chairman, Mr Pieter De Gooijer  
Dutch Presidency of the Council of the European  
Union  
Rue de la Loi 175, 1048 Brussels,  
BELGIUM

**Subject: Submission of the Financial Statements 2011 and 2012 of the Centre for the Development of the Enterprise (CDE)**

Dear Chairman,

Following article 27.5. of the Financial Regulations of the Centre for the Development of Enterprise (CDE), laid down by Decision No 5/2004 of the ACP-EU Committee of Ambassadors of 17 December 2004, we hereby forward the financial statements and statutory audits on the financial year 2011 and 2012.

Based on the statutory audits, the CDE Executive Board has adopted both the financial statements of the year 2011 on 11.12.2015 and the ones of the year 2012 on 25.01.2016.

It shall be underlined that the audit reports have been drawn-up in the specific context of the CDE winding-down as decided by the Declaration of the ACP-EU Council of Ministers of June 2014 in Nairobi. As a consequence, the reports are taking into account the overall context of the CDE closure.

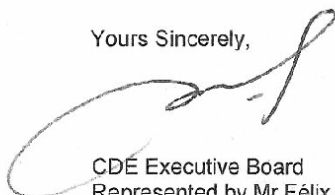
Therefore, the 2011 and 2012 financial statements as adopted by the CDE Executive Board, are forwarded to the ACP-EU Committee of Ambassadors without specific recommendation.

The CDE Executive Board would like to propose the approval of the financial statements 2011 and 2012 and the discharge of the Director in respect of the implementation of the budget.

We stay at your disposal for any additional information you may need.

Please accept, Chairman, the expression of my highest consideration.

Yours Sincerely,



CDE Executive Board  
Represented by Mr Félix Mouko  
Chairman of the CDE Executive Board

*Attached: Financial Statements 2011 and 2012 + Auditors reports 2011 and 2012*

## Independent Auditor's Report

To the Director of the CDE

In accordance with the terms of Contract no. EXA/2011/01 and those of our engagement letter dated 1 March 2015, we have audited the accompanying financial statements of the Center for the Development of the Enterprise ("CDE"), which comprise the balance sheet as at 31 December 2011, and the economic outturn account and cash flow table for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Director's Responsibility for the Financial Statements*

The Director is responsible for the preparation and fair presentation of these financial statements in accordance with Decision no. 5/2004 of the ACP-EC Committee of Ambassadors concerning the Financial Regulation of the CDE (referring to International Public Accounting Standards ("IPSAS")), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

### *Basis for Adverse Opinion*

The financial statements have been prepared on a going concern basis. As explained in Note 8 to the financial statements, the ACP-EU Council of Ministers decided in June 2014 to wind up the CDE. Under IPSAS, an entity shall not prepare its financial statements on a going concern basis if those responsible for the preparation of the financial statements or the governing body determine after the reporting date that there is an intention to liquidate the entity. Had the financial statements been prepared on a liquidation basis, adjustments might have been required to the carrying value of assets and liabilities, and additional liabilities might have been required to be reported in the financial statements. The effects on the financial statements of the failure to reflect the change in circumstances have not been determined.

BDO Bedrijfsrevisoren Burg. Ven. CVBA / BTW BE 0431 088 289 RPR Brussel  
BDO Réviseurs d'Entreprises Soc. Civ. SCRL / TVA BE 0431 088 289 RPM Bruxelles

BDO Bedrijfsrevisoren Burg. Ven. CVBA - BDO Réviseurs d'Entreprises Soc. Civ. SCRL, a limited liability company incorporated in Belgium, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the CDE as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with Decision no. 5/2004 of the ACP-EC Committee of Ambassadors concerning the Financial Regulation of the CDE (referring to IPSAS).

### *Emphasis of Matter*

We draw attention to:

- Note 2.2 to the financial statements discussing amounts totaling EUR 2.6 million claimed as receivable from the European Commission despite the related expenditure having been declared ineligible under EU rules; and to
- Note 2.4 to the financial statements discussing amounts totaling EUR 5.4 million reported as receivable from the European Commission though they were not included in the annual budgets of the CDE.

These amounts represent assets of the CDE only to the extent that the European Commission will ultimately accept to fund them because no other available financing sources are available to the CDE. Our opinion is not qualified in respect of these matters.

### *Restriction of Use*

The financial statements are not presented in full accordance with and do not include all the information required to be disclosed by IPSAS. They were prepared to satisfy the reporting requirements set in Decision no. 5/2004 of the ACP-EC Committee of Ambassadors concerning the Financial Regulation of the CDE and not to serve as general purpose financial statements. This report is intended solely for the use of the Director, the Executive Board and the ACP-EC Committee of Ambassadors and should not be used for any other purpose.

Brussels, 24 August 2015

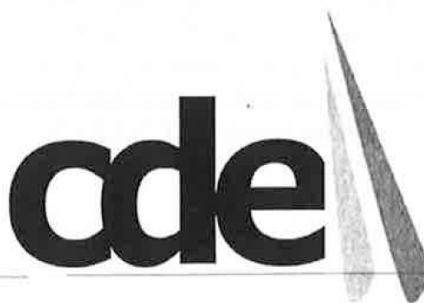


BDO Réviseurs d'Entreprises  
Represented by Dominique Milis  
Partner



Avenue Edmond Van Nieuwenhuyse, 2  
B-1160 Bruxelles/Brussels  
Belgique/Belgium  
Tel. : 32-2-679.18.11  
Fax: 32-2-675.26.03  
[www.cde.int](http://www.cde.int)

## FINANCIAL STATEMENTS 31 December 2011



CENTRE POUR LE DEVELOPPEMENT DE L'ENTREPRISE  
CENTRE FOR THE DEVELOPMENT OF ENTERPRISE

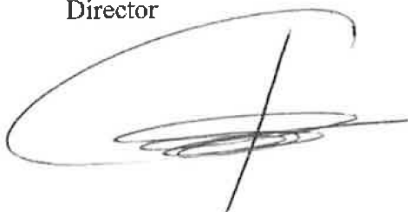
Ilse Van De Mierop  
Director

Une institution du Groupe des États ACP (Afrique, Caraïbes et Pacifique) et de l'Union Européenne dans le cadre de l'accord de Cotonou.  
An institution of the ACP Group of States (Africa, Caribbean and Pacific) and the European Union in the framework of the Cotonou Agreement.

### **Declaration Letter — Financial Statements 2011**

I, the undersigned, Ilse Van De Mierop, Director of the Centre for the Development of Enterprise (CDE since 6 September 2010), certify that the Financial Statements of the CDE for the year 2011 represent a complete, true and fair view in accordance with Decision no. 5/2004 of the ACP-EC Committee of Ambassadors concerning the Financial Regulation of the CDE referring to International Public Sector Accounting Standards (“IPSAS”).

Ilse Van De Mierop  
Director



**CDE ANNUAL ACCOUNTS**

2011 Financial year

**Financial Statements**

**TABLE OF CONTENTS**

**CDE Financial Statements and explanatory notes.....**

A. Balance Sheet.....

B. Economic outturn account.....

C. Cash Flow table.....

D. Notes to Financial Statements.....



## A.BALANCE SHEET

	(EUR)	CDE	
	Note Annex	31.12.2011	31.12.2010
<b>I. NON-CURRENT ASSETS</b>		3.029.431,94	2.006.078,39
Fixed assets	2.1	403.025,26	133.035,26
Non-current receivables	2.2	2.626.406,68	1.873.043,13
<b>II. CURRENT ASSETS</b>		14.821.052,17	11.471.242,60
Short term prefinancing	2.3	1.225.834,46	948.370,28
Current receivables	2.4	10.518.289,40	4.405.697,36
Other current assets		3.085,42	1.491,78
Cash and cash equivalents	2.5	3.073.842,89	6.115.683,18
<b>Total assets</b>		17.850.484,11	13.477.320,99
<b>III. NON-CURRENT LIABILITIES</b>		5.322.995,77	44.442,49
Provisions for risks and charges	2.6	5.322.995,77	44.442,49
<b>IV. CURRENT LIABILITIES</b>		12.527.488,34	13.432.878,50
Provisions for risks and charges	2.7		2.075.251,58
Current payables	2.8	5.457.002,83	3.235.494,75
Deferred Revenues	2.9	7.070.485,51	8.122.132,17
<b>Total liabilities</b>		17.850.484,11	13.477.320,99

Under the CDE's financial regulations and its funding, the CDE does not have resources and neither deficit nor surplus is released from CDE's activity. This explains the absence of net assets.

## B.ECONOMIC OUTTURN ACCOUNT

	(EUR)	CDE	
	Note Annex	2011	2010
<b>OPERATIONAL PRODUCTS</b>		<b>-14.051.929,41</b>	<b>-12.202.585,10</b>
Revenues	4.1	-13.892.314,85	-11.858.381,86
Other revenues	4.1	-159.614,56	-344.203,24
<b>OPERATING EXPENSES</b>		<b>13.878.650,52</b>	<b>11.845.693,94</b>
Operational costs	4.2	4.377.009,26	1.700.652,43
Running costs and general expenses	4.2	1.461.825,47	2.683.351,08
Staff expenses and social security expenses	4.2	4.827.294,56	5.275.325,27
Other expenses	4.2	58.496,76	138.882,31
Allocation to provisions, amortisation and impairment	4.2	3.154.024,47	2.047.482,85
<b>{SURPLUS}/DEFICIT OF OPERATIONAL ACTIVITY</b>		<b>-173.278,89</b>	<b>-356.891,16</b>
Financial income	4.3	-63.605,24	-2.448,00
Financial charges	4.3	13.905,34	12.446,91
<b>{SURPLUS}/DEFICIT OF NON OPERATIONAL ACTIVITY</b>		<b>-49.699,90</b>	<b>9.998,91</b>
<b>{SURPLUS}/DEFICIT OF ORDINARY ACTIVITY</b>		<b>-222.978,79</b>	<b>-346.892,25</b>
<b>TRANSFER OF NET RESULT</b>		<b>222.978,79</b>	<b>346.893,25</b>
<b>ECONOMIC SURPLUS OF THE YEAR</b>			

(\*) Under the CDE's Financial Regulations and its functioning, the CDE does not dispose of its own resources and neither deficit nor surplus is released from CDE's activity.

## C. CASH FLOW TABLE

	(EUR)	Note Annex	31.12.2011
<b>CASH FLOW FOR ORDINARY ACTIVITY</b>		4	
(Increase)/decrease of non-current receivables			-753.363,55
(Increase)/decrease of short term prefinancing			-277.464,18
(Increase)/decrease of current receivables			-6.112.592,04
(Increase)/decrease of other current assets			-1.593,64
Increase/(decrease) of long term provisions			5.278.553,28
Increase/(decrease) of short term provisions			-2.075.251,58
Increase/(decrease) of current payables			2.221.508,08
Increase/(decrease) of deferred revenues			-1.051.646,66
<b>Cash flow related to investment activities</b>			
(Increase)/decrease of tangible and intangible fixed assets			-269.990,00
<b>NET CASH FLOW FROM ORDINARY ACTIVITY</b>			<b>-3.041.840,29</b>
<b>NET INCREASE/(DECREASE) OF CASH &amp; CASH EQUIVALENTS</b>			<b>-3.041.840,29</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>			<b>6.115.683,18</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			<b>3.073.842,89</b>

## **D. NOTES TO FINANCIAL STATEMENTS**

1. Accounting policies
2. Notes to balance sheet
3. Notes to economic outturn account
4. Notes to cash flow table
5. Off-balance sheet items and notes
6. Financial risk management
7. Related parties disclosures
8. Events after the balance sheet date
9. Programmes

## **1. ACCOUNTING POLICIES**

### **1.1 FINANCIAL REGULATIONS**

The Financial Regulation defines amongst others the budgetary and functioning rules of the CDE.

### **1.2 ACCOUNTING PRINCIPLES**

The objective of the financial statements is to provide information on the financial position, performance and, the cash flow results of an entity useful for a wide range of users. For a public sector entity such as the CDE the main objectives are to provide information useful for decision making and to allow the CDE to be accountable for the use of resources placed under its responsibility. It is in this optic that the current document is established. The accounting principles (ISPSAS) adopted by the CDE that are to be applied in order to establish the financial statements are:

- the going concern basis
- prudente;
- consistency of accounting methods;
- comparability of information;
- materiality;
- non-compensation;
- substance over form;
- the accrual based accounting.

In order to prepare the financial statements in conformity with the regulations and principles above mentioned, estimations must be formulated that will affect the amounts of various posts noted in the balance sheet and to the economic result account as well as the information related to assets and liabilities.

### **1.3 CURRENCIES AND CONVERSION BASIS**

#### **Functional and reporting currency**

The financial statements are presented in Euros, the Euro being the functional and reporting currency of CDE.

#### **Balances and transactions**

Transactions in foreign currencies are converted to Euros based on the exchange rates applicable at the dates of the transactions. Gains and loss resulting from the settlement of transactions made in foreign currencies and from to the conversion of year-end exchange rates related to financial assets and liabilities in foreign currencies are recognised in the economic outturn account.

#### **Use of estimates**

In accordance to IPSAS and accounting principles generally accepted, the financial statements necessarily include the amounts based on the estimates and the assumptions made by the CDE based on the most reliable information it has. The estimation principles pertain namely on the provisions, the financial risks linked to debtors, charges to pay and income to receive, possible assets and liabilities and the depreciation degree of tangible and intangible assets. The actual figured may vary in comparison to these estimations. The estimation changes are taken into account for the exercise on which they are recognised.

### **1.4 BALANCE SHEETS**

#### **1.4.1 Intangible fixed assets**

Software licenses purchased by the CDE are capitalized on the asset balance sheet based on their historical cost less cumulated depreciation and impairment. These costs are amortized on a linear basis taking into account their estimated useful lifetime (4 years).

#### **1.4.2 Tangible fixed assets**

All the tangible fixed assets are stated at their historic cost less the depreciation and impairment. The historic cost includes all expenses directly linked to the acquisition or execution of an asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CDE and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the economic outturn account during the financial period in which they are incurred..

Land and assets under construction are not depreciated; these are currently not existing in the CDE's legacy. The depreciation of the assets is calculated using the straight-line method, in order to attribute their cost to the residual value over their estimated useful lives as follows:

Type of assets	Linear depreciation rate
Intangible assets	25%
Buildings	4%
Plant, machine and equipment/layout	10% á 25%
Furniture	10% á 25%
Equipment	10% á 33%
Vehicles	25%
Computer — hardware	25%
Other fixed assets	10% á 33%

Residual values of assets and their useful lives are reviewed (adjusted if needed) at each balance sheet date. If the recoverable value of an asset is below its carrying value, the asset's carrying value must be written down to its recoverable value.

The gains and losses on disposal are determined by comparing the disposal reduced by disposal fees to the carrying amount of the asset. They are included to the economic outturn account.

#### **1.4.3 Prefinancings**

The prefinancing corresponds to the payment of a cash advance to the beneficiary. Usually, it is only transferred at the beginning of the period as foreseen in the service contract. In some cases it may be fractioned into multiple transfers over a defined period of time when there is an agreement on specific prefinancings. The amount of the advance is corrected (totally or partially) by the justified amounts and/or sums reimbursed. If the beneficiary has not spent the initially calculated amounts, it is his obligation to reimburse the advances received.

At the year-end, the outstanding prefinancings are valued on the basis of the initial amounts paid, deductions made of the following items: reimbursed amounts, justified amounts and potential value reductions.

#### **1.4.4 Receivables**

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the CDE will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest for similar borrowers. The amount of the write-down is recognised in the economic outcome account statement.

This section also includes the CDE's receivable from the EDF (European Development Fund), main source of financing for CDE. This receivable corresponds to the amount of commitments approved after the deduction of own revenue and contributions received.

#### **1.4.5 Cash and cash equivalents**

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

The amounts labelled in foreign currencies are converted to the functional currency in CDE applying the exchange rate of the accounting date of the transaction. During the annual closure, the accounts labelled in foreign currencies are re-evaluated according to the closure date's applied exchange rate. The exchange rate difference (gain or loss) resulting from this re-evaluation is booked in the economic result account.

#### **1.4.6 Provisions for risks and charges**

Provisions for risks and charges are recognised when CDE has an present obligation (legal or constructive) towards third parties resulting from past events that it is more likely than not that an outflow of resources will be required to settle this obligation and the related amount may be estimated in a reliable way. No provision is booked for the future operational losses. The amount booked as provision corresponds to the best estimation expenditures expected to be required to settle the present obligation at the reporting date..

#### **1.4.7 Payables**

The short-term Debts are mainly linked to operational activities financed by the EDF funds.

This caption includes all debts related to suppliers and service providers as well as the social and EDF debts.

These debts resulting from the purchase of goods or services are booked at the reception of the invoice for its initial amount and the corresponding expenses are booked when the goods or services are delivered or provided and approved by the CDE.

#### **1.4.8 Accrued charges and income and deferred charges and income**

Under accrual accounting, it is important to make sure all transactions made during the year are recorded in the correct accounting year. It is the cut-off principle or separation of exercises where the transactions must be recognised in the year they refer to.

At year-end, the charges to pay are recognised based on the estimated amount of services provided (or delivered) that are not yet invoiced to CDE. The assessment of charges to pay is done following methods defined by CDE based on available information and operational specificities so that the financial statements provide a true and fair view. To the opposite, some charges are booked during the year even though they are related to future periods (charges to be deferred). They must be identified and deferred to the year they relate to. The estimation of charges to pay is booked as a provision for invoices to be received and presented under the current payables caption.

Incomes are also booked to the year they are related to. At the end of the year, when an invoice has not been received though the service was provided or the goods delivered, the corresponding amount is booked in the financial statements as a accrued income.

Moreover, when at the end of the year an invoice has been sent though the service has not yet been provided or the goods not yet delivered, the corresponding income is deferred and will be recognised during the next accounting year.

The deferred revenues also pertain to EDF contributions received but for which the expenses are linked to service to be provided or delivery of goods have not yet been carried out at the end of the year.

#### **1.4.9 Net assets**

In the framework of the CDE's financial regulations and its related financing mode, no surplus or deficit results from CDE activities. All costs taken into account by CDE are financed by contributions received or to be received by the EDF. All excess of EDF contributions are reimbursed. Meaning that by its modes of financing and functioning, the CDE does not dispose of any net assets.

### **1.5 ECONOMIC OUTTURN ACCOUNT**

#### **1.5.1 Revenue**

Income linked to selling or service providing is booked when it is likely that the CDE may have future economical benefits and that these may be measured in a reliable way. This income is booked in the economic outturn account when significant risk and rewards of ownership of the goods are transferred to the purchaser. Income issued from service provision is recognised depending on the degree of completion and the date of closure. The degree of completion is preferably assessed based on work executed. It is to be noted that income linked to selling of goods or service providing is not part of recurrent CDE activities.

#### **Income**

##### *EDF Contributions:*

This is all contributions received or to be received by the EDF corresponding to the total of approved commitments. The contributions received or to be received by the EDF that are not allocated to approved commitments (contracts signed with a supplier) are not considered as revenue for the accounting year.

##### *Third party Contributions*

These are contributions received by third parties for specific projects managed by the CDE for third parties.

##### *Adjustments of contributions*

The adjustment of contributions is booked for the following cases:

- Budgetary surplus linked to previous year commitments for which the services have not been provided and that must be reimbursed to the EDF at the end of the accounting year;
- Budgetary surplus corresponding to the part of the budget not allocated to approved commitments;
- Deferred revenue resulting from commitments on the accounting year that have not yet been used and so are deferred to the next year;
- Credit notes to receive for receivables to be recovered on closed commitments.

#### **Other income**

This relates mainly to taxes on salaries that constitute CDE's own resources as well as to the rebilling of costs linked to the PROINVEST programme in the framework of the management of this programme. The programme is managed in CDE by an independent unit "the PROINVEST Implementation Services" (PRIMS). Administrative and support costs are re-billed by the CDE.

#### **Interest expense and income**

Interest income and expense are recognised in the economic outturn account using the effective interest method. This is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.



### **1.5.2 Charges**

Expenses are taken in the framework of the CDE's ordinary activities and namely including operational costs, salaries, depreciation costs and renting fees.

A "loss" represents a reduction of the economic advantage linked to an asset (i.e.: the booking of a provision for a debtor). Losses may also be linked to a liability element (i.e.: the booking of a provision for litigation).

CDE's main costs result of operational, running and general costs. The charges linked to operations with a direct counterparty such as purchase of goods or services are recognised when the goods are delivered/the services are provided and approved by the CDE. They are evaluated to the initial invoicing cost.

### **1.6 CONTINGENT ASSETS AND LIABILITIES**

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the CDE. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the CDE; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the extremely rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of resources embodying economic benefits or service potential will be required for an item dealt with as contingent liability, a provision is recognised in the financial statements of the period in which the change of probability occurs.

### **1.7 USE OF ESTIMATES**

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to, amounts for pensions, provisions for future charges, financial risk accounts receivables, accrued income and charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

## 2. NOTES TO THE BALANCE SHEET

### NON CURRENT ASSETS

#### 2.1. TANGIBLE FIXED ASSETS

The net total amount of tangible fixed assets for 431.284,95 Euros at 31 December 2011 relates the assets held in the various regional offices as well as in Brussels.

#### Tangible fixed assets

	Supplies & (EUR) Equipment	Vehicles	IT equipment	TOTAL
Gross accounting value at 31 December 2010	618.123,22	228.254,38	615.056,74	1.461.434,34
Additions	264.724,73	38.486,54	140.394,90	443.606,17
Disposals			-4.881,95	-4.881,95
Transfers between asset categories				
Other changes				
<b>Gross carrying amount at 31 December 2011</b>	<b>882.847,95</b>	<b>266.740,92</b>	<b>750.569,69</b>	<b>1.900.158,56</b>
Accumulated depreciations at 31 December 2010	560.267,40	199.677,63	568.454,05	1.328.399,08
Depreciation charge for the year	56.969,63	33.955,10	77.809,49	168.734,22
Reversal of depreciation				
Disposals				
Transfers between asset categories				
Other changes				
<b>Accumulated depreciation at 31 December 2011</b>	<b>617.237,03</b>	<b>233.632,73</b>	<b>646.263,54</b>	<b>1.497.133,30</b>
<b>NET CARRYING AMOUNT AT 31 DECEMBER 2011</b>	<b>265.610,92</b>	<b>33.108,19</b>	<b>104.306,15</b>	<b>403.025,26</b>

## 2.2 NON CURRENT RECEIVABLES

This heading mainly includes

- The balance of expenses declared as ineligible by the European Commission (2,212 million Euros at 31 December 2011). These expenses have been declared ineligible for being contrary to the principles stipulated in the subvention convention. Rejection of these expenses is challenged by the CDE who believes that some dispositions of the convention are in contradiction with the CDE's internal rules imposed by the Ambassadors Comity. Indeed, in order to benefit from the EDF subvention, the CDE has signed with the European Commission a subvention contract in which the CDE commits itself to respect a certain number of EDF regulations. The CDE has drawn AIDCO's attention to the specificity of the CDE which, in virtue of the ACP-EU Ambassador Committee, must respect a certain number of its own rules. Some of which are sometimes in contradiction with those of the EDF imposed by the subvention contract. Moreover, the CDE receives a functioning subvention from the EDF. This subvention is CDE's only source of financing to cover the running costs. However, the Commission deducted these amounts of ineligible costs from the funds transfers that were due to the CDE. So the sum rejected is booked as a receivable towards the EDF because these expenses have been made in accordance to the CDE's financial regulations.
- An amount of 0,382 million Euros corresponding to the expenses qualified as ineligible by the European Commission's anti-fraud department (OLAF) during an audit done in 2006. These expenses have been considered as ineligible by the EDF because contrary to the subvention contract principles. The rejection of these expenses is contested by the CDE because certain dispositions of the convention are in contradiction with the CDE's internal regulations imposed by the Ambassadors Committee. Subsequently this amount is taken as a receivable towards the EDF (also see section regarding current receivables);
- A balance of 22 KEUR is linked to a litigation with an ex-agent. The CDE has been required to pay this agent an indemnity that was partially used to pay debts due by the agent. The balance of 22 KEUR is challenged by the ex-agent who refuses the payment. Consequently this sum is blocked at the Funds Deposit. The litigation amounted to 44 KEUR in 2010, of which 22 KEUR was refunded to the CDE in 2011. The litigation is still ongoing (also see the section regarding provisions for risks and charges to the liabilities of the balance sheet);

## CURRENT ASSETS

### 2.3 SHORT TERM PREFINANCING

This heading includes the advances made to support projects or missions. All advances are conducted by contracts that clearly stipulate in each case the time frame for submission of justification documents related to the actual expenses. These expenses are either totally or partially justified or have not yet been justified because they are pending reception of justification documents. These correspond to the balance of the short term prefinancing for a total amount of 1,225 million Euros.

## 2.4 CURRENT RECEIVABLES

	At 31.12.2010			At 31.12.2011			
	(EUR)	Gross amount	Written down	Net value	Gross amount	Written down	Net value
Contributions to receive		3.887.111,69		3.887.111,69	10.399.385,13		10.399.385,13
Advances to recover		514.209,60	-478.140,69	36.068,91	738.528,29	-624.195,69	114.332,60
Proinvest receivables		316.511,59		316.511,59	858,02		858,02
Credit notes received		164.126,78		164.126,78	-188,50		-188,50
Other receivables		1.878,39		1.878,39	3.902,15		3.902,15
TOTAL		4.883.838,05	-478.140,69	4.405.697,36	11.142.485,09	-624.195,69	10.518.289,40

### Contributions to receive

This heading includes:

- The part of the 2011 annual budget that was linked to commitments and remaining to be received by the EDF for a total amount of 5,010 million Euros (1,505 million Euros at 31 December 2010);
- A provision of 5,388 million Euros (2,382 million Euros at 31 December 2010) for an amount to be received by the EDF corresponding to the provisions for risks and charges amount and for bad debts booked in 2010 and 2011. These extra costs are not included in the 2011 annual budget.

### Advances to recover

This heading is related to amounts due by the consultants or organisations following the disrespect of contractual conditions on advances transferred to support missions or specific projects. As the CDE works with small and medium sized enterprises in ACP countries, the payment conditions had to be adapted to the local conditions. In the past, the first payments were made on the basis of a statement confirming start of work and advances were also granted to some companies for the organisation of meetings (to cover logistics and participation fees). The contracts foresee that all expenses must be justified or that the advance or that part of the advance not justified must be reimbursed within a given time frame. However, a certain number of advances have not yet been recovered. The total amount of these credits to recover is of 0,738 million Euros (0,514 million Euros at 31 December 2010).

In accordance with the principle of prudence, the CDE must estimate and record the part of the receivables that is unlikely to be recovered.. In this way the written down of 0,624 million Euros is recognised at 31 December 2011 (0,478 million Euros at 31 December 2010). The accounting of this impairment does not imply CDE's waiver to future recovering of impaired receivables. However, it should be noted that taking into account the age of most of these receivables, the percentage of these refunds might be minimal.

## 2.5 CASH AND CASH EQUIVALENTS

The balance of current cash accounts is up to 0,512 million Euros at 31 December 2011. The balance of the deposit account is of 2,561 million Euros at 31 December 2011. All interests collected over that period have been recognised and taken into account on the economic outturn account at 31 December 2011.

## NON CURRENT LIABILITIES

### 2.6 PROVISIONS FOR RISKS AND CHARGES — LONG TERM

#### Provisions for risks and charges - long term

(in EUR)	31.12.2010	Additional provisions	Unused returned amounts	Used amounts	Transfer to the/coming from the short term	Present value discounting	31.12.2011
Legal cases Mbayi	44.442,49		22.078,56				22.363,93
ProInvest		364.066,45					364.066,45
Provision ex-agents		2.861.313,81			2.075.251,58		4.936.565,39
<b>TOTAL</b>	<b>44.442,49</b>	<b>3.225.380,26</b>	<b>22.078,56</b>	<b>-</b>	<b>2.075.251,58</b>	<b>-</b>	<b>5.322.995,77</b>

#### Legal Cases

This is related to litigation with an ex-agent. The CDE was requested to pay this agent an indemnity that was used to partially pay the debts this agent had. CDE never managed to transfer this amount to the agent (the latter refusing the transfer) this amount was transferred to the Funds Deposit (also see section regarding non-current receivables).

#### ProInvest

It remains a discussion between EC and CDE concerning the rent until everything is further clarified.

#### Provision ex-agents

The provision concerns the legal case of the ex-agents.

## CURRENT LIABILITIES

### 2.7 PROVISIONS FOR RISKS AND CHARGES — SHORT TERM

#### Provisions for risks and charges - short term

(in EUR)	31.12.2010	Additional provisions	Unused returned amounts	Used amounts	Transfer to the/coming from the short term	Present value discounting	31.12.2011
Legal cases	2.075.251,58				2.075.251,58		-
<b>TOTAL</b>	<b>2.075.251,58</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.075.251,58</b>	<b>-</b>	<b>-</b>

This is the estimate of the amounts that are likely to be paid in 2012 regarding a certain number of ongoing matters as well as expenses linked to the December 2009 restructuring follow-up. The provision is reclassified to the long term provision, because a large portion (2.648 Keur) was paid in 2013 and 2.288 KEUR will be paid only in 2016 or later.

## 2.8 CURRENT CREDITORS

### Current creditors

(in EUR)	31.12.2010	31.12.2011
Debts - EDF and other funds	900.634,08	3.995.671,17
Debts - Suppliers	1.740.272,03	1.702.505,39
Debts - Proinvest	524.566,61	-
Debts - Social	49.414,30	-261.781,46
Debts - Others	20.607,73	20.607,73
<b>TOTAL</b>	<b>3.235.494,75</b>	<b>5.457.002,83</b>

#### EDF and other funds' Debts

The amount to refund to EDF by CDE is 3.995KEur at 31 December 2011 and corresponds to the amount 1,3 million Euros of commitments for year 2010 that were not disbursed by 31 December 2011 and the amount of 2,7 million Euros of commitments for the year 2011. According to the financial rules, the budget for approved expenses for a year can only be committed to the 31 December of that same year; all budgetary balance non committed by 31 December of that same ongoing year can no longer be committed. The commitments for the year not disbursed on 31 December on the ongoing year may be disbursed by 31 December of the following year. The commitments of the year that have not been disbursed by 31 December of the following year are lost.

#### Debts with suppliers

This heading includes the balance of invoices received and not yet paid to suppliers at 31 December 2011 (0,317 million Euros) as well as:

- a) invoices to be received for services rendered by third parties before the year-end, totalling EUR 0,818 million; these have to be accrued in the period in which the services were received by the CDE; the related expense is offset by a corresponding accrued revenue;
- b) amounts repayable to the EDF because the related expenses were found ineligible under EU rules (EUR 0,395 million); as explained in note 2.2, the CDE claims that ineligible expenses are to be funded by the EDF and accordingly reports them as receivable from the EDF; and
- c) the amount of own revenue generated during the period, which is not fundable by the EDF (EUR 0,216 million)

#### Social debts

This balance represents the amounts paid or received by automatic bank transfers to the insuring companies and for which invoices were not yet received at the year-end.

#### Debts — Others

Funds to reimburse following the participation of a third party for various programmes.

## 2.9 DEFERRED REVENUES

This heading is related to EDF contributions deferred to the next accounting year and corresponding to commitment amounts for which the expenses have not yet been disbursed at 31.12.2011 (7,781 million Euros). Indeed, according to the CDE financial rules, the commitments for the year not yet disbursed by 31 December of the ongoing year may be carried over and disbursed up to 31 December of the following year. The commitments not disbursed by 31 December of the following year are lost (also see section 2.8 current creditors).

This total amount is reduced by the part of contributions to cover the costs not yet disbursed but booked at 31 December 2011 according to the new accounting rules. These costs are related to:

- The provision for invoices to be received (0,818 million Euro) estimated at 31 December 2011; See detailed description in section 2.8 – debts with suppliers
- The recognition of the supplier accounts balance at 31 December 2011 (0,317 million Euros).

Moreover, according to the implementation of the new accounting rules, the EDF contributions to be carried over must be increased by the impact of future tangible assets' depreciation (0,403 million Euros). Indeed, the income is taken into account at the pace of depreciation.

This way, the net EDF contribution to be deferred shows as being 7,070 million at 31 December 2011.

### 3. NOTES TO THE ECONOMIC OUTTURN ACCOUNT

#### 3.1 OPERATIONAL PRODUCTS

CDE's operational products are distributed in two main categories: contributions received and the other own income that represents only a small part of the global financing. This own income is also taken into account in the funds to be received or reimbursed to the EDF.

#### OPERATIONAL PRODUCTS

	(In EUR)	2011
<b>INCOME</b>		<b>13.892.314,85</b>
EDF contributions		26.836.446,46
Adjustment of EDF contributions		-12.944.131,61
Adjustments on closed commitments		
<b>OTHER INCOME</b>		<b>159.614,56</b>
Own taxes on salaries		147.383,03
Income		-
Products linked to fixed assets		-
Other various income		12.231,53
<b>Total</b>		<b>14.051.929,41</b>

#### *EDF Contributions*

Contributions received or to be received by the EDF corresponding to the total of approved commitments. The part of the annual budget not allocated to approved commitments (contracts signed with suppliers) is recognised in the accounting year's revenue. The amount of approved commitments for year 2011 is 17,921 million Euros and 8,915 million Euros from 2010 commitments carried over at 31 December 2010.

### ***Adjustment of contributions***

An adjustment to decrease revenue is recorded in consideration of:

- The CDE budgetary surplus (4,225 million Euros) linked to commitments from previous year and for which the services have not been disbursed at 31 December 2011 and which have to be reimbursed to the EDF at the end of the ongoing year;
- Current year commitments that have not yet been disbursed and that are carried over to the next year (11,679 million Euros for the EDF); and
- Additions to fixed assets, to be charged to expense over their useful life (EUR 0,420);

An adjustment to increase revenue is recorded in consideration of the net increase of expenses charged to the economic outturn account but not or not yet disbursed (increase in suppliers' accounts: EUR 0,123 million; increase in the provision for invoices to be received: EUR 0,104 million; bad debt expense: EUR 0,146 million; net increase in provisions for risks and charges: EUR 2,839 million; and depreciation expense: EUR 0,168 million).

### ***Other income***

This heading is mainly about taxes on salaries that constitutes the own CDE income.

## **3.2 OPERATING EXPENSES**

### **OPERATING EXPENSES**

	(in EUR)	2011
<b>OPERATING EXPENSES</b>		
Operational costs		4.377.009,26
Running costs and general expenses		1.461.825,47
Staff charges and social contributions		4.827.294,56
Other charges		281.716,56
Allocation to provisions, absorption and impairment		3.154.024,47
<b>Total</b>		<b>14.101.870,32</b>

#### ***Operational costs***

CDE operational costs cover expenses made during the accounting year related to the ongoing budgetary exercise as well as commitments carried over for the previous budgetary exercise. These costs mainly concern mission expenses for the creation and development of enterprises in the private sector in ACP countries (technical assistance and operations management).

#### ***Running costs and general expenses***

The running costs and general expenses mainly are linked to administrative expenses such as rent and fees linked to operational lease contracts, publishing fees and supplies, etc.



**Staff charges and social contributions**

This heading is related to CDE's own staff charges and social contributions.

**Other charges**

The other charges are mainly related to building taxes (0,087 million Euros). This heading includes the CDE's net result transfer to the balance sheets for a total amount of 0,223 million Euros and corresponding to own revenue including the CDE's bank interest rates.

**Allocation to provisions, absorption and impairment**

The transactions linked to provisions for risks and charges are included in this header. In accordance to the CDE's accounting regulations, the provisions booked on the balance sheet must be re-examined at least at the end of each accounting year and possibly readjusted in order to take into account the actual situation. Written down on the receivables also is included in this header.

**3.3 FINANCIAL PRODUCTS**

The financial product (0,063 million Euros) is mainly interest received on the amounts deposited on the bank accounts and short term bank deposits.

**3.4 FINANCIAL CHARGES**

The financial charges (0,013 million Euros) are essentially linked to bank accounts and their transactions.

**4. NOTES TO CASH FLOW TABLE****4.1 OBJECTIVE AND ESTABLISHMENT OF THE CASH FLOW TABLE**

The information relative to the cash flow constitutes a base for the evaluation of CDE's ability to generate cash and cash equivalents as well as use these flows of cash.

The cash flow table is prepared using the indirect method. This means that the net surplus or deficit for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cash flows.

Cash flows arising from transactions in a foreign currency are recorded in the CDE's reporting currency (euro), by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the date of the cash flow.

The cash flow tables represent the cash flow of the exercise categorised in operational and investment activities.

**4.2 OPERATIONAL ACTIVITIES**

The operational activities correspond to CDE activities other than investment. . These are the majority of the activities performed.

**4.3 INVESTMENT ACTIVITIES**

The investment activities cover the acquisition and disposal of tangible and non-tangible fixed assets as well as other investments that are not included in the cash equivalents.

## 5. OFF-BALANCE SHEET ITEMS & NOTES

### 5.1 POTENTIAL LIABILITIES

(Guarantees given on loans, litigations for which the probability is less than 50%)

#### *Operating lease commitments*

This heading includes the buildings and other equipment rented under operating lease contracts and hence not meeting the conditions to be included in the balance sheet. The amounts indicated correspond to the commitments remaining to be paid for the duration of the contracts.

Description (EUR)	Invoiced during exercise	Amounts to pay in the future			
		To less than a year	1-5 years	More than 5 years	Total
Building	237.208,90	171.207,35	862.563,56	501.151,10	1.363.714,66
<b>Total</b>	<b>237.208,90</b>	<b>171.207,35</b>	<b>862.563,56</b>	<b>501.151,10</b>	<b>1.363.714,66</b>

## 6. FINANCIAL RISK MANAGEMENT

Financial risk management's goal is to ensure the budget implementation in order to allow CDE to reach its objectives and priorities as set in the financial rules.

### 6.1 RISK MANAGEMENT POLICIES

The rules and principles governing the cash operations made by CDE are set in the financial rules.

The cash operations and payments are generally automated using the modern information systems. However, the cash operations in the regional offices remain manual. Specific procedures are applied in order to ensure the safety of the systems and to guarantee the segregation of tasks in accordance with the financial rules, the CDE's internal control standards and the audit principles.

A whole line of directives and written formalised procedures governs the operations management of cash and payment in order to limit the operational and financial risk and ensure an adequate level of control. These guidelines and procedures cover various operation fields (i.e.: execution of payments and cash management, cash provisions, continuity of activity, etc.). The conformity to these guidelines and procedures is regularly verified.

The following principles are also in application:

- The bank accounts opened under CDE's name cannot be overdrawn;
- The balance of the accounts labelled in other currencies than Euros are used for payments in those currencies only or periodically converted into Euros.

### 6.2 CURRENCY RISK

Currency risk corresponds to CDE operations or the value of its investments is affected by exchange rates. This risk arises from the price variation from one currency to another. Given the major part of assets and liabilities are labelled in Euros, the CDE does not cover itself up with the exposure of exchange rates fluctuation effects.

### 6.3 CREDIT RISK

The CDE takes on exposure to credit risk, which is the risk that a counterparty may not pay the total amounts on due dates. Exposure to credit risk is managed firstly by obtaining during market consultations, following a certain threshold of materiality, a solvability confirmation or a bank guarantee.

### 6.4 INTEREST RATES RISK

Taking into account the nature of its financing, the CDE does not have any asset or liability bringing interest except for the cash equivalents.

### 6.5 LIQUIDITY RISK

The budget principles of CDE aim at ensuring sufficient cash resources to execute all payments of the year. Regular cash flow forecasting procedures have been put in place to ensure that treasury resources can cover payments during a given month. Resources can be requested in advance from EDF.

### 6.6 FAIR VALUE

**Receivables and payables**

The outstanding nominal amount minus any provision for impairment of trade receivables and the nominal value of trade receivables are considered to approximate fair values.

**Cash and cash equivalents**

The fair value of cash and cash equivalents, including current accounts and short-term deposits (less than three months) corresponds to the book value.

**7. RELATED PARTIES DISCLOSURES**

The legal framework applicable to the Director, Deputy Director and staff of the Center consists of the Cotonou Agreement signed on the 23<sup>rd</sup> of June 2000 between the members of the African, Caribbean and Pacific States and the European Community and its Member States, amended for the second time in 2010, the Headquarters Agreement between Belgium and the Center, the Statutes and internal rules, the regime applicable to the Center (CAP ), the Financial Regulation of 17 December 2004, Decision nr.5/2004 of the ACP-CE Committee of Ambassadors are applicable to the CDE.

The supreme body is the Committee of Ambassadors ACP-EU who appoints the Board of Directors of the CDE.

The members of the Board of Directors are not paid for their duties. Only travel costs and costs of stay incurred by members of the Board as part of their duties are reimbursed, as well as the per diems.

**8. EVENTS AFTER THE BALANCE SHEET DATE**

The ACP-EU Council of Ministers declared at the 39th meeting of 19-20 June 2014, to proceed with the orderly closure of the CDE.

By Decision No 2127/14 of 23rd October 2014, the ACP-EU Committee of Ambassadors decided to mandate the CDE Executive Board to appoint a "Curator" and follow up the closure process.

Because this is a decision made in the course of 2014, it was decided to still set up the financial statements 2011 under the going concern principle.

Additionally, 2 agents were dismissed shortly after year-end 2011 which will trigger redundancy costs in the following years.

**PROINVEST program**

The PROINVEST program is an ACP-EU partnership to promote investment and technology flows in the ACP countries. This program aims at reducing poverty and at improving the wellbeing of the population through sustainable investments in these countries.

Based on the Article 312.2 of the LOME IV-bis Convention, the ACP Secretary, as authorizing officer of the Regional project, has delegated the functions required for the implementation of the program to the European Commission.

The PROINVEST program is under supervision of the Commission. The Commission entrusted the program management to CDE. For the resources management of the program, separate accounting is applied.