



Brussels, 11.7.2016
COM(2016) 474 final

PART 1/2

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

ANNUAL ACCOUNTS OF THE EUROPEAN COMMISSION 2015

CONTENTS PART I

CERTIFICATION OF THE ACCOUNTS	4
FINANCIAL STATEMENTS AND EXPLANATORY NOTES	5
BALANCE SHEET	7
STATEMENT OF FINANCIAL PERFORMANCE.....	8
CASHFLOW STATEMENT.....	9
STATEMENT OF CHANGES IN NET ASSETS	10
NOTES TO THE FINANCIAL STATEMENTS.....	11

REPORTS ON THE IMPLEMENTATION OF THE BUDGET AND
EXPLANATORY NOTES

Part II

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Commission for the year 2015 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by myself in my capacity as the Commission's Accounting Officer, as are to be applied by all the institutions and Union bodies.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Commission in accordance with Article 68 of the Financial Regulation.

I have obtained from the authorising officers, who certified its reliability, all the information necessary for the production of the accounts that show the European Commission'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, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the European Commission.

[signed]

Manfred Kraff

Accounting Officer of the Commission

8 July 2016

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.....	7
STATEMENT OF FINANCIAL PERFORMANCE	8
CASHFLOW STATEMENT	9
STATEMENT OF CHANGES IN NET ASSETS	10
NOTES TO THE FINANCIAL STATEMENTS	11
1. SIGNIFICANT ACCOUNTING POLICIES	12
2. NOTES TO THE BALANCE SHEET	24

BALANCE SHEET

EUR millions

	Note	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
<i>Intangible assets</i>	2.1	128	109
<i>Property, plant and equipment</i>	2.2	5 592	4 799
<i>Investments accounted for using the equity method</i>	2.3	497	409
<i>Financial assets</i>	2.4	55 341	55 027
<i>Pre-financing</i>	2.5	29 884	18 184
<i>Exchange receivables and non-exchange recoverables</i>	2.6	899	1 230
		92 341	79 758
CURRENT ASSETS			
<i>Financial assets</i>	2.4	9 579	11 134
<i>Pre-financing</i>	2.5	15 360	34 347
<i>Exchange receivables and non-exchange recoverables</i>	2.6	9 215	14 192
<i>Inventories</i>	2.7	75	82
<i>Cash and cash equivalents</i>	2.8	20 660	16 187
		54 889	75 942
TOTAL ASSETS		147 230	155 700
NON-CURRENT LIABILITIES			
<i>Pension and other employee benefits</i>	2.9	(63 208)	(58 045)
<i>Provisions</i>	2.10	(1 562)	(1 378)
<i>Financial liabilities</i>	2.11	(50 897)	(50 932)
		(115 666)	(110 355)
CURRENT LIABILITIES			
<i>Provisions</i>	2.10	(302)	(734)
<i>Financial liabilities</i>	2.11	(7 898)	(8 783)
<i>Payables</i>	2.12	(32 367)	(42 986)
<i>Accrued charges and deferred income</i>	2.13	(67 962)	(55 575)
		(108 528)	(108 078)
TOTAL LIABILITIES		(224 194)	(218 433)
NET ASSETS		(76 964)	(62 733)
<i>Reserves</i>	2.14	2 915	2 641
<i>Amounts to be called from Member States*</i>	2.15	(79 879)	(65 374)
NET ASSETS		(76 964)	(62 733)

* The European Parliament adopted a budget on 25 November 2015 which provides for the payment of the Commission'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		95 355	104 688
Traditional own resources	3.1	18 649	17 137
VAT		18 328	17 462
Fines		531	2 297
Recovery of expenses	3.2	1 547	3 418
Other	3.3	1 223	1 936
Sub-total		135 633	146 938
Revenue from exchange transactions			
Financial income	3.4	1 787	2 241
Other	3.5	1 264	797
Sub-total		3 051	3 039
Total Revenue		138 684	149 977
EXPENSES *			
Implemented by Member States	3.6		
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 & 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	3.7	(15 635)	(15 328)
Implemented by other EU agencies and bodies	3.8	(1 616)	(1 362)
Implemented by third countries and int. organisations	3.8	(3 031)	(2 770)
Implemented by other entities	3.8	(2 107)	(1 799)
Staff and pension costs	3.9	(7 537)	(7 357)
Changes in employee benefits actuarial assumptions		(2 008)	(9 052)
Finance costs	3.10	(1 933)	(2 877)
Share of net deficit of joint ventures and associates		(641)	(640)
Other	3.11	(4 655)	(3 204)
Total Expenses		(151 546)	(161 203)
ECONOMIC RESULT OF THE YEAR		(12 862)	(11 226)

*

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
<i>Economic result of the year</i>		(12 862)	(11 226)
Operating activities			
<i>Amortisation</i>		20	15
<i>Depreciation</i>		221	164
<i>(Reversal of) impairment losses on investments</i>		-	-
<i>(Increase)/decrease in loans</i>		1 455	(1 241)
<i>(Increase)/decrease in pre-financing</i>		7 287	6 653
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>		5 308	(1 886)
<i>(Increase)/decrease in inventories</i>		7	4
<i>Increase/(decrease) in pension and employee benefits liability</i>		5 163	11 942
<i>Increase/(decrease) in provisions</i>		(249)	321
<i>Increase/(decrease) in financial liabilities</i>		(920)	1 185
<i>Increase/(decrease) in payables</i>		(10 619)	6 971
<i>Increase/(decrease) in accrued charges and deferred income</i>		12 386	(306)
<i>Prior year budgetary surplus taken as non-cash revenue</i>		(1 435)	(1 005)
<i>Other non-cash movements</i>		65	112
Investing activities			
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>		(1 054)	(2 120)
<i>(Increase)/decrease in investments accounted for using the equity method</i>		(87)	(60)
<i>(Increase)/decrease in available for sale financial assets</i>		(214)	(1 610)
NET CASHFLOW		4 472	7 912
<i>Net increase/(decrease) in cash and cash equivalents</i>		4 472	7 912
<i>Cash and cash equivalents at the beginning of the year</i>	2.8	16 187	8 275
<i>Cash and cash equivalents at year-end</i>	2.8	20 660	16 187

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	83	2 215	(48 228)	(4 685)	(50 616)
Movement in Guarantee Fund reserve	-	247	(247)	-	-
Fair value movements	119	-	-	-	119
Other	-	(24)	18	-	(6)
Allocation of the 2013 economic result	-	-	(4 685)	4 685	-
2013 budget result credited to Member States	-	-	(1 005)	-	(1 005)
Economic result of the year	-	-	-	(11 226)	(11 226)
BALANCE AS AT 31.12.2014	202	2 438	(54 147)	(11 226)	(62 734)
Movement in Guarantee Fund reserve	-	189	(189)	-	-
Fair value movements	84	-	-	-	84
Other	-	2	(20)	-	(18)
Allocation of the 2014 economic result	-	-	(11 226)	11 226	-
2014 budget result credited to Member States	-	-	(1 435)	-	(1 435)
Economic result of the year	-	-	-	(12 862)	(12 862)
BALANCE AS AT 31.12.2015	286	2 629	(67 016)	(12 862)	(76 964)

NOTES TO THE FINANCIAL STATEMENTS

For further information in addition to the following notes, please also see the 2015 EU consolidated accounts.

1. SIGNIFICANT ACCOUNTING POLICIES

The European Commission (hereinafter referred to as the Commission) applies the accounting policies of the European Union (hereinafter referred to as the EU). A summary of the significant EU accounting policies is given below.

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
<i>Buildings</i>	<i>4 % to 10 %</i>
<i>Plant and equipment</i>	<i>10 % to 25 %</i>
<i>Furniture and vehicles</i>	<i>10 % to 25 %</i>
<i>Computer hardware</i>	<i>25 % to 33 %</i>
<i>Other</i>	<i>10 % to 33 %</i>

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 prefinancing 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

<i>Gross carrying amount at 31.12.2014</i>	182
<i>Additions</i>	40
<i>Disposals</i>	(2)
<i>Transfer between asset categories</i>	-
<i>Other changes</i>	0
Gross carrying amount at 31.12.2015	219
<i>Accumulated amortisation at 31.12.2014</i>	(72)
<i>Amortisation charge for the year</i>	(20)
<i>Disposals</i>	2
<i>Transfer between asset categories</i>	-
<i>Other changes</i>	0
Accumulated amortisation at 31.12.2015	(91)
Net carrying amount at 31.12.2015	128
<i>Net carrying amount at 31.12.2014</i>	109

2.2. PROPERTY, PLANT AND EQUIPMENT

	EUR millions							TOTAL
	Land and buildings	Plant and equipment	Furniture and vehicles	Computer hardware	Other	Finance leases	Assets under construction	
Gross carrying amount at 31.12.2014	1 368	708	72	245	130	1 514	2 739	6 776
Additions	20	41	3	21	22	8	905	1 021
Disposals	(4)	(17)	(3)	(31)	(5)	(1)	(38)	(99)
Transfer between asset categories	10	246	-	0	-	0	(257)	-
Other changes	1	0	1	1	0	31	1	35
Gross carrying amount at 31.12.2015	1 395	978	73	237	148	1 552	3 350	7 733
Accumulated depreciation at 31.12.2014	(731)	(298)	(54)	(202)	(96)	(597)		(1 978)
Depreciation charge for the year	(38)	(86)	(4)	(22)	(12)	(58)		(221)
Depreciation written back	-	-	-	-	-	-		-
Disposals	4	17	3	31	5	1		61
Transfer between asset categories	-	-	-	0	-	0		-
Other changes	0	0	0	0	0	(2)		(3)
Accumulated depreciation at 31.12.2015	(765)	(367)	(56)	(194)	(103)	(656)		(2 141)
NET CARRYING AMOUNT AT 31.12.2015	630	611	16	43	45	896	3 350	5 592
NET CARRYING AMOUNT AT 31.12.2014	637	411	18	44	34	917	2 739	4 799

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

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)

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)

2.3.2. Participations in associates

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

European Investment Fund

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	5 820	5 356
Loans	2.4.2	49 521	49 671
Total		55 341	55 027
Current financial assets			
Available for sale financial assets	2.4.1	2 101	2 351
Loans	2.4.2	7 477	8 783
Total		9 579	11 134
Total		64 919	66 161

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
European Bank for Reconstruction and Development	188	188
Sub-total	4 837	5 081
<i>Budgetary Instruments:</i>		
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	7 921	7 707
Non-current	5 820	5 356
Current	2 101	2 351

Fair value hierarchy of available for sale financial assets:

EUR millions

	31.12.2015	31.12.2014
Level 1: Quoted prices in active markets	6 459	6 499
Level 2: Observable inputs other than quoted prices	152	61
Level 3: Valuation techniques with inputs not based on observable market data	1 310	1 147
Total	7 921	7 707

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	56 645	58 288
Loans granted from the budget	353	165
Total	56 998	58 454
Non-current	49 521	49 671
Current	7 477	8 783

Loans granted from borrowed funds

EUR millions

	MFA	Euratom	BOP	EFSM	Total
Total at 31.12.2014	1 842	349	8 590	47 507	58 288
New loans	1 245	-	-	12 160	13 405
Repayments	(67)	(48)	(2 700)	(12 160)	(14 975)
Exchange differences	-	-	-	-	-
Changes in carrying amount	4	-	(79)	2	(73)
Impairment	-	-	-	-	-
Total at 31.12.2015	3 024	301	5 811	47 509	56 645
Non-current	2 937	251	4 200	42 050	49 438
Current	87	50	1 611	5 459	7 207

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 %

Loans granted from the budget

EUR millions

	31.12.2015	31.12.2014
Loans with special conditions	113	130
Term deposits 3 months < 1 year	240	36
Total	353	165
Non-current	83	110
Current	270	56

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	-	-	149	231

BOP Nominal value

EUR millions

	Hungary	Latvia	Romania	Total
Total loans granted	6 500	3 100	8 400*	18 000
<i>Disbursed at 31.12.2014</i>	5 500	2 900	5 000	13 400
<i>Disbursed in 2015</i>	-	-	-	-
Loans disbursed 31.12.2015	5 500	2 900	5 000	13 400
<i>Loans repaid at 31.12.2015</i>	(4 000)	(2 200)	(1 500)	(7 700)
Outstanding amount at 31.12.2015	1 500	700	3 500	5 700

* Including precautionary assistance.

EFSM Nominal value

EUR millions

	Ireland	Portugal	Greece	Total
Total loans granted	22 500	26 000	7 160	55 660
<i>Disbursed at 31.12.2014</i>	22 500	24 300	-	46 800
<i>Disbursed in 2015</i>	5 000	-	7 160	12 160
Loans disbursed at 31.12.2015	27 500	24 300	7 160	58 960
<i>Loans repaid at 31.12.2015</i>	(5 000)	-	(7 160)	(12 160)
Loans outstanding at 31.12.2015	22 500	24 300	-	46 800

2.5. PRE-FINANCING

EUR millions

	Note	31.12.2015	31.12.2014
Non-current pre-financing			
<i>Pre-financing</i>	2.5.1	28 548	15 806
<i>Other advances to Member States</i>	2.5.2	1 332	2 378
<i>Contribution to Trust Funds</i>		4	-
Total		29 884	18 184
Current pre-financing			
<i>Pre-financing</i>	2.5.1	11 581	29 332
<i>Other advances to Member States</i>	2.5.2	3 779	5 015
Total		15 360	34 347
Total		45 244	52 531

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						
<i>EAFRD & other rural development instruments</i>	4 726	(1 629)	3 097	5 644	(2 115)	3 528
<i>ERDF & CF</i>	24 268	(7 416)	16 852	24 934	(2 182)	22 752
<i>ESF</i>	7 251	(1 325)	5 926	6 884	(953)	5 931
<i>Other</i>	4 359	(2 365)	1 994	4 626	(2 535)	2 091
Direct Management						
<i>Implemented by:</i>						
<i>Commission</i>	12 741	(9 744)	2 997	13 376	(10 407)	2 969
<i>EU executive agencies</i>	11 067	(7 769)	3 298	9 079	(6 618)	2 461
<i>Trust funds</i>	14	(5)	9	-	-	-
Indirect Management						
<i>Implemented by:</i>						
<i>Other EU agencies & bodies</i>	2 250	(1 649)	601	1 862	(1 487)	375
<i>Third countries</i>	2 151	(1 229)	922	1 981	(1 169)	812
<i>International organisations</i>	6 640	(4 014)	2 626	6 236	(3 476)	2 760
<i>Other entities</i>	5 327	(3 521)	1 806	4 369	(2 910)	1 460
Total	80 795	(40 666)	40 129	78 991	(33 853)	45 138
<i>Non-current</i>	28 548	-	28 548	15 806	-	15 806
<i>Current</i>	52 247	(40 666)	11 581	63 185	(33 853)	29 332

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
<i>Non-current</i>	1 332	2 378
<i>Current</i>	3 779	5 015

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	899	1 201
Receivables from exchange transactions	2.6.2	0	29
Total		899	1 230
Current			
Recoverables from non-exchange transactions	2.6.1	8 844	13 831
Receivables from exchange transactions	2.6.2	372	361
Total		9 215	14 192
Total		10 114	15 422

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	856	305
Accrued income and deferred charges	2.6.1.2	–	853
Other recoverables		42	43
Total		899	1 201
Current			
Member States	2.6.1.1	6 803	10 623
Fines		1 601	2 270
Accrued income and deferred charges	2.6.1.2	242	740
Other recoverables		197	198
Total		8 844	13 831
Total		9 742	15 032

2.6.1.1. Recoverables from Member States

EUR millions

	31.12.2015	31.12.2014
<i>Recoverables related to own resources:</i>		
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 resource recoverables	3 573	8 686
<i>Recoverables in the area of agriculture and rural development:</i>		
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	13	16
Other recoverables from Member States	56	134
Total	7 660	10 928
Non-current	856	305
Current	6 803	10 623

2.6.1.2. Accrued income and deferred charges

EUR millions

	31.12.2015	31.12.2014
<i>Cohesion, Agricultural & Rural Development Funds: financial corrections</i>	10	1 502
<i>Other accrued income</i>	162	69
<i>Deferred charges relating to non-exchange transactions</i>	70	22
Total	242	1 593
<i>Non-current</i>	–	853
<i>Current</i>	242	740

2.6.2. Receivables from exchange transactions

EUR millions

	31.12.2015	31.12.2014
Non-current		
<i>Other receivables</i>	0	29
Total	0	29
Current		
<i>Customers</i>	167	160
<i>Impairment on receivables from customers</i>	(105)	(101)
<i>Deferred charges relating to exchange transactions</i>	142	146
<i>Others</i>	168	157
Total	372	361
Total	372	390

2.7. INVENTORIES

EUR millions

	31.12.2015	31.12.2014
<i>Scientific materials</i>	55	66
<i>Other</i>	20	15
Total	75	82

2.8. CASH AND CASH EQUIVALENTS

EUR millions

	31.12.2015	31.12.2014
<i>Accounts with Treasuries and Central Banks</i>	17 119	11 840
<i>Current accounts</i>	110	303
<i>Imprest accounts</i>	4	4
<i>Transfers (cash in transit)</i>	–	–
<i>Other term deposits</i>	28	28
Bank accounts for budget implementation & other term deposits	17 262	12 174
Cash belonging to financial instruments	1 298	1 275
Cash relating to fines	1 908	2 738
Cash relating to Trust Funds	192	–
Total	20 660	16 187

LIABILITIES

2.9. PENSION AND OTHER EMPLOYEE BENEFITS

Net employee benefit scheme liability

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2015 Total	EUR millions 31.12.2014 Total
<i>Defined Benefit Obligation</i>	54 967	859	7 662	63 488	58 317
<i>Plan assets</i>			(280)	(280)	(272)
Net liability	54 967	859	7 382	63 208	58 045

Actuarial assumptions - employee benefits

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

Movement in present value of employee benefits defined benefit obligation

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
Present value as at 31.12.2014	50 897	751	6 668	58 317
<i>Current Service Cost</i>	3 323	62	243	3 628
<i>Interest cost</i>	1 170	15	140	1 325
<i>Net Actuarial (gains) and losses</i>	1 429	59	674	2 162
<i>Contributions from members</i>			21	21
<i>Benefits paid</i>	(1 244)	(12)	(85)	(1 341)
<i>Liability increase/(decrease) due to taxes on pensions</i>	(608)	(16)		(624)
Present value as at 31.12.2015	54 967	859	7 662	63 488

Movement in present value of plan assets of the Joint Sickness Insurance Scheme

EUR millions

Present value as at 31.12.2014	272
<i>Net movement in plan assets</i>	8
Present value as at 31.12.2015	280

5 year trend

EUR millions

	2011	2012	2013	2014	2015
<i>Present Value of the defined benefit obligation</i>	34 408	41 891	46 367	58 317	63 488
<i>Fair Value of plan assets</i>	(270)	(271)	(264)	(272)	(280)
Employee benefits liability	34 138	41 620	46 103	58 045	63 208

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				
<i>Current service cost</i>	2 981	55	243	3 279
<i>Interest cost</i>	1 050	13	140	1 203
<i>Past service cost</i>	-	-	-	-
<i>Change in plan assets</i>			(71)	(71)
Sub-total – recorded in staff and pension costs	4 031	68	312	4 411
<i>Actuarial gains and losses</i>	1 282	52	674	2 008
Total	5 313	120	986	6 419

Joint Sickness Insurance Scheme sensitivity

EUR millions

	One percentage point increase	One percentage point decrease
<i>The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs</i>	88	(54)
<i>The accumulated post-employment benefit obligation for medical costs</i>	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
<i>Legal cases</i>	638	251	(49)	(468)	-	0	371
<i>Nuclear site dismantling</i>	1 091	-	-	(32)	-	19	1 078
<i>Financial</i>	332	262	0	(179)	-	(5)	410
<i>Fines</i>	30	4	(30)	-	-	-	4
<i>Other</i>	22	11	(19)	(12)	-	-	2
Total	2 113	528	(98)	(691)	-	14	1 864
<i>Non-current</i>	1 378	315	(48)	(16)	(88)	20	1 562
<i>Current</i>	734	213	(50)	(675)	88	(6)	302

2.11. FINANCIAL LIABILITIES

EUR millions

	Note	31.12.2015	31.12.2014
Non-current financial liabilities			
Borrowings	2.11.1	49 438	49 551
Other financial liabilities	2.11.2	1 459	1 381
Total		50 897	50 932
Current financial liabilities			
Borrowings	2.11.1	7 207	8 716
Other financial liabilities	2.11.2	690	66
Total		7 898	8 783
Total		58 794	59 714

2.11.1. Borrowings

EUR millions

	31.12.2015	31.12.2014
Borrowings	56 645	58 287
Elimination Guarantee Fund*	-	(20)
Total	56 645	58 267

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

Borrowings by Financial Instrument

EUR millions

	MFA	Euratom	BOP	EFSM	Total
Total at 31.12.2014	1 842	349	8 590	47 507	58 288
New borrowings	1 245	-	-	12 160	13 405
Repayments	(67)	(48)	(2 700)	(12 160)	(14 975)
Exchange differences	-	-	-	-	-
Changes in carrying amounts	4	-	(79)	2	(73)
Total at 31.12.2015	3 024	301	5 811	47 509	56 645
Non-current	2 937	251	4 200	42 050	49 438
Current	87	50	1 611	5 459	7 207

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 %

2.11.2. Other financial liabilities

EUR millions

	31.12.2015	31.12.2014
Non-current		
Finance lease liabilities	1 021	1 041
Buildings paid for in instalments	299	318
Financial guarantee liability relating to European Fund for Strategic Investments (EFSI)	–	–
Other	139	22
Total	1 459	1 381
Current		
Fines to be reimbursed	625	–
Finance lease liabilities	45	48
Buildings paid for in instalments	19	17
Other	1	1
Total	690	66
Total	2 149	1 447

Finance lease liabilities:

EUR millions

Description	Future amounts to be paid			Total Liability
	< 1 year	> 1 year	> 5 years	
Land and buildings	39	226	787	1 053
Other tangible assets	6	7	–	13
Total at 31.12.2015	45	233	787	1 066
Interest element	47	208	253	509
Total future minimum lease payments at 31.12.2015	93	442	1 040	1 575
Total future minimum lease payments at 31.12.2014	109	429	1 121	1 658

2.12. PAYABLES

EUR millions

	Gross Amount	Adjustments*	Net Amount at 31.12.2015	Gross Amount	Adjustments*	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)	296
European Regional Development Fund & Cohesion Fund	8 360	(950)	7 410	19 928	(2 306)	17 623
European Social Fund	3 355	(2)	3 353	5 893	(272)	5 621
Other	436	(102)	334	751	(93)	658
Private and public entities	1 928	(223)	1 705	1 718	(106)	1 612
Total costs claims & invoices received	16 700	(1 507)	15 193	28 609	(2 800)	25 810
European Agricultural Guarantee Fund	6 851	N/A	6 851	11 066	N/A	11 066
Own Resources	9 506	N/A	9 506	5 945	N/A	5 945
Payables						
Sundry Payables	816	N/A	816	166	N/A	166
Total	33 873	(1 507)	32 367	45 786	(2 800)	42 986

* Estimated non-eligible amounts and pending prepayments.

2.13. ACCRUED CHARGES AND DEFERRED INCOME

	<i>EUR millions</i>	
	31.12.2015	31.12.2014
<i>Accrued charges</i>	66 947	55 436
<i>Deferred income</i>	980	122
<i>Other</i>	34	16
Total	67 962	55 575

The split of accrued charges is as follows:

	<i>EUR millions</i>	
	31.12.2015	31.12.2014
<i>European Agricultural Guarantee Fund</i>	38 263	33 667
<i>European Agricultural Fund for Rural Development & other rural development instruments</i>	14 806	13 414
<i>European Regional Development Fund and Cohesion Fund</i>	5 026	3 157
<i>European Social Fund</i>	2 636	976
<i>Other</i>	6 216	4 222
Total	66 947	55 436

NET ASSETS

2.14. RESERVES

		<i>EUR millions</i>	
	Note	31.12.2015	31.12.2014
<i>Fair value reserve</i>	2.14.1	287	202
<i>Guarantee Fund reserve</i>		2 561	2 372
<i>Other reserves</i>		68	66
Total		2 915	2 641

2.14.1. Fair value reserve

Movement of fair value reserve during the period

	<i>EUR millions</i>	
	2015	2014
<i>Included in fair value reserve</i>	79	107
<i>Included in statement of financial performance</i>	(3)	(3)
Total	77	104

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.

2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

	<i>EUR millions</i>
<i>Amounts to be called from Member States at 31.12.2014</i>	65 374
<i>Return of 2014 budget surplus to Member States</i>	1 435
<i>Movement in Guarantee Fund reserve</i>	189
<i>Other reserve movements</i>	19
<i>Economic result of the year</i>	12 862
Total amounts to be called from Member States at 31.12.2015	79 879

