European Commission

Consolidated annual accounts of the European Union

Financial year 2015

EUROPEAN
COMMISSION

Brussels, 11.7.2016
COM(2016) 475 final

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS

CONSOLIDATED ANNUAL ACCOUNTS OF THE EUROPEAN UNION 2015

CONTENTS

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

FINANCIAL YEAR 2015

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add up.

1. EU: Institutional governance and operations

The EU is based on the rule of law. This means that every action taken by the EU is founded on treaties that have been approved voluntarily and democratically by all EU Member States. It has a unique institutional set-up:

- European citizens elect directly the Members of the European Parliament (EP);
- The EU's broad priorities are set by the European Council, which brings together national and EU-level leaders;
- Member States governments are represented in the Council of the European Union (the 'Council');
- The interests of the EU as a whole are promoted by the European Commission (the 'Commission'), whose President is elected by the EP and whose members are suggested for appointment by national governments by common accord with the President-elect and are subject, as a body, to a vote of consent by the EP.

The EU has its own legal order which is separate from international law and forms an integral part of the legal systems of the Member States. The legal order of the EU is based on its own sources of law. Given the varied nature of these sources, a hierarchy had to be established among them. Primary legislation is at the top of the hierarchy and is represented by the Treaty on European Union (TEU); Treaty on the Functioning of the European Union (TFEU); Charter of Fundamental Rights of the European Union; other Treaties and Protocols. This is followed by international agreements concluded by the EU, general legal principles and secondary legislation, which is based on the Treaties.

The organisational governance of the EU consists of institutions, agencies and other EU bodies which are listed in note **9** of the notes to the financial statements. The main institutions in the sense of being responsible for drafting policies and taking decisions are the **EP**, the **European Council**, the **Council** and the **Commission**.

2. Main political objectives of the EU

The Commission proposed on 3 March 2010 the Europe 2020 strategy which is a 10-year strategy for reviving the economy of the EU. It aims at "smart, sustainable, inclusive growth" with greater coordination of national and European policy. A number of headline targets have been agreed for the EU to achieve by the end of 2020. These cover employment, research and development, climate/energy, education, social inclusion and poverty reduction. This limited set of EU-level targets is translated into national targets in each EU country, reflecting different situations and circumstances.

Europe has identified new engines to boost growth and jobs. These areas are addressed by 7 flagship initiatives:

- Digital agenda for Europe;
- Innovation Union;
- Youth on the move;
- Resource efficient Europe;
- An industrial policy for the globalisation era;
- An agenda for new skills and jobs; and
- European platform against poverty.

Within each initiative, both the EU and national authorities have to coordinate their efforts so that they are mutually reinforcing.

The Commission that came into office in November 2014 has defined the following 10 initiatives (up to 2019) which represent a continuation of the Europe 2020 strategy:

- **A new boost for jobs, growth and investment:**

The main initiative of the EU under this heading is the European Fund for Strategic Investments (EFSI), which was launched together with the EIB Group. It is intended to help overcome the current investment gap in the EU by mobilising private financing for strategic investments in key areas such as infrastructure, education, research and innovation, renewable energy as well as risk finance for small businesses. It is expected that additional funding of Member States, national promotional banks and private investors would bring the investments in the EU to a total of EUR 315 billion.

- **A resilient energy union with a forward looking climate change policy:**

The EU has long been committed to international efforts to tackle climate change and felt the duty to set an example through robust policy-making at home. At European level a comprehensive package of policy measures to reduce greenhouse gas emissions has been initiated through the European Climate Change Programme (ECCP). The EU has set itself targets for reducing its greenhouse gas emissions progressively up to 2050. Key climate and energy targets are set in the 2020 climate and energy package and in the 2030 climate and energy framework. These targets are defined so as to put the EU on the way to achieve the transformation towards a low-carbon economy as detailed in the 2050 low-carbon roadmap. The EU tracks its progress on cutting emissions through regular monitoring and reporting. The EU has been at the forefront of international efforts towards a global climate deal. Following limited participation in the Kyoto Protocol and the lack of agreement in Copenhagen in 2009, the EU has been building a broad coalition of developed and developing countries in favour of high ambition that shaped the successful outcome of the Paris climate conference (COP21) in December 2015. At this conference 195 countries adopted the first-ever universal, legally binding global climate deal. The EU was the first major economy to submit its intended contribution to the new agreement in March 2015. It is already taking steps to implement its target to reduce emissions by at least 40 % by 2030.

- **A new policy on migration:**

Migration has been one of the political priorities of the current Commission. The main objective of this European Agenda on Migration is to approach the issue of migration in a comprehensive way. The first part of this Agenda defines immediate measures to prevent human tragedies and to reinforce mechanisms to deal with emergencies. This will be done by strengthening the presence at sea to save lives, targeting criminal smuggling networks, responding to high volumes of arrivals within the EU and using the EU's operational and financial tools to help frontline Member States. As a first step in 2015, through amending budgets, the Commission made available additional funding – see section **6** below. Furthermore, the long-term policy on migration needs to be redefined based on four pillars: 1) reducing the incentives for irregular migration; 2) saving lives and securing the external borders; 3) a strong common asylum policy; and 4) a new policy on legal migration.

- **A deeper and fairer internal market:**

The Single Market is one of Europe's major achievements and its best asset in times of increasing globalisation. It is an engine for building a stronger and fairer EU economy. By allowing people, goods, services and capital to move more freely it opens up new opportunities for citizens, workers, businesses and consumers, creating the jobs and growth Europe so urgently needs. More integrated and deeper capital markets will channel more funding to companies, especially SMEs, and infrastructure projects. Better worker mobility will let people move more freely where their skills are needed. And combatting tax evasion and tax fraud will ensure that all contribute their fair share.

- **Digital Single Market package:**

The internet and digital technologies are transforming our world. But existing barriers online mean citizens miss out on goods and services, internet companies and start-ups have their horizons limited, and businesses and governments cannot fully benefit from digital tools. It is thus necessary to make the EU's single market fit for the digital age – tearing down regulatory walls and moving from 28 national markets to a single one. This could contribute EUR 415 billion per year to the EU economy and create hundreds of thousands of new jobs.

- **An area of justice and fundamental rights:**

The EU is not simply a common market for goods and services. Europeans share values that are spelled out in the EU Treaties and the Charter of Fundamental Rights. The EU must never lose sight of those values in its efforts to fight terrorism, human trafficking, smuggling and cybercrime. It is intended to make life easier for Europeans who study, work or get married in other EU countries. One of the main goals is therefore to build bridges between the different national legal systems across the EU. A borderless and seamless European justice area will ensure that citizens can rely on a set of rights all across the continent.

- **A stronger global actor:**

The EU needs a strong common foreign policy to respond efficiently to global challenges, including the crises in its neighbourhood, project its values, and contribute to peace and prosperity in the world.

- **A balanced EU-US free trade agreement:**

The EU is negotiating an ambitious and balanced trade and investment deal with the US. The Transatlantic Trade and Investment Partnership (TTIP) will create new trade and investment opportunities for companies, big and small, and new jobs. For consumers, it will cut prices and widen choice, while keeping the EU's high standards for consumer protection, social rights and environmental rules. It will also boost Europe's influence in the world – by shaping global trade, projecting its values and attracting more investment.

- **A Union of democratic change:**

For the first time, in 2014, EU countries had to take the results of the elections into account when proposing a candidate for President of the Commission. Albeit an important step, this is only the first of many in making the EU more democratic and bringing it closer to its citizens. Europeans have the right to know who Commissioners and Commission staff, Members of the European Parliament and representatives of the Council meet in the context of the legislative process. The Commission is committed to bringing a new lease of life to the relationship with the European Parliament, as well as to working more closely with national parliaments.

- **Deeper Economic and Monetary Union: Continued efforts to promote economic stability and attract investors to Europe:**

The Commission's work on completing the Economic and Monetary Union builds on the Five Presidents' Report, which set out four areas where work is needed. The Five Presidents' Report is the result of numerous consultations between the Member States, the EU institutions involved and the 5 Presidents.

3. EU Budget: From preparation to discharge

3.1. Budget and Funding

The multiannual financial framework (MFF) forms the EU's political objectives and sets annual maximum amounts (ceilings) for EU expenditure as a whole and for the main categories of expenditure (headings). The sum of the ceilings of all headings gives the total ceiling of commitment appropriations. The EU Budget finances a wide range of policies and programmes throughout the EU. In accordance with the priorities set by the EP and the Council in the MFF, the Commission carries out specific programmes, activities and projects in the field. The budget is prepared by the Commission and usually agreed in mid-December by the EP and the Council, based on the procedure of Art. 314 TFEU. According to the principle of budget equilibrium, the total revenue must equal total expenditure (payment appropriations) for a given financial year.

The EU has two main categories of funding: Own resources revenues and sundry revenues. Own resources can be divided into traditional own resources (such as custom levies), the own resource based on value added tax (VAT) and the resource based on gross national income (GNI). Sundry revenues arising from the activities of the EU (e.g. competition fines) normally represent less than 10 % of total revenue. Own resources revenue make up the vast majority of EU funding and accrue automatically to the EU to enable it to finance its budget without the need for a subsequent decision by national authorities. The overall amount of own resources needed to finance the budget is determined by total expenditure less sundry revenue. The total amount of own resources cannot exceed 1.23 % of the gross national income (GNI) of the EU.

As a general principle the EU is not allowed to borrow money on capital markets or from financial institutions to finance its budget.

3.2. How the EU budget is managed and spent

Primary operational expenditure

The EU's operational expenditure covers the various headings of the MFF and takes different forms, depending on how the money is paid out and managed. From 2014 onwards, the Commission classifies its expenditure as follows:

Direct management: this is where the budget is implemented directly by the Commission services.

Indirect management: this refers to cases where the Commission confers tasks of implementation of the budget to bodies of EU law or national law, such as the EU agencies.

Shared management: under this method of budget implementation tasks are delegated to Member States. About 80 % of the expenditure falls under this management mode covering such areas as agricultural spending and structural actions.

The different financial actors within the Commission

The **College of Commissioners** assumes collective political responsibility but in practice does not itself exercise the budget implementation powers vested in it. It delegates these tasks each year to individual civil servants accountable to the College via the Financial Regulation (FR) and the Staff Regulations (SR). The staff concerned – generally Directors-General and Heads of Service - are known as "Authorising Officers by delegation" or "AODs". They in turn may further delegate budget implementation tasks to "Authorising Officers by sub-delegation".

The responsibility of the **Authorising Officers** covers the entire management process, from determining what needs to be done to achieve the policy objectives set by the institution to managing the activities launched from both an operational and budgetary standpoint. Each Authorising Officer is required to prepare an Annual Activity Report (AAR) on the activities under their responsibility where they report on policy results and on the reasonable assurance they may have that the resources assigned to the activities described in their report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. On the basis of Art. 66 FR, the Commission transmits a summary report (synthesis report) on the individual AARs to the EP and the Council, by which the Commission takes overall political responsibility for the management of the EU budget in line with Art. 317 TFEU. This report and the AAR are available at: http://ec.europa.eu/atwork/planning-and-preparing/synthesis-report/index_en.htm.

According to Art. 318 TFEU, the Commission issues an evaluation report on the progress and performance of Commission programmes based on the AARs of the Authorising Officers. As from the financial year 2015, the synthesis report and the evaluation report are merged with the information presented in a new report called "Annual Management and Performance Report for the budget."

The **Accounting Officer** executes payment and recovery orders drawn up by Authorising Officers and is responsible for managing the treasury, laying down accounting rules and methods, validating accounting systems, keeping the accounts and drawing up the institution's annual accounts. Furthermore, the Accounting Officer is required to sign the annual accounts declaring that they present fairly, in all material aspects, the financial position, the results of the operations and the cashflows.

3.3. Financial reporting and accountability

The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective. These accounts do not comprise the annual accounts of Member States.

The annual accounts of the EU consist of two separate but linked parts:

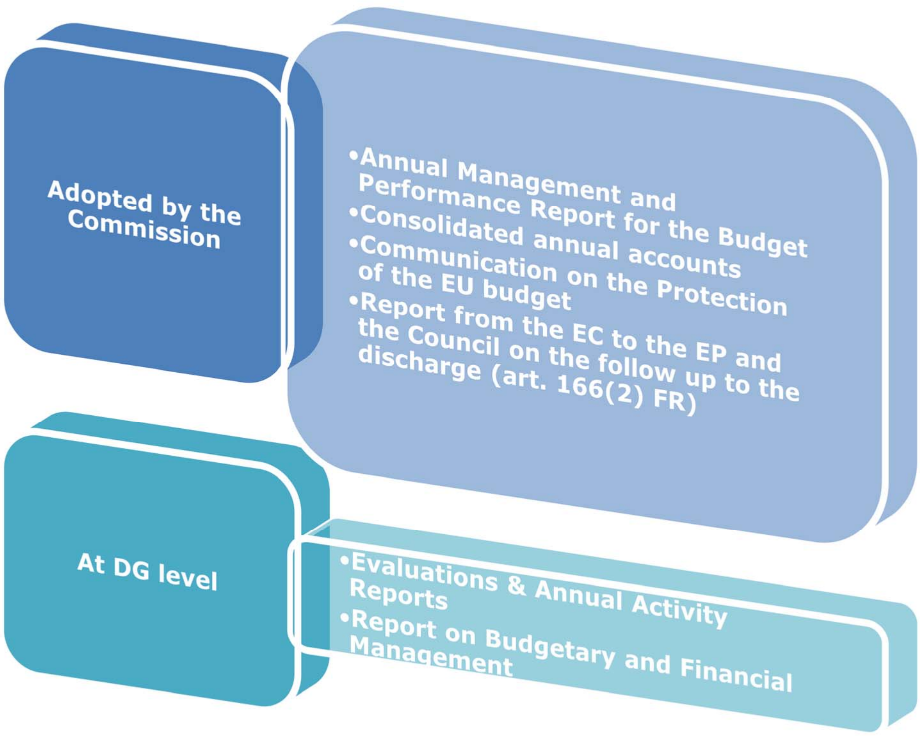
a) the financial statements; and

b) the reports on implementation of the budget, which provide a detailed record of budget implementation.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cashflows of the EU.

In addition to the above annual accounts, ad-hoc reports on specific areas such as the report on budgetary and financial management, on financial instruments, on guarantees given and on financial corrections are also prepared.

Reporting and Accountability in the Commission:



3.4. Audit and discharge

Audit

The EU's annual accounts and resource management are audited by the European Court of Auditors (Court), its external auditor, which as part of its activities draws up for the EP and the Council:

(1) an annual report on the activities financed from the general budget, detailing its observations on the annual accounts and underlying transactions;

(2) an opinion, based on its audits and given in the annual report in the form of a statement of assurance, on (i) the reliability of the accounts and (ii) the legality and regularity of the

underlying transactions involving both revenue collected from taxable persons and payments to final beneficiaries; and

(3) special reports giving the findings of audits covering specific areas.

Discharge

The final step of a budget lifecycle is the discharge of the budget for a given financial year. The discharge represents the political aspect of the external control of budget implementation and is the decision by which the EP, acting on a Council recommendation, "releases" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The EP is the discharge authority within the EU. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the EP to give a discharge to the Commission and other EU bodies for implementing the EU budget for a given financial year. This decision is based on an examination of the annual accounts, the Commission's annual management and performance report for the budget (former synthesis report and annual evaluation report), the annual report, the audit opinion and special reports of the Court, and replies of the Commission to questions and further information requests.

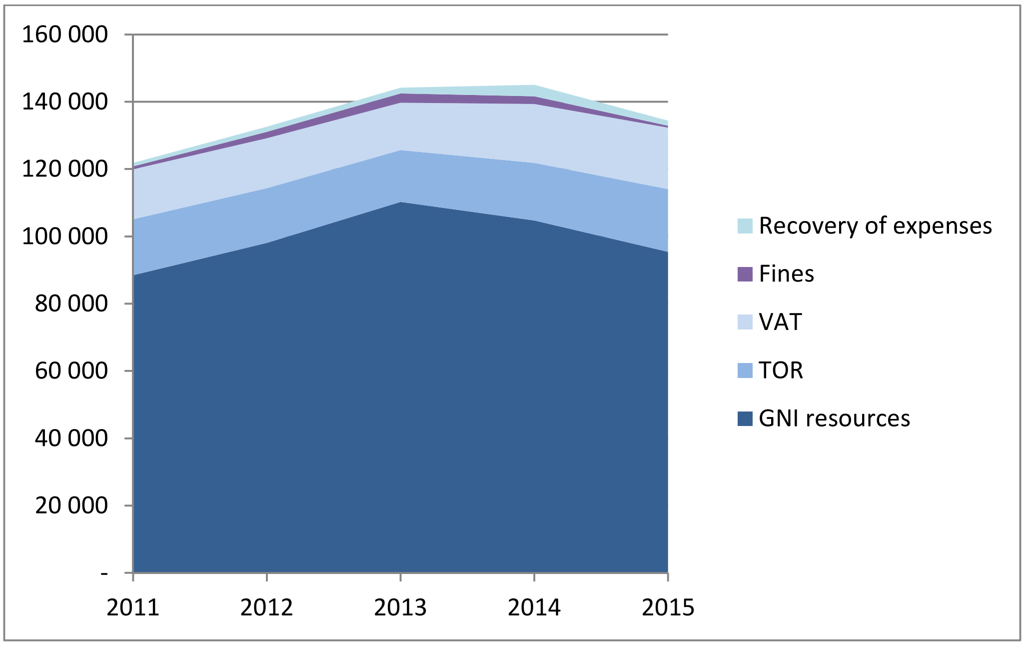
This discharge procedure may produce three outcomes: the granting, postponement or the refusal of the discharge. Integral to the annual budgetary discharge procedure in the EP are the hearings with Commissioners who are questioned by the Members of the EP's Budgetary Control Committee regarding the policy areas under their responsibility. The final discharge report including specific recommendations to the Commission for action is adopted in Plenary of the EP. The Council discharge recommendations are adopted by ECOFIN. Both, the EP's discharge report as well as the Council discharge recommendations are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

4. Consolidated financial statements of the EU: Financial situation 2015

4.1. Revenue

The majority of revenue of the EU institutions and bodies are revenues from non-exchange transactions. The table below provides an overview of the main categories of these revenues.

Five year trend of revenue from non-exchange transactions in EUR millions:



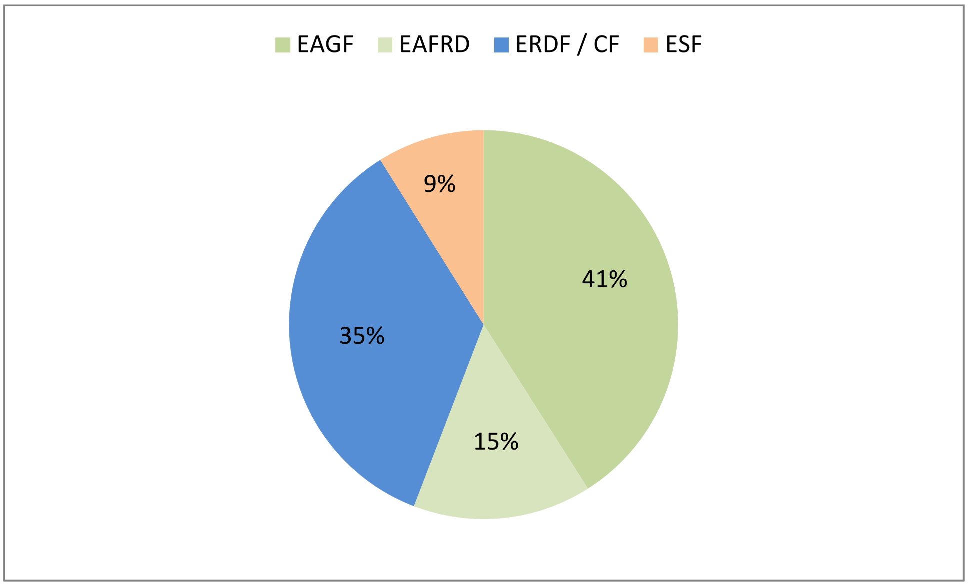
The GNI resource in 2014 included major revisions for the GNI dating back to 2002. The adjustment of contributions was thus unprecedented in size totalling almost EUR 10 billion across all EU Member States. This explains most of the decrease in 2015 compared to the previous year.

Recovery of expenses represent recovery orders issued by the Commission that are cashed or offset against subsequent payments recorded in the Commissions accounting system made so as to recover expenditure previously paid out from the EU budget.

4.2. Expenses

Expenses were, of EUR 155.9 billion, at a lower level than last year (2014: EUR 165.3 billion). A decrease of EUR 4.6 billion was noted for the European Regional Development Fund (ERDF) and Cohesion Fund (CF), which was due to the slow start of the implementation of the programming period 2014-2020. Expenses under the European Social Fund (ESF) fell by EUR 2.8 billion due to fewer cost claims submitted for the 2007-2013 multiannual financial framework period.

The main expense items (EUR 112.4 billion) are transfer payments under the shared management mode. The main funds are: the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments, ERDF and CF and the ESF. In the financial year 2015 these made up almost 71 % of total expenses.



Expenses incurred under direct management mainly represent the budget implementation by the Commission, executive agencies and, new from 2015 onwards, by trust funds. Also included under direct management are administrative expenses of all EU institutions and agencies. Under indirect management the budget is implemented by EU agencies, EU bodies, third countries, international organisations and other entities. Overall, the expenses incurred under direct and indirect management made up about 14 % of total expenses (EUR 22 billion).

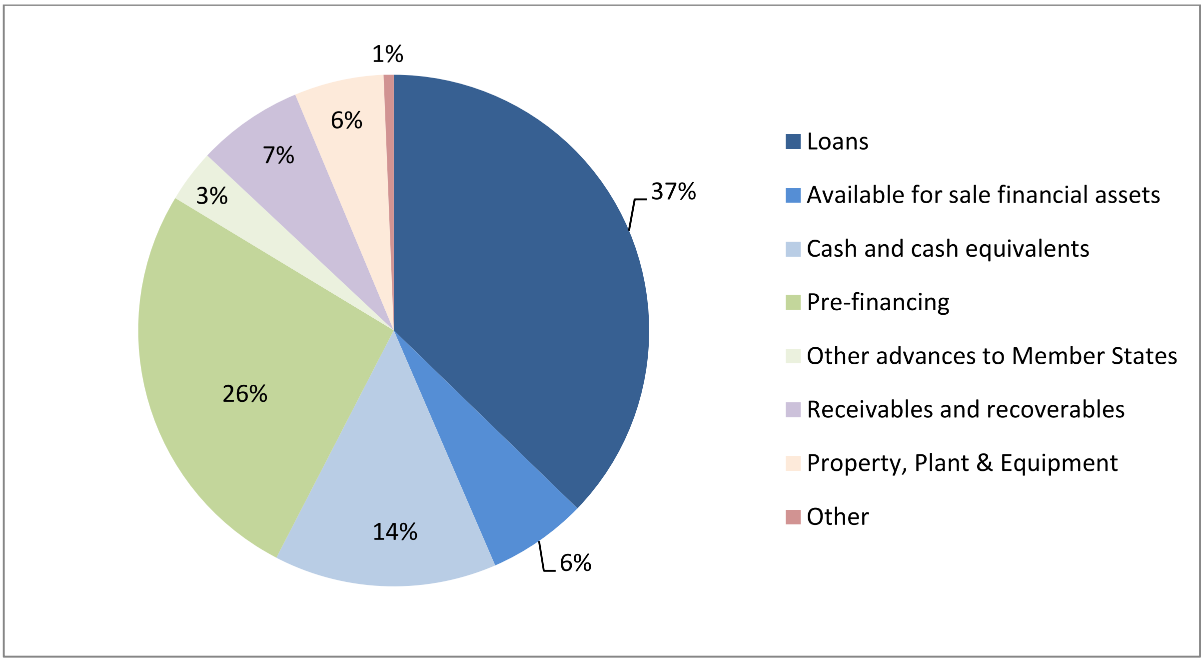
The EU also recognises future payment obligations as expenses that are not yet shown in the cash-based budgetary accounts. They are in particular shown under payables and accrued charges for agriculture and rural development and under pension and employee benefits liabilities relating to pension rights acquired by Commissioners, MEPs and staff and lead to a negative economic result (these payments will be financed by future budgets and are not included yet in revenue).

4.3. Economic result

The economic result of the period (i.e. the deficit) of EUR (13 033) million remained at a similar level as last year.

4.4. Assets

EUR 154 billion assets on the consolidated balance sheet of the EU



The most significant items on the asset side of the balance sheet are financial assets (loans, available for sale financial assets, cash) and pre-financing amounts, which make up almost 83 % of the assets of the EU. The amount of loans fell by EUR 1.6 billion to EUR 57 billion whereas the amount of available for sale financial instruments financed from the EU budget (budgetary instruments) increased by about EUR 460 million. Included on the asset side under Property, Plant and Equipment are assets concerning the Copernicus programme (EUR 1.7 billion) and Galileo assets under construction (EUR 2.1 billion).

In previous years, the EU institutions & bodies managed to keep the amounts held as cash and cash equivalents at year end at a low level. The high cash balance of EUR 21.7 billion at 31 December 2015 is mainly due to:

- the delayed payment of GNI and VAT balances of 2014 (EUR 5.4 billion) which were spread throughout 2015, with a very large part paid in September 2015. The Member States' contribution to the EU budget based on VAT and GNI is subject to an annual adjustment, which is performed every year on the first working day of December. The adjustment in 2014 included major revisions for GNI dating back to 2002, thus resulting in an unprecedented EUR 9.5 billion across all EU Member States.
- the GNI and VAT balance of 2015 (EUR 1.4 billion).
- the 2016 GNI paid in advance (EUR 0.7 billion) by two Member States.
- fines and other revenue (EUR 1.5 billion).

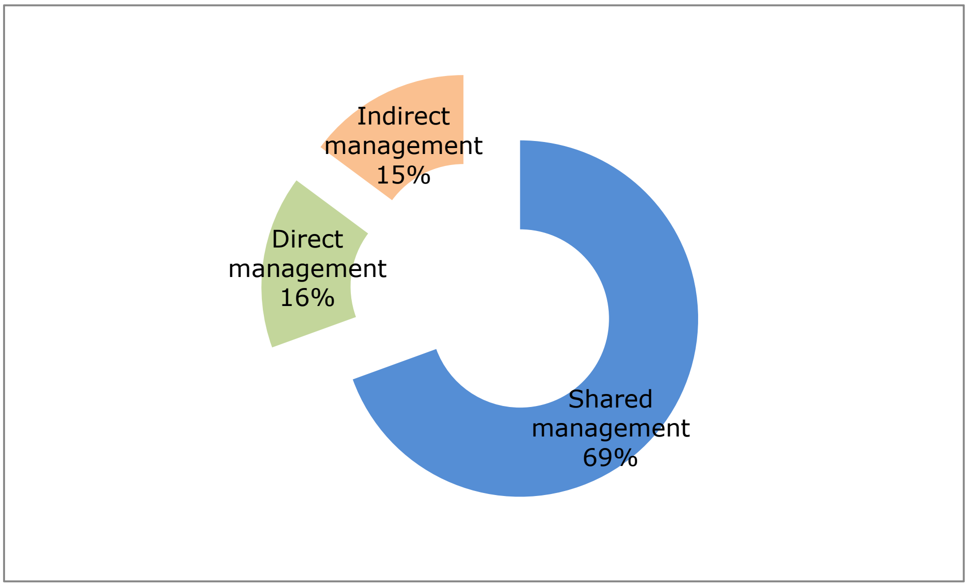
Based on the own resources regulation, these balances could only be returned to the Member States in 2016 via an amending budget.

Pre-financing

It should be noted that the level of pre-financing is significantly influenced by the MFF cycle – for example at the beginning of an MFF period one can expect large advances to be paid to Member States under cohesion policy. The Commission makes every effort to ensure that the levels of pre-financing are maintained at an appropriate level. A balance has to be struck between ensuring sufficient funding for the projects and the timely recognition of expenditure.

The total pre-financing (excluding other advances to Member States and contributions to trust funds) on the EU balance sheet amounts to EUR 40 billion (2014: EUR 45 billion), almost all of which relates to Commission activities. Some 70 % of the Commission's pre-financing concerns shared management, which means that the implementation of the budget is delegated to Member States (the Commission retains a supervisory role).

Commission pre-financing by management mode



The most significant pre-financing amount under shared management mode relates to ERDF & CF.

Long-term pre-financing has increased by EUR 12.6 billion related to the new MFF while short-term pre-financing fell by EUR 17.7 billion. The increase in long-term pre-financing is mainly due to the new pre-financing payments made under shared management for the 2014-2020 MFF (EUR 10 billion in total of which EUR 7 billion is for the cohesion policy). The decrease in the short term amounts is also mainly due to shared management – as the 2007-2013 MFF is at the closure stage, the related pre-financing is gradually being cleared.

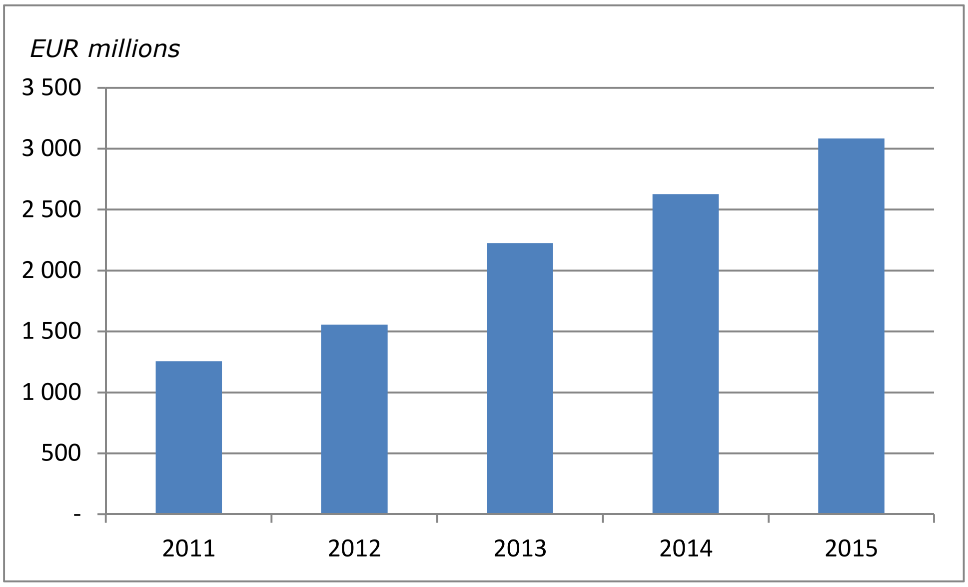
Financial instruments under direct and indirect management

The following items are shown as financial instruments in the EU annual accounts:

- Loans granted from the budget;
- Loans granted from borrowed funds;
- Equity instruments;
- Guarantee instruments; and
- Guarantee funds: guarantees given to external entities (mainly the EIB Group) for instruments not created by the EU budget.

The significance and volume of financial instruments financed by the EU budget under direct and indirect management increases from year to year. The basic concept behind this approach, in contrast to the traditional method of budget implementation by giving grants and subsidies, is that for each euro spent from the budget via financial instruments, the final beneficiary receives more than EUR 1 as financial support due to the leverage effect. This intelligent use of the EU budget aims at maximising the impact of the funds available. Equity instruments and investments (i.e. equity instruments and debt securities) held in guarantee instruments and the guarantee funds are shown as available for sale financial assets in the annual accounts of the EU.

Available for sale financial assets of budgetary financial instruments



Guarantee Funds

Guarantee funds created by the EU have been set-up for specific purposes and are provisioned by payments from the EU budget so as to provide a liquidity cushion against potential losses from guaranteed operations on guarantees given by the EU budget to the EIB Group. The main new guarantee fund created in 2015 is the EFSI Guarantee Fund.

EFSI is an initiative in order to increase the risk bearing capacity of the EIB Group which enables the EIB to invest up to EUR 61 billion in the EU. EFSI is not a separate legal entity or an investment fund in the strict sense. The EFSI risk reserve offers protection to the EIB against potential losses for underlying operations. It is composed of an allocation of EUR 5 billion of EIB's own capital and an EU budget guarantee of up to EUR 16 billion (cap amount). It is the objective that additional funding of Member States, national promotional banks and private investors would bring the investments in the EU to a total of EUR 315 billion.

The EFSI operations are conducted within two windows: the Infrastructure and Innovation Window (IIW) implemented by the EIB and the SME Window (SMEW) implemented by the EIF, both of which will have a debt portfolio (EU guarantee of EUR 12.25 billion) and an equity portfolio (EU guarantee of EUR 3.75 billion). The EIF acts under an agreement with the EIB on the basis of an EIB guarantee which itself is counter-guaranteed by the EU.

The EU and the EIB have distinct roles within EFSI. EFSI is established within the EIB who finance the operations (debt and equity investments) and, to do this, borrow the necessary funds on the capital markets. Regarding the IIW, the EIB takes the investment decisions independently and manages the operations in accordance with its rules and procedures, the same as applied to its own (risk) operations. In order to ensure that investments made under EFSI remain focused on the specific objective of addressing the market failures which hinder investment in the EU and that they are eligible for the protection of the EU guarantee, a dedicated governance structure has been put in place. The investment committee of independent experts examines each project proposed by the EIB regarding its eligibility for the EU guarantee coverage. Once an operation is confirmed to be eligible, as EFSI guaranteed operation, the decision to continue with the project and its management is then subject to the normal EIB project cycle and governance process.

The role of the EU relates to the provision of the EU guarantee for part of the potential losses that the EIB may suffer from its investments in debt and equity instruments. Consequently, the EU does not intervene in the final selection and management of EFSI operations, does not invest money in the EFSI operations and it is not a direct contractual party to the underlying instruments. As the control criteria and accounting requirements for consolidation of the EU accounting rules (and IPSAS) are not met, the related assets are not accounted for in the consolidated annual accounts of the EU – see also note **5.2** of the consolidated financial statements.

At all times, the EU guarantee is capped at EUR 16 billion and the aggregate net payments from the EU budget shall not exceed this amount. EU guarantee payments would be made by a newly created guarantee fund which provides a liquidity cushion against potential net losses (expected losses not covered by expected revenues) on the EFSI guaranteed operations. The EFSI Guarantee Fund will be financed from the EU Budget as from 2016 onwards and will gradually reach EUR 8 billion by 2022, thus provisioning 50 % of the maximum EU guarantee. At 31 December 2015 EUR 1 350 million has been committed to and will be paid into the guarantee fund in 2016 (EUR 500 million) and 2017 (EUR 850 million) and is included in the amount disclosed as RAL in note **5.3.1** of the consolidated financial statements.

The following tables provide an overview of financial instruments used by the EU per MFF

EUR millions

MFF 2014-2020	Assets	Liabilities	Guarantees
Equity instruments:			
COSME – Equity Facility for Growth	39	(2)	
Horizon 2020 InnovFin Equity Facility for R&I	108	(2)	
	146	**(4)**	
Guarantee instruments:			
COSME Loan Guarantee Facility	125	(43)	*
Employment and Social Innovation	10	(3)	*
Student Loan Guarantee Facility	16	(1)	*
Horizon 2020 – InnovFin Loan & Guarantee Service for R&I	638	(97)	(442)
Horizon 2020 – InnovFin SME Guarantee	294	(22)	(17)
Natural Capital Financing Facility	12	-	
Private Finance for Energy Efficiency Instrument (PF4EE)	12	-	
	1 107	**(166)**	**(459)**
Total	**1 253**	**(170)**	**(459)**

MFF Prior to 2014	Assets	Liabilities	Guarantees
Loan / Equity / Technical assistance instruments:			
Instrument of economic and financial cooperation under the Euro-Mediterranean partnership (MEDA)	251	(2)	
European Neighbourhood and Partnership Instrument (ENPI)	153	(4)	
	404	**(6)**	
Loan instruments: SME Support Loan	**19**		
Equity instruments:			
High Growth and Innovative SME Facility under Competitiveness & Innovation Framework Programme	413	-	
European Technology Start up Facility 1998 (ETF)	11	-	
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	76	-	
Multi Annual Framework Programme Equity Facility	192	-	
Marguerite Fund	50	-	
European Progress Microfinance Facility (PMF) for employment and social inclusion	71	-	
European Energy Efficiency Fund	128	(22)	
Technology Transfer Pilot projects	1		
	943	**(22)**	
Guarantee instruments:			
SME Guarantee Facility under Competitiveness and Innovation Framework Programme (CIP SMEG)	108	(215)	*
Loan Guarantee instrument for Ten-T Projects (LGTT)	238	(3)	(209)
Multi Annual Program (MAP) for Enterprises	23	(35)	*
Project Bond Initiative (PBI)	236	(1)	(220)
European Progress Microfinance Mandate	13	(11)	*
Risk Sharing Finance Facility (RSFF)	927	(94)	(845)
SME Guarantee Facility	16	(16)	*
	1 561	**(375)**	**(1 274)**
Total	**2 927**	**(403)**	**(1 274)**

** The risk taken by the EU is fully provisioned (i.e. included in liabilities).*

EUR millions

Related to more than one MFF	Assets	Liabilities	Guarantees
Equity instruments:			
European Fund for Southeast Europe (EFSE)	118	-	
Enterprise Expansion Fund under the Western Balkan Enterprise Development and Innovation Facility	10	-	
Enterprise Innovation Fund (EIF) under the Western Balkan Enterprise Development and Innovation Facility	21	-	
Green for Growth Fund to the Eastern Neighbourhood Region (SE4F)	52	-	
Microfinance Initiative for Asia Debt Fund	9	-	
MENA Fund for Micro-, Small and Medium Enterprises (SANAD)	10	-	
	220	**-**	
Guarantee Instruments:			
Guarantee Facility under the Western Balkan Enterprise Development and Innovation Facility	20	(14)	*
	20	**(14)**	
Guarantee Funds:			
Guarantee fund for external actions	2 108	(25)	(19 450)
European Fund for Strategic Investment (EFSI)	1	-	(202)
	2 109	**(25)**	**(19 652)**
Total	**2 349**	**(39)**	**(19 652)**
Overall Total	**6 529**	**(612)**	**(21 385)**

** The risk taken by the EU is fully provisioned (i.e. included in liabilities).*

Loans granted from borrowed funds

The EU is empowered by the EU Treaty to undertake borrowing operations to mobilise the financial resources necessary to fulfil specific mandates. The Commission, acting on behalf of the EU, currently operates three main programmes, Macro-financial assistance (MFA), Balance of Payments (BOP) assistance and the European Financial Stabilisation Mechanism (EFSM), under which it may grant loans and the capital required to fund the EU lending is raised on the capital markets or with financial institutions. During 2015, Ireland officially requested an extension of its first EFSM loan repayment deadline. The EUR 5 billion instalment was divided into three new ones of EUR 2 billion, EUR 1 billion and EUR 2 billion, with maturities falling in 2023, 2029 and 2035, respectively. In January 2016, Portugal officially requested for the extension of its first EFSM loan repayment maturity due on 3 June 2016. The EUR 4.75 billion instalment was refinanced by three new tranches of EUR 1.5 billion, EUR 2.25 billion and EUR 1 billion, with maturities falling in 2023, 2031 and 2036, respectively. On 17 July 2015, a bridge loan was granted to Greece under the EFSM as a temporary loan prior to the loan agreement signed between Greece and the European Stability Mechanism (ESM). The first and sole disbursement occurred on 20 July 2015 and was fully repaid when the ESM agreement was ratified by national parliaments of the Euro area Member States. This reimbursement took place on 20 August 2015.

Overview of loans granted from borrowed funds at nominal amounts

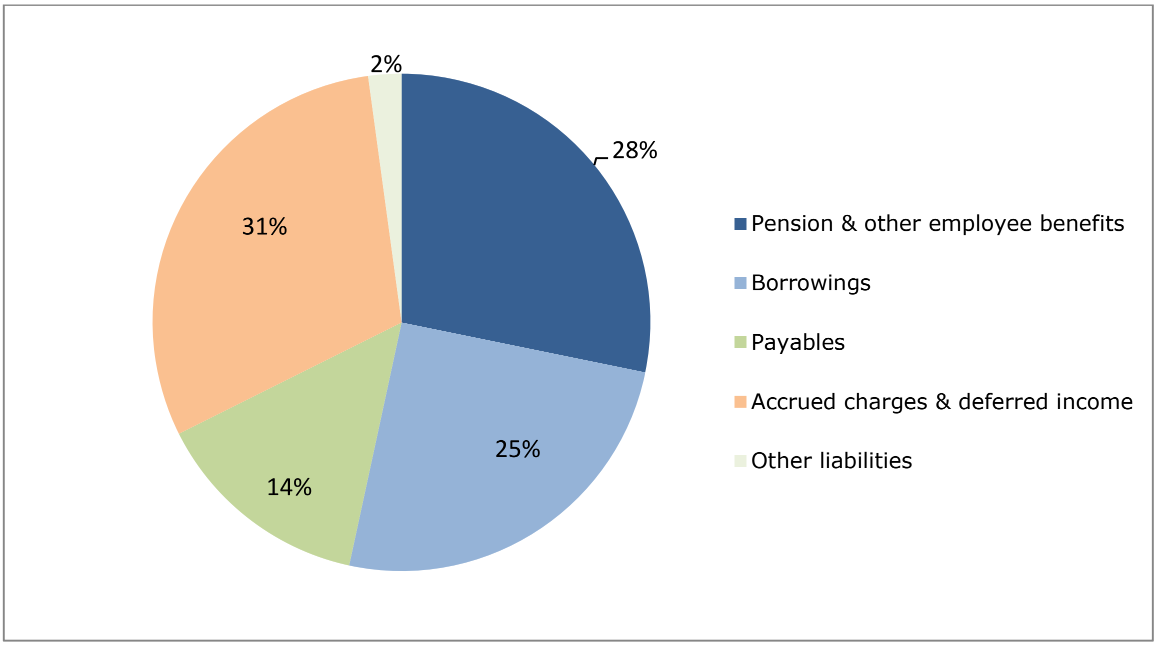
EUR billions

	BOP				EFSM				Others*	TOTAL
	Hungary	Latvia	Romania	Total	Ireland	Portugal	Greece	Total	Total	
Total granted	**6.5**	**3.1**	**8.4****	**18.0**	**22.5**	**26.0**	**7.2**	**55.7**	**5.1**	**78.8**
Disbursed at 31.12.2014	5.5	2.9	5.0	13.4	22.5	24.3	-	46.8	2.4	62.6
Disbursed in 2015	-	-	-	-	5.0	-	7.2	12.2	1.3	13.5
Total disbursed 31.12.2015	**5.5**	**2.9**	**5.0**	**13.4**	**27.5**	**24.3**	**7.2**	**59.0**	**3.6**	**76.0**
Loans repaid at 31.12.2015	(4.0)	(2.2)	(1.5)	(7.7)	(5.0)	-	(7.2)	(12.2)	(0.1)	(20.0)
Outstanding amount at 31.12.2015	**1.5**	**0.7**	**3.5**	**5.7**	**22.5**	**24.3**	**0**	**46.8**	**3.5**	**56.0**

** MFA, Euratom and ECSC in liquidation.*
*** Including precautionary assistance.*

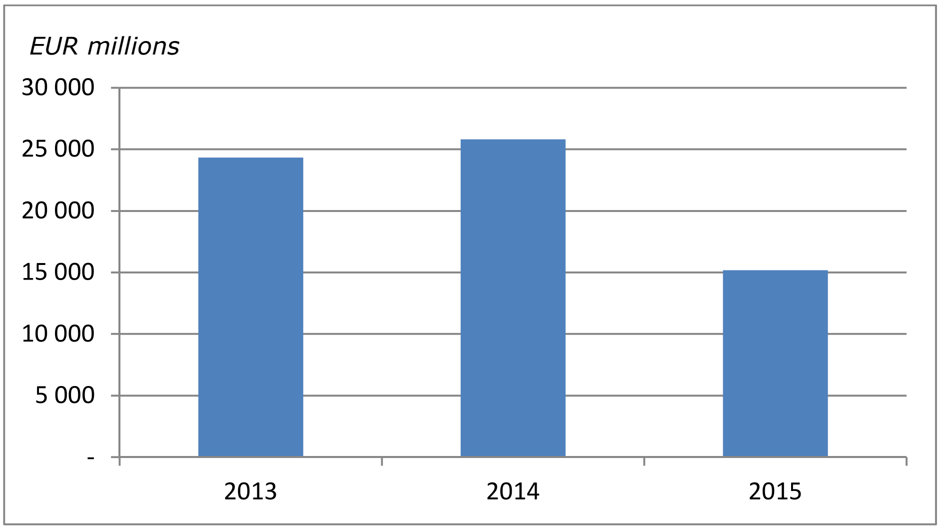
4.5. Liabilities

EUR 226 billion liabilities on the 2015 consolidated balance sheet of the EU



The liability side consists primarily of four key items: The pension and other employee benefits liabilities, borrowings, payables and accrued charges. The biggest change as compared to 2014 is the increase of accrued charges by almost EUR 12.4 billion due to the start of the implementation of the 2014-2020 MFF, where costs incurred are estimated since they have not yet been declared by the Member States. Another important change is the decrease in payables by about EUR 12.5 billion in cohesion due to a lower submission of cost statements by Member States for the programming period 2007-2013. Another reason is a lower level of submission of cost claims due to the slow start of the 2014-2020 MFF caused by delays in Member States designation of management and control authorities.

Total cost claims and invoices received and recognised as payables



The excess of liabilities over assets does not mean that the EU institutions and bodies are in financial difficulties, rather it means that certain liabilities will be funded by future annual budgets. Many expenses are recognised under accrual accounting rules in 2015 although they may be actually paid in 2016 or later and funded using future budgets and the related revenues will only be accounted for in future periods. The most significant amounts to be highlighted are the EAGF activities (paid in 2016) and the employee benefits (to be paid over the next 30 plus years).

5. PROTECTION OF THE EU BUDGET

Financial corrections and recoveries overview for 2015

An important consideration in implementing the EU budget is the need to ensure the proper prevention or detection and subsequent correction of system weaknesses leading to errors, irregularities and fraud. The Court provides in its annual report a statement of assurance on the legality and regularity of transactions underlying the annual accounts, as well as the material level of error in payments. The statement of assurance accompanies the EU annual accounts in its publication in the Official Journal.

The Commission's protective actions mitigate the impact of these errors through two main mechanisms:

(1) preventive mechanisms (e.g. ex-ante controls, interruptions and suspensions of payments); and
(2) corrective mechanisms (primarily financial corrections imposed on or agreed with Member States and, to a lesser extent, recoveries from recipients of EU payments).

Under the shared management mode (agricultural spending and structural actions), Member States are primarily responsible throughout the expenditure life cycle for ensuring that expenditure paid out from the EU budget is legal and regular.

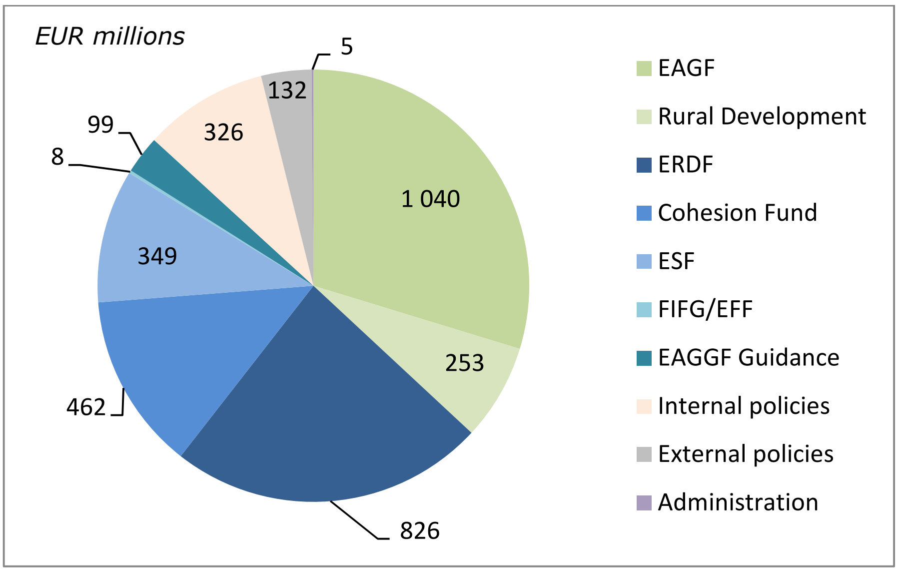
The corrective actions, i.e. financial corrections and recoveries, arise following the supervision and checks made by both the Commission and also, in the case of shared management expenditure, Member States on the eligibility of expenditure funded by the EU budget. When deciding on the amount of a financial correction or recovery, the Commission takes into account the nature and seriousness of the breach of applicable law and the financial implications for the EU budget, including cases of deficiencies in management and control systems. Most corrections are done after payment.

Financial corrections and recoveries process:

Financial corrections and recoveries are presented at two main stages of the process. Both stages may take place in the same year or in different years:

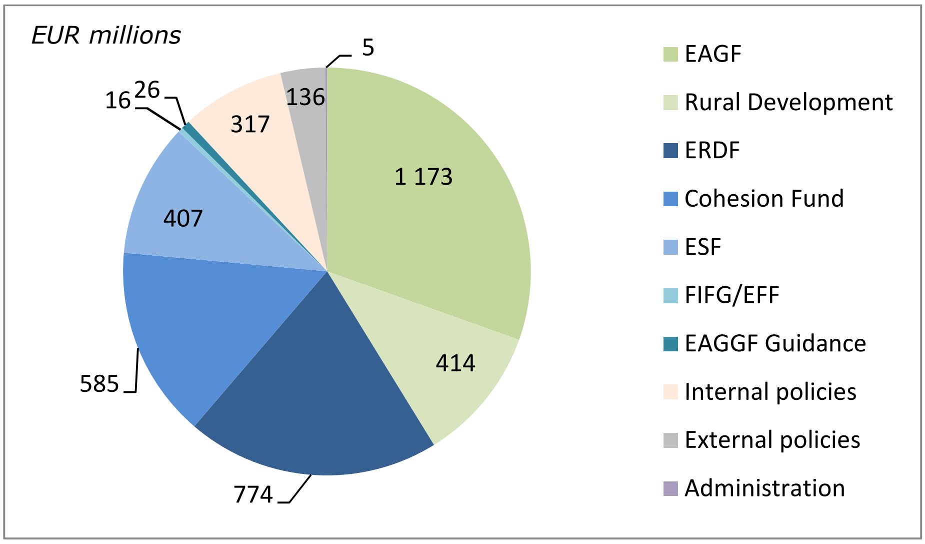
(1) Financial corrections and recoveries at **confirmation stage**: These amounts have been either agreed by the Member State concerned or adopted by a Commission decision. **In 2015**, the **total financial corrections and recoveries confirmed** amounted to **EUR 3 499 million** (2014: EUR 4 728 million).

Financial corrections and recoveries confirmed in 2015 - breakdown per policy areas



(2) Financial corrections and recoveries at **implementation stage**: These amounts represent the final step of the process whereby the observed situation of undue expenditure is definitively corrected. Several implementation mechanisms are foreseen in the sector-based regulatory frameworks. **In 2015**, the **total financial corrections and recoveries implemented** amounted to **EUR 3 853 million** (2014: EUR 3 285 million). The implementation of financial corrections and recoveries may take a number of years mainly due to instalment or deferral decisions granted to Member States under the agricultural policy. Under the Cohesion policy the legal framework foresees the implementation at or after the closure of the programming period.

Financial corrections and recoveries implemented in 2015 - breakdown per policy areas



The above information is a supplementary disclosure that is not required by the accounting standards and includes data which is not always drawn directly from the accounting system. More details on these figures and on the preventive and corrective mechanisms can be found in the annual Communication on the protection of the EU budget prepared by the Commission and sent to the Discharge Authority and the Court – this is available on the Europa website of the Directorate-General for Budget.

6. Management of risks and uncertainties in EU budget implementation

Risks and uncertainties of EU budget implementation can be divided into two main categories:

- General and expected risks and uncertainties; and
- Exceptional risks and uncertainties.

6.1. General and expected risks and uncertainties

Issues encountered during the financial year

Macro-economic environment

The macro-economic environment of the EU has an impact on the ability of EU Member states to meet their funding obligations towards the EU institutions and bodies and thus on the ability of the EU to continue implementing EU policies as highlighted in section **2** above. The European economy remains supported by a number of positive factors such as oil prices, the euro's exchange rate and financing costs which have stimulated exports and private consumption. Investment, however, remains hampered by economic and policy uncertainty and in some countries, excessive debt. Now, as it enters its fourth year of recovery, the European economy is facing headwinds and substantial risks from the slowdown in emerging economies. Economic growth strong enough to reduce unemployment substantially has so far failed to materialise and evidence of a reinvigoration of investment, which is crucial for the sustainability of the recovery, remains limited. In addition, the pace of implementation of the EU budget under the

2014-2020 MFF is rather slow and the continued issues with Greece and the refugee crisis complements this overall picture.

The euro area's economic recovery remains moderate despite the substantial support from the positive factors described above that are now likely to be somewhat stronger and longer lasting than previously expected. In particular, driven mainly by abundant supply, the oil price has slipped again and is now assumed to remain markedly lower and to rebound later. Fiscal policy in the euro area is becoming slightly more supportive to growth, largely due to government expenditures associated with the inflow of asylum seekers in some Member States. Additionally, the combination of quantitative easing and credit easing by the European Central Bank (ECB) mean that financing costs in the euro area should remain low for a longer period of time than earlier expected and will further help to reduce financial fragmentation and differences among Member States. Meanwhile, the boost from these factors is increasingly being offset by a worsening global environment, and some legacy issues from the crisis (mainly high levels of policy uncertainty, debt and unemployment) continue to weigh on growth.

Real GDP (forecast), inflation rate and unemployment rate in %, per EU average[1]

	Real GDP			Inflation			Unemployment rate		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Belgium	1.3	1.3	1.7	0.6	1.4	1.7	8.3	8.0	7.4
Germany	1.7	1.8	1.8	0.1	0.5	1.5	4.8	4.9	5.2
Estonia	0.9	2.1	2.3	0.1	1.0	2.5	6.3	6.3	7.5
Ireland	6.9	4.5	3.5	0.0	0.6	1.4	9.4	8.5	7.8
Greece	0.0	(0.7)	2.7	(1.1)	0.5	0.8	25.1	24.0	22.8
Spain	3.2	2.8	2.5	(0.6)	0.1	1.5	22.3	20.4	18.9
France	1.1	1.3	1.7	0.1	0.6	1.3	10.5	10.5	10.3
Italy	0.8	1.4	1.3	0.1	0.3	1.8	11.9	11.4	11.3
Cyprus	1.4	1.5	2.0	(1.6)	0.2	1.3	15.5	14.5	13.2
Latvia	2.7	3.1	3.2	0.2	0.4	2.0	9.9	9.2	8.6
Lithuania	1.6	2.9	3.4	(0.7)	(0.1)	2.1	9.0	8.0	7.2
Luxembourg	4.7	3.8	4.4	0.1	0.4	2.4	6.1	6.0	6.0
Malta	4.9	3.9	3.4	1.2	1.7	2.1	5.4	5.4	5.4
Netherlands	2.0	2.1	2.3	0.2	0.9	1.5	6.9	6.6	6.4
Austria	0.7	1.7	1.6	0.8	0.9	1.8	6.0	6.2	6.4
Portugal	1.5	1.6	1.8	0.5	0.7	1.1	12.6	11.7	10.8
Slovenia	2.5	1.8	2.3	(0.8)	(0.3)	1.1	9.1	8.8	8.4
Slovakia	3.5	3.2	3.4	(0.3)	0.3	1.7	11.5	10.3	9.3
Finland	0.0	0.5	0.9	(0.2)	0.1	1.5	9.5	9.4	9.3
Euro area	**1.6**	**1.7**	**1.9**	**0.0**	**0.5**	**1.5**	**11.0**	**10.5**	**10.2**
Bulgaria	2.2	1.5	2.0	(1.1)	(0.1)	0.9	10.1	9.4	8.8
Czech Republic	4.5	2.3	2.7	0.3	0.4	1.4	5.1	4.8	4.7
Denmark	1.2	1.7	1.9	0.2	0.9	1.7	6.0	5.8	5.6
Croatia	1.8	2.1	2.1	(0.3)	0.3	1.6	16.2	15.1	13.8
Hungary	2.7	2.1	2.5	0.1	1.7	2.5	6.7	6.0	5.2
Poland	3.5	3.5	3.5	(0.7)	0.6	1.7	7.5	7.0	6.5
Romania	3.6	4.2	3.7	(0.4)	(0.2)	2.5	6.7	6.6	6.5
Sweden	3.6	3.2	2.9	0.7	1.1	1.4	7.4	6.9	6.7
United Kingdom	2.3	2.1	2.1	0.0	0.8	1.6	5.2	5.0	4.9
EU	**1.9**	**1.9**	**2.0**	**0.0**	**0.5**	**1.6**	**9.5**	**9.0**	**8.7**

[1] Source: European Commission "European Economic Forecast Winter 2016."

GDP in the euro area is forecast to accelerate slightly from 1.6 % in 2015 to 1.7 % in 2016. Once global economic activity starts to rebound, positive effects should be felt later in 2016 and 2017. Also, some of the structural reforms implemented in Member States should continue to have a positive impact on growth. As legacies of the crisis recede, consumption and investment should benefit. Although debt levels remain high in some parts of the economy, easy financing conditions should limit acute deleveraging pressures. Overall, euro area GDP growth should pick up further to 1.9 % in 2017. In 2016, Member States should continue moving along a recovery path, including Greece, where growth is set to pick up again in the course of the year. The Investment Plan for Europe has been established to help overcome the current investment gap in the EU by mobilising private financing for strategic investments in key areas and should also start to have a positive impact on public and private investment. In 2017 economic activity should be on the rise in all Member States.

In 2015, the general government deficit in the euro area is expected to have declined to 2.2 % of GDP and is set to decrease further to 1.9 % and 1.6 % in 2016 and 2017 respectively. Next year, under a no policy-change assumption, the structural balance is projected to remain broadly stable in both the euro area and the EU. The debt-to-GDP ratio of the euro area is forecast to decline from its peak of 94.5 % in 2014 to 91.3 % in 2017.

The improvement in labour market conditions continues with the moderate economic recovery underpinning a modest rise in employment growth. Overall, employment is expected to have risen by 1.1 % in the euro area in 2015 and is projected to continue at about the same speed this year and next on the back of strengthening economic activity, improved business confidence and higher capital accumulation.

The economic outlook for the euro area remains highly uncertain and overall risks are clearly tilted to the downside. Risks to the growth outlook from the global economy and global financial markets have clearly increased, in particular due to the slowing growth in China and other emerging markets, which could trigger stronger spillovers than envisaged or which could become worse than forecast. Combined with the uncertainty regarding the adjustment in China, the continuation of monetary policy normalisation in the US could have a more negative impact on vulnerable emerging market economies, especially those with high levels of foreign currency denominated debt, and could also affect the stability of financial markets. The materialisation of any of these downside risks would result in negative spillovers to the Member States via various transmission channels. In Europe, domestic risks have also increased lately. Any unexpected relapse into crisis in Greece could weigh more heavily on investment decisions and thus on economic growth. Moreover, if major political challenges were not successfully addressed at the EU level (e.g. handling of migration flows), that could trigger developments that become impediments to growth.

Guarantee Funds for guarantees given

The EU has given guarantees to the EIB Group on loans granted outside of the EU and on EFSI debt and equity operations. At 31 December 2015, the EU shows in the notes to the financial statements (see note **5.2.1**) contingent liabilities for both guarantees of EUR 19.7 billion. In order to mitigate the risk guarantee calls by the EIB could have on the EU budget, the Commission has created separate guarantee funds, i.e. the Guarantee Fund for External Actions and the EFSI Guarantee Fund.

The Guarantee Fund for external actions is provisioned by the EU budget so as to cover 9 % of the guaranteed loans outstanding at year-end. At 31 December 2015 the total asset value of EUR 2.1 billion covers a maximum exposure of the EU of EUR 19.45 billion. The EFSI Guarantee Fund will as from 2016 onwards gradually reach EUR 8 billion by 2022, thus provisioning 50 % of the maximum exposure of the EU guarantee of EUR 16 billion.

Borrowing and lending operations

The EU is empowered by the EU Treaty to undertake borrowing operations to mobilise the financial resources necessary to fulfil specific mandates. The Commission, acting on behalf of the EU, currently operates three main programmes, Macro-financial assistance (MFA), Balance of Payments (BOP) assistance and the European Financial Stabilisation Mechanism (EFSM), under which it may grant loans and the capital required to fund the EU lending is raised on the capital markets or with financial institutions. EU borrowing and lending activities are non-budget operations. In general, funds raised are on-lent back-to-back to the beneficiary country, i.e. with the same coupon, maturity and amount. Notwithstanding the back-to-back methodology, the debt service of the funding instruments is a legal obligation of the EU, which will ensure that all payments are made fully and in a timely manner.

The Commission has, so as to mitigate the risk of not being able to repay the borrowings, put procedures in place to ensure the repayment of borrowings even in case of a loan default. For each country programme, the EP, the Council and the Commission decisions determine the overall granted amount, the (maximum) number of instalments to be disbursed, and the maximum (average) maturity of the loan package. Subsequently, the Commission and the beneficiary country agree loan/funding parameters, including instalments and the payment of tranches. In addition, except for the first one, all instalments of the loan depend on compliance with strict conditions, with agreed terms and conditions similar to International Monetary Fund (IMF) support, in the context of a joint EU/IMF financial assistance, which is another factor influencing the timing of funding. This implies that the timing and maturities of issuances are dependent on the related EU lending activity. Funding is exclusively denominated in euro and the maturity spectrum is from 3 to 30 years.

The following table provides an overview of the planned reimbursement schedule in nominal value for outstanding EFSM and BOP loan amounts at the date of signature of these accounts:

EUR billions

	BOP				EFSM			TOTAL
	Hungary	Latvia	Romania	Total	Ireland	Portugal	Total	
2017			1.15	1.15				1.15
2018			1.35	1.35	3.9	0.6	4.5	5.85
2019		0.5	1.0	1.5				1.5
2021					3.0	6.75	9.75	9.75
2022						2.7	2.7	2.7
2023					2.0	1.5	3.5	3.5
2024					0.8	1.8	2.6	2.6
2025		0.2		0.2				0.2
2026					2.0	2.0	4.0	4.0
2027					1.0	2.0	3.0	3.0
2028					2.3		2.3	2.3
2029					1.0	0.4	1.4	1.4
2031						2.25	2.25	2.25
2032					3.0		3.0	3.0
2035					2.0		2.0	2.0
2036						1.0	1.0	1.0
2038						1.8	1.8	1.8
2042					1.5	1.5	3.0	3.0
Total	**0**	**0.7**	**3.5**	**4.2**	**22.5**	**24.3**	**46.8**	**51.0**

Borrowings of the EU constitute direct and unconditional obligations of the EU and are guaranteed by the 28 Member States. Borrowings undertaken to fund loans to countries outside the EU are covered by the Guarantee Fund for external actions. Should a beneficiary Member State default, the debt service will be drawn from the available treasury balance of the Commission, if possible. If that would not be possible, the Commission would draw the necessary funds from the Member States. EU Member States are legally obliged, according to the EU own resources legislation (Article 12 of Council Regulation 1150/2000), to make available sufficient funds to meet the EU's obligations. Thus investors are only exposed to the credit risk of the EU, not to that of the beneficiary of loans funded. "Back-to-back" lending ensures that the EU budget does not assume any interest rate or foreign exchange risk.

The Inter-governmental financial stability mechanisms European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) are outside the EU Treaty framework and thus not included in the consolidated annual accounts of the EU.

6.2. Exceptional risks and uncertainties

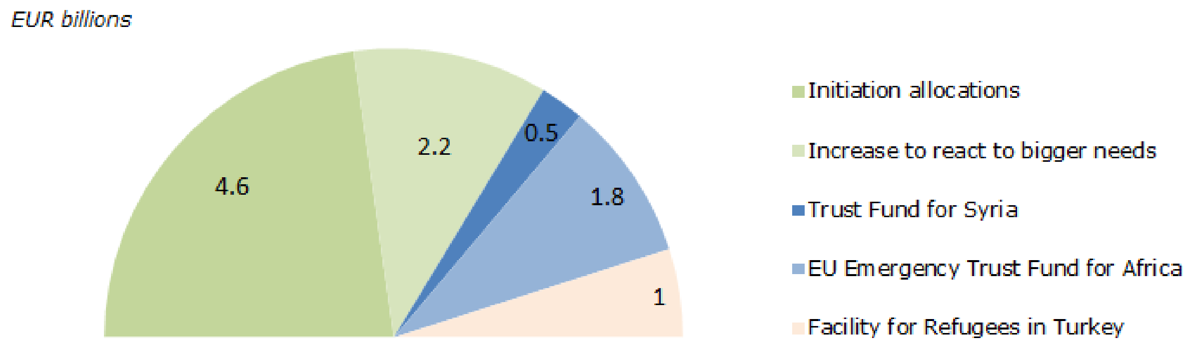
Every year the EU is exposed to unexpected risks and uncertainties and it is the objective of the EU institutions and bodies to find rapid solutions to issues encountered during the year. In the financial year 2015, the refugee crisis, the difficulties of European farmers and the situation as regards unpaid cost claims and invoices received at year-end were the most significant risks and uncertainties to be dealt with.

Managing the refugee crisis

Over the last six months, the European Commission has worked for a swift, coordinated European response to the risks and uncertainties related to the refugee crisis, tabling a series of proposals designed to equip Member States with the tools necessary to better manage the large number of arrivals. From tripling the presence at sea; through a new system of emergency solidarity to relocate asylum seekers from the most affected countries; via an unprecedented mobilisation of the EU budget of over EUR 10 billion to address the refugee crisis and assist the countries most affected; providing a new coordination and cooperation framework for the Western Balkan countries; starting a new partnership with Turkey; all the way to an ambitious proposal for a new European Border and Coast Guard, the European Union is bolstering Europe's asylum and migration policy to deal with the new challenges it is facing. Despite these measures taken, uncertainty surrounding the strong inflow of asylum seekers and its economic impact remains high.

As a first and immediate step, the Commission reinforced funding for the years 2015 and 2016 of Frontex, Europol and EASO (EUR 170 million) and has increased financial contributions to the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) from initially EUR 2 billion to EUR 3.7 billion. Immediate financial support for activities related to the refugee crisis outside the EU led to an increase in Humanitarian aid (EUR 2.2 billion), the creation of the EU Trust Fund for Syria (EUR 500 million), the creation of the EU Emergency Trust Fund for Africa (EUR 1.8 billion), the creation of the refugee facility in Turkey (EUR 1 billion) and other measures relating to security and boarder control (EUR 300 million), counter terrorism (EUR 100 million) and to the return of displaced persons and refugees (EUR 280 million).

EU budget response to the refugee crisis



Total EUR 10.1 billion

Support package for European farmers

The general political and market environment during the financial year 2015 led to difficulties for European farmers concerning their cashflow situation and linked to increasingly instable markets. These difficulties created risks not only to European farmers but also to the EU institutions as regards their successful implementation of the Common Agricultural Policy. The Commission has reacted to this situation by mobilising EUR 420 million of substantial aid to address problems in the coming years in the dairy and pigmeat sectors. In addition, other measures such as the introduction of new Private Storage Aid schemes for dairy and pigmeat and the possibility of advancing direct payments to farmers were introduced. In total, the measures taken in 2015 bring the overall package (future budgets) to European farmers to about EUR 500 million. This immediate response demonstrates that the Commission takes its responsibility towards farmers very seriously and is prepared to back it up with the appropriate funds.

Cost claims and invoices to be paid

The issue in 2015 as regards cost claims and invoices to be paid were:

- the unexpected pace of submission of cost claims and invoices which were not in line with forecasts and so the EU institutions had to adapt to the payment needs; and

- the lack of payment appropriations at year-end to pay cost claims and invoices received which needed to be financed via amending budgets.

After several years of a persistent pressure on payment appropriations, the financial year 2015 saw a significant improvement with regard to payments. The amount of cost claims and invoices to be paid at year-end decreased from EUR 25.8 billion in 2014 to EUR 15.2 billion at the end of 2015. The major part of this decrease relates to the previous programming periods of cohesion policy since the amount of cost claims and invoices to be paid for the 2014-2020 programmes was negligible at the end of 2014 and 2015.

Within the Commission, short-term cashflow forecasting is done weekly (sometimes daily) to ensure that the immediate payment obligations of the EU can be met, respecting the limits of the payment appropriations available in the budget. This short term forecast is the basis used to estimate the amount of own resources to be called monthly from Member States. On the first working day of each month Member States must credit to the Commission’s own resource accounts one-twelfth of the total amount of the VAT and GNI-based resource entered in the Union's budget. Depending on the Commission's cash position, Member States may be asked in the first quarter of the year to bring forward, by one or two months, the VAT and GNI based resources. Those advances have to be deducted from calls for funds in later months, depending on the forecasted cash needs.

For the medium and long-term, the Commission monitors in detail the payment requirements of the EU as part of its regular activities. For example, this is required for the preparation of Commission proposals on the MFF, as part of the annual budget preparation and when preparing amending budgets. In the negotiation phase of the MFF, the models used and the assumptions underlying are monitored regularly and updated when necessary. The results of the models are channelled into the budgetary negotiations establishing the MFF payment ceiling.

Event after the balance sheet date – Referendum in the United Kingdom

On 23 June 2016, the citizens of the United Kingdom voted to leave the European Union. To give effect to this decision of the British people, Article 50 of the Treaty on European Union must be invoked. This article sets out the procedure to be followed if a Member State decides to leave the European Union, and only when this article is activated can the negotiations on the departure of the United Kingdom begin. In accordance with the guidelines provided by the European Council, the Union shall then negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. At the time of the signing of these accounts, formal notification of the triggering of Article 50 has not been presented.

NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The consolidated annual accounts of the European Union for the year 2015 have been prepared on the basis of the information presented by the institutions and bodies under Article 148(2) of the Financial Regulation applicable to the general budget of the European Union. I hereby declare that they were prepared in accordance with Title IX of this Financial Regulation and with the accounting principles, rules and methods set out in the notes to the financial statements.

I have obtained from the accounting officers of these institutions and bodies, who certified its reliability, all the information necessary for the production of the accounts that show the European Union's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts of the European Commission, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cashflows of the European Union.

[signed]

Manfred Kraff

Accounting Officer of the Commission

8 July 2016

EUROPEAN UNION
FINANCIAL YEAR 2015

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add-up.

CONTENTS

BALANCE SHEET

EUR millions

	Note	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
Intangible assets	*2.1*	*337*	*282*
Property, plant and equipment	*2.2*	*8 700*	*7 937*
Investments accounted for using the equity method	*2.3*	*497*	*409*
Financial assets	*2.4*	*56 965*	*56 438*
Pre-financing	*2.5*	*29 879*	*18 358*
Exchange receivables and non-exchange recoverables	*2.6*	*870*	*1 198*
		97 248	**84 623**
CURRENT ASSETS			
Financial assets	*2.4*	*9 907*	*11 811*
Pre-financing	*2.5*	*15 277*	*34 237*
Exchange receivables and non-exchange recoverables	*2.6*	*9 454*	*14 380*
Inventories	*2.7*	*138*	*128*
Cash and cash equivalents	*2.8*	*21 671*	*17 545*
		56 448	**78 101**
TOTAL ASSETS		**153 696**	**162 724**
NON-CURRENT LIABILITIES			
Pension and other employee benefits	*2.9*	*(63 814)*	*(58 616)*
Provisions	*2.10*	*(1 716)*	*(1 537)*
Financial liabilities	*2.11*	*(51 764)*	*(51 851)*
		(117 293)	**(112 005)**
CURRENT LIABILITIES			
Provisions	*2.10*	*(314)*	*(745)*
Financial liabilities	*2.11*	*(7 939)*	*(8 828)*
Payables	*2.12*	*(32 191)*	*(43 180)*
Accrued charges and deferred income	*2.13*	*(68 402)*	*(55 973)*
		(108 846)	**(108 726)**
TOTAL LIABILITIES		**(226 139)**	**(220 730)**
NET ASSETS		**(72 442)**	**(58 006)**
Reserves	*2.14*	*4 682*	*4 435*
*Amounts to be called from Member States**	*2.15*	*(77 124)*	*(62 441)*
NET ASSETS		**(72 442)**	**(58 006)**

** The European Parliament adopted a budget on 25 November 2015 which provides for the payment of the Union's short-term liabilities from own resources to be collected by, or called up from, the Member States in 2016. Additionally, under Article 83 of the Staff Regulations (Council Regulation 259/68 of 29 February 1968 as amended), the Member States shall jointly guarantee the liability for pensions.*

STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	Note	2015	2014
REVENUE			
Revenue from non-exchange transactions			
GNI resources	*3.1*	*95 355*	*104 688*
Traditional own resources	*3.2*	*18 649*	*17 137*
VAT resources	*3.3*	*18 328*	*17 462*
Fines	*3.4*	*531*	*2 297*
Recovery of expenses	*3.5*	*1 547*	*3 418*
Other	*3.6*	*5 067*	*5 623*
Sub-total		**139 478**	**150 625**
Revenue from exchange transactions			
Financial income	*3.7*	*1 846*	*2 298*
Other	*3.8*	*1 562*	*1 066*
Sub-total		**3 408**	**3 364**
Total Revenue		**142 886**	**153 989**
EXPENSES*			
Implemented by Member States	*3.9*		
European Agricultural Guarantee Fund		*(45 032)*	*(44 465)*
European Agricultural Fund for Rural Development and other rural development instruments		*(16 376)*	*(14 046)*
European Regional Development Fund and Cohesion Fund		*(38 745)*	*(43 345)*
European Social Fund		*(9 849)*	*(12 651)*
Other		*(2 380)*	*(2 307)*
Implemented by the Commission, executive agencies and trust funds	*3.10*	*(15 626)*	*(15 311)*
Implemented by other EU agencies and bodies	*3.11*	*(1 209)*	*(1 025)*
Implemented by third countries and international organisations	*3.11*	*(3 031)*	*(2 770)*
Implemented by other entities	*3.11*	*(2 107)*	*(1 799)*
Staff and pension costs	*3.12*	*(10 273)*	*(9 662)*
Changes in employee benefits actuarial assumptions	*3.13*	*(2 040)*	*(9 170)*
Finance costs	*3.14*	*(1 986)*	*(2 926)*
Share of net deficit of joint ventures and associates	*3.15*	*(641)*	*(640)*
Other expenses	*3.16*	*(6 623)*	*(5 152)*
Total Expenses		**(155 919)**	**(165 269)**
ECONOMIC RESULT OF THE YEAR		**(13 033)**	**(11 280)**

*

Implemented by Member States: Shared management

Implemented by the Commission, executive agencies and trust funds: Direct Management

Implemented by other EU agencies and bodies, third countries, international organisations and other entities: Indirect management.

CASHFLOW STATEMENT

EUR millions

	Note	2015	2014
Economic result of the year		*(13 033)*	*(11 280)*
Operating activities	4.2		
Amortisation		*74*	*61*
Depreciation		*489*	*408*
(Increase)/decrease in loans		*1 591*	*(1 298)*
(Increase)/decrease in pre-financing		*7 439*	*6 844*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*5 253*	*(1 898)*
(Increase)/decrease in inventories		*(10)*	*-*
Increase/(decrease) in pension and employee benefits liability		*5 198*	*11 798*
Increase/(decrease) in provisions		*(253)*	*414*
Increase/(decrease) in financial liabilities		*(977)*	*1 146*
Increase/(decrease) in payables		*(10 989)*	*6 967*
Increase/(decrease) in accrued charges and deferred income		*12 429*	*(309)*
Prior year budgetary surplus taken as non-cash revenue		*(1 435)*	*(1 005)*
Other non-cash movements		*32*	*130*
Investing activities	4.3		
(Increase)/decrease in intangible assets and property, plant and equipment		*(1 381)*	*(2 347)*
(Increase)/decrease in investments accounted for using the equity method		*(87)*	*(60)*
(Increase)/decrease in available for sale financial assets		*(213)*	*(1 536)*
NET CASHFLOW		**4 126**	**8 035**
Net increase/(decrease) in cash and cash equivalents		*4 126*	*8 035*
Cash and cash equivalents at the beginning of the year	*2.8*	*17 545*	*9 510*
Cash and cash equivalents at year-end	*2.8*	*21 671*	*17 545*

STATEMENT OF CHANGES IN NET ASSETS

EUR millions

	Reserves (A)		Amounts to be called from Member States (B)		Net Assets =(A)+(B)
	Fair value reserve	Other reserves	Accumulated Surplus/(Deficit)	Economic result of the year	
BALANCE AS AT 31.12.2013	**99**	**3 974**	**(45 560)**	**(4 365)**	**(45 852)**
Movement in Guarantee Fund reserve	*–*	*247*	*(247)*	*–*	*–*
Fair value movements	*139*	*–*	*–*	*–*	*139*
Other	*–*	*(24)*	*16*	*–*	*(8)*
Allocation of the 2013 economic result	*–*	*(0)*	*(4 365)*	*4 365*	*–*
2013 budget result credited to Member States	*–*	*–*	*(1 005)*	*–*	*(1 005)*
Economic result of the year	*–*	*–*	*–*	*(11 280)*	*(11 280)*
BALANCE AS AT 31.12.2014	**238**	**4 197**	**(51 161)**	**(11 280)**	**(58 006)**
Movement in Guarantee Fund reserve	*–*	*189*	*(189)*	*–*	*–*
Fair value movements	*54*	*–*	*–*	*–*	*54*
Other	*–*	*2*	*(24)*	*–*	*(22)*
Allocation of the 2014 economic result	*–*	*3*	*(11 283)*	*11 280*	*–*
2014 budget result credited to Member States	*–*	*–*	*(1 435)*	*–*	*(1 435)*
Economic result of the year	*–*	*–*	*–*	*(13 033)*	*(13 033)*
BALANCE AS AT 31.12.2015	**292**	**4 390**	**(64 091)**	**(13 033)**	**(72 442)**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. LEGAL BASIS AND ACCOUNTING RULES

The accounts of the EU are kept in accordance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1) hereinafter referred to as the 'Financial Regulation' and Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 (OJ L 362, 31.12.2012, p. 1) laying down detailed rules of application of this Financial Regulation.

In accordance with article 143 of the Financial Regulation, the EU prepares its financial statements on the basis of accrual-based accounting rules that are based on International Public Sector Accounting Standards (IPSAS). These accounting rules, adopted by the Accounting Officer of the Commission, have to be applied by all the institutions and EU bodies falling within the scope of consolidation in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements and consolidation. The accounts are kept in Euro on the basis of the calendar year.

1.2. ACCOUNTING PRINCIPLES

The objective of the financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users. For the EU as a public sector entity, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it. It is with these goals in mind that the present document has been drawn up.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU accounting rule 1 "Financial Statements" and are the same as those described in IPSAS 1, that is: fair presentation, accrual basis, going concern, consistency of presentation, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting according to article 144 of the Financial Regulation are relevance, reliability, understandability and comparability.

Preparation of the financial statements in accordance with the above mentioned rules and principles requires management to make estimates that affect the reported amounts of certain items in the balance sheet and statement of financial performance, as well as the disclosures related to financial instruments and contingent assets and liabilities.

1.3. CONSOLIDATION

Scope of consolidation

The consolidated financial statements of the EU comprise all significant controlled entities (i.e. the EU institutions (including the Commission) and the EU agencies), associates and joint ventures. The complete list of consolidated entities can be found in note **9** of the EU financial statements. It now comprises 52 controlled entities, 7 joint ventures and 1 associate. In comparison with 2014, the scope of consolidation remained unchanged except for one new joint venture included and one joint venture removed – see note **2.3**.

Controlled entities

The decision to include an entity in the scope of consolidation is based on the control concept. Controlled entities are all entities over which the EU has, directly or indirectly, the power to govern the financial and operating policies so as to be able to benefit from these entities' activities. This power must be presently exercisable. Controlled entities are fully consolidated. The consolidation begins at the first date on which control exists, and ends when such control no longer exists.

The most common indicators of control within the EU are: creation of the entity through founding treaties or secondary legislation, financing of the entity from the general budget, the existence of voting rights in the governing bodies, audit by the Court and discharge by the European Parliament. An individual assessment for each entity is made in order to decide whether one or all of the criteria listed above are sufficient to result in control.

Under this approach, the EU's institutions (except the ECB) and agencies (excluding the agencies of the former 2nd pillar) are considered as under the exclusive control of the EU and are therefore included in the consolidation scope. Furthermore the European Coal and Steel Community (ECSC) in Liquidation is also considered as a controlled entity.

All material "inter-entity transactions and balances" between EU controlled entities are eliminated, while unrealised gains and losses on such transactions are not material and so have not been eliminated.

Joint Ventures

A joint venture is a contractual arrangement whereby the EU and one or more parties (the "venturers") undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control, directly or indirectly, over an activity embodying service potential. Participations in joint ventures are accounted for using the equity method (see **1.5.4** below).

Associates

Associates are entities over which the EU has, directly or indirectly, significant influence but not control. It is presumed that significant influence exists if the EU holds directly or indirectly 20 % or more of the voting rights. Participations in associates are accounted for using the equity method (see **1.5.4** below).

Non-consolidated entities the funds of which are managed by the Commission

The funds of the Joint Sickness Insurance Scheme for staff of the EU, the European Development Fund and the Participants Guarantee Fund are managed by the Commission on their behalf. However since these entities are not controlled by the EU they are not consolidated in its financial statements.

1.4. BASIS OF PREPARATION

1.4.1. Currency and basis for conversion

Functional and reporting currency

The financial statements are presented in millions of euros, the euro being the EU's functional and reporting currency.

Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the rate that applied at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applying on 31 December:

Euro exchange rates

Currency	31.12.2015	31.12.2014	Currency	31.12.2015	31.12.2014
BGN	**1.9558**	*1.9558*	**PLN**	**4.2639**	*4.2732*
CZK	**27.0230**	*27.7350*	**RON**	**4.5240**	*4.4828*
DKK	**7.4626**	*7.4453*	**SEK**	**9.1895**	*9.3930*
GBP	**0.7340**	*0.7789*	**CHF**	**1.0835**	*1.2024*
HRK	**7.6380**	*7.6580*	**JPY**	**131.0700**	*145.2300*
HUF	**315.9800**	*315.5400*	**USD**	**1.0887**	*1.2141*

Changes in the fair value of monetary financial instruments denominated in a foreign currency and classified as available for sale that relate to a translation difference are recognised in the statement of financial performance. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in the statement of financial performance. Translation differences on non-monetary financial instruments classified as available for sale are included in the fair value reserve.

1.4.2. Use of estimates

In accordance with IPSAS and 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 employee benefit liabilities, provisions, financial risk on inventories and accounts receivable, accrued income and charges, contingent assets and liabilities, degree of impairment of intangible assets and property, plant and equipment and amounts disclosed in the notes concerning financial instruments. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

1.5. BALANCE SHEET

1.5.1. Intangible assets

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and relate solely to the development phase of the asset. The costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

1.5.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the 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 or service potential associated with the item will flow to the EU and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
Buildings	*4 % to 10 %*
Plant and equipment	*10 % to 25 %*
Furniture and vehicles	*10 % to 25 %*
Computer hardware	*25 % to 33 %*
Other	*10 % to 33 %*

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

Leases

Leases of tangible assets, where the EU has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to expenditure over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

1.5.3. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. An asset's carrying amount is written down immediately to its recoverable (service) amount if the asset's carrying amount is greater than its estimated recoverable (service) amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.5.4. Investments accounted for using the equity method

Participations in associates and joint ventures

Participations in associates and joint ventures are accounted for using the equity method and are initially recognised at cost. The EU's interest in the results of its associates and joint ventures is recognised in the statement of financial performance, and its share in the movements in reserves is recognised in the reserves. The initial cost together with all movements (further contributions, share of economic results and reserve movements, impairments, and dividends) give the book value of the associate or joint venture in the financial statements at the balance sheet date. Distributions received from an associate or joint venture reduce the carrying amount of the asset.

If the EU's share of deficits of a joint venture equals or exceeds its interest in the joint venture, the EU discontinues recognising its share of further losses ("unrecognised losses"). The unrecognised share of losses is the result of a technical accounting exercise needed when using the equity method of accounting. These unrecognised losses do not represent losses for the EU and are due to the fact that the expense recognition normally takes place before the capital increase for the contribution in kind of the venturers other than the EU.

Unrealised gains and losses on transactions between the EU and its associate or joint ventures are not material and have therefore not been eliminated. The accounting policies of associates or joint ventures may differ from those adopted by the EU for like transactions and events in similar circumstances.

If there are indications of impairment, a write-down to the lower recoverable amount is necessary. The recoverable amount is determined as described under **1.5.3**. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognised.

In cases where the EU holds 20 % or more of an investment capital fund, it does not seek to exert significant influence. Such funds are therefore treated as financial instruments and categorised as available for sale financial assets.

1.5.5. Financial assets

Classification

The EU classifies their financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available for sale financial assets. The classification of financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the EU. Derivatives are also categorised in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the EU did not hold any financial assets in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the EU provides money, goods or services directly to a debtor with no intention of trading the receivable, or in case the EU is subrogated to the rights of the original lender following a payment made by the EU under a guarantee contract. Payments due within 12 months of the balance sheet date are classified as current assets. Payments due after 12 months from the balance sheet date are classified as non-current assets. Loans and receivables include term deposits with the original maturity above three months.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the EU has the positive intention and ability to hold to maturity. During this financial year, the EU did not hold any investments in this category.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the EU expects to hold them, which is usually the maturity date. Investments in entities that are neither consolidated nor accounted for using the equity method and other equity-type investments (e.g. Risk Capital Operations) are also classified as available for sale financial assets.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available for sale (except cash and cash equivalents) are recognised on trade-date – the date on which the EU commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through profit or loss transactions costs are added to the fair value at initial recognition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of financial performance.

The fair value of a financial asset on initial recognition is normally the transaction price (i.e. the fair value of the consideration received). However, when a long-term loan that carries no interest or an interest below market conditions is granted, its fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating.

Loans granted are measured at their nominal amount, which is considered to be the fair value of the loan. The reasoning for this is as follows:

- The "market environment" for EU lending is very specific and different from the capital market used to issue commercial or government bonds. As lenders in these markets have the opportunity to choose alternative investments, the opportunity possibility is factored into market prices. However, this opportunity for alternative investments does not exist for the EU which is not allowed to invest money on the capital markets; it only borrows funds for the purpose of lending at the same rate. This means that there is no alternative lending or investment option available to the EU for the sums borrowed. Thus, there is no opportunity cost and therefore no basis of comparison with market rates. In fact, the EU lending operation itself represents the market. Essentially, since the opportunity cost "option" is not applicable, the market price does not fairly reflect the substance of the EU lending transactions. Therefore, it is not appropriate to determine the fair value of EU lending with reference to commercial or government bonds.

- Furthermore as there is no active market or similar transactions to compare with, the interest rate to be used by the EU for fair valuing its lending operations under the EFSM, BOP and other such loans, should be the interest rate charged.

- In addition, for these loans, there are compensating effects between loans and borrowings due to their back-to-back character. Thus, the effective interest for the loan equals the effective interest rate for the related borrowings. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the EU has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

(i) Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are included in the statement of financial performance in the period in which they arise. The EU currently holds no investments in this category.

(ii) Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. In the case of loans granted on borrowed funds, the same effective interest rate is applied to both the loans and borrowings since these loans have the characteristics of 'back-to-back operations' and the differences between the loan and the borrowing conditions and amounts are not material. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

(iii) Held to maturity – the EU currently holds no held to maturity investments.

(iv) Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the fair value reserve, except for translation differences on monetary assets which are recognised in the statement of financial performance. When assets classified as available for sale financial assets are derecognised or impaired, the cumulative fair value adjustments previously recognised in the fair value reserve are recognised in the statement of financial performance. Interest on available for sale financial assets calculated using the effective interest method is recognised in the statement of financial performance. Dividends on available for sale equity instruments are recognised when the EU's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the EU establishes a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

In cases where the fair value of investments in equity instruments that do not have a quoted market price in an active market cannot be reliably measured, these investments are valued at cost less impairment losses.

Impairment of financial assets

The EU assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cashflows of the financial asset that can be reliably estimated.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cashflows of a collateralised financial asset reflects the cashflows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of financial performance.

(b) *Assets carried at fair value*

In the case of equity investments classified as available for sale financial assets, a significant or permanent (prolonged) decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of financial performance – is removed from reserves and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of financial performance.

Investments in venture capital funds

Investments in Venture Capital Funds are classified as available for sale financial assets and, accordingly, are carried at fair value with gains and losses arising from changes in the fair value (including translation differences) recognised in the fair value reserve. Since they do not have a quoted market price in an active market, investments in Venture Capital Funds are valued on a line-by-line basis at the lower of cost or attributable net asset value. Unrealised gains resulting from the fair value measurement are recognised through reserves and unrealised losses are assessed for impairment so as to determine whether they are recognised as impairment losses in the statement of financial performance or as changes in the fair value reserve.

1.5.6. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other directly attributable costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When inventories are held for distribution at no charge or for a nominal charge, they are measured at the lower of cost and current replacement cost. Current replacement cost is the cost the EU would incur to acquire the asset on the reporting date.

1.5.7. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditure, they have the obligation to return the pre-financing advance to the EU. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses).

Pre-financing is, on subsequent balance sheet dates, measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

Interest on pre-financing is recognised as it is earned in accordance with the provisions of the relevant agreement. An estimate of the accrued interest revenue, based on the most reliable information, is made at the year-end and included on the balance sheet.

Other advances to Member States which originate from reimbursement by the EU of amounts paid as advances by the Member States to their beneficiaries (including "financial instruments under shared management") are recognised as assets and presented under the pre-financing heading. Other advances to Member States are subsequently measured at the amount initially recognised on the balance sheet less a best estimate of the eligible expenses incurred by final beneficiaries, calculated on the basis of reasonable and supportable assumptions.

The EU contributions to the trust funds of the European Development Fund or other unconsolidated entities are also classified as pre-financing since their purpose is to give a float to the trust fund to allow it to finance specific actions defined under the trust fund's objectives. The EU contributions to trust funds are measured at the initial amount of the EU contribution less eligible expenses, including estimated amounts where necessary, incurred by the trust fund during the reporting period and allocated to the EU contribution in accordance with the underlying agreement.

1.5.8. Exchange receivables and non-exchange recoverables

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from exchange transactions and recoverables are defined as stemming from non-exchange transactions (when the EU receives value from another entity without directly giving approximately equal value in exchange (for example recoverables from Member States related to own resources).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see **1.5.5** above). The financial instruments notes disclosures concerning receivables from exchange transactions include accrued income and deferred charges from exchange transactions as they are not material.

Recoverables from non-exchange transactions are carried at original amount (adjusted for interest and penalties) less write-down for impairment. A write-down for impairment of recoverables from non-exchange transactions is established when there is objective evidence that the EU will not be able to collect all amounts due according to the original terms of recoverables from non-exchange transactions. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance. A general write-down, based on past experience, is also made for outstanding recovery orders not already subject to a specific write-down. See note **1.5.14** below concerning the treatment of accrued income at year-end. Amounts displayed and disclosed as recoverables from non-exchanges transactions are not financial instruments as they do not arise from a contract that would give rise to a financial liability or equity instrument. However, in the notes to the financial statements recoverables from non-exchange transactions are disclosed together with receivables from exchange transactions where appropriate.

1.5.9. Cash and cash equivalents

Cash and cash equivalents are financial instruments and classified as available for sale financial assets. They include cash at hand, deposits held at call or at short notice with banks and other short-term highly liquid investments with original maturities of three months or less.

1.5.10. Pension and other employee benefits

Pension obligations

The EU operates defined benefit pension plans. Whilst staff contribute from their salaries one third of the expected cost of these benefits, the liability is not funded. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of any plan assets. The defined benefit obligation is calculated by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of financial performance. Past-service costs are recognised immediately in statement of financial performance, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Post-employment sickness benefits

The EU provides health benefits to its employees through the reimbursement of medical expenses. A separate fund has been created for its day-to-day administration. Both current employees, pensioners, widowers and their relatives benefit from the system. The benefits granted to the "inactives" (pensioners, orphans, etc.) are classified as "Post-Employment Employee Benefits". Given the nature of these benefits, an actuarial calculation is required. The liability in the balance sheet is determined on a similar basis as that for the pension obligations (see above).

1.5.11. Provisions

Provisions are recognised when the EU has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenses expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities (“expected value” method).

1.5.12. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities carried at amortised cost. Borrowings are composed of borrowings from credit institutions and debts evidenced by certificates. They are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred, then subsequently carried at amortised cost using the effective interest method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Financial liabilities are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date. In the case of loans granted on borrowed funds, the effective interest method may not be applied to loans and borrowings, based on materiality considerations. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

Financial liabilities categorised at fair value through profit or loss include derivatives when their fair value is negative. They follow the same accounting treatment as financial assets at fair value through profit or loss, see note **1.5.5**. During this financial year, the EU did not hold any financial liabilities in this category.

1.5.13. Payables

A significant amount of the payables of the EU are not related to exchange transactions such as the purchase of goods or services – instead they are unpaid cost claims from beneficiaries of grants or other EU funding (non-exchange transactions). They are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the EU.

The EU trust funds created and managed by the Commission are considered as part of the Commission's operational activities and are accounted for in the Commission accounts. Therefore, contributions from other donors to the EU trust funds fulfil the criteria of revenues from non-exchange transactions under conditions and they are presented as liabilities until the costs are incurred by the trust fund. The trust fund is required to finance specific projects and return remaining funds at the time of winding-up. At the balance sheet date the outstanding contribution liabilities are measured at contributions received less the expenses incurred by the trust fund, including estimated amounts when necessary, and allocated to the contributions of other donors in accordance with the underlying agreements.

1.5.14. Accrued and deferred income and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the EU or a contractual agreement exists (e.g. by reference to a treaty), an accrued income will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Commission which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent.

1.6. STATEMENT OF FINANCIAL PERFORMANCE

1.6.1. Revenue

REVENUE FROM NON-EXCHANGE TRANSACTIONS

The vast majority of the EU's revenue relates to non-exchange transactions:

GNI based resources and VAT resources

Revenue is recognised for the period for which the Commission sends out a call for funds to the Member States claiming their contribution. They are measured at their “called amount”. As VAT and GNI resources are based on estimates of the data for the budgetary year concerned, they may be revised as changes occur until the final data are issued by the Member States. The effect of a change in estimate is included when determining the net surplus or deficit for the period in which the change occurred.

Traditional own resources

Recoverables from non-exchange transactions and related revenues are recognised when the relevant monthly "A" statements (including duties collected and amounts due that are guaranteed and not contested) are received from the Member States. At the reporting date, revenue collected by the Member States for the period but not yet paid to the Commission is estimated and recognised as accrued income. The quarterly "B" statements (including duties neither collected nor guaranteed, as well as guaranteed amounts that have been contested by the debtor) received from the Member States are recognised as revenue less the collection costs to which they are entitled. In addition, a value reduction is recognised for the amount of the estimated recovery gap.

Fines

Revenue from fines is recognised when the EU's decision imposing a fine has been taken and it is officially notified to the addressee. If there are doubts about the undertaking's solvency, a value reduction on the entitlement is recognised. After the decision to impose a fine, the debtors have two months from the date of notification:

- either to accept the decision, in which case they must pay the fine within the time limit laid down and the amount is definitively collected by the EU;

- or not to accept the decision, in which case they lodge an appeal under EU law.

However, even if appealed, the fine must be paid within the time limit of three months laid down as the appeal does not have suspensory effect (Article 278 of the EU Treaty) or, under certain circumstances and subject to the agreement of the Commission's Accounting Officer, the debtor may present a bank guarantee for the amount instead.

If the undertaking appeals against the decision, and has already provisionally paid the fine, the amount is disclosed as a contingent liability. However, since an appeal against an EU decision by the addressee does not have suspensory effect, the cash received is used to clear the recoverable. If a guarantee is received instead of payment, the fine remains as a recoverable. If it appears probable that the General Court may not rule in favour of the EU, a provision is recognised to cover this risk. If a guarantee had been given instead, then the recoverable outstanding is written-down as required. The accumulated interest received by the Commission on the bank accounts where received payments are deposited is recognised as revenue, and any contingent liability is increased accordingly.

Since 2010, all provisionally cashed fines are managed by the Commission in a specifically created fund (BUFI) and invested in financial instruments categorised as available for sale financial assets.

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest income and expense

Interest income and expense are recognised in the statement of financial performance 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. When calculating the effective interest rate, the EU estimates cashflows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cashflows for the purpose of measuring the impairment loss.

Dividend income

Dividend income is recognised when the right to receive payment is established.

1.6.2. Expenses

Expenses from non-exchange transactions account for the majority of the EU's expenses. They relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations.

Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation (Financial Regulation, Staff Regulations, or other regulation) or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expenses.

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the EU. They are valued at original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are estimated and recognised in the statement of financial performance.

1.7. CONTINGENT ASSETS AND LIABILITIES

1.7.1. Contingent assets

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 EU. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.7.2. Contingent liabilities

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 EU; 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 rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. INTANGIBLE ASSETS

	EUR millions
Gross carrying amount at 31.12.2014	*577*
Additions	*134*
Disposals	*(14)*
Transfer between asset categories	*0*
Other changes	*0*
Gross carrying amount at 31.12.2015	*698*
Accumulated amortisation at 31.12.2014	*(295)*
Amortisation charge for the year	*(74)*
Disposals	*9*
Transfer between asset categories	*0*
Other changes	*-*
Accumulated amortisation at 31.12.2015	*(361)*
Net carrying amount at 31.12.2015	**337**
Net carrying amount at 31.12.2014	*282*

The above amounts relate primarily to computer software.

2.2. PROPERTY, PLANT AND EQUIPMENT

The increase in property, plant and equipment is mainly related to the further development of assets relating to the Galileo and Copernicus space programmes, these being built with the assistance of the European Space Agency (ESA).

For Galileo, the EU's Global Navigation Satellite System (GNSS), the assets under construction at 31 December 2015 total EUR 2 110 million (2014: EUR 1 478 million). An amount of EUR 17 million (2014: EUR 17 million) of non-capitalisable development costs has been recognised as expenses during the period. When completed, the system will comprise 30 satellites and a network of ground stations. At the balance sheet date 12 Galileo satellites have been already launched.

Regarding Copernicus, the European Earth observation programme, the related assets have been recognised on the EU balance sheet since 2014, following their transfer from ESA. At the balance sheet date, EUR 1 188 million relating to the Copernicus satellites currently being constructed are recognised as assets under construction (2014: EUR 1 228 million). Moreover, EUR 498 million relating to the Sentinel 1A and 2A satellites in orbit are recognised as assets under the heading plant and equipment, net of accumulated depreciation (2014: EUR 283 million) after Sentinel 2A has been launched and became operational during the reporting period. Sentinel 1A and 2A satellites are depreciated over their expected useful life of 7 years.

Property, plant and equipment

EUR millions

	Land and Buildings	Plant and Equipment	Furniture and Vehicles	Computer Hardware	Other	Finance leases	Assets under construction	Total
Gross carrying amount at 31.12.2014	*4 768*	*990*	*242*	*623*	*261*	*2 693*	*3 176*	*12 754*
Additions	*41*	*58*	*16*	*54*	*34*	*61*	*998*	*1 262*
Disposals	*(8)*	*(25)*	*(12)*	*(53)*	*(8)*	*(1)*	*(38)*	*(145)*
Transfer between asset categories	*54*	*261*	*-*	*0*	*(11)*	*0*	*(305)*	*–*
Other changes	*1*	*3*	*2*	*2*	*0*	*31*	*1*	*39*
Gross carrying amount at 31.12.2015	**4 856**	**1 288**	**248**	**627**	**277**	**2 784**	**3 832**	**13 911**
Accumulated depreciation at 31.12.2014	*(2 549)*	*(477)*	*(168)*	*(501)*	*(173)*	*(950)*		*(4 817)*
Depreciation charge for the year	*(158)*	*(116)*	*(18)*	*(69)*	*(27)*	*(103)*		*(489)*
Depreciation written back	*-*	*0*	*0*	*1*	*0*	*-*		*1*
Disposals	*6*	*24*	*11*	*52*	*7*	*1*		*101*
Transfer between asset categories	*-*	*(10)*	*-*	*0*	*10*	*0*		*–*
Other changes	*0*	*(3)*	*(1)*	*(1)*	*0*	*(2)*		*(6)*
Accumulated depreciation at 31.12.2015	**(2 701)**	**(581)**	**(176)**	**(517)**	**(182)**	**(1 054)**		**(5 211)**
NET CARRYING AMOUNT AT 31.12.2015	**2 155**	**708**	**72**	**110**	**94**	**1 730**	**3 832**	**8 700**
NET CARRYING AMOUNT AT 31.12.2014	*2 219*	*513*	*74*	*122*	*89*	*1 743*	*3 176*	*7 937*

2.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

EUR millions

	Note	31.12.2015	31.12.2014
Participations in joint ventures	*2.3.1*	*5*	*–*
Participations in associates	*2.3.2*	*491*	*409*
Total		**497**	**409**

Participations in joint ventures and associates are accounted for using the equity method.

2.3.1. Participations in joint ventures

EUR millions

	GJU	SESAR	BBI	Clean Sky	IMI	ECSEL	FCH	Total
Participations at 31.12.2014	–	*0*	–	*0*	*0*	*0*	*0*	*0*
Contributions	–	*93*	*1*	*224*	*147*	*145*	*67*	*677*
Share of net result	–	*(93)*	*4*	*(163)*	*(147)*	*(145)*	*(67)*	*(611)*
Recognition of previously unrecognised share of loss	–	–	–	*(61)*	–	–	–	*(61)*
Other equity movements	–	*0*	*0*	*0*	*0*	*0*	*0*	*(0)*
Participations at 31.12.2015	**–**	**0**	**5**	**0**	**0**	**0**	**0**	**5**
Unrecognised share of loss	–	*(252)*	–	*(38)*	*(161)*	*(55)*	*(156)*	*(662)*

** For a detailed explanation of unrecognised losses see note* ***1.5.4.***

The following carrying amounts are attributable to the Commission based on its percentage of participation:

EUR millions

	31.12.2015	31.12.2014
Non-current assets	*188*	*250*
Current assets	*301*	*178*
Non-current liabilities	*–*	*–*
Current liabilities	*(856)*	*(813)*
Revenue	*13*	*2*
Expenses	*(811)*	*(666)*

ITER International Fusion Energy Organisation (ITER)

Following a review of the accounting for joint ventures, it has been determined that the ITER Organisation does not meet the criteria for recognition as a joint venture. Since 2015, it is no longer recorded as a joint venture, and EU contributions to the ITER Organisation are treated as expenses. As the carrying value of the ITER Organisation at 31 December 2014 was zero, and the impact of the change is not material, no adjustment of prior year results has been made.

GALILEO Joint Undertaking (GJU)

The GJU was put into liquidation at the end of 2006 and the process is still on-going. The entity was inactive and still undergoing liquidation in 2015.

SESAR Joint Undertaking

At 31 December 2015, the Commission held 41.28 % (2014: 43.53 %) of the ownership participation in SESAR.

Joint Technology Initiatives

Public private partnerships (PPPs) in the form of Joint Technology Initiatives (JTIs), which were implemented through Joint Undertakings (JUs) within the meaning of Article 187 of the Treaty, have been created in order to implement the objectives of the Lisbon Growth and Jobs Agenda. The Bio Based Industries (BBI), Clean Sky, Innovative Medicines Initiative (IMI), ECSEL (amalgamation of the former ARTEMIS & ENIAC JUs) and Fuel Cells Hydrogen (FCH) JUs are PPPs created in the form of JTIs. The ownership participation at year-end is as follows: 57.81 % in BBI (2014: N/A), 63.59 % (2014: 61.39 %) in Clean Sky, 67.07 % (2014: 80.47 %) in IMI, 96.29 % (2014: 95.47 %) in ECSEL and 64.86 % (2014: 70.85 %) in FCH.

2.3.2. Participations in associates

European Investment Fund

The participation of the Commission in the European Investment Fund (EIF) is treated as an associate using the equity method of accounting. The EIF is the EU's financial institution specialising in providing risk capital and guarantees to SMEs.

EUR millions

	EIF
Participation at 31.12.2014	*409*
Contributions	*44*
Share of net result	*31*
Other equity movements	*7*
Participation at 31.12.2015	**491**

The following carrying amounts are attributable to the Commission based on its percentage of participation:

EUR millions

	31.12.2015	31.12.2014
Assets	*578*	*497*
Liabilities	*(87)*	*(87)*
Revenue	*51*	*38*
Surplus/(deficit)	*26*	*21*

The Commission has paid in 20 % of its participation, the balance being uncalled, corresponding to an amount of EUR 909 million.

EUR millions

	Total EIF capital	Commission subscription
Total share capital	*4 286*	*1 136*
Paid-in	*(857)*	*(227)*
Uncalled	**3 429**	**909**

2.4. FINANCIAL ASSETS

EUR millions

	Note	31.12.2015	31.12.2014
Non-current financial assets			
Available for sale financial assets	*2.4.1*	*7 222*	*6 550*
Loans	*2.4.2*	*49 743*	*49 888*
Total		**56 965**	**56 438**
Current financial assets			
Available for sale financial assets	*2.4.1*	*2 399*	*2 856*
Loans	*2.4.2*	*7 508*	*8 955*
Total		**9 907**	**11 811**
Total		**66 871**	**68 249**

2.4.1. Available for sale financial assets

EUR millions

	31.12.2015	31.12.2014
BUFI investments	*2 647*	*3 068*
Guarantee Fund for external actions	*2 002*	*1 825*
ECSC in Liquidation	*1 699*	*1 699*
European Bank for Reconstruction and Development	*188*	*188*
Sub-total	**6 536**	**6 780**
Budgetary Instruments:		
Risk Sharing Finance Facility (RSFF)	*773*	*842*
Horizon 2020	*765*	*514*
ETF Start up	*485*	*399*
Project Bond Initiative	*217*	*125*
Loan Guarantee Instrument for TEN-T projects (LGTT)	*208*	*186*
Risk Capital Operations	*152*	*145*
European Fund for South East Europe	*118*	*117*
Other budgetary instruments	*366*	*298*
Sub-total	**3 084**	**2 626**
Total	**9 620**	**9 406**
Non-current	*7 222*	*6 550*
Current	*2 399*	*2 856*

BUFI investments

Provisionally cashed fines related to competition cases are allocated to a specially created fund (BUFI Fund) and invested by the Commission in the debt instruments categorised as available for sale financial assets.

Guarantee Fund for external actions

The Guarantee Fund for external actions covers loans guaranteed by the EU in particular EIB lending operations outside the EU and loans under macro-financial assistance (MFA) and Euratom loans outside the EU. It is a long-term instrument (non-current part: EUR 1 614 million) managed by the EIB and intended to cover any defaulting loans guaranteed by the EU. The Fund is endowed by payments from the EU budget, the proceeds from interest on investments made from the Fund's assets, and sums recovered from defaulting debtors for whom the Fund has had to activate its guarantee. Any yearly surplus arising is paid back as revenue for the EU budget. The EU is required to include a guarantee reserve to cover loans to third countries. This reserve is intended to cover the requirements of the Guarantee Fund and, where necessary, activated guarantees exceeding the amount available in the Fund, so that these amounts may be charged to the budget. This reserve corresponds to the target amount of 9 % of the loans outstanding at year-end.

ECSC in Liquidation

Regarding the ECSC in liquidation amounts, all available for sale financial assets are debt securities denominated in EUR and quoted in an active market.

European Bank for Reconstruction and Development

As the European Bank for Reconstruction and Development (EBRD) is not quoted on any stock exchange and in view of the contractual restrictions included in the EBRD's articles of incorporation relating, amongst others, to the sale of participating interests, capped at acquisition cost and only authorised to existing shareholders, the Commission's shareholding is valued at cost less any write-down for impairment.

EUR millions

	Total EBRD capital	Commission subscription
Total Share Capital	*29 674*	*900*
Paid-in	*(6 202)*	*(188)*
Uncalled	**23 472**	**712**

Budgetary Instruments

The EU holds available for sale financial assets in the form of debt securities (e.g. bonds) and equity instruments. The debt securities are mainly used to temporarily invest the amounts allocated to the EU guarantee and risk-sharing instruments until they are used to satisfy the guarantee calls.

Risk-Sharing Finance Facility

The Risk-Sharing Finance Facility (RSFF) is managed by the EIB and the Commission's investment portfolio is used to provision financial risk for loans and guarantees given by the EIB to eligible research projects. In total, a Commission budget of up to EUR 1 billion was allocated to the RSFF under the 2007-2013 MFF. Under the 2014-2020 MFF, there are no new budget contributions foreseen to the RSFF. In 2015, EUR 65 million of the EU contribution to the RSFF was transferred to its successor debt instrument under Horizon 2020. At 31 December 2015, the Commission contribution to the RSFF, including also EFTA and third countries, amounts to EUR 791 million. It should be noted that the Commission's overall risk is limited to the amount it contributes to the Facility.

Horizon 2020

Under the EU Regulation establishing Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020), new financial instruments have been established in order to enhance access to finance to entities engaged in research and innovation (R&I). These instruments are: *the InnovFin Loan and Guarantee Service for R&I* - under which the Commission shares the financial risk related to a portfolio of new financing operations entered into by the EIB, *the InnovFin SME Guarantee including the SME Initiative Uncapped Guarantee Instrument (SIUGI)* – guarantee facilities managed by the EIF providing guarantees and counter-guarantees to the financial intermediaries for the new portfolios of loans (under SIUGI the Commission shares the financial risk related to the guarantee given with Member States, EIF and EIB) and *the InnovFin Equity Facility for R&I* providing for investments in venture capital funds and managed by the EIF. At 31 December 2015, the total EU contribution to the Horizon 2020 financial instruments amounted to EUR 1 060 million.

ETF Start up

These are equity instruments that were financed by the Growth & Employment programme, the MAP programme, the CIP programme and the Technology Transfer Pilot Project, under the trusteeship of the EIF, supporting the creation and financing of Start-Up SMEs by investing in suitable specialised venture capital funds.

Fair value hierarchy of available for sale financial assets:

EUR millions

	31.12.2015	31.12.2014
Level 1: Quoted prices in active markets	*8 123*	*8 183*
Level 2: Observable inputs other than quoted prices	*188*	*76*
Level 3: Valuation techniques with inputs not based on observable market data	*1 310*	*1 147*
Total	**9 620**	**9 406**

During the period EUR 10 million was transferred from level 2 to level 1.

Reconciliation of financial assets measured using valuation techniques with inputs not based on observable market data (level 3):

EUR millions

Opening balance at 31.12.2014	*1 147*
Purchases and sales	*98*
Gains or losses for the period in financial income or finance costs	*(27)*
Gains or losses in net assets	*91*
Transfers into level 3	*–*
Transfers out of level 3	*–*
Other	*–*
Closing balance at 31.12.2015	**1 310**

2.4.2. Loans

EUR millions

	31.12.2015	31.12.2014
Loans from borrowed funds	*56 874*	*58 509*
Loans granted from the budget	*377*	*334*
Total	**57 251**	**58 843**
Non-current	*49 743*	*49 888*
Current	*7 508*	*8 955*

Loans granted from borrowed funds

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liqui-dation	Total
Total at 31.12.2014	*1 842*	*349*	*8 590*	*47 507*	*221*	*58 509*
New loans	*1 245*	*-*	*-*	*12 160*	*-*	*13 405*
Repayments	*(67)*	*(48)*	*(2 700)*	*(12 160)*	*-*	*(14 975)*
Exchange differences	*-*	*-*	*-*	*-*	*14*	*14*
Changes in carrying amount	*4*	*-*	*(79)*	*2*	*(6)*	*(79)*
Impairment	*-*	*-*	*-*	*-*	*-*	*–*
Total at 31.12.2015	**3 024**	**301**	**5 811**	**47 509**	**229**	**56 874**
Non-current	*2 937*	*251*	*4 200*	*42 050*	*218*	*49 656*
Current	*87*	*50*	*1 611*	*5 459*	*11*	*7 218*

The change in carrying amount corresponds to the change in accrued interests.

MFA is a policy-based financial instrument of untied and undesignated balance of payment and/or budget support to partner countries currently following an IMF programme. It takes the form of medium/long term loans or grants or an appropriate combination of both and generally complements financing provided in the context of an IMF-supported adjustment and reform program. These loans are guaranteed by the Guarantee Fund for external actions. At 31.12.2015, EUR 1 323 million relating to a loan facility agreement under MFA assistance were granted to Ukraine (EUR 1 200 million), to Tunisia (EUR 100 million), to Georgia (EUR 13 million) and to Kyrgyzstan (EUR 10 million) but not yet disbursed.

The Euratom legal entity (represented by the Commission) lends money to both Member States and non-Member States to finance projects relating to energy installations. At 31 December 2015, loans of EUR 300 million were granted to Ukraine but not yet disbursed. Guarantees from third-parties of EUR 301 million (2014: EUR 349 million) have been received covering Euratom loans.

The BOP facility, a policy-based financial instrument, provides medium-term financial assistance to Member States of the EU. It enables the granting of loans to Member States which are experiencing, or are seriously threatened with, difficulties in their balance of payments or capital movements. Only Member States which have not adopted the Euro may benefit from this facility. BOP assistance to Latvia was granted before the introduction of the Euro on 1 January 2014. The maximum outstanding amount of loans granted under the instrument is limited to EUR 50 billion. Borrowings related to these BOP loans are guaranteed by the EU budget – thus at 31 December 2015, the budget is exposed to a maximum possible risk of EUR 5.8 billion regarding these loans.

EFSM enables the granting of financial assistance to a Member State in difficulties or seriously threatened with severe difficulties caused by exceptional circumstances beyond its control. The assistance may take the form of a loan or credit line. The ECOFIN Council conclusions of 9 May 2010 restrict the facility to EUR 60 billion but the legal limit restricts the outstanding amount of loans or credit lines to the margin available under the own resources ceiling. Borrowings related to loans disbursed under the EFSM are guaranteed by the EU budget – thus at 31 December 2015, the budget is exposed to a maximum possible risk of EUR 47.5 billion regarding these loans. As both EFSM programmes have expired, there is no outstanding available undisbursed amounts. It is not foreseen that the EFSM will engage in new financing programmes or enter into new loan facility agreements.

ECSC in Liquidation loans are granted on borrowed funds in accordance with articles 54 and 56 of the ECSC Treaty.

Loans effective interest rates (expressed as a range of interest rates)

Loans	31.12.2015	31.12.2014
Macro Financial Assistance (MFA)	*0 % - 4.54 %*	*0.181 % - 4.54 %*
Euratom	*0.08 % - 5.76 %*	*0.26 % - 5.76 %*
Balance of Payment (BOP)	*2.375 % - 3.625 %*	*2.375 % - 3.625 %*
European Financial Stability Mechanism (EFSM)	*0.625 % - 3.75 %*	*1.875 % - 3.750 %*
ECSC in Liquidation	*5.2354 % - 5.8103 %*	*5.2354 % - 5.8103 %*

Loans granted from the budget

EUR millions

	31.12.2015	31.12.2014
Loans with special conditions	*113*	*130*
*ECSC in liquidation housing loans**	*6*	*9*
Term deposits between 3 and 12 months	*257*	*195*
Total	**377**	**334**
Non-current	*88*	*116*
Current	*290*	*217*

** Granted from ECSC i.L. own funds.*

Loans with special conditions are granted at preferential rates as part of co-operation with non-member countries.

Impairment on loans granted from the budget

EUR millions

	31.12.2014	Additions	Reversals	Write-off	Other	31.12.2015
Loans with special conditions	*6*	*75*	*0*	*0*	*149*	*231*
ECSC in liquidation housing loans	*–*	*0*	*0*	*0*	*0*	*–*
Total	**6**	**75**	**0**	**0**	**149**	**231**

The loans with special conditions heading includes also subrogated loans, i.e. defaulting loans which were granted by the EIB and for which all rights have been subrogated to the EU following the payment from the Guarantee Fund for external actions, and which are fully impaired for an amount of EUR 217 million (2014: EUR 149 million).

2.5. PRE-FINANCING

EUR millions

	Note	31.12.2015	31.12.2014
Non-current pre-financing			
Pre-financing	*2.5.1*	*28 543*	*15 980*
Other advances to Member States	*2.5.2*	*1 332*	*2 378*
Contribution to Trust Funds		*4*	*–*
Total		**29 879**	**18 358**
Current pre-financing			
Pre-financing	*2.5.1*	*11 498*	*29 222*
Other advances to Member States	*2.5.2*	*3 779*	*5 015*
Total		**15 277**	**34 237**
Total		**45 156**	**52 595**

Pre-financing represents a large portion of the EU's total assets, and thus receives proper and regular attention. It should be noted that the level of pre-financing amounts in the various programmes must be sufficient to ensure the necessary funding for the beneficiary to start the project, while also safeguarding the financial interests of the EU and taking into consideration legal, operational and cost-effectiveness constraints. All these elements have been given due consideration by the Commission in an effort to improve the follow-up of pre-financing.

2.5.1. Pre-financing

EUR millions

	Gross amount	Cleared via cut-off	Net amount at 31.12.2015	Gross amount	Cleared via cut-off	Net amount at 31.12.2014
Shared management						
EAFRD & other rural development instruments	*4 726*	*(1 629)*	*3 097*	*5 644*	*(2 115)*	*3 529*
ERDF & CF	*24 268*	*(7 416)*	*16 852*	*24 934*	*(2 182)*	*22 752*
ESF	*7 251*	*(1 325)*	*5 926*	*6 884*	*(953)*	*5 931*
Other	*4 359*	*(2 365)*	*1 994*	*4 626*	*(2 535)*	*2 091*
Total	**40 604**	**(12 735)**	**27 869**	**42 088**	**(7 785)**	**34 303**
Direct Management *Implemented by:*						
Commission	*12 512*	*(9 536)*	*2 976*	*13 173*	*(10 215)*	*2 958*
EU executive agencies	*11 065*	*(7 767)*	*3 298*	*9 079*	*(6 618)*	*2 461*
Trust funds	*14*	*(5)*	*9*	*-*	*-*	*-*
Total	**23 591**	**(17 308)**	**6 283**	**22 252**	**(16 833)**	**5 419**
Indirect Management *Implemented by:*						
Other EU agencies & bodies	*627*	*(95)*	*532*	*548*	*(98)*	*450*
Third countries	*2 151*	*(1 229)*	*922*	*1 981*	*(1 169)*	*812*
International organisations	*6 640*	*(4 014)*	*2 626*	*6 236*	*(3 476)*	*2 760*
Other entities	*5 330*	*(3 521)*	*1 809*	*4 370*	*(2 910)*	*1 460*
Total	**14 748**	**(8 859)**	**5 889**	**13 135**	**(7 653)**	**5 482**
Total	**78 943**	**(38 902)**	**40 041**	**77 474**	**(32 273)**	**45 202**
Non-current	*28 543*	*–*	*28 543*	*15 980*	*–*	*15 980*
Current	*50 401*	*(38 902)*	*11 498*	*61 495*	*(32 273)*	*29 222*

The closure of programming period 2007-2013 and the gradual set-up of programs under the period 2014-2020 are the major factors influencing the size of this asset: pre-financing related to the old programs is decreasing due to the acceptance of costs, while further pre-financings have been paid out concerning the new programming period.

For shared management this transition between programming periods also explains the movement between current and non-current balances. New pre-financing paid concerning the programming period 2014-2020 is typically booked as non-current; the amounts paid during 2015 total EUR 10 billion, of which EUR 7 billion are related to cohesion policy. The programming period 2007-2013 is in its closing phase and thus more amounts become due within twelve months.

Guarantees received in respect of pre-financing

These are guarantees that the Commission requests from beneficiaries that are not Member States, in certain cases when paying out advance payments (pre-financing). There are two values to disclose for this type of guarantee, the "nominal" and the "on-going" values. For the nominal value, the generating event is linked to the existence of the guarantee. For the on-going value, the guarantee's generating event is the pre-financing payment and/or subsequent clearings. At 31 December 2015 the nominal value of guarantees received in respect of pre-financing amounted to EUR 844 million while the on-going value of those guarantees was EUR 626 million (2014: EUR 957 million and EUR 605 million respectively).

Certain pre-financing amounts paid out under the 7th Research Framework Programme for research and technological development (FP7) and under Horizon 2020 are effectively covered by a Participants Guarantee Fund (PGF). The PGF is a mutual benefit instrument set up to cover the risks relating to non-payment of amounts by the beneficiaries during the implementation of the indirect actions of FP7 and Horizon 2020. All participants of indirect actions receiving a grant from the EU contribute 5 % of the total contribution to the PGF's capital.

At 31 December 2015 pre-financing amounts covered by the PGF totalled EUR 1.7 billion (2014: EUR 1.8 billion). The EU (represented by the Commission) acts as an executive agent of the participants of the PGF, but the fund is owned by the participants.

At year-end, the PGF had total assets of EUR 1 838 million (2014: EUR 1 640 million). The assets of the PGF also include financial assets that are managed by the Directorate-General for Economic and Financial Affairs. As the PGF is a separate entity the assets of the fund are not consolidated in these EU annual accounts.

2.5.2. Other advances to Member States

EUR millions

	31.12.2015	31.12.2014
Advances to Member States for financial instruments under shared management	*3 287*	*3 823*
Aid Schemes	*1 824*	*3 570*
Total	**5 111**	**7 393**
Non-current	*1 332*	*2 378*
Current	*3 779*	*5 015*

Under the framework of the structural funds programmes and also under the EAFRD 2007-2013, it was possible to make advance payments from the EU budget to Member States so as to allow them to contribute to financial instruments (be it in the form of loans, equity investments or guarantees). These financial instruments are set up and managed under the responsibility of the Member States, not the Commission. Nevertheless, monies that are unused by these instruments at year-end are the property of the EU (as with all pre-financing) and are thus treated as an asset on the EU's balance sheet. However, the basic legal acts do not oblige the Member States to provide periodic reports to the Commission on the use made of these advances, and in some cases not even to identify them in the statements of expenditure submitted to the Commission.

For rural development, the Commission requested information on the unused amounts directly from the paying agencies in the Member States. On the basis of this information, it is estimated that EUR 56 million remained unused at 31 December 2015.

For cohesion policy, every year the Commission collects information from the Member States on these financial instruments and consolidates it in an annual implementation report. The next report, on unused amounts at end 2015, is due on 1 October 2016, thus the information in it will not be available in time for inclusion in these accounts. Consequently, the value of this asset is estimated on the basis of the most recent reliable information available, i.e. the annual implementation report as at 31 December 2014 and disbursements made during 2015. The estimate also relies on the assumption that funds will be used in full and used evenly over the remaining period of operation (ending 31 March 2017). It is estimated that at year end 2015 an amount of EUR 3 231 million was still to be used for investments in final beneficiaries.

As the period of operation is coming to an end, a targeted data collection exercise was launched, aimed at gathering information on the unspent funds as at 31 December 2015 from the Member States. The data provided showed clearly that the estimate calculated by the Commission is reasonably accurate.

The total contribution requested by Member States to the Commission concerning these instruments was EUR 10 938 million, of which EUR 353 million remained unpaid at year end. In 2015, limited amounts relating to the 2014-2020 programming period have been paid.

Similar to the above, advances paid by the Member States for various aid schemes (state aid, market measures of EAGF) that were not used at year end are recorded as assets on the EU's balance sheet. The Commission has estimated the value of these advances based on information provided by the Member States; the resulting amounts are included under the Aid Schemes sub-headings above. Of the total amount, it is estimated that EUR 972 million representing advances paid in the context of rural development remained unused at the end of 2015.

2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

EUR millions

	Note	31.12.2015	31.12.2014
Non-current			
Recoverables from non-exchange transactions	*2.6.1*	*857*	*1 158*
Receivables from exchange transactions	*2.6.2*	*13*	*40*
Total		**870**	**1 198**
Current			
Recoverables from non-exchange transactions	*2.6.1*	*8 882*	*13 828*
Receivables from exchange transactions	*2.6.2*	*572*	*551*
Total		**9 454**	**14 380**
Total		**10 324**	**15 578**

2.6.1. Recoverables from non-exchange transactions

EUR millions

	Note	31.12.2015	31.12.2014
Non-current			
Member States	*2.6.1.1*	*857*	*305*
Accrued income and deferred charges	*2.6.1.3*	*–*	*853*
Total		**857**	**1 158**
Current			
Member States	*2.6.1.1*	*6 845*	*10 679*
Fines	*2.6.1.2*	*1 601*	*2 270*
Accrued income and deferred charges	*2.6.1.3*	*369*	*832*
Other recoverables		*67*	*48*
Total		**8 882**	**13 828**
Total		**9 739**	**14 987**

2.6.1.1. Recoverables from Member States

EUR millions

	31.12.2015	31.12.2014
Established in the A account	*3 041*	*2 789*
Established in the separate account	*1 283*	*1 617*
Own resources to be received	*–*	*5 413*
Impairment	*(760)*	*(1 144)*
Other	*10*	*12*
Own resources recoverables	**3 573**	**8 686**
European Agricultural Guarantee Fund (EAGF)	*3 846*	*2 250*
European Agricultural Fund for Rural Development (EAFRD)	*750*	*52*
Temporary Rural Development Instrument (TRDI)	*26*	*27*
Special Accession Programme for Agriculture and Rural Development (SAPARD)	*175*	*166*
Impairment	*(1 092)*	*(840)*
EAGF and rural development recoverables	**3 705**	**1 655**
Pre-financing recovery expected	**313**	**437**
VAT paid and recoverable	**36**	**44**
Other recoverables from Member States	**75**	**161**
Total	**7 701**	**10 984**
Non-current	*857*	*305*
Current	*6 845*	*10 679*

The non-current amounts due from Member States relate to non-executed conformity clearance decisions for the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) to be implemented in annual instalments and/or deferrals.

Own resources recoverables

The Member States' contribution to the EU budget contributions based on VAT and GNI is subject to an annual adjustment, which is performed every year on the first working day of December. The adjustment in 2014 included major revisions for GNI dating back to 2002, thus resulting in an unprecedented EUR 9.5 billion across all EU Member States, of which EUR 5.4 billion were still to be received at year end. The outstanding amounts were received during 2015, in accordance with the planned deferred payments.

The adjustment of 2015 did not result in any amounts to be recovered from the Member States.

EAGF and Rural Development recoverables

This item primarily covers the amounts owed by Member States at 31 December, as declared and certified by the Member States at 15 October. An estimation is made for the recoverables arising after this declaration and up to 31 December. The Commission also estimates a write-down for the amounts owed by beneficiaries that are unlikely to be recovered. The fact that such an adjustment is made does not mean that the Commission is waiving future recovery of these amounts. A deduction of 20 % is also included in the adjustment, and corresponds to what Member States are allowed to retain to cover administrative costs.

2.6.1.2. Fines

This refers to fines issued by the Commission which were not (provisionally) cashed at year end (EUR 2 165 million) less amounts written-down (EUR 181 million) and less amounts corresponding to Court decisions in favour of the undertaking (EUR 384 million). Guarantees totalling EUR 1 428 million were received for the fines outstanding at year-end (2014: EUR 1 916 million). It should be noted that EUR 116 million of these receivables were due for payment after 31 December 2015.

The decrease in the balance of the open fines at year end is due to the fact that fines became definitive and were transferred to the budget during 2015 and that fines were reduced by the Court of Justice.

2.6.1.3. Accrued income and deferred charges

EUR millions

	31.12.2015	31.12.2014
Cohesion, Agriculture and Rural Development Funds: Financial corrections	*10*	*1 502*
Other accrued income	*162*	*83*
Deferred charges relating to non-exchange transactions	*196*	*101*
Total	***369***	***1 686***
Non-current	*–*	*853*
Current	*369*	*832*

2.6.2. Receivables from exchange transactions

EUR millions

	31.12.2015	31.12.2014
Non-current		
Other receivables	*13*	*40*
Total	**13**	**40**
Current		
Customers	*225*	*211*
Impairment on receivables from customers	*(107)*	*(103)*
Deferred charges relating to exchange transactions	*228*	*219*
Other	*227*	*224*
Total	**572**	**551**
Total	**585**	**591**

The impairment on receivables from customers disclosed above includes EUR 39 million of impairment determined on an individual basis.

2.7. INVENTORIES

EUR millions

	31.12.2015	31.12.2014
Scientific materials	*55*	*66*
Other	*83*	*62*
Total	**138**	**128**

2.8. CASH AND CASH EQUIVALENTS

EUR millions

	Note	31.12.2015	31.12.2014
Accounts with Treasuries and Central Banks		*17 119*	*11 840*
Current accounts		*110*	*303*
Imprest accounts		*4*	*4*
Transfers (cash in transit)		*–*	*–*
Other term deposits		*28*	*28*
Bank accounts for budget implementation and other term deposits	*2.8.1*	**17 262**	**12 174**
Cash belonging to financial instruments	*2.8.2*	**1 298**	**1 275**
Cash relating to fines	*2.8.3*	**1 908**	**2 738**
Cash relating to other institutions, agencies and bodies		**1 012**	**1 358**
Cash relating to Trust Funds		**192**	**–**
Total		**21 671**	**17 545**

2.8.1. Bank accounts for budget implementation and other term deposits

This heading covers the funds which the Commission keeps in its bank accounts in each Member State and EFTA country (treasury or central bank), as well as in commercial bank current accounts, imprest accounts and petty cash.

The high balance at the end of 2015 is mainly due to high own resources contributions related to the part of the 2014 VAT and GNI balances that was only paid by Member States during 2015, to the 2015 VAT and GNI balances paid in 2015, and to an important amount of fines for breach of competition rules that became definitive. The amending budget based on the own resource regulation reducing the Member States' contributions accordingly was adopted late in the year 2015, hence the corresponding amounts were returned to the Member States only in January 2016, for a total amount of EUR 9.5 billion. Also, two Member States have paid their 2016 GNI balance in advance.

2.8.2. Cash belonging to financial instruments

Amounts shown under this heading primarily concern cash equivalents managed by fiduciaries on behalf of the Commission for the purpose of implementing particular financial instrument programmes funded by the EU budget. The cash belonging to financial instruments can only be used in the programme concerned.

2.8.3. Cash relating to fines

This is cash received in connection with fines issued by the Commission for which the case is still open. These amounts are kept in specific deposit accounts that are not used for any other activities. Where an appeal has been lodged or where it is unknown if an appeal will be made by the other party, the underlying amount is shown as contingent liability in note **5.2**.

The decrease in this balance is due to the fact that since 2010, all new provisionally cashed fines are managed by the Commission in a specifically created fund (BUFI) and invested in financial instruments categorised as available for sale (see note **2.4.1**).

LIABILITIES

2.9. PENSION AND OTHER EMPLOYEE BENEFITS

Net employee benefit scheme liability

EUR millions

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2015 Total	31.12.2014 Total
Defined Benefit Obligation	*54 967*	*1 613*	*7 662*	*64 242*	*59 053*
Plan assets		*(149)*	*(280)*	*(428)*	*(437)*
Net liability	**54 967**	**1 465**	**7 382**	**63 814**	**58 616**

The increase in the total employee benefits liability is primarily due to movements in the two main schemes:

The Pension Scheme of European Officials:

- There was a significant impact from the further reduction in the Real Discount Rate from 0.7 % to 0.6 %. A decrease in the discount rate has increased the current value of benefits and increased the current service cost.
- There was also a movement in the expected rate of salary increases from 1.1 % to 1.2 %.
- Other changes to actuarial assumptions and parameters (for example, actuarial gains/losses based on experience and changes in population) affected the calculation of the liability.

The Joint Sickness Insurance Scheme, where there were updated financial assumptions.

The defined benefit obligation represents a theoretical estimate of the amount an employer would have to pay into the scheme to satisfy the obligations it had towards pension scheme members at that point in time. However, the schemes are ongoing, and as such, all payments required to be made from the scheme on an annual basis are included in the EU budget each year.

2.9.1. Pension Scheme of European Officials

In accordance with Article 83 of the Staff Regulations, the payment of the benefits provided for in the staff pension scheme constitutes a charge to the EU's budget. The scheme is not funded, but the Member States guarantee the payment of these benefits collectively. In addition, officials contribute one third to the long-term financing of this scheme via a compulsory contribution from their salaries.

The liabilities of the pension scheme were assessed on the basis of the number of staff and retired staff at 31 December 2015 and on the rules of the Staff Regulations applicable at this date. This valuation was carried out in accordance with the methodology of IPSAS 25 (and therefore also EU accounting rule 12). The Commission will further strengthen its processes used for calculating the employee benefits liability during 2016 – possible results, where appropriate, will be reflected in the 2016 accounts.

2.9.2. Other retirement benefit schemes

This refers to the liability relating to the pension obligations towards Members and former Members of the Commission, the Court of Justice (and General Court) and the Court of Auditors, the Secretaries General of the Council, the Ombudsman, the European Data Protection Supervisor, and the European Union Civil Service Tribunal. Also included under this heading is a liability relating to the pensions of Members of the European Parliament.

2.9.3. Joint Sickness Insurance Scheme

In addition to the above retirement benefit schemes, a valuation is made for the estimated liability that the EU has regarding the Joint Sickness Insurance Scheme in relation to healthcare costs which must be paid during employees' post-activity periods (net of their contributions).

Movement in present value of employee benefits defined benefit obligation

The present value of the defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

An analysis of the current year movement in the defined benefit obligation is shown below:

EUR millions

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
Present value as at 31.12.2014	**50 897**	**1 488**	**6 668**	**59 053**
Current Service Cost	*3 323*	*77*	*243*	*3 643*
Interest cost	*1 170*	*27*	*140*	*1 337*
Net Actuarial (gains) and losses	*1 429*	*91*	*674*	*2 194*
Contributions from members			*21*	*21*
Benefits paid	*(1 244)*	*(52)*	*(85)*	*(1 380)*
Liability increase/(decrease) due to taxes on pensions	*(608)*	*(17)*		*(625)*
Present value as at 31.12.2015	**54 967**	**1 613**	**7 662**	**64 242**

Current service costs are the increase in the present value of the defined benefit obligation arising from current members' service in the current period.
Interest costs are the increase during the period in the present value of the defined benefit obligation because the benefits are one period closer to settlement.
Net Actuarial gains and losses comprise:

- Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- Effects of changes in actuarial assumptions such as financial assumptions, mortality rates and projected salary increases. These assumptions are inherently uncertain and therefore can show significant movements from year to year.

Benefits paid are benefits paid during the year according to the rules of the scheme (e.g. pensions for retirees). These benefits paid lead to a decrease in the defined benefit obligation as they are no longer to be paid in the future.

Actuarial assumptions - employee benefits

The principle actuarial assumptions used in the valuation of the two main employee benefit schemes of the EU are shown below:

	Pension Scheme of European Officials	Joint Sickness Insurance Scheme
2015		
Nominal discount rate	*2.0 %*	*2.1 %*
Expected inflation rate	*1.4 %*	*1.4 %*
Real discount rate	*0.6 %*	*0.7 %*
Expected rate of salary increases	*1.2 %*	*1.2 %*
Medical cost trend rates	*N/A*	*3.0 %*
Retirement age	*63/64/65*	*63/64/66*
2014		
Nominal discount rate	*2.0 %*	*2.1 %*
Expected inflation rate	*1.3 %*	*1.3 %*
Real discount rate	*0.7 %*	*0.8 %*
Expected rate of salary increases	*1.1 %*	*1.1 %*
Medical cost trend rates	*N/A*	*3.0 %*
Retirement age	*63/64/65*	*63*

Mortality rates are based on the International Civil Servants Life Table (ICSLT 2013).

The nominal discount rate is determined as the value of the Euro zero-coupon yield (with a maturity of 18 years as of December 2015 for the Pension Scheme of European Officials (PSEO), and 20 years for the Joint Sickness Insurance Scheme). The inflation rate used is the expected inflation rate over the equivalent period. It must be determined empirically, based on prospective values as expressed by index-linked bonds on the European financial markets. The real discount rate is calculated from the nominal discount rate and the expected long-term inflation rate.

Movement in present value of plan assets

EUR millions

	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
Present value as at 31.12.2014	**165**	**272**	**437**
Net movement in plan assets	*(16)*	*8*	*(8)*
Present value as at 31.12.2015	**149**	**280**	**428**

5 year trend

EUR millions

	2011	2012	2013	2014	2015
Employee benefits liability	*34 835*	*42 503*	*46 818*	*58 616*	*63 814*

The significant increase in the employee benefits liability over the five years can largely be explained by a reduction in the real discount rate used to discount the future cash flows. This reduction is linked to the underlying exceptional economic conditions, particularly the fall in interest rates. For the main PSEO scheme, for example, the real discount rate fell from 3.0 % at the end of 2011 to 0.6 % at the end of 2015.

Amounts recognised in the Statement of Financial Performance

EUR millions

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
2015				
Current service cost	*2 981*	*68*	*243*	*3 293*
Interest cost	*1 050*	*24*	*140*	*1 214*
Change in plan assets			*(71)*	*(71)*
Sub-total – recorded in staff and pension costs	***4 031***	***92***	***312***	***4 435***
Actuarial gains and losses	1 282	84	674	2 040
Total recognised	**5 313**	**176**	**986**	**6 475**

Joint Sickness Insurance Scheme sensitivity

A one percentage point change in assumed medical cost trend rates would have the following effects:

EUR millions

	One percentage point increase	One percentage point decrease
The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs	*88*	*(54)*
The accumulated post-employment benefit obligation for medical costs	*2 765*	*(1 686)*

2.10. PROVISIONS

EUR millions

	Amount at 31.12.2014	Additional provisions	Unused amounts reversed	Amounts used	Transfer to current	Change in estimation	Amount at 31.12.2015
Legal cases	*728*	*252*	*(52)*	*(469)*	–	*0*	*459*
Nuclear site dismantling	*1 091*	–	–	*(32)*	–	*19*	*1 078*
Financial	*332*	*262*	*(0)*	*(179)*	–	*(5)*	*411*
Fines	*30*	*4*	*(30)*	–	–	–	*4*
Other	*102*	*19*	*(19)*	*(24)*	–	*0*	*79*
Total	**2 282**	**537**	**(101)**	**(703)**	**–**	**15**	**2 030**
Non-current	**1 537**	**315**	**(48)**	**(22)**	**(87)**	**20**	**1 716**
Current	**745**	**222**	**(53)**	**(681)**	**87**	**(6)**	**314**

Legal cases

This is the estimate of amounts that will probably have to be paid out after the year-end in relation to a number of on-going legal cases. The decrease noted in 2015 was generated by the use of previously created provisions for legal cases relating to ERDF financial corrections (EUR 457 million) – these cases have been lost, and most of the amounts had been paid by year end. New provisions have been recorded in 2015 for legal cases relating to cohesion (EUR 120 million) and agriculture (EUR 123 million).

Nuclear site dismantlement

In 2014 the basis for the provision was updated as per the "2014 updated JRC Strategy on Decommissioning and Waste Management" (D&WM). It represents the follow up of the comments raised by the Review of the JRC D&WM programme made by external experts in 2012. In accordance with EU accounting rules, this provision is indexed for inflation and then discounted to its net present value (using the Euro zero-coupon swap curve). At 31 December 2015, this results in a provision of EUR 1 078 million, split between amounts expected to be used in 2016 (EUR 25 million) and afterwards (EUR 1 053 million).

In view of the estimated duration of this programme (around 20 years), it should be pointed out that there is some uncertainty about this estimate, and the final cost could be different from the amounts currently recorded.

Financial provisions

These concern mainly provisions which represent the estimated losses that will be incurred in relation to the guarantees given by the different financial instruments, where the EIF and the EIB are empowered to issue guarantees in their own name but on behalf of and at the risk of the Commission. The financial risk linked to the drawn and undrawn guarantees is, however, capped. Non-current financial provisions are discounted to their net present value (using the Euro Swap annual rate).

2.11. FINANCIAL LIABILITIES

EUR millions

	Note	31.12.2015	31.12.2014
Non-current financial liabilities			
Borrowings	*2.11.1*	*49 642*	*49 743*
Other financial liabilities	*2.11.2*	*2 122*	*2 108*
Total		**51 764**	**51 851**
Current financial liabilities			
Borrowings	*2.11.1*	*7 218*	*8 727*
Other financial liabilities	*2.11.2*	*721*	*101*
Total		**7 939**	**8 828**
Total		**59 703**	**60 680**

2.11.1. Borrowings

EUR millions

	31.12.2015	31.12.2014
Borrowings	*56 860*	*58 491*
*Elimination: Guarantee Fund for external actions**	*-*	*(20)*
Total	**56 860**	**58 470**

** At 31.12.2014, the Guarantee Fund for external actions held EFSM bonds issued by the Commission, so these needed to be eliminated.*

Borrowings by financial instrument

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liquid-dation	Total
Total at 31.12.2014	*1 842*	*349*	*8 590*	*47 507*	*203*	*58 491*
New borrowings	*1 245*	*-*	*-*	*12 160*	*-*	*13 405*
Repayments	*(67)*	*(48)*	*(2 700)*	*(12 160)*	*-*	*(14 975)*
Exchange differences	*-*	*-*	*-*	*-*	*13*	*13*
Changes in carrying amounts	*4*	*-*	*(79)*	*2*	*(1)*	*(74)*
Total at 31.12.2015	**3 024**	**301**	**5 811**	**47 509**	**215**	**56 860**
Non-current	*2 937*	*251*	*4 200*	*42 050*	*204*	*49 642*
Current	*87*	*50*	*1 611*	*5 459*	*11*	*7 218*

Borrowings mainly include debts evidenced by certificates amounting to EUR 56 656 million (2014: EUR 58 261 million). The changes in carrying amount correspond to the change in accrued interests.

Borrowings effective interest rates (expressed as a range of interest rates)

Borrowings	31.12.2015	31.12.2014
Macro Financial Assistance (MFA)	*0 % - 4.54 %*	*0.181 % - 4.54 %*
Euratom	*0 % - 5.6775 %*	*0.138 % - 5.6775 %*
Balance of Payment (BOP)	*2.375 % - 3.625 %*	*2.375 % - 3.625 %*
European Financial Stability Mechanism (EFSM)	*0.625 % - 3.75 %*	*1.875 % - 3.750 %*
ECSC in Liquidation	*6.92 % - 9.78 %*	*6.92 % - 9.78 %*

2.11.2. Other financial liabilities

EUR millions

	31.12.2015	31.12.2014
Non-current		
Finance lease liabilities	*1 648*	*1 674*
Buildings paid for in instalments	*352*	*371*
Financial guarantee liability relating to the European Fund for Strategic Investments (EFSI)	*–*	*-*
Other	*122*	*63*
Total	**2 122**	**2 108**
Current		
Fines to be reimbursed	*625*	*–*
Finance lease liabilities	*75*	*81*
Buildings paid for in instalments	*21*	*20*
Total	**721**	**101**
Total	*2 842*	*2 209*

Finance lease liabilities

EUR millions

Description	Future amounts to be paid			
	< 1 year	1-5 years	> 5 years	Total Liability
Land and buildings	*69*	*385*	*1 256*	*1 711*
Other tangible assets	*6*	*7*	*–*	*13*
Total at 31.12.2015	**75**	**392**	**1 256**	**1 723**
Interest element	*57*	*265*	*352*	*674*
Total future minimum lease payments at 31.12.2015	**132**	**658**	**1 608**	**2 396**
Total future minimum lease payments at 31.12.2014	*151*	*638*	*1 700*	*2 489*

2.12. PAYABLES

EUR millions

	Gross Amount	Adjust-ments*	Net Amount at 31.12.2015	Gross Amount	Adjust-ments*	Net Amount at 31.12.2014
Cost claims and invoices received from:						
Member States:						
European Agricultural Fund for Rural Development & other rural development instruments	*2 621*	*(230)*	*2 391*	*318*	*(23)*	*295*
European Regional Development Fund & Cohesion Fund	*8 361*	*(950)*	*7 411*	*19 928*	*(2 306)*	*17 622*
European Social Fund	*3 355*	*(2)*	*3 353*	*5 893*	*(272)*	*5 621*
Other	*434*	*(102)*	*332*	*751*	*(93)*	*658*
Private and public entities	*1 928*	*(223)*	*1 705*	*1 718*	*(106)*	*1 612*
Total costs claims & invoices received	**16 699**	**(1 507)**	**15 192**	**28 608**	**(2 800)**	**25 808**
European Agricultural Guarantee Fund	**6 851**	**N/A**	**6 851**	**11 066**	**N/A**	**11 066**
Own Resources Payables	**9 506**	**N/A**	**9 506**	**5 945**	**N/A**	**5 945**
Sundry Payables	**356**	**N/A**	**356**	**156**	**N/A**	**156**
Other	**286**	**N/A**	**286**	**204**	**N/A**	**204**
Total	**33 698**	**(1 507)**	**32 191**	**45 980**	**(2 800)**	**43 180**

** Estimated non-eligible amounts and pending prepayments.*

Payables include cost statements received by the Commission under the framework of grant activities. They are credited for the amount being claimed from the moment the demand is received. If the counterpart is a Member State, they are classified as such. It is the same procedure for invoices and credit notes received under procurement activities. The cost claims concerned have been taken into account through the year-end cut-off procedures. Following these cut-off entries, estimated eligible amounts have therefore been recorded in the accounts as expenses, while the remaining part is disclosed as "Estimated non-eligible amounts and pending prepayments" (see below).

The biggest movement in payables is related to cohesion policy (EUR 10 763 million in 2015 compared to EUR 23 243 million in 2014) and it is mainly due to a lower level of submission of cost statements by Member States for the programming period 2007-2013. The cost statements submitted in relation to the programming period 2014-2020 are also limited because the Member States are delayed in complying with one basic pre-requisite - designating the management and control authorities.

Own resources payables refer to the contribution of Member States to the EU budget to be reimbursed at year-end following the 8th amending budget of 2015. The significant increase compared to last year is due to the late adoption of amending budget 8/2015 which was based on the own resource regulation only paid to Member States in January 2016.

Estimated non-eligible amounts and pending prepayments

Payables are reduced by that part of the requests for reimbursement received, but not yet checked, that was estimated to be non-eligible. The largest amounts concern the Structural Actions DGs. Payables are also reduced by the part of requests for reimbursement received concerning other advances to Member States (see note **2.5.2**) still to pay at year end (EUR 770 million).

Requests for pre-financing

In addition to the above amounts, EUR 711 million of requests for pre-financing have been received and were not yet paid at year-end. According to the EU accounting rules, these amounts are not booked as payables.

2.13. ACCRUED CHARGES AND DEFERRED INCOME

EUR millions

	31.12.2015	31.12.2014
Accrued charges	*67 358*	*55 798*
Deferred income	*869*	*56*
Other	*175*	*118*
Total	**68 402**	**55 973**

The increase in accrued charges is due to the start of implementation of the 2014-2020 MFF where the Commission has estimated costs incurred under the new MFF but where cost claims are not yet received.

The increase in deferred income is due to advance payments of EUR 726 million for own resources contributions. Such payments are rather common – in 2014 EUR 557 million had been paid in advance, but the amount was part of the amounts payable. As of 2015 it was decided that the nature of these amounts is deferred income and should be disclosed as such.

The split of accrued charges is as follows:

EUR millions

	31.12.2015	31.12.2014
European Agricultural Guarantee Fund	*38 263*	*33 667*
European Agricultural Fund for Rural Development & other rural development instruments	*14 806*	*13 414*
European Regional Development Fund and Cohesion Fund	*5 026*	*3 157*
European Social Fund	*2 636*	*976*
Other	*6 627*	*4 584*
Total	**67 358**	**55 798**

NET ASSETS

2.14. RESERVES

EUR millions

	Note	31.12.2015	31.12.2014
Fair value reserve	*2.14.1*	*292*	*238*
Guarantee Fund reserve	*2.14.2*	*2 561*	*2 372*
Other reserves	*2.14.3*	*1 829*	*1 825*
Total		**4 682**	**4 435**

2.14.1. Fair value reserve

In accordance with the EU accounting rules, the adjustment to fair value of available for sale financial assets is accounted for through the fair value reserve.

Movements of the fair value reserve relating to available for sale financial assets during the period:

EUR millions

	2015	2014
Included in fair value reserve	*79*	*135*
Included in the statement of financial performance	*(33)*	*(10)*
Total	**46**	**125**

In addition, an amount of EUR 7 million (2014: EUR 15 million) in the overall movement of the fair value reserve relates to investments accounted for using the equity method.

2.14.2. Guarantee Fund reserve

This reserve reflects the 9 % target amount of the outstanding amounts guaranteed by the Fund that is required to be kept as assets.

2.14.3. Other reserves

The amount relates primarily to the ECSC in liquidation reserve (EUR 1 534 million) for the assets of the Research Fund for Coal and Steel, which was created in the context of the winding-up of the ECSC.

2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

EUR millions

Amounts to be called from Member States at 31.12.2014	**62 441**
Return of 2014 budget surplus to Member States	*1 435*
Movement in Guarantee Fund reserve	*189*
Other reserve movements	*26*
Economic result of the year	*13 033*
Amounts to be called from Member States at 31.12.2015	**77 124**

This amount represents that part of the expenses incurred by the EU up to 31 December that must be funded by future budgets. Many expenses are recognised under accrual accounting rules in the year N although they may be actually paid in year N+1 (or later) and therefore funded using the budget of year N+1 (or later). The inclusion in the accounts of these liabilities coupled with the fact that the corresponding amounts are financed from future budgets, results in liabilities greatly exceeding assets at the year-end. The most significant amounts to be highlighted are the European Agricultural Guarantee Fund activities. The majority of the amounts to be called are in fact paid by the Member States in less than 12 months after the end of the financial year in question as part of the budget of the following year.

It should also be noted that the above has no effect on the budget result – budget revenue should always equal or exceed budget expenditure and any excess of revenue is returned to Member States.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

REVENUE FROM NON-EXCHANGE TRANSACTIONS

3.1. GNI RESOURCES

Own resources revenue is the primary element of the EU's operating revenue. Of the three categories of own resources, traditional own resources ("TOR"), the VAT-based resources and the GNI-based resources, the GNI revenue of EUR 95 355 million (2014: EUR 104 688 million) is the most significant.

3.2. TRADITIONAL OWN RESOURCES

EUR millions

	2015	2014
Customs duties	*18 524*	*17 204*
Sugar levies	*125*	*(67)*
Total	**18 649**	**17 137**

Traditional own resources comprise custom duties and sugar levies. Member States retain, by way of collection costs, 20 % of traditional own resources, and the above amounts are shown net of this deduction.

3.3. VAT RESOURCES

The VAT resource is levied on Member States' VAT bases, which are notionally harmonised in accordance with EU rules for this purpose. The VAT contribution is calculated applying a uniform rate of call of 0.3 % to the base of each Member State. For the period 2014-2020, the Council Decision 5602/14 foresees a reduced rate of call (0.15 %) for Germany, the Netherlands and Sweden.

REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

3.4. FINES

These revenues of EUR 531 million (2014: EUR 2 297 million) relate to fines imposed by the Commission for breach of infringement rules, mainly related to competition cases. Receivables and related revenues are recognised when the Commission decision imposing a fine has been taken and it is officially notified to the addressee. The main amounts in 2015 concern the markets for optical disk drives (EUR 116 million) and retail food packaging (EUR 116 million).

3.5. RECOVERY OF EXPENSES

EUR millions

	2015	2014
Shared management	*1 465*	*3 328*
Direct management	*76*	*45*
Indirect management	*6*	*45*
Total	**1 547**	**3 418**

This heading mainly represents the recovery orders issued by the Commission that are cashed or offset against (i.e. deducted from) subsequent payments recorded in the Commission's accounting system, made so as to recover expenditure previously paid out from the general budget. Recoveries are based on controls, audits or eligibility analysis and therefore, these actions are an important consideration in implementing the EU budget. These operations protect the EU budget from expenditure incurred in breach of law and are particularly important since the audit results of the European Court of Auditors have found a material level of error in payments made from the EU budget – see the Court's annual report including the statement of assurance on the legality and regularity of the underlying transactions.

Recovery orders issued by Member States to beneficiaries of EAGF expenditure, as well as the variation of accrued income estimations from the previous year-end to the current, are also included.

The amounts included in the above table represent revenue incurred through the issuance of recovery orders. For this reason, these figures cannot and do not show the full extent of the measures taken to protect the EU budget, particularly for Cohesion policy where specific mechanisms are in place to ensure the correction of ineligible expenditure, most of which do not involve the issuance of a recovery order. Not included are amounts recovered through offsetting with expenses, amounts recovered by way of withdrawals and recoveries of pre-financing amounts.

Shared management makes up the bulk of the total:

Agriculture: EAGF and rural development

In the framework of the EAGF and the EAFRD, amounts accounted for as revenue of the year under this heading are financial corrections of the year and reimbursements declared by Member States and recovered during the year, as well as the net increase in the outstanding amounts declared by Member States to be recovered at year-end concerning fraud and irregularities.

Cohesion policy

The main amounts related to Cohesion policy include recovery orders issued by the Commission to recover undue expenditure made in previous years and deductions from expenditure less the decrease in accrued income at year-end.

3.6. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR millions

	2015	2014
Staff taxes and contributions	*1 115*	*1 276*
Budgetary adjustments	*984*	*794*
Contributions from third countries	*946*	*726*
Agricultural levies	*814*	*409*
Transfer of assets	*197*	*1 448*
Adjustment of provisions	*71*	*369*
Other	*939*	*600*
Total	**5 067**	**5 623**

Staff taxes and contributions revenue arises primarily from deductions from staff salaries and is made up of two significant amounts – staff pension contributions and taxes on income.

The budgetary adjustments include the budget surplus from 2014 (EUR 1 435 million) which is indirectly refunded to Member States by deduction of the amounts of own resources they have to transfer to the EU in the following year – thus it is a revenue for 2015.

Contributions from third countries are contributions from EFTA countries and accession countries.

Agricultural levies concern milk levies which are a market management tool aimed at penalising milk producers who exceed their reference quantities. As it is not linked to prior payments by the Commission, it is in practice considered as revenue for a specific purpose. The increase in milk levies this year is due primarily to the superlevy of EUR 811 million.

Transfer of assets revenue relates mainly to the transfer of satellites under the Copernicus programme (former GMES programme) from the European Space Agency (ESA) to the Commission (see note **2.2**). This transfer is a non-exchange transaction according to the EU accounting rules and will occur in future periods for the remaining Copernicus satellites currently under construction.

REVENUE FROM EXCHANGE TRANSACTIONS

3.7. FINANCIAL INCOME

EUR millions

	2015	2014
Interest income on:		
Pre-financing	*9*	*16*
Late payments	*20*	*387*
Available for sale financial assets	*56*	*65*
Loans	*1 616*	*1 722*
Cash and cash equivalents	*14*	*10*
Impaired financial assets	*7*	*–*
Other	*0*	*1*
Interest income	**1 721**	**2 202**
Dividend income	**8**	**6**
Realised gains on sale of financial assets	**50**	**30**
Other financial income	**66**	**61**
Total	**1 846**	**2 298**

Interest income on loans relates mainly to loans granted from borrowed funds (see note **2.4.2**).

Net gains or losses on financial assets

EUR millions

	2015	2014
Net gains/(losses) on available for sale financial assets	*3*	*13*

3.8. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

EUR millions

	2015	2014
Foreign exchange gains	*970*	*478*
Fee revenue for rendering of services	*358*	*323*
Sales of goods	*43*	*44*
Fee and premium revenue related to financial instruments	*43*	*59*
Property, plant and equipment related revenue	*4*	*16*
Other	*145*	*146*
Total	**1 562**	**1 066**

EXPENSES

TRANSFER PAYMENTS AND SUBSIDIES BY MANAGEMENT MODE

3.9. SHARED MANAGEMENT

EUR millions

Implemented by Member States	2015	2014
European Agricultural Guarantee Fund	*45 032*	*44 465*
European Agricultural Fund for Rural Development & other rural development instruments	*16 376*	*14 046*
European Regional Development Fund and Cohesion Fund	*38 745*	*43 345*
European Social Fund	*9 849*	*12 651*
Other	*2 380*	*2 307*
Total	**112 382**	**116 814**

The transition from the former programming period 2007-2013 to the period 2014-2020 explains the reduction of expenses for the cohesion area: the costs declared for the previous period are decreasing, while the costs related to the current period are low, due to the slow start of its implementation.

The sub-heading 'Other' mainly includes: Internal Security (EUR 509 million), Fisheries and Maritime Affairs (EUR 503 million), the Instrument for Pre-Accession Assistance (EUR 492 million) and Asylum and Migration (EUR 299 million).

3.10. DIRECT MANAGEMENT

EUR millions

	2015	2014
Implemented by the Commission	*10 089*	*10 431*
Implemented by EU Executive Agencies	*5 532*	*4 880*
Implemented by Trust funds	*6*	*–*
Total	**15 626**	**15 311**

These amounts mainly concern the implementation of Research Policy (EUR 6.9 billion) and Networks Programmes (EUR 1.7 billion), as well as European Neighbourhood Policy (EUR 1.6 billion) and Development Co-operation Instruments (EUR 1.3 billion).

3.11. INDIRECT MANAGEMENT

EUR millions

	2015	2014
Implemented by other EU agencies & bodies	*1 209*	*1 025*
Implemented by third countries	*905*	*1 005*
Implemented by international organisations	*2 127*	*1 765*
Implemented by other entities	*2 107*	*1 799*
Total	**6 348**	**5 594**

3.12. STAFF AND PENSION COSTS

EUR millions

	2015	2014
Staff costs	*5 838*	*5 693*
Pension costs	*4 435*	*3 970*
Total	**10 273**	**9 662**

Pension costs represent elements of the movements that have arisen following the actuarial valuation of the employee benefits liabilities other than actuarial assumptions.

3.13. CHANGES IN EMPLOYEE BENEFITS ACTUARIAL ASSUMPTIONS

The actuarial loss of net EUR 2 billion shown under this heading relates to the employee benefits liabilities recognised on the balance sheet (see note **2.9**).

3.14. FINANCE COSTS

EUR millions

	2015	2014
Interest expenses:		
Borrowings	*1 607*	*1 712*
Other	*21*	*22*
Finance leases	*91*	*90*
Impairment losses on available for sale financial assets	*27*	*3*
Impairment losses on loans and receivables	*174*	*1 030*
Realised loss on sale of financial assets	*3*	*17*
Other finance costs	*63*	*51*
Total	**1 986**	**2 926**

The amount of interest expense on borrowings corresponds to interest income on loans (back-to-back transactions).

3.15. SHARE OF NET RESULT OF JOINT VENTURES AND ASSOCIATES

In accordance with the equity method of accounting, the EU includes in its statement of financial performance its share of the net result of its joint ventures and associates (see also notes **2.3.1** and **2.3.2**).

3.16. OTHER EXPENSES

EUR millions

	2015	2014
Administrative and IT expenses	*2 419*	*2 070*
Property, plant and equipment related expenses	*1 304*	*1 186*
Reduction of fines by the Court of Justice	*1 137*	*–*
Foreign exchange losses	*785*	*370*
Adjustment of provisions	*520*	*688*
Other	*458*	*839*
Total	**6 623**	**5 152**

The increase in other expenses is mainly due to the write-off of fines, where the Court of Justice has decided in favour of the fined undertaking. These amounts were in previous years shown under finance costs. In 2015, it was decided that the nature of these amounts is not related to the impairment of financial instruments and therefore it is included under this heading.

Expenses relating to research and development are included in administrative and IT expenses and are as follows:

EUR millions

	2015	2014
Research costs	*384*	*353*
Non-capitalised development costs	*60*	*54*
Total	**443**	**406**

Included under Property, plant and equipment related expenses are EUR 373 million (2014: EUR 369 million) relating to operating leases. Amounts committed to be paid during the remaining term of these lease contracts are as follows:

EUR millions

	Future amounts to be paid			
	< 1 year	1- 5 years	> 5 years	Total
Buildings	*366*	*1 086*	*1 040*	*2 491*
IT materials and other equipment	*8*	*11*	*0*	*20*
Total	**374**	**1 097**	**1 040**	**2 511**

3.17. SEGMENT REPORTING BY MULTI ANNUAL FINANCIAL FRAMEWORK HEADING (MFF)

EUR millions

	Smart and inclusive growth	Sustainable growth	Security and citizenship	Global Europe	Administration	Not assigned to MFF heading*	Total
GNI resources	–	–	–	–	–	*95 355*	*95 355*
Traditional own resources	–	–	–	–	–	*18 649*	*18 649*
VAT	–	–	–	–	–	*18 328*	*18 328*
Fines	–	–	–	–	–	*531*	*531*
Recovery of expenses	*103*	*1 408*	*14*	*21*	*0*	*0*	*1 547*
Other	*875*	*869*	*3*	*1*	*4 522*	*(1 204)*	*5 067*
Revenue from non-exchange transactions	**978**	**2 278**	**18**	**22**	**4 522**	**131 659**	**139 478**
Financial income	*61*	*2*	*0*	*29*	*1*	*1 753*	*1 846*
Other	*105*	*(10)*	*(9)*	*34*	*289*	*1 153*	*1 562*
Revenue from exchange transactions	**167**	**(8)**	**(9)**	**63**	**290**	**2 906**	**3 408**
Total revenue	**1 144**	**2 270**	**9**	**85**	**4 812**	**134 565**	**142 886**
Expenses implemented by Member States:							
EAGF	–	*(45 032)*	–	–	–	–	*(45 032)*
EAFRD & other rural development instruments	–	*(16 376)*	–	–	–	–	*(16 376)*
ERDF & CF	*(38 745)*	–	–	–	–	–	*(38 745)*
ESF	*(9 849)*	–	–	–	–	–	*(9 849)*
Other	*(181)*	*(517)*	*(908)*	*(773)*	–	–	*(2 380)*
Implemented by the EC, executive agencies and trust funds	*(9 813)*	*(464)*	*(799)*	*(4 545)*	*(13)*	*8*	*(15 626)*
Implemented by other EU agencies and bodies	*(994)*	*(51)*	*(551)*	*(19)*	–	*407*	*(1 209)*
Implemented by third countries and int. org.	*(343)*	*(0)*	*1*	*(2 661)*	*0*	*(29)*	*(3 031)*
Implemented by other entities	*(1 552)*	–	*(0)*	*(555)*	*(0)*	–	*(2 107)*
Staff and Pension costs	*(1 534)*	*(329)*	*(370)*	*(569)*	*(6 617)*	*(854)*	*(10 273)*
Changes in employee benefits actuarial assumptions	–	–	–	–	*(2 040)*	–	*(2 040)*
Finance costs	*(89)*	*(63)*	*(1)*	*(18)*	*(136)*	*(1 678)*	*(1 986)*
Share of net deficit of joint ventures / associates	*(641)*	–	–	–	–	–	*(641)*
Other expenses	*(1 223)*	*(181)*	*(122)*	*(121)*	*(4 104)*	*(872)*	*(6 623)*
Total expenses	**(64 964)**	**(63 014)**	**(2 750)**	**(9 262)**	**(12 911)**	**(3 019)**	**(155 919)**
Economic result of the year	**(63 820)**	**(60 744)**	**(2 741)**	**(9 177)**	**(8 098)**	**131 547**	**(13 033)**

* *"Not-assigned to MFF heading" includes consolidated entities' budget execution and consolidation eliminations, off-budget operations and unallocated immaterial programmes.*

The display of revenue and expenses by MFF heading is based on estimation as not all commitments are linked to an MFF heading.

4. NOTES TO THE CASHFLOW STATEMENT

4.1. PURPOSE AND PREPARATION OF THE CASHFLOW STATEMENT

Cashflow information is used to provide a basis for assessing the ability of the EU to generate cash and cash equivalents, and its needs to utilise those cashflows.

The cashflow statement is prepared using the indirect method. This means that the economic result 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 cashflows.

Cashflows arising from transactions in a foreign currency are recorded in the EU'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 cashflow.

The cashflow statement reports cashflows during the period classified by operating and investing activities (the EU does not have financing activities).

4.2. OPERATING ACTIVITIES

Operating activities are the activities of the EU that are not investing activities. These are the majority of the activities performed. Loans granted to beneficiaries (and the related borrowings, when applicable) are not considered as investing (or financing) activities as they are part of the general objectives and thus daily operations of the EU. Operating activities also include investments such as EIF, EBRD and venture capital funds. Indeed, the objective of these activities is to contribute to the achievement of policy targeted outcomes.

4.3. INVESTING ACTIVITIES

Investing activities are the acquisition and disposal of intangible assets and property, plant and equipment and of other investments which are not included in cash equivalents. Investing activities do not include loans granted to beneficiaries. The objective is to show the real investments made by the EU.

5. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

5.1. CONTINGENT ASSETS

EUR millions

	31.12.2015	31.12.2014
Guarantees received:		
Performance guarantees	*398*	*400*
Other guarantees	*27*	*27*
Other contingent assets	*48*	*49*
Total	**474**	**476**

Performance guarantees are requested to ensure that beneficiaries of EU funding meet the obligations of their contracts with the EU.

5.2. CONTINGENT LIABILITIES

EUR millions

	Note	31.12.2015	31.12.2014
Guarantees given	*5.2.1*	*21 401*	*20 862*
Fines	*5.2.2*	*3 951*	*5 602*
EAGF, rural development and pre-accession	*5.2.3*	*1 377*	*505*
Cohesion policy	*5.2.4*	*3*	*9*
Legal cases and other disputes	*5.2.5*	*795*	*789*
Other contingent liabilities		*58*	*5*
Total		**27 584**	**27 772**

All contingent liabilities, except those relating to fines, would be financed, should they fall due, by the EU budget in the years to come.

5.2.1. Guarantees given

EUR millions

	31.12.2015	31.12.2014
Guarantees on loans granted by the EIB		
65% guarantee	*18 712*	*18 283*
70% guarantee	*356*	*447*
75% guarantee	*112*	*168*
100% guarantee	*270*	*300*
Total	**19 450**	**19 198**
Guarantee on EFSI portfolio	**202**	**-**
Other guarantees given	**1 749**	**1 664**
Total	**21 401**	**20 862**

Guarantees on loans granted by the EIB – Guarantee Fund for external actions

The EU budget guarantees loans signed and granted by the EIB from its own resources to third countries (including loans granted to Member States before accession). However, the EU's guarantee is limited to a percentage of the ceiling of the credit lines authorised: 65 % (for agreements signed until 2007), 70 %, 75 % or 100 %. Where the ceiling is not reached, the EU guarantee covers the full amount. For agreements signed after 2007 (mandates 2007-2013 and 2014-2020), the EU's guarantee is limited to 65 % of the outstanding balances and not to the credit lines authorised. At 31 December 2015 the amount outstanding totalled EUR 19 450 million and this, therefore, is the maximum exposure faced by the EU. At 31 December 2015, about 82 % of EIB lending operations (sovereign and sub-sovereign lending operations) are covered by a comprehensive guarantee, while on the remaining operations the EIB benefits from political risk coverage only.

EU guarantee on European Fund for Strategic Investments (EFSI) portfolio

The EU guarantee granted to the EIB group under the EFSI is accounted for as a financial guarantee liability in respect of the debt portfolio and as a contingent liability for both debt and equity portfolios. The Accounting Officer, with the unanimous support of the EU Advisory Group of Experts on Accounting Standards, has concluded that the control criteria and the accounting requirements for consolidation of the EU accounting rules (and IPSAS) are not met. Consequently, the related financial assets are not accounted for in the consolidated annual accounts of the EU.

Under the EFSI debt portfolio, the EU guarantee covers the first loss piece of a portfolio of financing operations entered into by the EIB, which are mainly standard loans and guarantees. The EU guarantee is called when the debtor fails to make a payment when due or in the case of restructuring losses. The EU is remunerated in proportion to the risk taken in the form of a distribution, between the EIB and the EU, of the risk related revenues to be received by EIB from the EFSI guaranteed operations. The EU revenues should first cover the losses incurred on the EFSI guaranteed operations. The EU guarantee is therefore accounted for as a financial guarantee liability and measured, at initial recognition, at fair value, being the net present value of the premiums receivable (the EU revenues). At subsequent balance sheet dates, the financial guarantee liability is measured at the higher of the expected losses and the amount initially recognised less, when appropriate, the accumulated amortisation of the revenue. The financial guarantee liability is presented net of the EU revenues still to be received.

Under the EFSI Infrastructure and Innovation Window (IIW) equity portfolio, which consists of direct equity or quasi equity participations or subordinated loans, the EIB invests pari-passu at its own risk and also at the risk of the EU. Consequently, the EU guarantee covers for the part of the equity investments guaranteed by the EU, the negative value adjustments (unrealised losses) at each balance sheet date, the realised losses at dis-investment and the EIB funding costs. In cases where the value of an investment, which was previously subject to a negative value adjustment, increases at subsequent reporting dates, the amount up to the original cost of the investment is reimbursed by the EIB to the EU. At the time of the dis-investment, the EU is also entitled to gains on the investment exceeding the original cost. The EU is remunerated by revenues received by the EIB from the guaranteed operations, including interests, dividends and realised gains. The settlement between the EU and the EIB happens annually net of losses and revenues. At 31 December 2015, EUR 7.6 million of EU guaranteed operations under the IIW equity portfolio have been invested, which were recorded as a contingent liability.

Discussions on the Small- and Medium-size Enterprises Window (SMEW) equity portfolio, which was not implemented in 2015, are still ongoing between the Commission and the EIB Group. The accounting treatment of the equity operations will be established by the Accounting Officer after consulting the EU Advisory Group of Experts on Accounting Standards once the amended legal basis has been finalised.

The amount disclosed as a contingent liability represents amounts which are actually committed and disbursed by the EIB/EIF for the EFSI guaranteed operations (both debt and equity portfolio) at year-end, but which exceed the net expected losses. Amounts committed and disbursed by the EIB/EIF for the EFSI guaranteed operations which equal the net expected losses are recognised as financial guarantee liability (zero value at 31 December 2015) – see note **2.11.2**. The total unused EU guarantee up to the EUR 16 billion maximum is disclosed as significant legal commitments - see note **5.3.2**. This amount includes operations of the COSME and H2020 programmes which are temporarily covered by the EFSI EU guarantee.

Other guarantees given

Other guarantees given relate mainly to EUR 845 million to the Risk-Sharing Finance Facility (2014: EUR 883 million), EUR 459 million to Horizon 2020 (2014: EUR 365 million), EUR 220 million to the Project Bond Initiative (2014: EUR 138 million) and EUR 209 million to the Loan Guarantee Instrument for TEN-T Projects (2014: EUR 209 million).

5.2.2. Fines

These amounts concern fines imposed by the Commission for infringement of competition rules that have been provisionally paid and where either an appeal has been lodged or where it is unknown if an appeal will be made. The contingent liability will be maintained until a decision by the Court of Justice on the case is final. Interest earned on provisional payments is included in the economic result of the year and also as a contingent liability to reflect the uncertainty of the Commission's title to these amounts.

5.2.3. EAGF, rural development and pre-accession

These are contingent liabilities towards the Member States connected with the EAGF conformity decisions, rural development and pre-accession financial corrections pending judgement of the Court of Justice. The determination of the final amount of the liability and the year in which the effect of successful appeals will be charged to the budget will depend on the length of the procedure before the Court.

5.2.4. Cohesion policy

These are contingent liabilities towards the Member States in conjunction with actions under cohesion policy awaiting the oral hearing date or pending judgement of the Court of Justice.

5.2.5. Legal cases and other disputes

This heading relates to actions for damages currently being brought against the EU, other legal disputes and the estimated legal costs. It should be noted that in an action for damages under Article 288 EC the applicant must demonstrate a sufficiently serious breach by the institution of a rule of law intended to confer rights on individuals, real harm suffered by the applicant, and a direct causal link between the unlawful act and the harm.

5.3. OTHER SIGNIFICANT DISCLOSURES

5.3.1. Outstanding budgetary commitments not yet expensed

EUR millions

	31.12.2015	31.12.2014
Outstanding budgetary commitments not yet expensed	*177 477*	*144 741*

The amount disclosed above is the budgetary RAL ("Reste à Liquider") less related amounts that have been included as expenses in the 2015 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes. At 31 December 2015 the budgetary RAL totalled EUR 217 692 million (2014: EUR 189 585 million).

5.3.2. Significant legal commitments

EUR millions

	31.12.2015	31.12.2014
Multiannual actions under shared management	*343 715*	*433 527*
European Fund for Strategic Investments (EFSI)	*16 000*	*–*
Connecting Europe Facility (CEF)	*10 051*	*–*
Copernicus	*2 939*	*3 476*
Fisheries agreements	*373*	*176*
Galileo	*124*	*719*
Protocol with Mediterranean countries	*–*	*264*
Other contractual commitments	*3 101*	*3 127*
Total	**376 303**	**441 288**

These commitments originated because the EU entered into long-term legal commitments in respect of amounts that were not yet covered by commitment appropriations in the budget. This can relate to multiannual programmes such as Structural Actions or amounts that the EU is committed to pay in the future under administrative contracts existing at the balance sheet date (e.g. relating to the provision of services such as security, cleaning, etc, but also contractual commitments concerning specific projects such as building works). The significant increase of legal commitments relating to Structural Actions is due to the start of the 2014-2020 MFF during the reporting period.

Multiannual actions under shared management

The table below shows a comparison between the legal commitments for which budget commitments have not yet been made and the maximum commitments in relation to the amounts foreseen in the MFF 2014-2020, headings 1B, 2 and 3. The future obligations represent the outstanding amounts for which the Commission is still committed to make payments after 31 December 2015.

EUR millions

Funds	Financial framework 2014-2020 (A)	Legal commitments concluded (B)	Budget commit-ments (C)	Decommit-ments (D)	Legal commitments less budget commitments (=B-C+D)	Future obligations (=A-C)
European Regional Development Fund and Cohesion Fund	259 802	259 802	66 572	–	193 230	193 230
European Social Fund	89 624	89 624	26 410	–	63 213	63 213
Fund for European Aid to the most Deprived	3 814	3 814	1 036	–	2 777	2 777
HEADING 1B: COHESION POLICY FUNDS	**353 239**	**353 239**	**94 018**	**–**	**259 221**	**259 221**
European Agricultural Fund for Rural Development	99 348	98 786	23 414	–	75 371	75 933
European Maritime and Fisheries Fund	5 749	5 749	1 586	–	4 163	4 163
HEADING 2: NATURAL RESOURCES	**105 097**	**104 535**	**25 000**	**–**	**79 535**	**80 096**
Asylum and Migration Fund	3 371	631	631	–	0	2 741
Internal Security Fund	2 195	538	538	–	–	1 657
HEADING 3: SECURITY & CITIZENSHIP	**5 566**	**1 169**	**1 169**	**–**	**0**	**4 398**
Total	**463 902**	**458 943**	**120 187**	**–**	**338 755**	**343 715**

European Fund for Strategic Investments (EFSI)

These commitments relate to the legal commitments that have not been used at year-end in relation to the total EU guarantee of EUR 16 billion.

EUR millions

	31.12.2015
EFSI legal commitment outstanding at year-end	**16 000**
of which	
Financial guarantee liability relating to EFSI	*–*
Contingent liability relating to EFSI	*202*

Connecting Europe Facility

The CEF provides financial assistance to trans-European networks in order to support projects of common interest in the sectors of transport, telecommunications and energy infrastructures.

Copernicus

Copernicus is the European Earth observation programme – see also note **2.2**.

Fisheries agreements

These are commitments entered into with third countries for operations under international fisheries agreements.

Protocols with Mediterranean countries

A recent analysis has shown that there is no longer any legal basis for any on-going liability, contingent or otherwise in relation to these protocols.

Galileo

These are amounts committed to the Galileo programme developing a European Global Navigation Satellite System – see also note **2.2**.

Other contractual commitments

The amounts included under this disclosure correspond to amounts committed to be paid during the term of the contracts. The largest amounts included here relate to EUR 2 023 million for the Fusion for Energy Agency in the context of the ITER project and also EUR 388 million mainly for building contracts of the European Parliament.

6. FINANCIAL RISK MANAGEMENT

The following disclosures with regard to the financial risk management of the EU relate to:

- Lending and borrowing activities carried out by the Commission through: EFSM, BOP, MFA, and Euratom actions and the ECSC in Liquidation;
- The treasury operations carried out by the Commission in order to implement the EU budget, including the receipt of fines;
- The Guarantee Fund for external actions;
- The EFSI Guarantee Fund; and
- Financial instruments financed by the budget.

6.1. TYPES OF RISK

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate, because of variations in market prices. Market risk embodies not only the potential for loss, but also the potential for gain. It comprises *currency risk, interest rate risk and other price risk* (the EU has no significant other price risk).

(1) *Currency risk* is the risk that the EU's operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.

(2) *Interest rate risk* is the possibility of a reduction in the value of a security, especially a bond, resulting from an increase in interest rates. In general, higher interest rates will lead to lower prices of fixed rate bonds, and vice versa.

Credit risk is the risk of loss due to a debtor's/borrower's non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation. The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

Liquidity risk is the risk that arises from the difficulty in selling an asset; for example, the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or meet an obligation.

6.2. RISK MANAGEMENT POLICIES

The implementation of the EU budget relies increasingly on the use of financial instruments. The basic concept behind this new approach, in contrast to the traditional method of budget implementation by giving grants and subsidies, is that for each euro spent from the budget via financial instruments, the final beneficiary receives more than EUR 1 as financial support due to the leverage effect. This intelligent use of the EU budget maximises the impact of the funds available. For more information on the amounts concerned, see note **2.4**.

Common to most financial instruments is the fact that the implementation is delegated to either the EIB group (including EIF) based on an agreement between the EC and the EIB or to other financial intermediaries. Agreements signed with these intermediaries include strict conditions and obligations on the intermediaries so as to ensure that EU monies are properly managed and properly reported on. Once a financial contribution to one of the instruments has been committed, the funds are transferred to a specifically created bank account of the financial intermediary (i.e. a fiduciary account). The financial intermediary may, depending on the instrument in question, use the funds on this fiduciary account to provide loans, issue debt instruments, etc. Proceeds from financial instruments have, as a general rule, to be reimbursed to the EU budget.

The risk as regards these financial instruments is usually limited to a ceiling as indicated in the underlying agreements, which is the budgeted amount foreseen for the instrument. As the Commission often bears the "first loss piece" and since instruments are intended to finance riskier beneficiaries (who have difficulties in obtaining funding from commercial lenders), it is therefore likely that at least some losses to the EU budget will occur.

Borrowing and Lending activities

The borrowing and lending transactions, as well as related treasury management, are carried out by the EU according to the respective Council Decisions, if applicable, and internal guidelines. Written procedure manuals covering specific areas such as borrowings, loans and treasury management have been developed and are used by the relevant operational units. As a general rule, there are no activities to compensate interest rate variations or foreign currency variations ("hedging" activities) carried-out as lending operations are generally financed by "back-to-back" borrowings, which thus do not generate open interest rate or currency positions. The application of the "back-to-back" character is checked regularly.

Treasury

The rules and principles for the management of the Commission's treasury operations are laid down in the Council Regulation 1150/2000 (amended by Council Regulations 2028/2004 and 105/2009) and in the Financial Regulation and its rules of application.

As a result of the above regulations, the following main principles apply:

- Own resources are paid by the Member States into accounts opened for this purpose in the name of the Commission with the Treasury or the body appointed by each Member State. The Commission may draw on the above accounts solely to cover its cash requirements.

- Own Resources are paid by Member States in their own national currencies, while the Commission's payments are mostly denominated in EUR.

- Bank accounts opened in the name of the Commission may not be overdrawn. This restriction does not apply to the Commission's own resource accounts in case of a default on loans contracted or guaranteed pursuant to EU Council regulations and decision and under certain conditions in case the cash resource requirements are in excess of the assets of the accounts.

- Funds held in bank accounts denominated in currencies other than EUR are either used for payments in the same currencies or periodically converted in EUR.

In addition to the own resources accounts, other bank accounts are opened by the Commission, with central banks and commercial banks, for the purpose of executing payments and receiving receipts other than the Member State contributions to the budget.

Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulation, the Commission’s internal control standards, and audit principles.

A written set of guidelines and procedures regulates the management of the Commission's treasury and payment operations with the objective of limiting operational and financial risk and ensuring an adequate level of control. They cover the different areas of operation (for example: payment execution and cash management, cashflow forecasting, business continuity, etc.), and compliance with the guidelines and procedures is checked regularly. Additionally, information is exchanged between Directorate General for the Budget and Directorate-General for Economic and Financial Affairs on risk management and best practices.

Fines

Provisionally cashed fines: deposits

Amounts received before 2010 remain in bank accounts with banks specifically selected for the deposit of provisionally cashed fines. The selection of banks is conducted in compliance with tender procedures defined by the Financial Regulation. Placement of funds with specific banks is determined by the internal risk management policy defining the credit rating requirements and the amount of funds which could be placed in proportion to the counterparty equity. Financial and operational risks are identified and evaluated and compliance with internal policies and procedures is checked regularly.

Provisionally cashed fines: BUFI portfolio

Fines imposed and provisionally cashed from 2010 onwards are invested in a specifically created fund, BUFI. The main objectives of the Fund are the reduction of risks associated with financial markets and the equal treatment of all fined entities by offering a guaranteed return calculated on the same basis. The asset management for provisionally cashed fines is carried out by the Commission in accordance with internal asset management guidelines. Procedural manuals covering specific areas such as treasury management have been developed and are used by the relevant operational units. Financial and operational risks are identified and evaluated and compliance with internal guidelines and procedures is checked regularly.

The objectives of the asset management activities are to invest the fines provisionally paid to the Commission in such a way as to:

a) ensure that the funds are easily available when needed, while

b) aiming at delivering, under normal circumstances, a return which on average is at least equal to the return of the BUFI Benchmark minus costs incurred.

Investments are restricted essentially to the following categories: term deposits with Euro-area Central Banks, Euro-area sovereign debt agencies, fully state-owned or state-guaranteed banks or supranational institutions, and bonds, bills and Certificates of Deposit issued by either sovereign or supranational institutions.

Bank guarantees

Significant amounts of guarantees issued by financial institutions are held by the Commission in relation to the fines it imposes on companies breaching EU competition rules (see note **2.6.1.2**). These guarantees are provided by fined companies as an alternative to making provisional payments. The guarantees are managed in compliance with the internal risk management policy. Financial and operational risks are identified and evaluated and compliance with internal policies and procedures is checked regularly.

Guarantee Fund for external actions

The rules and principles for the asset management of the Guarantee Fund are laid out in the Convention between the Commission and the EIB dated 25 November 1994 and the subsequent amendments dated 17/23 September 1996, 8 May 2002, 25 February 2008 and 9 November 2010. This Guarantee Fund operates only in euros. It exclusively invests in this currency in order to avoid any foreign currency risk. Management of the assets is based upon the traditional rules of prudence adhered to for financial activities. It is required to pay particular attention to reducing the risks and to ensuring that the managed assets can be sold or transferred without significant delay, taking into account the commitments covered.

EFSI Guarantee Fund

The EFSI Guarantee Fund was established by Regulation (EU) 2015/2017 of the European Parliament and of the Council of 25 June 2015. The rules and principles for the asset management of the Fund are laid out in the Commission Decision C(2016)165 of 21 January 2016. There were no funds in the EFSI Guarantee Fund as of 31 December 2015, the inflows being scheduled from April 2016 onwards.

6.2.1. Reconciliation of carrying amount and fair value of financial instruments

Reconciliation of the carrying amounts and fair value of financial assets by class:

EUR millions

	31.12.2015		31.12.2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value				
Available for sale financial assets	*9 620*	*9 620*	*9 406*	*9 406*
Cash and cash equivalents	*21 671*	*21 671*	*17 545*	*17 545*
Total	**31 292**	**31 292**	**26 951**	**26 951**
Financial assets at amortised cost				
Loans	*57 251*	*57 252*	*58 843*	*58 843*
Exchange receivables and non-exchange recoverables	*10 324*	*10 324*	*15 578*	*15 578*
Total	**67 575**	**67 576**	**74 421**	**74 421**
Total	**98 867**	**98 868**	**101 372**	**101 372**

Reconciliation of the carrying amounts and fair value of financial liabilities by class:

EUR millions

	31.12.2015		31.12.2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at fair value	–	–	–	–
Financial liabilities at amortised cost				
Borrowings	*56 860*	*56 860*	*58 470*	*58 470*
Finance lease liabilities	*1 723*	*1 723*	*1 755*	*1 755*
Payables	*32 191*	*32 191*	*43 180*	*43 180*
Other	*1 120*	*1 120*	*454*	*454*
Total	**91 894**	**91 894**	**103 859**	**103 859**

6.3. CURRENCY RISK

Financial instruments exposure of the EU to currency risk at year end – net position

EUR millions

	31.12.2015							31.12.2014						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Available for sale financial assets	*81*	*76*	*11*	*8*	*9 416*	*28*	*9 620*	*68*	*77*	*7*	*9*	*9 203*	*42*	*9 406*
*Loans**	*5*	*0*	*–*	*–*	*354*	*18*	*377*	*2*	*–*	*–*	*–*	*303*	*28*	*334*
Receivables and recoverables	*10*	*542*	*53*	*85*	*9 555*	*78*	*10 324*	*2*	*4 102*	*50*	*88*	*11 197*	*140*	*15 578*
Cash and cash equivalents	*36*	*1 785*	*368*	*1 287*	*17 342*	*853*	*21 671*	*44*	*1 157*	*471*	*928*	*14 180*	*764*	*17 545*
Total	**132**	**2 403**	**433**	**1 380**	**36 667**	**977**	**41 992**	**116**	**5 336**	**528**	**1 024**	**34 883**	**974**	**42 862**
Financial liabilities														
Payables	*(1)*	*(2)*	*0*	*(0)*	*(32 187)*	*(1)*	*(32 191)*	*–*	*(10)*	*–*	*–*	*(43 168)*	*(2)*	*(43 180)*
Total	**(1)**	**(2)**	**0**	**(0)**	**(32 187)**	**(1)**	**(32 191)**	**–**	**(10)**	**–**	**–**	**(43 168)**	**(2)**	**(43 180)**
Total	**131**	**2 401**	**433**	**1 380**	**4 480**	**976**	**9 801**	**116**	**5 326**	**528**	**1 024**	**(8 284)**	**972**	**(318)**

** Excluding back-to-back loans.*

If the EUR had strengthened against other currencies by 10 %, then it would have had the following impact:

EUR millions

	Economic result			
	USD	GBP	DKK	SEK
31.12.2015	*(5)*	*(212)*	*(38)*	*(125)*
31.12.2014	*(4)*	*(483)*	*(47)*	*(92)*

EUR millions

	Net assets			
	USD	GBP	DKK	SEK
31.12.2015	*(7)*	*(7)*	*(1)*	*(1)*
31.12.2014	*(6)*	*(7)*	*(1)*	*(1)*

If the EUR had weakened against these currencies by 10 % then it would have had the following impact:

EUR millions

	Economic result			
	USD	GBP	DKK	SEK
31.12.2015	*6*	*259*	*47*	*152*
31.12.2014	*5*	*591*	*58*	*113*

EUR millions

	Net assets			
	USD	GBP	DKK	SEK
31.12.2015	*9*	*8*	*1*	*1*
31.12.2014	*8*	*9*	*1*	*1*

Borrowing and lending activities

Most financial assets and liabilities are in EUR, so in these cases the EU has no foreign currency risk. However, the EU does give loans in USD through the financial instrument Euratom, which are financed by borrowings with an equivalent amount in USD (back-to-back operation). At the balance sheet date the EU has no foreign currency risk with regard to Euratom.

Treasury

Own resources paid by Member States in currencies other than EUR are kept on the own resources accounts, in accordance with the Own Resources Regulation. They are converted into EUR when they are needed to cover for the execution of payments. The procedures applied for the management of these funds are dictated by the above referenced regulation. In a limited number of cases, these funds are directly used for payments to be executed in the same currencies.

A number of accounts in EU currencies other than EUR, and in USD and CHF, are held by the Commission with commercial banks, for the purpose of executing payments denominated in these same currencies. These accounts are replenished depending on the amount of payments to be executed, as a consequence their balances do not represent exposure to currency risk.

When miscellaneous receipts (other than own resources) are received in currencies other than EUR, they are either transferred to Commission's accounts held in the same currencies, if they are needed to cover the execution of payments, or converted into EUR and transferred to accounts held in EUR. Imprest accounts held in currencies other than EUR are replenished depending on the estimated short term local payments needs in the same currencies. Balances on these accounts are kept within their respective ceilings.

Fines

Provisionally cashed fines (deposits and BUFI portfolio) and bank guarantees

Since all fines are imposed and paid in EUR, there is no foreign currency risk.

Guarantee Fund for external actions

The financial assets of this fund are in EUR so there is no currency risk. The loans subrogated to the EU as result of calls on the Fund following payment defaults by a loan beneficiary are carried out in their original currency and therefore expose the EU to currency risk. There are no activities to compensate foreign currency variations ("hedging" activities) due to uncertainty relating to the loans repayment timing.

6.4. INTEREST RATE RISK

The following table illustrates the interest rate sensitivity of available for sale financial assets assuming a possible change in interest rates of +/- 100 basis points (1 %).

EUR millions

	Increase (+) / decrease (-) in basis points	Effect on economic result and net assets
31.12.2015: Available for sale financial assets	*+100*	*(206)*
	-100	*223*
31.12.2014: Available for sale financial assets	*+100*	*(138)*
	-100	*149*

Borrowing and Lending activities

Borrowings and loans with variable interest rates

Due to the nature of its borrowing and lending activities, the EU has significant interest-bearing assets and liabilities. MFA and Euratom borrowings issued at variable rates expose the EU to interest rate risk. However, the interest rate risks that arise from borrowings are offset by equivalent loans in terms and conditions (back-to-back). At the balance sheet date, the EU has loans (expressed in nominal amounts) with variable rates of EUR 380 million (2014: EUR 484 million), with a re-pricing taking place every 6 months.

Borrowings and loans with fixed interest rates

The EU also has MFA and Euratom loans with fixed rates totalling EUR 2 927 million in 2015 (2014: EUR 1 692 million) and which have a final maturity date of less than one year (EUR 13 million), between one and five years (EUR 760 million) and more than five years (EUR 2 154 million). More significantly, the EU has 7 loans under the financial instrument BOP with fixed interest rates totalling EUR 5.7 billion in 2015 (2014: EUR 8.4 billion) and which have a final maturity of less than one year (EUR 1.5 billion), between one and five years (EUR 4.0 billion) and more than five years (EUR 0.2 billion). Under the financial instrument EFSM, the EU has 23 loans with fixed interest rates totalling EUR 46.8 billion in 2015 (2014: EUR 46.8 billion) which have a final maturity date of less than one year (EUR 4.75 million), between one and five years (EUR 4.5 billion) and more than five years (EUR 37.55 billion).

Treasury

The Commission's treasury does not borrow any money; as a consequence it is not exposed to interest rate risk. Interest is however calculated on balances held on the different banks accounts. The Commission has therefore put in place measures to ensure that interest earned on its bank accounts regularly reflects market interest rates, as well as their possible fluctuation.

Accounts opened with Member States Treasuries for own resources receipts are non-interest bearing and free of charges. Accounts held with National Central Banks may be remunerated at the official rates applied by each institution. As some of the remunerations applied to these accounts may currently be negative, cash management procedures are in place to minimise balances kept on these accounts.

Overnight balances held on commercial bank accounts earn interest on a daily basis. This is based on variable market rates to which a contractual margin (positive or negative) is applied. The rates applied by commercial banks are in general contractually floored at zero. As a result no risk exists that the Commission earns interest at rates lower than market rates.

Fines

Provisionally cashed fines (deposits, BUFI portfolio) and bank guarantees

Deposits and bank guarantees are not exposed to interest rate risks. Interest earned by deposits reflect market interest rates as well as their possible fluctuation. There are bonds with a nominal amount of EUR 225 million having variable interest rates, which represent 8.76 % of the BUFI portfolio. The interest rate sensitivity parameter, the duration of the portfolio, follows very closely the duration of the BUFI index. Therefore any negative effects on the asset valuation would be matched on the side of the BUFI liability. There remains only a remote exposure to the interest rate risk in case such negative effects during the fine's maturity period would result in an overall negative index performance.

Guarantee Fund for external actions

Debt securities within the Guarantee Fund issued at variable interest rates are subject to the volatility effects of these rates, whereas debt securities at fixed rates have a risk with regard to their fair value. Fixed rate bonds represent approximately 88 % of the investment portfolio at the balance sheet date (2014: 65 %).

6.5. CREDIT RISK

The amounts that represent the EU's exposure to credit risk at the end of the reporting period are the carrying amounts of the financial instruments as disclosed in note **2**.

Analysis of the age of financial assets that are not impaired

EUR millions

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Loans	*57 251*	*57 251*	*0*	–	–
Receivables and recoverables	*10 324*	*8 672*	*120*	*1 384*	*148*
Total at 31.12.2015	**67 575**	**65 922**	**120**	**1 384**	**148**
Loans	*58 843*	*58 843*	–	–	–
Receivables and recoverables	*15 578*	*7 968*	*5 624*	*1 847*	*138*
Total at 31.12.2014	**74 421**	**66 811**	**5 624**	**1 847**	**138**

Receivables and recoverables between 1 and 5 years include recoverables related to competition fines of EUR 1 305 million that are to a large extent covered by bank guarantees and the Commission is thus not exposed to a credit risk. These guarantees are provided by fined companies as an alternative to making provisional payments.

Credit quality of financial assets that are neither past due nor impaired

EUR millions

	31.12.2015				31.12.2014			
	AFS*	Loans & Receiv.	Cash	Total	AFS*	Loans & Receiv.	Cash	Total
Counterparties with external credit rating								
Prime and high grade	*5 945*	*3 256*	*16 147*	*25 349*	*7 511*	*2 951*	*13 947*	*24 409*
Upper medium grade	*1 087*	*23 818*	*4 503*	*29 409*	*359*	*25 045*	*2 932*	*28 335*
Lower medium grade	*1 247*	*4 527*	*263*	*6 037*	*347*	*6 001*	*301*	*6 649*
Non-investment grade	*32*	*29 371*	*732*	*30 136*	*42*	*28 191*	*317*	*28 550*
Total	**8 310**	**60 973**	**21 646**	**90 930**	**8 259**	**62 188**	**17 497**	**87 944**
Counterparties without external credit rating								
Group 1	-	*4 855*	*25*	*4 880*	–	*4 488*	*48*	*4 537*
Group 2	–	*95*	–	*95*	–	*136*	–	*136*
Total	**–**	**4 950**	**25**	**4 975**	**–**	**4 624**	**48**	**4 673**
Total	**8 310**	**65 922**	**21 671**	**95 905**	**8 259**	**66 812**	**17 545**	**92 616**

** Available for sale financial assets (excl. equity instruments).*

Not included in the above table are available for sale financial assets in the form of equity instruments without external credit rating. The four risk categories mentioned above are in principle based on the rating categories of external rating agencies and correspond to:

- Prime and high grade: Moody P-1, Aaa – Aa3; S&P A-1+, A-1, AAA – AA -; Fitch F1+, F1, AAA – AA- and equivalent
- Upper medium grade: Moody P-2, A1 – A3; S&P A-2, A+ - A-; Fitch F2, A+ - A- and equivalent
- Lower medium grade: Moody P-3, Baa1 – Baa3, S&P A-3, BBB+ - BBB-; Fitch F-3, BBBB+ - BBB- and equivalent
- Non-investment grade: Moody not prime, Ba1 – C; S&P B, C, BB+ - D; Fitch B, C, BB+ - D and equivalent

Please note that the EU uses these external agencies rating categories as a reference point notably for financial instruments and commercial banks, but may, after making its own analysis of individual cases, keep amounts in one of the above risk categories even though one or more of the above mentioned rating agencies may have downgraded the corresponding counterparty. As regards non-rated counterparties' group 1 relates to debtors without defaults in the past and group 2 relates to debtors with defaults in the past.

The amounts displayed above under Loans and receivables categorised in non-investment grade relate primarily to financial support loans disbursed by the Commission to Member States in financial difficulties and recoverables against certain Members States based on own resources regulations or other legal basis. The amount under cash relates to own resources bank accounts opened in the Treasury or in the central banks of Member States to hold the own resources contributions as foreseen in the regulation. The Commission may draw on these accounts solely to cover cash requirements arising from execution of the budget.

Borrowing and Lending activities

Exposure to credit risk is managed firstly by obtaining country guarantees in the case of Euratom, then through the Guarantee Fund for external actions (MFA & Euratom), then by the possibility of drawing the necessary funds from the Commission's own resources accounts with the Member States and ultimately through the Budget of the EU. The Own Resources legislation fixes the ceiling for own resources payments at 1.23 % of Member States' GNI and during 2015 0.92 % was actually used to cover payment appropriations. This means that at 31 December 2015 there existed an available margin of 0.31 % to cover these guarantees. The Guarantee Fund for external actions was set up in 1994 to cover default risks related to borrowings which finance loans to countries outside the EU. In any case, the exposure to credit risk is mitigated by the possibility to draw on the Commission's own resources accounts with Member States in excess of the assets on those accounts in case a debtor would be unable to reimburse the amounts due in full. To this end, the EU is entitled to call upon all the Member States to ensure compliance with the EU's legal obligation towards its lenders.

As far as treasury operations are concerned, guidelines on the choice of counterparties must be applied. Accordingly, the operating unit will be able to enter into deals only with eligible banks having sufficient counterparty limits.

Treasury

Most of the Commission's treasury resources are kept, in accordance with Council Regulation No 1150/2000 on own resources, in the accounts opened by Member States for the payment of their contributions (own resources). All such accounts are held with Member States' treasuries or national central banks. These institutions carry the lowest credit (or counterparty) risk for the Commission as the exposure is with its Member States. For the part of the Commission's treasury resources kept with commercial banks, in order to cover the execution of payments, replenishment of these accounts is made on a just-in-time basis and is automatically managed by the treasury cash management system. Minimum cash levels, which take into account the average amount of daily payments executed from it, are kept on each account. As a consequence the total amount kept overnight on these accounts remains constantly at low levels (overall around EUR 60 million on average, spread over 20 accounts) and so ensure the Commission's risk exposure is limited. These amounts should be viewed with regard to the daily overall treasury balances which fluctuated in 2015 between EUR 300 million and EUR 34 billion, and with an overall amount of payments made from Commission accounts in 2015 that exceeds EUR 142 billion.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the Commission is exposed:

- All commercial banks are selected by call for tenders. The minimum short term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent. A lower level may be accepted in specific and duly justified circumstances.

- The credit ratings of the commercial banks where the Commission has accounts are reviewed on a daily basis. Intensified monitoring measures and daily reviews of commercial banks' ratings were adopted in the context of the financial crisis, and kept in place.

- In delegations outside the EU, imprest accounts are held with local banks selected by a simplified tendering procedure. Rating requirements depend on the local situation and may significantly differ from one country to another. In order to limit risk exposure, balances on these accounts are kept at the lowest possible levels (taking into account operational needs), they are regularly replenished, and the applied ceilings are reviewed on a yearly basis.

Fines

Provisionally cashed fines: deposits

Banks holding deposits for the fines provisionally cashed before 2010 are selected by tender procedure in compliance with the risk management policy which defines the credit rating requirements and the amount of funds which could be placed in proportion to the counterparty equity.

For commercial banks that have been specifically selected for the deposit of provisionally cashed fines, a minimum long-term rating A (S&P or equivalent) and a minimum short term rating A-1 (S&P or equivalent) is required as a general rule. Specific measures are applied in case banks in this group are subject to downgrade. In addition, the amount deposited with each bank is limited to a certain percentage of its own funds, which varies depending on the rating level of each institution. The calculation of such limits also takes into account the amount of outstanding guarantees issued to the Commission by the same institution. The compliance of outstanding deposits with the applicable policy requirements is reviewed regularly.

Provisionally cashed fines: BUFI portfolio

For investments from provisionally cashed fines, the Commission takes on exposure to credit risk. The highest concentration of exposure is towards France and Italy as these countries represent 32 % and 16 % respectively of the total nominal volume of the portfolio.

Bank guarantees

Significant amounts of guarantees issued by financial institutions are also held by the Commission in relation to the fines it imposes on companies breaching EU competition rules (see note **2.6.1.2**). These guarantees are provided by fined companies as an alternative to making provisional payments. The risk management policy applied for the acceptance of such guarantees has been reviewed in 2012 and a new combination of credit rating requirements and limited percentages per counterpart (proportional to each counterpart's own funds) has been defined in the light of the current financial environment in the EU. It continues to ensure a high credit quality for the Commission. The compliance of the outstanding guarantees with the applicable policy requirements is reviewed regularly.

Guarantee Fund for external actions

In accordance with the agreement between the EU and the EIB on the management of this Guarantee Fund, all investments (securities, deposits etc.) have the required investment grade rating.

6.6. Liquidity risk

Maturity analysis of financial liabilities by remaining contractual maturity

EUR millions

	< 1 year	1-5 years	> 5 years	Total
Borrowings	*7 218*	*9 660*	*39 982*	*56 860*
Finance lease liabilities	*75*	*392*	*1 256*	*1 723*
Payables	32 191	–	–	32 191
Other	*645*	*120*	*353*	*1 120*
Total at 31.12.2015	**40 130**	**10 173**	**41 591**	**91 894**
Borrowings	*8 727*	*15 386*	*34 357*	*58 470*
Finance lease liabilities	*81*	*366*	*1 309*	*1 755*
Payables	*43 180*	–	–	*43 180*
Other	*20*	*97*	*336*	*454*
Total at 31.12.2014	**52 008**	**15 849**	**36 002**	**103 859**

Borrowing and Lending activities

The liquidity risk that arises from borrowings is generally offset by equivalent loans in terms and conditions (back-to-back operations). For MFA and Euratom, the Guarantee Fund for external actions serves as a liquidity reserve (or safety net) in case of payment default and payment delays of borrowers. For BOP, the Council Regulation 431/2009 provides for a procedure allowing sufficient time to mobilise funds through the Commission's own resources accounts with the Member States. For EFSM, the Council Regulation 407/2010 provides for a similar procedure.

Treasury

EU budget principles ensure that overall cash resources for a given year are always sufficient for the execution of all payments. In fact, the total Member States contributions equal the amount of payment appropriations for the budgetary year. Member States' contributions, however, are received in twelve monthly instalments throughout the year, while payments are subject to certain seasonality. Moreover, in accordance with the Council Regulation 1150/2000 (Own Resources Regulation), Member States contributions relating to (amending) budgets approved after the 16th of a given month (N) only become available in month N+2, while the related payment appropriations are immediately available. In order to ensure that available treasury resources are always sufficient to cover the payments to be executed in any given month, procedures regarding regular cash forecasting are in place, and own resources or additional funding can be called up in advance from Member States if needed, up to certain limits and under certain conditions. Seasonality of expenditure and overall budgetary restrictions in recent years have resulted in the need for increased monitoring of the rhythm of payments over the year. In addition to the above, in the context of the Commission's daily treasury operations, automated cash management tools ensure that sufficient liquidity is available on each of the Commission's bank accounts, on a daily basis.

Guarantee Fund for external actions

The fund is managed according to the principle that the assets shall have a sufficient degree of liquidity and mobilisation in relation to the relevant commitments. The fund must maintain a minimum of EUR 100 million in a portfolio with a maturity of less than twelve months which is to be invested in monetary instruments. As at 31 December 2015 these investments, including cash, amounted to EUR 173 million. Furthermore, a minimum of 20 % of the fund's nominal value shall comprise monetary instruments, fixed-rate bonds with a remaining maturity of no more than one year, and floating-rate bonds. As at 31 December 2015 this ratio stood at 28 %.

7. RELATED PARTY DISCLOSURES

7.1. RELATED PARTIES

The related parties of the EU are the EU consolidated entities, associates and the key management personnel of these entities. Transactions between these entities take place as part of the normal operations of the EU and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

7.2. KEY MANAGEMENT ENTITLEMENTS

For the purposes of presenting information on related party transactions concerning the key management of the EU, such persons are shown here under five categories:

Category 1: the Presidents of the European Council, the Commission and the Court of Justice of the European Union

Category 2: the Vice-president of the Commission and High Representative of the EU for Foreign Affairs and Security Policy and the other Vice-presidents of the Commission

Category 3: the Secretary-General of the Council, the Members of the Commission, the Judges and Advocates General of the Court of Justice of the European Union, the President and Members of the General Court, the President and Members of the European Civil Service Tribunal, the Ombudsman and the European Data Protection Supervisor

Category 4: the President and Members of the European Court of Auditors

Category 5: the highest ranking civil servants of the Institutions and Agencies

A summary of their entitlements is given below – further information can be found in the Staff Regulations published on the Europa website which is the official document describing the rights and obligations of all officials of the EU. Key management personnel have not received any preferential loans from the EU.

KEY MANAGEMENT FINANCIAL ENTITLEMENTS

EUR

Entitlement (per employee)	Category 1	Category 2	Category 3	Category 4	Category 5
Basic salary (per month)	*26 167.89*	*23 702.80 - 24 650.91*	*18 962.24 - 21 332.52*	*20 479.22 - 21 806.58*	*12 057.21 - 18 962.24*
Residential/Expatriation allowance	*15 %*	*15 %*	*15 %*	*15 %*	*0 – 4 % - 16 %*
Family allowances:					
Household (% salary)	2 % + 176.01	2 % + 176.01	2 % + 176.01	2 % + 176.01	2 % + 176.01
Dependent child	384.60	384.60	384.60	384.60	384.60
Pre-school	93.95	93.95	93.95	93.95	93.95
Education, or	260.95	260.95	260.95	260.95	260.95
Education outside place of work	521.90	521.90	521.90	521.90	521.90
Presiding judges allowance	*N/A*	*N/A*	*607.71*	*N/A*	*N/A*
Representation allowance	*1 418.07*	*911.38*	*607.71*	*N/A*	*N/A*
Annual travel costs	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Transfers to Member State:					
Education allowance*	Yes	Yes	Yes	Yes	Yes
% of salary*	5 %	5 %	5 %	5 %	5 %
% of salary with no cc	max 25 %	max 25 %	max 25 %	max 25 %	max 25 %
Representation expenses	*Reimbursed*	*Reimbursed*	*Reimbursed*	*N/A*	*N/A*
Taking up duty:					
Installation expenses	52 335.78	47 405.60 - 49 301.82	37 924.50 - 42 665.04	40 958.44 - 43 613.16	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Leaving office:					
Resettlement expenses	26 167.89	23 702.80 - 24 650.91	18 962.24 - 21 332.52	20 479.22 - 21 806.58	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Transition (% salary)**	40 % - 65 %	40 % - 65 %	40 % - 65 %	40 % - 65 %	N/A
Sickness insurance	Covered	Covered	Covered	Covered	Covered
Pension (% salary, before tax)	*Max 70 %*	*Max 70 %*	*Max 70 %*	*Max 70 %*	*Max 70 %*
Deductions:					
Tax on salary	8 % - 45 %	8 % - 45 %	8 % - 45 %	8 % - 45 %	8 % - 45 %
Sickness insurance (% salary)	*1.7 %*	*1.7 %*	*1.7 %*	*1.7 %*	*1.7 %*
Special levy on salary	7 %	7 %	7 %	7 %	6 – 7 %
Pension deduction	N/A	N/A	N/A	N/A	10.1 %
Number of persons at year-end	**3**	**8**	**93**	**28**	**112**

** With correction coefficient ("CC") applied.*

*** Paid for the first 3 years following departure.*

8. EVENTS AFTER THE BALANCE SHEET DATE

At the date of signing of these accounts, except for the matter outlined below, no material issues had come to the attention of the Accounting Officer of the Commission or were reported to him that would require separate disclosure under this section. The accounts and related notes were prepared using the most recently available information and this is reflected in the information presented.

On 23 June 2016, the citizens of the United Kingdom voted to leave the European Union. To give effect to this decision of the British people, Article 50 of the Treaty on European Union must be invoked. This article sets out the procedure to be followed if a Member State decides to leave the European Union, and only when this article is activated can the negotiations on the departure of the United Kingdom begin. In accordance with the guidelines provided by the European Council, the Union shall then negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. At the time of the signing of these accounts, formal notification of the triggering of Article 50 has not been presented.

9. SCOPE OF CONSOLIDATION

A. CONTROLLED ENTITIES (52)

1. Institutions and consultative bodies (11)

European Parliament	*European Data Protection Supervisor*
European Council	*European Economic and Social Committee*
European Commission	*European Ombudsman*
European Court of Auditors	*Committee of the Regions*
Court of Justice of the European Union	*Council of the European Union*
European External Action Service	

2. EU Agencies (39)

2.1. Executive Agencies (6)

Education, Audiovisual & Culture Executive Agency	*Executive Agency for Small and Medium-sized Enterprises*
Consumers, Health, Agriculture and Food Executive Agency	*Innovation & Networks Executive Agency*
Research Executive Agency	*European Research Council Executive Agency*

2.2. Decentralised Agencies (33)

European Maritime Safety Agency	*European Food Safety Authority*
European Medicines Agency	*European Railway Agency*
European GNSS Supervisory Authority	*Community Plant Variety Office*
European Chemicals Agency	*European Fisheries Control Agency*
Fusion for Energy (European Joint Undertaking for ITER and the Development of Fusion Energy)	*European Monitoring Centre for Drugs and Drug Addiction*
Eurojust	*European Police College (CEPOL)*
European Institute for Gender Equality	*European Police Office (EUROPOL)*
European Agency for Safety and Health at Work	*European Aviation Safety Agency*
European Centre for Disease Prevention and Control	*European Network and Information Security Agency*
European Environment Agency	*European Union Agency for Fundamental Rights*
European Centre for the Development of Vocational training	*European Insurance and Occupational Pensions Authority*
European Agency for Cooperation of Energy Regulators	*Translation Centre for the Bodies of the European Union*
European Banking Authority	*European Securities and Markets Authority*
European Asylum Support Office	*European Training Foundation*
Office for the Body of European Regulators for Electronic Communication	*European Foundation for the Improvement of Living and Working Conditions*
European Agency for the Management of Operational Co-operation at External Borders of the Member States of the EU	*EU Office for Harmonisation in the Internal Market (Trade Marks and Designs)*
EU-LISA (European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice)	

3. Other controlled entities (2)

European Coal and Steel Community (in liquidation)	*European Institute of Innovation and Technology*

B. JOINT VENTURES (7)

SESAR Joint Undertaking	*Innovative Medicines Initiative 2 Joint Undertaking*
Fuel Cells and Hydrogen 2 Joint Undertaking	*ECSEL Joint undertaking*
Clean Sky 2 Joint Undertaking	*Bio-based Industries Joint Undertaking**
Galileo Joint Undertaking in liquidation	

C. ASSOCIATES (1)

European Investment Fund

* *Included for the first time in 2015.*

EUROPEAN UNION
FINANCIAL YEAR 2015

AGGREGATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET AND EXPLANATORY NOTES

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add-up.

CONTENTS

EU BUDGET RESULT

EUR millions

	Note	2015	2014
Revenue for the financial year	*4.1*	*146 624*	*143 940*
Payments against current year appropriations	*5.3*	*(143 485)*	*(141 193)*
Payment appropriations carried over to year N+1		*(1 299)*	*(1 787)*
Cancellation of unused appropriations carried over from year N-1		*29*	*25*
Evolution of assigned revenue		*(704)*	*336*
Exchange differences for the year		*182*	*110*
Budget result*	2.2	**1 347**	**1 432**

** Of which EFTA result is EUR (2) million in 2015 and EUR (3) million in 2014.*

RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR millions

	2015	2014
ECONOMIC RESULT OF THE YEAR	**(13 033)**	**(11 280)**
Revenue		
Entitlements established in current year but not yet collected	*(318)*	*(6 573)*
Entitlements established in previous years and collected in current year	*7 943*	*4 809*
Accrued revenue (net)	*(359)*	*(4 877)*
Expenses		
Accrued expenses (net)	*9 920*	*9 223*
Expenses prior year paid in current year	*(1 208)*	*(821)*
Net-effect pre-financing	*(4 831)*	*457*
Payment appropriations carried over to next year	*(2 195)*	*(1 979)*
Payments made from carry-overs & cancellation of unused payment appropriations	*1 979*	*1 858*
Movement in provisions	*4 950*	*12 164*
Other	*(1 671)*	*(1 719)*
Economic result Agencies and ECSC	**169**	**170**
BUDGET RESULT OF THE YEAR	**1 347**	**1 432**

For further explanations on the reconciliation of economic with budget result see note **3**.

See also table **6.5** Budget result including agencies.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET REVENUE

EUR millions

		Initial adopted budget	Amending budgets	Final adopted budget	Revenue
1	Own resources	139 639	(9 971)	129 667	130 738
	of which Customs duties	*16 701*	*1 934*	*18 635*	*18 607*
	of which VAT	*18 264*	*(241)*	*18 023*	*18 269*
	of which GNI	*104 548*	*(11 664)*	*92 884*	*94 009*
3	Surpluses, balances and adjustments on own resources	–	8 568	8 568	8 031
4	Revenue accruing from persons working with the institutions and with other Union bodies	1 301	–	1 301	1 329
5	Revenue accruing from the administrative operation of the institutions	54	40	94	563
6	Contributions and refunds in connection with Union agreements and programmes	60	–	60	4 198
7	Interests on late payments and fines	123	1 400	1 523	1 703
8	Borrowing and lending operations	7	30	37	42
9	Miscellaneous revenue	30	–	30	19
Total		**141 214**	**66**	**141 280**	**146 624**

For details of the 2015 revenue implementation see note **4**.

BUDGET EXPENDITURE: COMMITMENTS BY MULTIANNUAL FINANCIAL FRAMEWORK (MFF) HEADING

EUR millions

	MFF Heading	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropriations available	Commitments made
1	Smart and inclusive growth	66 782	11 173	77 955	11 429	89 384	88 151
	1a: Competitiveness for growth and jobs	*17 552*	*0*	*17 552*	*2 538*	*20 090*	*18 905*
	1b: Economic, social and territorial cohesion	*49 230*	*11 173*	*60 403*	*8 890*	*69 293*	*69 246*
2	Sustainable growth: natural resources	58 809	5 069	63 877	5 262	69 140	67 375
	of which: Market related expenditure and direct payments	*43 456*	*(1)*	*43 455*	*2 841*	*46 296*	*44 948*
3	Security and citizenship	2 147	375	2 522	347	2 869	2 826
4	Global Europe	8 408	386	8 795	979	9 774	9 397
5	Administration	8 660	(0)	8 660	765	9 425	9 154
	of which: Administrative expenditure of the institutions	*3 667*	*(0)*	*3 667*	*420*	*4 087*	*3 954*
6	Compensations	–	–	–	–	–	–
8	Negative reserve	–	–	–	–	–	–
9	Special instruments	515	(51)	465	231	696	288
Total		**145 322**	**16 952**	**162 273**	**19 013**	**181 286**	**177 190**

** Additional appropriations include appropriations carried over from last year, assigned revenue and appropriations becoming available as a result of decommitments.*

BUDGET EXPENDITURE: PAYMENTS BY MULTIANNUAL FINANCIAL FRAMEWORK (MFF) HEADING

EUR millions

	MFF Heading	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropriations available	Payments made
1	Smart and inclusive growth	66 923	(347)	66 576	3 740	70 316	68 009
	1a: Competitiveness for growth and jobs	*15 798*	*(189)*	*15 609*	*3 375*	*18 984*	*16 802*
	1b: Economic, social and territorial cohesion	*51 125*	*(158)*	*50 967*	*365*	*51 332*	*51 207*
2	Sustainable growth: natural resources	55 999	214	56 213	3 276	59 489	58 066
	of which: Market related expenditure and direct payments	*43 448*	*(1)*	*43 447*	*2 857*	*46 304*	*44 940*
3	Security and citizenship	1 860	104	1 963	92	2 055	2 019
4	Global Europe	7 422	229	7 652	576	8 228	7 884
5	Administration	8 659	0	8 659	1 526	10 185	8 978
	of which: Administrative expenditure of the institutions	*3 667*	*(0)*	*3 667*	*877*	*4 543*	*3 791*
6	Compensations	–	–	–	–	–	–
8	Negative reserve	–	–	–	–	–	–
9	Special instruments	352	(134)	218	105	322	288
Total		**141 214**	**66**	**141 280**	**9 314**	**150 595**	**145 243**

** Additional appropriations include appropriations carried over from last year, assigned revenue and appropriations becoming available as a result of decommitments.*

For details of the 2015 expenditure implementation see note **5** and for the explanation note **5.11**.

NOTES TO THE AGGREGATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET

1. THE EU BUDGET CYCLE

The budgetary accounts are kept in accordance with the Financial Regulation (FR) and its rules of application. The general budget, the main instrument of the Union's financial policy, is the instrument which provides for and authorises the Union's revenue and expenditure every year. In accordance with the FR, there are two main elements: the multi annual financial framework (MFF), which sets the main ceilings for a period of 7 years, and the annual budget procedure.

1.1. MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

EUR millions

Heading	2014	2015	2016	2017	2018	2019	2020	Total
1. Smart and inclusive growth	*52 756*	*77 986*	*69 304*	*72 386*	*75 271*	*78 752*	*82 466*	*508 921*
1.a Competitiveness for growth and jobs	*16 560*	*17 666*	*18 467*	*19 925*	*21 239*	*23 082*	*25 191*	*142 130*
1.b Economic, social and territorial cohesion	*36 196*	*60 320*	*50 837*	*52 461*	*54 032*	*55 670*	*57 275*	*366 791*
2. Sustainable growth: natural resources	*49 857*	*64 692*	*64 262*	*60 191*	*60 267*	*60 344*	*60 421*	*420 034*
of which: market related expenditure and direct payments	*43 779*	*44 190*	*43 950*	*44 145*	*44 162*	*44 240*	*44 263*	*308 729*
3. Security and citizenship	*1 737*	*2 456*	*2 546*	*2 578*	*2 656*	*2 801*	*2 951*	*17 725*
4. Global Europe	*8 335*	*8 749*	*9 143*	*9 432*	*9 825*	*10 268*	*10 510*	*66 262*
5. Administration	*8 721*	*9 076*	*9 483*	*9 918*	*10 346*	*10 786*	*11 254*	*69 584*
of which: Administrative expenditure of the institutions	*7 056*	*7 351*	*7 679*	*8 007*	*8 360*	*8 700*	*9 071*	*56 224*
6. Compensations	*29*	*–*	*–*	*–*	*–*	*–*	*–*	*29*
8. Negative reserve								
9. Special Instruments								
Commitment appropriations:	**121 435**	**162 959**	**154 738**	**154 505**	**158 365**	**162 951**	**167 602**	**1 082 555**
Total payment appropriations:	**135 762**	**142 007**	**144 685**	**142 771**	**149 074**	**153 362**	**156 295**	**1 023 956**

The above table shows the MFF ceilings at current prices. 2015 was the second financial year covered by the new MFF 2014-2020. The overall ceiling for commitments appropriations for 2015 was EUR 162 959 million, equivalent to 1.17 % of GNI, while the corresponding ceiling for payment appropriations was EUR 142 007 million, or 1.02 % of GNI.

The reprogramming of unused 2014 commitment appropriations to 2015 and 2016 (according to MFF Art. 19) was implemented by Council Regulation (EU, Euratom) No 2015/623 of 21 April 2015 (OJ L 103, 22 April 2015, p.1) with a revision of the MFF ceilings and a related amending budget for 2015. The main impacts in 2015 were under Heading 1(b) (EUR 11.2 billion) and Heading 2 (EUR 5 billion), while for 2016 the main change is to Heading 2 (EUR 4.4 billion).

New flexibility provisions have been agreed for the 2014-2020 MFF. One of the new provisions is a possibility to transfer unspent margin under the payment ceilings to the following years – via the Global Margin for Payments in the framework of the technical adjustment of the MFF for the following year. Therefore, the unspent amount from 2014 (EUR 104 million in current prices 2014) was transferred to 2015 (EUR 106 million in current prices of 2015) and the ceilings of 2014 and 2015 were adjusted accordingly – see Technical adjustment of the MFF for 2016 (COM(2015) 320 final, 22 May 2015).

An explanation of the various headings of the MFF is given below:

Heading 1 – Smart and inclusive growth

This heading is divided into two separate, but interlinked components

(3) Competitiveness for growth and jobs, encompassing expenditure on research and innovation, education and training, European Connecting Facility, social policy, the internal market and accompanying policies.

(4) Economic, social and territorial cohesion, designed to enhance convergence of the least developed Member States and regions, to complement the EU strategy for sustainable development outside the less prosperous regions and to support inter regional cooperation.

Heading 2 – Sustainable growth: natural resources

Heading 2 includes the common agricultural and fisheries policies, rural development and environmental measures, in particular Natura 2000.

Heading 3 – Security and citizenship

Heading 3 (Security and citizenship) reflects the growing importance attached to certain fields where the EU has been assigned particular tasks – justice and home affairs, border protection, immigration and asylum policy, public health and consumer protection, culture, youth, information and dialogue with citizens.

Heading 4 – Global Europe

Heading 4 covers all external action, including development cooperation, humanitarian aid, pre-accession and neighbourhood instruments. The EDF remains outside of the EU budget and is not part of the MFF.

Heading 5 - Administration

This heading covers administrative expenditure for all institutions, pensions and the European Schools. For the Institutions other than the Commission, these costs make up the total of their expenditure.

Heading 6 - Compensations

In accordance with the political agreement that new Member States should not become net-contributors to the budget at the very beginning of their membership, compensation was foreseen under this heading. This amount was available as transfers to them to balance their budgetary receipts and contributions.

1.2. POLICY AREAS

As part of its use of Activity Based Management (ABM) the Commission implements Activity Based Budgeting (ABB) in its planning and management processes. ABB involves a budget structure where budget titles correspond to policy areas and budget chapters to activities. ABB aims to provide a clear framework for translating the Commission's policy objectives into action, either through legislative, financial or any other public policy means. By structuring the Commission's work in terms of activities, a clear picture is obtained of the Commission's undertakings and simultaneously a common framework is established for priority setting. Resources are allocated to priorities during the budget procedure, using the activities as the building blocks for budgeting purposes. By establishing such a link between activities and the resources allocated to them, ABB aims to increase efficiency and effectiveness in the use of resources in the Commission.

A policy area may be defined as a homogeneous grouping of activities constituting parts of the Commission's work, which are relevant for the decision-making process. Each policy area corresponds, in general, to a Directorate General, and encompassing an average of about 6 or 7 individual activities. Policy areas are mainly operational, since their core activities aim at benefiting a third-party beneficiary within their respective domains of activity. The operational budget is completed with the necessary administrative expenditure for each policy area.

1.3. ANNUAL BUDGET

Every year, the Commission estimates all the Institutions' revenue and expenditure for the year and draws up a draft budget which it sends to the budgetary authority. On the basis of this draft budget, the Council sets out its position, which is then the subject of negotiations between the two arms of the budgetary authority. The President of the European Parliament declares that the joint draft has been finally adopted, thus making the budget enforceable. During the year in question, amending budgets are adopted. The task of executing the budget is mainly the responsibility of the Commission.

The budget structure for the Commission consists of administrative and operational appropriations. The other Institutions have only administrative appropriations. Furthermore, the budget distinguishes between two types of appropriations: non-differentiated and differentiated. Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). Differentiated appropriations are used in order to reconcile the principle of annuality with the need to manage multi-annual operations. Differentiated appropriations are split into commitment and payment appropriations:

- **commitment appropriations**: cover the total cost of the legal obligations entered into for the current financial year for operations extending over a number of years. However, budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments where the basic act so provides.

- **payment appropriations**: cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years.

Origin of Appropriations

The main source of appropriations is the Union's adopted budget for the current year. However, there are other types of appropriations resulting from the provisions of the Financial Regulation. They come from previous financial years or outside sources. Thus the following origins of appropriations can be differentiated:

- **Budget appropriations** from initial adopted budget and amending budgets;
- **Appropriations carried over** from previous year;
- **Assigned revenue** which is made up of refunds, EFTA appropriations, revenue from third parties/other countries, work for third parties and appropriations made available again as a result of repayment of payments on account.

Composition of Total Available Budget

- Initial adopted budget = appropriations voted in year N-1;
- Amending budgets adopted;
- Additional appropriations = assigned revenue + appropriations carried over from the previous financial year or made available again following decommitments.

2. NOTES TO THE EU BUDGET RESULT

2.1. CALCULATION OF THE BUDGET RESULT

The budget result of the EU is returned to the Member States during the following year through deduction of their amounts due for that year.

The amounts of own resources entered in the accounts are those credited during the course of the year to the accounts opened in the Commission's name by the governments of the Member States. Revenue comprises also, in the case of a surplus, of the budget result for the previous financial year. The other revenue entered in the accounts is the amount actually received during the course of the year.

For the purposes of calculating the budget result for the year, expenditure comprises payments made against the year's appropriations plus any of the appropriations for that year that are carried over to the following year. Payments made against the year's appropriations means payments that are made by the accounting officer by 31 December of the financial year. For the EAGF, payments are those effected by the Member States between 16 October N-1 and 15 October N, provided that the accounting officer was notified of the commitment and authorisation by 31 January N+1. EAGF expenditure may be subject to a conformity decision following controls in the Member States.

The budget result comprises two elements: the result of the EU and the result of the participation of the EFTA countries belonging to the European Economic Area (EEA). In accordance with Article 15 of Regulation No 1150/2000 on own resources, this result represents the difference between:

- total revenue received for the financial year; and
- total payments made against current year's appropriations plus the total amount of that year's appropriations carried over to the following year.

The following are added to or deducted from the resulting figure:

- the net balance of cancellations of payment appropriations carried over from previous years and any payments which, because of fluctuations in the euro rate, exceed non-differentiated appropriations carried over from the previous year;
- the evolution of assigned revenue; and
- the net exchange-rate gains or losses recorded during the year.

Appropriations carried over from the previous financial year in respect of contributions by and work for third parties, which by definition never lapse, are included as additional appropriations for the financial year. This explains the difference between carryovers from the previous year in the 2015 budget implementation reports and those carried over to the following year in the 2014 budget implementation reports. Appropriations made available again following the repayment of payments on account are disregarded when calculating the budget result.

Payment appropriations carried over include: automatic carryovers and carryovers by decision. The cancellation of unused payment appropriations carried over from the previous year shows the cancellations of appropriations carried over automatically and by decision.

2.2. IMPLEMENTATION OF THE 2015 EU BUDGET

Budget surplus of EUR 1.3 billion:

- The surplus comes primarily from the revenue side, in particular from the GNI and VAT resources revision of 2014 that was paid by Member States in 2015;
- The remaining EUR 182 million of surplus comes from exchange rate gains.

Revenue:

- Revenue, totalling EUR 146.6 billion, was EUR 5.3 billion higher than the final adopted budget due primarily to assigned revenue under headings 5 and 6 – see table **4.1** below;
- Fines revenue of EUR 1.3 billion was used to finance the increased need for payment appropriations;
- There was an exceptionally high revision of GNI own resources made in 2014 (EUR 9.5 billion) covering the period back to 2002. This had a significant impact on the budget revenue for 2015 since amounts were only paid in 2015.

Expenditure:

- Final adopted budget payment appropriations, excluding Special Instruments, totalled EUR 141.1 billion and were 1.6 % higher than in 2014 – see table **5.1**;
- Total payments amounted to EUR 145.2 billion (2014: EUR 142.5 billion) – see table **5.3**.

Commitments & RAL:

- Available commitment appropriations of EUR 181.3 billion were implemented at an overall level of 97.7 % – see table **5.2**;
- Outstanding commitments ("RAL") increased from EUR 189.6 billion at end 2014 to EUR 217.7 billion at end 2015 – see table **5.4**. This reflects the increasing implementation of commitments of the new programming period.

A more detailed analysis of budgetary adjustments, their relevant context, their justification and their impact is presented in Commission's Report on Budgetary and Financial Management 2015, Part A "Overview at budget level" and Part B dealing with each heading of the multi-annual financial framework.

3. NOTES TO THE RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

In accordance with the Financial Regulation, the economic result of the year is calculated on the basis of accrual accounting principles, while the budget result is based on modified cash accounting rules. As the economic result and the budget result both cover the same underlying transactions, it is a useful control to ensure that they are reconcilable.

Reconciling items - Revenue

The actual budgetary revenue for a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years. Therefore the entitlements established in the current year but not yet collected are to be deducted from the economic result for reconciliation purposes as they do not form part of budgetary revenue. On the contrary the entitlements established in previous years and collected in current year must be added to the economic result for reconciliation purposes.

The net accrued revenue mainly consists of accrued revenue for agriculture, own resources and interests and dividends. Only the net-effect, i.e. accrued revenue for current year minus reversal accrued revenue from previous year, is taken into consideration.

Reconciling items - Expenditure

Net accrued expenses mainly consists of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by beneficiaries of EU funds but not yet reported to the Commission. While accrued expenses are not considered as budgetary expenditure, payments made in the current year relating to invoices registered in prior years are part of current year's budgetary expenditure.

The net effect of pre-financing is the combination of (1) the new pre-financing amounts paid in the current year and recognised as budgetary expenditure of the year and (2) the clearing of the pre-financing paid in current year or previous years through the acceptance of eligible costs. The latter represent an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

Besides the payments made against the year's appropriations, the appropriations for that year that are carried forward to the next year also need to be taken into account in calculating the budget result for the year (in accordance with Article 15 of Regulation No 1150/2000). The same applies for the budgetary payments made in the current year from carry-overs from previous years, and the cancellation of unused payment appropriations.

The movement in provisions relates to year-end estimates made in the financial statements (employee benefits mainly) that do not impact the budgetary accounts. Other reconciling amounts comprise different elements such as asset depreciation, asset acquisitions, capital lease payments and financial participations for which the budgetary and accrual accounting treatments differ.

4. IMPLEMENTATION OF EU BUDGET REVENUE

4.1. SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE

EUR millions

	Title	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitle-ments of current year	On entitlements carried over	Total		
1	Own resources	139 639	129 667	130 733	32	130 766	130 729	9	130 738	100.83 %	28
3	Surpluses, balances and adjustments	–	8 568	2 624	5 407	8 031	2 624	5 407	8 031	93.74 %	–
4	Revenue accruing from persons working with the institutions and other union bodies	1 301	1 301	1 334	8	1 343	1 320	8	1 329	102.12 %	14
5	Revenue accruing from the administrative operation of the institutions	54	94	560	21	581	548	15	563	596.25 %	17
6	Contributions and refunds in connection with union agreements and programmes	60	60	4 202	271	4 473	4 065	133	4 198	6996.33 %	275
7	Interests on late payments and fines	123	1 523	480	8 016	8 497	256	1 447	1 703	111.82 %	6 793
8	Borrowing and lending operations	7	37	45	3	48	39	3	42	114.97 %	6
9	Miscellaneous revenue	30	30	21	9	30	18	1	19	64.21 %	10
Total		**141 214**	**141 280**	**139 999**	**13 768**	**153 768**	**139 599**	**7 024**	**146 624**	**103.78 %**	**7 144**

EUR millions

Detail Title 1: Own resources

Chapter		Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total		
11	Sugar levies	125	125	124	–	124	124	–	124	99.21 %	–
12	Customs duties	16 701	18 635	18 602	32	18 634	18 597	9	18 607	99.85 %	28
13	VAT	18 264	18 023	18 269	–	18 269	18 269	–	18 269	101.36 %	–
14	GNI	104 548	92 884	94 009	–	94 009	94 009	–	94 009	101.21 %	–
15	Correction of budgetary imbalances	–	–	(270)	–	(270)	(270)	–	(270)	-	–
Total		**139 639**	**129 667**	**130 733**	**32**	**130 766**	**130 729**	**9**	**130 738**	**100.83 %**	**28**

EUR millions

Detail Title 3: Surpluses, balances and adjustments

Chapter		Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total		
30	Surplus from previous year	–	1 435	1 435	–	1 435	1 435	–	1 435	100.00 %	–
31	VAT balances	–	(193)	24	(205)	(182)	24	(205)	(182)	94.40 %	–
32	GNI balances	–	7 326	1 346	5 613	6 958	1 346	5 613	6 958	94.98 %	(0)
34	Adjustment for non-participation in JHAP	–	–	(7)	–	(7)	(7)	–	(7)	-	–
35	United Kingdom correction - adjustments	–	–	(27)	–	(27)	(27)	–	(27)	-	–
36	United Kingdom correction - Intermediate calculation	–	–	(146)	–	(146)	(146)	–	(146)	-	–
Total		**–**	**8 568**	**2 624**	**5 407**	**8 031**	**2 624**	**5 407**	**8 031**	**93.74 %**	**–**

4.2. REVENUE IMPLEMENTATION

4.2.1. Overview of 2015 revenue

In the initial adopted EU budget, signed by the President of the European Parliament on 17 December 2014, the amount of payment appropriations was EUR 141 214 million and the amount to be financed by own resources totalled EUR 139 639 million. The revenue and expenditure estimates in the initial budget are typically adjusted during the budgetary year, such modifications being presented in Amending Budgets. Adjustments in the GNI-based own resources ensure that budgeted revenue matches exactly budgeted expenditure. In accordance with the principle of equilibrium, budget revenue and expenditure (payment appropriations) must be in balance.

During 2015, eight amending budgets were adopted. Taking them into account, the total final adopted revenue for 2015 amounted to EUR 141 280 million. This was financed by own resources totalling EUR 129 667 million (thus EUR 9 972 million less than initially forecasted) and the remainder by other revenue. This is explained mainly by the surplus from the previous financial year, extraordinary income coming from the VAT and GNI adjustments of previous years and fines that reduced substantially Member States' GNI balancing contribution in 2015. As far as the own resources result is concerned, the collection of traditional own resources was very close to the forecasted amounts. This is primarily because the budget estimates that were modified at the time the Amending Budget No. 6/2015 was established (they were increased by EUR 1 134 million according to the new forecasts of spring 2015), were again amended in the Amending Budget No. 8/2015 to take into account the actual rhythm of collection. Thus they were increased a second time by EUR 800 million.

The final Member States' VAT and GNI payments also correspond closely to the final budgetary estimate. The differences between the forecasted amounts and the amounts actually paid are due to the differences between the euro rates used for budgetary purposes and the rates in force at the time when the Member States outside the EMU actually made their payments.

The VAT & GNI balances in 2014 included major revisions for the GNI dating back to 2002. Thus the adjustment was unprecedented in size totalling EUR 9.5 billion across all EU Member States. In order to address the exceptional situation, the Council adopted on 18 December 2014 a Commission proposal (Council Regulation (EU, Euratom) No 1377/2014 of 18 December 2014) allowing Member States to defer payment, interest free, under strict conditions, up to 1 September 2015. Accordingly 6 Member States opted to pay their adjustments in 2015. The deferred payment amounted to EUR 5.4 billion. The normal adjustment corresponding to 2015 totalled EUR 1.4 billion. The heading "Contributions and refunds in connection with EU agreements and programmes" concerns mainly revenue from the EAGF and EAFRD (and in particular the clearance of accounts and irregularities), the participation of third countries in research programs and other contributions and refunds to EU programs/activities. A substantial part of this total is made up of earmarked revenue, which typically gives rise to the entering of additional appropriations on the expenditure side.

The Amending Budget No. 8/2015 included fines and related interest on undertakings totalling EUR 1 345 million that were known at the time when the corresponding Draft Amending Budget was established. By 31 December 2015, other fines became definitive, either after a definitive judgement or because companies did not appeal new fine decisions.

4.2.2. Own resources revenue

The vast majority of revenue comes from own resources. This is laid down in Article 311 of the Treaty on the Functioning of the EU, which states that: "Without prejudice to other revenue, the budget shall be financed wholly from own resources." The bulk of budgetary expenditure is financed by own resources.

Own resources can be divided into the following categories:

(1) Traditional own resources (TOR) consist of customs duties and sugar levies. These own resources are levied on economic operators and collected by Member States on behalf of the EU. However, Member States keep 25 % as a compensation for their collection costs (20 % according to the Council Decision No. 2014/335/EU, Euratom of 26 May 2014 waiting for finalisation of the ratification process for retroactive application from 2014 onwards). Customs duties are levied on imports of products coming from third countries, at rates based on the Common Customs Tariff. Sugar levies are paid by

sugar producers to finance the export refunds for sugar. TOR usually account for +/- 13 % of own resource revenue.

(2) The own resource based on value added tax (VAT) is levied on Member States' VAT bases, which are harmonised for this purpose in accordance with EU rules. The same percentage is levied on the harmonised base of each Member State. However, the VAT base to take into account is capped at 50 % of each Member State's GNI. The VAT-based resource usually accounts for around 13 % of own resource revenue.

(3) The resource based on gross national income (GNI) is used to balance budget revenue and expenditure, i.e. to finance the part of the budget not covered by any other sources of revenue. The same percentage rate is levied on each Member States' GNI, which is established in accordance with EU rules. The GNI-based resource usually accounts for +/- 74 % of own resource revenue.

The allocation of own resources is made in accordance with the rules laid down in the Council Decision No. 2007/436/EC, Euratom of 7 June 2007 on the system of the EU's own resources (ORD 2007). A new decision establishing the system of the EU's own resources has been adopted for the 2014-2020 period (ORD 2014: Council Decision No. 2014/335/EU, Euratom of 26 May 2014). The 2014 ORD will enter into force after it has been ratified by all Member States according to their constitutional rules (expected in 2016). Until then, the ORD 2007 remains valid. The retroactive effects (the ORD 2014 will apply from 1 January 2014) will be taken into account in the budgetary year when the decision will enter into force.

4.2.3. Traditional own resources

All established traditional own resource amounts must be entered in one or other of the accounts kept by the competent authorities:

- In the ordinary accounts provided for in Article 6(3)(a) of Regulation No 1150/2000: all amounts recovered or guaranteed.
- In the separate accounts provided for in Article 6(3)(b) of Regulation No 1150/2000: all amounts not yet recovered and/or not guaranteed; amounts guaranteed but challenged may also be entered in this account.

For the separate account, the Member States quarterly statement to the Commission includes:

- the balance to be recovered during the previous quarter,
- the established entitlements during the quarter in question,
- rectifications of the base (corrections/cancellations) during the quarter in question,
- amounts written off (which cannot be made available according to Article 17(2) of Regulation 1150/2000),
- the amounts recovered during the quarter in question,
- the balance to be recovered at the end of the quarter in question.

Traditional own resources must be entered in the Commission's account with the Treasury or the body appointed by the Member State at the latest on the first working day following the 19th day of the second month following the month during which the entitlement was established (or recovered in the case of the separate account). Member States retain, by way of collection costs, 25 % of traditional own resources (20 % according to the Council Decision No. 2014/335/EU, Euratom of 26 May 2014 waiting for finalisation of the ratification process for retroactive application from 2014 onwards). The contingent own resources entitlements are adjusted on the basis of the likelihood of their recovery.

4.2.4. VAT-based resources and GNI-based resources

VAT-based own resources derive from the application of a uniform rate, for all Member States, to the harmonised VAT base determined in accordance with the rules of Article 2(1)(b) of the ORD 2007. The uniform rate is fixed at 0.30 % except for the period 2007-2013 in which the rate of call for Austria was fixed at 0.225 %, for Germany at 0.15 % and for Netherlands and Sweden at 0.10 %. The VAT base is capped at 50 % of GNI for all Member States. According to the 2014 ORD, the rate of call will remain at 0.3 %, except for the period 2014-20 the rate of call for Germany, the Netherlands and Sweden will be fixed at 0.15 %. These lower rates will be implemented retroactively once the ratification of the ORD 2014 will be finalised.

The GNI-based resource is a variable resource intended to supply the revenue required, in any given year, to cover expenditure exceeding the amount collected from traditional own resources, VAT resources and miscellaneous revenue. The revenue derives from the application of a uniform rate to the aggregate GNI of all the Member States. VAT and GNI-based resources are determined on the basis of forecasts of VAT and GNI bases made when the draft budget is being prepared. These forecasts are subsequently revised; the figures are updated during the budget year in question by means of an amending budget. The actual figures for the VAT and GNI bases are available in the course of the year following the budget year in question. The Commission calculates the differences between the amounts due by the Member States by reference to the actual bases and the sums actually paid on the basis of the (revised) forecasts. These VAT and GNI balances, either positive or negative, are called in by the Commission from the Member States for the first working day of December of the year following the budget year in question. The Council adopted on 18 December 2014 Regulation (EU, Euratom) No 1377/2014 which allows Member States, under certain conditions, to defer making available the amounts of VAT and GNI balances until the first working day of September of the following year. Corrections may still be made to the actual VAT and GNI bases during the subsequent four years, unless a reservation is issued. The balances calculated earlier are adjusted and the difference is called in at the same time as the VAT and GNI balances for the previous budget year.

When conducting controls of VAT statements and GNI data, the Commission may notify reservations to the Member States regarding certain points which may have consequences to their own resources contributions. These points, for example, may result from an absence of acceptable data, or a need to develop a suitable methodology. These reservations have to be seen as potential claims on the Member States for uncertain amounts as their financial impact cannot be estimated with accuracy. When the exact amount can be determined, the corresponding VAT and GNI-based resources are called either in connection with VAT and GNI balances or by individual calls for funds.

4.2.5. UK correction

This mechanism reduces the own resources payments of the UK in proportion to what is known as its "budgetary imbalance" and increases the own resources payments of the other Member States correspondingly. The budgetary imbalance correction mechanism in favour of the United Kingdom was instituted by the European Council in Fontainebleau (June 1984) and the resulting Own Resources Decision of 7 May 1985. The purpose of the mechanism was to reduce the budgetary imbalance of the UK through a reduction in its payments to the EU. Germany, Austria, Sweden and Netherlands benefit from a reduced financing of the correction (restricted to one fourth of their normal share).

4.2.6. Gross reduction

The European Council of 7-8 February 2013 concluded that Denmark, the Netherlands and Sweden are to benefit from gross reductions in their annual contributions based on GNI for the period 2014-2020 only and that Austria is to benefit from gross reductions in its annual GNI-based contributions for the period 2014-2016 only. Denmark, the Netherlands and Sweden shall benefit from gross reductions in their annual GNI-based contribution of EUR 130 million, EUR 695 million and EUR 185 million respectively. Austria shall benefit from a gross reduction in its annual GNI-based contribution of EUR 30 million in 2014, EUR 20 million in 2015 and EUR 10 million in 2016 (all amounts in 2011 prices). These provisions were taken up in the ORD 2014 and applied (retroactively) after its entry into force.

5. IMPLEMENTATION OF EU BUDGET EXPENDITURE

5.1. MFF: BREAKDOWN & CHANGES IN COMMITMENT & PAYMENT APPROPRIATIONS

EUR millions

MFF Heading	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total Appro-priations available	Budget appropriations			Additional appropriations		Total Appro-priations available
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
1. Smart and inclusive growth	66 782	11 173	77 955	8 480	2 949	89 384	66 923	(347)	66 576	128	3 612	70 316
1a: Competitiveness for growth and jobs	*17 552*	*0*	*17 552*	*–*	*2 538*	*20 090*	*15 798*	*(189)*	*15 609*	*112*	*3 263*	*18 984*
1b: Economic, social and territorial cohesion	*49 230*	*11 173*	*60 403*	*8 480*	*411*	*69 293*	*51 125*	*(158)*	*50 967*	*16*	*349*	*51 332*
2. Sustainable growth: natural resources	58 809	5 069	63 877	2 867	2 395	69 140	55 999	214	56 213	902	2 374	59 489
of which: Market related expenditure and direct payments	*43 456*	*(1)*	*43 455*	*868*	*1 973*	*46 296*	*43 448*	*(1)*	*43 447*	*884*	*1 973*	*46 304*
3. Security and citizenship	2 147	375	2 522	254	93	2 869	1 860	104	1 963	8	84	2 055
4. Global Europe	8 408	386	8 795	335	644	9 774	7 422	229	7 652	42	534	8 228
5. Administration	8 660	(0)	8 660	93	672	9 425	8 659	0	8 659	845	681	10 185
of which: Administrative expenditure of the institutions	*3 667*	*(0)*	*3 667*	*93*	*327*	*4 087*	*3 667*	*(0)*	*3 667*	*543*	*334*	*4 543*
6. Compensations	–	–	–	–	–	–	–	–	–	–	–	–
8. Negative reserve	–	–	–	–	–	–	–	–	–	–	–	–
9. Special Instruments	515	(51)	465	162	69	696	352	(134)	218	36	69	322
Total	**145 322**	**16 952**	**162 273**	**12 191**	**6 822**	**181 286**	**141 214**	**66**	**141 280**	**1 960**	**7 354**	**150 595**

5.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR millions

			Commitments made					Appropriations carried over to 2016				Appropriations lapsing				
	MFF Heading	Total appropri-ations available	from final adopted budget	from carry-overs	from assigned revenue	Total	%	assig-ned revenue	carry-overs by decision	Total	%	from final adopted budget	from carry-overs	from assigned revenue (EFTA)	Total	%
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
1.	Smart and inclusive growth	*89 384*	*77 917*	*8 480*	*1 754*	*88 151*	*98.62 %*	*1 190*	*7*	*1 198*	*1.34 %*	*30*	*–*	*5*	*35*	*0.04 %*
	1a: Competitiveness for growth and jobs	*20 090*	*17 542*	*–*	*1 364*	*18 905*	*94.10 %*	*1 170*	*0*	*1 170*	*5.83 %*	*10*	*–*	*5*	*14*	*0.07 %*
	1b: Economic, social and territorial cohesion	*69 293*	*60 375*	*8 480*	*391*	*69 246*	*99.93 %*	*20*	*7*	*27*	*0.04 %*	*21*	*–*	*–*	*21*	*0.03 %*
2.	Sustainable growth: natural resources	*69 140*	*63 432*	*2 853*	*1 090*	*67 375*	*97.45 %*	*1 306*	*410*	*1 716*	*2.48 %*	*35*	*14*	*–*	*49*	*0.07 %*
	of which: Market related expenditure and direct payments	*46 296*	*43 018*	*854*	*1 077*	*44 948*	*97.09 %*	*896*	*410*	*1 306*	*2.82 %*	*27*	*14*	*–*	*42*	*0.09 %*
3.	Security and citizenship	*2 869*	*2 520*	*254*	*53*	*2 826*	*98.49 %*	*41*	*–*	*41*	*1.42 %*	*2*	*0*	*0*	*3*	*0.09 %*
4.	Global Europe	*9 774*	*8 745*	*335*	*317*	*9 397*	*96.15 %*	*327*	*17*	*344*	*3.52 %*	*32*	*1*	*–*	*33*	*0.34 %*
5.	Administration	*9 425*	*8 577*	*92*	*484*	*9 154*	*97.12 %*	*187*	*2*	*189*	*2.01 %*	*82*	*1*	*–*	*82*	*0.87 %*
	of which: Administrative expenditure of the institutions	*4 087*	*3 585*	*92*	*276*	*3 954*	*96.74 %*	*51*	*2*	*53*	*1.29 %*	*80*	*1*	*0*	*81*	*1.97 %*
6.	Compensations	*–*	*–*	*–*	*–*	*–*	*0.00 %*	*–*	*–*	*–*	*0.00 %*	*–*	*–*	*–*	*–*	*0.00 %*
8.	Negative reserve	*–*	*–*	*–*	*–*	*–*	*0.00 %*	*–*	*–*	*–*	*0.00 %*	*–*	*–*	*–*	*–*	*0.00 %*
9.	Special Instruments	*696*	*126*	*162*	*–*	*288*	*41.46 %*	*69*	*219*	*288*	*41.43 %*	*119*	*–*	*–*	*119*	*17.11 %*
Total		**181 286**	**161 317**	**12 175**	**3 698**	**177 190**	**97.74 %**	**3 119**	**656**	**3 775**	**2.08 %**	**301**	**15**	**5**	**321**	**0.18 %**

5.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR millions

	MFF Heading	Total appropri-ations available	Payments made					Appropriations carried over to 2016					Appropriations lapsing				
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	automatic carry-overs	carry-overs by decision	assigned revenue	Total	%	from final adopted budget	from carry-overs	assigned revenue (EFTA)	Total	%
		1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
1.	Smart and inclusive growth	70 316	66 429	114	1 466	68 009	*96.72 %*	*119*	2	2 144	2 264	3.22 %	27	14	2	42	0.06 %
	1a: Competitiveness for growth and jobs	18 984	15 482	100	1 221	16 802	*88.50 %*	*104*	2	2 041	2 147	11.31 %	22	12	2	36	0.19 %
	1b: Economic, social and territorial cohesion	51 332	50 947	14	246	51 207	*99.76 %*	*15*	–	103	118	0.23 %	5	2	–	7	0.01 %
2.	Sustainable growth: natural resources	59 489	55 748	885	1 432	58 066	*97.61 %*	*20*	410	942	1 372	2.31 %	35	17	–	51	0.09 %
	of which: Market related expenditure and direct payments	46 304	42 995	868	1 077	44 940	*97.05 %*	*14*	410	896	1 320	2.85 %	28	16	–	44	0.10 %
3.	Security and citizenship	2 055	1 951	7	60	2 019	*98.22 %*	*9*	–	23	32	1.58 %	3	1	0	4	0.20 %
4.	Global Europe	8 228	7 611	37	237	7 884	*95.82 %*	*33*	–	297	330	4.02 %	8	5	–	13	0.16 %
5	Administration	10 185	7 871	680	427	8 978	*88.14 %*	*704*	2	255	961	9.44 %	82	165	–	246	2.42 %
	of which: Administrative expenditure of the institutions	4 543	3 129	408	254	3 791	*83.43 %*	*456*	2	80	537	11.83 %	80	135	–	215	4.74 %
6.	Compensations	–	–	–	–	–	*0.00 %*	*–*	–	–	–	0.00 %	–	–	–	–	0.00 %
8.	Negative reserve	–	–	–	–	–	*0.00 %*	*0*	–	–	–	0.00 %	–	–	–	–	0.00 %
9.	Special Instruments	322	217	36	35	288	*89.41 %*	*1*	–	33	34	10.51 %	0	0	–	0	0.08 %
Total		**150 595**	**139 827**	**1 759**	**3 657**	**145 243**	**96.45 %**	**886**	**413**	**3 695**	**4 994**	**3.32 %**	**154**	**202**	**2**	**358**	**0.24 %**

5.4. MFF: MOVEMENTS IN COMMITMENTS OUTSTANDING (RAL)

EUR millions

	MFF Heading	Commitments outstanding at the end of previous year				Commitments of the year				Total commitments outstanding at the end of the year
		Commitments carried forward from previous year	Decommitments/ Revaluations/ Cancellations	Payments	Commitments outstanding at year-end	Commitments made during the year	Payments	Cancellation of commitments which cannot be carried over	Commitments outstanding at year-end	
1.	Smart and inclusive growth	143 009	(2 320)	(57 944)	82 746	88 151	(10 066)	(4)	78 081	160 827
	1a: Competitiveness for growth and jobs	*33 532*	*(1 177)*	*(10 967)*	*21 389*	*18 905*	*(5 835)*	*(4)*	*13 066*	*34 455*
	1b: Economic, social and territorial cohesion	*109 477*	*(1 143)*	*(46 977)*	*61 357*	*69 246*	*(4 230)*	*(0)*	*65 015*	*126 372*
2.	Sustainable growth: natural resources	19 382	(500)	(8 803)	10 079	67 375	(49 263)	(0)	18 112	28 191
	of which: Market related expenditure and direct payments	*43*	*(2)*	*(30)*	*11*	*44 948*	*(44 910)*	*–*	*38*	*49*
3.	Security and citizenship	2 582	(252)	(864)	1 466	2 826	(1 155)	–	1 671	3 137
4.	Global Europe	23 846	(685)	(5 934)	17 227	9 397	(1 951)	(0)	7 446	24 673
5.	Administration	781	(97)	(683)	1	9 154	(8 294)	5	864	865
	of which: Administrative expenditure of the institutions	*469*	*(67)*	*(401)*	*0*	*3 954*	*(3 389)*	*5*	*570*	*570*
6.	Compensations	–	–	–	–	–	–	–	–	–
8.	Negative reserve	–	–	–	–	–	–	–	–	–
9.	Special Instruments	0	(0)	(0)	–	288	(288)	–	1	1
Total		**189 600**	**(3 855)**	**(74 227)**	**111 518**	**177 190**	**(71 016)**	**–**	**106 175**	**217 692**

5.5. MFF: BREAKDOWN OF COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN

EUR millions

	MFF Heading	< 2009	2009	2010	2011	2012	2013	2014	2015	Total
1.	Smart and inclusive growth	1 949	710	1 446	2 995	11 077	35 400	29 168	78 081	160 827
	1a: Competitiveness for growth and jobs	*295*	*672*	*1 209*	*1 541*	*3 885*	*5 942*	*7 844*	*13 066*	*34 455*
	1b: Economic, social and territorial cohesion	*1 653*	*38*	*237*	*1 455*	*7 191*	*29 459*	*21 324*	*65 015*	*126 372*
2.	Sustainable growth: natural resources	223	62	82	127	213	7 231	2 140	18 112	28 191
	of which: Market related expenditure and direct payments	*–*	*–*	*–*	*0*	*3*	*–*	*8*	*38*	*49*
3.	Security and citizenship	21	39	62	136	277	580	350	1 671	3 137
4.	Global Europe	938	522	883	1 412	3 364	4 719	5 390	7 446	24 673
5.	Administration	–	–	–	–	–	0	0	864	865
	of which: Administrative expenditure of the institutions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*570*	*570*
9.	Special Instruments	–	–	–	–	–	–	–	1	1
Total		**3 130**	**1 333**	**2 473**	**4 671**	**14 931**	**47 931**	**37 049**	**106 175**	**217 692**

5.6. POLICY AREA: BREAKDOWN AND CHANGES IN COMMITMENT AND PAYMENT APPROPRIATIONS

EUR millions

	Policy area	Commitment appropriations						Payment appropriations					
		Budget appropriations			Additional appropriations		Total appropri-ations available	Budget appropriations			Additional appropriations		Total appropri-ations available
		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue	
		1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
01	Economic and financial affairs	371	1 281	1 652	–	118	1 770	459	(43)	416	7	121	544
02	Enterprise and industry	2 536	(19)	2 517	–	298	2 815	2 266	(120)	2 147	19	369	2 534
03	Competition	98	(1)	97	–	6	103	98	(1)	97	7	6	110
04	Employment, social affairs and inclusion	13 096	2 817	15 913	2 161	83	18 157	10 929	(305)	10 625	51	175	10 850
05	Agriculture and rural development	57 603	4 347	61 951	2 912	2 382	67 245	54 942	298	55 240	892	2 376	58 508
06	Mobility and transport	3 281	(699)	2 582	–	178	2 760	2 056	(96)	1 960	5	174	2 139
07	Environment	431	0	432	–	17	448	397	(3)	395	16	14	425
08	Research and innovation	6 699	(501)	6 198	–	769	6 967	5 987	(144)	5 843	23	1 223	7 089
09	Communications networks, content and technology	1 727	0	1 728	–	169	1 897	1 727	21	1 748	16	254	2 018
10	Direct research	404	(11)	393	–	551	944	402	(5)	397	44	492	933
11	Maritime affairs and fisheries	1 082	724	1 806	29	31	1 866	1 007	(49)	958	3	14	975
12	Internal market and services	119	(3)	116	–	12	128	115	(4)	111	4	12	127
13	Regional and urban policy	35 347	8 393	43 739	6 481	422	50 642	40 721	131	40 851	11	267	41 130
14	Taxation and customs union	161	(0)	161	–	9	170	137	13	151	5	8	163
15	Education and culture	2 918	(26)	2 892	–	447	3 339	2 661	164	2 825	14	610	3 450
16	Communication	245	2	247	–	12	259	240	5	244	12	12	269
17	Health and consumer protection	616	(14)	601	7	24	632	567	(31)	536	10	25	572
18	Home affairs	1 172	389	1 560	247	53	1 860	972	161	1 133	3	41	1 178
19	Foreign policy instruments	759	(51)	708	15	51	774	578	(22)	556	10	47	612
20	Trade	115	(1)	114	0	3	117	124	(10)	114	3	3	121
21	Development and cooperation	5 023	391	5 414	7	281	5 702	4 308	74	4 382	26	212	4 620
22	Enlargement	1 524	1	1 525	40	15	1 580	976	(13)	963	5	11	980
23	Humanitarian aid and civil protection	1 019	164	1 183	199	173	1 555	999	277	1 275	10	140	1 426
24	Fight against fraud	80	(0)	79	–	1	80	76	(0)	76	7	1	83

EUR millions

	Policy area	Commitment appropriations						Payment appropriations					
		Budget appropriations			Additional appropriations		Total appropri-ations available	Budget appropriations			Additional appropriations		Total appropri-ations available
		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue	
		1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
25	Commission's policy coordination and legal advice	192	1	192	–	11	204	192	1	192	14	11	218
26	Commission's administration	997	16	1 013	–	162	1 176	992	19	1 011	158	166	1 335
27	Budget	70	(14)	57	–	8	64	70	(14)	57	7	8	71
28	Audit	12	0	12	–	1	13	12	0	12	0	1	13
29	Statistics	134	1	135	–	14	149	116	1	117	5	22	144
30	Pensions and related expenditure	1 567	(4)	1 563	–	0	1 563	1 567	(4)	1 563	–	0	1 563
31	Language services	389	(5)	384	–	70	454	389	(5)	384	18	70	471
32	Energy	1 064	(100)	964	–	114	1 078	1 035	(43)	992	6	125	1 123
33	Justice	209	2	211	–	9	220	195	(20)	175	3	10	188
34	Climate action	127	0	128	–	1	129	84	(18)	66	3	1	70
40	Reserves	465	(127)	338	–	–	338	150	(150)	–	–	–	–
90	Other institutions	3 667	(0)	3 667	93	327	4 087	3 667	(0)	3 667	543	334	4 543
Total		**145 322**	**16 952**	**162 273**	**12 191**	**6 822**	**181 286**	**141 214**	**66**	**141 280**	**1 960**	**7 354**	**150 595**

5.6.1. POLICY AREA: COMPARISON OF BUDGET AND ACTUAL COMMITMENTS

EUR millions

	Policy area	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appro-priations*	Total appropriations available	Commitments made
01	Economic and financial affairs	371	1 281	1 652	118	1 770	1 654
02	Enterprise and industry	2 536	(19)	2 517	298	2 815	2 704
03	Competition	98	(1)	97	6	103	100
04	Employment, social affairs and inclusion	13 096	2 817	15 913	2 244	18 157	18 069
05	Agriculture and rural development	57 603	4 347	61 951	5 294	67 245	65 492
06	Mobility and transport	3 281	(699)	2 582	178	2 760	2 683
07	Environment	431	0	432	17	448	443
08	Research and innovation	6 699	(501)	6 198	769	6 967	6 674
09	Communications networks, content and technology	1 727	0	1 728	169	1 897	1 833
10	Direct research	404	(11)	393	551	944	504
11	Maritime affairs and fisheries	1 082	724	1 806	60	1 866	1 834
12	Internal market and services	119	(3)	116	12	128	126
13	Regional and urban policy	35 347	8 393	43 739	6 903	50 642	50 599
14	Taxation and customs union	161	(0)	161	9	170	165
15	Education and culture	2 918	(26)	2 892	447	3 339	3 249
16	Communication	245	2	247	12	259	253
17	Health and consumer protection	616	(14)	601	30	632	622
18	Home affairs	1 172	389	1 560	300	1 860	1 837
19	Foreign policy instruments	759	(51)	708	66	774	706
20	Trade	115	(1)	114	3	117	116
21	Development and cooperation	5 023	391	5 414	288	5 702	5 596
22	Enlargement	1 524	1	1 525	55	1 580	1 573
23	Humanitarian aid and civil protection	1 019	164	1 183	372	1 555	1 484
24	Fight against fraud	80	(0)	79	1	80	79
25	Commission's policy coordination and legal advice	192	1	192	11	204	199
26	Commission's administration	997	16	1 013	162	1 176	1 121
27	Budget	70	(14)	57	8	64	60
28	Audit	12	0	12	1	13	12
29	Statistics	134	1	135	14	149	141
30	Pensions and related expenditure	1 567	(4)	1 563	0	1 563	1 563
31	Language services	389	(5)	384	70	454	425
32	Energy	1 064	(100)	964	114	1 078	980
33	Justice	209	2	211	9	220	212
34	Climate action	127	0	128	1	129	128
40	Reserves	465	(127)	338	–	338	–
90	Other institutions	3 667	(0)	3 667	420	4 087	3 954
Total		**145 322**	**16 952**	**162 273**	**19 013**	**181 286**	**177 190**

** Additional appropriations include appropriations carried over from previous year, assigned revenue and appropriations made available again following decommitments.*

5.7. POLICY AREA: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR millions

	Policy area	Total appro-priations available	Commitments made					Appropriations carried over to 2016				Appropriations lapsing				
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	%	from final adopted budget	from carry-overs	Assigned revenue (EFTA)	Total	%
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
01	Economic and financial affairs	*1 770*	*1 651*	*–*	*3*	*1 654*	*93.42 %*	*115*	*–*	*115*	*6.51 %*	*1*	*–*	*–*	*1*	*0.06 %*
02	Enterprise and industry	*2 815*	*2 521*	*–*	*184*	*2 704*	*96.07 %*	*110*	*–*	*110*	*3.91 %*	*(4)*	*–*	*5*	*1*	*0.02 %*
03	Competition	*103*	*97*	*–*	*3*	*100*	*97.52 %*	*3*	*–*	*3*	*2.46 %*	*0*	*–*	*–*	*0*	*0.02 %*
04	Employment, social affairs and inclusion	*18 157*	*15 902*	*2 161*	*6*	*18 069*	*99.51 %*	*77*	*–*	*77*	*0.42 %*	*12*	*–*	*–*	*12*	*0.06 %*
05	Agriculture and rural development	*67 245*	*61 508*	*2 898*	*1 086*	*65 492*	*97.39 %*	*1 296*	*410*	*1 705*	*2.54 %*	*33*	*14*	*–*	*47*	*0.07 %*
06	Mobility and transport	*2 760*	*2 579*	*–*	*104*	*2 683*	*97.22 %*	*74*	*–*	*74*	*2.67 %*	*3*	*–*	*–*	*3*	*0.11 %*
07	Environment	*448*	*431*	*–*	*12*	*443*	*98.81 %*	*5*	*–*	*5*	*1.04 %*	*1*	*–*	*–*	*1*	*0.14 %*
08	Research and innovation	*6 967*	*6 197*	*–*	*477*	*6 674*	*95.79 %*	*292*	*–*	*292*	*4.19 %*	*1*	*–*	*–*	*1*	*0.02 %*
09	Communications networks, content and technology	*1 897*	*1 728*	*–*	*105*	*1 833*	*96.63 %*	*64*	*–*	*64*	*3.37 %*	*0*	*–*	*–*	*0*	*0.00 %*
10	Direct research	*944*	*393*	*–*	*111*	*504*	*53.44 %*	*439*	*–*	*439*	*46.56 %*	*0*	*–*	*–*	*0*	*0.00 %*
11	Maritime affairs and fisheries	*1 866*	*1 803*	*29*	*2*	*1 834*	*98.32 %*	*29*	*0*	*29*	*1.56 %*	*2*	*–*	*–*	*2*	*0.12 %*
12	Internal market and services	*128*	*116*	*–*	*10*	*126*	*98.15 %*	*2*	*–*	*2*	*1.77 %*	*0*	*–*	*–*	*0*	*0.08 %*
13	Regional and urban policy	*50 642*	*43 725*	*6 481*	*393*	*50 599*	*99.91 %*	*29*	*–*	*29*	*0.06 %*	*14*	*–*	*–*	*14*	*0.03 %*
14	Taxation and customs union	*170*	*161*	*–*	*4*	*165*	*96.71 %*	*5*	*0*	*5*	*3.17 %*	*0*	*–*	*–*	*0*	*0.13 %*
15	Education and culture	*3 339*	*2 891*	*–*	*358*	*3 249*	*97.31 %*	*89*	*–*	*89*	*2.67 %*	*1*	*–*	*–*	*1*	*0.02 %*
16	Communication	*259*	*246*	*–*	*7*	*253*	*97.89 %*	*5*	*–*	*5*	*1.99 %*	*0*	*–*	*–*	*0*	*0.12 %*
17	Health and consumer protection	*632*	*601*	*7*	*15*	*622*	*98.52 %*	*9*	*–*	*9*	*1.44 %*	*0*	*–*	*0*	*0*	*0.05 %*
18	Home affairs	*1 860*	*1 559*	*247*	*31*	*1 837*	*98.74 %*	*22*	*–*	*22*	*1.20 %*	*1*	*0*	*–*	*1*	*0.05 %*
19	Foreign policy instruments	*774*	*663*	*15*	*28*	*706*	*91.12 %*	*23*	*17*	*40*	*5.18 %*	*28*	*0*	*–*	*29*	*3.70 %*
20	Trade	*117*	*114*	*–*	*2*	*116*	*98.46 %*	*2*	*–*	*2*	*1.30 %*	*0*	*0*	*–*	*0*	*0.24 %*
21	Development and cooperation	*5 702*	*5 406*	*7*	*183*	*5 596*	*98.15 %*	*98*	*7*	*105*	*1.85 %*	*0*	*–*	*–*	*0*	*0.01 %*
22	Enlargement	*1 580*	*1 524*	*40*	*9*	*1 573*	*99.56 %*	*6*	*–*	*6*	*0.37 %*	*1*	*–*	*–*	*1*	*0.07 %*
23	Humanitarian aid and civil protection	*1 555*	*1 182*	*199*	*103*	*1 484*	*95.39 %*	*70*	*–*	*70*	*4.51 %*	*2*	*–*	*–*	*2*	*0.11 %*
24	Fight against fraud	*80*	*79*	*–*	*0*	*79*	*98.44 %*	*1*	*–*	*1*	*1.18 %*	*0*	*–*	*–*	*0*	*0.37 %*
25	Commission's policy coordination and legal advice	*204*	*192*	*–*	*6*	*199*	*97.32 %*	*5*	*0*	*5*	*2.61 %*	*0*	*–*	*–*	*0*	*0.07 %*
26	Commission's administration	*1 176*	*1 013*	*–*	*107*	*1 121*	*95.30 %*	*55*	*–*	*55*	*4.68 %*	*0*	*–*	*–*	*0*	*0.02 %*
27	Budget	*64*	*57*	*–*	*4*	*60*	*94.03 %*	*4*	*–*	*4*	*5.85 %*	*0*	*–*	*–*	*0*	*0.12 %*
28	Audit	*13*	*12*	*–*	*0*	*12*	*96.96 %*	*0*	*–*	*0*	*3.00 %*	*0*	*–*	*–*	*0*	*0.05 %*
29	Statistics	*149*	*135*	*–*	*6*	*141*	*94.86 %*	*7*	*–*	*7*	*4.92 %*	*0*	*–*	*0*	*0*	*0.22 %*

EUR millions

Policy area		Total appropriations available	Commitments made					Appropriations carried over to 2016				Appropriations lapsing				
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	%	from final adopted budget	from carry-overs	Assigned revenue (EFTA)	Total	%
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
30	Pensions and related expenditure	*1 563*	*1 563*	*–*	*0*	*1 563*	*99.99 %*	*0*	*–*	*0*	*0.01 %*	*0*	*–*	*–*	*0*	*0.00 %*
31	Language services	*454*	*384*	*–*	*40*	*425*	*93.55 %*	*29*	*–*	*29*	*6.43 %*	*0*	*–*	*–*	*0*	*0.02 %*
32	Energy	*1 078*	*961*	*–*	*19*	*980*	*90.96 %*	*95*	*–*	*95*	*8.78 %*	*3*	*–*	*–*	*3*	*0.27 %*
33	Justice	*220*	*210*	*–*	*2*	*212*	*96.29 %*	*7*	*–*	*7*	*3.36 %*	*1*	*–*	*0*	*1*	*0.36 %*
34	Climate action	*129*	*128*	*–*	*1*	*128*	*99.57 %*	*0*	*–*	*0*	*0.34 %*	*0*	*–*	*–*	*0*	*0.09 %*
40	Reserves	*338*	*–*	*–*	*–*	*–*	*0.00 %*	*–*	*219*	*219*	*64.84 %*	*119*	*–*	*–*	*119*	*35.16 %*
90	Other institutions	*4 087*	*3 585*	*92*	*276*	*3 954*	*96.74 %*	*51*	*2*	*53*	*1.29 %*	*80*	*1*	*0*	*81*	*1.97 %*
Total		**181 286**	**161 317**	**12 175**	**3 698**	**177 190**	**97.74 %**	**3 119**	**656**	**3 775**	**2.08 %**	**301**	**15**	**5**	**321**	**0.18 %**

5.7.1. POLICY AREA: COMPARISON OF BUDGET AND ACTUAL PAYMENTS

EUR millions

	Policy area	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropriations available	Payments made
01	Economic and financial affairs	459	(43)	416	128	544	424
02	Enterprise and industry	2 266	(120)	2 147	388	2 534	2 234
03	Competition	98	(1)	97	13	110	98
04	Employment, social affairs and inclusion	10 929	(305)	10 625	226	10 850	10 711
05	Agriculture and rural development	54 942	298	55 240	3 267	58 508	57 093
06	Mobility and transport	2 056	(96)	1 960	179	2 139	2 055
07	Environment	397	(3)	395	30	425	416
08	Research and innovation	5 987	(144)	5 843	1 246	7 089	6 229
09	Communications networks, content and technology	1 727	21	1 748	270	2 018	1 855
10	Direct research	402	(5)	397	536	933	517
11	Maritime affairs and fisheries	1 007	(49)	958	17	975	960
12	Internal market and services	115	(4)	111	16	127	121
13	Regional and urban policy	40 721	131	40 851	278	41 130	41 078
14	Taxation and customs union	137	13	151	12	163	154
15	Education and culture	2 661	164	2 825	624	3 450	3 176
16	Communication	240	5	244	25	269	250
17	Health and consumer protection	567	(31)	536	35	572	552
18	Home affairs	972	161	1 133	45	1 178	1 163
19	Foreign policy instruments	578	(22)	556	56	612	589
20	Trade	124	(10)	114	6	121	116
21	Development and cooperation	4 308	74	4 382	238	4 620	4 523
22	Enlargement	976	(13)	963	17	980	962
23	Humanitarian aid and civil protection	999	277	1 275	150	1 426	1 325
24	Fight against fraud	76	(0)	76	8	83	74
25	Commission's policy coordination and legal advice	192	1	192	25	218	195
26	Commission's administration	992	19	1 011	324	1 335	1 120
27	Budget	70	(14)	57	15	71	60
28	Audit	12	0	12	1	13	12
29	Statistics	116	1	117	27	144	125
30	Pensions and related expenditure	1 567	(4)	1 563	0	1 563	1 563
31	Language services	389	(5)	384	87	471	424
32	Energy	1 035	(43)	992	130	1 123	1 035
33	Justice	195	(20)	175	13	188	179
34	Climate action	84	(18)	66	4	70	64
40	Reserves	150	(150)	–	–	–	–
90	Other institutions	3 667	(0)	3 667	877	4 543	3 791
Total		**141 214**	**66**	**141 280**	**9 314**	**150 595**	**145 243**

** Additional appropriations include appropriations carried over from previous year, assigned revenue and appropriations made available again following decommitments.*

5.8. POLICY AREA: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR millions

Policy area		Total appropri-ations available	Payments made					Appropriations carried over to 2016					Appropriations lapsing				
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	automatic carry-overs	carry-overs by decision	assig-ned revenue	Total	%	from final adopted budget	from carry-overs	assigned revenue (EFTA)	Total	%
		1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
01	Economic and financial affairs	544	410	6	8	424	77.95 %	6	–	113	119	*21.81 %*	0	1	–	1	*0.24 %*
02	Enterprise and industry	2 534	2 130	17	87	2 234	88.13 %	15	–	282	296	*11.69 %*	2	2	0	4	*0.17 %*
03	Competition	110	88	7	3	98	89.16 %	8	–	3	11	*10.31 %*	0	1	–	1	*0.53 %*
04	Employment, social affairs and inclusion	10 850	10 602	47	61	10 711	98.72 %	13	–	113	126	*1.16 %*	9	4	–	13	*0.12 %*
05	Agriculture and rural development	58 508	54 778	875	1 440	57 093	97.58 %	21	410	936	1 366	*2.34 %*	32	17	–	48	*0.08 %*
06	Mobility and transport	2 139	1 947	4	104	2 055	96.05 %	4	–	69	73	*3.42 %*	9	1	1	11	*0.53 %*
07	Environment	425	390	15	11	416	97.99 %	4	–	3	7	*1.56 %*	1	1	–	2	*0.46 %*
08	Research and innovation	7 089	5 811	21	397	6 229	87.86 %	30	–	826	856	*12.08 %*	2	2	–	4	*0.06 %*
09	Communications networks, content and technology	2 018	1 736	15	104	1 855	91.91 %	10	–	151	161	*7.98 %*	1	1	–	2	*0.11 %*
10	Direct research	933	357	39	121	517	55.46 %	39	–	371	411	*44.03 %*	0	5	–	5	*0.51 %*
11	Maritime affairs and fisheries	975	955	2	2	960	98.39 %	3	–	12	15	*1.52 %*	1	0	–	1	*0.09 %*
12	Internal market and services	127	107	3	10	121	94.97 %	3	–	2	6	*4.64 %*	0	0	–	1	*0.40 %*
13	Regional and urban policy	41 130	40 840	10	228	41 078	99.87 %	11	–	39	50	*0.12 %*	0	1	–	2	*0.00 %*
14	Taxation and customs union	163	146	4	4	154	94.87 %	5	–	3	8	*5.02 %*	0	0	–	0	*0.12 %*
15	Education and culture	3 450	2 812	13	351	3 176	92.07 %	13	–	259	272	*7.89 %*	0	1	–	1	*0.03 %*
16	Communication	269	233	11	6	250	92.97 %	11	–	6	17	*6.42 %*	0	1	–	2	*0.61 %*
17	Health and consumer protection	572	526	9	16	552	96.48 %	9	–	9	19	*3.24 %*	1	1	0	2	*0.28 %*
18	Home affairs	1 178	1 127	3	33	1 163	98.77 %	5	–	8	13	*1.11 %*	1	0	–	1	*0.12 %*
19	Foreign policy instruments	612	551	9	29	589	96.24 %	3	–	18	21	*3.43 %*	2	0	–	2	*0.32 %*
20	Trade	121	112	3	2	116	96.43 %	2	–	2	4	*3.31 %*	0	0	–	0	*0.26 %*
21	Development and cooperation	4 620	4 357	22	143	4 523	97.89 %	24	–	69	93	*2.02 %*	0	4	–	4	*0.09 %*
22	Enlargement	980	951	4	7	962	98.19 %	6	–	4	10	*1.07 %*	6	1	–	7	*0.74 %*
23	Humanitarian aid and civil protection	1 426	1 268	9	47	1 325	92.94 %	6	–	93	100	*6.98 %*	1	0	–	1	*0.08 %*
24	Fight against fraud	83	68	5	1	74	88.81 %	6	2	0	7	*8.94 %*	0	1	–	2	*2.25 %*
25	Commission's policy coordination and legal advice	218	178	12	6	195	89.85 %	14	0	6	20	*9.31 %*	0	2	–	2	*0.84 %*
26	Commission's administration	1 335	893	144	83	1 120	83.88 %	118	–	83	200	*15.01 %*	0	15	–	15	*1.11 %*
27	Budget	71	50	7	3	60	83.84 %	7	–	5	11	*15.52 %*	0	0	–	0	*0.64 %*
28	Audit	13	11	0	0	12	90.64 %	1	–	0	1	*8.50 %*	0	0	–	0	*0.85 %*
29	Statistics	144	112	5	8	125	86.78 %	5	–	14	18	*12.78 %*	0	1	0	1	*0.44 %*
30	Pensions and related expenditure	1 563	1 563	–	0	1 563	99.99 %	0	–	0	0	*0.01 %*	0	–	–	0	*0.00 %*
31	Language services	471	371	17	37	424	90.04 %	14	–	33	46	*9.82 %*	0	1	–	1	*0.14 %*
32	Energy	1 123	985	5	45	1 035	92.22 %	5	–	80	84	*7.51 %*	2	1	–	3	*0.27 %*
33	Justice	188	171	3	6	179	95.52 %	4	–	4	7	*3.92 %*	0	1	0	1	*0.56 %*
34	Climate action	70	61	3	0	64	91.31 %	4	–	0	4	*6.02 %*	1	0	–	2	*2.68 %*
40	Reserves	–	–	–	–	–	0.00 %	–	–	–	–	*0.00 %*	–	–	–	–	*0.00 %*
90	Other institutions	4 543	3 129	408	254	3 791	83.43 %	456	2	80	537	*11.83 %*	80	135	–	215	*4.74 %*
Total		**150 595**	**139 827**	**1 759**	**3 657**	**145 243**	**96.45 %**	**886**	**413**	**3 695**	**4 994**	**3.32 %**	**154**	**202**	**2**	**358**	**0.24 %**

5.9. POLICY AREA: MOVEMENTS IN COMMITMENTS OUTSTANDING

EUR millions

Policy area		Commitments outstanding at the end of previous year				Commitments of the year				
		Commitments carried forward from previous year	Decommitments/ Revaluations/ Cancellations	Payments	Commitments outstanding at year-end	Commitments made during the year	Payments	Cancellation of commitments which cannot be carried over	Commitments outstanding at year-end	Total commitments outstanding at the end of the year
01	Economic and financial affairs	667	(14)	(140)	513	1 654	(284)	–	1 370	1 883
02	Enterprise and industry	2 204	(50)	(1 219)	935	2 704	(1 015)	(2)	1 688	2 623
03	Competition	7	(1)	(7)	–	100	(91)	–	9	9
04	Employment, social affairs and inclusion	26 124	(215)	(9 635)	16 274	18 069	(1 076)	(0)	16 993	33 266
05	Agriculture and rural development	17 308	(282)	(8 054)	8 971	65 492	(49 039)	(0)	16 453	25 424
06	Mobility and transport	5 647	(393)	(1 642)	3 613	2 683	(413)	–	2 270	5 883
07	Environment	1 093	(1)	(292)	800	443	(125)	–	318	1 118
08	Research and innovation	14 826	(84)	(4 535)	10 207	6 674	(1 693)	(2)	4 978	15 185
09	Communications networks, content and technology	3 305	(36)	(1 295)	1 975	1 833	(560)	(0)	1 273	3 247
10	Direct research	208	(21)	(131)	56	504	(387)	(0)	118	174
11	Maritime affairs and fisheries	1 571	(244)	(644)	682	1 834	(315)	(0)	1 519	2 201
12	Internal market and services	21	(3)	(15)	3	126	(105)	–	21	23
13	Regional and urban policy	84 237	(1 085)	(37 414)	45 738	50 599	(3 664)	(0)	46 935	92 673
14	Taxation and customs union	122	(8)	(76)	39	165	(79)	–	86	125
15	Education and culture	2 879	(52)	(1 312)	1 515	3 249	(1 864)	(0)	1 386	2 901
16	Communication	110	(7)	(83)	21	253	(167)	(0)	86	107
17	Health and consumer protection	535	(68)	(262)	206	622	(290)	–	333	538
18	Home affairs	1 586	(147)	(403)	1 036	1 837	(760)	–	1 076	2 113
19	Foreign policy instruments	862	(73)	(333)	456	706	(256)	(0)	449	905
20	Trade	22	(1)	(15)	6	116	(101)	(0)	14	20
21	Development and cooperation	16 379	(387)	(3 772)	12 220	5 596	(751)	(0)	4 845	17 066
22	Enlargement	3 669	(53)	(857)	2 759	1 573	(105)	(0)	1 468	4 227
23	Humanitarian aid and civil protection	671	(3)	(400)	268	1 484	(925)	–	559	827
24	Fight against fraud	31	(5)	(18)	8	79	(56)	(0)	23	31
25	Commission's policy coordination and legal advice	14	(2)	(12)	–	199	(184)	(0)	15	15
26	Commission's administration	201	(17)	(171)	13	1 121	(948)	(0)	172	185
27	Budget	7	(0)	(7)	–	60	(53)	–	7	7
28	Audit	0	(0)	(0)	–	12	(12)	–	1	1
29	Statistics	105	(6)	(45)	54	141	(80)	(0)	61	115
30	Pensions and related expenditure	–	–	–	–	1 563	(1 563)	(0)	–	–
31	Language services	18	(1)	(17)	–	425	(408)	–	17	17
32	Energy	4 416	(509)	(914)	2 993	980	(121)	(0)	859	3 853
33	Justice	181	(22)	(66)	94	212	(114)	–	99	193
34	Climate action	105	(1)	(40)	64	128	(25)	–	104	168
40	Reserves	–	–	–	–	–	–	–	–	–
90	Other institutions	469	(67)	(401)	0	3 954	(3 389)	5	570	570
Total		**189 600**	**(3 855)**	**(74 227)**	**111 518**	**177 190**	**(71 016)**	**0**	**106 175**	**217 692**

5.10. POLICY AREA: BREAKDOWN OF COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN

EUR millions

		< 2009	2009	2010	2011	2012	2013	2014	2015	Total
01	Economic and financial affairs	14	–	0	60	178	244	16	1 370	1 883
02	Enterprise and industry	11	20	34	60	184	304	323	1 688	2 623
03	Competition	–	–	–	–	–	–	0	9	9
04	Employment, social affairs and inclusion	515	36	26	448	1 662	6 383	7 203	16 993	33 266
05	Agriculture and rural development	75	0	–	3	206	6 830	1 856	16 453	25 424
06	Mobility and transport	76	44	85	402	695	700	1 612	2 270	5 883
07	Environment	49	61	74	102	136	177	202	318	1 118
08	Research and innovation	70	87	283	584	2 005	3 160	4 017	4 978	15 185
09	Communications networks, content and technology	17	20	40	82	284	551	980	1 273	3 247
10	Direct research	9	1	3	2	3	15	24	118	174
11	Maritime affairs and fisheries	99	–	8	25	47	454	49	1 519	2 201
12	Internal market and services	–	–	–	–	0	0	3	21	23
13	Regional and urban policy	1 365	3	216	1 020	5 918	23 611	13 606	46 935	92 673
14	Taxation and customs union	–	–	0	1	2	4	31	86	125
15	Education and culture	56	32	43	109	199	461	615	1 386	2 901
16	Communication	0	0	0	1	0	2	17	86	107
17	Health and consumer protection	6	11	9	14	15	39	112	333	538
18	Home affairs	14	28	50	110	245	491	99	1 076	2 113
19	Foreign policy instruments	7	5	14	17	76	96	242	449	905
20	Trade	–	–	0	0	0	2	3	14	20
21	Development and cooperation	555	448	706	1 108	2 304	3 246	3 853	4 845	17 066
22	Enlargement	140	55	138	252	411	616	1 146	1 468	4 227
23	Humanitarian aid and civil protection	9	13	25	25	24	30	142	559	827
24	Fight against fraud	0	0	–	–	0	2	5	23	31
25	Commission's policy coordination and legal advice	–	–	–	–	–	–	0	15	15
26	Commission's administration	–	–	–	0	–	7	6	172	185
27	Budget	–	–	–	–	–	–	–	7	7
28	Audit	–	–	–	–	–	–	–	1	1
29	Statistics	0	0	1	1	4	12	35	61	115
30	Pensions and related expenditure	–	–	–	–	–	–	0	–	–
31	Language services	–	–	–	–	–	–	0	17	17
32	Energy	41	467	717	238	324	469	737	859	3 853
33	Justice	–	1	1	5	9	22	57	99	193
34	Climate action	–	–	–	–	1	3	60	104	168
40	Reserves	–	–	–	–	–	–	–	–	–
90	Other institutions	–	–	–	–	–	–	–	570	570
Total		**3 130**	**1 333**	**2 473**	**4 671**	**14 931**	**47 931**	**37 049**	**106 175**	**217 692**

5.11. IMPLEMENTATION OF 2015 EXPENDITURE

2015 was the second year of the new programming period 2014-2020.

Commitments:

The initial adopted budget for all institutions excluding Special instruments was set at EUR 144 806 million.

This budget was from the outset subject to significant amendments following the low implementation of commitments in 2014, related to the late adoption of the operational programmes for the funds under shared management at the start of the new programming period. Carryover to 2015 amounted to EUR 12 billion and the re-programming of the 2014 unused commitment to EUR 16 billion.

Reinforced commitments in 2015 brought the outstanding commitments back to the level before 2014 (to EUR 217 billion). So the decrease observed in 2014 was temporary as foreseen.

In 2015 the newly created European Fund for Strategic Investments (EFSI) was added to heading 1a and provided with EUR 1 360 million (including EUR 10 million for the European Investment Advisory Hub) of commitment appropriations (reallocated from the Connecting Europe Facility, Horizon 2020 and the International Thermonuclear Experimental Reactor (ITER) programme as stipulated in amending budget 2/2015), all of which was fully committed.

Adjustments of commitments outside re-programming were mostly related to the migration and refugees flows: reinforcements to the FRONTEX agency, the Asylum, Migration and Integration Fund (AMIF), the Internal Security Fund (ISF) and European Neighbourhood Instrument (ENI) and Humanitarian aid for Syria and the surrounding countries.

The final adopted budget for commitments excluding Special instruments totalled EUR 161 808 million, of which EUR 161 191 million were committed (implementation rate of 99.6 %).

EUR 202 million unused appropriations and the un-mobilised reserve of EUR 119 million for European Globalisation Adjustment Fund lapsed by the end of 2015.

Payments:

The initial adopted budget, excluding Special Instruments, was set at EUR 140 862 million (an increase of 1.6 % compared to the 2014 final adopted budget). Initial payment appropriations corresponded to 1.01 % of the EU GNI. They were reinforced by EUR 66 million during the year, as new needs related to the migration and refugee crisis were mainly covered by redeployments.

The carryover from 2014 was EUR 1 960 million.

The final adopted budget came to EUR 141 280 million of which EUR 139 827 million was paid in 2015 (99 %).

In total, EUR 358 million, including EUR 0.5 million from the reserves lapsed by the end of 2015.

A more detailed analysis of budgetary adjustments, their relevant context, their justification and their impact is presented in Commission's Report on Budgetary and Financial Management 2015, Part A "Overview at budget level" and Part B dealing with each heading of the multi-annual financial framework.

6. IMPLEMENTATION OF THE INSTITUTIONS AND AGENCIES BUDGET

6.1. INSTITUTIONS: SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE

EUR millions

Institution	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total		
European Parliament	*149*	*149*	*176*	*21*	*198*	*173*	*3*	*176*	*118.49 %*	*21*
European Council and Council	*57*	*57*	*73*	*4*	*77*	*71*	*3*	*74*	*129.14 %*	*3*
Commission	*140 885*	*140 951*	*139 403*	*13 743*	*153 147*	*139 010*	*7 018*	*146 027*	*103.60 %*	*7 119*
Court of Justice	*45*	*45*	*50*	*0*	*50*	*49*	*0*	*50*	*110.39 %*	*0*
Court of Auditors	*20*	*20*	*19*	*0*	*19*	*19*	*0*	*19*	*96.20 %*	*0*
Economic and Social Committee	*11*	*11*	*15*	*–*	*15*	*15*	*0*	*15*	*138.57 %*	*–*
Committee of the Regions	*8*	*8*	*10*	*–*	*10*	*10*	*0*	*10*	*127.90 %*	*0*
Ombudsman	*1*	*1*	*1*	*–*	*1*	*1*	*0*	*1*	*101.02 %*	*–*
European Data Protection Supervisor	*1*	*1*	*1*	*–*	*1*	*1*	*0*	*1*	*102.41 %*	*–*
European External Action Service	*38*	*38*	*251*	*0*	*251*	*250*	*0*	*250*	*661.85 %*	*1*
Total	**141 214**	**141 280**	**139 999**	**13 768**	**153 768**	**139 599**	**7 024**	**146 624**	**103.78 %**	**7 144**

The consolidated reports on the implementation of the general budget of the EU include, as in previous years, the budget implementation of all Institutions since within the EU budget a separate budget for each Institution is established. Agencies do not have a separate budget inside the EU budget and they are partially financed by a Commission budget subsidy.

Concerning the EEAS, it should be noted that, in addition to its own budget, it also receives contributions from the Commission of EUR 138 million (2014: EUR 208 million) and the EDF of EUR 61 million (2014: EUR 56 million). These budget credits are put at the disposal of the EEAS (as assigned revenue) so as to cover primarily the costs of Commission staff working in the EU delegations, these delegations being administratively managed by the EEAS.

6.2. INSTITUTIONS: IMPLEMENTATION OF COMMITMENT AND PAYMENT APPROPRIATIONS

Commitment appropriations

Institution		Commitments made					Appropriations carried over to 2016				Appropriations lapsing				
	Total appropri-ations available	from final adopted budget	from carry-overs	from assigned revenue	Total	%	from assign-ned revenue	carry-overs by deci-sion	Total	%	from final adopted budget	from carry-overs	assig-ned revenue (EFTA)	Total	%
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
European Parliament	1 929	1 779	86	34	1 899	98.45 %	14	–	14	0.72 %	16	–	–	16	0.83 %
European Council and Council	589	500	3	25	528	89.53 %	20	–	20	3.36 %	42	0	–	42	7.10 %
Commission	177 199	157 732	12 083	3 422	173 236	97.76 %	3 068	654	3 723	2.10 %	221	15	5	240	0.14 %
Court of Justice	359	354	–	1	355	98.83 %	1	–	1	0.23 %	3	–	–	3	0.94 %
Court of Auditors	133	131	–	0	131	98.62 %	0	–	0	0.06 %	2	–	–	2	1.32 %
Economic and Social Committee	134	124	–	4	128	95.98 %	0	–	0	0.08 %	5	–	–	5	3.93 %
Committee of Regions	91	87	–	2	89	98.17 %	0	–	0	0.02 %	2	–	–	2	1.81 %
Ombudsman	10	10	–	–	10	92.32 %	–	–	–	0.00 %	1	–	–	1	7.68 %
European Data-protection Supervisor	9	8	–	–	8	95.60 %	–	–	–	0.00 %	0	–	–	0	4.40 %
European External Action Service	833	592	3	210	806	96.72 %	16	2	18	2.16 %	9	1	–	9	1.13 %
Total	**181 286**	**161 317**	**12 175**	**3 698**	**177 190**	**97.74 %**	**3 119**	**656**	**3 775**	**2.08 %**	**301**	**15**	**5**	**321**	**0.18 %**

Payment appropriations

EUR millions

Institution	Payments made						Appropriations carried over to 2016					Appropriations lapsing				
	Total appropri-ations available	from final adopted budget	from carry-overs	from assig-ned revenue	Total	%	automatic carry-overs	carry-overs by decision	from assigned revenue	Total	%	from final adopted budget	from carry-overs	assig-ned revenue (EFTA)	Total	%
	1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
European Parliament	2 207	1 489	253	29	1 771	80.24 %	289	–	19	309	13.99 %	16	111	–	127	5.77 %
European Council and Council	639	454	48	24	527	82.43 %	46	–	20	65	10.25 %	42	5	–	47	7.32 %
Commission	146 051	136 698	1 351	3 404	141 453	96.85 %	430	412	3 615	4 456	3.05 %	74	66	2	142	0.10 %
Court of Justice	376	334	15	1	350	93.10 %	20	–	1	21	5.49 %	3	2	–	5	1.41 %
Court of Auditors	141	122	7	0	129	91.70 %	9	–	0	9	6.62 %	2	1	–	2	1.68 %
Economic and Social Committee	142	114	6	3	124	87.24 %	9	–	1	11	7.48 %	5	2	–	7	5.28 %
Committee of Regions	99	79	6	2	86	87.37 %	9	–	0	9	8.97 %	2	2	–	4	3.66 %
Ombudsman	11	9	0	–	9	86.37 %	1	–	–	1	5.91 %	1	0	–	1	7.72 %
European Data-protection Supervisor	10	8	0	–	8	82.61 %	1	–	–	1	8.24 %	0	0	–	1	9.15 %
European External Action Service	920	520	73	194	787	85.53 %	72	2	38	112	12.20 %	9	12	–	21	2.27 %
Total	**150 595**	**139 827**	**1 759**	**3 657**	**145 243**	**96.45 %**	**886**	**413**	**3 695**	**4 994**	**3.32 %**	**154**	**202**	**2**	**358**	**0.24 %**

6.3. AGENCIES INCOME: BUDGET FORECASTS, ENTITLEMENTS AND AMOUNTS RECEIVED

Agency	Final adopted budget	Entitlements established	Amounts received	Outstanding	Funding Commission Policy Area
European Agency for the Cooperation of Energy Regulators	11	11	11	–	06
European Asylum Support Office	16	14	14	–	18
European Aviation Safety Agency	185	150	150	0	06
Frontex	143	147	147	–	18
European Centre for the Development of Vocational Training	18	18	17	2	15
European Police College	8	9	9	0	18
European Chemicals Agency	34	38	38	0	02
European Centre for Disease Prevention and Control	58	59	59	0	17
European Monitoring Centre for Drugs and Drug Addiction	18	19	19	–	18
European Banking Authority	33	34	34	0	12
European Insurance and Occupational Pensions Authority	20	21	21	0	12
European Environment Agency	42	53	43	10	07
European Police office	95	103	103	0	18
European Securities and Markets Authority	37	37	37	–	12
Community Fisheries Control Agency	9	9	9	–	11
European Food Safety Authority	79	80	80	0	17
European Institute for gender equality	8	8	8	–	04
Galileo Supervisory Authority	23	361	361	0	06
Fusion for energy ITER	414	493	493	0	08
The European Union's Judicial Cooperation Unit (Eurojust)	34	34	34	0	33
eu.LISA	68	74	71	2	18
European Maritime Safety Agency	65	65	65	0	06
Office for Harmonisation in the Internal Market	384	216	216	0	12
European Medicines Agency	308	350	304	45	02
European Network and Information Security Agency	10	10	10	–	09
Office for the body of European Regulators for Electronic Communications BEREC	4	4	4	–	09
European Union Agency for Fundamental Rights	22	22	22	–	18
European Railway Safety Agency	26	27	27	0	06
European Agency for Safety and Health at Work	15	16	16	–	04
European Institute of Innovation and Technology	243	229	229	0	15
Translations Centre for the bodies of the EU	50	42	42	0	15
European Training Foundation	20	21	21	0	15
Community Plant Variety Office	15	13	13	–	17
European foundation for improvement of living & working conditions	21	21	21	0	04
Education, Audiovisual and Culture Executive Agency	47	47	47	–	15
Executive Agency for Competitiveness and Innovation	36	36	36	–	06
European Research Council Executive Agency	40	40	40	0	08
Research Executive Agency	55	55	55	0	08
Executive Agency for Health and Consumers	7	7	7	–	17
European Transport Network Executive Agency	18	18	18	–	06
Total	**2 740**	**3 007**	**2 946**	**61**	

EUR millions

Type of revenue	Final adopted budget	Entitle-ments established	Amounts received	Outstanding
Commission subsidy	1 715	1 700	1 698	2
Fee income	588	647	602	45
Other income	438	660	646	14
Total	**2 740**	**3 007**	**2 946**	**61**

6.4. COMMITMENT & PAYMENT APPROPRIATIONS BY AGENCY

EUR millions

Agency	Commitment appropriations			Payment appropriations		
	Total appropr. available	Com-mit-ments made	Carried to 2016	Total appropr. available	Pay-ments made	Carried to 2016
European Agency for the Cooperation of Energy Regulators	11	11	0	14	11	2
European Asylum Support Office	17	16	1	18	13	2
European Aviation Safety Agency	208	140	65	213	127	84
Frontex	152	151	1	180	125	50
European Centre for the Development of Vocational Training	19	19	0	20	17	2
European Police College	9	9	0	10	8	2
European Chemicals Agency	115	113	0	126	111	13
European Centre for Disease Prevention and Control	60	56	0	71	55	11
European Monitoring Centre for Drugs and Drug Addiction	19	18	1	20	18	1
European Banking Authority	33	33	–	39	35	3
European Insurance and Occupational Pensions Authority	20	20	0	26	22	3
European Environment Agency	68	58	10	73	55	17
European Police office	103	100	3	109	93	15
European Securities and Markets Authority	37	35	2	43	35	7
Community Fisheries Control Agency	9	9	–	10	9	1
European Food Safety Authority	81	81	0	87	79	8
European Institute for gender equality	8	8	0	10	7	3
Galileo Supervisory Authority	1 582	144	1 438	616	211	404
Fusion for energy ITER	792	791	0	531	524	6
The European Union's Judicial Cooperation Unit (Eurojust)	34	34	0	38	34	4
eu.LISA	82	81	1	87	64	22
European Maritime Safety Agency	70	64	6	70	58	10
Office for Harmonisation in the Internal Market	424	266	–	424	231	29
European Medicines Agency	308	290	6	349	291	43
European Network and Information Security Agency	10	10	–	11	11	1
Office for the body of European Regulators for Electronic Communications BEREC	4	4	–	5	4	1
European Union Agency for Fundamental Rights	22	22	0	28	22	6
European Railway Safety Agency	27	26	0	30	27	3
European Agency for Safety and Health at Work	17	15	1	21	15	5
European Institute of Innovation and Technology	276	251	0	247	224	1
Translations Centre for the bodies of the EU	50	44	–	54	43	5
European Training Foundation	21	21	0	22	21	1
Community Plant Variety Office	17	15	–	15	14	1
European foundation for improvement of living & working conditions	22	22	0	26	23	3
Education, Audiovisual and Culture Executive Agency	47	46	–	52	46	5
Executive Agency for Competitiveness and Innovation	36	36	–	40	34	5
European Research Council Executive Agency	40	39	–	42	39	2
Research Executive Agency	55	54	–	59	54	3
Executive Agency for Health and Consumers	7	7	–	9	7	1
European Transport Network Executive Agency	18	18	–	20	18	2
Total	**4 930**	**3 175**	**1 538**	**3 864**	**2 835**	**787**

EUR millions

Type of expenditure	Commitment appropriations			Payment appropriations		
	Total appropr. available	Com-mit-ments made	Carried to 2016	Total appropr. available	Pay-ments made	Carried to 2016
Staff	975	956	1	991	953	18
Administrative expenses	412	392	2	467	356	85
Operational expenses	3 543	1 827	1 535	2 406	1 526	685
Total	**4 930**	**3 175**	**1 538**	**3 864**	**2 835**	**787**

6.5. BUDGET RESULT INCLUDING AGENCIES

EUR millions

	European Union	Agencies	Elimination of subsidies to agencies	Total
Revenue for the financial year	146 624	2 946	(1 698)	147 872
Payments against current year's budget appropriations	(139 827)	(2 233)	1 698	(140 363)
Payments against assigned revenue appropriations	(3 657)	(375)	–	(4 032)
Payment appropriations carried over to year N+1	(1 299)	(787)	–	(2 086)
Cancellation of unused appropriations carried over from year N-1	29	268	–	297
Evolution of assigned revenue	(704)	145	–	(559)
Exchange differences for the year	182	2	–	184
Budget result 2015	**1 347**	**(34)**	**–**	**1 313**

In order to provide all relevant budgetary data for the Agencies, the consolidated annual accounts include separate reports on the implementation of the individual budgets of the traditional agencies consolidated.