EUROPEAN
COMMISSION

Brussels, 30.7.2014
COM(2014) 510 final

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

Consolidated annual accounts of the European Union 2013

Consolidated annual accounts of the European Union 2013

CONTENTS

NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The consolidated annual accounts of the European Union for the year 2013 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

24 July 2014

EU BUDGET: FROM PREPARATION TO DISCHARGE

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

1. ANNUAL BUDGET

The EU Budget finances a wide range of policies and programmes throughout the EU. In accordance with the priorities set by the European Parliament and the Council in the multi-annual financial framework (MFF), the European Commission (hereinafter referred to as "Commission") carries out specific programmes, activities and projects in the field. These could range from supporting education projects for the mobility of students and teachers, to support for farmers, to productive investments creating or maintaining jobs, to development aid, to projects aimed at supporting better work environment for workers in the EU, to enhance the control of the external borders.

Over 90 % of the EU budget goes to funding such EU policies and activities. The direct link between the annual budget and the EU policies is ensured through activity-based budgeting (ABB). The activity-based budget nomenclature allows for clear identification of the policy areas of the EU and the total amount of resources allocated to each of these areas.

The policy areas are subdivided into some 200 activities of which over 110 include operating budget headings and are thus reflected in the budget nomenclature as budget chapters. These policy areas are predominantly operational, since their core activities are aimed at benefiting a third-party, each within their respective domains of activity. Other policy areas, however, are non-operational and assure the proper functioning of the Commission, such as 'Coordination and legal advice', and 'Budget'. The activity structure provides the common conceptual framework for priority setting, planning, budgeting, monitoring and reporting, with the principal aim of enhancing the economic, efficient and effective use of resources.

The budget is prepared by the Commission and agreed normally in mid-December by the Parliament and the Council in accordance with the procedure of Article 314 of the Treaty on the Functioning of the EU (TFEU).

2. HOW IS THE EU FUNDED?

The EU has two main categories of funding: Own resources revenues and sundry revenues.

2.1 Own resource revenues

Own resource revenue accrues 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. Own resources can be divided into traditional own resources, the own resource based on value added tax (VAT) and the resource based on gross national income (GNI).

2.2 Sundry revenues

Sundry revenues arising from the activities of the EU normally represent less than 10 % of total revenue. These are, for instance, competition fines received and recovery orders issued to private and public debtors with regard to the management of EU projects. Penalty payments imposed by the Court of Justice on Member States that fail to comply with a given judgment also fall into this category. Any debt not paid at the due date is subject to default interest. Where debts of third parties other than Member States remain unpaid, the Council and the Commission can adopt decisions imposing the obligation to pay which are directly enforceable in accordance with the rules of civil procedure in force in the territory where enforcement is to be carried out. Defaulting debtors are subject to debt collecting procedures launched by the Legal Service of the Commission with the help of external law firms.

3. HOW THE EU BUDGET IS MANAGED AND SPENT

3.1 Primary operational expenditure

The EU's operational expenditure covers the various headings of the financial framework and takes different forms, depending on how the money is paid out and managed. For the 2013 accounts, the Commission classifies its expenditure as follows:

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

Indirect centralised 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.

Decentralised management: these are the cases where the Commission delegates certain tasks for implementation of the budget to third countries.

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

Joint management: under this method, the Commission entrusts certain implementation tasks to an international organisation.

Article 58 of the new Financial Regulation which partly revised the methods of implementation of the budget shall only apply as of 1 January 2014.

3.2 The different financial actors within the Commission

The **College of Commissioners** assumes collective political responsibility but in practice does not exercise itself the budget implementation powers vested in it. It delegates these tasks each year to individual civil servants accountable to the College and subject to the Financial Regulation and the Staff Regulations. The staff concerned – generally Directors-General and Heads of Service - are known as “Authorising Officers by delegation”. 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, including adopting legal commitments, monitoring performance, making payments and recovering funds, if necessary. Sound financial management and proper accountability are assured within each of the Services by the separation of management control (in the hands of the Authorising Officers) from internal audit and compliance with clear internal control standards (based on international standards), ex-ante and ex-post controls, independent internal auditing on the basis of risk assessments, and regular reporting on activities to the individual Commissioners.

Each Authorising Officer is required to prepare an Annual Activity Report (AAR) on the activities under his responsibility. In this AAR, he reports on policy results and on the reasonable assurance he may have that the resources assigned to the activities described in his 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 Article 66 of the Financial Regulation, the Commission adopts a summary report (synthesis report) on the AAR's, the overall opinion of the Internal Auditor, by which the Commission takes overall political responsibility for the management of the EU budget in line with Article 317 of the TFEU. This report and the AAR's are available at: http://ec.europa.eu/atwork/planning-and-preparing/synthesis-report/index_en.htm.

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 Committing to spend the EU budget

Before a legal commitment (for example a contract or grant agreement) can be entered into with a third party, there must be a budget line authorising the activity in question in the annual budget. There must also be sufficient funds on the budget line to cover the expenditure. If these conditions are met, the funds required must be reserved in the budget by means of a budgetary commitment made in the accounting system and only then a legal commitment can be made. No money can be spent from the EU budget unless and until the Authorising Officer has adopted a budget commitment.

Once approved, the budgetary commitment is recorded in the budgetary accounting system and the appropriations are consumed accordingly. This, however, has no effect on the financial statements (or general ledger) since no expense has yet been incurred.

3.4 Making a payment

3.4.1 General rules

No payment can be made unless a budgetary commitment has already been approved by the Authorising Officer dealing with the operation in question. Once a payment is approved in the accounting system, the next step is for the transfer to be made to the beneficiary's account. The Commission makes almost 1.9 million payments a year. The Commission is a participant in SWIFT (Society for Worldwide Interbank Financial Telecommunication).

3.4.2 Pre-financing, cost statements and eligibility of expenditure

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 legal commitment. The float or advance is either used for the purpose for which it was provided during the period defined in the legal commitment or it is repaid – if the beneficiary does not incur eligible expenditures he has the obligation to return the pre-financing advance to the EU. Thus pre-financing paid is not a definitive expense until the relevant conditions are met and so is recorded as an asset on the EU balance sheet when the initial payment is made. The amount of the pre-financing asset is reduced (wholly or partially) by the acceptance of eligible costs and amounts returned.

Some time after the payment of the pre-financing, a cost claim will be received by the relevant EU body so as to justify how the pre-financing amount was spent by the beneficiary in accordance with the legal commitment. The rhythm of receipt of these cost claims is variable depending on the type of action being funded and the conditions, and they are not necessarily received at year-end.

Eligibility criteria are defined in the basic act, in the calls for proposal, in other information documents for grant beneficiaries and/or in the contractual clauses of the grant agreements or in the grant decision. After analysis, the eligible amounts are taken into expenses and the beneficiary is informed about any non-eligible amounts.

4. PROTECTION OF THE EU BUDGET: FINANCIAL CORRECTIONS AND RECOVERIES

The Financial Regulation and other applicable legislation, particularly concerning agriculture and cohesion policies, give the right to make checks on expenditure up to many years after it was incurred. Where errors, irregularities or fraud are detected, recoveries or financial corrections are applied. The detection of errors, irregularities or fraud and their corrections are the last stage in the operation of control systems, and are essential in order to demonstrate sound financial management.

In the case of grants, the eligibility of expenditure charged to the budget is verified by the relevant EU services, or in the case of shared management, by the Member States, on the basis of the supporting documents stipulated in the applicable legislation or in the conditions of each grant. With the aim of optimising the relationship between the costs and the benefits of control systems, checks on the supporting documents for final claims in direct centralised management tend to be more intense than those on interim claims, and thus may detect errors in interim payments which are corrected by adjustment of the final payment. Furthermore, the EU and/or the Member State has the obligation to verify the probity of the supporting documents by making checks on the claimant's premises, during the implementation of the action financed and/or afterwards (ex-post). There are various procedures foreseen in the applicable legislation for the process of dealing with errors, irregularities or fraud detected by the Commission and by the Member States – more detailed information is included in note **6** of the financial statements.

5. BORROWING AND LENDING ACTIVITIES

The EU is empowered by basic acts deriving from the EU Treaty to adopt borrowing programmes to mobilise the financial resources necessary to provide financial assistance to Member States and non-Member States. The Commission, acting on behalf of the EU, currently operates three main programmes, the European Financial Stabilisation Mechanism (EFSM), Balance of payments (BOP) and Macro Financial Assistance (MFA), under which it may grant loans and fund these by issuing debt instruments in the capital markets or with financial institutions. Since the funds raised are back-to-back operations there is no direct impact on the EU budget, however, from a legal point of view, the debt service of the borrowings remains the obligation of the EU.

6. FINANCIAL REPORTING

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

a) Financial statements; and

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

The annual accounts are adopted by the Commission and presented to the European Court of Auditors (hereinafter referred to as the “Court”) for audit and finally to the European Parliament and Council as part of the discharge process.

In addition to the above annual reporting, monthly budget implementation reports are also prepared.

6.1 Financial Statements

It is the responsibility of the Commission's Accounting Officer to prepare the EU's financial statements and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cashflows of the EU. These are drawn up in accordance with EU Accounting Rules that are based on International Public Sector Accounting Standards (IPSAS). For more information, see note **1** of the financial statements.

6.2 Budgetary accounts

It is the responsibility of the Commission's Accounting Officer to prepare the reports on implementation of the budget both on a monthly and annual basis. Only the Commission budget contains administrative appropriations and operating appropriations. The other Institutions have only administrative appropriations. Furthermore, the budget distinguishes between two types of appropriation: non-differentiated appropriations and differentiated appropriations. Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). Differentiated appropriations were introduced in order to reconcile the principle of annuality with the need to manage multi-annual operations. They are intended to cover mainly 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.

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

With the introduction of differentiated appropriations, a gap developed between commitments entered into and payments made: this gap, corresponding to outstanding commitments, represents the time-lag between when the commitments are entered into and when the corresponding payments are made. It is known as the RAL ("Reste à Liquider").

7. AUDIT AND DISCHARGE

7.1 Audit

The EU's annual accounts and resource management are audited by the Court, its external auditor, which draws up an annual report for the European Parliament and the Council. The Court's main task is to conduct an external, independent audit of the EU's annual accounts. As part of its activities, the Court produces:

(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;

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

7.2 Discharge

The final step of a budget lifecycle is the discharge of the budget for a given financial year. The European Parliament 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 European Parliament 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 evaluation report and the annual report of the Court and replies of the Commission, and also following questions and further information requests to the Commission.

The discharge represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, 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. This discharge procedure may produce one of three outcomes: the granting, postponement or the refusal of the discharge. Integral to the annual budgetary discharge procedure in the European Parliament are the hearings with Commissioners who are questioned by the Members of the European Parliament's Budgetary Control Committee regarding the policy areas under their responsibility. The final discharge report including specific request to the Commission for action is adopted in Plenary. The Council discharge recommendation is adopted by ECOFIN. Both, the European Parliament'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 requests made by the European Parliament and the Council’s recommendations.

EUROPEAN UNION
FINANCIAL YEAR 2013

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

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

BALANCE SHEET

EUR millions

	Note	31.12.2013	31.12.2012
NON-CURRENT ASSETS			
Intangible assets	2.1	237	188
Property, plant and equipment	2.2	6 104	5 978
Investments accounted for using the equity method	2.3	349	392
Financial assets	2.4	59 844	62 311
Receivables and recoverables	2.5	498	564
Pre-financing	2.6	38 072	44 505
		105 104	**113 938**
CURRENT ASSETS			
Inventories	2.7	128	138
Financial assets	2.8	5 571	1 981
Receivables and recoverables	2.9	13 182	14 039
Pre-financing	2.10	21 367	13 238
Cash and cash equivalents	2.11	9 510	10 674
		49 758	**40 070**
TOTAL ASSETS		**154 862**	**154 008**
NON-CURRENT LIABILITIES			
Pension and other employee benefits	2.12	(46 818)	(42 503)
Provisions	2.13	(1 323)	(1 258)
Financial liabilities	2.14	(54 153)	(57 232)
Other liabilities	2.15	(2 216)	(2 527)
		(104 510)	**(103 520)**
CURRENT LIABILITIES			
Provisions	2.16	(545)	(806)
Financial liabilities	2.17	(3 065)	(15)
Payables	2.18	(92 594)	(90 083)
		(96 204)	**(90 904)**
TOTAL LIABILITIES		**(200 714)**	**(194 424)**
NET ASSETS		**(45 852)**	**(40 416)**
Reserves	2.19	4 073	4 061
*Amounts to be called from Member States**	2.20	(49 925)	(44 477)
NET ASSETS		**(45 852)**	**(40 416)**

** The European Parliament adopted a budget on 20 November 2013 which provides for the payment of the EU's short-term liabilities from own resources to be collected by, or called up from, the Member States in 2014. 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	2013	2012
OPERATING REVENUE			
Own resource and contributions revenue	*3.1*	*141 241*	*130 919*
Other operating revenue	*3.2*	*8 414*	*6 826*
		149 655	**137 745**
OPERATING EXPENSES			
Administrative expenses	*3.3*	*(9 269)*	*(9 320)*
Operating expenses	*3.4*	*(138 571)*	*(124 633)*
		(147 840)	**(133 953)**
SURPLUS FROM OPERATING ACTIVITIES		**1 815**	**3 792**
Financial revenue	*3.5*	*2 038*	*2 157*
Financial expenses	*3.6*	*(2 045)*	*(1 942)*
Movement in pension and other employee benefits liability		*(5 565)*	*(8 846)*
Share of net deficit of joint ventures and associates	*3.7*	*(608)*	*(490)*
ECONOMIC RESULT OF THE YEAR		**(4 365)**	**(5 329)**

CASHFLOW STATEMENT

EUR millions

	Note	2013	2012
Economic result of the year		**(4 365)**	**(5 329)**
Operating activities	4.2		
Amortisation		*48*	*39*
Depreciation		*401*	*405*
(Increase)/decrease in loans		*20*	*(16 062)*
(Increase)/decrease in receivables and recoverables		*923*	*(4 837)*
(Increase)/decrease in pre-financing		*(1 695)*	*(2 013)*
(Increase)/decrease in inventories		*10*	*(44)*
Increase/(decrease) in provisions		*(196)*	*299*
Increase/(decrease) in financial liabilities		*(29)*	*16 017*
Increase/(decrease) in other liabilities		*(311)*	*468*
Increase/(decrease) in payables		*2 511*	*(1 390)*
Prior year budgetary surplus taken as non-cash revenue		*(1 023)*	*(1 497)*
Other non-cash movements		*(50)*	*260*
Increase/(decrease) in pension and employee benefits liability		*4 315*	*7 668*
Investing activities	4.3		
(Increase)/decrease in intangible assets and property, plant and equipment		*(624)*	*(1 390)*
(Increase)/decrease in investments accounted for using the equity method		*43*	*(18)*
(Increase)/decrease in available for sale financial assets		*(1 142)*	*(837)*
NET CASHFLOW		**(1 164)**	**(8 261)**
Net increase/(decrease) in cash and cash equivalents		*(1 164)*	*(8 261)*
Cash and cash equivalents at the beginning of the year	*2.11*	*10 674*	*18 935*
Cash and cash equivalents at year-end	*2.11*	*9 510*	*10 674*

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 31.12.2011	**(108)**	**3 716**	**(35 669)**	**(1 789)**	**(33 850)**
Movement in Guarantee Fund reserve	*-*	*168*	*(168)*	*-*	*0*
Fair value movements	*258*	*-*	*-*	*-*	*258*
Other	*-*	*21*	*(19)*	*-*	*2*
Allocation of the 2011 economic result	*-*	*6*	*(1 795)*	*1 789*	*0*
2011 budget result credited to Member States	*-*	*-*	*(1 497)*	*-*	*(1 497)*
Economic Result of the year	*-*	*-*	*-*	*(5 329)*	*(5 329)*
BALANCE AS AT 31.12.2012	**150**	**3 911**	**(39 148)**	**(5 329)**	**(40 416)**
Movement in Guarantee Fund reserve	*-*	*46*	*(46)*	*-*	*0*
Fair value movements	*(51)*	*-*	*-*	*-*	*(51)*
Other	*-*	*12*	*(9)*	*-*	*3*
Allocation of the 2012 economic result	*-*	*5*	*(5 334)*	*5 329*	*0*
2012 budget result credited to Member States	*-*	*-*	*(1 023)*	*-*	*(1 023)*
Economic result of the year	*-*	*-*	*-*	*(4 365)*	*(4 365)*
BALANCE AS AT 31.12.2013	**99**	**3 974**	**(45 560)**	**(4 365)**	**(45 852)**

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 2 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 of 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, this being 52 controlled entities, 5 joint ventures and 4 associates. The complete list of consolidated entities can be found in note **11.1** of the EU accounts. In comparison with 2012, the scope of consolidation has been extended by 1 controlled entity (agency). The impact of the additions on the consolidated financial statements is not material.

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. It is clear that an assessment for each entity needs to be made in order to decide whether one or all of the criteria listed above are sufficient to trigger control.

Under this approach, the EU's institutions (except the European Central Bank - 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-company transactions and balances between EU controlled entities are eliminated, while unrealised gains and losses on inter-entity transactions are not material and have therefore 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 initially recognised at cost. The EU's interest in the results of its jointly controlled entities is recognised in the statement of financial performance, and its interest in the movements in reserves is recognised in the reserves. The initial cost plus all movements (further contributions, share of economic results and reserve movements, impairments, and dividends) give the book value of the joint venture in the financial statements at the balance sheet date.

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

ASSOCIATES

Associates are entities over which the EU has, directly or indirectly, significant influence but not control. It is presumed that significant influence is given if the EU holds directly or indirectly 20 % or more of the voting rights.

Participations in associates are accounted for using the equity method, initially recognised at cost. The EU's share of its associates' results is recognised in the statement of financial performance, and its share of movements in reserves is recognised in the reserves. The initial cost plus all movements (further contributions, share of economic results and reserve movements, impairments, and dividends) give the book value of the associate in the financial statements at the balance sheet date. Distributions received from an associate reduce the carrying amount of the asset. Unrealised gains and losses on transactions between the EU and its associates are not material and have therefore not been eliminated.

The accounting policies of associates may differ from those adopted by the EU for like transactions and events in similar circumstances. 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.

NON-CONSOLIDATED ENTITIES THE FUNDS OF WHICH ARE MANAGED BY THE COMMISSION

The funds of the Sickness Insurance Scheme for staff of the EU, the European Development Fund and the Participant's Guarantee Fund are managed by the Commission on their behalf, however since these entities are not controlled by the EU they are therefore not consolidated in its financial statements – see note **11.2** of the EU accounts for further details on the amounts concerned.

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 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	31.12.2013	31.12.2012	Currency	31.12.2013	31.12.2012
BGN	**1.9558**	*1.9558*	**LTL**	**3.4528**	*3.4528*
CZK	**27.4270**	*25.1510*	**PLN**	**4.1543**	*4.0740*
DKK	**7.4593**	*7.4610*	**RON**	**4.4710**	*4.4445*
GBP	**0.8337**	*0.8161*	**SEK**	**8.8591**	*8.5820*
HRK	**7.6265**	*7.5575*	**CHF**	**1.2276**	*1.2072*
HUF	**297.0400**	*292.3000*	**JPY**	**144.7200**	*113.6100*
LVL	**0.7028**	*0.6977*	**USD**	**1.3791**	*1.3194*

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 receivables, accrued income and charges, contingent assets and liabilities, and degree of impairment of intangible assets and property, plant and equipment. 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. 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. Historical cost includes expenditure that is directly attributable to the acquisition or construction 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 to their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
Buildings	*4 %*
Plant, machinery and equipment	*10 % to 25 %*
Furniture	*10 % to 25 %*
Fixtures and fittings	*10 % to 33 %*
Vehicles	*25 %*
Computer hardware	*25 %*
Other tangible assets	*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 inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The rental obligations, net of finance charges, are included in other 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 assets' 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. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

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 amount. The recoverable 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 amount if the asset's carrying amount is greater than its estimated recoverable amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.5.4. Investments

Participations in associates and joint ventures

Participations in associates and joint ventures are accounted for using the equity method. The costs of equity are adjusted to reflect the share of increases or reductions in net assets of the associates and joint ventures that are attributable to the EU after initial recognition. 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.

Investments in venture capital funds

Investments in Venture Capital Funds are classified as available for sale financial assets (see **1.5.5**) 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 ("NAV"). 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.

1.5.5. 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 the 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. They are included in non-current assets, except for maturities within 12 months of the balance sheet date.

(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 time period in which the EU expects to dispose of them which is usually the remaining maturity at the balance sheet date. Investments in unconsolidated entities and other equity investments (e.g. Risk Capital Operations) that are not accounted for using the equity method 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 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 on borrowed funds 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 European Financial Stability Mechanism (EFSM), Balance of Payment (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 cash flows from the investments have expired or have been transferred and the EU has transferred substantially all risks and rewards of ownership.

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 their fair value are included in the statement of financial performance in the period in which they arise.

(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 their fair value are recognised in the fair value reserve. When such assets are sold 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 cash flow 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 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 cash flows 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 cash flows (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 cash flows of a collateralised financial asset reflects the cash flows 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.

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 pre-financing agreement. The float or advance is repaid or used for the purpose for which it was provided during the period defined in the agreement. If the beneficiary does not incur eligible expenditures, he has the obligation to return the pre-financing advance to the EU. The amount of the pre-financing is reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses) and amounts returned.

At year-end, outstanding pre-financing amounts are valued at the original amount(s) paid less: amounts returned, eligible amounts expensed, estimated eligible amounts not yet cleared at year-end, and value reductions.

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 in the balance sheet.

1.5.8. Receivables

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the EU will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. 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.

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 with banks, 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. 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 beneficiaries 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 expenditures 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). 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.

They 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 the purchase of goods or services – instead they are unpaid cost claims from beneficiaries of grants or other EU funding. 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.

1.5.14. Accrued and deferred income and charges

According to the EU accounting rules, transactions and events are recognised in the financial statements 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 reflect a true and fair view.

Revenue is also accounted for in the period to which it relates. 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 (i.e. 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.

1.6. STATEMENT OF FINANCIAL PERFORMANCE

1.6.1. Revenue

NON-EXCHANGE REVENUE

This makes up the vast majority of the EU's revenue and includes mainly direct and indirect taxes and own resource amounts. In addition to taxes the EU may also receive payments from other parties, such as duties, fines and donations.

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

Receivables 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 revenue. 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 (25 %). 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 principal of 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, it 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 receivable. If a guarantee is received instead of payment, the fine remains as a receivable. 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 receivable 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.

EXCHANGE REVENUE

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 cash flows 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 cash flows 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

Exchange expenses 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 cost.

Non-exchange expenses 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 a contract 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.

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

NON-CURRENT ASSETS

2.1. INTANGIBLE ASSETS

EUR millions

Gross carrying amount at previous year-end	*379*
Additions	*100*
Disposals	*(8)*
Other changes	*2*
Gross carrying amount at year-end	**473**
Accumulated amortisation at previous year-end	*(191)*
Amortisation charge for the year	*(48)*
Disposals	*5*
Other changes	*0*
Accumulated amortisation at year-end	**(235)**
Net carrying amount at year-end	**237**
Net carrying amount at previous year-end	*188*

The above amounts relate primarily to computer software.

2.2. PROPERTY, PLANT AND EQUIPMENT

Included under assets under construction at 31 December 2013 are EUR 1 041 million (2012: EUR 660 million) of assets relating to the Galileo project, the EU's Global Navigation Satellite System (GNSS), being built with the assistance of the European Space Agency (ESA). An amount of EUR 13 million of non-capitalisable development costs has been recognised as expenses during the period.

When completed, the system will comprise 30 satellites, 2 control centres and around 16 ground stations. The amount on the balance sheet reflects the capitalisable costs incurred by the Commission on this project since 22 October 2011, the date on which the first two satellites of the system were successfully launched. Prior to this date, and as explained in previous annual accounts, the Commission considered the project to be in a research phase, thus in accordance with the EU accounting rules all costs incurred were expensed. Since the beginning of the project and until the end of the current financial framework, the foreseen budget amounts to EUR 3 852 million. For the next financial framework, a further EUR 5 400 million is foreseen to be spent on; fully deploying the system, exploiting it, delivering Galileo services until 2020 and preparing the next generation of the constellation, and this will be entirely financed by the EU budget.

At the balance sheet date four satellites in total have been launched since October 2011 and once the subsequent testing of these is complete, this will end the In-Orbit Validation ("IOV") phase of the project. This phase had been jointly funded by the EU and ESA and according to the grant agreement concluded between the two parties, ESA shall make an official transfer of the constructed assets to the EU. This legal transfer will require the ESA Council's agreement, noting that all except two Member States of ESA (Norway and Switzerland), are also EU Member States. At this time, the Commission has no reason to believe that such a transfer would be blocked by any member of ESA.

PROPERTY, PLANT AND EQUIPMENT

EUR millions

	Land and Buildings	Plant and Equipment	Furniture and Vehicles	Computer Hardware	Other tangible assets	Finance leases	Assets under construction	Total
Gross carrying amount at previous year-end	*4 314*	*558*	*233*	*577*	*231*	*3 181*	*1 118*	*10 212*
Additions	*30*	*61*	*14*	*60*	*22*	*87*	*516*	*790*
Disposals	*0*	*(22)*	*(15)*	*(46)*	*(8)*	*0*	*0*	*(91)*
Transfer between asset categories	*312*	*11*	*(1)*	*2*	*3*	*(312)*	*(14)*	*0*
Other changes	*4*	*0*	*2*	*2*	*1*	*(264)*	*(21)*	*(276)*
Gross carrying amount at year-end	**4 660**	**608**	**233**	**595**	**248**	**2 692**	**1 599**	**10 635**
Accumulated depreciation at previous year-end	*(2 137)*	*(449)*	*(165)*	*(436)*	*(150)*	*(897)*	*0*	*(4 234)*
Depreciation charge for the year	*(143)*	*(47)*	*(15)*	*(69)*	*(23)*	*(103)*	*0*	*(401)*
Depreciation written back	*5*	*1*	*0*	*0*	*0*	*0*	*0*	*6*
Disposals	*1*	*21*	*15*	*46*	*8*	*0*	*0*	*91*
Transfer between asset categories	*(124)*	*0*	*0*	*(2)*	*1*	*126*	*0*	*1*
Other changes	*(1)*	*0*	*(2)*	*0*	*(1)*	*11*	*0*	*7*
Accumulated depreciation at year-end	**(2 399)**	**(474)**	**(167)**	**(461)**	**(165)**	**(863)**	**0**	**(4 531)**
NET CARRYING AMOUNT AT YEAR-END	**2 261**	**134**	**65**	**134**	**83**	**1 829**	**1 599**	**6 104**
NET CARRYING AMOUNT AT PREVIOUS YEAR-END	*2 177*	*109*	*67*	*142*	*81*	*2 284*	*1 118*	*5 978*

FINANCE LEASES

Charges still to be paid in respect of finance leases and similar entitlements are shown in non-current and current liabilities in the balance sheet (see note **2.15** and **2.18.3**).

EUR millions

Description	Cumulative charges (A)	Future amounts to be paid				Total value	Subsequent expenses on assets	Asset value	Depreciation	Net carrying amount
		< 1 year	> 1 year	> 5 years	Total Liability (B)	(A+B)	(C)	(A+ B+C)	(D)	(A+B+C+D)
Land and buildings	*772*	*76*	*344*	*1 403*	*1 823*	*2 595*	*57*	*2 653*	*(838)*	*1 815*
Other tangible assets	*24*	*6*	*9*	*1*	*15*	*39*	*-*	*39*	*(25)*	*14*
Total at year-end	**796**	**82**	**353**	**1 403**	**1 838**	**2 634**	**57**	**2 692**	**(863)**	**1 829**
Interest element		*89*	*319*	*481*	*889*					
Total future minimum lease payments at year-end		**171**	**672**	**1 884**	**2 727**					
Total future minimum lease payments at previous year-end		*155*	*660*	*2 189*	*3 003*					

2.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

EUR millions

	Note	31.12.2013	31.12.2012
Participations in joint ventures	*2.3.1*	*0*	*42*
Participations in associates	*2.3.2*	*349*	*350*
Total		**349**	**392**

2.3.1. Participations in joint ventures

EUR millions

	GJU	SESAR	ITER	IMI	FCH	Total
Amount at 31.12.2012	*0*	*0*	*10*	*32*	*0*	*42*
Contributions	*0*	*78*	*121*	*126*	*56*	*380*
Share of net result	*0*	*(78)*	*(130)*	*(158)*	*(56)*	*(422)*
Amount at 31.12.2013	**0**	**0**	**0**	**0**	**0**	**0**

Participations in joint ventures are accounted for using the equity method. The following carrying amounts are attributable to the Commission based on its percentage of participation:

EUR millions

	31.12.2013	31.12.2012
Non-current assets	*198*	*226*
Current assets	*63*	*106*
Non-current liabilities	*0*	*0*
Current liabilities	*(394)*	*(291)*
Revenue	*1*	*8*
Expenses	*(412)*	*(427)*

GALILEO JOINT UNDERTAKING (GJU) IN LIQUIDATION

The Galileo Joint Undertaking (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 2013.

SESAR JOINT UNDERTAKINKG

The aim of this Joint Undertaking is to ensure the modernisation of the European air traffic management system and the rapid implementation of the European air traffic management Master Plan by coordinating and concentrating all relevant research and development efforts in the EU. At 31 December 2013, the Commission held 46.26 % of the ownership participation in SESAR. The total Commission contribution foreseen for SESAR (from 2007 to 2013) is EUR 700 million. The cumulative unrecognised share of losses is EUR 205 million. 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.

ITER INTERNATIONAL FUSION ENERGY ORGANISATION (ITER)

ITER involves the EU and China, India, Russia, South Korea, Japan and USA. ITER was created to; manage the ITER facilities, to encourage the exploitation of the ITER facilities, to promote public understanding and acceptance of fusion energy, and to undertake any other activities that are necessary to achieve its purpose. The EU (Euratom) contribution to ITER International is given through the Fusion for Energy Agency, including also the contributions from Member States and from Switzerland. The total contribution is legally considered as a Euratom contribution to ITER since the Member States and Switzerland do not have ownership interests in ITER. As the EU legally holds the participation in the joint venture ITER International, the Commission must recognise the participation in its accounts. At 31 December 2013, the Commission held 43.33 % of the ownership participation in ITER. The total (indicative) Euratom contribution foreseen for ITER (from 2007 to 2041) is EUR 8 949 million.

Joint Technology Initiatives

Public private partnerships in the form of Joint Technology Initiatives, which were implemented through Joint Undertakings 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. IMI and FCH (see below) are included under this heading but three others, ARTEMIS, Clean Sky and ENIAC (see below note **2.3.2**), although legally referred to as joint undertakings, from an accounting perspective must be considered as associates (and so included as such in note **2.3.2**) because the Commission has a significant influence, not joint control, over them.

IMI JOINT TECHNOLOGY INITIATIVE ON INNOVATIVE MEDICINES

The IMI Joint Undertaking supports pre-competitive pharmaceutical research and development in the Member States and associated countries, aiming at increasing the research investment in the biopharmaceutical sector and promotes the involvement of small and medium-sized enterprises (SME) in its activities. At 31 December 2013, the Commission held 74.16 % of the ownership participation in IMI. The maximum indicative contribution of the Commission shall amount to EUR 1 billion up to 31.12.2017. The cumulative unrecognised share of losses is EUR 16 million.

FCH FUEL CELLS AND HYDROGEN JOINT UNDERTAKING

The objective of the FCH Joint Undertaking is to combine resources from the public and private sectors to strengthen research activities with a view to increasing the overall efficiency of European research efforts and accelerate the development and deployment of fuel cell and hydrogen technologies. At 31 December 2013, the Commission held 74.20 % of the ownership participation in FCH. The maximum indicative contribution of the EU shall amount to EUR 470 million up to 31.12.2017. The cumulative unrecognised share of losses is EUR 67 million.

2.3.2. Participations in associates

EUR millions

	EIF	ARTEMIS	Clean Sky	ENIAC	Total
Amount at 31.12.2012	*336*	*0*	*0*	*14*	*350*
Contributions	*(2)*	*20*	*125*	*37*	*180*
Share of net result	*9*	*(20)*	*(125)*	*(50)*	*(186)*
Other equity movements	*6*	*0*	*0*	*0*	*6*
Amount at 31.12.2013	**349**	**0**	**0**	**0**	**349**

Participations in associates are accounted for using the equity method. The following carrying amounts are attributable to the Commission based on its percentage of participation:

EUR millions

	31.12.2013	31.12.2012
Assets	*499*	*505*
Liabilities	*(240)*	*(191)*
Revenue	*37*	*33*
Surplus/(Deficit)	*(221)*	*(177)*

European Investment Fund

The European Investment Fund (EIF) is the EU's financial institution specialising in providing risk capital and guarantees to SMEs. The Commission has paid in 20 % of its participation, the balance being uncalled corresponding to an amount of EUR 720 million.

EUR millions

	Total EIF capital	Commission subscription
Total Share Capital	*3 000*	*900*
Paid-in	*(600)*	*(180)*
Uncalled	**2 400**	**720**

ARTEMIS JOINT UNDERTAKING

This entity was created to implement a Joint Technology Initiative with the private sector on Embedded Computing Systems. The maximum indicative contribution of the Commission shall amount to EUR 420 million. The cumulative unrecognised share of losses is EUR 9 million (94.57 % ownership participation).

CLEAN SKY JOINT UNDERTAKING

The aim of this entity is to accelerate the development, validation and demonstration of clean air transport technologies in the EU and in particular to create a radically innovative Air Transport System with the target of reducing the environmental impact of air transport. The maximum indicative contribution of the Commission shall amount to EUR 800 million. The cumulative unrecognised share of losses is EUR 72 million (57.80 % ownership participation).

ENIAC JOINT UNDERTAKING

The aim of ENIAC is to define a commonly agreed research agenda in the field of nano-electronics in order to set research priorities for the development and adoption of key competences in that area. These objectives will be pursued by pooling resources from the public and private sectors to support R&D activities in the form of projects. The total commitment of the EU shall amount to EUR 450 million. At 31 December 2013, the Commission held 95.41 % of the ownership participation in ENIAC. The cumulative unrecognised share of losses is EUR 26 million.

2.4. NON-CURRENT FINANCIAL ASSETS

EUR millions

	Note	31.12.2013	31.12.2012
Available for sale financial assets	*2.4.1*	*5 497*	*4 870*
Loans	*2.4.2*	*54 347*	*57 441*
Total		**59 844**	**62 311**

2.4.1. Non-current available for sale financial assets

EUR millions

	31.12.2013	31.12.2012
*Guarantee Fund**	*1 412*	*1 327*
ECSC in liquidation	*1 129*	*1 102*
BUFI investments	*1 013*	*832*
Risk Sharing Finance Facility (RSFF)	*789*	*593*
ETF Start up	*339*	*305*
European Bank for Reconstruction & Development	*188*	*188*
Risk Capital Operations	*124*	*123*
Loan Guarantee Instrument for TEN-T projects (LGTT)	*90*	*52*
European Chemicals Agency	*0*	*52*
Other available for sale investments	*413*	*296*
Total	**5 497**	**4 870**

** The Guarantee Fund holds EFSM bonds (EUR 20 million) issued by the Commission, so these have been eliminated.*

GUARANTEE FUND

The Guarantee Fund for external actions covers loans guaranteed by the EU as a result of a Council Decision, in particular European Investment Bank (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 to cover any defaulting loans guaranteed by the EU. The Fund is endowed by payments from the general budget of the EU equivalent to 9 % of the capital value of the operations, 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 shall be 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.

BUFI INVESTMENTS

Provisionally cashed fines are since 1 January 2010 managed by the Commission in a specifically created fund (BUFI) and invested in financial instruments categorised as available for sale financial assets (see note **8.2**).

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 foreseen for the period 2007 to 2013, of which up to EUR 800 million are from the “Cooperation” and up to EUR 200 million from the “Capacities” specific programmes. The EIB has committed itself to provide the same amount.

At 31 December 2013 the Commission had contributed, including also EFTA and third country contributions, EUR 1 231 million to the RSFF. The amount disclosed as a contingent liability (note **5.2.1**), EUR 958 million, represents the estimated maximum loss at 31 December 2013 that the Commission would suffer in case of defaults on loans or guarantees given by the EIB within the framework of the RSFF. It should be noted that the Commission's overall risk is limited to the amount it contributes to the Facility.

ETF start up

The European Technology Facility (ETF) start-up covers the Growth & Employment programme, the Multi-annual Programme for enterprise and entrepreneurship (MAP) programme, the Competitiveness and Innovation framework Programme (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. At year-end, a further EUR 132 million relating to ETF Start-up had been committed to, but not yet been drawn down by the other parties.

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

EBRD	Total EBRD capital	Commission subscription
Total Share Capital	*29 601*	*900*
Paid-in	*(6 202)*	*(188)*
Uncalled	**23 399**	**712**

Risk Capital Operations

Under Risk Capital Operations amounts are granted to financial intermediaries to finance equity investments. They are managed by EIB and financed under the European Neighbourhood Policy.

LOAN GUARANTEE INSTRUMENTS FOR TEN-T PROJECTS

The Loan Guarantee Instrument for Ten-T Projects (LGTT) issues guarantees so as to mitigate revenue risk in the early years of TEN-Transport projects. Specifically the guarantee would fully cover stand-by credit lines, which would only be drawn upon in cases where project cash flows are insufficient to service senior debt. The instrument is a joint financial product of the Commission and the EIB. The Commission shall allocate a maximum amount of EUR 250 million to the LGTT over the period 2007-2013.

At 31 December 2013 the Commission had contributed EUR 162 million to the LGTT. At end 2013, EUR 522 million of loans have been signed and are thus covered by the guarantee. The amount recognised as a contingent liability (EUR 39 million), represents the estimated maximum loss at 31 December 2013 that the Commission would suffer in case of defaults on loans given by the EIB within the framework of the LGTT operations. It should be noted that the Commission's overall risk is limited to the amount it contributes to the Instrument.

Other available for sale investments

The main amounts included under other non-current available for sale investments above are the **European Fund for South East Europe** (EUR 116 million) and the **Global Energy Efficiency and Renewable Energy Fund** (EUR 67 million).

2.4.2. Non-current loans

EUR millions

	Note	31.12.2013	31.12.2012
Loans granted from the EU budget & ECSC	*2.4.2.1*	*151*	*162*
Loans granted from borrowed funds	*2.4.2.2*	*54 196*	*57 279*
Total		**54 347**	**57 441**

2.4.2.1.Loans granted from the European Union budget and the ECSC in Liquidation

EUR millions

	Loans with special conditions	ECSC housing loans	Total
Total at 31.12.2012	*146*	*16*	*162*
New loans	*4*	*0*	*4*
Repayments	*(18)*	*(5)*	*(23)*
Exchange differences	*(6)*	*0*	*(6)*
Changes in carrying amount	*12*	*1*	*13*
Total at 31.12.2013	**138**	**12**	**151**

Loans with special conditions are granted at preferential rates as part of co-operation with non-member countries. All amounts fall due more than 12 months after year-end. The effective interest rates on these loans vary between 7.73 % and 14.507 %.

2.4.2.2. Loans granted from borrowed funds

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liquidation	Total
Total at 31.12.2012	*549*	*425*	*11 623*	*44 476*	*221*	*57 294*
New loans	*100*	*-*	*-*	*-*	*-*	*100*
Repayments	*(81)*	*(36)*	*-*	*-*	*-*	*(117)*
Exchange differences	*-*	*(1)*	*-*	*-*	*(5)*	*(6)*
Changes in carrying amount	*1*	*(1)*	*-*	*(8)*	*(5)*	*(13)*
Total at 31.12.2013	**569**	**387**	**11 623**	**44 468**	**211**	**57 258**
Amount due < 1 year	**31**	**-**	**3 033**	**-**	**-**	**3 064**
Amount due > 1 year	**538**	**387**	**8 590**	**44 468**	**211**	**54 195**

For more information on borrowing and lending activities, see note **7**.

2.5. NON-CURRENT RECEIVABLES AND RECOVERABLES

EUR millions

	31.12.2013	31.12.2012
Member States	*478*	*545*
Other	*20*	*19*
Total	**498**	**564**

Of the total non-current receivables, EUR 483 million (2012: EUR 550 million) relates to non-exchange transactions. The 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).

2.6. NON-CURRENT PRE-FINANCING

EUR millions

	Note	31.12.2013	31.12.2012
Pre-financing	*2.6.1*	*34 819*	*40 790*
Prepaid expenses	*2.6.2*	*3 253*	*3 715*
Total		**38 072**	**44 505**

2.6.1. Pre-financing

The timing of the recoverability or utilisation of the pre-financing governs whether it is disclosed as current or non-current pre-financing. The utilisation is defined by the project's underlying agreement. All repayments or utilisation due before twelve months of the reporting date is disclosed as current pre-financing.

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 float 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.

Certain pre-financing amounts paid out under the 7th Research Framework Programme for research and technological development (FP7) are effectively covered by a Participants Guarantee Fund (PGF) – the amount of pre-financing paid out in 2013 totalled EUR 4.5 billion (2012: EUR 4 billion). This fund is a separate entity from the EU and is not consolidated in these accounts – see note **11.2.3.**

EUR millions

Management Type	31.12.2013	31.12.2012
Direct centralised management	*1 526*	*1 249*
Indirect centralised management	*772*	*1 042*
Decentralised management	*646*	*677*
Shared management	*31 104*	*37 214*
Joint management	*694*	*592*
Implemented by other Institutions & Agencies	*77*	*16*
Total	**34 819**	**40 790**

Article 58 of the new Financial Regulation which partly revised the methods of implementation of the budget shall only apply as of 1 January 2014.

The most significant non-current pre-financing amounts relate to Structural Actions for the 2007-2013 programming period: the regional development fund (ERDF) and the cohesion fund (CF) EUR 19.6 billion, the social fund (ESF) EUR 5.6 billion, the agricultural fund for rural development (EAFRD) EUR 5.2 billion and the fisheries fund (EFF) EUR 0.6 billion. As many of these projects are long-term in nature, it is necessary that the related advances are available for more than one year. Thus these pre-financing amounts are shown as non-current assets. The programming period 2007-2013 is approaching its closing phase and thus the related pre-financing gradually becomes due within twelve months. Therefore, the non-current pre-financing is decreasing while the current pre-financing is increasing (see note **2.10**).

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 2013 the "nominal" value of guarantees received in respect of pre-financing amounted to EUR 1 124 million while the "on-going" value of those guarantees was EUR 887 million (2012: EUR 1 348 million and EUR 1 083 million respectively).

2.6.2. Prepaid expenses

EUR millions

	31.12.2013	31.12.2012
Financial Engineering Instruments	*2 118*	*2 717*
Aid Schemes	*1 135*	*998*
Total	**3 253**	**3 715**

Under the framework of the structural funds programmes 2007-2013, payments can be made from the EU budget to Member States so as to contribute to Financial Engineering Instruments (be it in the form of loans, equity investments or guarantees) set up and managed under the responsibility of the Member States. Monies that are unused by these instruments at year-end are the property of the EU (as with standard pre-financing) and are thus treated as an asset on the Commission’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 identify them in the statements of expenditure submitted to the Commission. Thus, and on the basis of information received from Member States on the utilisation of funds, an estimation is made at each year-end of the value of this asset.

Similar to the above, advances paid by the Member States that were not used at year end are recorded as assets on the Commission's balance sheet. Member States may pay such advances for various aid schemes (state aid, market measures of EAGF). 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 heading.

CURRENT ASSETS

2.7. INVENTORIES

EUR millions

	31.12.2013	31.12.2012
Scientific materials	*81*	*81*
Other	*47*	*57*
Total	**128**	**138**

2.8. CURRENT FINANCIAL ASSETS

EUR millions

	Notes	31.12.2013	31.12.2012
Available for sale financial assets	*2.8.1*	*2 373*	*1 858*
Loans	*2.8.2*	*3 198*	*123*
Total		**5 571**	**1 981**

2.8.1. Current available for sale financial assets

Available for sale financial assets are purchased for their investment return or yield, or held to establish a particular asset structure or a secondary source of liquidity and may therefore be sold in response to needs for liquidity or changes in interest rates. The following table provides an overview of available for sale financial assets with a remaining maturity before end 2014:

EUR millions

	31.12.2013	31.12.2012
BUFI investments	*897*	*845*
ECSC in liquidation	*567*	*490*
Risk Sharing Finance Facility (RSFF)	*408*	*160*
Guarantee Fund	*361*	*268*
European Chemicals Agency	*76*	*69*
Loan Guarantee Instrument for TEN-T projects (LGTT)	*31*	*23*
Other available for sale investments	*33*	*3*
Total	**2 373**	**1 858**

2.8.2. Current loans

Included under this heading are mainly loans with remaining final maturities less than 12 months after the balance sheet date (see note **2.4.2.2** above for more details). The increase compared to last year is due to repayments of BOP loans scheduled for 2014 (Hungary EUR 2 billion and Latvia EUR 1 billion).

2.9. CURRENT RECEIVABLES AND RECOVERABLES

EUR millions

	Note	31.12.2013	31.12.2012
Fines	*2.9.1*	*4 071*	*4 090*
Member States	*2.9.2*	*5 574*	*6 270*
Accrued income and deferred charges	*2.9.3*	*3 095*	*3 368*
Other receivables & recoverables	*2.9.4*	*442*	*311*
Total		**13 182**	**14 039**

The total above contains an estimated EUR 12 638 million (2012: EUR 13 729 million) relating to non-exchange transactions.

2.9.1. Fines

This concerns amounts to be recovered relating to fines issued by the Commission of EUR 4 310 million (2012: EUR 4 357 million) less a write-down of EUR 239 million (2012: EUR 267 million). Guarantees totalling EUR 3 244 million had been received for the fines outstanding at year-end (2012: EUR 2 513 million). It should be noted that EUR 1 032 million of these receivables were due for payment after 31 December 2013.

2.9.2. Member States

EUR millions

	31.12.2013	31.12.2012
EAGF and Rural Development receivables		
European Agricultural Guarantee Fund (EAGF)	*1 858*	*1 172*
European Agricultural Fund for Rural Development (EAFRD)	*41*	*14*
Temporary Rural Development Instrument (TRDI)	*45*	*44*
Special Accession Programme for Agriculture and Rural Development (SAPARD)	*155*	*136*
Write-down	(819)	(814)
Total	**1 279**	**552**
VAT paid and recoverable	**68**	**44**
Own resources		
Established in the A account	*47*	*45*
Established in the separate account	*1 228*	*1 294*
Own resources to be received	*3 054*	*3 617*
Write-down	*(743)*	*(773)*
Other	6	16
Total	**3 592**	**4 199**
Other receivables from Member States		
Pre-financing recovery expected	*542*	*1 220*
Other	94	255
Total	**636**	**1 475**
Total	**5 574**	**6 270**

The increase in agriculture-related receivables is mainly explained by non-executed clearance decisions as in some cases the date of implementation is deferred by several years, and in other cases decisions are executed in deferred annual instalments. This is the case for Member States subject to financial assistance in accordance with the European Financial Stability Framework Agreement signed on 7 June 2010.

The amount of own resources to be received relates to the Amending Budget 8/2013 adopted on 20 November 2013. According to Article 10 of Council Regulation 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000) the entries corresponding to the readjustments of GNI contributions were carried out on the first working day of January 2014. It is to be noted that certain Member States have anticipated their payments, which explains why the amount to be received is lower than the contribution requested in this amending budget.

EAGF and Rural Development receivables

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 receivables 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.

Own resources receivables

It should be noted that Member States are entitled to withhold 25 % of traditional own resources as collection costs, thus the above figures are shown net of this deduction. Based on the estimations sent by Member States, a write-down has been deducted from receivables from Member States. However, this does not mean that the Commission is waiving recovery of the amounts covered by this value adjustment.

2.9.3. Accrued income and deferred charges

EUR millions

	31.12.2013	31.12.2012
Accrued income	*2 709*	*3 002*
Deferred charges	*368*	*351*
Other	*18*	*15*
Total	**3 095**	**3 368**

The main amount under this heading is accrued income:

EUR millions

	31.12.2013	31.12.2012
Own resources	*2 424*	*2 388*
Agricultural assigned revenue November & December	*0*	*218*
Cohesion, Regional & Rural Development Funds: financial corrections	*31*	*276*
Other accrued income	*254*	*120*
Total	**2 709**	**3 002**

Amounts shown under own resources (EUR 2 424 million) are mainly accrued custom duties of November and December 2013. It should be noted that agricultural assigned revenue for November and December (EUR 131 million) are now disclosed under current receivables.

2.9.4. Other receivables and recoverables

Included under this heading are mainly recovery of pre-financing amounts, recovery of expenses as well as other revenue from administrative and operational actions.

2.10. CURRENT PRE-FINANCING

EUR millions

	Note	31.12.2013	31.12.2012
Pre-financing	*2.10.1*	*16 403*	*9 548*
Prepaid expenses	*2.10.2*	*4 963*	*3 690*
Total		**21 367**	**13 238**

2.10.1. Pre-financing

EUR millions

Management Type	31.12.2013	31.12.2012
Direct centralised management	*3 848*	*3 289*
Indirect centralised management	*4 711*	*3 908*
Decentralised management	*250*	*301*
Shared management	*6 263*	*1 008*
Joint management	*1 018*	*844*
Implemented by other Institutions & Agencies	*313*	*198*
Total	**16 403**	**9 548**

Article 58 of the new Financial Regulation which partly revised the methods of implementation of the budget shall only apply as of 1 January 2014.

The increase in current pre-financing is mostly related to shared management. As explained under note **2.6** the structural funds programs are entering in the final phase of the programming period 2007-2013. As a consequence a large portion (EUR 6.1 billion) of previously non-current pre-financing became current at 31 December 2013.

There is also an increase under direct centralised management and indirect centralised management. In both cases, this increase is mostly due to the final phase of the 7th Research Framework Programme for research and technological development (FP7) which is marked by the signing of the last agreements leading to new pre-financing payments of approximately EUR 2.8 billion under direct centralised management and EUR 1.4 billion under indirect centralised management. In parallel, projects under older agreements have been completed and the related pre-financing payments have been cleared.

2.10.2. Prepaid expenses

EUR millions

	31.12.2013	31.12.2012
Financial Engineering Instruments	*2 118*	*1 358*
Aid Schemes	*2 845*	*2 332*
Total	**4 963**	**3 690**

The variation of the amounts disclosed under this heading is due mainly to the Member States' increased contribution to Financial Engineering Instruments in the area of regional development.

2.11. CASH AND CASH EQUIVALENTS

EUR millions

	Note	31.12.2013	31.12.2012
Unrestricted cash:	2.11.1		
Accounts with Treasuries and Central Banks		*2 790*	*2 203*
Current accounts		*838*	*967*
Imprest accounts		*39*	*38*
Transfers (cash in transit)		*(1)*	*(1)*
Total		**3 665**	**3 207**
Cash belonging to financial instruments & term deposits	2.11.2	**1 680**	**2 345**
Restricted cash and cash equivalents	2.11.3	**4 165**	**5 122**
Total		**9 510**	**10 674**

2.11.1. Unrestricted cash

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

Unrestricted cash at 31 December 2013 includes EUR 1.1 billion of own resources contributions due by Members States on 1 January 2014 which were received some days in advance. Furthermore, the year-end balance contains EUR 1.3 billion of competition fines, mostly cashed by the Commission in the last weeks of 2013 which were not yet returned to Member States via an Amending Budget.

2.11.2. Cash belonging to financial instruments & term deposits

Amounts shown under this heading are mainly cash equivalents (EUR 1 434 million) managed by fiduciaries on behalf of the Commission for the purpose of implementing particular financial instruments programmes funded by the EU budget and other term deposits (EUR 245 million). The cash belonging to financial instruments can thus only be used in the financial instruments programme concerned. At year-end, EUR 138 million had been committed to financial instruments managed by fiduciaries, but had not yet been drawn down by the other parties.

2.11.3. Restricted cash and cash equivalents

Restricted cash refers to amounts received in connection with fines issued by the Commission for which the case is still open. These are kept in specific deposit accounts that are not used for any other activities. In case 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 restricted cash is due to the fact that 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 (see notes **2.4.1** and **2.8.1**).

NON-CURRENT LIABILITIES

2.12. PENSION AND OTHER EMPLOYEE BENEFITS

EUR millions

	31.12.2013	31.12.2012
Pensions – staff	*40 933*	*37 528*
Pensions – others	*1 016*	*968*
Joint Sickness Insurance Scheme	*4 869*	*4 007*
Total	**46 818**	**42 503**

2.12.1. Pensions – staff

In accordance with Article 83 of the Staff Regulations, the payment of the benefits provided for in the staff pension scheme (PSEO: Pension Scheme of European Officials) constitutes a charge to the EU's budget. The scheme is not funded, but the Member States guarantee the payment of these benefits collectively according to the scale fixed for the financing of this expense. In addition, officials contribute one third to the long-term financing of this scheme via a compulsory contribution.

The liabilities of the pension scheme were assessed on the basis of the number of staff and retired staff at 31 December 2013 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 method used to calculate this liability is the projected unit credit method. The main actuarial assumptions available at the valuation date and used on the valuation were as follows:

Actuarial assumptions - staff pension liability	31.12.2013	31.12.2012
Nominal discount rate	3.7 %	3.6 %
Expected inflation rate	1.9 %	2.0 %
Real discount rate	1.8 %	1.6 %
Probability of marriage: man/woman	81 %/49 %	84 %/38 %
General salary growth/pension revaluation	0 %	0 %
International Civil Servants Life Table (ICSLT)	*ICSLT 2013*	*ICSLT 2008*

EUR millions

Movement in gross employee benefits liability	Staff pension liability	Sickness Insurance
Gross liability at previous year-end	**41 961**	**4 278**
Service/normal cost	*1 928*	-
Interest cost	*1 603*	*162*
Benefits paid	*(1 288)*	*(11)*
Actuarial losses	*1 499*	*704*
Change due to newcomers	*244*	-
Gross liability at year-end	**45 947**	**5 133**
Correction coefficients applied to pensions	*959*	*N/A*
Deduction of taxes on pensions	*(5 973)*	*N/A*
Plan assets	*N/A*	*(264)*
Net liability at year-end	**40 933**	**4 869**

2.12.2. Pensions – Others

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.

2.12.3. Joint Sickness Insurance Scheme

A valuation is also made for the estimated liability that the EU has regarding its contributions to the Joint Sickness Insurance Scheme in relation to its retired staff. The gross liability has been valued at EUR 5 133 million (2012: EUR 4 278 million) and plan assets of EUR 264 million (2012: EUR 271 million) are deducted from the gross liability to arrive at the net amount. The discount rate and the general salary growth used in the calculation are the same as those used in the staff pension valuation.

2.13. NON-CURRENT PROVISIONS

EUR millions

	Amount at 31.12.2012	Additional provisions	Unused amounts reversed	Amounts used	Transfer to current	Change in estimation	Amount at 31.12.2013
Legal cases	*132*	*180*	*(51)*	*(3)*	*-*	*-*	*258*
Nuclear site dismantling	*997*	*-*	*-*	*(2)*	*(30)*	*(32)*	*933*
Financial	*108*	*45*	*-*	*-*	*(38)*	*(4)*	*111*
Other	*21*	*2*	*(2)*	*0*	*-*	*-*	*21*
Total	**1 258**	**227**	**(53)**	**(5)**	**(68)**	**(36)**	**1 323**

Legal cases

This is the estimate of amounts that will probably have to be paid out more than 12 months after the year-end in relation to a number of on-going legal cases. The additional legal cases provisions concern mostly new court cases in the area of agriculture and cohesion.

Nuclear site dismantlement

In 2012 a consortium of independent experts made an update of their 2008 study on the estimated costs of the decommissioning of the Joint Research Centre (JRC) nuclear facilities and waste management programme. Their revised estimate of EUR 989 million (previously EUR 1 222 million) is taken as the basis for the provision to be included in the accounts. 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). 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 entered.

Financial provisions

These concern mainly provisions which represent the estimated losses that will be incurred in relation to the guarantees given under the SME Guarantee Facility 1998, the SME Guarantee Facility 2001 and the SME Guarantee Facility 2007 under the Competitiveness and Innovation framework Programme (CIP) and the European Progress Microfinance Facility (Guarantee), where the European Investment Fund (EIF) is empowered to issue guarantees in its 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).

2.14. NON-CURRENT FINANCIAL LIABILITIES

EUR millions

	Note	31.12.2013	31.12.2012
Non-current borrowings	*2.14.1*	*54 173*	*57 252*
*Elimination Guarantee Fund**		*(20)*	*(20)*
Total		**54 153**	**57 232**

** The Guarantee Fund holds EFSM bonds issued by the Commission, so these need to be eliminated.*

Non-current borrowings

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liqui-dation	Total
Total at 31.12.2012	*549*	*425*	*11 623*	*44 476*	*194*	*57 267*
New borrowings	*100*	-	-	-	-	*100*
Repayments	*(81)*	*(36)*	-	-	-	*(117)*
Exchange differences	-	*(1)*	-	-	*(4)*	*(5)*
Changes in carrying amount	*1*	*(1)*	-	*(8)*	-	*(8)*
Total at 31.12.2013	**569**	**387**	**11 623**	**44 468**	**190**	**57 237**
Amount due < 1 year	**31**	**-**	**3 033**	**-**	**-**	**3 064**
Amount due > 1 year	**538**	**387**	**8 590**	**44 468**	**190**	**54 173**

This heading includes borrowings due by the EU maturing in over one year. Borrowings include debts evidenced by certificates amounting to EUR 56 981 million (2012: EUR 57 026 million). The changes in carrying amount correspond to the change in accrued interests. For more information on borrowing and lending activities, see note **7**.

2.15. OTHER NON-CURRENT LIABILITIES

EUR millions

	31.12.2013	31.12.2012
Finance leasing debts	*1 756*	*2 040*
Buildings paid for in instalments	*336*	*352*
Other	*124*	*135*
Total	**2 216**	**2 527**

CURRENT LIABILITIES

2.16. CURRENT PROVISIONS

EUR millions

	Amount at 31.12.2012	Additional provisions	Unused amounts reversed	Amounts used	Transfers from non-current	Change in estimation	Amount at 31.12.2013
Legal cases	*224*	*8*	*(2)*	*(2)*	*0*	*1*	*229*
Nuclear site dismantlement	*29*	*0*	*0*	*(29)*	*30*	*0*	*30*
Financial	*188*	*53*	*(45)*	*(55)*	*38*	*(8)*	*171*
Other	*365*	*4*	*(114)*	*(139)*	*0*	*(1)*	*115*
Total	**806**	**65**	**(161)**	**(225)**	**68**	**(8)**	**545**

2.17. CURRENT FINANCIAL LIABILITIES

This heading relates to the portion of non-current borrowings (see note **2.14**) that mature during the 12 months following the balance sheet date. The increase compared to last year is due to repayments of BOP loans scheduled for 2014 (Hungary EUR 2 billion and Latvia EUR 1 billion).

2.18. PAYABLES

EUR millions

	Note	31.12.2013	31.12.2012
Accrued charges and deferred income	*2.18.1*	*56 282*	*68 436*
Payables	*2.18.2*	*36 213*	*21 558*
Current portion of non-current liabilities	*2.18.3*	*99*	*89*
Total		**92 594**	**90 083**

2.18.1. Accrued charges and deferred income

EUR millions

	31.12.2013	31.12.2012
Accrued charges	*56 062*	*68 216*
Deferred income	*190*	*201*
Other	*30*	*19*
Total	**56 282**	**68 436**

The split of accrued charges is as follows:

EUR millions

	31.12.2013	31.12.2012
European Agricultural Guarantee Fund:		
Direct aid and interventions in agricultural markets	*33 489*	*44 532*
Other	*2*	*1*
Rural Development:		
EAFRD	12 255	12 463
Other	203	34
	45 949	**57 030**
Structural Actions:		
European Fisheries Fund / Financial Instruments for Fisheries Guidance	*48*	*66*
European Regional Development Fund and Cohesion Fund	*4 356*	*4 359*
Instrument for Structural Policies for pre-Accession	*114*	*382*
European Social Fund	1 100	1 378
	5 618	**6 185**
Other accrued charges:		
Research & Development	*1 172*	*1 077*
Other	3 323	3 924
	4 495	**5 001**
Total	**56 062**	**68 216**

2.18.2. Payables

EUR millions

	31.12.2013	31.12.2012
Member States	*37 481*	*23 029*
Suppliers and other	*1 650*	*1 704*
Estimated non-eligible amounts and pending pre-payments	*(2 918)*	*(3 175)*
Total	**36 213**	**21 558**

Payables include cost statements received by the Commission under the framework of the 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 for 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). In order not to overestimate assets and liabilities, it was decided to present the net amount under current liabilities.

Member States

Payables to Member States relate primarily to unpaid cost claims for structural actions (EUR 20.8 billion for ERDF and CF and EUR 4.2 billion for ESF).

Furthermore, the amount includes EUR 11.3 billion for the European Agricultural Guarantee Fund (EAGF). In order to better present the economic reality, from 2013 onwards, amounts related to EAGF for which payment was due on the first working day of January of the following year are recorded as amounts payable instead of accrued charges. Had the current approach been followed in the 2012 accounts, the amount of Member States payables would have been EUR 11.9 billion higher (i.e. EUR 34.9 billion).

The remaining EUR 1.2 billion Member State payables mainly concern fisheries and maritime policies (EUR 0.6 billion) and rural development (EUR 0.2 billion).

Suppliers and other

Included under this heading are sundry payables, amounts owed following grant and procurement activities, as well as amounts payable to public bodies and non-consolidated entities.

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 ineligible. The largest amounts concern the Structural Actions Directorates-General. Payables are also reduced by the part of requests for reimbursement received corresponding to prepaid expenditure still to pay at year end (EUR 2.2 billion).

2.18.3. Current portion of non-current liabilities

EUR millions

	31.12.2013	31.12.2012
Finance leasing debts	*82*	*70*
Other	*17*	*19*
Total	**99**	**89**

NET ASSETS

2.19. RESERVES

EUR millions

	Note	31.12.2013	31.12.2012
Fair value reserve	*2.19.1*	*99*	*150*
Guarantee Fund reserve	*2.19.2*	*2 125*	*2 079*
Other reserves	*2.19.3*	*1 849*	*1 832*
Total		**4 073**	**4 061**

2.19.1. Fair value reserve

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

In 2013 a net EUR 29 million (2012: EUR 5 million) of accumulated fair value increases have been taken out of the fair value reserve and recognised in the statement of financial performance relating to available for sale financial assets.

2.19.2. 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.

2.19.3. Other reserves

The amount relates primarily to the ECSC in liquidation reserve (EUR 1 537 million) for the assets of the Research Fund for Coal and Steel and was created in the context of the winding-up of the ECSC.

2.20. AMOUNTS TO BE CALLED FROM MEMBER STATES

EUR millions

Amounts to be called from Member States at 31.12.2012	*44 477*
Return of 2012 budget surplus to Member States	*1 023*
Movement in Guarantee Fund reserve	*46*
Other reserve movements	*14*
Economic result of the year	*4 365*
Total amounts to be called from Members States at 31.12.2013	**49 925**
Split between:	
Employee benefits	*46 818*
Other amounts	*3 107*

This amount represents that part of the expenses already incurred by the Commission up to 31 December 2013 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 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 EAGF 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 is essentially only the employee benefits obligations of the Commission towards its staff which are paid out over a longer period, noting that the funding of the pension payments by the annual budgets is guaranteed by the Member States. For information purposes only, an estimate of the split of future employee benefit payments is given below:

EUR millions

	Amount
Amounts to be paid in 2014	*1 450*
Amounts to be paid after 2014	*45 368*
Total employee benefits liability at 31.12.2013	**46 818**

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

3.1. OWN RESOURCE AND CONTRIBUTIONS REVENUE

EUR millions

	Note	2013	2012
GNI resources		*110 194*	*98 061*
Traditional own resources: Customs duties		*15 268*	*16 087*
Sugar levies		199	157
VAT resources		14 019	14 871
Own resource revenue	3.1.1	**139 680**	**129 176**
Budgetary adjustments	3.1.2	*1 187*	*1 439*
Contributions of third countries (incl. EFTA)		*373*	*304*
Total		**141 241**	**130 919**

3.1.1. Own resource revenue

Own resource revenue is the primary element of the EU's operating revenue. Thus the bulk of expenditure is financed by own resources as other revenue represents only a minor part of the total financing. There are three categories of own resources: traditional own resources ("TOR"), the VAT-based resource and the GNI-based resource. Traditional own resources comprise sugar levies and customs duties. A correction mechanism in respect of budgetary imbalances (UK Rebate) as well as a gross reduction in the annual GNI-based contribution of Netherlands and Sweden are also part of the own resources system. Member States retain, by way of collection costs, 25 % of traditional own resources, and the above amounts are shown net of this deduction.

It should be noted that a refund of EUR 169 million (gross, EUR 126 million net) claimed by Belgium in 2011 under Traditional Own Resources was paid out in 2013 after the completion of audits and controls on the reliability of the Belgian clearance and accounting systems. The related provision booked in 2012 was used in 2013.

It should also be noted that following a Court ruling on the sugar levies regulation challenged by certain companies and Member States, and the subsequent adoption by the Council of a new regulation end of December 2013, an amount of EUR 214 million will have to be reimbursed to the concerned parties end of 2014. A provision booked in 2012 and covering this amount is still included in the accounts.

3.1.2. Budgetary adjustments

The budgetary adjustments include the budget surplus from 2012 (EUR 1 023 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 2013.

3.2. OTHER OPERATING REVENUE

EUR millions

	Note	2013	2012
Fines	3.2.1	**2 757**	**1 884**
Agricultural levies	3.2.2	**48**	**87**
Recovery of expenses:	3.2.3		
Direct centralised management		*69*	*63*
Indirect centralised management		*6*	*30*
Decentralised management		*41*	*27*
Joint management		*33*	*8*
Shared management		*1 628*	*1 376*
Total		**1 777**	**1 504**
Revenue from administrative operations:	3.2.4		
Staff		*1 137*	*1 209*
Property, plant and equipment related revenue		*38*	*23*
Other administrative revenue		*83*	*59*
Total		**1 257**	**1 291**
Miscellaneous operating revenue:	3.2.5		
Adjustments/provisions		*208*	*280*
Exchange gains		*334*	*335*
Other		*2 033*	*1 445*
Total		**2 575**	**2 060**
Total		**8 414**	**6 826**

3.2.1. Fines

The increase in other operating revenue is mainly explained by a higher amount of revenue relating to fines in 2013. These revenues relate to fines imposed by the Commission for infringement of competition rules. 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 higher amount in 2013 is mainly explained by fines of EUR 1.7 billion which were imposed on a number of banks for participating in cartels in the interest rate derivatives industry. Furthermore, in 2013 there is a high value fine case concerning Microsoft (EUR 561 million) and its failure to promote a range of web browsers, rather than just Internet Explorer, to users in the EU.

3.2.2. Agricultural levies

These amounts concern primarily 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.

3.2.3. Recovery of expenses

This heading represents the recovery orders issued by the Commission and the deduction from subsequent payments recorded in the Commission's accounting system, to recover expenditures previously paid out from the general budget, based on controls, closed audits or eligibility analysis, together with recovery orders issued by Member States to beneficiaries of EAGF expenditure. It also includes the variation of accrued income estimations from the previous year-end to the current.

It should be noted that these figures represent the accounting impact of EU corrective activities only, based on the EU accounting rules in force. For this reason, these figures cannot and do not show the full extent of the recovery of EU expenditure, particularly for the significant spending areas of structural actions where specific mechanisms are in place to ensure the return of ineligible monies, most of which do not involve the issuance of a recovery order and therefore do not impact the EU accounting system. Moreover, recoveries of pre-financing amounts are also not included as revenue, in accordance with the EU accounting rules. More details on financial corrections and recoveries of expenses are given in Note **6**.

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 decided during the year and reimbursements declared by Member States and recovered during the year plus the net increase in the outstanding amounts declared by Member States to be recovered at year-end concerning fraud and irregularities.

Structural Actions

The main amounts under the structural actions sub-heading include recovery orders issued by the Commission to recover undue expenditure made in previous years, deductions from expenditure less decrease in the accrued income at year-end.

Recovery orders are issued only in the following cases:

– formal financial correction decisions by the Commission following the detection of irregular expenditure in the amounts claimed by Member States;

– adjustments at closure of a programme leading to a reduction in the EU contribution where a Member State has not declared sufficient eligible expenditure to justify the total pre-financing and interim payments already made; such operations may be without a formal Commission decision if accepted by the Member State;

– repayment of amounts recovered after closure following the conclusion of legal proceedings which were pending at the time of closure.

Other recovery orders issued under structural actions concern the recovery of pre-financing – see note **6.3**. These amounts are not shown as revenue, but credited to the pre-financing heading on the balance sheet.

3.2.4. Revenue from administrative operations

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

3.2.5. Miscellaneous operating revenue

An amount of EUR 779 million (2012: EUR 672 million) relates to amounts received from accession countries. Exchange gains, except on financial activities dealt with in note **3.5** below, are also included under this heading. These arise from the everyday activities and related transactions made in currencies other than the Euro, as well as the year-end revaluation required to prepare the accounts. They contain both realised and unrealised gains. There was a net exchange loss for the year of EUR 39 million (2012: net exchange gain of EUR 52 million).

3.3. ADMINISTRATIVE EXPENSES

EUR millions

	2013	2012
Staff expenses	*5 527*	*5 708*
Depreciation and impairment	*450*	*451*
Other administrative expenses	*3 293*	*3 161*
Total	**9 269**	**9 320**

Included under other administrative expenses are EUR 388 million (2012: EUR 379 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	*338*	*912*	*739*	*1 990*
IT materials and other equipment	*7*	*17*	*0*	*24*
Total	**346**	**929**	**739**	**2 014**

3.4. OPERATING EXPENSES

EUR millions

	Note	2013	2012
Primary operating expenses:	3.4.1		
Direct centralised management		*8 722*	*9 883*
Indirect centralised management		*5 491*	*4 151*
Decentralised management		*720*	*1 019*
Shared management		*120 070*	*106 378*
Joint management		*1 745*	*1 819*
Total		**136 747**	**123 250**
Other operating expenses:	3.4.2		
Adjustments/provisions		*301*	*427*
Exchange losses		*378*	*281*
Other		*1 145*	*675*
Total		**1 824**	**1 383**
Total		**138 571**	**124 633**

3.4.1. Primary operating expenses

Operating expenses cover the various headings of the financial framework and take different forms, depending on how the money is paid out and managed. The majority of the expenses falls under the heading “Shared Management” involving the delegation of tasks to Member States, covering such areas as EAGF spending and actions financed through the different Structural Actions (the regional development fund, the social fund, the agricultural fund for rural development, the cohesion fund and the fisheries fund).

The main elements of the operating expenses above cover the following areas: agriculture and rural development EUR 59 billion (2012: EUR 57 billion), regional development and cohesion EUR 49 billion (2012: EUR 39 billion), employment and social affairs EUR 12 billion (2012: EUR 11 billion), research and communication networks, content and technology EUR 6 billion (2012: EUR 6 billion) and external relations EUR 3 billion (2012: EUR 3 billion).

The overall increase in operating expenses is driven by the advancement of the projects in the area of regional development for the programming period 2007-2013.

3.4.2. Other operating expenses

Exchange losses, except on financial activities dealt with in note **3.6** below, occur on the everyday activities and related transactions made in currencies other than the Euro, as well as the year-end revaluation required to prepare the accounts – they are both realised and unrealised.

The 2013 heading other (under other operating expenses) mainly comprised the correction of fines issued in previous years totalling EUR 360 million.

Research and Development costs

Included under administrative and operating expenses are expenses relating to research and development as follows:

EUR millions

	2013	2012
Research costs	*335*	*331*
Non-capitalised development costs	*74*	*76*
Total	**409**	**407**

3.5. FINANCIAL REVENUE

EUR millions

	2013	2012
Dividend income	**6**	**12**
Interest income:		
On pre-financing	*29*	*28*
On late payments	*88*	*242*
On available for sale financial assets	*71*	*100*
On loans	*1 712*	*1 559*
On cash and cash equivalents	*21*	*26*
Other	1	2
Total	**1 922**	**1 957**
Other financial income:		
Realised gain on sale of financial assets	*24*	*18*
Other	85	160
Total	**108**	**178**
Exchange gains	**2**	**10**
Total	**2 038**	**2 157**

3.6. FINANCIAL EXPENSES

EUR millions

	2013	2012
Interest expenses:		
Leasing	*99*	*88*
On borrowings	*1 697*	*1 545*
Other	22	23
Total	**1 818**	**1 656**
Other financial expenses:		
Adjustments to financial provisions	*98*	*75*
Relating to financial instruments managed by fiduciaries	*68*	*43*
Impairment losses on available for sale financial assets	*8*	*8*
Realised loss on sale of financial assets	*0*	*4*
Other	35	143
Total	**209**	**273**
Exchange losses	**18**	**13**
Total	**2 045**	**1 942**

3.7. SHARE OF NET DEFICIT OF JOINT VENTURES AND ASSOCIATES

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

3.8. REVENUE FROM NON-EXCHANGE TRANSACTIONS

In 2013 EUR 148 874 million (2012: EUR 137 023 million) revenue from non-exchange transactions have been recognised in the statement of financial performance.

3.9. SEGMENT REPORTING

The segment report gives the split of the operating revenues and expenses by policy area, based on the Activity Based Budget structure, within the Commission. These policy areas can be grouped under three larger headings – Activities within the EU, Activities outside the EU and Services & other. "Activities within the EU" is the largest of these headings as it covers the many policy areas within the EU. "Activities outside the EU" concerns the policies operated outside the EU, such as trade and external aid. "Services & other" are the internal and horizontal activities necessary for the functioning of the EU Institutions and bodies. Note that the information relating to Agencies is included under the relevant policy area. Note also that own resources and contributions are not split amongst the various activities as these are calculated, collected and managed by central Commission services.

EUR millions

	Activities within the EU	Activities outside the EU	Services and Other	ECSC in Liquidation	Other Institutions	Consolidation eliminations	Total
Fines	*2 757*	*0*	*0*	*0*	*0*	*0*	*2 757*
Agricultural levies	*48*	*0*	*0*	*0*	*0*	*0*	*48*
Recovery of expenses	*1 687*	*79*	*0*	*0*	*4*	*6*	*1 777*
Revenues from admin operations	*111*	*1*	*998*	*0*	*625*	*(478)*	*1 257*
Miscellaneous operating revenue	*3 178*	*104*	*531*	*3*	*55*	*(1 296)*	*2 575*
Other operating revenue	**7 781**	**184**	**1 529**	**3**	**685**	**(1 768)**	**8 414**
Staff expenses	*(2 248)*	*(321)*	*(1 279)*	*0*	*(1 704)*	*25*	*(5 527)*
Intangible assets & PPE related expenses	*(137)*	*0*	*(115)*	*0*	*(205)*	*7*	*(450)*
Other administrative expenses	*(986)*	*(329)*	*(887)*	*0*	*(1 720)*	*628*	*(3 293)*
Administrative expenses	**(3 370)**	**(649)**	**(2 281)**	**0**	**(3 628)**	**660**	**(9 269)**
Direct centralised management	*(6 068)*	*(3 348)*	*(264)*	*0*	*0*	*957*	*(8 722)*
Indirect centralszed management	*(4 943)*	*(585)*	*(32)*	*0*	*0*	*69*	*(5 491)*
Decentralised management	*(181)*	*(539)*	*0*	*0*	*0*	*0*	*(720)*
Shared management	*(119 995)*	*(74)*	*0*	*0*	*0*	*0*	*(120 070)*
Joint management	*(233)*	*(1 512)*	*0*	*0*	*0*	*0*	*(1 745)*
Other operational expenses	*(1 475)*	*(6)*	*(367)*	*(48)*	*(9)*	*82*	*(1 824)*
Operating Expenses	**(132 894)**	**(6 064)**	**(664)**	**(48)**	**(9)**	**1 108**	**(138 571)**
TOTAL OPERATING EXPENSES	**(136 265)**	**(6 713)**	**(2 945)**	**(48)**	**(3 638)**	**1 768**	**(147 840)**
Net operating expenses	**(128 483)**	**(6 529)**	**(1 416)**	**(44)**	**(2 953)**	**0**	**(139 426)**
Own resource and contributions revenue							*141 241*
Surplus from operating activities							**1 815**
Net financial expenses							*(7)*
Movement in pension & other employee benefits liability							*(5 565)*
Share of associates/ joint venture deficit							*(608)*
Economic result of the year							**(4 365)**

SEGMENT REPORTING – ACTIVITIES WITHIN THE EU

EUR millions

	Economic & Financial	Enterprise & Industry	Competition	Employment	Agriculture	Transport & Energy	Environ-ment	Research	Information Society
Fines	*0*	*0*	*2 738*	*0*	*0*	*0*	*16*	*0*	*0*
Agricultural levies	*0*	*0*	*0*	*0*	*48*	*0*	*0*	*0*	*0*
Recovery of expenses	*0*	*3*	*0*	*263*	*1 350*	*20*	*0*	*17*	*14*
Revenues from admin operations	*0*	*3*	*0*	*0*	*0*	*23*	*9*	*16*	*0*
Miscellaneous operating revenue	*5*	*131*	*112*	*36*	*147*	*212*	*127*	*1 052*	*13*
Other operating revenue	**5**	**136**	**2 850**	**299**	**1 545**	**255**	**152**	**1 084**	**27**
Staff expenses	*(66)*	*(100)*	*(78)*	*(79)*	*(101)*	*(268)*	*(141)*	*(233)*	*(104)*
Intangible assets & PPE expenses	*0*	*(4)*	*0*	*(1)*	*0*	*(15)*	*(7)*	*(16)*	*0*
Other administrative expenses	*(9)*	*(45)*	*(7)*	*(24)*	*(19)*	*(109)*	*(46)*	*(177)*	*(24)*
Administrative Expenses	**(74)**	**(148)**	**(85)**	**(104)**	**(119)**	**(391)**	**(195)**	**(427)**	**(128)**
Centralised direct management	*(10)*	*(229)*	*1*	*(141)*	*(48)*	*519*	*(324)*	*(3 057)*	*(1 318)*
Centralised indirect management	*0*	*(108)*	*0*	*(1)*	*0*	*(1 137)*	*(24)*	*(1 919)*	*(14)*
Decentralised management	*0*	*0*	*0*	*(58)*	*(187)*	*0*	*0*	*0*	*0*
Shared management	*0*	*0*	*0*	*(12 183)*	*(58 652)*	*0*	*0*	*0*	*0*
Joint management	*0*	*(87)*	*0*	*(10)*	*0*	*(131)*	*0*	*0*	*0*
Other operational expenses	*0*	*0*	*(476)*	*(15)*	*(189)*	*(60)*	*(40)*	*(160)*	*(6)*
Operating Expenses	**(10)**	**(424)**	**(475)**	**(12 408)**	**(59 075)**	**(808)**	**(388)**	**(5 136)**	**(1 338)**
Total operating expenses	*(84)*	*(572)*	*(560)*	*(12 511)*	*(59 195)*	*(1 199)*	*(582)*	*(5 563)*	*(1 466)*
Net operating expenses	**(80)**	**(436)**	**2 290**	**(12 213)**	**(57 650)**	**(945)**	**(430)**	**(4 479)**	**(1 439)**

SEGMENT REPORTING – ACTIVITIES WITHIN THE EU (CONTINUED)

EUR millions

	Joint Research Centre	Fisheries	Internal Market	Regional Policy	Taxation & Customs	Education & Culture	Health & Consumer Protection	Justice, Freedom & Security	Total
Fines	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*3*	*2 757*
Agricultural levies	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*48*
Recovery of expenses	*1*	*3*	*1*	*12*	*0*	*5*	*2*	*(4)*	*1 687*
Revenues from admin operations	*37*	*0*	*1*	*0*	*1*	*0*	*12*	*10*	*111*
Miscellaneous operating revenue	*107*	*7*	*252*	*(2)*	*1*	*318*	*379*	*281*	*3 178*
Other operating revenue	**146**	**10**	**254**	**10**	**3**	**323**	**393**	**290**	**7 781**
Staff expenses	*(255)*	*(37)*	*(164)*	*(63)*	*(46)*	*(104)*	*(231)*	*(179)*	*(2 248)*
Intangible assets & PPE related expenses	*(30)*	*(1)*	*(12)*	*0*	*(5)*	*(1)*	*(24)*	*(20)*	*(137)*
Other administrative expenses	*(83)*	*(14)*	*(89)*	*(12)*	*(72)*	*(96)*	*(86)*	*(75)*	*(986)*
Administrative Expenses	**(368)**	**(52)**	**(264)**	**(75)**	**(123)**	**(202)**	**(341)**	**(274)**	**(3 370)**
Centralised direct management	*(78)*	*(217)*	*(44)*	*(72)*	*(16)*	*(253)*	*(331)*	*(451)*	*(6 068)*
Centralised indirect management	*0*	*0*	*0*	*0*	*0*	*(1 671)*	*(67)*	*0*	*(4 943)*
Decentralised management	*0*	*0*	*0*	*64*	*0*	*0*	*0*	*0*	*(181)*
Shared management	*0*	*(465)*	*0*	*(48 470)*	*0*	*0*	*0*	*(225)*	*(119 995)*
Joint management	*0*	*0*	*0*	*0*	*0*	*(3)*	*(2)*	*0*	*(233)*
Other operational expenses	*3*	*(1)*	*(43)*	*(96)*	*0*	*(133)*	*(162)*	*(98)*	*(1 475)*
Operating Expenses	**(75)**	**(683)**	**(87)**	**(48 574)**	**(16)**	**(2 059)**	**(562)**	**(775)**	**(132 894)**
Total operating expenses	*(444)*	*(735)*	*(351)*	*(48 649)*	*(139)*	*(2 261)*	*(904)*	*(1 049)*	*(136 265)*
Net operating expenses	**(297)**	**(725)**	**(97)**	**(48 639)**	**(136)**	**(1 938)**	**(511)**	**(759)**	**(128 483)**

SEGMENT REPORTING – ACTIVITIES OUTSIDE THE EU

EUR millions

	External Relations	Trade	Development	Enlargement	Humanitarian Aid	Total Activities outside the EU
Recovery of expenses	*36*	*0*	*6*	*36*	*1*	*79*
Revenues from admin operations	*1*	*0*	*0*	*0*	*0*	*1*
Miscellaneous operating revenue	*(1)*	*0*	*86*	*2*	*18*	*104*
Other operating revenue	**35**	**0**	**92**	**38**	**19**	**184**
Staff expenses	*(27)*	*(62)*	*(163)*	*(45)*	*(23)*	*(321)*
Intangible assets & PPE related expenses	*0*	*0*	*0*	*0*	*0*	*0*
Other administrative expenses	*(24)*	*(8)*	*(282)*	*(8)*	*(8)*	*(329)*
Administrative Expenses	**(51)**	**(70)**	**(444)**	**(53)**	**(31)**	**(649)**
Direct centralised management	*(1 624)*	*(6)*	*(628)*	*(417)*	*(673)*	*(3 348)*
Indirect centralised management	*(531)*	*0*	*(16)*	*(38)*	*0*	*(585)*
Decentralised management	*(218)*	*0*	*(67)*	*(254)*	*0*	*(539)*
Shared management	*(74)*	*0*	*0*	*0*	*0*	*(74)*
Joint management	*(553)*	*(5)*	*(241)*	*(79)*	*(633)*	*(1 512)*
Other operational expenses	*(1)*	*0*	*(3)*	*(1)*	*(1)*	*(6)*
Operating Expenses	**(3 001)**	**(11)**	**(955)**	**(789)**	**(1 308)**	**(6 064)**
Total operating expenses	*(3 052)*	*(80)*	*(1 400)*	*(843)*	*(1 339)*	*(6 713)*
Net operating expenses	**(3 017)**	**(80)**	**(1 308)**	**(805)**	**(1 319)**	**(6 529)**

SEGMENT REPORTING – SERVICES & OTHER

EUR millions

	Press & Communication	Anti-Fraud Office	Co-ordination	Personnel & Admin	Eurostat	Budget	Audit	Languages	Other	Total Services & Other
Recovery of expenses	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Revenues from admin operations	*0*	*5*	*2*	*834*	*0*	*60*	*0*	*95*	*0*	*998*
Miscellaneous operating revenue	*(2)*	*7*	*1*	*121*	*(1)*	*31*	*0*	*49*	*325*	*531*
Other operating revenue	**(2)**	**12**	**3**	**956**	**(1)**	**91**	**0**	**145**	**325**	**1 529**
Staff expenses	*(79)*	*(38)*	*(149)*	*(611)*	*(63)*	*(42)*	*(10)*	*(330)*	*43*	*(1 279)*
Intangible assets & PPE related expenses	*(2)*	*(1)*	*0*	*(110)*	*0*	*0*	*0*	*(2)*	*0*	*(115)*
Other administrative expenses	*(43)*	*(14)*	*(28)*	*(687)*	*(17)*	*(13)*	*(1)*	*(83)*	*0*	*(887)*
Administrative Expenses	**(125)**	**(52)**	**(177)**	**(1 408)**	**(81)**	**(55)**	**(10)**	**(415)**	**43**	**(2 281)**
Direct centralised management	*(101)*	*(17)*	*0*	*(23)*	*(31)*	*(78)*	*0*	*(15)*	*0*	*(264)*
Indirect centralised management	*(32)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(32)*
Decentralised management	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Shared management	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Joint management	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other operational expenses	*0*	*0*	*(2)*	*(1)*	*0*	*0*	*0*	*0*	*(365)*	*(367)*
Operating Expenses	**(133)**	**(17)**	**(2)**	**(24)**	**(31)**	**(78)**	**0**	**(15)**	**(365)**	**(664)**
Total operating expenses	*(257)*	*(69)*	*(179)*	*(1 431)*	*(112)*	*(133)*	*(10)*	*(430)*	*(322)*	*(2 945)*
Net operating expenses	**(259)**	**(57)**	**(176)**	**(476)**	**(113)**	**(42)**	**(10)**	**(285)**	**3**	**(1 416)**

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 of 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 presented 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 participate in 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

	31.12.2013	31.12.2012
Guarantees received:		
Performance guarantees	*441*	*337*
Other guarantees	*39*	*43*
Other contingent assets	*16*	*14*
Total	**496**	**394**

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	31.12.2013	31.12.2012
Guarantees given	*5.2.1*	*22 162*	*22 317*
Fines	*5.2.2*	*5 227*	*6 378*
EAGF, rural development and pre-accession	*5.2.3*	*1 537*	*1 188*
Cohesion policy	*5.2.4*	*137*	*546*
Legal cases and other disputes	*5.2.5*	*689*	*91*
Total		**29 753**	**30 521**

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

	31.12.2013	31.12.2012
On loans granted by the EIB from its own resources:		
65 % guarantee	*19 077*	*18 683*
70 % guarantee	*1 361*	*1 654*
75 % guarantee	*257*	*383*
100 % guarantee	*461*	*594*
Total	**21 156**	**21 314**
Other guarantees given	**1 006**	**1 003**
Total	**22 162**	**22 317**

The EU budget guarantees loans signed and granted by the EIB from its own resources to third countries at 31 December 2013 (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 the mandate 2000-2007), 70 %, 75 % or 100 %. For the mandate 2007-2013, the EU's guarantee is limited to 65 % of the outstanding balances and not on the credit lines authorised. Where the ceiling is not reached, the EU guarantee covers the full amount. At 31 December 2013 the amount outstanding totalled EUR 21 156 million and this, therefore, is the maximum exposure faced by the EU.

Other guarantees given relate mainly to the Risk-Sharing Finance Facility (EUR 958 million). For more information on this facility see note **2.4**.

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 of Justice.

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 commitments not yet expensed

EUR millions

	31.12.2013	31.12.2012
Outstanding commitments not yet expensed	*178 382*	*175 853*

The amount disclosed above is the budgetary RAL ("Reste à Liquider") less related amounts that have been included as expenses in the 2013 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 2013 the budgetary RAL totalled EUR 222 410 million (2012: EUR 217 810 million).

5.3.2. Significant legal commitments

EUR millions

	31.12.2013	31.12.2012
Structural Actions	*150*	*71 775*
Protocol with Mediterranean countries	*264*	*264*
Fisheries agreements	*79*	*173*
Galileo	*0*	*143*
Global Monitoring for Environment and Security (GMES)	*0*	*233*
Trans-European Transport Networks (TEN-T)	*850*	*1 331*
Other contractual commitments	*3 516*	*3 884*
Total	**4 858**	**77 803**

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 multi-annual 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).

Structural Actions

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 financial framework 2007-2013.

The future obligations represent the outstanding amounts for which the Commission is still committed to make payments after 31 December 2013. The EUR 150 million remaining outstanding amount corresponds to the Amending Budget 7/2013 for structural funds.

EUR millions

	Financial framework 2007-2013 (A)	Legal commitments concluded (B)	Budget commitments (C)	Decommit-ments (D)	Legal commitments less budget commitments (=B-C+D)	Maximum commitment (=A-C+D)	Future obligations (=A-C)
Structural funds	*348 151*	*347 767*	*348 001*	*264*	*30*	*414*	*150*
Natural Resources	*100 558*	*100 353*	*100 558*	*205*	*0*	*205*	*0*
Instrument for Pre-Accession Assistance	*11 110*	*10 856*	*11 110*	*259*	*6*	*259*	*0*
Total	**459 818**	**458 976**	**459 668**	**728**	**36**	**878**	**150**

Protocols with Mediterranean countries

These commitments relate to financial protocols with Mediterranean non-member countries. The amount included here is the difference between the total amount of the protocols signed and the amount of the budget commitments entered in the accounts. These protocols are international treaties that cannot be wound-up without the agreement of both parties, although the winding-up process is on-going.

Fisheries agreements

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

Galileo

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

GMES

The Commission has entered into a contract with the ESA for the period from 2008 to 2013 for the implementation of the space component of Global Monitoring for Environment and Security (GMES). The total indicative amount for that period is EUR 728 million.

TEN-T

This amount relates to grants in the field of the Trans-European Transport Networks (TEN-T) for the period 2007-2013. The programme applies to projects identified to support both infrastructure projects and research and innovation projects to foster the integration of new technologies and innovative processes on the deployment of new transport infrastructure. The total indicative amount for this programme is EUR 7.9 billion.

The decrease in legal commitments relating to TEN-T is the combined effect of reduced legal commitments following amendment decisions and increased budget commitments.

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 concern EUR 2 035 million for the Fusion for Energy Agency in the context of the ITER project and EUR 831 million for building contracts of the European Parliament.

6. PROTECTION OF THE EU BUDGET

6.1. FINANCIAL CORRECTIONS AND RECOVERIES 2013

6.1.1. Financial corrections and recoveries confirmed/decided in 2013

EUR millions

	Financial Corrections	Recoveries	2013 Total	2012 Total
Agriculture:				
EAGF	843	227	1 070	638
Rural Development	247	139	386	221
Cohesion Policy:				
ERDF	337	1	338	958
Cohesion Fund	220	-	220	203
ESF	834	40	874	425
FIFG/EFF	10	24	34	2
EAGGF Guidance	1	2	3	34
Other	-	16	16	19
Internal policy areas	3	393	396	253
External policy areas	N/A	93	93	107
Administration	N/A	6	6	7
Total decided/confirmed in 2013	**2 495**	**941**	**3 436**	
Total decided/confirmed in 2012	2 172	695		2 867

The total amount of financial corrections and recoveries confirmed/decided in 2013 increased by 20 % compared to 2012 (financial corrections increased by 15 % and recoveries increased by 35 %). Out of the amount of EUR 1 402 million that concerned Cohesion policy, EUR 514 million related to the 2007-2013 programming period, EUR 714 million related to the 2000-2006 programming period, and the remaining amount of EUR 174 million related to the 1994-1999 programming period.

6.1.2. Financial corrections and recoveries implemented in 2013

EUR millions

	Financial Corrections	Recoveries	2013 Total	2012 Total
Agriculture:				
EAGF	481	155	636	771
Rural Development	230	129	359	225
Cohesion Policy:				
ERDF	622	-	622	2 416
Cohesion Fund	277	-	277	207
ESF	842	40	882	430
FIFG/EFF	4	23	28	1
EAGGF Guidance	14	2	16	20
Other	-	16	16	11
Internal policy areas	3	398	401	230
External policy areas	N/A	93	93	99
Administration	N/A	6	6	9
Total implemented in 2013	**2 472**	**862**	**3 334**	
Total implemented in 2012	3 742	678		4 419

The total amount of financial corrections and recoveries implemented in 2013 decreased by 25 % compared to 2012. The increase of recoveries implemented in 2013 by 27 % was offset by the decrease of financial corrections implemented in 2013 by 34 %. This reduction is due to a significant case related to the implementation, and therefore recognition, in 2012 of a financial correction of EUR 1.8 billion concerning Cohesion programmes 2000-2006 in Spain (representing 49 % of the total amount of financial corrections implemented in 2012). Out of the amount of EUR 1 759 million that concerned Cohesion policy, EUR 693 million related to the 2007-2013 programming period, EUR 889 million related to the

2000-2006 programming period, and the remaining amount of EUR 177 million related to the 1994-1999 programming period.

Agriculture and Rural Development:

The financial corrections confirmed/decided are mainly related to conformity and clearance decisions arising as a result of audits performed by the Commission. The amount effectively implemented is different from the amount decided due to payments made in instalments by Member States.

Cohesion Policy:

ERDF and the Cohesion Fund:

- *Period 2007-2013*: Financial corrections decreased as the result of the strict supervision and interruption policy of the Directorate-General for Regional and Urban Policy and the growing number of action plans implemented as a result of interruption or pre-suspension letters. Financial corrections confirmed/decided in 2013 concern 17 Member States and in particular the Czech Republic (EUR 128 million), Hungary (EUR 139 million), Slovakia (EUR 56 million), and Italy (EUR 49 million). They are primarily a result of significant flat-rate corrections for deficiencies in the implementation of public procurement procedures. Financial corrections implemented in 2013 concern mainly Hungary (EUR 140 million), Greece (EUR 86 million) and Slovakia (EUR 66 million).

- *Period 2000-2006:* 81 % of the 2013 financial corrections confirmed/decided were imposed on Italy (EUR 114 million) and Spain (EUR 96 million), being the result of the closure of programmes and the exclusion of the expenditure considered as ineligible. For Italy, the main reason for the financial corrections at closure is unfinished projects after the expiration of the eligibility period and their consequent exlusion from EU funding. Italy and Spain are also the Member States with the highest amount of financial corrections implemented in 2013 (being EUR 118 million and EUR 177 million respectively).

ESF:

- *Period 2007-2013*: A significant financial correction of EUR 219 million was both confirmed/decided and implemented for Romania during 2013. Other financial corrections confirmed/decided in 2013 concerned Spain (EUR 45 million) and the United Kingdom (EUR 25 million) as the result of the supervisory role of the Directorate-General for Employment, Social Affairs and Inclusion. The main financial corrections implemented in 2013 concerned Spain (EUR 44 million) and the Czech Republic (EUR 41 million). The total amount represents financial corrections applied during the life of the programmes. Implementation was effected by means of a deduction from the interim payment claims submitted by Member States.

- *Period 2000-2006*: The main financial corrections which were both confirmed/decided and implemented in 2013 relate to Spain (EUR 260 million), Italy (EUR 103 million) and the Netherlands (EUR 44 million). The total amount represents financial corrections applied at the closure of programmes. All financial corrections reported as implemented were made by means of a deduction from the final statements of expenditure submitted by Member States during the closure process.

- *Period 1994-1999*: the amount of EUR 153 million of financial corrections imposed by Commission decision and reported both as decided and as implemented during the closure concerns two old Spanish programmes.

6.1.3. Cumulative figures for financial corrections and recoveries implemented

Information is given below showing the cumulative financial corrections by programming period:

EUR millions

Financial corrections	Programming Period 1994-1999 Period	2000-2006 Period	2007-2013 Period	Cumulated EAGF decisions since 1999	Total financial corrections implemented at end 2013	Implemented / Decided-confirmed	Financial corrections not yet implemented	Financial corrections implemented at end 2012
Agriculture:	**-**	***111***	***294***	***8 229***	***8 633***	***89.61%***	***1 001***	***7 902***
EAGF	-	-	-	*8 229*	***8 229***	*89.95%*	*920*	*7 728*
Rural Development	-	*111*	*294*	*N/A*	***404***	*83.16%*	*82*	*174*
Cohesion Policy:	***2 711***	***7 248***	***1 472***	***N/A***	***11 431***	***93.78%***	***756***	***9 673***
ERDF	*1 788*	*4 905*	*474*	*N/A*	***7 166***	*93.76%*	*477*	*6 544*
Cohesion Fund	*264*	*587*	*241*	*N/A*	***1 092***	*90.65%*	*113*	*815*
ESF	*560*	*1 677*	*755*	*N/A*	***2 992***	*97.86%*	*65*	*2 150*
FIFG/EFF	*100*	*7*	*3*	*N/A*	***109***	*51.77%*	*102*	*105*
EAGGF Guidance	*0*	*71*	-	*N/A*	***72***	*100.0%*	*0*	*58*
Other	**-**	**-**	**-**	***N/A***	***4***	***100.0%***	***0***	***2***
Total	***2 711***	***7 358***	***1 766***	***8 229***	***20 068***	***91.94%***	***1 758***	***17 577***

Included in the above table are a few cases of financial corrections that are being challenged by certain Member States (noting that past experience has shown that the Commission has very rarely had to repay amounts following such cases). For more details, see notes **5.2.3** and **5.2.4**.

The amounts of financial corrections disclosed in the above table concerning Agriculture represent amounts related to conformity clearance decisions, whereas the amounts disclosed in note **6.1.2** also take into account the annual financial clearance decisions.

Concerning EAGF, the cumulated amount implemented of EUR 8 229 million covers all corrections made and implemented as from when the first decision was made in 1999.

Concerning Rural Development, the cumulated amount of EUR 404 million covers all corrections implemented since 2007.

It is to be noted that in some cases, for **EAGF** and for **Rural Development**, the date of implementation was deferred by several years, and some decisions are also reimbursed in deferred annual instalments. This is the case for Member States subject to financial assistance in accordance with the European Financial Stability Framework Agreement signed on 7 June 2010. As a consequence, there is an increasing discrepancy between the cumulative amounts decided and implemented.

Concerning Cohesion policy:

ERDF and the Cohesion Fund: 67 % of the total amount of cumulative financial corrections reported as implemented concern the 2000-2006 programming period, for which the closure is well advanced, with significant financial corrections at the final stage of implementation. There are also corrections for the 2007-2013 period, for which programmes are still on-going.

- *Period 2007-2013:* 83 % of the cumulative financial corrections reported as implemeted since the beginning of the programming period concern the following Member States: Hungary (EUR 142.9 million), Czech Republic (EUR 132.7 million), Slovakia (EUR 87.9 million), Greece (EUR 86 million), Poland (EUR 84.6 million) and Spain (EUR 62 million). This demonstrates the increased supervisory role of the Commission, as well as the preventive actions taken at Member State level.

- *Period 2000-2006:* EUR 5.5 billion financial corrections have been reported as implemented so far, reflecting the advanced stage of closure of this programming period as only EUR 384 million remained to be implemented at end 2013 (less than 7 %).

ESF:

- *Period 2007-2013*: The implementation rate for this programming period is 92 %. Member States with the largest financial corrections implemented are Romania (EUR 299 million), Spain (EUR 150 million) and Poland (EUR 118 million). Amounts not yet implemented relate mainly to the United Kingdom (EUR 24 million), Ireland (EUR 19 million) and Romania (EUR 13 million).

- *Period 2000-2006*: All financial corrections reported decided/confirmed have been implemented except for a residual amount related to France and Sweden (EUR 0.3 million), which results in an implementation rate of 99.98 % for this programming period. The main Member States concerned by financial corrections implemented are Spain (EUR 734 million), Italy (EUR 376 million), France (EUR 220 million) and the United Kingdom (EUR 163 million).

- *Period 1994-1999*: All corrections reported decided/confirmed have been implemented. The main Member States concerned are Spain (EUR 180 million), the Netherlands (EUR 160 million) and Italy (EUR 117 million).

FIFG/EFF:

The low implementation rate is the consequence of a large correction of EUR 90 million on Spanish programmes related to FIFG 2000-2006, for which the closure process is on-going. The correction has been accepted by the Member State but will only be implemented at closure.

For recoveries, reliable cumulative information is only available since 2008 when a specific functionality was introduced into the Commission's accounting system to better track and report such recoveries. The information below shows the breakdown of recoveries implemented per year:

EUR millions

Recoveries	Years						Total as at end 2013	Total as at end 2012
	2008	2009	2010	2011	2012	2013		
Agriculture:								
EAGF	*356*	*148*	*172*	*178*	*161*	*155*	*1 170*	*1 015*
Rural Development	*0*	*25*	*114*	*161*	*166*	*129*	*595*	*466*
Cohesion policy	*31*	*102*	*25*	*48*	*14*	*81*	*301*	*219*
Internal policy areas	*40*	*100*	*162*	*268*	*229*	*398*	*1 197*	*799*
External policy areas	*32*	*81*	*136*	*77*	*99*	*93*	*518*	*425*
Administration	*0*	*9*	*5*	*2*	*9*	*6*	*31*	*25*
Total	***459***	***464***	***614***	***734***	***678***	***862***	***3 811***	***2 949***

6.2. PROTECTION OF THE EU BUDGET – A SUMMARY

An important consideration in implementing the EU budget is the need to ensure the proper prevention or detection and subsequent correction of errors, irregularities and fraud. The objective of this note is to present a best estimate of the total amounts covered by EU controls and actions, so as to illustrate in real terms how the EU budget is protected. More details on these figures and on the preventive and corrective mechanisms foreseen in the applicable legislation can be found in the Communication prepared by the Commission and sent to the Discharge Authority and the Court every September – this is available on the Europa website of the Director ate-General for the Budget. This Communication not only provides more details on the figures in this note (in particular break-downs of financial corrections per Member State), it also includes additional information (such as data on net financial corrections which lead to assigned revenue for the EU budget, and the results of the corrective work done by Member States).

6.2.1. Financial corrections

Under shared management, Member States are primarily responsible for preventing, detecting and correcting errors, irregularities or frauds committed by beneficiaries in the first instance, while the Commission ensures an overall supervisory role. Where serious failings in the management and control systems of Member States have led or could lead to individual or systemic errors, irregularities or fraud, the Commission can apply **financial corrections**. The processing of financial corrections follows these three main steps:

(1) Financial corrections **in progress***:* at this stage the financial corrections are still subject to change since they are not yet formally accepted by the Member States, for example in the case of an audit which has been finalised, but where the Commission is still in the contradictory phase with the Member State concerned. These are reported in the Communication mentioned above.

(2) Financial correction **confirmed/decided***:* these amounts are final, meaning that they have been either confirmed (i.e. agreed) by the Member State concerned or adopted by a Commission decision. They are reported in table **6.1.1** above.

(3) Financial corrections **implemented:** These amounts represent the final step of the process whereby the observed situation of undue expenditure is definitively corrected. Several correction mechanisms are foreseen in the sector-based regulatory frameworks. These figures are reported in tables **6.1.2** and **6.1.3** above.

6.2.2. Recoveries

Under direct management, and in accordance with the Financial Regulation, recovery orders should be established by the authorising officer for amounts unduly paid. Recoveries are then implemented by direct bank transfer from the debtor (e.g. Member State) or by offsetting from other amounts that the Commission owes to the debtor. The Financial Regulation foresees additional procedures to ensure the collection of recovery orders overdue, which are the object of a specific follow up by the Accounting Officer of the Commission.

Under shared management, and in accordance with the Financial Regulation and sector regulations, Member States (and not the Commission) are primarily responsible for identifying and for recovering in accordance with national rules and procedures, from beneficiaries amounts unduly paid. For the EAGF, amounts recovered from the beneficiaries are credited to the Commission, after deduction applied by Member States of 20 % (on average), who books them as revenue. For EAFRD and Cohesion policy, recoveries are taken into consideration in the next payment claim before it is sent to the Commission's services, and therefore the relevant amount can be reused for the programme. If a Member State does not pursue the recovery or is not diligent in its actions, the Commission may decide to intervene and to impose a financial correction on the Member State concerned.

6.2.3. Preventive mechanisms of the Commission

In addition to the corrective mechanisms mentioned above, the Commission uses a number of preventive mechanisms to protect the EU budget. Under direct management, preventive actions include checks made by the responsible services on eligibility of expenditure being claimed by beneficiaries. These ex-ante controls are embedded in the programmes' management processes and are intended to provide reasonable assurance on the legality and regularity of expenditure being paid. The Commission services can also provide guidance, particularly on contractual issues, with the aim of ensuring a sound and efficient management of funding and therefore a lower risk of irregularities.

Under the shared management mode (i.e. agricultural and cohesion policy expenditure), Member States are primarily responsible throughout the expenditure life cycle for ensuring that expenditure paid out from the EU budget is legal and regular. Preventive mechanisms also exist at the level of the Commission in its role of supervising body. The Commission may, for Cohesion expenditure:

- **interrupt** the payment deadline for a maximum period of 6 months for the 2007-2013 programmes if:

(a) There is evidence to suggest a significant deficiency in the functioning of the management and control systems of the Member State concerned; or

(b) The Commission services have to carry out additional verifications following information that expenditure in a certified statement of expenditure is linked to a serious irregularity which has not been corrected.

- **suspend** all or part of an interim payment to a Member State for the 2007-2013 programmes in the following three cases:

(a) Where there is evidence of serious deficiency in the management and control system of the programme and the Member State has not taken the necessary corrective measures; or

(b) Where expenditure in a certified statement of expenditure is linked to a serious irregularity which has not been corrected; or

(c) If there has been a serious breach by a Member State of its management and control obligations.

Where the required measures are not taken by the Member State, the Commission may decide to impose a financial correction.

Interruptions:

EUR millions

	2007-2013 programming period							
	Total open cases at 31.12.2012		New cases 2013		Closed cases during 2013		Total open cases at 31.12.2013	
Fund	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
ERDF & Cohesion Fund	38	1 638	220	4 242	157	4 272	101	1 608
ESF	15	181	25	349	20	258	20	272
EFF	30	108	20	339	40	350	10	97
Total	83	1 927	265	4 930	217	4 880	131	1 977

Suspensions:

Concerning **ERDF** and the **Cohesion Fund** and the 2 suspension decisions still in force at end 2012, the decision was taken in 2013 to lift the suspension for Germany. The suspension decision related to Italy however remains in force at end 2013. 4 new suspension decisions were adopted in 2013: 3 related to Spain, that were still in force at year-end; one related to Estonia that was lifted before the year-end. It should be noted that 2 new suspension decisions were adopted in January 2014, both on programmes implemented in Spain.

Concerning **ESF**, 2 suspension decisions adopted in 2012 were still effective at end 2012. The suspension was lifted in 2013 for Czech Republic, but it remained in force in 2013 for Slovakia. 11 suspension decisions were adopted in 2013. All but one (Germany) were still on-going at year-end (Belgium, Czech Republic, Spain, France, Italy, Slovakia and the United Kingdom). One suspension decision adopted in 2011 was still on-going at year-end (France).

There were no suspension decisions taken in 2013 for **EFF**.

6.3. RECOVERY OF UNUSED PRE-FINANCING AMOUNTS

EUR millions

	2013	2012
Agriculture:		
EAGF	*0*	*0*
Rural Development	*0*	*0*
Cohesion Policy:		
ERDF	*68*	*38*
Cohesion Fund	*4*	*5*
ESF	*53*	*214*
FIFG/EFF	*7*	*0*
EAGGF Guidance	*3*	*5*
Internal policy areas	*208*	*207*
External policy areas	*91*	*104*
Administration	*1*	*2*
Total recovered	**435**	**575**

The above amounts have been deducted in arriving at the pre-financing amounts included under notes **2.6** and **2.10**. Recoveries of unused pre-financing amounts should not be confused with irregular expenditure recovered. Where the Commission services identify and recover such expenditure in relation to pre-financing amounts paid out, these are included in the normal financial correction or recovery processes described above.

7. FINANCIAL SUPPORT MECHANISMS

This note intends to give a complete overview of the currently existing financial support mechanisms in the EU, and so provides further information to that reported under note **2**. The information included in the first part of this note (**7.1**) relates to borrowing and lending activities of the EU managed by the Commission. The information in the second part of this note (**7.2**) covers intergovernmental financial stability mechanisms outside the EU Treaty framework and thus without an impact on the EU budget.

7.1. BORROWING AND LENDING ACTIVITIES MANAGED BY THE COMMISSION

7.1.1. Borrowing and lending activities – Overview

AMOUNTS AT CARRYING VALUE

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liquidation	Total 31.12.2013	Total 31.12.2012
Loans (note 2.4.2)	*569*	*387*	*11 623*	*44 468*	*211*	***57 258***	*57 294*
Borrowing (note 2.14)	*569*	*387*	*11 623*	*44 468*	*190*	***57 237***	*57 267*

The above amounts are at carrying value whereas the tables below are presented in nominal values.

The EU is empowered by the EU Treaty to adopt borrowing operations to mobilise the financial resources necessary to fulfill specific mandates. The Commission, acting on behalf of the EU, currently operates three main programmes, MFA, BOP assistance and the EFSM, under which it may grant loans and fund these by issuing debt instruments in the capital markets or with financial institutions.

The key points or characterisitics to note for these three instruments are:

– EU borrowing are off budget operations. The capital required to fund the EU lending under the above programmes is raised on the capital markets or with financial institutions. The EU is not permitted to borrow to finance its ordinary budgetary expenses or a budget deficit.

– The size of the borrowings varies from private placements for amounts of up to EUR 500 million to benchmark-size bond issues (at least EUR 1 billion).

– The 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 timely and fully. To this effect, BOP beneficiares are required to deposit reimbursements 7 days in advance of the due dates and EFSM beneficiaries 14 days in advance, which allows the Commission sufficient time to ensure timely payment in all circumstances.

– For each country programme, the Council and 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 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 3 to 30 years.

– 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 third countries are covered by the Guarantee Fund for external actions (see note **2.4**).

– 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.

Additionally, the **Euratom** legal entity (represented by the Commission) borrows money to lend to both Member and non-Member States to finance projects relating to energy installations. Finally, the European Coal & Steel Community (**ECSC**) in liquidation has, following a restructuring of debts of a defaulting debtor, acquired in 2002 and 2007 promissory notes from the EIB (rated AAA). At the balance sheet date, the book value of these promissory notes amounted to EUR 212 million.

More details on each of these instruments are given below. The effective interest rates (expressed as a range of interest rates) were as follows:

Loans	31.12.2013	31.12.2012
Macro Financial Assistance (MFA)	0.27 %-4.54 %	0.298 %-4.54 %
Euratom	0.34 %-5.76 %	0.431 %-5.76 %
Balance of Payment (BOP)	2.375 %-3.625 %	2.375 %-3.625 %
European Financial Stability Mechanism (EFSM)	2.375 %-3.750 %	2.375 %-3.750 %
ECSC in liquidation	5.2354 %-5.8103 %	5.2354 %-5.8103 %

Borrowings	31.12.2013	31.12.2012
Macro Financial Assistance (MFA)	0.27 %-4.54 %	0.298 %-4.54 %
Euratom	0.291 %-5.6775 %	0.351 %-5.6775 %
Balance of Payment (BOP)	2.375 %-3.625 %	2.375 %-3.625 %
European Financial Stability Mechanism (EFSM)	2.375 %-3.750 %	2.375 %-3.750 %
ECSC in liquidation	6.92 %-9.78 %	6.92 %-9.78 %

7.1.2. Balance of Payments

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 has been 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 2013, the budget is exposed to a maximum possible risk of EUR 11 623 million regarding these loans (EUR 11.4 billion below being the nominal value).

BOP NOMINAL VALUE

EUR millions

	Hungary	Latvia	Romania	Total
Total loans granted	***6 500***	***3 100***	***8 400***	***18 000***
Disbursed at 31.12.12	5 500	2 900	5 000	13 400
Disbursed in 2013	0	0	0	0
Loans disbursed 31.12.2013	***5 500***	***2 900***	***5 000***	***13 400***
Loans repaid at 31.12.2013	(2 000)	0	0	(2 000)
Outstanding amount at 31.12.2013	***3 500***	***2 900***	***5 000***	***11 400***
Undrawn amounts 31.12.2013	0	0	0	0

A table showing the reimbursement schedule for these loans is given at the end of note 7.1.3.

Between November 2008 and end 2013, financial assistance amounting to EUR 18 billion was granted to Hungary, Latvia and Romania, of which EUR 13.4 billion had been disbursed by the end of 2013. It should be noted that the BOP assistance programme for Hungary expired in November 2010 (with EUR 1 billion undrawn) and a first repayment of EUR 2 billion was received as scheduled in December 2011. The BOP assistance programme for Latvia expired in January 2012 (with EUR 200 million undrawn) and a first repayment of EUR 1 billion was received as scheduled in April 2014. The BOP first assistance programme for Romania expired in May 2012 with the full amount granted, EUR 5 million, being disbursed. As the various BOP programmes have expired, no undrawn amounts are disclosed in the table above.

In February 2011, Romania requested a follow-up precautionary financial assistance programme under the BOP Facility to support the re-launch of economic growth. On 12 May 2011 the Council decided to make available precautionary EU BOP assistance for Romania of up to EUR 1.4 billion (Council Decision 2011/288/EU), however this expired at end-March 2013 without being drawn down. Following Romania's second request for precautionary assistance, the Council has decided to provide new EU BOP precautionary assistance of up to EUR 2 billion, on 22 October 2013 (Council Decision 2013/531/EU), which will remain available for activation until 30 September 2015. If its activation is ever requested, this financial assistance shall be provided in the form of a loan with a maximum average maturity of eight years.

7.1.3. European Financial Stabilisation Mechanism

EFSM NOMINAL VALUE

EUR millions

	Ireland	Portugal	Total
Total loans granted	**22 500**	**26 000**	**48 500**
Disbursed at 31.12.12	*21 700*	*22 100*	*43 800*
Disbursed in 2013	*0*	*0*	*0*
Loans disbursed at 31.12.13	**21 700**	**22 100**	**43 800**
Loans repaid at 31.12.13	*0*	*0*	*0*
Loans outstanding at 31.12.13	**21 700**	**22 100**	**43 800**
Undrawn amounts at 31.12.13	*800*	*3 900*	*4 700*

A table showing the reimbursement schedule for these loans is given at the end of this note.

On 11 May 2010 the Council adopted the EFSM to preserve financial stability in Europe (Council Regulation (EU) n° 407/2010). The mechanism is based on Art. 122(2) of the TFEU and 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 Commission borrows funds on the capital markets or with financial institutions on behalf of the EU and lends these funds to the beneficiary Member State. For each country receiving a loan under the EFSM, a quarterly assessment on the fulfilment of the policy conditions attached to the loan is carried out before an instalment is disbursed.

The ECOFIN Council conclusions of 9 May 2010 restrict the facility to EUR 60 billion but the legal limit is provided in Article 2(2) of the Council Regulation no. 407/2010, which 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 2013, the budget is exposed to a maximum possible risk of EUR 44 469 million regarding these loans (the EUR 43.8 billion above being the nominal value). As the borrowings under the EFSM are guaranteed by the EU budget, the European Parliament scrutinises the Commission's EFSM actions and exercises control in the context of the budget and discharge procedure.

The Council decided by Implementing Decision in December 2010 on a loan to Ireland of maximum EUR 22.5 billion, and in May 2011 on a loan to Portugal of maximum EUR 26 billion. The initial implementing decisions fixed interest with a margin to result in conditions similar to those of the IMF support. With the adoption of Council Implementing Decisions no. 682/2011 and 683/2011 of 11 October 2011, the Council suppressed the interest margin retroactively and extended the maximum average maturity from 7.5 years to 12.5 years and the maturity of individual tranches up to 30 years. With the adoption of Council Implementing Decisions no. 313/2013 and 323/2013 of 21 June 2013, the Council has further lengthened the maximum average maturity of the EFSM loans to Ireland and Portugal by 7 years to 19.5 years. The extension smoothes the debt redemption profile of both countries and lowers their refinancing needs in the post-programme period.

The EFSM will no longer engage in new financing programmes or enter into new loan facility agreements, but will remain active in financing the on-going programmes for Portugal and Ireland (see also note **7.2.2** below). On 25 March 2014, EUR 2.6 billion was disbursed under EFSM (EUR 0.8 billion for Ireland and EUR 1.8 billion for Portugal) with a reimbursement date of April 2024.

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:

Year	BOP				EFSM			Total
	Hungary	Latvia	Romania	Total	Ireland	Portugal	Total	
2014	*2*	*1*		*3*			*0*	*3*
2015		*1.2*	*1.5*	*2.7*	*5*		*5*	*7.7*
2016	*1.5*			*1.5*		*4.75*	*4.75*	*6.25*
2017			*1.15*	*1.15*			*0*	*1.15*
2018			*1.35*	*1.35*	*3.9*	*0.6*	*4.5*	*5.85*
2019		*0.5*	*1*	*1.5*			*0*	*1.5*
2021				*0*	*3*	*6.75*	*9.75*	*9.75*
2022				*0*		*2.7*	*2.7*	*2.7*
2024				*0*	*0.8*	*1.8*	*2.6*	*2.6*
2025		*0.2*		*0.2*			*0*	*0.2*
2026				*0*	*2*	*2*	*4*	*4*
2027				*0*	*1*	*2*	*3*	*3*
2028				*0*	*2.3*		*2.3*	*2.3*
2032				*0*	*3*		*3*	*3*
2038				*0*		*1.8*	*1.8*	*1.8*
2042				*0*	*1.5*	*1.5*	*3*	*3*
Total	***3.5***	***2.9***	***5***	***11.4***	***22.5***	***23.9***	***46.4***	***57.8***

7.1.4. MFA, EURATOM & ECSC in Liquidation

MFA is a policy-based financial instrument of untied and undesignated balance of payment and/or budget support to partner third-countries geographically close to the EU territory. 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 are guaranteed by the Guarantee Fund (see note **2.4**).

Euratom is a legal entity of the EU and is represented by the Commission. It grants loans to Member States for the purpose of financing investment projects in the Member States relating to the industrial production of electricity in nuclear power stations and to industrial fuel cycle installations. It also grants loans to non-Member States for improving the level of safety and efficiency of nuclear power stations and installations in the nuclear fuel cycle which are in service or under construction. Guarantees from third-parties of EUR 387 million (2012: EUR 423 million) have been received covering these loans.

ECSC loans are granted by the ECSC in liquidation on borrowed funds (EUR 212 million) in accordance with articles 54 and 56 of the ECSC Treaty as well as three unquoted debt securities issued by the EIB as substitute of a defaulted debtor. These debt securities will be held till their final maturity (2017 and 2019) in order to cover the service of related borrowings. The changes in carrying amount correspond to the change in accrued interests plus the amortisation of the year of premiums paid and transaction cost incurred at inception, calculated according to the effective interest rate method.

7.2. INTER-GOVERMENTAL FINANCIAL STABILITY MECHANISMS OUTSIDE THE EU TREATY FRAMEWORK

7.2.1. European Financial Stability Facility

The European Financial Stability Facility (EFSF) was created by the Eurozone Member States with the mandate to safeguard financial stability in Europe by providing financial assistance to Eurozone Member States. The EFSF is a Luxembourg-registered commercial company owned by euro-area Member States outside the EU Treaty framework and thus is not an EU body and is entirely separate from and not consolidated in the EU accounts. It is not guaranteed by the EU budget. Consequently it has no impact on the EU accounts, aside from the possible sanctions revenue described below. With the entry into force of the ESM (see below), the EFSF did not provide new lending after 1 July 2013.

The Commission is responsible for negotiating the policy conditionality attached to the financial assistance and the monitoring of compliance with that conditionality. Regulation 1173/2011 of the Parliament and Council allows for the imposition of sanctions in the form of fines on Member States whose currency is the Euro. These fines, being 0.2 % of the Member State's GDP in the preceding year, can be applied in cases where a Member State has not taken appropriate actions to correct an excessive budget deficit, or where there has been manipulation of statistics. Similarly, Regulation 1174/2011 on macroeconomic imbalances makes provision for an annual fine on a Eurozone Member State of 0.1 % of GDP in the cases where a Member State has not taken the requested corrective action or in case an insufficient corrective action plan has been submitted. Regulation 1177/2011 updated Regulation 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure. This updated Regulation also foresees the possibility of issuing fines to Eurozone Member States (equal to 0.2 % of GDP plus a variable component). According to all three Regulations, any fines collected by the Commission shall be passed to the EFSF, or its successor mechanism. Fines will transit through the EU Budget and then be transferred to the EFSF. This would mean that such amounts would appear as both a budget revenue and expense, thus having no impact on the overall budget result. Likewise they would have no impact on the economic result as presented in the EU financial statements.

7.2.2. European Stability Mechanism

The European Council agreed on 17 December 2010 on the need for Eurozone Member States to establish a permanent stability mechanism: the European Stability Mechanism (ESM), an intergovernmental organisation under public international law outside the EU Treaty framework. The ESM Treaty was signed by the 17 Eurozone Member States on 2 February 2012 and became operational in October 2012. The ESM has assumed the tasks fulfilled by the EFSM and the EFSF becoming the sole and permanent mechanism for responding to new requests for financial assistance to Eurozone Member States. Consequently, the EFSF and the EFSM will no longer engage in new financing programmes or enter into new loan facility agreements. The creation of the ESM does not have an impact on the existing commitments under the EFSM or EFSF. It must also be noted that the EU budget will not guarantee ESM borrowings. As this mechanism has its own legal personality and is funded directly by the Eurozone Member States, it is not an EU body and it has no impact on either the EU accounts or the EU budget, aside from the possible sanctions revenue described below.

As stated above, fines collected under Regulations 1173/2011, 1174/2011 and 1177/2011 will pass through the EU budget and be transferred to the ESM once the EFSF is no longer operational. Furthermore, the Treaty on Stability, Coordination and Governance signed by 25 Member States (excluding the UK and Czech Republic) foresees penalty payments on any of the "Contracting Parties" where that Member State has not taken necessary measures to address a breach of deficit criterion. Penalties imposed (which cannot exceed 0.1 % of GDP) will be payable to the ESM if applied to Eurozone Member States (thus with no impact on the EU budget result, as with the EFSF above), or to the EU budget for non-Euro Member States – see Article 8 paragraph 2 of the Treaty. In the latter case, the sanction amount will be revenue for the EU budget and be reflected as such in its accounts.

8. 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, 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; and

– the Guarantee Fund for external actions.

8.1. TYPES OF RISK

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate, because of changes 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 of 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.

8.2. RISK MANAGEMENT POLICIES

Borrowing & Lending activities

The lending and borrowing 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 operating 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.

Regarding the ECSC in liquidation, the Commission manages the liquidation of its liabilities and no new loans or corresponding funding are foreseen. New ECSC borrowings are restricted to refinancing with the aim of reducing the cost of funds. As far as treasury operations are concerned, the principles of prudent management with a view to limiting financial risks are applied.

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 in 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 exposures.

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 provisionnaly 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 operating 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 Eurozone Central Banks, Eurozone sovereign debt agencies, fully state-owned or state-guaranteed banks or supranational institutions, and bonds, bills and Certificates of Deposit issued by either sovereign entities creating a direct Eurozone sovereign exposure or issued by supranational institutions.

With a view to covering the residual risk that the performance of the BUFI may temporarily not achieve the guaranteed return, a buffer not exceeding 2 % of the total nominal amount of fines may be created, funded by using the gains earned on the BUFI investments that exceeds the guaranteed return. This buffer ensures a guaranteed return to the company if the decision imposing the fine is overruled by the Court of Justice of the European Union.

Bank guarantees

Significant amounts of guarantees issued by financial institutions are held by the Commission in relation to the fines it imposes to companies breaching EU competition rules (see note **2.9.1**). 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

The rules and principles for the asset management of the Guarantee Fund (see note **2.4**) 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. The Guarantee Fund operates only in EUR. 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.

8.3. CURRENCY RISKS

Borrowing & 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. The ECSC in liquidation has a small foreign currency net exposure of EUR equivalent 1.33 million arising from EUR equivalent 0.19 million housing loans and EUR equivalent 1.14 million current account balances.

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 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 for 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

The financial assets are in EUR so there is no currency risk.

8.4. INTEREST RATE RISK

Borrowing & 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 583 million (2012: EUR 697 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 367 million in 2013 (2012: EUR 271 million) and which have a final maturity date between one and five years (EUR 55 million) and more than five years (EUR 312 million). More significantly, the EU has 11 loans under the financial instrument BOP with fixed interest rates totalling EUR 11.4 billion in 2013 (2012: EUR 11.4 billion) and which have a final maturity of less than one year (EUR 3 billion), more than one year but less than five years (EUR 6.7 billion) and more than five years (EUR 1.7 billion). Under the financial instrument EFSM, the EU has 18 loans with fixed interest rates totalling EUR 43.8 billion in 2013 (2012: EUR 43.8 billion) which have a final maturity between one and five years (EUR 14.2 billion) and more than five years (EUR 29.6 billion).

Due to the nature of its activities, the ECSC in liquidation is exposed to interest rate risk. The interest rate risks that arise from borrowings are generally offset by equivalent loans in terms and conditions. As regards asset management operations, there are bonds with variable interest rates represent 8 % of the ECSC portfolio. Zero coupon bonds represented 9 % of the bond portfolio at the balance sheet date.

Treasury

The Commission's treasury does not borrow any money; as a consequence it is not exposed to interest rate risk. It does, however, earn interest on balances it holds on its 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 or National Central Banks for own resources receipts are non-interest bearing and free of charges. For all other accounts held with National Central Banks the remuneration depends on the specific conditions offered by each bank; interest rates applied are variable and adjusted to market fluctuations.

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. For most of the accounts, the interest calculation is linked to the EONIA (Euro over night index average) and is adjusted to reflect any fluctuations of this rate. For some other accounts, the interest calculation is linked to the ECB marginal rate for its main refinancing operations. 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

Depositis 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 no bonds with variable interest rates in 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

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 58 % of the investment portfolio at the balance sheet date (2012: 67 %).

8.5. CREDIT RISK

Borrowing & Lending activities

Exposure to credit risk is managed firstly by obtaining country guarantees in the case of Euratom, then through the Guarantee Fund (MFA & Euratom), then by the possibility of drawing the necessary funds from the Commission's own resource accounts with the Member States and ultimately through the Budget of the EU. The Own Resource legislation fixes the ceiling for own resource payments at 1.23 % of Member States' GNI and during 2013 1.06 % was actually used to cover payment appropriations. This means that at 31 December 2013 there existed an available margin of 0.17 % 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 resource 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.

ECSC's exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed by obtaining collateral as well as country, corporate and personal guarantees. As far as treasury operations are concerned, guidelines on the choice of counterparties must be applied. The operating unit is only allowed to enter into deals with eligible banks having sufficient counterparty limits.

Treasury

Most of the Commission's treasury resources are kept, in accordance with Council Regulation 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 instructed on a just-in-time basis and is automatically managed by the treasury cash management system. Minimum cash levels, proportional to the average amount of daily payments executed from it, are kept on each account. As a consequence the amounts kept overnight on these accounts remain constantly at low levels (overall between EUR 5 million and EUR 40 million on average, spread over more than 20 accounts) and so ensure the Commission's risk exposure is limited. These amounts should be viewed with regard to the overall treasury balances which fluctuated in 2013 between EUR 100 million and EUR 44 billion, and with an overall amount of payments executed in 2013 that equals EUR 148.3 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 (S&P A-1 or Fitch F1). 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 at least on a monthly basis, or higher frequency if and when needed. Intensified monitoring measures and daily reviews of commercial banks' ratings were adopted in the context of the financial crisis, and kept in place during 2013.

– 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.

– Commercial banks eligible for receiveing unsecured term deposits from ECSC must have a minimum short-term rating from Moody's of P-1, or equivalent (S&P A-1 or Fitch F1). In case where the receiving bank provides sufficient collateral to the Commission (tripartite collateralised deposits) the minimum short-term rating is lowered to Moody's P-2 or equivalent (S&P A-2 or Fitch F2).

Fines

Provisionally cashed fines: deposits

The banks holding deposits for the fines provisionaly 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 (restricted cash), a minimum long-term rating A (S&P or equivalent) in all the three main rating agencies 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 which is the risk that a counterparty will be unable to pay amounts in full when due. The highest concentration of exposure is towards France and Germany as each of these countries represents 61 % and 30 % respectively of the total 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 **2.9.1**). 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

In accordance with the agreement between the EU and the EIB on the management of the Guarantee Fund, all interbank investments should have a minimum rating from Moody's or equivalent of P-1. As at 31 December 2013 fixed term deposits of EUR 151 million were made with such counterparties (2012: EUR 242 million).

8.6. Liquidity risk

Borrowing & 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 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 resource accounts with the Member States. For EFSM, the Council Regulation 407/2010 provides for a similar procedure.

For the asset and liability management of ECSC in liquidation, the Commission manages liquidity requirements based on disbursement forecasts obtained through consultations with the responsible Commission services.

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) become only 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 rythm 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

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 < 12 months which is to be invested in monetary instruments. As at 31 December 2013 these investments including cash amounted to EUR 152 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 2013 this ratio stood at 59 %.

9. RELATED PARTY DISCLOSURES

9.1. RELATED PARTIES

The related parties of the EU are the EU consolidated entities 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.

9.2. 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 are 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)	25 352	22 964 - 23 882	18 371 - 20 667	19 840 - 21 126	11 681 - 18 371
Residential/Expatriation allowance	15%	15%	15%	15%	0-4%-16%
Family allowances:					
Household (% salary)	2% + 170.52	2% + 170.52	2% + 170.52	2% + 170.52	2% + 170.52
Dependent child	372.61	372.61	372.61	372.61	372.61
Pre-school	91.02	91.02	91.02	91.02	91.02
Education, or	252.81	252.81	252.81	252.81	252.81
Education outside place of work	505.39	505.39	505.39	505.39	505.39
Presiding judges allowance	N/A	N/A	554.17 – 607.71	N/A	N/A
Representation allowance	1 418.07	911.38	554.17 – 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	50 703.52	45 927.10 - 47 764.18	36 741.68 - 41 334.40	39 681.02 - 42 252.94	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Leaving office:					
Resettlement expenses	25 352	22 964 - 23 882	18 371 - 20 667	19 840 - 21 126	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	Optional
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%	7%
Pension deduction	N/A	N/A	N/A	N/A	11.3%
Number of persons at year-end	**3**	**9**	**93**	**28**	**111**

** with correction coefficient ("cc") applied*
*** paid for the first 3 years following departure*

10. EVENTS AFTER THE BALANCE SHEET DATE

At the date of transmission of these annual accounts, 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 annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented.

11. SCOPE OF CONSOLIDATION

11.1. CONSOLIDATED ENTITIES

A. CONTROLLED ENTITIES (52)

1. Institutions and consultative bodies (11)

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

2. EU Agencies (39)

2.1. Executive Agencies (6)

Education, Audiovisual & Culture Executive Agency
Executive Agency for Health and Consumers
Research Executive Agency
Executive Agency for Competitiveness and Innovation
Trans-European Transport Network Executive Agency
European Research Council Executive Agency

2.2. Decentralised Agencies (33)

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

3. Other controlled entities (2)

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

B. JOINT VENTURES (5)

ITER International Fusion Energy Organisation
SESAR Joint Undertaking
FCH Joint Undertaking
Galileo Joint Undertaking in liquidation
IMI Joint Undertaking

C. ASSOCIATES (4)

European Investment Fund
Clean Sky Joint Undertaking
ARTEMIS Joint Undertaking
ENIAC Joint Undertaking

** Consolidated for the first time in 2013*

11.2. NON-CONSOLIDATED ENTITIES

Although the EU manages the assets of the below mentioned entities, they do not meet the requirements to be consolidated and so are not included in the EU accounts.

11.2.1. The European Development Fund

The European Development Fund (EDF) is the main instrument for providing EU aid for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). The 1957 Treaty of Rome made provision for its creation with a view to granting technical and financial assistance, initially limited to African countries with which some Member States had historical links.

The EDF is not funded from the EU's budget but from direct contributions from the Member States, which are based on an internal agreement of the representatives of the Member States, sitting within the Council. The Commission and the EIB manage the resources of the EDF. Each EDF is usually concluded for a period of around five years. Since the conclusion of the first partnership convention in 1964, the EDF programming cycles have generally followed the partnership agreement/convention cycles.

The EDF is governed by its own Financial Regulation (OJ L 78 of 19/03/2008) which foresees the presentation of its own financial statements, separately from those of the EU. The EDF annual accounts and resource management are subject to the external control of the European Court of Auditors and the European Parliament. For information purposes, the balance sheet and the statement of financial performance of the 8th, 9th and 10th EDFs are shown below:

BALANCE SHEET – 8TH, 9TH AND 10TH EDFs

EUR millions

	31.12.2013	31.12.2012
Non-current assets	*424*	*438*
Current assets	*2 129*	*2 094*
TOTAL ASSETS	**2 553**	**2 532**
Non-current liabilities	*(25)*	*(40)*
Current liabilities	*(1 214)*	*(1 057)*
TOTAL LIABILITIES	**(1 239)**	**(1 097)**
NET ASSETS	**1 313**	**1 435**
FUNDS & RESERVES		
Called fund capital	*32 529*	*29 579*
Other reserves	*2 252*	*2 252*
Economic result carried forward from previous years	*(30 396)*	*(27 374)*
Economic result of the year	*(3 072)*	*(3 023)*
NET ASSETS	**1 313**	**1 435**

STATEMENT OF FINANCIAL PERFORMANCE – 8TH, 9TH AND 10TH EDFs

EUR millions

	2013	2012
Operating revenue	*123*	*124*
Operating expenses	*(3 027)*	*(3 017)*
Administrative expenses	*(167)*	*(107)*
DEFICIT FROM OPERATING ACTIVITIES	**(3 072)**	**(3 001)**
Financial activities	*0*	*(22)*
ECONOMIC RESULT OF THE YEAR	**(3 072)**	**(3 023)**

11.2.2. The Sickness Insurance Scheme

The Sickness Insurance Scheme is the scheme that provides medical insurance to the staff of the various EU bodies. The funds of the Scheme are its own property and are not controlled by the EU, although its financial assets are managed by the Commission. The Scheme is funded by contributions from its members (staff) and from the employers (the Institutions/Agencies/Bodies.) Any surplus remains within the scheme.

The scheme has four separate entities – the main scheme covering staff of the Institutions, Agencies of the EU, and three smaller schemes covering staff in the European University Institute, the European schools and staff working outside the EU such as staff in the EU delegations. The total assets of the Scheme at 31 December 2013 totalled EUR 291 million (2012: EUR 296 million).

11.2.3. The Participants Guarantee Fund

Certain pre-financing amounts paid out under the 7th Research Framework Programme for research and technological development (FP7) are effectively covered by a Participants Guarantee Fund (PGF) - the amount of pre-financing paid out in 2013 totalled EUR 4.5 billion (2012: EUR 4 billion). This fund is a separate entity from the Commission and is not consolidated in these accounts.

The PGF is a mutual benefit instrument set up to cover the financial risks incurred by the EU and the participants during the implementation of the indirect actions of FP7, its capital and interests constituting a performance security. All participants of indirect actions taking the form of a grant contribute 5 % of the total EU contribution to the PGF's capital for the duration of the action. As such the participants are the owners of the PGF, the EU (represented by the Commission) acting as their executive agent. At the end of an indirect action, participants shall recover their contribution to the capital in full, except where the PGF incurs losses due to defaulting beneficiaries – in this case participants shall recover, at a minimum, 80 % of their contribution. The PGF thus guarantees the financial interest of both the EU and the participants.

As at 31 December 2013 the PGF had total assets of EUR 1 658 million (2012: EUR 1 452 million). The funds of the PGF are its own property and are not controlled by the EU, and its financial assets are managed by the EIB.

EUROPEAN UNION
FINANCIAL YEAR 2013

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

BUDGETARY STRUCTURE AND PRINCIPLES

The budgetary accounts are kept in accordance with the Financial Regulation 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.

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 draws its position which is then the subject of negotiations between the two arms of the budgetary authority. The President of Parliament declares that the joint draft has been finally adopted, thus making the budget enforceable. 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 were introduced in order to reconcile the principle of annuality with the need to manage multi-annual operations. They are intended to cover mainly 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 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:

– **Initial budget appropriations** adopted for the current year can be supplemented with transfers between lines and by amending budgets.

– **Appropriations carried over** from previous year or made available again also supplement the current budget. These are:

(i) non-differentiated payment appropriations which may be carried over automatically for one financial year only;
(ii) appropriations carried over by decision of the Institutions in one of two cases: if the preparatory stages have been completed or if the legal base is adopted late; and
(iii) appropriations made available again as a result of decommitments: This involves the re-entry of commitment appropriations concerning structural funds which have been decommitted. Amounts can be re-entered by way of exception in the event of error by the Commission or if they are indispensable for completion of the programme.

– **Assigned revenue** which is made up of:

(i) refunds where the amounts are assigned revenue on the budget line which incurred the initial expenditure and may be carried over without limit;
(ii) EFTA appropriations: The agreement on the European Economic Area (EEA) provides for financial contribution by its members to certain activities in the EU budget. The budget lines concerned and the amounts projected are published in Annex III of the EU budget. These budget lines are increased by the EFTA contribution. Appropriations not used at the year-end are cancelled and returned to the EEA countries;

(iii) Revenue from third parties/ other countries that have concluded agreements with the EU involving a financial contribution to EU activities. The amounts received are considered to be revenue from third parties which is allocated to the budget lines concerned (often in the field of research) and may be carried over without limit;

(iv) Work for third parties: As part of their research activities, the EU research centres may work for outside bodies. As with the revenue from third parties, the work for third parties is assigned to specific budget lines and may be carried over without limit; and

(v) Appropriations made available again as a result of repayment of payments on account: These are EU funds which have been repaid by beneficiaries and may be carried over without limit.

Composition of Appropriations Available

– Initial budget = appropriations voted in year N-1;
– Final budget appropriations = initial budget appropriations adopted + amending budget appropriations + transfers + additional appropriations;
– Additional appropriations = assigned revenue (see above) + appropriations carried over from the previous financial year or made available again following decommitments.

Calculation of the Budget Result

The amounts of own resources entered in the accounts are those credited in 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, 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 EEA. In accordance with Article 15 of Regulation No 1150/2000 on own resources, this result represents the difference between:

– total revenue received for that year; and

– total payments made against that 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; and

  • the balance of exchange-rate gains and 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 with the additional appropriations for the financial year. This explains the difference between carryovers from the previous year in the 2013 budget implementation statements and those carried over to the following year in the 2012 budget implementation statements. Payment appropriations for re-use and 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 on appropriations carried over automatically and by decision. It also includes the decrease in assigned revenue appropriations carried over to the next year in comparison with 2012.

1. RESULT OF IMPLEMENTATION OF THE EU BUDGET

1.1 EU BUDGET RESULT

EUR millions

	2013	2012
Revenue for the financial year	*149 504*	*139 541*
Payments against current year appropriations	*(147 567)*	*(137 738)*
Payment appropriations carried over to year N+1	*(1 329)*	*(936)*
Cancellation of unused payment appropriations carried over from year N-1	*437*	*92*
Exchange differences for the year	*(42)*	*60*
Budget result*	**1 002**	**1 019**

** Of which EFTA result is EUR (4) million in 2013 and EUR (4) million in 2012.*

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

1.2 RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR millions

	2013	2012
ECONOMIC RESULT OF THE YEAR	**(4 365)**	**(5 329)**
Revenue		
Entitlements established in current year but not yet collected	*(2 071)*	*(2 000)*
Entitlements established in previous years and collected in current year	*3 357*	*4 582*
Accrued revenue (net)	*(134)*	*(38)*
Expenses		
Accrued expenses (net)	*3 216*	*(1 544)*
Expenses prior year paid in current year	*(1 123)*	*(2 695)*
Net-effect pre-financing	*(902)*	*820*
Payment appropriations carried over to next year	*(1 528)*	*(4 666)*
Payments made from carry-overs & cancellation of unused payment appropriations	*1 538*	*4 768*
Movement in provisions	*4 136*	*7 805*
Other	*(1 028)*	*(670)*
Economic result Agencies and ECSC	**(93)**	**(15)**
BUDGET RESULT OF THE YEAR	**1 002**	**1 019**

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

In 2013, prepaid expenses relating to financial engineering instruments and aid schemes (see **2.6.2** and **2.10.2**) have been included in the 'net-effect pre-financing ' category for the first time. The same reclassification has been made to the comparative figures above.

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 agricultural levies, 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

The **net accrued expenses** mainly consist 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 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 and the cancellation of unused payment appropriations.**

The **movement in provisions** relates to year-end estimates made in the accrual accounts (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.

1.3 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

1.3.1. REVENUE

EUR millions

	Initial Budget	Final Budget	Actual Revenue
1. Own resources	*131 288*	140 326	140 100
Of which Customs duties	*18 632*	14 857	15 164
Of which VAT	*15 030*	14 680	14 542
Of which GNI	*97 503*	110 823	110 032
3. Surpluses, balances and adjustments	*0*	1 057	698
4. Revenue accruing from persons working with the institutions and with other Union bodies	*1 278*	1 278	1 199
5. Revenue accruing from the administrative operation of the institutions	*54*	54	611
6. Contributions and refunds in connection with Union agreements and programmes	*60*	60	3 898
7. Interests on late payments and fines	*123*	1 642	2 973
8. Borrowing and lending operations	*4*	4	2
9. Miscellaneous revenue	*30*	30	24
Total	**132 837**	**144 451**	**149 504**

1.3.2. EXPENDITURE BY FINANCIAL FRAMEWORK HEADING

EUR millions

		Initial Budget	Final Budget*	Payments made
1.	Sustainable growth	59 085	73 528	71 238
	1.1 Competetiveness for Growth & employment	11 886	16 290	14 307
	1.2 Cohesion for Growth & Employment	47 199	57 238	56 931
2	Preservation & mgt of natural resources	57 484	60 404	59 524
3	Citizenship, freedom, security and justice	1 515	2 197	1 883
4	The EU as a global player	6 323	7 200	7 055
5	Administration	8 430	10 056	8 693
6	Compensations	0	75	75
Total		**132 837**	**153 461**	**148 469**

* *Including amending budgets, appropriations carried over and assigned revenue.*

1.3.3. EXPENDITURE BY POLICY AREA

EUR millions

		Initial Budget	Final Budget*	Payments made
01	Economic and financial affairs	428	411	397
02	Enterprise	1 162	1 587	1 456
03	Competition	92	107	93
04	Employment and social affairs	10 429	14 286	14 107
05	Agriculture and rural development	56 344	59 234	58 339
06	Mobility and transport	984	1 120	1 059
07	Environment and Climate action	391	438	406
08	Research	4 808	6 556	5 771
09	Communication networks, content and technlology	1 389	2 024	1 826
10	Direct research	411	959	496
11	Maritime affairs and Fisheries	794	831	820
12	Internal market	103	127	116
13	Regional policy	37 434	43 960	43 494
14	Taxation and customs union	112	140	129
15	Education and culture	2 373	3 301	3 052
16	Communication	253	273	252
17	Health and consumer protection	593	622	599
18	Home affairs	799	1 053	1 035
19	External relations	3 089	3 354	3 295
20	Trade	102	112	104
21	Development and relations with ACP States	1 207	1 377	1 345
22	Enlargement	832	933	920
23	Humanitarian aid	829	1 278	1 249
24	Fight against fraud	73	83	73
25	Commission's policy coordinination & legal advice	194	221	193
26	Commission’s administration	1 013	1 318	1 082
27	Budget	67	146	135
28	Audit	12	13	12
29	Statistics	115	147	126
30	Pensions and related expenditure	1 399	1 401	1 397
31	Language Services	397	506	436
32	Energy	814	838	758
33	Justice	184	208	195
40	Reserves	80	0	0
90	Other Institutions	3 527	4 497	3 703
Total		**132 837**	**153 461**	**148 469**

* *Including amending budgets, appropriations carried over and assigned revenue.*

1.3.4. COMMITMENTS BY FINANCIAL FRAMEWORK HEADING

EUR millions

	Initial Budget	Final Budget*	Commitments
1. Sustainable growth	70 630	75 054	72 682
1.1 Competetiveness for Growth & Employment	16 121	19 191	17 723
1.2 Cohesion for Growth & Employment	54 509	55 863	54 959
2. Preservation & management of natural resources	60 149	62 540	61 463
3. Citizenship, freedom, security and justice	2 106	2 846	2 777
4. The EU as a global player	9 583	10 015	9 793
5. Administration	8 430	9 281	8 870
6. Compensations	0	75	75
Total	**150 898**	**159 810**	**155 659**

* Including amending budgets, appropriations carried over and assigned revenue.

1.3.5. COMMITMENTS BY POLICY AREA

EUR millions

	Initial Budget	Final Budget*	Commitments
01 Economic and financial affairs	556	527	517
02 Enterprise	1 154	1 269	1 241
03 Competition	92	99	94
04 Employment and social affairs	12 004	12 823	12 131
05 Agriculture and rural development	58 852	61 226	60 167
06 Mobility and transport	1 741	1 843	1 807
07 Environment and Climate action	498	518	506
08 Research	6 878	8 130	7 915
09 Communication networks, content and technology	1 805	2 131	2 085
10 Direct research	424	1 000	518
11 Maritime affairs and Fisheries	1 024	1 043	997
12 Internal market	106	123	117
13 Regional policy	43 389	44 464	44 170
14 Taxation and customs union	145	151	147
15 Education and culture	2 813	3 433	3 303
16 Communication	266	275	269
17 Health and consumer protection	634	648	635
18 Home affairs	1 296	1 444	1 420
19 External relations	5 001	5 088	5 023
20 Trade	107	111	108
21 Development and relations with ACP States	1 572	1 701	1 664
22 Enlargement	1 062	1 152	1 147
23 Humanitarian aid	917	1 360	1 339
24 Fight against fraud	79	79	79
25 Commission's policy coordination & legal advice	193	205	194
26 Commission’s administration	1 030	1 184	1 119
27 Budget	67	138	134
28 Audit	12	13	12
29 Statistics	134	144	134
30 Pensions and related expenditure	1 399	1 401	1 397
31 Language Services	397	482	435
32 Energy	738	818	782
33 Justice	218	235	225
40 Reserves	764	528	0
90 Other Institutions	3 527	4 023	3 830
Total	**150 898**	**159 810**	**155 659**

* Including amending budgets, appropriations carried over and assigned revenue.

In the initial adopted EU budget, signed by the President of the European Parliament on 12 December 2012, the amount of payment appropriations was EUR 132 837 million and the amount to be financed by own resources totalled EUR 131 288 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.

Revenue:

During 2013 nine amending budgets were adopted. Taking them into account, the total final budgeted revenue for 2013 amounted to EUR 144 451 million. This was financed by own resources totalling EUR 140 326 million (thus EUR 9 038 million more than initially forecasted) and the remainder by other revenue. The increased need for financing payment appropriations was covered mainly from the call of the GNI-based resource entered in Amending Budgets No. 2 and 8/2013.

The amending letter to the Amending Budget No. 6/2013 included fines on undertakings totalling EUR 1 614 million that where known at the time the Draft Amending Budget No. 6/2013 was established. By 31 December 2013, other fines became definitive, either after a definitive judgement or because companies did not appeal new fine decisions.

Revenue, contributions and refunds in connection with Union agreements and programmes, total an amount of EUR 3 888 million. The principal amounts concern 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 Union programs/activities. A substantial part of this total is made of earmarked revenue, which typically gives rise to the entering of additional appropriations in the expenditure side.

As far as the own resources result is concerned, the collection of traditional own resources was close to the forecasted amounts. Namely because the budget estimates that were modified at the time the Amending Budget No. 6/2013 was established (they were decreased by EUR 1 871 million according to the new macroeconomic forecasts of spring 2013), were once again amended in the Amending Letter to that Amending Budget to take into account the actual rhythm of collection. Thus they were once again decreased by EUR 2 062 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.

Expenditure:

The year 2013 was the last year of the programming period 2007-2013. The initial budget for all institutions set commitment appropriations at EUR 150 898 million, representing an increase of 1.7 % compared to the final 2012 budget. This was a reduction of EUR 160 million compared to the Commission's Draft Budget, and left a margin of EUR 2.45 billion below the ceiling of the multi-annual financial framework.

Payment appropriations were finally set at EUR 132 837 million, after a cut of EUR 4.96 billion to the Draft Budget 2013. This meant a decrease of 2.2 % compared to the final budget for 2012. The initial level of payment appropriations in 2013 corresponded to 0.99 % of the Union's GNI and left a margin of EUR 11.24 billion below the financial framework ceiling.

For commitments, the final budget appropriations, and hence the political targets set, were fully implemented (99.7 % excluding the un-mobilised reserves). The most notable adjustments by means of amending budgets during the year concerned the amounts necessary to accommodate the accession of Croatia (EUR 655 million), the mobilisation of the European Union Solidarity Fund (EUR 415 million), unforeseeable expenditure by its very nature, and additional commitments under heading 1b for France, Italy and Spain (EUR 150 million), arising from an agreement by the European Council to increase their allocation under the structural funds. The total implementation of EUR 151 080 million left EUR 1 011 million unused. After the carryover to 2014, an amount of EUR 833 million lapses. However, most of this concerns un-mobilised reserves: EUR 464 million for the European Globalisation Adjustment Fund, EUR 64 million for the Emergency Aid Reserve and EUR 43 million from the reserve for international fisheries agreements.

The total increases to the initial budgeted payment appropriations, introduced via amending budgets amounted to EUR 11.6 billion. Confronted with the heavy pressure of payment claims and the backlog of outstanding claims from 2012, the Budget Authority adopted increases of EUR 11.2 billion in payment appropriations in two steps (Amending Budgets 2/2013 and 8/2013). This brought the level of payment appropriations up to that of the ceiling of the financial framework, helping to reduce the growth of outstanding commitments (RAL).

The payment needs of the European Union Solidarity Fund were covered by EUR 15 million of fresh appropriations via Amending Budget 5/2013 and with a reallocation of EUR 250 million via Amending Budget 9/2013 from some budget lines which the Commission had proposed in the context of the Global Transfer. The remaining EUR 150 million in payments were entered in the 2014 budget.

The total implementation of final budget payment appropriations was EUR 142 883 million, being 98.9 %. This is EUR 8 billion more than in 2012 but also EUR 7 billion more than the financial framework ceiling for 2014. Nevertheless the backlog of unpaid payment claims at year-end increased further to EUR 26.2 billion. Once account is taken of the carryover of payment appropriations to 2014, a total of EUR 238 million lapses.

More than half of lapsing Commission’s appropriations arise from the rejection by the Council’s refusal to transfer appropriations related to the salary adjustment. From payment appropriations carried forward from 2012, an amount of EUR 97 million was cancelled.

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 2013, Part A "Overview at budget level" and Part B dealing with each heading of the multi-annual financial framework.

2. IMPLEMENTATION OF EU BUDGET REVENUE

2.1 SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE

EUR millions

	Title	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial	Final	Current year	Carried over	Total	On entitlements current year	On entitlements carried over	Total		
1.	Own resources	*131 288*	*140 326*	*140 102*	*45*	*140 147*	*140 097*	*3*	*140 100*	*99.84%*	47
3.	Surpluses, balances and adjustments	*0*	*1 057*	*698*	*0*	*698*	*698*	*0*	*698*	*65.99%*	0
4.	Revenue accruing from persons working with the institutions & with other EU bodies	*1 278*	*1 278*	*1 206*	*5*	*1 211*	*1 194*	*5*	*1 199*	*93.83%*	12
5.	Revenue from the administrative operations of the institutions	*54*	*54*	*604*	*29*	*632*	*587*	*24*	*611*	*1133.46%*	21
6.	Contributions and refunds in connection with community agreements & programmes	*60*	*60*	*3 601*	*525*	*4 126*	*3 500*	*398*	*3 898*	*6496.27%*	228
7.	Interests on late payments and fines	*123*	*1 642*	*2 631*	*10 774*	*13 406*	*634*	*2 338*	*2 973*	*181.05%*	10 433
8.	Borrowing and lending operations	*4*	*4*	*35*	*222*	*257*	*2*	*0*	*2*	*49.77%*	255
9.	Miscellaneous revenue	*30*	*30*	*25*	*9*	*34*	*22*	*2*	*24*	*79.42%*	10
	Total	**132 837**	**144 451**	**148 901**	**11 609**	**160 510**	**146 733**	**2 771**	**149 504**	**103.50%**	**11 006**

Detail Title 1: Own resources

	Chapter	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial	Final	Current year	Carried over	Total	On entitlements current year	On entitlements carried over	Total		
11.	Sugar levies	*123*	*(35)*	*202*	*0*	*202*	*202*	*0*	*202*	*(582.66)%*	0
12.	Customs duties	*18 632*	*14 857*	*15 166*	*45*	*15 211*	*15 161*	*3*	*15 164*	*102.06%*	47
13.	VAT	*15 030*	*14 680*	*14 542*	*0*	*14 542*	*14 542*	*0*	*14 542*	*99.06%*	0
14.	GNI	*97 503*	*110 823*	*110 032*	*0*	*110 032*	*110 032*	*0*	*110 032*	*99.29%*	0
15.	Correction of budgetary imbalances	*0*	*0*	*166*	*0*	*166*	*166*	*0*	*166*	*0.00%*	0
16.	Reduction GNI-based contributions NL, S	*0*	*0*	*(6)*	*0*	*(6)*	*(6)*	*0*	*(6)*	*0.00%*	0
	Total	**131 288**	**140 326**	**140 102**	**45**	**140 147**	**140 097**	**3**	**140 100**	**99.84%**	**47**

Detail Title 3: Surpluses, balances and adjustments

	Chapter	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial	Final	Current year	Carried over	Total	On entitlements current year	On entitlements carried over	Total		
30.	Surplus from previous year	*0*	*1 057*	*1 054*	*0*	*1 054*	*1 054*	*0*	*1 054*	*99.65%*	0
31.	VAT balances	*0*	*0*	*(522)*	*0*	*(522)*	*(522)*	*0*	*(522)*	*0.00%*	0
32.	GNI balances	*0*	*0*	*162*	*0*	*162*	*162*	*0*	*162*	*0.00%*	0
34.	Adjustment for non-participation in JHAP	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.00%*	0
35.	UK correction-adjustments	*0*	*0*	*4*	*0*	*4*	*4*	*0*	*4*	*0.00%*	0
	Total	**0**	**1 057**	**698**	**0**	**698**	**698**	**0**	**698**	**65.99%**	**0**

2.1.1. 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 main bulk of budgetary expenditure is financed by own resources. Other revenue represents only a minor part of total financing.

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. 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 12 % 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 +/- 75 % 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).

2.1.2. Traditional own resources

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 account provided for in Article 6(3)(a) of Regulation No 1150/2000: all amounts recovered or guaranteed.

– In the separate account 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. The contingent own resources entitlements are adjusted on the basis of the likelihood of their recovery.

2.1.3. 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 is 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.

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. 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.

2.1.4. 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).

2.1.5. Gross reduction

The European Council of 15 and 16 December 2005 concluded that the Netherlands and Sweden shall benefit from gross reductions in their annual GNI-based contributions during the period 2007-2013. Thus this mechanism of compensation stipulates that the Netherlands shall benefit from a gross reduction in its annual GNI contribution of EUR 605 million and Sweden from a gross reduction in its annual GNI contribution of EUR 150 million, measured in 2004 prices.

3. IMPLEMENTATION OF EU BUDGET EXPENDITURE

3.1 BREAKDOWN & CHANGES IN COMMITMENT & PAYMENT APPROPRIATIONS BY FINANCIAL FRAMEWORK HEADING

EUR millions

Financial Framework Heading	Commitment appropriations						Payment appropriations					
	Appropr. adopted	Modifications (Transfers & AB)	Carried over	Assigned revenue	Total additional	Total authorised	Appropr. adopted	Modifications (Transfers & AB)	Carried over	Assigned revenue	Total additional	Total authorised
	1	2	3	4	5=3+4	6=1+2+5	7	8	9	10	11=9+10	12=7+8+11
1 *Sustainable growth*	70 630	620	28	3 777	3 805	75 054	59 085	10 037	157	4 250	4 407	73 528
2 *Preservation and management of natural resources*	60 149	(4)	2	2 393	2 395	62 540	57 484	552	36	2 332	2 368	60 404
3 *Citizenship, freedom, security and justice*	2 106	507	0	233	233	2 846	1 515	450	9	224	232	2 197
4 *The EU as a global player*	9 583	(4)	2	433	435	10 015	6 323	500	30	346	377	7 200
5 *Administration*	8 431	0	0	851	851	9 281	8 430	(1)	767	859	1 627	10 056
6 *Compensations*	0	75	0	0	0	75	0	75	0	0	0	75
Total	**150 898**	**1 193**	**31**	**7 687**	**7 719**	**159 810**	**132 837**	**11 614**	**999**	**8 011**	**9 010**	**153 461**

3.2 IMPLEMENTATION OF COMMITMENT APPROPRIATIONS BY FINANCIAL FRAMEWORK HEADING

EUR millions

Financial Framework Heading	Commitment appropriations authorised	Commitments made					Appropriations carried over				Appropriations lapsing				
		From the year's appropriations	From carry overs	From assigned revenue	Total	%	Assigned revenue	Carry overs by decision	Total	%	From the year's budget appropr.	From carry overs	Assigned revenue	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 *Sustainable growth*	*75 054*	*70 585*	*28*	*2 069*	*72 682*	*96.84%*	*1 708*	*169*	*1 877*	*2.50%*	*495*	*0*	*0*	*495*	*0.66%*
2 *Preservation and management of natural resources*	*62 540*	*60 080*	*2*	*1 381*	*61 463*	*98.28%*	*1 012*	*1*	*1 013*	*1.62%*	*64*	*0*	*0*	*64*	*0.10%*
3 *Citizenship, freedom, security and justice*	*2 846*	*2 606*	*0*	*171*	*2 777*	*97.59%*	*62*	*2*	*64*	*2.26%*	*4*	*0*	*0*	*4*	*0.15%*
4 *The EU as a global player*	*10 015*	*9 500*	*2*	*291*	*9 793*	*97.78%*	*142*	*6*	*149*	*1.48%*	*74*	*0*	*0*	*74*	*0.73%*
5 *Administration*	*9 281*	*8 234*	*0*	*636*	*8 870*	*95.57%*	*215*	*0*	*215*	*2.32%*	*196*	*0*	*0*	*196*	*2.11%*
6 *Compensations*	*75*	*75*	*0*	*0*	*75*	*100.00%*	*0*	*0*	*0*	*0.00%*	*0*	*0*	*0*	*0*	*0.00%*
Total	**159 810**	**151 080**	**31**	**4 548**	**155 659**	**97.40%**	**3 140**	**178**	**3 318**	**2.08%**	**833**	**0**	**0**	**833**	**0.52%**

3.3 IMPLEMENTATION OF PAYMENT APPROPRIATIONS BY FINANCIAL FRAMEWORK HEADING

EUR millions

	Financial Framework Heading	Payment Appropr. authorised	Payments made					Appropriations carried over					Appropriations lapsing				
			From the year's appropr. 2	From carry overs 3	From assigned revenue 4	Total 5=2+3+4	% 6=5/1	Automatic carry overs 7	Carry overs by decision 8	Assigned revenue 9	Total 10=7+8+9	% 11=10/1	From the year's appropr. 12	From carry overs 13	Assigned revenue 14	Total 15=12+13+14	% 16=15/1
1	Sustainable growth	73 528	68 804	138	2 296	71 238	96.89%	135	165	1 954	2 254	3.06%	18	18	0	37	0.05%
2	Preservation & management of natural resources	60 404	57 980	32	1 512	59 524	98.54%	34	2	820	856	1.42%	20	4	0	24	0.04%
3	Citizenship, freedom, security & justice	2 197	1 703	8	173	1 883	85.71%	9	251	51	311	14.15%	2	1	0	3	0.15%
4	The EU as a global player	7 200	6 786	26	243	7 055	97.99%	34	1	103	138	1.92%	2	5	0	7	0.09%
5	Administration	10 056	7 534	699	460	8 693	86.44%	699	0	399	1 098	10.92%	196	68	0	265	2.63%
6	Compensations	75	75	0	0	75	100.00%	0	0	0	0	0.00%	0	0	0	0	0.00%
	Total	**153 461**	**142 883**	**902**	**4 684**	**148 469**	**96.75%**	**911**	**419**	**3 327**	**4 657**	**3.03%**	**238**	**97**	**0**	**335**	**0.22%**

3.4 MOVEMENTS IN COMMITMENTS OUTSTANDING BY FINANCIAL FRAMEWORK HEADING

EUR millions

	Financial Framework Heading	Commitments outstanding at the end of the 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 year-end
1	Sustainable growth	166 271	(1 019)	(63 822)	101 430	72 682	(7 416)	(3)	65 263	166 693
2	Preservation and management of natural resources	26 886	(396)	(13 444)	13 045	61 463	(46 080)	0	15 383	28 428
3	Citizenship, freedom, security and justice	2 316	(133)	(628)	1 555	2 777	(1 255)	0	1 522	3 077
4	The EU as a global player	21 429	(852)	(5 002)	15 575	9 793	(2 053)	(2)	7 738	23 313
5	Administration	909	(191)	(715)	3	8 870	(7 978)	4	896	899
6	Compensations	0	0	0	0	75	(75)	0	0	0
	Total	**217 810**	**(2 590)**	**(83 611)**	**131 609**	**155 659**	**(64 858)**	**(1)**	**90 801**	**222 410**

3.5 BREAKDOWN OF COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN BY FINANCIAL FRAMEWORK HEADING

EUR millions

	Financial Framework Heading	<2007	2007	2008	2009	2010	2011	2012	2013	Total
1	*Sustainable growth*	*4 097*	*337*	*859*	*3 760*	*12 112*	*28 399*	*51 867*	*65 263*	*166 693*
2	*Preservation & management of natural resources*	*479*	*46*	*95*	*139*	*219*	*2 571*	*9 496*	*15 383*	*28 428*
3	*Citizenship, freedom, security and justice*	*6*	*16*	*50*	*144*	*214*	*398*	*728*	*1 522*	*3 077*
4	*The EU as a global player*	*956*	*415*	*823*	*1 237*	*2 375*	*3 845*	*5 923*	*7 738*	*23 313*
5	*Administration*	*0*	*0*	*0*	*0*	*0*	*1*	*139*	*759*	*899*
	Total	**5 537**	**815**	**1 827**	**5 280**	**14 920**	**35 214**	**68 153**	**90 664**	**222 410**

3.6 BREAKDOWN AND CHANGES IN COMMITMENT AND PAYMENT APPROPRIATIONS BY POLICY AREA

EUR millions

	Commitment appropriations						Payment appropriations					
	Approps adopted	Modifications (Transfer /AB)	Carried over	Assigned revenue	Total additional	Total authorised	Approps adopted	Modifications (Transfer/ AB)	Carried over	Assigned revenue	Total additional	Total authorised
	1	2	3	4	5=3+4	6=1+2+5	7	8	9	10	11=9+10	12=7+8+11
01 Economic & financial affairs	556	(60)	0	31	31	527	428	(52)	6	29	35	411
02 Enterprise	1 154	(16)	0	131	131	1 269	1 162	214	19	192	211	1 587
03 Competition	92	1	0	6	6	99	92	1	8	6	13	107
04 Employment & social affairs	12 004	276	24	518	542	12 823	10 429	3 303	38	517	555	14 286
05 Agriculture & rural develop.	58 852	(33)	2	2 406	2 407	61 226	56 344	512	27	2 351	2 378	59 234
06 Mobility & transport	1 741	0	0	102	102	1 843	984	18	6	112	118	1 120
07 Environment & Climate	498	(1)	0	21	21	518	391	9	18	19	37	438
08 Research	6 878	(4)	0	1 256	1 256	8 130	4 808	174	26	1 548	1 573	6 556
09 Comm. netw. content & technology	1 805	6		320	321	2 131	1 389	167	14	454	468	2 024
10 Direct research	424	0	0	576	576	1 000	411	8	48	491	539	959
11 Maritime affairs & Fisheries	1 024	15	0	4	4	1 043	794	30	3	4	7	831
12 Internal market	106	0	0	16	16	123	103	2	6	17	22	127
13 Regional policy	43 389	780	3	292	295	44 464	37 434	6 222	12	292	304	43 960
14 Taxation & customs union	145	1	0	6	6	151	112	16	7	5	12	140
15 Education & culture	2 813	15	0	604	604	3 433	2 373	254	13	661	674	3 301
16 Communication	266	1	0	8	8	275	253	(2)	14	8	23	273
17 Health & consumer protection	634	(14)	0	28	28	648	593	(5)	11	23	34	622
18 Home affairs	1 296	60	0	88	88	1 444	799	174	5	75	80	1 053
19 External relations	5 001	(125)	0	212	212	5 088	3 089	118	13	134	147	3 354
20 Trade	107	0		3	4	111	102	2	4	3	7	112
21 Development & relations ACP	1 572	1	2	127	129	1 701	1 207	23	11	136	147	1 377
22 Enlargement	1 062	54	0	35	35	1 152	832	76	8	17	25	933
23 Humanitarian aid	917	411	0	32	32	1 360	829	410	7	32	39	1 278
24 Fight against fraud	79	0	0			79	73	0	10		10	83
25 Policy coord. & legal advice	193	0	0	11	11	205	194	0	16	11	27	221
26 Commission administration	1 030	(2)	0	156	156	1 184	1 013	14	133	158	290	1 318
27 Budget	67	63	0	7	7	138	67	63	8	7	16	146
28 Audit	12	0	0	1	1	13	12	0	1	1	1	13
29 Statistics	134	(1)	0	11	11	144	115	7	6	19	24	147
30 Pensions and related expenditure	1 399	0	0	1	1	1 401	1 399	0	0	1	1	1 401
31 Language Services	397	0	0	86	86	482	397	0	24	86	109	506
32 Energy	738	1	0	80	80	818	814	(70)	6	88	93	838
33 Justice	218	1	0	16	16	235	184	4	4	15	19	208
40 Reserves	764	(236)	0	0	0	528	80	(80)	0	0	0	0
90 Other Institutions	3 527	0	0	496	496	4 023	3 527	0	468	502	970	4 497
Total	**150 898**	**1 193**	**31**	**7 687**	**7 719**	**159 810**	**132 837**	**11 614**	**999**	**8 011**	**9 010**	**153 461**

3.7 IMPLEMENTATION OF COMMITMENT APPROPRIATIONS BY POLICY AREA

EUR millions

Policy Area	Commitment appropriations authorised	Commitments made					Appropriations carried over				Appropriations lapsing				
		From the year's approps	From carry overs	Assigned revenue	Total	%	Assigned revenue	Carry overs: decision	Total	%	From year's budget approps	From carry overs	Assigned revenue	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 & financial affairs	527	488	0	29	517	98.09%	2	0	2	0.44%	8	0	0	8	1.47%
02 Enterprise	1 269	1 135	0	105	1 241	97.77%	26	0	26	2.03%	2	0	0	2	0.19%
03 Competition	99	91	0	3	94	94.88%	3	0	3	2.62%	2	0	0	2	2.50%
04 Employment & social affairs	12 823	12 097	24	10	12 131	94.61%	509	168	677	5.28%	14	0	0	14	0.11%
05 Agriculture & rural develop.	61 226	58 797	2	1 368	60 167	98.27%	1 038	0	1 038	1.69%	21	0	0	21	0.03%
06 Mobility and transport	1 843	1 734	0	73	1 807	98.03%	30	0	30	1.61%	7	0	0	7	0.36%
07 Environment & Climate	518	495	0	11	506	97.67%	10	0	10	1.88%	2	0	0	2	0.45%
08 Research	8 130	6 874	0	1 041	7 915	97.35%	215	0	215	2.64%	0	0	0	0	0.01%
09 Communication network, content and technology	2 131	1 810	0	276	2 085	97.84%	45	0	45	2.10%	1	0	0	1	0.06%
10 Direct research	1 000	424	0	94	518	51.79%	482	0	482	48.21%	0	0	0	0	0.00%
11 Maritime affairs & Fisheries	1 043	995	0	1	997	95.55%	2	0	2	0.20%	44	0	0	44	4.25%
12 Internal market	123	104	0	13	117	95.22%	4	0	4	3.10%	2	0	0	2	1.69%
13 Regional policy	44 464	44 162	3	5	44 170	99.34%	287	0	287	0.65%	7	0	0	7	0.02%
14 Taxation & customs union	151	144	0	3	147	97.21%	3	0	3	1.81%	1	0	0	1	0.97%
15 Education & culture	3 433	2 826	0	477	3 303	96.20%	127	0	127	3.71%	3	0	0	3	0.09%
16 Communication	275	264	0	5	269	98.10%	3	0	3	1.08%	2	0	0	2	0.82%
17 Health & consumer protect.	648	614	0	20	635	97.88%	8	1	9	1.35%	5	0	0	5	0.77%
18 Home affairs	1 444	1 352	0	68	1 420	98.31%	20	2	22	1.50%	3	0	0	3	0.19%
19 External relations	5 088	4 869	0	153	5 023	98.71%	58	5	64	1.25%	2	0	0	2	0.04%
20 Trade	111	105	0	2	108	96.66%	2	0	2	1.40%	2	0	0	2	1.94%
21 Develop. & relations ACP	1 701	1 564	2	99	1 664	97.82%	28	1	29	1.71%	8	0	0	8	0.46%
22 Enlargement	1 152	1 115	0	31	1 147	99.53%	4	0	4	0.35%	1	0	0	1	0.13%
23 Humanitarian aid	1 360	1 326	0	12	1 339	98.42%	20	0	20	1.46%	2	0	0	2	0.11%
24 Fight against fraud	79	79	0	0	79	99.81%	0	0	0	0.04%	0	0	0	0	0.15%
25 Policy coord. and legal adv.	205	188	0	6	194	94.96%	5	0	5	2.45%	5	0	0	5	2.59%
26 Commission's administr.	1 184	1 028	0	91	1 119	94.50%	64	0	65	5.46%	0	0	0	0	0.03%
27 Budget	138	129	0	4	134	96.82%	3	0	3	2.23%	1	0	0	1	0.95%
28 Audit	13	11	0	0	12	93.31%	0	0	1	4.03%	0	0	0	0	2.66%
29 Statistics	144	126	0	8	134	93.14%	3	0	3	2.37%	6	0	0	6	4.49%
30 Pensions & related expend.	1 401	1 397	0	0	1 397	99.74%	1	0	1	0.10%	2	0	0	2	0.16%
31 Language Services	482	387	0	48	435	90.08%	38	0	38	7.84%	10	0	0	10	2.08%
32 Energy	818	734	0	48	782	95.66%	31	0	31	3.82%	4	0	0	4	0.52%
33 Justice	235	216	0	8	225	95.71%	8	0	8	3.23%	2	0	0	2	1.06%
40 Reserves	528	0	0	0	0	0.00%	0	0	0	0.00%	528	0	0	528	100.00%
90 Other Institutions	4 023	3 396	0	434	3 830	95.21%	62	0	62	1.53%	131	0	0	131	3.26%
Total	**159 810**	**151 080**	**31**	**4 548**	**155 659**	**97.40%**	**3 140**	**178**	**3 318**	**2.08%**	**833**	**0**	**0**	**833**	**0.52%**

3.8 IMPLEMENTATION OF PAYMENT APPROPRIATIONS BY POLICY AREA

EUR millions

Policy Area	Payment Appropr. authorised	Payments made					Appropriations carried over					Appropriations lapsing				
		From the year's appr.	From carry overs	Assigned revenue	Total	%	Automatic carry overs	Carry overs by decision	Assigned revenue	Total	%	From the year's appr.	From carry-overs	Assigned revenue	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 & financial affairs	411	366	6	26	397	96.68%	8	0	3	11	2.60%	2	1	0	3	0.72%
02 Enterprise	1 587	1 359	17	80	1 456	91.76%	14	0	111	126	7.91%	3	2	0	5	0.33%
03 Competition	107	84	7	2	93	87.19%	7	0	3	10	9.61%	2	1	0	3	3.20%
04 Employm. and social affairs	14 286	13 672	36	399	14 107	98.74%	14	36	117	168	1.18%	9	2	0	11	0.08%
05 Agriculture & rural develop.	59 234	56 815	23	1 501	58 339	98.49%	21	0	850	871	1.47%	20	4	0	24	0.04%
06 Mobility and transport	1 120	990	5	64	1 059	94.58%	6	0	48	54	4.86%	5	1	0	6	0.56%
07 Environment & Climate	438	377	17	12	406	92.71%	21	0	7	28	6.41%	3	1	0	4	0.89%
08 Research	6 556	4 958	23	790	5 771	88.02%	24	0	758	782	11.92%	0	3	0	3	0.05%
09 Communication network, content & technology	2 024	1 539	13	273	1 826	90.21%	15	0	181	196	9.69%	1	1	0	2	0.10%
10 Direct research	959	366	41	89	496	51.68%	54	0	402	456	47.57%	0	7	0	7	0.75%
11 Maritime affairs & Fisheries	831	816	3	1	820	98.71%	3	1	2	7	0.87%	3	1	0	4	0.42%
12 Internal market	127	97	5	13	116	90.79%	6	0	3	9	7.08%	2	1	0	3	2.13%
13 Regional policy	43 960	43 262	10	222	43 494	98.94%	12	380	70	461	1.05%	2	2	0	4	0.01%
14 Taxation & customs union	140	120	7	3	129	92.07%	7	0	3	9	6.71%	1	0	0	2	1.22%
15 Education & culture	3 301	2 614	12	426	3 052	92.45%	11	0	235	247	7.47%	2	1	0	3	0.08%
16 Communication	273	234	14	5	252	92.32%	14	0	4	17	6.34%	3	1	0	4	1.34%
17 Health & consumer protect.	622	574	10	15	599	96.32%	12	0	8	19	3.09%	3	1	0	4	0.59%
18 Home affairs	1 053	966	5	64	1 035	98.33%	4	0	11	15	1.41%	2	1	0	3	0.26%
19 External relations	3 354	3 189	11	94	3 295	98.23%	17	0	39	56	1.68%	1	2	0	3	0.09%
20 Trade	112	99	4	2	104	93.10%	3	0	2	5	4.67%	2	0	0	2	2.23%
21 Develop. & relations ACP	1 377	1 212	9	124	1 345	97.67%	11	0	12	24	1.71%	7	2	0	8	0.61%
22 Enlargement	933	901	6	12	920	98.56%	5	0	5	10	1.07%	2	2	0	3	0.37%
23 Humanitarian aid	1 278	1 230	7	12	1 249	97.74%	8	0	20	28	2.17%	1	0	0	1	0.09%
24 Fight against fraud	83	65	8	0	73	87.45%	9	0	0	9	10.39%	0	2	0	2	2.16%
25 Policy coord.& legal advice	221	175	13	5	193	87.38%	14	0	6	20	9.04%	5	3	0	8	3.57%
26 Commission administration	1 318	894	125	64	1 082	82.08%	134	0	94	227	17.26%	1	8	0	9	0.67%
27 Budget	146	124	8	3	135	91.97%	6	0	4	10	6.75%	1	1	0	2	1.29%
28 Audit	13	11	0	0	12	89.13%	0	0	0	1	8.05%	0	0	0	0	2.82%
29 Statistics	147	115	5	7	126	85.55%	6	0	12	18	12.02%	2	1	0	4	2.43%
30 Pensions & related expend.	1 401	1 397	0	0	1 397	99.74%	0	0	1	1	0.10%	2	0	0	2	0.16%
31 Language Services	506	371	22	44	436	86.22%	16	0	42	58	11.42%	10	2	0	12	2.36%
32 Energy	838	734	5	20	758	90.53%	5	0	68	73	8.76%	5	1	0	6	0.71%
33 Justice	208	183	3	9	195	93.62%	4	0	6	10	4.62%	2	1	0	4	1.75%
40 Reserves	0	0	0	0	0	0.00%	0	0	0	0	0.00%	0	0	0	0	0.00%
90 Other Institutions	4 497	2 975	425	303	3 703	82.35%	421	0	199	620	13.79%	131	43	0	174	3.86%
Total	**153 461**	**142 883**	**902**	**4 684**	**148 469**	**96.75%**	**911**	**419**	**3 327**	**4 657**	**3.03%**	**238**	**97**	**0**	**335**	**0.22%**

3.9 MOVEMENTS IN COMMITMENTS OUTSTANDING BY POLICY AREA

EUR millions

	Policy Area	Commitments outstanding at end of the 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 commitments which cannot be carried over	Commitments outstanding at year-end	Total commitments outstanding at year-end
01	Economic & financial affairs	623	(3)	(142)	478	517	(256)	0	261	739
02	Enterprise	2 090	(20)	(963)	1 107	1 241	(493)	0	748	1 855
03	Competition	8	(1)	(7)	0	94	(86)	0	8	8
04	Employment & social affairs	29 668	(133)	(13 541)	15 994	12 131	(566)	0	11 565	27 559
05	Agriculture & rural develop.	23 847	(320)	(12 377)	11 150	60 167	(45 962)	0	14 205	25 354
06	Mobility and transport	3 317	(64)	(885)	2 368	1 807	(174)	0	1 633	4 001
07	Environment & Climate	1 002	(12)	(268)	723	506	(138)	0	368	1 090
08	Research	10 781	(92)	(3 109)	7 579	7 915	(2 661)	(2)	5 252	12 831
09	Communication network, content and technology	2 594	(31)	(952)	1 611	2 085	(874)	0	1 211	2 822
10	Direct research	199	(20)	(121)	59	518	(375)	0	143	202
11	Maritime affairs & Fisheries	2 290	(107)	(633)	1 551	997	(188)	0	809	2 360
12	Internal market	21	(2)	(16)	4	117	(100)	0	17	21
13	Regional policy	112 307	(811)	(42 832)	68 664	44 170	(662)	0	43 508	112 172
14	Taxation & customs union	93	(5)	(59)	29	147	(70)	0	77	106
15	Education & culture	2 194	(57)	(938)	1 199	3 303	(2 114)	0	1 188	2 387
16	Communication	119	(10)	(84)	25	269	(168)	0	101	126
17	Health & consumer protection	642	(62)	(293)	288	635	(306)	0	328	616
18	Home affairs	1 677	(69)	(331)	1 277	1 420	(704)	0	715	1 992
19	External relations	11 342	(352)	(2 421)	8 569	5 023	(874)	0	4 149	12 718
20	Trade	18	(1)	(11)	6	108	(93)	0	15	21
21	Development & relations ACP	3 453	(103)	(905)	2 444	1 664	(439)	0	1 225	3 669
22	Enlargement	3 039	(58)	(763)	2 218	1 147	(157)	(1)	988	3 206
23	Humanitarian aid	831	(3)	(555)	273	1 339	(694)	0	645	918
24	Fight against fraud	35	(3)	(18)	14	79	(55)	0	25	38
25	Policy coord. & legal advice	17	(3)	(14)	0	194	(179)	0	15	15
26	Commission administration	174	(10)	(153)	11	1 119	(929)	0	190	201
27	Budget	8	(1)	(8)	0	134	(127)	0	7	7
28	Audit	1	0	0	0	12	(11)	0	1	1
29	Statistics	114	(9)	(48)	57	134	(78)	0	55	113
30	Pensions & related expenditure	0	0	0	0	1 397	(1 397)	0	0	0
31	Language Services	24	(2)	(22)	0	435	(415)	0	20	20
32	Energy	4 517	(40)	(639)	3 838	782	(119)	0	664	4 502
33	Justice	179	(25)	(79)	75	225	(116)	0	109	184
90	Other Institutions	588	(163)	(425)	0	3 830	(3 278)	5	557	557
	Total	**217 810**	**(2 590)**	**(83 611)**	**131 609**	**155 659**	**(64 858)**	**(1)**	**90 801**	**222 410**

3.10 BREAKDOWN OF COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN BY POLICY AREA

EUR millions

	Policy Area	<2007	2007	2008	2009	2010	2011	2012	2013	Total
01	Economic & financial affairs	32	10	0	0	73	184	180	261	739
02	Enterprise	4	14	23	55	135	364	513	748	1 855
03	Competition	0	0	0	0	0	0	0	8	8
04	Employment and social affairs	673	57	7	246	924	4 862	9 225	11 565	27 559
05	Agriculture & rural develop.	196			2	144	2 079	8 729	14 205	25 354
06	Mobility and transport	21	103	48	211	375	707	903	1 633	4 001
07	Environment & Climate	8	45	65	105	133	170	197	368	1 090
08	Research	102	85	209	397	1 003	2 069	3 714	5 252	12 831
09	Communication network, content and technology	7	15	30	115	188	394	863	1 211	2 822
10	Direct research	3	1	9	5	5	8	27	143	202
11	Maritime affairs and Fisheries	275	1	3	10	44	490	728	809	2 360
12	Internal market	0	0	0	0	1		3	17	21
13	Regional policy	3 583	9	421	1 560	7 925	19 331	35 836	43 508	112 172
14	Taxation & customs union	0	0	0	0		7	22	77	106
15	Education & culture	1	33	54	81	138	332	560	1 188	2 387
16	Communication	0	0		0	1	3	19	101	126
17	Health & consumer protection	4	1	30	29	52	65	108	328	616
18	Home affairs	0	14	41	128	183	340	570	715	1 992
19	External relations	335	318	573	822	1 257	1 971	3 293	4 149	12 718
20	Trade	0	0		0		2	4	15	21
21	Development & relations ACP	92	41	118	227	352	609	1 005	1 225	3 669
22	Enlargement	137	45	125	172	369	600	770	988	3 206
23	Humanitarian aid	1	1	9	14	28	37	182	645	918
24	Fight against fraud	0	1	1	1	2	3	6	25	38
25	Policy coord. & legal advice	0	0	0	0	0	0	0	15	15
26	Commission administration	0	0	0	0			11	190	201
27	Budget	0	0	0	0	0	0	0	7	7
28	Audit	0	0	0	0	0	0	0	1	1
29	Statistics	2			1	6	18	31	55	113
30	Pensions & related expenditure	0	0	0	0	0	0	0	0	0
31	Language Services	0	0	0	0	0	0	0	20	20
32	Energy	61	21	62	1 095	1 576	549	475	664	4 502
33	Justice	0		2	5	7	18	43	109	184
90	Other Institutions	0	0	0	0	0	0	137	420	557
	Total	**5 537**	**815**	**1 827**	**5 280**	**14 920**	**35 214**	**68 153**	**90 664**	**222 410**

FINANCIAL FRAMEWORK 2007-2013

EUR millions

	2007	2008	2009	2010	2011	2012	2013	Total
1. Sustainable Growth	*53 979*	*57 653*	*61 696*	*63 555*	*63 974*	*67 614*	*70 644*	*439 115*
2. Preservation & management of natural resources	*55 143*	*59 193*	*56 333*	*59 955*	*59 888*	*60 810*	*61 289*	*412 611*
3. Citizenship, freedom, security & justice	*1 273*	*1 362*	*1 518*	*1 693*	*1 889*	*2 105*	*2 407*	*12 247*
4. EU as a global player	*6 578*	*7 002*	*7 440*	*7 893*	*8 430*	*8 997*	*9 595*	*55 935*
5. Administration	*7 039*	*7 380*	*7 525*	*7 882*	*8 091*	*8 523*	*8 492*	*54 932*
6. Compensations	*445*	*207*	*210*	*0*	*0*	*0*	*75*	*937*
Commitment appropriations:	**124 457**	**132 797**	**134 722**	**140 978**	**142 272**	**148 049**	**152 502**	**975 777**
Total payment appropriations:	**122 190**	**129 681**	**120 445**	**134 289**	**133 700**	**141 360**	**144 285**	**925 950**

This section describes the main categories of EU expenditure, classified by heading of the financial framework 2007-2013. The 2013 financial year was the seventh and last covered by the financial framework 2007-2013. The overall ceiling on commitments appropriations for 2013 comes to EUR 152 502 million, equivalent to 1.15 % of GNI. The corresponding ceiling on the appropriations for payments comes to EUR 144 285 million, i.e. 1.08 % of GNI. The above table shows the financial framework at current prices.

Heading 1 – Sustainable growth

This heading is divided into two separate, but interlinked components:

1a. Competitiveness for growth and employment, encompassing expenditure on research and innovation, education and training, trans-European networks, social policy, the internal market and accompanying policies.

1b. Cohesion for growth and employment, 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 – Preservation and management of natural resources

Heading 2 includes the common agricultural and fisheries policies, rural development and environmental measures, in particular Natura 2000. The amount earmarked for the common agricultural policy reflects the agreement reached at the European Council in October 2002.

Heading 3 – Citizenship, freedom, security and justice

Heading 3 (Citizenship, freedom, security and justice) 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. It is split in two components:

3a. Freedom, Security and Justice

3b. Citizenship

Heading 4 – The EU as a global player

Heading 4 covers all external action, including pre-accession instruments. Whereas the Commission had proposed to integrate the EDF into the financial framework, the European Parliament and the European Council agreed to leave it outside.

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, but the Agencies and other bodies make both administrative and operational expenditure.

Heading 6 - Compensations

In accordance with the political agreement that the 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.

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 DG, 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.

4. INSTITUTIONS AND AGENCIES

4.1 SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE BY INSTITUTION

EUR millions

Institution	Income appropriations		Entitlements established			Revenue			Receipts as	Outstanding
	Initial	Final	Current year	Carried	Total	On entitlements of current year	On entitlements Carried	Total	% of budget	
European Parliament	*143*	*143*	*157*	*25*	*182*	*155*	*4*	*158*	*110.55%*	*24*
European Council and Council	*57*	*57*	*77*	*11*	*88*	*70*	*10*	*81*	*142.17%*	*7*
Commission	*132 514*	*144 128*	*148 268*	*11 573*	*159 841*	*146 110*	*2 756*	*148 866*	*103.29%*	*10 975*
Court of Justice	*45*	*45*	*43*	*0*	*43*	*42*	*0*	*42*	*94.44%*	*1*
Court of Auditors	*20*	*20*	*17*	*0*	*17*	*17*	*0*	*17*	*85.85%*	*0*
Economic and Social Committee	*11*	*11*	*14*	*0*	*14*	*14*	*0*	*14*	*132.16%*	*0*
Committee of the Regions	*8*	*8*	*10*	*0*	*10*	*9*	*0*	*9*	*119.48%*	*0*
Ombudsman	*1*	*1*	*1*	*0*	*1*	*1*	*0*	*1*	*90.89%*	*0*
European Data Protection Supervisor	*1*	*1*	*1*	*0*	*1*	*1*	*0*	*1*	*70.20%*	*0*
European External Action Service	*37*	*37*	*313*	*0*	*313*	*313*	*0*	*313*	*840.31%*	*0*
	132 837	**144 451**	**148 901**	**11 609**	**160 510**	**146 733**	**2 771**	**149 504**	**103.50%**	**11 006**

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 210 million (2012: EUR 212 million) and the EDF of EUR 59 million (2012: EUR 53 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.

4.2 IMPLEMENTATION OF COMMITMENT AND PAYMENT APPROPRIATIONS BY INSTITUTION

Commitment appropriations

EUR millions

Institution	Commitment appropriations authorised	Commitments made					Appropriations carried over				Appropriations lapsing				
		From the year's appropr.	From carry overs	From assigned revenue	Total	%	From assigned revenue	Carry overs by decision	Total	%	From the year's budget appropr.	from carry overs	Assigned revenue	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	*1 883*	*1 736*	*0*	*121*	*1 857*	*98.6%*	*12*	*0*	*12*	*0.6%*	*15*	*0*	*0*	*15*	*0.8%*
European Council and Council	*605*	*464*	*0*	*42*	*507*	*83.8%*	*27*	*0*	*27*	*4.4%*	*71*	*0*	*0*	*71*	*11.8%*
Commission	*155 788*	*147 684*	*31*	*4 114*	*151 829*	*97.5%*	*3 078*	*178*	*3 256*	*2.1%*	*702*	*0*	*0*	*702*	*0.5%*
Court of Justice	*357*	*342*	*0*	*1*	*343*	*96.1%*	*1*	*0*	*1*	*0.2%*	*13*	*0*	*0*	*13*	*3.6%*
Court of Auditors	*143*	*132*	*0*	*0*	*132*	*92.2%*	*0*	*0*	*0*	*0.2%*	*11*	*0*	*0*	*11*	*7.6%*
Economic & Social Committee	*134*	*122*	*0*	*4*	*126*	*93.9%*	*1*	*0*	*1*	*0.4%*	*8*	*0*	*0*	*8*	*5.7%*
Committee of the Regions	*90*	*85*	*0*	*2*	*87*	*97.1%*	*0*	*0*	*0*	*0.0%*	*3*	*0*	*0*	*3*	*2.9%*
Ombudsman	*10*	*10*	*0*	*0*	*10*	*98.2%*	*0*	*0*	*0*	*0.0%*	*0*	*0*	*0*	*0*	*1.8%*
European Data Protection Supervisor	*8*	*7*	*0*	*0*	*7*	*95.1%*	*0*	*0*	*0*	*0.0%*	*0*	*0*	*0*	*0*	*4.9%*
European External Action Service	*793*	*498*	*0*	*263*	*761*	*96.0%*	*21*	*0*	*21*	*2.7%*	*10*	*0*	*0*	*10*	*1.3%*
	159 810	**151 080**	**31**	**4 548**	**155 659**	**97.4%**	**3 140**	**178**	**3 318**	**2.1%**	**833**	**0**	**0**	**833**	**0.5%**

Payment appropriations

EUR millions

Institution	Payment appropriations authorised	Payments made					Appropriations carried over					Appropriations lapsing				
		From year's appropr.	From carry overs	From assigned revenue	Total	%	Automatic carry overs	Carry overs by decision	From assigned revenue	Total	%	From year's appropr.	From carry overs	Assigned revenue	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	*2 189*	*1 458*	*286*	*25*	*1 770*	*80.9%*	*278*	*0*	*107*	*385*	*17.6%*	*15*	*19*	*0*	*34*	*1.5%*
European Council and Council	*651*	*416*	*39*	*41*	*496*	*76.3%*	*48*	*0*	*28*	*76*	*11.7%*	*71*	*7*	*0*	*78*	*12.0%*
Commission	*148 964*	*139 908*	*477*	*4 381*	*144 766*	*97.2%*	*490*	*419*	*3 128*	*4 037*	*2.7%*	*107*	*54*	*0*	*161*	*0.1%*
Court of Justice	*375*	*326*	*15*	*1*	*342*	*91.2%*	*16*	*0*	*1*	*17*	*4.5%*	*13*	*3*	*0*	*16*	*4.2%*
Court of Auditors	*156*	*121*	*11*	*0*	*132*	*84.7%*	*11*	*0*	*0*	*11*	*7.3%*	*11*	*2*	*0*	*12*	*8.0%*
Economic & Social Committee	*142*	*114*	*7*	*3*	*125*	*87.7%*	*8*	*0*	*1*	*9*	*6.2%*	*8*	*1*	*0*	*9*	*6.1%*
Committee of the Regions	*98*	*78*	*7*	*2*	*87*	*88.9%*	*7*	*0*	*0*	*7*	*7.2%*	*3*	*1*	*0*	*4*	*3.8%*
Ombudsman	*10*	*9*	*1*	*0*	*10*	*91.9%*	*1*	*0*	*0*	*1*	*6.0%*	*0*	*0*	*0*	*0*	*2.1%*
European Data protection Supervisor	*9*	*6*	*0*	*0*	*7*	*81.5%*	*1*	*0*	*0*	*1*	*9.3%*	*0*	*0*	*0*	*1*	*9.3%*
European External Action Service	*868*	*446*	*59*	*229*	*735*	*84.7%*	*52*	*0*	*61*	*113*	*13.0%*	*10*	*9*	*0*	*20*	*2.3%*
	153 461	**142 883**	**902**	**4 684**	**148 469**	**96.7%**	**911**	**419**	**3 327**	**4 657**	**3.0%**	**238**	**97**	**0**	**335**	**0.2%**

4.3 AGENCIES INCOME: BUDGET FORECASTS, ENTITLEMENTS AND AMOUNTS RECEIVED

EUR millions

Agency	Forecasted Income budget	Entitlements established	Amounts received	Outstanding	Funding Commission Policy Area
European Agency for the Cooperation of Energy Regulators	*12*	*12*	*12*	*0*	*06*
European Asylum Support Office	*11*	*10*	*10*	*0*	*18*
European Aviation Safety Agency	*151*	*125*	*125*	*0*	*06*
Frontex	*94*	*92*	*92*	*0*	*18*
European Centre for the Development of Vocational Training	*19*	*18*	*18*	*0*	*15*
European Police College	*8*	*9*	*9*	*0*	*18*
European Chemicals Agency	*99*	*98*	*98*	*0*	*02*
European Centre for Disease prevention and control	*58*	*59*	*59*	*0*	*17*
European Monitoring Centre for Drugs and Drug Addiction	*16*	*16*	*16*	*0*	*18*
European Banking Authority	*26*	*26*	*26*	*0*	*12*
European Insurance and Occupational Pensions Authority	*19*	*18*	*18*	*0*	*12*
European Environment Agency	*49*	*63*	*63*	*0*	*07*
European Police office	*83*	*83*	*83*	*0*	*18*
European Securities and Markets Authority	*28*	*30*	*30*	*0*	*12*
Community Fisheries Control Agency	*9*	*9*	*9*	*0*	*11*
European Food Safety Authority	*76*	*76*	*76*	*0*	*17*
European Institute for Gender Equality	*7*	*8*	*8*	*0*	*04*
European GNSS supervisory authority	*14*	*54*	*54*	*0*	*06*
Fusion for Energy	*432*	*432*	*432*	*0*	*08*
Eurojust	*32*	*32*	*32*	*0*	*18*
EU. LISA	*34*	*19*	*19*	*0*	*18*
European Maritime Safety Agency	*57*	*58*	*56*	*2*	*06*
Office For Harmonisation in the Internal Market	*418*	*189*	*189*	*0*	*12*
European Medicines Agency	*252*	*269*	*240*	*29*	*02*
European Network and Information Security Agency	*10*	*10*	*9*	*0*	*09*
European Regulators for Electronic Communications office	*4*	*4*	*4*	*0*	*09*
European Union Agency for Fundamental Rights	*22*	*22*	*22*	*0*	*18*
European Railway Agency	*26*	*26*	*26*	*0*	*06*
European Agency for Safety and Health at Work	*15*	*16*	*16*	*0*	*04*
European Institute of Innovation and Technology	*99*	*97*	*97*	*0*	*15*
Translation Centre for the Bodies of the EU	*52*	*54*	*50*	*4*	*15*
European Training Foundation	*20*	*22*	*22*	*0*	*15*
Community Plant Variety Office	*14*	*13*	*13*	*0*	*17*
European Foundation for the Improvement of Living and Working Conditions	*21*	*21*	*21*	*0*	*04*
Education, Audiovisual & Culture Executive Agency	*51*	*52*	*52*	*0*	*15*
Executive Agency for Competitiveness and Innovation	*16*	*16*	*16*	*0*	*06*
European Research Council Executive Agency	*40*	*40*	*40*	*0*	*08*
Research Executive Agency	*47*	*47*	*47*	*0*	*08*
Executive Agency for Health and Consumers	*7*	*7*	*7*	*0*	*17*
Trans-European Transport Network Executive Agency	*10*	*10*	*10*	*0*	*06*
	2 457	**2 260**	**2 224**	**37**	

EUR millions

Type of revenue	Forecasted income budget	Entitlements established	Amounts received	Outstanding
Commission Subsidy	1 349	1 370	1 370	1
Fee income	569	591	564	27
Other income	539	299	290	9
	2 457	***2 260***	***2 224***	***37***

4.4 COMMITMENT & PAYMENT APPROPRIATIONS BY AGENCY

EUR millions

Agency	Commitment appropriations			Payment appropriations		
	Appropri-ations	Commit-ments made	Carried over	Appropri-ations	Payments made	Carried over
European Agency for the Cooperation of Energy Regulators	12	12	0	14	8	5
European Asylum Support Office	12	10	0	12	11	1
European Aviation Safety Agency	169	135	32	180	125	52
Frontex	95	92	0	116	79	32
European Centre for the Development of Vocational Training	20	20	0	21	19	2
European Police College	9	8	0	10	9	1
European Chemicals Agency	108	106	0	123	106	14
European Centre for Disease prevention and control	59	54	0	70	53	11
European Monitoring Centre for Drugs and Drug Addiction	17	16	0	17	16	1
European Banking Authority	26	23	0	33	25	4
European Insurance and Occupational Pensions Authority	19	18	0	22	16	5
European Environment Agency	72	54	17	76	47	27
European Police office	84	82	0	100	87	10
European Securities and Markets Authority	28	26	0	32	24	6
Community Fisheries Control Agency	9	9	0	11	9	1
European Food Safety Authority	79	78	0	85	77	7
European Institute for Gender Equality	8	7	0	10	8	2
European GNSS supervisory authority	94	81	13	75	26	49
Fusion for Energy	1 297	1 297	0	439	393	23
Eurojust	34	33	0	37	32	5
EU.LISA	61	61	0	38	19	7
European Maritime Safety Agency	62	59	2	59	53	3
Office for Harmonisation in the Internal Market	418	209	0	37	201	38
European Medicines Agency	252	243	0	292	249	33
European Network & Information Security Agency	10	9	1	10	9	1
European Regulators for Electronic Communications office	4	3	0	4	3	0
European Union Agency for Fundamental Rights	22	22	0	26	20	7
European Railway Agency	26	25	0	28	25	2
European Agency for Safety & Health at Work	17	15	2	21	14	6
European Institute of Innovation and Technology	142	138	1	106	102	2
Translation Centre for the Bodies of the EU	52	44	0	56	44	3
European Training Foundation	22	22	0	23	21	2
Community Plant Variety Office	16	14	0	15	13	0
European Foundation for the Improvement of Living and Working Conditions	21	21	0	25	20	5
Education, Audiovisual & Culture Executive Agency	51	50	0	58	50	5
Executive Agency for Competitiveness and Innovation	16	16	0	18	15	1
European Research Council Exec. Agency	40	39	0	42	39	2
Research Executive Agency	47	46	0	50	46	3
Executive Agency for Health & Consumers	7	7	0	8	7	1
Trans-European Transport Network Executive Agency	10	10	0	11	10	1
	3 546	**3 215**	**70**	**2 410**	**2 130**	**381**

EUR millions

Type of expenditure	Commitment appropriations			Payment appropriations		
	Appropri-ations	Commit-ments made	Carried over	Appropri-ations	Payments made	Carried over
Staff	*875*	*844*	*1*	*796*	*838*	*16*
Administrative expenses	*350*	*343*	*1*	*351*	*335*	*83*
Operational expenses	*2 322*	*2 028*	*68*	*1 262*	*957*	*282*
	3 546	**3 215**	**70**	**2 410**	**2 130**	**381**

4.5 BUDGET RESULT INCLUDING AGENCIES

EUR millions

	EU	AGENCIES	Elimination of subsidies to agencies	TOTAL
Revenue for the financial year	149 504	2 224	(1 370)	150 358
Payments against current year appropriations	(147 567)	(1 909)	1 370	(148 106)
Payment appropriations carried over to year N+1	(1 329)	(381)	0	(1 710)
Cancellation of unused appropriations carried over from year N-1	437	107	0	543
Exchange differences for the year	(42)	0	0	(42)
	1 002	***41***	***0***	***1 043***

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