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CONSOLIDATED ANNUAL ACCOUNTS OF THE EUROPEAN UNION 2014

Consolidated annual accounts of the European Union

Financial year 2014

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FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

1. EU: Institutional governance and operations

The European Union (EU) is an economic and political partnership of 28 European countries. It was established in 1993 by the Maastricht Treaty and succeeded the European Community, the European Coal and Steel Community (ECSC) and Euratom. The latest major amendment to the constitutional basis of the EU, the Treaty of Lisbon, entered into force on 1 December 2009.

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

- European citizens elect directly the Members of the European Parliament (EP);

- The EU's broad priorities are set by the European Council, which brings together national and EU-level leaders;

- Governments defend their country's national interests in the Council of the European Union (the 'Council');

- The interests of the EU as a whole are promoted by the European Commission (the 'Commission'), whose President is elected by the EP and whose members are suggested for appointment by national governments by common accord with the President-elect and are subject, as a body, to a vote of consent by the EP.

The EU has its own legal order which is separate from international law and forms an integral part of the legal systems of the Member States. The legal order of the EU is based on its own sources of law. Given the varied nature of these sources, a hierarchy had to be established among them. Primary legislation is at the top of the hierarchy and is represented by the Treaties. This is followed by international agreements concluded by the EU, general legal principles and secondary legislation, which is based on the Treaties.

Sources and hierarchy of EU law:

- Treaty on European Union (TEU); Treaty on the Functioning of the European Union (TFEU); Charter of Fundamental Rights of the European Union; other Treaties and Protocols
- international agreements;
- general principles of Union law;
- secondary legislation.

The institutional governance of the EU consists of institutions, agencies and other EU bodies which are listed in note **10** of the notes to the financial statements. The main institutions in the sense of being responsible for drafting policies and taking decisions are the EP, the European Council, the Council and the Commission.

European Parliament

The EP is an important forum for political debate and decision-making at the EU level. The Members of the EP are directly elected by voters in all Member States to represent citizen's interests with regard to EU law-making and to make sure other EU institutions are working democratically.

Over the years and with subsequent changes in European treaties, the EP has acquired substantial legislative and budgetary powers that allow it to set, together with the representatives of the governments of the Member States in the Council, the direction in which the European project is heading. In doing so, the EP has sought to promote democracy and human rights – not only in Europe, but also throughout the world.

The EP is on an equal footing with the Council in the annual budgetary procedure. It is involved in the budgetary process from the preparation stage, notably in laying down the general guidelines and the type of spending, right up to the adoption. It establishes the budget with the Council and monitors its implementation. The EP gives a discharge on the implementation of the EU budget on a recommendation from the Council. Finally, the EP has to provide its consent to the Multi-annual Financial Framework (MFF) which ensures that EU expenditure develops in an orderly manner and within the limit of its own resources. The current President of the EP is Martin Schulz.

The European Council and the Council of the European Union

The European Council, formed by the Heads of State or Government of the Member States together with its President and the President of the Commission, provides the necessary impetus for the development of the EU and defines the general political directions and priorities. The current President of the European Council is Donald Tusk.

Jointly with the EP, the Council adopts EU legislation through regulations and directives and also makes decisions and non-binding recommendations. The Council consists of a representative of each Member State, at ministerial level, authorised to commit the government of that Member State by casting its vote. With the exception of the Foreign Affairs configuration, the Council is chaired by the representative of the Member State that holds the Union's presidency on the basis of equal rotation every six months. A committee consisting of the permanent representatives of the Governments of the Member States (Coreper) prepares the Council's work.

In its areas of competence, the Council takes its decisions by a qualified majority, except where the Treaties provide otherwise (e.g. unanimity or simple majority). The Council is one of the two branches (the other being the EP) of the budgetary authority which adopts the EU's budget. The Council also adopts the decisions, pursuant to a special legislative procedure and acting unanimously, laying down the provisions applying to the own resources system and the MFF. In the latter case, the EP must give its consent by a majority of its Members. The latest MFF (2014-2020) was adopted by the Council in November 2013.

European Commission

The Commission is the EU's executive body. It represents the interests of the EU as a whole (not the interests of individual countries).

The Commission's main roles are to:

- propose legislation which is then adopted by the co-legislators, the EP and the Council;
- enforce European law (where necessary with the help of the Court of Justice of the EU);
- set objectives and priorities for action, outlined yearly in the Commission Work Programme and work towards delivering them;
- manage and implement EU policies and the budget;
- represent the Union outside Europe (negotiating trade agreements between the EU and other countries, for example).

A new team of 28 Commissioners (one from each EU Member State) is appointed every five years. The candidate for President of the Commission is proposed to the EP by the European Council that decides by qualified majority and taking into account the elections to the EP. The Commission President is then elected by the EP by a majority of its component members (which corresponds to at least 376 out of 751 votes). Following this election, the President-elect selects the 27 other members of the Commission, on the basis of the suggestions made by Member States. The final list of Commissioners-designate has then to be agreed between the President-elect and the Council. The Commission as a whole needs the Parliament's consent. Prior to this, Commissioners-designate are assessed by the various EP committees. The current Commission's term of office runs until 31 October 2019. Its President is Jean-Claude Juncker.

The current Commission priorities are (1) Jobs, Growth and Investment, (2) Digital Single Market, (3) Energy Union and Climate, (4) Internal Market, (5) Economic and Monetary Union, (6) EU-US Free Trade, (7) Justice and Fundamental Rights, (8) Migration, (9) EU as a Global Actor, and (10) Democratic Change.

The staff of the Commission works in departments, known as Directorates-General (DGs) or services, each responsible for a particular policy area and headed by a Director-General. The DGs draft laws, but their proposals become official only once the College of Commissioners (28 Commissioners' meeting) adopts them. The DGs also manage funding initiatives at EU level, carry out public consultations and communication activities.

The Commission also administers a number of executive agencies, which help with the management of EU programmes.

2. Initiatives and strategies of the Commission

The new Commission that came into office in November 2014 has defined its work programme for 2015 and the new initiatives for the Commission until 2019. The work programme sets out the Commission's plans and identifies actions which will make a positive difference for jobs, growth and investment in 2015. This programme focuses on a limited set of concrete new initiatives such as:

A new boost for jobs, growth and investment

- EUR 315 billion investment offensive: The legislative follow-up to the Plan announced at the end of 2014, unlocking public and private investments in the real economy over the next three years;
- Promoting labour integration and employability; and
- Reviewing the Europe 2020 strategy.

Digital Single Market package:

- Creating the conditions for a vibrant digital economy and society by complementing the telecommunications regulatory environment;
- Modernising copyright rules;
- Simplifying rules for consumers making online and digital purchases;
- Enhancing cyber-security; and
- Mainstreaming digitalisation.

A resilient energy union with a forward looking climate change policy

- Creation of the European Energy Union: To ensure energy supply security, further integrate national energy markets, reduce European energy demand and decarbonise the energy mix; and
- Multilateral response to climate change.

A deeper and fairer internal market

- An internal market strategy;
- A labour mobility package;
- Capital markets union action plan;
- A framework for financial institution resolution; and
- An aviation package.

A trade and investment strategy to boost jobs and growth

An area of justice and fundamental rights

- EU accession to the European Convention on Human Rights; and
- European agenda on security.

A new policy on migration:

- Developing a new approach on legal migration to make the EU an attractive destination for talent and skills; and

- Improving the management of migration into the EU through greater cooperation with third countries, solidarity among our Member States and fighting human trafficking.

A stronger global actor

- European Neighbourhood policy; and
- Post 2015 sustainable development goals.

A fair taxation environment

- An Action Plan on efforts to combat tax evasion and tax fraud, including measures at EU level in order to move to a system on the basis of which the country where profits are generated is also the country of taxation; including automatic exchange of information on tax rulings and stabilising corporate tax bases; and
- Compulsory exchange of information on tax rulings.

A Union of democratic change

- An EU agreement on better law making;
- A mandatory transparency register; and
- Review of the genetically modified organism decision making process.

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

In preparing the work programme, the Commission examined around 450 proposals that were put forward to the EP and the Council, and is proposing to withdraw or amend 80 of them. Some are proposed for withdrawal because they do not match the new Commission's priorities. In many cases, the Commission remains strongly committed to the objectives sought – but proposals are of no use if they are simply sitting dormant on a negotiating table or if they will be so watered down in negotiations that they can no longer achieve their original purpose. When that is the case, the Commission will propose new, better ways of achieving these objectives.

3. EU Budget: From preparation to discharge

3.1. Budget and Funding

The MFF consists of headings with annual limits for commitment appropriations set for each. The sum of the ceilings of all headings gives the total ceiling of commitment appropriations. The EU Budget finances a wide range of policies and programmes throughout the EU. In accordance with the priorities set by the EP and the Council in the MFF, the Commission carries out specific programmes, activities and projects in the field. The 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 budget is prepared by the Commission and usually agreed in mid-December by the EP and the Council in accordance with the procedure of Art. 314 TFEU. According to the principle of budget equlibrium, the total revenue must equal total expenditure for a given financial year.

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

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

3.2. How the EU budget is managed and spent

Primary operational expenditure

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

> **Direct management:** this is where the budget is implemented directly by the Commission services.
>
> **Indirect management:** this refers to cases where the Commission confers tasks of implementation of the budget to bodies of EU law or national law, such as the EU agencies.
>
> **Shared management**: under this method budget implementation tasks are delegated to Member States. About 80 % of the expenditure fall under this mode covering such areas as agricultural spending and structural actions.

The different financial actors within the Commission

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

The responsibility of the **Authorising Officers** covers the entire management process, from determining what needs to be done to achieve the policy objectives set by the institution to managing the activities launched from both an operational and budgetary standpoint. Each Authorising Officer is required to prepare an Annual Activity Report (AAR) on the activities under her/his responsibility where she/he reports on policy results and on the reasonable assurance she/he may have that the resources assigned to the activities described in her/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 Art. 66 FR, the Commission transmits a summary report (synthesis report) on the individual AARs to the EP and the Council, by which the Commission takes overall political responsibility for the management of the EU budget in line with Art. 317 TFEU. This report and the AAR are available at: http://ec.europa.eu/atwork/planning-and-preparing/synthesis-report/index_en.htm.

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.

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 budgetary 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.

Making a payment

The Commission is a participant in SWIFT (Society for Worldwide Interbank Financial Telecommunication) and makes more than 2 million payments a year. No payment can be made unless a budgetary commitment has already been approved by the Authorising Officer dealing with the operation in question.

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. If the beneficiary does not incur eligible expenditure 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.

Cost claims 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.

Eligibility criteria are defined in the basic act, in the calls for proposal, in other 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.

The FR 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, financial corrections or recoveries are applied (see note **6** of the notes to the financial statements).

3.3. Financial reporting and accountability

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

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

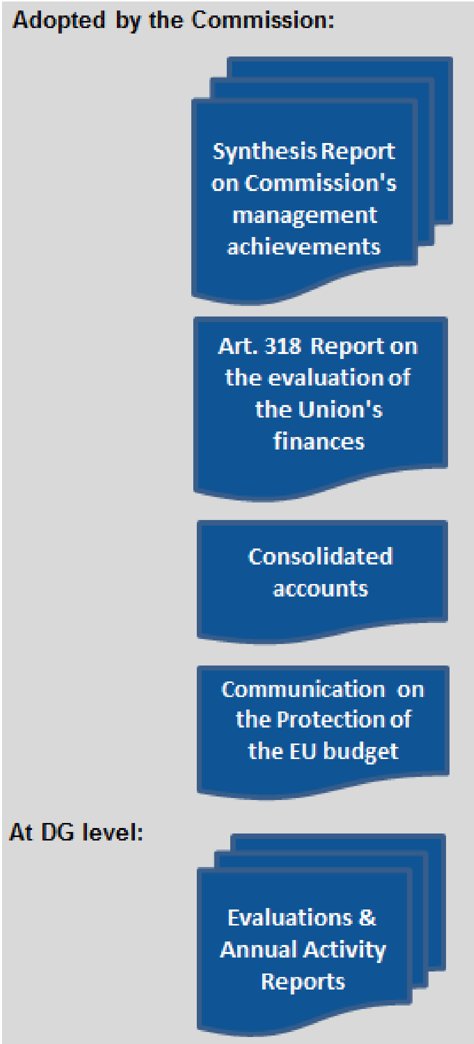
a) the financial statements; and

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

It is the responsibility of the Commission's Accounting Officer to prepare the EU's 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.

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

Reporting and Accountability in the Commission:



3.4. Audit and discharge

Audit

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

(1) an annual report on the activities financed from the general budget;

(2) an opinion, based on its audits and given in the annual report in the form of a statement of assurance, on (i) the reliability of the accounts and (ii) the legality and regularity of the underlying transactions involving both revenue collected from taxable persons and payments to final beneficiaries; and

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

Discharge

The final step of a budget lifecycle is the discharge of the budget for a given financial year. The EP is the discharge authority within the EU. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the EP to give a discharge to the Commission and other EU bodies for implementing the EU budget for a given financial year. This decision is based on an examination of the annual accounts, the Commission's synthesis report and annual evaluation report, the annual report, the audit opinion and special reports of the Court, and replies of the Commission to questions and further information requests.

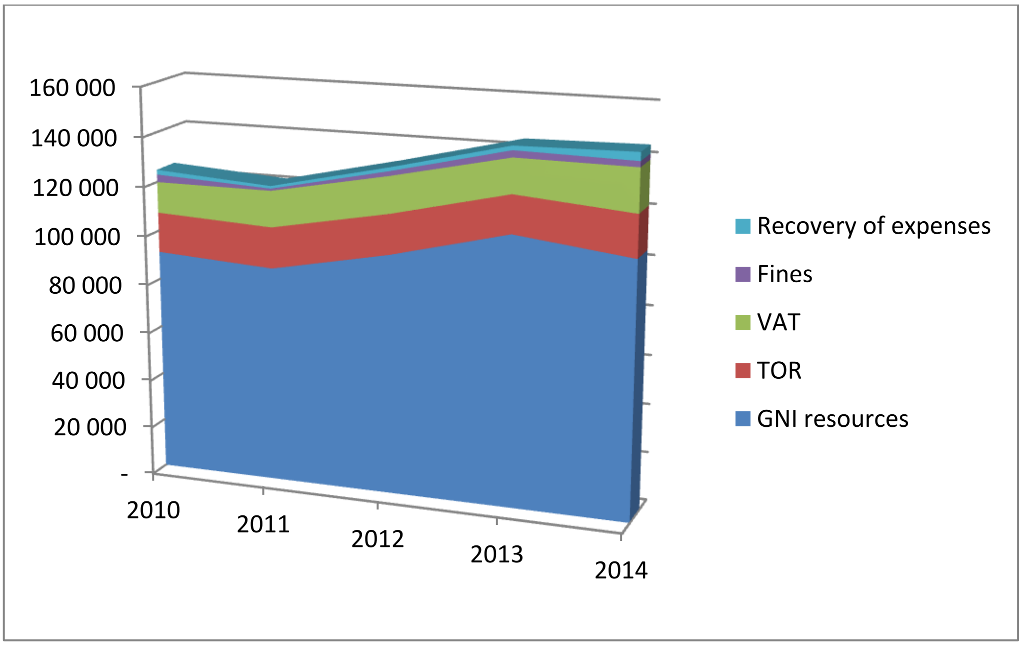
The discharge represents the political aspect of the external control of budget implementation and is the decision by which the EP, acting on a Council recommendation, "releases" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. This discharge procedure may produce three outcomes: the granting, postponement or the refusal of the discharge. Integral to the annual budgetary discharge procedure in the EP are the hearings with Commissioners who are questioned by the Members of the EP's Budgetary Control Committee regarding the policy areas under their responsibility. The final discharge report including specific recommendations to the Commission for action is adopted in Plenary. The Council discharge recommendations are adopted by ECOFIN. Both, the EP's discharge report as well as the Council discharge recommendations are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

4. Consolidated financial statements of the EU: Financial situation 2014

4.1. General trends

Revenue

Five year trend of revenue in EUR millions:



In 2014, GNI resource revenue decreased while other own resource revenue remained at a similar level and recovery of expenses (financial corrections and recoveries – see note **3.5** of the notes to the financial statements) nearly doubled from EUR 1.8 billion to EUR 3.4 billion – this was due to the advanced stage of closure of the 2000-2006 cohesion programming period and the related withdrawals of non-eligible expenditure made, as well as significant corrections imposed by the Commission in agricultural policy.

Expenses

The main expense items are transfer payments in the context of the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments, European Regional Development Fund (ERDF) and Cohesion Fund (CF) and the European Social Fund (ESF). In the financial year 2014 these made up almost 70 % of total exepnses (EUR 113 468 million).

Expenses were generally at a similar level to last year. Decreases were, however, noted for ERDF/Cohesion, which was due to the fact that expenses recognised in 2014 relate only to programming period 2007-2013 whereas no expenses have been booked yet for the current period 2014-2020 due to the slow start up of programmes (implementation by Member States has only started in 2015).

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

Economic result

The economic result (deficit) of the period increased from EUR 4 365 million in 2013 to EUR 11 280 million in 2014. The main reason for this increase is the significant actuarial loss (net amount of EUR 9.2 billion) related to the pension and other employee benefits liability which occurred due to the decrease in interest rates. Such fluctuations must be expected due to the, internationally applied, accounting rules in place and the current economic environment. Should interest rates increase, a reverse impact would be expected.

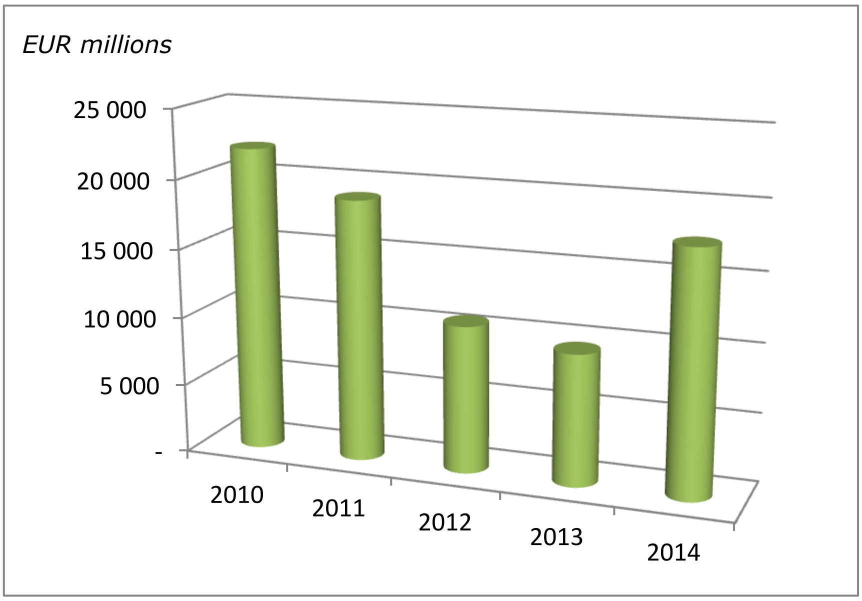
Furthermore, as this is an actuarial estimate of the value of the total liability at one point in time, 31 December 2014, and is based on various assumptions valid at this time, this loss does not indicate actual charges to the EU budget, nor does it impact the amounts to be paid to pensioners from the EU budget in the immediate coming years. These payments are already estimated in the MFF 2014-2020 and will be implemented via the annual budgetary process.

Assets

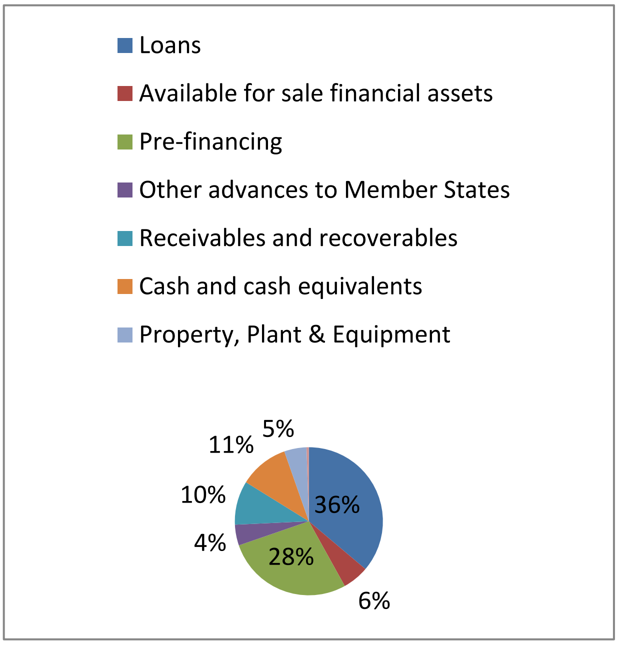
The most significant items on the asset side of the balance sheet are financial assets (investments, loans, cash) and pre-financing amounts, which make up almost 85 % of the assets of the EU. The amount of loans remains stable at around EUR 60 billion (see note **4.3.2** below) whereas the amount of financial instruments financed from the EU budget increased by almost EUR 2 billion (see note **4.3.1** below). Included on the asset side under Property, Plant and Equipment are assets concerning the Copernicus programme (EUR 1.5 billion) and Galileo assets under construction (EUR 1.5 billion).

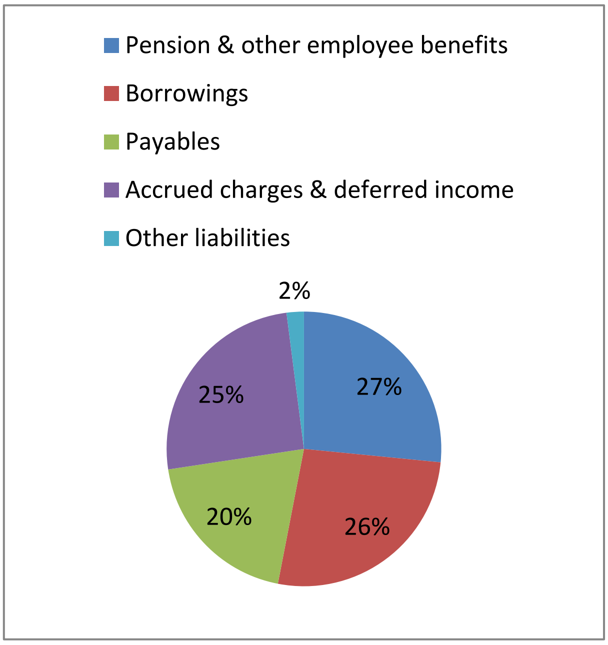
In recent years, the EU institutions managed to keep the amounts held as cash and cash equivalents at year end at a low level. The high cash balance of EUR 17.5 million at 31 December 2014 is related to the budgetary procedure and due to own resources contributions related to VAT and GNI balances, received from Member States in December 2014 (see note **2.8.1** of the notes to the financial statements).

Cash and cash equivalents at year-end



EUR 163 billion assets and EUR 221 billion liabilities on the 2014 EU balance sheet





Liabilities

The liability side consists primarily of four key items: The pension and other employee benefits liabilities, financial liabilities, payables and accrued charges. The biggest change as compared to 2013 is the increase of the pension and other employee benefits liability from EUR 46.8 billion in 2013 to EUR 58.6 billion in 2014 due primarily to the significant decrease in interest rates (see above).

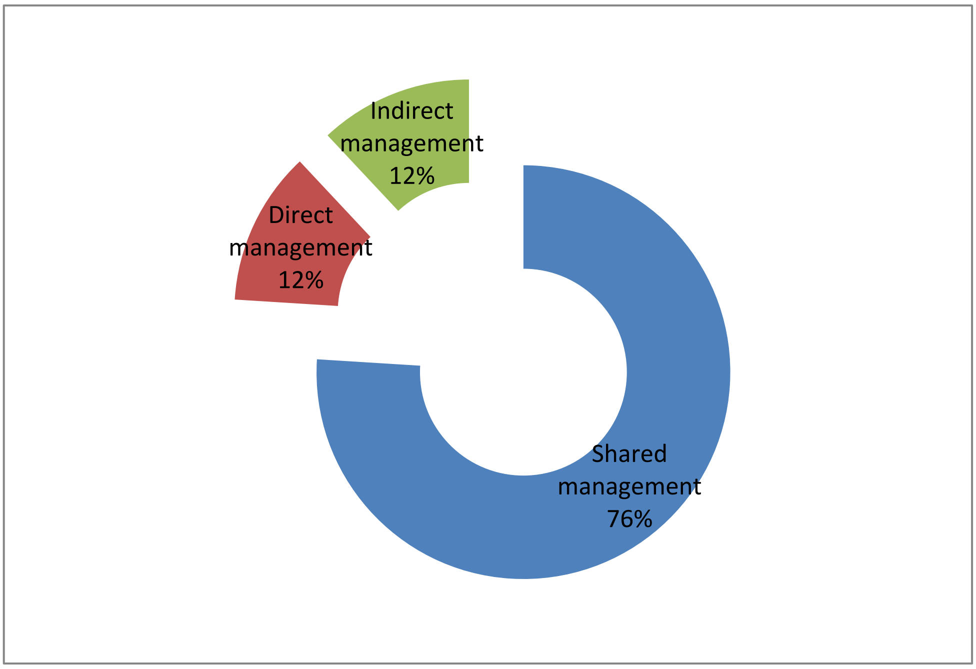
The excess of liabilities over assets does not mean that the EU institutions are in financial difficulties, rather it means that certain liabilities will be funded by future annual budgets. Many expenses are recognised under accrual accounting rules in 2014 although they may be actually paid in 2015 or later and funded using future budgets. The most significant amounts to be highlighted are the European Agricultural Guarantee Fund (EAGF) activities (paid in 2015) and the employee benefits (to be paid over the next 30 plus years).

4.2. Pre-financing

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

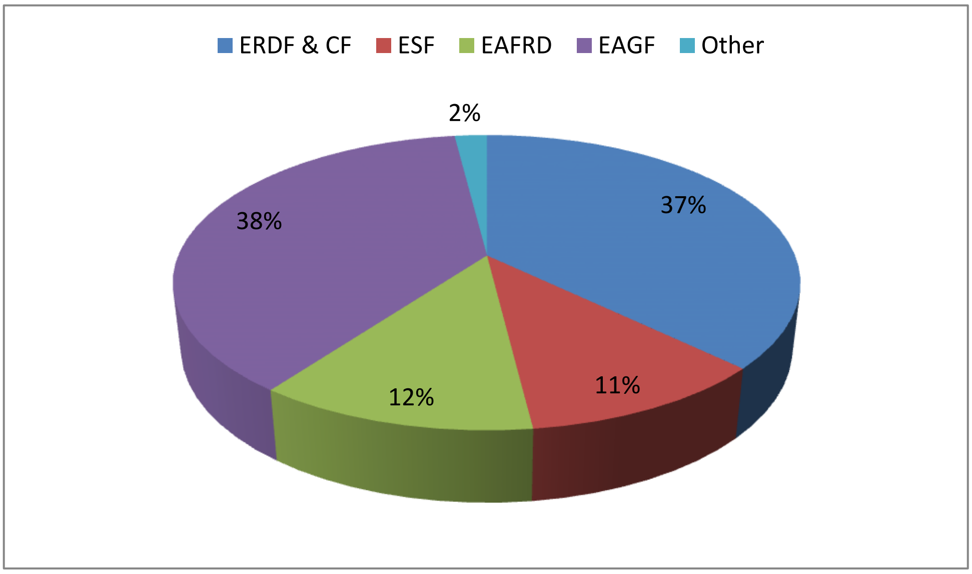
The total pre-financing (excl. other advances to Member States) on the EU balance sheet amounts to EUR 45.2 billion, of which 99.8 % relates to Commission activities. Some 76 % of the Commission's pre-financing is implemented via the shared management mode which means that the implementation of the budget is delegated to Member States (the Commission retains a supervisory role).

Commission pre-financing by management mode



The majority of expenditure under shared management mode covers agricultural spending and structural actions. The most significant pre-financing amounts relate to the European Regional Development Fund & Cohesion Fund (ERDF & CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Social Fund (ESF).

Shared management spending by fund

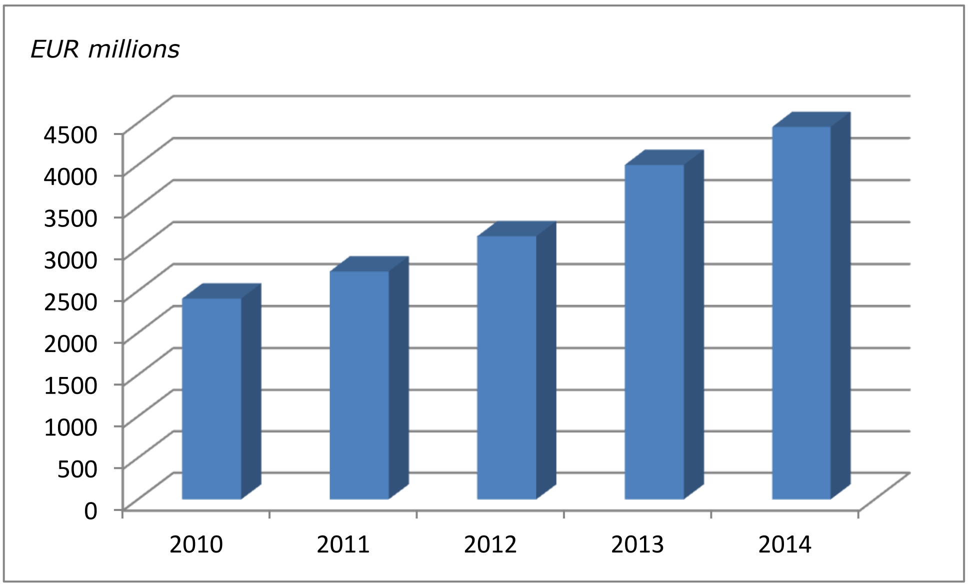


4.3. Financial Instruments

4.3.1. Financial instruments financed by the EU budget under direct and indirect management

The importance and volume of financial instruments for budget implementation increases from year to year. The basic concept behind this approach, in contrast to the traditional method of budget implementation by giving grants and subsidies, is that for each euro spent from the budget via financial instruments, the final beneficiary receives more than EUR 1 as financial support due to the leverage effect. This intelligent use of the EU budget aims at maximising the impact of the funds available.

Available for sale financial assets of financial instruments financed by the EU budget



In general, there are three main types of financial instruments used:

- Equity instruments;
- Loan instruments; and
- Guarantee instruments.

Details of the major instruments are given below:

Guarantee Fund for external actions (EUR 1 996 million of assets)

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 (non-current part: EUR 1 489 million) managed by the EIB and intended to cover any defaulting loans guaranteed by the EU. The Fund is endowed by payments from the general budget of the EU (so as to reach 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.

Risk-Sharing Finance Facility (EUR 961 million of assets)

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 is foreseen for RSFF, of which up to EUR 800 million are from the "Cooperation" programme and up to EUR 200 million from the "Capacities" programme. The EIB has committed itself to provide the same amount. There will be no new budget contributions to RSFF under the 2014-2020 MFF. At 31 December 2014 the Commission had contributed, including also EFTA and third country contributions, EUR 856 million to the RSFF. In 2014, EUR 375 million of the EU contribution to the RSFF was transferred to its successor debt instrument under Horizon 2020. The amount disclosed as a contingent liability (note **5.2.1** of the notes to the financial statements) represents the estimated maximum loss at 31 December 2014 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.

Horizon 2020 (EUR 643 million of assets)

Horizon 2020 is a new equity instrument under the 2014-2020 MFF. Seen as a means to drive economic growth and create jobs, Horizon 2020 has the political backing of Europe's leaders and the Members of the EP. They agreed that research is an investment in the future and so put it at the heart of the EU's blueprint for smart, sustainable and inclusive growth and jobs. By coupling research and innovation, Horizon 2020 is helping to achieve this with its emphasis on excellent science, industrial leadership and tackling societal challenges. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation. Horizon 2020 is managed by the EIF.

ETF start up (EUR 524 million of assets)

The European Technology start-up Facility (ETF) covers the Growth & Employment Programme, the Multi-annual Programme for Enterprise and Entrepreneurship (MAP) Programme and the Competitiveness and Innovation Framework Programme (CIP), under the trusteeship of the EIF, supporting the creation and financing of start-up SMEs by investing in suitable specialised venture capital funds.

Loan Guarantee instrument for TEN-T projects (EUR 235 million of assets)

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 capital contribution to the LGTT instrument for the 2007-2013 financing period was initially set at EUR 1 billion, split evenly between the Commission and the EIB. The amending Regulation 670/2012 reallocated EUR 200 million to the Project Bond Initiative and another EUR 50 million to grant funding, so the total EU contribution still available to the instrument stands at EUR 250 million.

At 31 December 2014 the Commission had contributed EUR 212 million to the LGTT. The amount recognised as a contingent liability (note **5.2.1** of the notes to the financial statements), represents the estimated maximum loss at 31 December 2014 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.

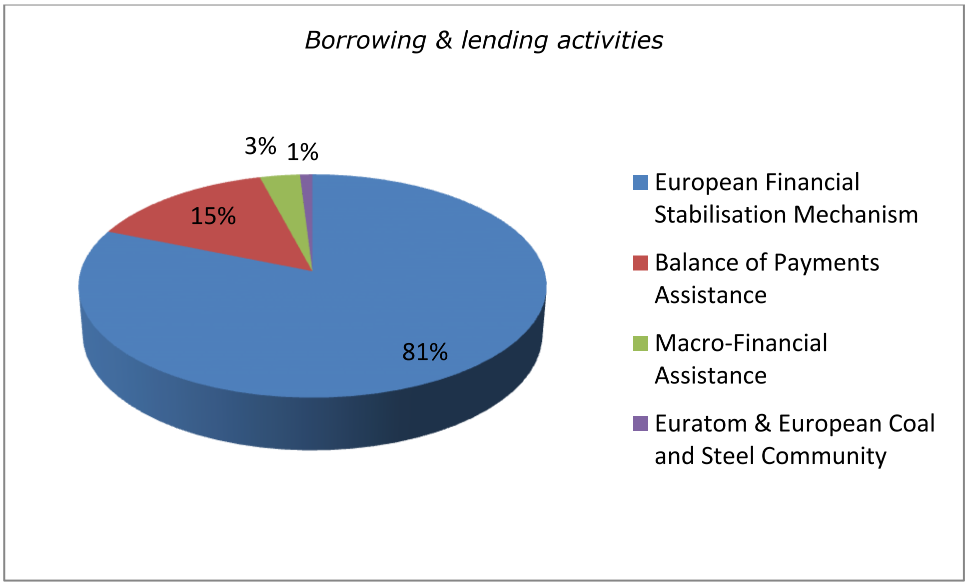
Financial instruments (FI) by type

EUR millions

	Total assets	Total liabilities	Guarantees given
Loan/Equity/Technical assistance instruments:			
MEDA Instrument of economic and financial cooperation under the Euro-Mediterranean partnership	*290*	*(3)*	
European Neighbourhood and Partnership Instrument (ENPI)	*167*	*(7)*	
	457	**(9)**	
Loan instruments: SME Support Loans	**19**	**-**	
Equity instruments:			
The High Growth and Innovative SME Facility under Competitiviness & Innovation Framework Programme	*323*	*(0)*	
COSME - Competitiveness of Enterprises and SME	*31*	*-*	
European Fund for Southeast Europe (EFSE)	*118*	*-*	
Enterprise Expansion Fund under the Western Balkan Enterprise Development and Innovation Facility	*10*	*0*	
Enterprise Innovation Fund (EIF) under the Western Balkan Enterprise Development and Innovation Facility	*21*	*0*	
European Technology Start up Facility 1998 (ETF)	*19*	*(0)*	
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	*72*	*-*	
Multi Annual Framework Programme (MAP) Equity Facility	*183*	*(0)*	
Marguerite Fund	*37*	*-*	
European Progress Microfinance Facility (PMF) for employment and social inclusion	*60*	*-*	
SE4F - Green for Growth Fund to the Eastern Neighbourhood Region	*52*	*-*	
European Energy Efficiency Fund	*89*	*-*	
Technology Transfer Pilot Projects	*2*	*(0)*	
Microfinance Initiative for Asia Debt Fund	*10*	*-*	
SANAD - MENA Fund for Micro-, Small and Medium Enterprises	*9*	*-*	
	1 035	**(1)**	
Guarantee instruments:			
SME Guarantee Facility under Competitiveness & Innovation Framework Programme (CIP SMEG)	*151*	*(259)*	*-*
COSME LGF - Competitiveness of Enterprises and SME	*39*	*(1)*	*(42)*
Horizon 2020 - EU Finance for Innovators	*478*	*(11)*	*(98)*
Horizon 2020 - SME Guarantee	*165*	*(1)*	*(267)*
Loan Guarantee Instrument for Ten-T Projects (LGTT)	*235*	*(3)*	*(209)*
Guarantee Facility under the Western Balkan Enterprise Development and Innovation Facility	*21*	*(2)*	*(10)*
Multi Annual Program (MAP) for Enterprises	*26*	*(41)*	*-*
Natural Capital Financing Facility	*3*	*-*	*-*
Project Bond Instrument (PBI)	*149*	*(2)*	*(138)*
Private Finance for Energy Efficiency Instrument (PF4EE)	*6*	*(0)*	*-*
European Progress Microfinance Mandate (PMF TA)	*13*	*(9)*	*-*
Risk Sharing Finance Facility (RSFF)	*961*	*(32)*	*(883)*
SME Guarantee Facility	*60*	*(15)*	*-*
	2 309	**(376)**	**(1 647)**
Total	**3 820**	**(386)**	**(1 647)**
Guarantee Fund for external actions	**1 996**	**(25)**	**(19 198)**

4.3.2. Borrowing and lending activities managed by the Commission

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, Macro-financial assistance (MFA), Balance of Payments (BOP) assistance and the European Financial Stabilisation Mechanism (EFSM), under which it may grant loans and fund these by issuing debt instruments in the capital markets or with financial institutions.



EU borrowing and lending activities are non-budget operations. The capital required to fund the EU lending operations 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). In general funds are raised on-lent back-to-back to the beneficiary country, i.e. with the same coupon, maturity and amount. Notwithstanding the back-to-back methodology, the debt service of the funding instruments is a legal obligation of the EU, which will ensure that all payments are made fully and in a timely manner. The Commission has put procedures in place so as to ensure the repayment of borrowings even in case of a loan default. For each country programme, the EP, the Council and the Commission decisions determine the overall granted amount, the (maximum) number of instalments to be disbursed, and the maximum (average) maturity of the loan package. Subsequently, the Commission and the beneficiary country agree loan/funding parameters, including instalments and the payment of tranches. In addition, except for the first one, all instalments of the loan depend on compliance with strict conditions, with agreed terms and conditions similar to International Monetray Fund (IMF) support, in the context of a joint EU/IMF financial assistance, which is another factor influencing the timing of funding. This implies that the timing and maturities of issuances are dependent on the related EU lending activity. Funding is exclusively denominated in euro and the maturity spectrum is 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 countries outside the EU are covered by the Guarantee Fund for external actions. Should a beneficiary Member State default, the debt service will be drawn from the available treasury balance of the Commission, if possible. If that would not be possible, the Commission would draw the necessary funds from the Member States. EU Member States are legally obliged, according to the EU own resources legislation (Article 12 of Council Regulation 1150/2000), to make available sufficient funds to meet the EU's obligations. Thus investors are only exposed to the credit risk of the EU, not to that of the beneficiary of loans funded. "Back-to-back" lending ensures that the EU budget does not assume any interest rate or foreign exchange risk.

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 was granted before the introduction of the Euro on 1 January 2014. The maximum outstanding amount of loans granted under the instrument is limited to EUR 50 billion. Borrowings related to these BOP loans are guaranteed by the EU budget – thus at 31 December 2014, the budget is exposed to a maximum possible risk of EUR 8.6 billion regarding these loans (the EUR 8.4 billion below being the nominal value).

EUR millions

	Hungary	Latvia	Romania	Total
Total loans granted	**6 500**	**3 100**	**8 400**	**18 000**
Disbursed at 31.12.2013	*5 500*	*2 900*	*5 000*	*13 400*
Disbursed in 2014	–	–	–	–
Loans disbursed 31.12.2014	**5 500**	**2 900**	**5 000**	**13 400**
Loans repaid at 31.12.2014	*(4 000)*	*(1 000)*	–	*(5 000)*
Outstanding amount at 31.12.2014	**1 500**	**1 900**	**5 000**	**8 400**

A table showing the reimbursement schedule for these loans is given below.

Between November 2008 and May 2009, financial assistance amounting to EUR 14.6 billion was granted to Hungary, Latvia and Romania, of which EUR 13.4 billion had been disbursed by mid 2011. It should be noted that the BOP assistance programme for Hungary expired in November 2010 (with EUR 1 billion undrawn) and the first two repayments of EUR 2 billion in December 2011 and of another EUR 2 billion in November 2014 were received as scheduled. The BOP assistance programme for Latvia expired in January 2012 (with EUR 200 million undrawn) and the first two repayments of EUR 1 billion in April 2014 and EUR 1.2 billion in January 2015 were also received on time. The BOP first assistance programme for Romania expired in May 2012 with the full amount granted, EUR 5 billion, being disbursed. The first repayment of EUR 1.5 billion in January 2015 was received as scheduled.

In February 2011, Romania requested a follow-up precautionary financial assistance (PFA) 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 (PFA) for Romania of up to EUR 1.4 billion (Council Decision 2011/288/EU), however this expired at end-March 2013 without being used. Following Romania's second request for PFA, the Council decided to provide new EU BOP PFA 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 requested, this financial assistance shall be provided in the form of a loan with a maximum average maturity of eight years. As this PFA of EUR 2 billion is currently the single active programme under the BOP facility, it is the sole amount still available.

European Financial Stabilisation Mechanism

EUR millions

	Ireland	Portugal	Total
Total loans granted	**22 500**	**26 000**	**48 500**
Disbursed at 31.12.2013	*21 700*	*22 100*	*43 800*
Disbursed in 2014	*800*	*2 200*	*3 000*
Loans disbursed at 31.12.2014	**22 500**	**24 300**	**46 800**
Loans repaid at 31.12.2014	–	–	–
Loans outstanding at 31.12.2014	**22 500**	**24 300**	**46 800**

A table showing the reimbursement schedule for these loans is given below.

On 11 May 2010 the Council adopted the EFSM to preserve financial stability in Europe (Council Regulation (EU) n° 407/2010). The mechanism based on Art. 122(2) 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 of the fulfilment of the policy conditions attached to the loan is carried out before another 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 2014, the budget is exposed to a maximum possible risk of EUR 47.5 billion regarding these loans (the EUR 46.8 billion above being the nominal value). As the borrowings under the EFSM are guaranteed by the EU budget, the EP scrutinises the Commission's EFSM actions and exercises control in the context of the budget and discharge procedure. As both EFSM programmes have expired, no available amounts are disclosed in the table above.

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 last three instalments were disbursed in 2014: EUR 0.8 billion for Ireland and EUR 1.8 billion for Portugal in March 2014 and finally EUR 0.4 billion for Portugal in November 2014. EUR 1.7 billion of the financial assistance granted to Portugal has expired without being requested. There are currently no amounts available under EFSM.

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

Year	BOP				EFSM			Total
	Hungary	Latvia	Romania	Total	Ireland	Portugal	Total	
2015				*0*	*5.0*		*5.0*	*5.0*
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*	*1.0*	*1.5*			*0*	*1.5*
2021				*0*	*3.0*	*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*	*2.0*	*2.0*	*4.0*	*4.0*
2027				*0*	*1.0*	*2.0*	*3.0*	*3.0*
2028				*0*	*2.3*		*2.3*	*2.3*
2029				*0*		*0.4*	*0.4*	*0.4*
2032				*0*	*3.0*		*3.0*	*3.0*
2038				*0*		*1.8*	*1.8*	*1.8*
2042				*0*	*1.5*	*1.5*	*3.0*	*3.0*
Total	***1.5***	***0.7***	***3.5***	***5.7***	***22.5***	***24.3***	***46.8***	***52.5***

Macro-financial Assistance (MFA)

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 guaranteed by the Guarantee Fund for external actions (see note **2.4** of the financial statements).

4.3.3. Inter-governmental financial stability mechanisms outside the EU Treaty framework: European Financial Stability Facility and European Stability Mechanism

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 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 financial assistance 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). 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.

The European Stability Mechanism ("ESM") is an intergovernmental organisation under public international law outside the EU Treaty framework. The ESM Treaty was signed by the then 17 Eurozone Member States 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 no longer engage in new financing programmes or enter into new loan facility agreements. 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.

Fines collected 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 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. In the latter case, the sanction amount will be revenue for the EU budget and be reflected as such in its accounts.

5. Economic and financial context of EU budget implementation

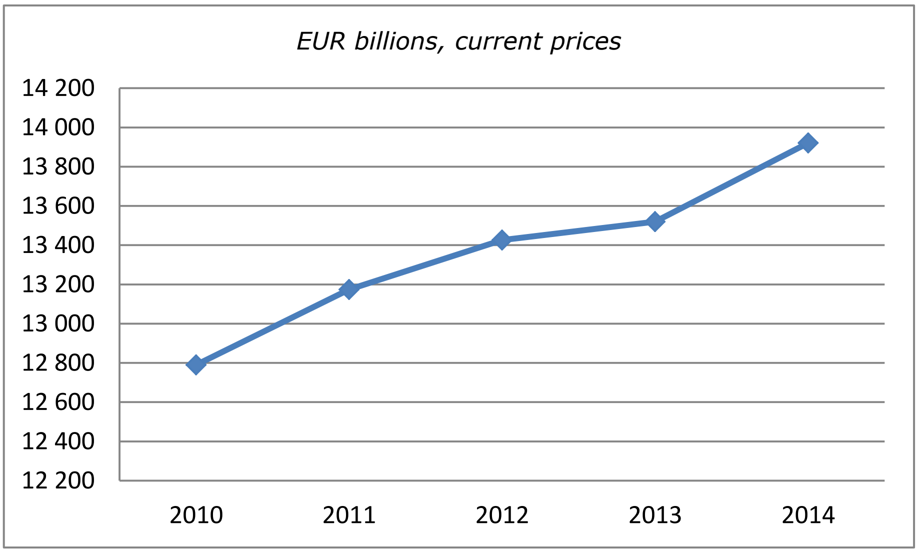
Macro-economic environment

In the context of the sovereign debt crisis the economic growth in the EU Member States has slowed down from 2012 to 2013 and increased from 2013 to 2014. This general economic situation of Member States is reflected in the own resource revenue of the EU, which led to a slight increase of traditional own resources and VAT revenue. Since the GNI resource revenue is a residual component which is directly linked to the total level of payment appropriations adopted by the Budget Authority (and these appropriations have been reduced by Member States in the 2014-2020 MFF), the amount of GNI resource revenue decreased in 2014.

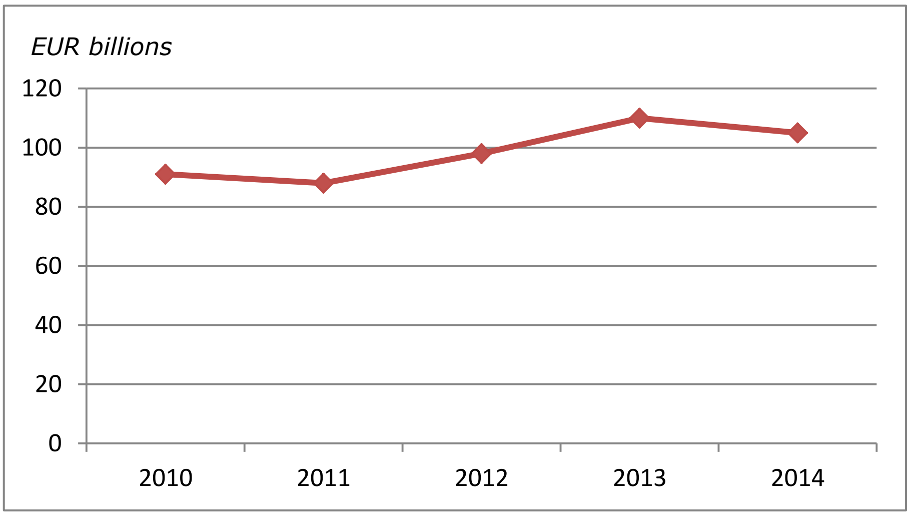
The reinforcement of the Stability and Growth Pact in the EU paves the way for sustainable public finances of the EU Member States concerned. The Fiscal pact aims at consolidating the public finances of the Member States and shall enable them to increase their GDP in the years to come.

The policy of the European Central Bank (ECB) of keeping interest rates at a low level supports the stabilisation of the Euro-area economy. The ECB contributes within its mandate to the increase of growth of the Euro area.

Gross Domestic Product of EU 28 at market prices



GNI resource revenue



Unpaid payment claims

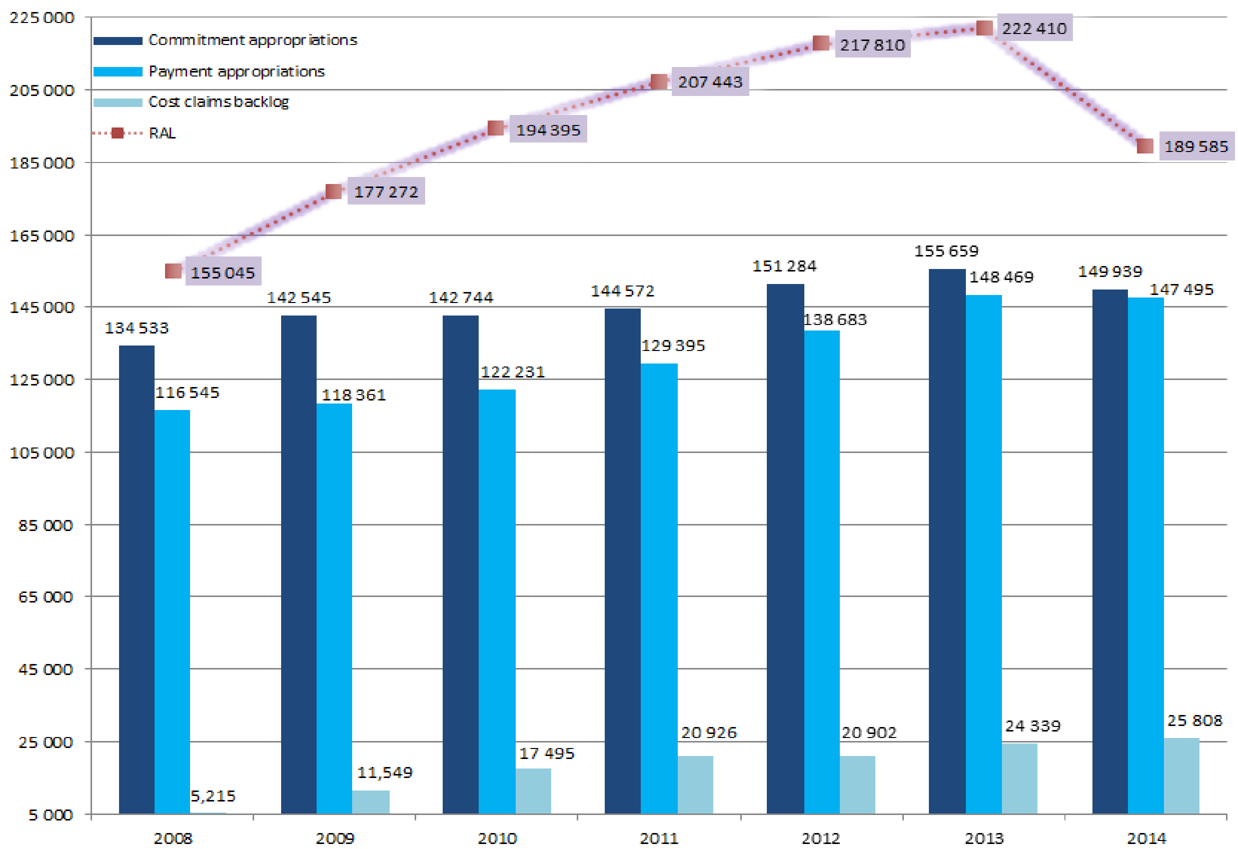
Due to the macro-economic environment in the EU, the pressure on the national budgets of Member States leads to pressure on the payment appropriations of the EU budget. This development has an immediate effect on the payment claims received from Member States and other benficiaries. The total of unpaid payment claims at year-end has increased from EUR 24.3 billion in 2013 to EUR 25.8 billion in 2014. Although there will always be outstanding claims due to amounts submitted close to the year-end, the main reason for the excepetional amounts noted in recent years is the shortage of payment appropriations.

Unpaid payment claims must be financed by future budgets. With this in mind, in May 2015 the EP, the Council and the Commission have agreed on a payment plan to bring the EU budget back on a sustainable track. For the EU it is crucial to consider the long-term needs budgetary payment appropriations since it is these which are decided on by the Budgetary Authority and without these, no payments can be made or cash transferred. Once agreed, appropriations are automatically transformed into available cash of the EU through the monthly own resource collection process.

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

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

Development of payment & commitment appropriations, RAL and unpaid payment claims backlog in EUR millions



NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The consolidated annual accounts of the European Union for the year 2014 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

17 July 2015

EUROPEAN UNION
FINANCIAL YEAR 2014

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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

CONTENTS

BALANCE SHEET

EUR millions

	Note	31.12.2014	31.12.2013
NON-CURRENT ASSETS			
Intangible assets	2.1	282	237
Property, plant and equipment	2.2	7 937	6 104
Investments accounted for using the equity method	2.3	409	349
Financial assets	2.4	56 438	59 844
Pre-financing	2.5	18 358	38 072
Exchange receivables and non-exchange recoverables	2.6	1 198	498
		84 623	**105 104**
CURRENT ASSETS			
Financial assets	2.4	11 811	5 571
Pre-financing	2.5	34 237	21 367
Exchange receivables and non-exchange recoverables	2.6	14 380	13 182
Inventories	2.7	128	128
Cash and cash equivalents	2.8	17 545	9 510
		78 101	**49 758**
TOTAL ASSETS		**162 724**	**154 862**
NON-CURRENT LIABILITIES			
Pension and other employee benefits	2.9	(58 616)	(46 818)
Provisions	2.10	(1 537)	(1 323)
Financial liabilities	2.11	(51 851)	(56 369)
		(112 005)	**(104 510)**
CURRENT LIABILITIES			
Provisions	2.10	(745)	(545)
Financial liabilities	2.11	(8 828)	(3 163)
Payables	2.12	(43 180)	(36 213)
Accrued charges and deferred income	2.13	(55 973)	(56 282)
		(108 726)	**(96 204)**
TOTAL LIABILITIES		**(220 730)**	**(200 714)**
NET ASSETS		**(58 006)**	**(45 852)**
Reserves	2.14	4 435	4 073
*Amounts to be called from Member States**	2.15	(62 441)	(49 925)
NET ASSETS		**(58 006)**	**(45 852)**

** The European Parliament adopted a budget on 17 December 2014 which provides for the payment of the Union's short-term liabilities from own resources to be collected by, or called up from, the Member States in 2015. 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	2014	2013 (reclassified)*
REVENUE			
Revenue from non-exchange transactions			
GNI resources	*3.1*	*104 688*	*110 194*
Traditional own resources	*3.2*	*17 137*	*15 467*
VAT resources	*3.3*	*17 462*	*14 019*
Fines	*3.4*	*2 297*	*2 757*
Recovery of expenses	*3.5*	*3 418*	*1 777*
Other	*3.6*	*5 623*	*4 045*
Total		**150 625**	**148 259**
Revenue from exchange transactions			
Financial income	*3.7*	*2 298*	*1 991*
Other	*3.8*	*1 066*	*1 443*
Total		**3 364**	**3 434**
		153 989	**151 693**
EXPENSES**			
Implemented by Member States	*3.9*		
European Agricultural Guarantee Fund		*(44 465)*	*(45 067)*
European Agricultural Fund for Rural Development and other rural development instruments		*(14 046)*	*(13 585)*
European Regional Development Fund and Cohesion Fund		*(43 345)*	*(47 767)*
European Social Fund		*(12 651)*	*(12 126)*
Other		*(2 307)*	*(1 525)*
Implemented by the Commission and executive agencies	*3.10*	*(15 311)*	*(12 519)*
Implemented by other EU agencies and bodies	*3.11*	*(1 025)*	*(656)*
Implemented by third countries and international organisations	*3.11*	*(2 770)*	*(2 465)*
Implemented by other entities	*3.11*	*(1 799)*	*(1 694)*
Staff and pension costs	*3.12*	*(9 662)*	*(9 058)*
Changes in employee benefits actuarial assumptions	*3.13*	*(9 170)*	*(2 033)*
Finance costs	*3.14*	*(2 926)*	*(2 383)*
Share of net deficit of joint ventures and associates	*3.15*	*(640)*	*(608)*
Other expenses	*3.16*	*(5 152)*	*(4 572)*
		(165 269)	**(156 058)**
ECONOMIC RESULT OF THE YEAR		**(11 280)**	**(4 365)**

** Further information is given in note* ***3.18****.*

****

Implemented by Member States: Shared management

Implemented by the Commission and executive agencies: Direct Management

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

CASHFLOW STATEMENT

EUR millions

	Note	2014	2013
Economic result of the year		*(11 280)*	*(4 365)*
Operating activities	4.2		
Amortisation		*61*	*48*
Depreciation		*408*	*401*
(Increase)/decrease in loans		*(1 298)*	*20*
(Increase)/decrease in pre-financing		*6 844*	*(1 695)*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*(1 898)*	*923*
(Increase)/decrease in inventories		*–*	*10*
Increase/(decrease) in pension and employee benefits liability		*11 798*	*4 315*
Increase/(decrease) in provisions		*414*	*(196)*
Increase/(decrease) in financial liabilities		*1 146*	*(330)*
Increase/(decrease) in payables		*6 967*	*14 655*
Increase/(decrease) in accrued charges and deferred income		*(309)*	*(12 154)*
Prior year budgetary surplus taken as non-cash revenue		*(1 005)*	*(1 023)*
Other non-cash movements		*130*	*(50)*
Investing activities	4.3		
(Increase)/decrease in intangible assets and property, plant and equipment		*(2 347)*	*(624)*
(Increase)/decrease in investments accounted for using the equity method		*(60)*	*43*
(Increase)/decrease in available for sale financial assets		*(1 536)*	*(1 142)*
NET CASHFLOW		**8 035**	**(1 164)**
Net increase/(decrease) in cash and cash equivalents		*8 035*	*(1 164)*
Cash and cash equivalents at the beginning of the year	*2.8*	*9 510*	*10 674*
Cash and cash equivalents at year-end	*2.8*	*17 545*	*9 510*

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 31.12.2012	**150**	**3 911**	**(39 148)**	**(5 329)**	**(40 416)**
Movement in Guarantee Fund reserve	*–*	*46*	*(46)*	*–*	*–*
Fair value movements	*(51)*	*–*	*-*	*–*	*(51)*
Other	*-*	*12*	*(9)*	*–*	*3*
Allocation of the 2012 economic result	*–*	*5*	*(5 334)*	*5 329*	*–*
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)**
Movement in Guarantee Fund reserve	*–*	*247*	*(247)*	*–*	*–*
Fair value movements	*139*	*–*	*–*	*–*	*139*
Other	*–*	*(24)*	*16*	*–*	*(8)*
Allocation of the 2013 economic result	*–*	*(0)*	*(4 365)*	*4 365*	*–*
2013 budget result credited to Member States	*–*	*–*	*(1 005)*	*–*	*(1 005)*
Economic result of the year	*–*	*–*	*–*	*(11 280)*	*(11 280)*
BALANCE AS AT 31.12.2014	**238**	**4 197**	**(51 161)**	**(11 280)**	**(58 006)**

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 related to financial instruments and contingent assets and liabilities.

1.3. CONSOLIDATION

SCOPE OF CONSOLIDATION

The consolidated financial statements of the EU comprise all significant controlled entities (i.e. the EU institutions (including the Commission) and the EU agencies), associates and joint ventures, this being 52 controlled entities, 7 joint ventures and 1 associate. The complete list of consolidated entities can be found in note **10** of the EU accounts. In comparison with 2013, the scope of consolidation remains unchanged, noting that 1 associate has now been reclassified as a joint venture and following the amalgamation of 2 other associates the resulting entity has been classified as a joint venture.

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 individual 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 such transactions are not material and so have not been eliminated.

JOINT VENTURES

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

ASSOCIATES

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

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

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

1.4. BASIS OF PREPARATION

1.4.1. Currency and basis for conversion

Functional and reporting currency

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

Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the 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	31.12.2014	31.12.2013	Currency	31.12.2014	31.12.2013
BGN	**1.9558**	*1.9558*	**LTL**	**3.4528**	*3.4528*
CZK	**27.7350**	*27.4270*	**PLN**	**4.2732**	*4.1543*
DKK	**7.4453**	*7.4593*	**RON**	**4.4828**	*4.4710*
GBP	**0.7789**	*0.8337*	**SEK**	**9.3930**	*8.8591*
HRK	**7.6580**	*7.6265*	**CHF**	**1.2024**	*1.2276*
HUF	**315.5400**	*297.0400*	**JPY**	**145.2300**	*144.7200*
LVL	**-**	*0.7028*	**USD**	**1.2141**	*1.3791*

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

1.4.2. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to; amounts for employee benefit liabilities, provisions, financial risk on inventories and accounts receivable, accrued income and charges, contingent assets and liabilities, degree of impairment of intangible assets and property, plant and equipment and amounts disclosed in the notes concerning financial instruments. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

1.5. BALANCE SHEET

1.5.1. Intangible assets

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

1.5.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the EU and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

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

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

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

Leases

Leases of tangible assets, where the EU has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the 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 financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the 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 (service) amount. The recoverable (service) amount is the higher of an asset's fair value less costs to sell and its value in use.

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

1.5.4. Investments accounted for using the equity method

Participations in associates and joint ventures

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

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

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

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

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

1.5.5. Financial assets

Classification

The EU classifies their financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available for sale financial assets. The classification of 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 even if the maturity date of the entire loan dates more than 12 months from 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 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 cashflows 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 the fair value of the 'financial instruments at fair value through profit or loss' category are included in the statement of financial performance in the period in which they arise.

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

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

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

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

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

Impairment of financial assets

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

(a) *Assets carried at amortised cost*

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

(b) *Assets carried at fair value*

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

Investments in venture capital funds

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

1.5.6. Inventories

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

1.5.7. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular 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 expenditure, he has the obligation to return the pre-financing advance to the EU. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses) 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.

Amounts defined in the Financial Regulation as "financial instruments under shared management" are from an accounting point of view classified as pre-financing amounts. These pre-financing amounts are valued at the original amounts paid to Member States less an estimation of amounts utilised.

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. Exchange receivables and non-exchange recoverables

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from exchange transactions and recoverables are defined as stemming from non-exchange transactions that do not arise out of a contract (sovereign recoverables).

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

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

1.5.9. Cash and cash equivalents

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

1.5.10. Pension and other employee benefits

Pension obligations

The EU operates defined benefit pension plans. Whilst staff contribute from their salaries one third of the expected cost of these benefits, the liability is not funded. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. 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 expenses expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ("expected value" method).

1.5.12. Financial liabilities

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

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

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

1.5.13. Payables

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

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

1.5.14. Accrued and deferred income and charges

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

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

1.6. STATEMENT OF FINANCIAL PERFORMANCE

1.6.1. Revenue

REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

GNI based resources and VAT resources

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

Traditional own resources

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

Fines

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

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

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

However, even if appealed, the 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 recoverable. If a guarantee is received instead of payment, the fine remains as a recoverable. If it appears probable that the General Court may not rule in favour of the EU, a provision is recognised to cover this risk. If a guarantee had been given instead, then the recoverable outstanding is written-down as required. The accumulated interest received by the Commission on the bank accounts where received payments are deposited is recognised as revenue, and any contingent liability is increased accordingly.

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

REVENUE FROM EXCHANGE TRANSACTIONS

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

Interest income and expense

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

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

Dividend income

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

1.6.2. Expenses

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

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

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

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the EU. They are valued at original invoice cost.

1.7. CONTINGENT ASSETS AND LIABILITIES

1.7.1. Contingent assets

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

1.7.2. Contingent liabilities

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

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. INTANGIBLE ASSETS

	EUR millions
Gross carrying amount at 31.12.2013	*474*
Additions	*104*
Disposals	*(2)*
Transfer between asset categories	*0*
Other changes	*1*
Gross carrying amount at 31.12.2014	**577**
Accumulated amortisation at 31.12.2013	*(236)*
Amortisation charge for the year	*(61)*
Disposals	*2*
Transfer between asset categories	*0*
Other changes	*0*
Accumulated amortisation at 31.12.2014	**(295)**
Net carrying amount at 31.12.2014	**282**
Net carrying amount at 31.12.2013	*237*

The above amounts relate primarily to computer software.

2.2. PROPERTY, PLANT AND EQUIPMENT

The increase of property, plant and equipment is mainly due to the fact that following the signature of the Copernicus delegation agreement with the European Space Agency (ESA) during 2014, assets of EUR 1 525 million of the Copernicus programme (former GMES programme) have been transferred from ESA to the Commission. In accordance with the Copernicus Regulation adopted in 2014, the EU took over the responsibility for the Copernicus programme and thus must recognise the assets on its balance sheet. EUR 297 million relating to the Sentinel 1A satellite have been recognised as assets under the heading plant and equipment, and EUR 1 228 million relating to the other satellites currently being constructed have been recognised as assets under construction. Copernicus is the European Earth observation programme. It consists of a space component including six series of earth observation satellites and instruments, an in situ component (composed of numerous sensors on the ground, at sea and in the air), and a service component. The following services are to be provided by Copernicus: atmosphere monitoring, climate change monitoring, land monitoring, marine monitoring, and emergency management and security applications.

In addition, also included as assets under construction at 31 December 2014 are EUR 1 478 million (2013: EUR 1 041 million) of assets relating to the Galileo project, the EU's Global Navigation Satellite System (GNSS), being built with the assistance of ESA. An amount of EUR 17 million of non-capitalisable development costs has been recognised as expenses during the period.

Property, plant and equipment

EUR millions

	Land and Buildings	Plant and Equipment	Furniture and Vehicles	Computer Hardware	Other	Finance leases	Assets under construction	Total
Gross carrying amount at 31.12.2013	*4 660*	*608*	*233*	*596*	*248*	*2 692*	*1 599*	*10 635*
Additions	*30*	*342*	*18*	*59*	*31*	*9*	*1 779*	*2 267*
Disposals	*(9)*	*(58)*	*(20)*	*(49)*	*(22)*	*0*	*(6)*	*(164)*
Transfer between asset categories	*84*	*98*	*10*	*8*	*2*	*(8)*	*(195)*	*–*
Other changes	*2*	*1*	*2*	*10*	*1*	*-*	*1*	*17*
Gross carrying amount at 31.12.2014	**4 768**	**990**	**242**	**623**	**261**	**2 693**	**3 176**	**12 754**
Accumulated depreciation at 31.12.2013	*(2 399)*	*(474)*	*(168)*	*(461)*	*(166)*	*(863)*		*(4 531)*
Depreciation charge for the year	*(153)*	*(65)*	*(17)*	*(74)*	*(25)*	*(95)*		*(429)*
Depreciation written back	*-*	*16*	*0*	*2*	*3*	*-*		*21*
Disposals	*4*	*42*	*18*	*47*	*18*	*0*		*128*
Transfer between asset categories	*-*	*4*	*(1)*	*(8)*	*(2)*	*7*		*–*
Other changes	*-*	*0*	*(1)*	*(6)*	*(1)*	*-*		*(8)*
Accumulated depreciation at 31.12.2014	**(2 549)**	**(477)**	**(168)**	**(501)**	**(173)**	**(950)**		**(4 817)**
NET CARRYING AMOUNT AT 31.12.2014	**2 219**	**513**	**74**	**122**	**89**	**1 743**	**3 176**	**7 937**
NET CARRYING AMOUNT AT 31.12.2013	*2 261*	*134*	*65*	*134*	*83*	*1 829*	*1 599*	*6 104*

2.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

EUR millions

	Note	31.12.2014	31.12.2013
Participations in joint ventures	*2.3.1*	*–*	*–*
Participations in associates	*2.3.2*	*409*	*349*
Total		**409**	**349**

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

2.3.1. Participations in joint ventures

EUR millions

	GJU	SESAR	ITER	Clean Sky	IMI	ECSEL	FCH	Total
Participations at 31.12.2013	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Contributions	*0*	*95*	*118*	*125*	*166*	*75*	*69*	*647*
Share of net result	*0*	*(95)*	*(118)*	*(125)*	*(166)*	*(75)*	*(69)*	*(647)*
Other equity movements	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Participations at 31.12.2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
*Unrecognised share of loss**	*–*	*(230)*	*(36)*	*(99)*	*(73)*	*(40)*	*(116)*	*(594)*

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

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

EUR millions

	31.12.2014	31.12.2013
Non-current assets	*250*	*198*
Current assets	*178*	*63*
Non-current liabilities	*–*	*–*
Current liabilities	*(813)*	*(394)*
Revenue	*2*	*1*
Expenses	*(666)*	*(412)*

GALILEO JOINT UNDERTAKING 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 2014.

SESAR JOINT UNDERTAKING

At 31 December 2014, the Commission held 43.53 % of the ownership participation in SESAR.

ITER INTERNATIONAL FUSION ENERGY ORGANISATION (ITER)

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, it must recognise the participation in its accounts. At 31 December 2014, the Commission held 40.61 % of the ownership participation in ITER.

Joint Technology Initiatives

Public private partnerships (PPPs) in the form of Joint Technology Initiatives (JTIs), 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. The Clean Sky joint undertaking (JU), the IMI JU, the ECSEL JU (amalgamation of the former ARTEMIS & ENIAC JUs) and the FCH JU are PPPs created in the form of JTIs. The ownership participation at year-end is as follows: 61.39 % in Clean Sky, 80.47 % in IMI, 95.47 % in ECSEL and 70.85 % in FCH.

2.3.2. Participations in associates

European Investment Fund

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

EUR millions

	EIF
Participation at 31.12.2013	*349*
Contributions	*38*
Share of net result	*7*
Other equity movements	*15*
Participation at 31.12.2014	**409**

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

EUR millions

	31.12.2014	31.12.2013
Assets	*497*	*499*
Liabilities	*(87)*	*(240)*
Revenue	*38*	*37*
Surplus/(deficit)	*21*	*(221)*

The Commission has paid in 20 % of its participation, the balance being uncalled, corresponding to an amount of EUR 809 million.

EUR millions

	Total EIF capital	Commission subscription
Total share capital	*4 161*	*1 011*
Paid-in	*(832)*	*(202)*
Uncalled	**3 329**	**809**

2.4. FINANCIAL ASSETS

EUR millions

	Note	31.12.2014	31.12.2013
Non-current financial assets			
Available for sale financial assets	*2.4.1*	*6 550*	*5 497*
Loans	*2.4.2*	*49 888*	*54 347*
Total		**56 438**	**59 844**
Current financial assets			
Available for sale financial assets	*2.4.1*	*2 856*	*2 373*
Loans	*2.4.2*	*8 955*	*3 198*
Total		**11 811**	**5 571**
Total		**68 249**	**65 415**

2.4.1. Available for sale financial assets

EUR millions

	31.12.2014	31.12.2013
BUFI investments	*3 068*	*1 910*
*Guarantee Fund for external actions**	*1 825*	*1 773*
ECSC in Liquidation	*1 699*	*1 696*
Risk Sharing Finance Facility (RSFF)	*842*	*1 197*
Horizon 2020	*514*	*-*
ETF Start up	*399*	*339*
European Bank for Reconstruction and Development (EBRD)	*188*	*188*
Loan Guarantee Instrument for TEN-T projects (LGTT)	*186*	*121*
Risk Capital Operations	*145*	*124*
Project Bond Initiative	*125*	*67*
European Fund for South East Europe	*117*	*116*
Other available for sale financial assets	*298*	*339*
Total	**9 406**	**7 870**
Non-current	*6 550*	*5 497*
Current	*2 856*	*2 373*

* *The Guarantee Fund for external actions holds EFSM bonds (EUR 20 million) issued by the Commission, so these have been eliminated. As it is a long-term instrument there is a significant non-current part of the available for sale financial assets, being EUR 1 489 million.*

The EU holds available for sale financial assets mainly in the form of guarantee instruments and equity instruments. The increase as compared to 2013 is mainly due to more than EUR 2 billion of new fines being imposed in 2014 and invested in the BUFI fund, less open fine cases settled during 2014. Additionally, Horizon 2020, which is the eighth phase of the Framework Programmes for Research and Technological Development ('FP8'), began in 2014 and had assets of over half a billion euros at year-end.

Fair value hierarchy of available for sale financial assets:

EUR millions

	31.12.2014	31.12.2013
Level 1: Quoted prices in active markets	*8 183*	*6 669*
Level 2: Observable inputs other than quoted prices	*76*	*76*
Level 3: Valuation techniques with inputs not based on observable market data	*1 147*	*1 126*
Total	**9 406**	**7 870**

During the period there were no transfers between the above mentioned fair value measurement levels.

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

EUR millions

Opening balance at 31.12.2013	*1 126*
Purchases and sales	*(57)*
Gains or losses for the period recognised in surplus or deficit	*(2)*
Gains or losses recognised in net assets	*81*
Transfers into level 3	*–*
Transfers out of level 3	*–*
Other	*(1)*
Closing balance at 31.12.2014	**1 147**

European Bank for Reconstruction and Development

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

EUR millions

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

2.4.2. Loans

EUR millions

	31.12.2014	31.12.2013
Non-current	*49 888*	*54 347*
Current	*8 955*	*3 198*
Total	**58 843**	**57 545**

This heading includes loans granted from borrowed funds (EUR 58 509 million) as well as loans granted from the budget, i.e. loans with special conditions and ECSC in Liquidation housing loans (EUR 139 million). Also included are short-term deposits (EUR 195 million), which are categorised as loans.

Loans granted from borrowed funds

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liqui-dation	Total
Total at 31.12.2013	*569*	*387*	*11 623*	*44 468*	*211*	*57 258*
New loans	*1 360*	*-*	*-*	*3 000*	*-*	*4 360*
Repayments	*(96)*	*(39)*	*(3 000)*	*-*	*-*	*(3 135)*
Exchange differences	*-*	*1*	*-*	*-*	*15*	*16*
Changes in carrying amount	*9*	*–*	*(33)*	*39*	*(5)*	*10*
Impairment	*-*	*-*	*-*	*-*	*-*	*–*
Total at 31.12.2014	**1 842**	**349**	**8 590**	**47 507**	**221**	**58 509**
Non-current	*1 762*	*299*	*5 700*	*41 800*	*211*	*49 772*
Current	*80*	*50*	*2 890*	*5 707*	*10*	*8 737*

The current/non-current presentation of the loans on the Commission's balance sheet (e.g. EFSM, BOP, Euratom, MFA) has been improved from the notion of looking solely at the final maturity of the loan to the notion of looking at the re-payments due at year-end. Guarantees from third-parties of EUR 349 million (2013: EUR 387 million) have been received covering Euratom loans. At 31.12.2014, EUR 250 million relating to a loan facility agreement under MFA assistance were granted to Ukraine but not yet disbursed.

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

	31.12.2014	31.12.2013
Macro Financial Assistance (MFA)	*0.181 %-4.54 %*	*0.27 %-4.54 %*
Euratom	*0.26 %-5.76 %*	*0.34 %-5.76 %*
Balance of Payment (BOP)	*2.375 %-3.625 %*	*2.375 %-3.625 %*
European Financial Stability Mechanism (EFSM)	*1.875 %-3.750 %*	*2.375 %-3.750 %*
ECSC in Liquidation	*5.2354 %-5.8103 %*	*5.2354 %-5.8103 %*

2.5. PRE-FINANCING

EUR millions

	Note	31.12.2014	31.12.2013
Non-current pre-financing			
Pre-financing	*2.5.1*	*15 980*	*34 819*
Other advances to Member States	*2.5.2*	*2 378*	*3 253*
Total		**18 358**	**38 072**
Current pre-financing			
Pre-financing	*2.5.1*	*29 222*	*16 403*
Other advances to Member States	*2.5.2*	*5 015*	*4 963*
Total		**34 237**	**21 367**
Total		**52 595**	**59 439**

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.

2.5.1. Pre-financing

EUR millions

	Gross amount	Cleared via cut-off	Net amount at 31.12.2014	Gross amount	Cleared via cut-off	Net amount at 31.12.2013
Shared Management						
EAFRD & other rural development instruments	*5 644*	*(2 115)*	*3 529*	*6 359*	*(1 032)*	*5 327*
ERDF & CF	*24 934*	*(2 182)*	*22 752*	*25 701*	*(2 164)*	*23 537*
ESF	*6 884*	*(953)*	*5 931*	*6 857*	*(492)*	*6 365*
Other	*4 626*	*(2 535)*	*2 091*	*4 191*	*(2 054)*	*2 137*
Direct Management						
Implemented by:						
Commission	*13 173*	*(10 215)*	*2 958*	*14 841*	*(9 459)*	*5 382*
EU executive agencies	*9 079*	*(6 618)*	*2 461*	*8 558*	*(5 108)*	*3 450*
Indirect Management						
Implemented by:						
Other EU agencies & bodies	*548*	*(98)*	*450*	*412*	*(21)*	*391*
Third countries	*1 981*	*(1 169)*	*812*	*1 678*	*(782)*	*896*
International organisations	*6 236*	*(3 476)*	*2 760*	*4 172*	*(2 460)*	*1 712*
Other entities	*4 370*	*(2 910)*	*1 460*	*5 503*	*(3 478)*	*2 025*
Total	**77 474**	**(32 273)**	**45 202**	**78 272**	**(27 050)**	**51 222**
Non-current	*15 980*	*–*	*15 980*	*34 819*	*–*	*34 819*
Current	*61 495*	*(32 273)*	*29 222*	*43 453*	*(27 050)*	*16 403*

The decrease in total pre-financing noted under shared management and direct management is attributed primarily to the closure of programing period 2007-2013 and the gradual set-up of programs under the period 2014-2020. Pre-financing related to the old programs is decreasing due to the acceptance of costs, while lower level of advances have been paid out concerning the new programming period.

For structural funds this transition between programming periods also explains the movement between current and non-current balances. New pre-financing paid concerning the programming period 2014-2020 is tipically booked as non-current; these advances are still limited in amount (due to the late adoption of new programs). The programming period 2007-2013 is in its closing phase and thus more amounts become due within twelve months.

Guarantees received in respect of pre-financing

These are guarantees that the Commission requests from beneficiaries that are not Member States, in certain cases when paying out advance payments (pre-financing). There are two values to disclose for this type of guarantee, the "nominal" and the "on-going" values. For the "nominal" value, the generating event is linked to the existence of the guarantee. For the "on-going" value, the guarantee's generating event is the pre-financing payment and/or subsequent clearings. At 31 December 2014 the "nominal" value of guarantees received in respect of pre-financing amounted to EUR 957 million while the "on-going" value of those guarantees was EUR 605 million (2013: EUR 1 124 million and EUR 887 million respectively).

Certain pre-financing amounts paid out under the 7th Research Framework Programme for research and technological development (FP7) and under Horizon 2020 are effectively covered by a Participants Guarantee Fund (PGF). The PGF is a mutual benefit instrument set up to cover the risks relating to non-payment of amounts by the beneficiaries during the implementation of the indirect actions of FP7 and Horizon 2020. All participants of indirect actions receiving a grant from the EU contribute 5 % of the total contribution to the PGF's capital.
At 31 December 2014 pre-financing amounts covered by the PGF totalled EUR 1.8 billion (2013: EUR 4.5 billion). The decrease relates to the fact that 2014 was the last year for signing FP7 projects with less funds available for new projects. The EU (represented by the Commission) acts as an executive agent of the participants of the PGF, but the fund is owned by the participants.

At year-end, the PGF had total assets of EUR 1 640 million (2013: EUR 1 658 million). The assets of the PGF also include financial assets that are managed by the Directorate-General for Economic and Financial Affairs. As the PGF is a separate entity the assets of the fund are not consolidated in these EU annual accounts.

2.5.2. Other advances to Member States

EUR millions

	31.12.2014	31.12.2013
Advances to Member States for financial instruments under shared management		
Non-current	*2 090*	*2 118*
Current	*1 733*	*2 118*
Total	**3 823**	**4 236**
Aid Schemes		
Non-current	*288*	*1 135*
Current	*3 282*	*2 845*
Total	**3 570**	**3 981**
Total	**7 393**	**8 216**

Under the framework of the structural funds programmes 2007-2013 and also under the European Agricultural Fund for Rural Development, advance payments can be made from the EU budget to Member States so as to contribute to financial instruments (be it in the form of loans, equity investments or guarantees) set up and managed under the responsibility of the Member States (i.e. shared management). Monies that are unused by these instruments at year-end are the property of the EU (as with all pre-financing) and are thus treated as an asset on the EU's balance sheet. However, the basic legal acts do not oblige the Member States to provide periodic reports to the Commission on the use made of these advances, and in some cases not even identify them in the statements of expenditure submitted to the Commission. Information reported by Member States on unused amounts at end 2014 is not available in time for inclusion in these accounts. Thus, on the basis of information received from Member States on unused amounts as at 31 December 2013 and disbursements made during 2014, an estimation is made at year-end of the value of this asset. Furthermore, this estimation is now based on an extension of the implementation period for these instruments from 31 December 2015 to 31 March 2017. The outstanding balance for these instruments at year-end is estimated on the assumption that funds will be used in full and evenly over the remaining period of operation. At the end of this period the Commission will examine the actual use of funds and will reflect in the accounts amounts that have not been used.

The total contribution requested by Member States to the Commission concerning these instruments was EUR 10 904 million, of which EUR 1 088 million remained unpaid at year end. In 2014, no amounts relating to the 2014-2020 programming period have been paid.

Similar to the above, advances paid by the Member States for various aid schemes (state aid, market measures of EAGF) that were not used at year end are recorded as assets on the Commission's balance sheet. The Commission has estimated the value of these advances based on information provided by the Member States; the resulting amounts are included under the Aid Schemes sub-headings above.

2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

EUR millions

	Note	31.12.2014	31.12.2013
Non-current			
Recoverables from non-exchange transactions	*2.6.1*	*1 158*	*478*
Receivables from exchange transactions	*2.6.2*	*40*	*20*
Total		**1 198**	**498**
Current			
Recoverables from non-exchange transactions	*2.6.1*	*13 828*	*12 478*
Receivables from exchange transactions	*2.6.2*	*551*	*704*
Total		**14 380**	**13 182**
Total		**15 578**	**13 680**

2.6.1. Recoverables from non-exchange transactions

EUR millions

	Note	31.12.2014	31.12.2013
Non-current			
Member States	*2.6.1.1*	*305*	*478*
Accrued income and deferred charges	*2.6.1.3*	*853*	*–*
Total		**1 158**	**478**
Current			
Member States	*2.6.1.1*	*10 679*	*5 574*
Fines	*2.6.1.2*	*2 270*	*4 071*
Accrued income and deferred charges	*2.6.1.3*	*832*	*2 741*
Other recoverables		*48*	*92*
Total		**13 828**	**12 478**
Total		**14 987**	**12 957**

2.6.1.1. Recoverables from Member States

EUR millions

	31.12.2014	31.12.2013
Established in the A account	*2 789*	*47*
Established in the separate account	*1 617*	*1 228*
Own resources to be received	*5 413*	*3 054*
Impairment	*(1 144)*	*(743)*
Other	*12*	*6*
Own resources recoverables	**8 686**	**3 592**
European Agricultural Guarantee Fund (EAGF)	*2 250*	*2 294*
European Agricultural Fund for Rural Development (EAFRD)	*52*	*82*
Temporary Rural Development Instrument (TRDI)	*27*	*45*
Special Accession Programme for Agriculture and Rural Development (SAPARD)	*166*	*155*
Impairment	*(840)*	*(819)*
EAGF and rural development recoverables	**1 655**	**1 757**
Pre-financing recovery expected	**437**	**542**
VAT paid and recoverable	**44**	**68**
Other recoverables from Member States	**161**	**94**
Total	**10 984**	**6 053**
Non-current	*305*	*478*
Current	*10 679*	*5 574*

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

Own resources recoverables

The significant increase of recoverables established in the A account is explained by EUR 2 756 million of custom duties and sugar levies of November and December that were recognised as accrued income in previous years.

The amount of own resources to be received relates to the Amending Budgets No 2 to 7/2014 adopted on 17 December 2014. According to Article 10 of Council Regulation 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 1) the entries corresponding to the readjustments of own resources contributions were carried out on the first working day of February 2015. The adjustments to Member States' national EU budget contributions based on VAT and GNI take place every year on the first working day of December. The adjustment in 2014 included major revisions for GNI dating back to 2002. Thus the adjustment was unprecedented in size, totalling EUR 9.5 billion across all EU Member States.

In order to address this exceptional situation, the Council adopted on 18 December 2014 a Commission proposal allowing Member States to defer payment, interest free, under strict conditions, up to 1 September 2015. Accordingly, 6 Member States opted to pay their adjustments in 2015. The deferred payment amounts to EUR 5.4 billion, as included in the above table.

EAGF and Rural Development recoverables

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

2.6.1.2. Fines

This concerns amounts to be recovered relating to fines issued by the Commission of EUR 2 424 million (2013: EUR 4 310 million) less a write-down of EUR 155 million (2013: EUR 239 million). Guarantees totalling EUR 1 916 million were received for the fines outstanding at year-end (2013: EUR 3 244 million). It should be noted that EUR 183 million of these receivables were due for payment after 31 December 2014.

The decrease in the balance of the open fines at year end is due to the fact that fines totalling EUR 4.1 billion became definitive and so were transferred to the budget during 2014.

2.6.1.3. Accrued income and deferred charges

EUR millions

	31.12.2014	31.12.2013
Own resources accrued income	*–*	*2 424*
Cohesion, Agriculture & Rural Development Funds: financial corrections	*1 502*	*31*
Other accrued income	*83*	*201*
Impairment on accrued income	*–*	*–*
Deferred charges relating to non-exchange transactions	*101*	*85*
Total	**1 686**	**2 741**
Non-current	*853*	*–*
Current	*832*	*2 741*

It should be noted that the own resources accrued income, mainly custom duties of November and December, are now disclosed under current recoverables.

2.6.2. Receivables from exchange transactions

EUR millions

	31.12.2014	31.12.2013
Non-current		
Other receivables	*40*	*20*
Total	**40**	**20**
Current		
Customers	*211*	*381*
Impairment on receivables from customers	*(103)*	*(100)*
Deferred charges relating to exchange transactions	*219*	*352*
Other	*224*	*71*
Total	**551**	**704**
Total	**591**	**724**

2.7. INVENTORIES

EUR millions

	31.12.2014	31.12.2013
Scientific materials	*66*	*81*
Other	*62*	*47*
Total	**128**	**128**

2.8. CASH AND CASH EQUIVALENTS

EUR millions

	Note	31.12.2014	31.12.2013
Accounts with Treasuries and Central Banks		*11 840*	*2 505*
Current accounts		*303*	*168*
Imprest accounts		*4*	*4*
Transfers (cash in transit)		*–*	*(1)*
Other term deposits		*28*	*29*
Bank accounts for budget implementation and other term deposits	*2.8.1*	**12 174**	**2 705**
Cash belonging to financial instruments	*2.8.2*	**1 275**	**1 406**
Cash relating to fines	*2.8.3*	**2 738**	**4 165**
Cash relating to other institutions, agencies and bodies		**1 358**	**1 234**
Total		**17 545**	**9 510**

2.8.1. Bank accounts for budget implementation and other term deposits

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

The high balance at the end of 2014 is mainly due to own resources contributions related to VAT and GNI balances paid by Member States in December 2014, as well as the amending budgets reducing the Member States' contributions, which were adopted in December 2014 and returned to Member States via amending budgets in early 2015.

2.8.2. Cash belonging to financial instruments

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

2.8.3. Cash relating to fines

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

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

LIABILITIES

2.9. PENSION AND OTHER EMPLOYEE BENEFITS

EUR millions

	Note	31.12.2014	31.12.2013
Pensions – staff	*2.9.1*	*50 897*	*40 933*
Pensions – other	*2.9.2*	*1 322*	*1 016*
Joint Sickness Insurance Scheme	*2.9.3*	*6 396*	*4 869*
Total		**58 616**	**46 818**

The significant increase in the employee benefits liability is explained by the sizeable decrease in the discount rate applied, resulting in a large actuarial loss for the year (net EUR 9.2 billion).

As shown below, the real discount rate has decreased dramatically from 1.8 % to 0.7 %, refelecting the underlying economic conditions. This change alone accounts for almost all of the increase in the liability since changes in other variables (such as new members, service cost and interest cost) were in line with the previous year's figures. Such actuarial fluctuations must be expected based on the, internationally applied, accounting rules in place and the current economic environment – should interest rates increase, a reverse impact would be expected.

Furthermore, as this is an actuarial estimate of the value of the total liability at one point in time, 31 December 2014, and is based on various assumptions valid at this time, this loss does not indicate actual charges to the EU budget. Nor does this valuation impact the amounts to be paid to pensioners from the EU budget in the immediate coming years – these payments are already estimated in the MFF 2014-2020 and will be implemented via the annual budgetary process.

2.9.1. 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 from their salaries.

The liabilities of the pension scheme were assessed on the basis of the number of staff and retired staff at 31 December 2014 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 for the staff pension liability used in the valuation were as follows:

	31.12.2014	31.12.2013
Nominal discount rate	*2.0 %*	*3.7 %*
Expected inflation rate	*1.3 %*	*1.9 %*
Real discount rate	*0.7 %*	*1.8 %*
Probability of marriage: man/woman	*81 %/49 %*	*81 %/49 %*
General salary growth/pension revaluation	*(0.2) %*	*(0.2) %*
International Civil Servants Life Table (ICSLT)	*ICSLT 2013*	*ICSLT 2013*

2.9.2. 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.

2.9.3. Joint Sickness Insurance Scheme

A valuation is also made for the estimated liability that the EU has regarding the Joint Sickness Insurance Scheme in relation to its retired staff. The discount rate and the general salary growth used in the calculation are consistent with those used in the staff pension valuation, thus the reasons for the movements in the liability are similar to those of the staff pension liability.

Movements in employee benefits liabilities

EUR millions

	Pensions - staff	Pensions - other	Joint Sickness Insurance Scheme
Gross liability at 31.12.2013	*45 947*	*1 289*	*5 133*
Service/normal cost	*2 153*	*62*	*–*
Interest cost	*1 683*	*44*	*49*
Benefits paid	*(1 368)*	*(47)*	*(68)*
*Actuarial losses**	*8 255*	*191*	*1 554*
Change due to newcomers	*461*	*67*	*–*
Gross liability at 31.12.2014	**57 131**	**1 606**	**6 668**
Correction coefficients applied to pensions	*1 371*	*N/A*	*N/A*
Deduction of taxes on pensions	*(7 605)*	*(119)*	*N/A*
Plan assets	*N/A*	*(165)*	*(272)*
Net liability at 31.12.2014	**50 897**	**1 322**	**6 396**

** Gross actuarial losses before taxes and correction coefficients.*

5 year trend of pension and other employee benefits liability

EUR millions

	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
Employee benefits liability	*37 172*	*34 835*	*42 503*	*46 818*	*58 616*

2.10. PROVISIONS

EUR millions

	Amount at 31.12.2013	Additional provisions	Unused amounts reversed	Amounts used	Transfer to current	Change in estimation	Amount at 31.12.2014
Legal cases	*487*	*567*	*(97)*	*(229)*	*–*	*0*	*728*
Nuclear site dismantling	*963*	*–*	*–*	*(31)*	*–*	*159*	*1 091*
Financial	*282*	*117*	*(0)*	*(76)*	*–*	*9*	*332*
Fines	*–*	*30*	*–*	*–*	*–*	*–*	*30*
Other	*135*	*94*	*(53)*	*(73)*	*–*	*(0)*	*102*
Total	**1 867**	**807**	**(150)**	**(409)**	**–**	**168**	**2 282**
Non-current	*1 323*	*241*	*(93)*	*(28)*	*(69)*	*164*	*1 537*
Current	*545*	*566*	*(57)*	*(381)*	*69*	*4*	*745*

Legal cases

This is the estimate of amounts that will probably have to be paid out after the year-end in relation to a number of on-going legal cases. The increase in the provision is due primarily to lost legal cases relating to the ERDF. This significant increase was only partly compensated by unused amounts concerning the settlement of a traditional own resources case concerning sugar levies – see also note **3.2**.

Nuclear site dismantlement

In 2012 a consortium of independent experts updated their 2008 study on the estimated costs of the decommissioning of the Joint Research Centre (JRC) nuclear facilities and waste management programme. Their estimate of EUR 989 million (previously EUR 1 222 million) was taken as the basis for this provision. In 2014 that basis for the provision was again updated as per the "2014 updated JRC Strategy on Decommissioning and Waste Management" (D&WM). It represents the follow up of the comments raised by the Review of the JRC D&WM programme made by external experts. In accordance with EU accounting rules, this provision is indexed for inflation and then discounted to its net present value (using the Euro zero-coupon swap curve). At 31 December 2014, this results in a provision of EUR 1 091 million, split between amounts expected to be used in 2015 (EUR 27 million) and afterwards (EUR 1 064 million).

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

Financial provisions

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

2.11. FINANCIAL LIABILITIES

EUR millions

	Note	31.12.2014	31.12.2013
Non-current financial liabilities			
Borrowings	*2.11.1*	*49 743*	*54 153*
Other financial liabilities	*2.11.2*	*2 108*	*2 216*
Total		**51 851**	**56 369**
Current financial liabilities			
Borrowings	*2.11.1*	*8 727*	*3 065*
Other financial liabilities	*2.11.2*	*101*	*99*
Total		**8 828**	**3 163**
Total		**60 680**	**59 533**

2.11.1. Borrowings

EUR millions

	31.12.2014	31.12.2013
Borrowings	*58 491*	*57 237*
*Elimination: Guarantee Fund for external actions**	*(20)*	*(20)*
Total	**58 470**	**57 218**

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

Borrowings by financial instrument

EUR millions

	MFA	Euratom	BOP	EFSM	ECSC in Liquid-dation	Total
Total at 31.12.2013	*569*	*387*	*11 623*	*44 468*	*190*	*57 237*
New borrowings	*1 360*	*-*	*-*	*3 000*	*-*	*4 360*
Repayments	*(96)*	*(39)*	*(3 000)*	*-*	*-*	*(3 135)*
Exchange differences	*-*	*1*	*-*	*-*	*14*	*15*
Changes in carrying amounts	*9*	*–*	*(33)*	*39*	*(1)*	*14*
Total at 31.12.2014	**1 842**	**349**	**8 590**	**47 507**	**203**	**58 491**
Non-current	*1 762*	*299*	*5 700*	*41 800*	*193*	*49 754*
Current	*80*	*50*	*2 890*	*5 707*	*10*	*8 737*

Borrowings also include debts evidenced by certificates amounting to EUR 58 261 million (2013: EUR 56 981 million). The changes in carrying amount correspond to the change in accrued interests.

The current/non-current presentation of the borrowings on the Commission's balance sheet (e.g. MFA, Euratom, BOP and EFSM) has been improved from the notion of looking solely at the final maturity of the loan to the notion of looking at the re-payments due at year-end.

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

	31.12.2014	31.12.2013
Macro Financial Assistance (MFA)	*0.181 %-4.54 %*	*0.27 %-4.54 %*
Euratom	*0.138 %-5.6775 %*	*0.291 %-5.6775 %*
Balance of Payment (BOP)	*2.375 %-3.625 %*	*2.375 %-3.625 %*
European Financial Stability Mechanism (EFSM)	*1.875 %-3.750 %*	*2.375 %-3.750 %*
ECSC in Liquidation	*6.92 %-9.78 %*	*6.92 %-9.78 %*

2.11.2. Other financial liabilities

EUR millions

	31.12.2014	31.12.2013
Non-current		
Finance lease liabilities	*1 674*	*1 756*
Buildings paid for in instalments	*371*	*369*
Other	*63*	*91*
Total	**2 108**	**2 216**
Current		
Finance lease liabilities	*81*	*82*
Buildings paid for in instalments	*20*	*17*
Total	**101**	**99**
Total	**2 209**	**2 315**

Finance lease liabilities

EUR millions

	Future amounts to be paid			
	< 1 year	1-5 years	> 5 years	Total Liability
Land and buildings	*75*	*358*	*1 309*	*1 742*
Other tangible assets	*6*	*8*	*–*	*14*
Total at 31.12.2014	**81**	**366**	**1 309**	**1 755**
Interest element	*70*	*272*	*392*	*734*
Total future minimum lease payments at 31.12.2014	**151**	**638**	**1 700**	**2 489**
Total future minimum lease payments at 31.12.2013	*171*	*672*	*1 884*	*2 727*

2.12. PAYABLES

EUR millions

	Gross Amount	Adjustments*	Net Amount
2014			
Cost claims & invoices received from:			
Member States:			
European Agricultural Fund for Rural Development & other rural development instruments	*318*	*(23)*	*295*
European Regional Development Fund & Cohesion Fund	*19 928*	*(2 306)*	*17 622*
European Social Fund	*5 893*	*(272)*	*5 621*
Other	*751*	*(93)*	*658*
Private and public entities	*1 718*	*(106)*	*1 612*
Total costs claims & invoices received	**28 608**	**(2 800)**	**25 808**
European Agricultural Guarantee Fund	*11 066*	*N/A*	*11 066*
Sundry payables	*156*	*N/A*	*156*
Own resources payables	*5 945*	*N/A*	*5 945*
Other	*204*	*N/A*	*204*
Total at 31.12.2014	**45 980**	**(2 800)**	**43 180**
2013			
Total costs claims & invoices received	**27 257**	**(2 918)**	**24 339**
European Agricultural Guarantee Fund	*11 252*	*N/A*	*11 252*
Sundry payables	*147*	*N/A*	*147*
Own resources payables	*244*	*N/A*	*244*
Other	*231*	*N/A*	*231*
Total at 31.12.2013	**39 131**	**(2 918)**	**36 213**

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

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

Own resources payables refer to the contribution of Member States to the EU budget to be reimbursed at year-end following the last amending budget of 2014 (EUR 5.9 billion). The significant increase compared to last year is due to the GNI revisions made at year-end (see also note **2.6.1.1**).

Estimated non-eligible amounts and pending prepayments

Payables are reduced by that part of the requests for reimbursement received, but not yet checked, that was estimated to be non-eligible. The largest amounts concern the Structural Actions DGs. Payables are also reduced by the part of requests for reimbursement received concerning other advances to Member States (see note **2.5.2**) still to pay at year end (EUR 2.0 billion).

Requests for pre-financing

In addition to the above amounts, EUR 1.3 billion of requests for pre-financing have been received and were not yet paid at year-end. According to the EU accounting rules, these amounts are not booked as payables.

2.13. ACCRUED CHARGES AND DEFERRED INCOME

EUR millions

	31.12.2014	31.12.2013
Accrued charges	*55 798*	*56 085*
Deferred income	*56*	*62*
Other	*118*	*134*
Total	**55 973**	**56 282**

The split of accrued charges is as follows:

EUR millions

	31.12.2014	31.12.2013
European Agricultural Guarantee Fund	*33 667*	*33 491*
European Agricultural Fund for Rural Development & other rural development instruments	*13 414*	*12 458*
European Regional Development Fund and Cohesion Fund	*3 157*	*4 371*
European Social Fund	*976*	*1 109*
Other	*4 584*	*4 656*
Total	**55 798**	**56 085**

NET ASSETS

2.14. RESERVES

EUR millions

	Note	31.12.2014	31.12.2013
Fair value reserve	*2.14.1*	*238*	*99*
Guarantee Fund reserve	*2.14.2*	*2 372*	*2 125*
Other reserves	*2.14.3*	*1 825*	*1 849*
Total		**4 435**	**4 073**

2.14.1. Fair value reserve

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

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

EUR millions

	2014	2013
Included in fair value reserve	*135*	*(25)*
Included in the statement of financial performance	*(10)*	*(25)*
Total	**125**	**(50)**

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

2.14.2. Guarantee Fund reserve

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

2.14.3. Other reserves

The amount relates primarily to the ECSC in liquidation reserve (EUR 1 532 million) for the assets of the Research Fund for Coal and Steel, which was created in the context of the winding-up of the ECSC.

2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

	EUR millions
Amounts to be called from Member States at 31.12.2013	*49 925*
Return of 2013 budget surplus to Member States	*1 005*
Movement in Guarantee Fund reserve	*247*
Other reserve movements	*(15)*
Economic result of the year	*11 280*
Total amounts to be called from Member States at 31.12.2014	**62 441**

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

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

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

REVENUE FROM NON-EXCHANGE TRANSACTIONS

3.1. GNI RESOURCES

Own resources revenue is the primary element of the EU's operating revenue. Of the three categories of own resources, traditional own resources ("TOR"), the VAT-based resources and the GNI-based resources, the GNI revenue of EUR 104 688 million (2013: EUR 110 194 million) is the most significant.

3.2. TRADITIONAL OWN RESOURCES

EUR millions

	2014	2013
Customs duties	*17 204*	*15 268*
Sugar levies	*(67)*	*199*
Total	**17 137**	**15 467**

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

It should also be noted that following a Court ruling on the sugar levies regulation challenged by certain companies and Member States, an amount of EUR 200 million was reimbursed to the concerned parties in 2014. The related provision, originally booked in 2012, was thus used in 2014.

3.3. VAT RESOURCES

According to the Own Resources Decision No 2007/436/EC, Euratom, the VAT contributions are calculated applying a uniform rate of 0.30 % to the harmonised VAT base of each Member State. At the same time this decision foresaw a lower call rate for Austria (0.225 %), Germany (0.15 %), and the Netherlands and Sweden (0.10 %). However this exception was granted for the period 2007-2013 only. Thus in 2014 the uniform rate of 0.30 % became applicable again to all Member States and will remain until a new Own Resources Decision enters into force. This explains the increase in VAT revenue from EUR 14 019 million in 2013 to EUR 17 462 million in 2014.

REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

3.4. FINES

These revenues (EUR 2 297 million) relate to fines imposed by the Commission for breach of infringement rules, mainly related to competition cases. Receivables and related revenues are recognised when the Commission decision imposing a fine has been taken and it is officially notified to the addressee.

The main amount in 2014 concerns the market for automotive bearings. The Commission imposed fines for a total amount of EUR 953 million on producers of car and truck bearings for operating a cartel.

3.5. RECOVERY OF EXPENSES

EUR millions

	2014	2013
Shared management	*3 328*	*1 628*
Direct management	*45*	*69*
Indirect management	*45*	*6*
Decentralised management	*–*	*41*
Joint management	*–*	*33*
Total	**3 418**	**1 777**

This heading represents mainly the recovery orders issued by the Commission that are cashed or offset against (i.e. deducted from) subsequent payments recorded in the Commission's accounting system, made so as to recover expenditure previously paid out from the general budget. These operations are based on controls, audits or eligibility analysis. Recovery orders issued by Member States to beneficiaries of EAGF expenditure, as well as the variation of accrued income estimations from the previous year-end to the current, are also included.

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 measures taken to protect the EU budget, particularly for Cohesion policy where specific mechanisms are in place to ensure the correction of ineligible expenditure, most of which do not involve the issuance of a recovery order. 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 the recovery of expenses are given in Note **6**.

Shared management makes up the bulk of the total:

Agriculture: EAGF and rural development

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

Cohesion policy

The main amounts related to Cohesion policy include recovery orders issued by the Commission to recover undue expenditure made in previous years, amounts related to financial corrections implemented by withdrawals during the year, as well as deductions from expenditure less the decrease in accrued income at year-end.

Other recovery orders issued in Cohesion policy concern the recovery of pre-financing – see note **6.4**. These amounts are not shown as revenue, but credited to the pre-financing heading on the balance sheet.

Total recovery of expenses almost doubled compared to last year due to the advanced closure of the 2000-2006 Cohesion programming period and the related withdrawals made, as well as significant corrections imposed by the Directorate-General for Agriculture and Rural Development in 2014.

3.6. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR millions

	2014	2013
Transfer of assets	*1 448*	*–*
Budgetary adjustments	*794*	*1 187*
Staff taxes and contributions	*1 276*	*1 137*
Contributions from third countries	*336*	*373*
Agricultural levies	*409*	*48*
Adjustment of provisions	*369*	*208*
Other	*990*	*1 091*
Total	**5 623**	**4 045**

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

The budgetary adjustments include the budget surplus from 2013 (EUR 1 005 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 2014.

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

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

Agricultural levies concern milk levies which are a market management tool aimed at penalising milk producers who exceed their reference quantities. As it is not linked to prior payments by the Commission, it is in practice considered as revenue for a specific purpose. The increase in milk levies this year is due to eight Member States exceeding their milk quotas for deliveries in 2013/2014, meaning that they must therefore pay penalties (known as a "superlevy"). The dairy quota regime was abolished on 1 April 2015.

REVENUE FROM EXCHANGE TRANSACTIONS

3.7. FINANCIAL INCOME

EUR millions

	2014	2013
Interest income on:		
Pre-financing	*16*	*29*
Late payments	*387*	*88*
Available for sale financial assets	*65*	*71*
Loans	*1 722*	*1 712*
Cash and cash equivalents	*10*	*21*
Impaired financial assets	*0*	*-*
Other	*1*	*1*
Interest income	**2 202**	**1 922**
Dividend income	**6**	**6**
Realised gains on sale of financial assets	**30**	**24**
Other financial income	**61**	**40**
Total	**2 298**	**1 991**

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

Net gains or losses on financial assets

EUR millions

	2014	2013
Net gains/(losses) on available for sale financial assets	*13*	*24*

3.8. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

EUR millions

	2014	2013
Property, plant and equipment related revenue	*16*	*38*
Foreign exchange gains	*478*	*336*
Other	*571*	*1 070*
Total	**1 066**	**1 443**

Other revenue from exchange transactions are primarily management fee revenue and revenue relating to receivables previously impaired.

EXPENSES

TRANSFER PAYMENTS AND SUBSIDIES BY MANAGEMENT MODE

3.9. SHARED MANAGEMENT

EUR millions

Implemented by Member States	2014	2013
European Agricultural Guarantee Fund	*44 465*	*45 067*
European Agricultural Fund for Rural Development & other rural development instruments	*14 046*	*13 585*
European Regional Development Fund and Cohesion Fund	*43 345*	*47 767*
European Social Fund	*12 651*	*12 126*
Other	*2 307*	*1 525*
Total	**116 814**	**120 070**

The structural funds programmes are in the final phase of the programming period 2007-2013, but also in the launching phase of the programming period 2014-2020.

The largest part of the decrease compared to 2013 concerns the European Regional Development Fund and the Cohesion Fund. Expenses recognised in 2014 relate to programming period 2007-2013 as no expenses have been booked yet for the current period due to the slow start up of programmes (implementation by Member States has only started in 2015).

The decrease in European Agricultural Guarantee Fund expenses can be mainly attributed to the impact of the financial discipline mechanism.

The sub-heading 'Other' mainly includes: Asylum and Migration (EUR 0.6 billion), Internal Security (EUR 0.5 billion), Fisheries and Maritime Affairs (EUR 0.5 billion), the European Solidarity Fund (EUR 0.2 billion) and the European Globalisation Adjustment Fund (EUR 0.1 billion).

3.10. DIRECT MANAGEMENT

EUR millions

	2014	2013
Implemented by the Commission	*10 431*	*8 722*
Implemented by EU Executive Agencies	*4 880*	*3 797*
Total	**15 311**	**12 519**

These amounts mainly concern the implementation of Research Policy (EUR 8.9 billion) and Networks Programmes (EUR 1.5 billion), as well as European Neighbourhood Policy (EUR 1.5 billion) and Development Co-operation (EUR 1.3 billion) instruments.

The increase of the amounts in 2014 is due primarily to Development Co-operation where there was a EUR 0.5 billion increase (including a EUR 250 million payment to Ukraine), Energy (EUR 1.1 billion) and research programs managed by Executive Agencies (EUR 1.1 billion due to an increasing number of on-going projects).

3.11. INDIRECT MANAGEMENT

EUR millions

	2014	2013
Implemented by other EU agencies & bodies	*1 025*	*656*
Implemented by third countries	*1 005*	*720*
Implemented by international organisations	*1 765*	*1 745*
Implemented by other entities	*1 799*	*1 694*
Total	**5 594**	**4 815**

3.12. STAFF AND PENSION COSTS

EUR millions

	2014	2013
Staff costs	*5 693*	*5 527*
Pension costs	*3 970*	*3 531*
Total	**9 662**	**9 058**

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

3.13. CHANGES IN EMPLOYEE BENEFITS ACTUARIAL ASSUMPTIONS

The actuarial loss of net EUR 9.2 billion shown under this heading relates to the employee benefits liabilities recognised on the balance sheet (see note **2.9**). The exceptionally high amount is due to the dramatic decrease in interest rates, which reflects the underlying economic conditions.

3.14. FINANCE COSTS

EUR millions

	2014	2013
Interest expenses:		
Borrowings	*1 712*	*1 697*
Other	*22*	*22*
Finance leases	*90*	*99*
Impairment losses on available for sale financial assets	*3*	*8*
Impairment losses on loans and receivables	*1 030*	*469*
Realised loss on sale of financial assets	*17*	*–*
Other finance costs	*51*	*87*
Total	**2 926**	**2 383**

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

3.15. SHARE OF NET RESULT OF JOINT VENTURES AND ASSOCIATES

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

3.16. OTHER EXPENSES

EUR millions

	2014	2013
Administrative and IT expenses	*2 070*	*2 034*
Property, plant and equipment related expenses	*1 186*	*1 105*
Foreign exchange losses	*370*	*395*
Adjustment of provisions	*688*	*399*
Other	*839*	*640*
Total	**5 152**	**4 572**

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

EUR millions

	2014	2013
Research costs	*353*	*335*
Non-capitalised development costs	*54*	*74*
Total	**406**	**409**

Included under Property, plant and equipment related expenses are EUR 369 million (2013: EUR 388 million) relating to operating leases. Amounts commited 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	*332*	*988*	*934*	*2 254*
IT materials and other equipment	*7*	*15*	*0*	*22*
Total	**339**	**1 003**	**934**	**2 276**

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

EUR millions

	Smart and inclusive growth	Sustainable growth	Security and citizenship	Global Europe	Administration	Not assigned to MFF heading*	Total
GNI resources	–	–	–	–	–	*104 688*	*104 688*
Traditional own resources	–	–	–	–	–	*17 137*	*17 137*
VAT	–	–	–	–	–	*17 462*	*17 462*
Fines	–	–	–	–	–	*2 297*	*2 297*
Recovery of expenses	*1 136*	*2 226*	*3*	*53*	–	*0*	*3 418*
Other	*1 981*	*508*	*4*	*53*	*4 590*	*(1 513)*	*5 623*
Revenue from non-exchange transactions	**3 117**	**2 734**	**6**	**106**	**4 590**	**140 072**	**150 625**
Financial income	*66*	*3*	*0*	*36*	*1*	*2 192*	*2 298*
Other	*119*	*(11)*	*(4)*	*97*	*215*	*649*	*1 066*
Revenue from exchange transactions	**185**	**(8)**	**(4)**	**134**	**216**	**2 841**	**3 364**
Total revenue	**3 302**	**2 726**	**2**	**240**	**4 806**	**142 913**	**153 989**
Expenses implemented by Member States:							
EAGF	–	*(44 465)*	–	–	–	–	*(44 465)*
EAFRD & other rural development instruments	–	*(14 033)*	–	*(12)*	–	–	*(14 046)*
ERDF & CF	*(43 345)*	–	–	–	–	–	*(43 345)*
ESF	*(12 651)*	–	–	–	–	–	*(12 651)*
Other	*(561)*	*(542)*	*(1 109)*	*(94)*	–	–	*(2 307)*
Implemented by the EC and executive agencies	*(9 809)*	*(339)*	*(1 114)*	*(4 046)*	*9*	*(12)*	*(15 311)*
Implemented by other EU agencies and bodies	*(789)*	*(58)*	*(473)*	*(40)*	–	*334*	*(1 025)*
Implemented by third countries and int. org.	*(246)*	*4*	*(8)*	*(2 520)*	*(0)*	–	*(2 770)*
Implemented by other entities	*(1 317)*	–	*(5)*	*(478)*	*(0)*	*1*	*(1 799)*
Staff and Pension costs	*(1 538)*	*(324)*	*(362)*	*(566)*	*(6 066)*	*(806)*	*(9 662)*
Changes in employee benefits actuarial assumptions	–	–	–	–	*(9 170)*	–	*(9 170)*
Finance costs	*(152)*	*(25)*	*(1)*	*(26)*	*(557)*	*(2 165)*	*(2 926)*
Share of net deficit of joint ventures / associates	*(640)*	–	–	–	–	–	*(640)*
Other expenses	*(1 397)*	*(60)*	*(115)*	*(126)*	*(3 069)*	*(385)*	*(5 152)*
Total expenses	**(72 444)**	**(59 843)**	**(3 189)**	**(7 908)**	**(18 853)**	**(3 032)**	**(165 269)**
Economic result of the year	**(69 141)**	**(57 117)**	**(3 186)**	**(7 668)**	**(14 047)**	**139 880**	**(11 280)**

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

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

3.18. RECLASSIFICATION OF 2013 FIGURES

So as to better present information to the users of these accounts, the layout of the statement of financial performance has been restructured in the 2014 accounts. As required by the EU accounting rules, a reclassification of the 2013 figures is made, noting that no amounts have been changed, only the presentation of the existing figures – revenues, expenses and the result remain as originally published in the 2013 accounts. An overview of the impact of the changes is given below:

EUR millions

	Own resource and contributions revenue	Other operating revenue	Total operating revenue	Admini-strative expenses	Operating expenses	Total operating expenses	Surplus from operating activities	Financial revenue	Financial expenses	Movement pension and other employee benefits liability	Share of net deficit of joint ventures and associates	Economic result of the year	2013 (reclassified)
2013 (published)	**141 241**	**8 415**	**149 655**	**(9 269)**	**(138 571)**	**(147 840)**	**1 815**	**2 038**	**(2 045)**	**(5 565)**	**(608)**	**(4 365)**	
Revenue from non-exchange transactions													
GNI Resources	*110 194*	–	*110 194*	–	–	–	–	–	–	–	–	–	*110 194*
Traditional own resources	*15 467*	–	*15 467*	–	–	–	–	–	–	–	–	–	*15 467*
VAT	*14 019*	–	*14 019*	–	–	–	–	–	–	–	–	–	*14 019*
Fines	–	*2 757*	*2 757*	–	–	–	–	–	–	–	–	–	*2 757*
Recovery of expenses		*1 777*	*1 777*	–	–	–	–	–	–	–	–	–	*1 777*
Other	*1 561*	*2 484*	*4 045*	–	–	–	–	-	–	–	–	–	*4 045*
Total	**141 241**	**7 018**	**148 259**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**148 259**
Revenue from exchange transactions													
Financial income	–	–	–	–	–	–	–	*1 991*	–	–	–	–	*1 991*
Other	–	*1 397*	*1 397*	–	–	–	–	*47*	–	–	–	–	*1 443*
Total	**–**	**1 397**	**1 397**	**–**	**–**	**–**	**–**	**2 038**	**–**	**–**	**–**	**–**	**3 434**
TOTAL REVENUE	**141 241**	**8 415**	**149 655**	**–**	**–**	**–**	**–**	**2 038**	**–**	**–**	**–**	**–**	**151 693**

EUR millions

	Own resource and contributions revenue	Other operating revenue	Total	Admini-strative expenses	Operating expenses	Total operating expenses	Surplus from operating activities	Financial revenue	Financial expenses	Movement pension and other employee benefits liability	Share of net deficit of joint ventures and associates	Economic result of the year	2013 (reclassified)
Expenses implemented by Member States:													
European Agricultural Guarantee Fund	–	–	–	–	*(45 067)*	*(45 067)*	–	–	–	–	–	–	*(45 067)*
European Agricultural Fund for Rural Development and other rural development instruments	–	–	–	–	*(13 585)*	*(13 585)*	–	–	–	–	–	–	*(13 585)*
European Regional Development Fund and Cohesion Fund	–	–	–	–	*(47 767)*	*(47 767)*	–	–	–	–	–	–	*(47 767)*
European Social Fund	–	–	–	–	*(12 126)*	*(12 126)*	–	–	–	–	–	–	*(12 126)*
Other	–	–	–	–	*(1 525)*	*(1 525)*	–	–	–	–	–	–	*(1 525)*
Implemented by the Commission and executive agencies	–	–	–	–	*(12 519)*	*(12 519)*	–	–	–	–	–	–	*(12 519)*
Implemented by other EU agencies and bodies	–	–	–	–	*(656)*	*(656)*	–	–	–	–	–	–	*(656)*
Implemented by third countries and int. organisations	–	–	–	–	*(2 465)*	*(2 465)*	–	–	–	–	–	–	*(2 465)*
Implemented by other entities	–	–	–	–	*(1 694)*	*(1 694)*	–	–	–	–	–	–	*(1 694)*
Staff and pension costs	–	–	–	*(5 527)*	–	*(5 527)*	–	–	–	*(3 531)*	–	–	*(9 058)*
Changes in employee benefits actuarial assumptions	–	–	–	–	–	–	–	–	–	*(2 033)*	–	–	*(2 033)*
Finance costs	–	–	–	–	*(469)*	*(469)*	–	–	*(1 914)*	–	–	–	*(2 383)*
Share of net deficit of joint ventures and associates	–	–	–	–	–	–	–	–	–	–	*(608)*	–	*(608)*
Other expenses	–	–	–	*(3 742)*	*(699)*	*(4 442)*	–	–	*(131)*	–	–	–	*(4 572)*
TOTAL EXPENSES	**–**	**–**	**–**	**(9 269)**	**(138 571)**	**(147 840)**	**–**	**–**	**(2 045)**	**(5 565)**	**(608)**	**–**	**(156 058)**
Economic result of the year	**141 241**	**8 415**	**149 655**	**(9 269)**	**(138 571)**	**(147 840)**	**1 815**	**2 038**	**(2 045)**	**(5 565)**	**(608)**	**–**	**(4 365)**

4. NOTES TO THE CASHFLOW STATEMENT

4.1. PURPOSE AND PREPARATION OF THE CASHFLOW STATEMENT

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

The cashflow statement is prepared using the indirect method. This means that the economic result for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cashflows.

Cashflows arising from transactions in a foreign currency are recorded in the EU's reporting currency (Euro), by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the date of the cashflow.

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

4.2. OPERATING ACTIVITIES

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

4.3. INVESTING ACTIVITIES

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

5. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

5.1. CONTINGENT ASSETS

EUR millions

	31.12.2014	31.12.2013
Guarantees received:		
Performance guarantees	*400*	*441*
Other guarantees	*27*	*39*
Other contingent assets	*49*	*16*
Total	**476**	**496**

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	31.12.2014	31.12.2013
Guarantees given	*5.2.1*	*20 862*	*22 162*
Fines	*5.2.2*	*5 602*	*5 227*
EAGF, rural development and pre-accession	*5.2.3*	*505*	*1 537*
Cohesion policy	*5.2.4*	*9*	*137*
Legal cases and other disputes	*5.2.5*	*789*	*689*
Other contingent liabilities		*5*	*52*
Total		**27 772**	**29 805**

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

	31.12.2014	31.12.2013
Guarantees on loans granted by the EIB		
65% guarantee	*18 283*	*19 077*
70% guarantee	*447*	*1 361*
75% guarantee	*168*	*257*
100% guarantee	*300*	*461*
Total	**19 198**	**21 156**
Other guarantees given	*1 664*	*1 006*
Total	**20 862**	**22 162**

The EU budget guarantees loans signed and granted by the EIB from its own resources to third countries at 31 December 2014 (including loans granted to Member States before accession). However, the EU's guarantee is limited to a percentage of the ceiling of the credit lines authorised: 65 % (for agreements signed until 2007), 70 %, 75 % or 100 %. Where the ceiling is not reached, the EU guarantee covers the full amount. For agreements signed after 2007 (mandates 2007-2013 and 2014-2020), the EU's guarantee is limited to 65 % of the outstanding balances and not to the credit lines authorised. At 31 December 2014 the amount outstanding totalled EUR 19 198 million and this, therefore, is the maximum exposure faced by the EU. At 31 December 2014, about 82 % of EIB lending operations (sovereign and sub-sovereign lending operations) are covered by a comprehensive guarantee, while on the remaining operations the EIB benefits from political risk coverage only.

Other guarantees given relate mainly to the Risk-Sharing Finance Facility (EUR 883 million), to Horizon 2020 (EUR 365 million) and to the Loan Guarantee Instrument for Ten-T Projects (EUR 209 million).

5.2.2. Fines

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

5.2.3. EAGF, rural development and pre-accession

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

5.2.4. Cohesion policy

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

5.2.5. Legal cases and other disputes

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

5.3. OTHER SIGNIFICANT DISCLOSURES

5.3.1. Outstanding budgetary commitments not yet expensed

EUR millions

	31.12.2014	31.12.2013
Outstanding budgetary commitments not yet expensed	*144 741*	*178 399*

The amount disclosed above is the budgetary RAL ("Reste à Liquider") less related amounts that have been included as expenses in the 2014 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 2014 the budgetary RAL totalled EUR 189 585 million (2013: EUR 222 410 million).

5.3.2. Significant legal commitments

EUR millions

	31.12.2014	31.12.2013
Structural Actions	*433 527*	*150*
Protocol with Mediterranean countries	*264*	*264*
Fisheries agreements	*176*	*79*
Galileo	*719*	*–*
Copernicus	*3 476*	*–*
Trans-European Transport Networks (TEN-T)	*–*	*850*
Other contractual commitments	*3 127*	*3 531*
Total	**441 288**	**4 873**

These commitments originated because the Commission 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 Commission is committed to pay in the future under administrative contracts existing at the balance sheet date (e.g. relating to the provision of services such as security, cleaning, etc, but also contractual commitments concerning specific projects such as building works). The significant increase of legal commitments relating to Structural Actions is due to the start of the 2014-2020 MFF during the reporting period.

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 MFF 2014-2020. The future obligations represent the outstanding amounts for which the Commission is still committed to make payments after 31 December 2014.

EUR millions

Funds	Financial framework 2014-2020 (A)	Legal commitments concluded (B)	Budget commitments (C)	Decommit-ments (D)	Legal commitments less budget commitments (=B-C+D)	Future obligations (=A-C-D)
European Regional Development Fund and Cohesion Fund	*259 799*	*133 163*	*16 837*	*–*	*116 325*	*242 962*
European Social Fund	*89 624*	*57 828*	*9 273*	*–*	*48 555*	*80 350*
Fund for European Aid to the most Deprived	*3 814*	*3 723*	*501*	*–*	*3 222*	*3 313*
HEADING 1B: COHESION POLICY FUNDS	**353 236**	**194 714**	**26 611**	**–**	**168 102**	**326 625**
European Agricultural Fund for Rural Development	*99 348*	*20 707*	*3 295*	*–*	*17 413*	*96 053*
European Maritime and Fisheries Fund	*5 749*	*140*	*19*	*–*	*121*	*5 730*
HEADING 2: NATURAL RESOURCES	**105 097**	**20 847**	**3 314**	**–**	**17 533**	**101 783**
Asylum and Migration Fund	*2 752*	*–*	*–*	*–*	*–*	*2 752*
Internal Security Fund	*2 367*	*–*	*–*	*–*	*–*	*2 367*
HEADING 3: SECURITY & CITIZENSHIP	**5 119**	**–**	**–**	**–**	**–**	**5 119**
Total	**463 452**	**215 561**	**29 925**	**–**	**185 636**	**433 527**

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**.

Copernicus

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

TEN-T

The 2013 amount related to grants in the field of the Trans-European Transport Networks (TEN-T) for the period 2007-2013. Since the programme is finished there are no new legal commitments without budgetary commitments in 2014.

Other contractual commitments

The amounts included under this disclosure correspond to amounts committed to be paid during the term of the contracts. The largest amounts included here relate to EUR 1 933 million for the Fusion for Energy Agency in the context of the ITER project and EUR 547 million for mainly building contracts of the European Parliament.

6. PROTECTION OF THE EU BUDGET

6.1. PROTECTION OF THE EU BUDGET - 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 the Court provides in its annual report a statement of assurance on the legality and regularity of transactions underlying the accounts, as well as observations and statistics on the material level of error in the payments underlying the accounts. The statement of assurance accompanies these accounts in its publication in the Official Journal.

The Commission protects the EU budget, i.e. EU spending, from undue or irregular expenditure via two main methods:

(1) preventive mechanisms; and

(2) corrective mechanisms (primarily financial corrections imposed on or agreed with Member States and, to a lesser extent, recoveries from recipients of EU payments).

The corrective mechanisms are based on a wide range of measures, which apply both before and after the Commission makes (or reimburses) expenditure.

The objective of this note is to present an overview and best estimates of how the EU budget is protected from expenditure in breach of law. This note represents a voluntary disclosure of information that is not required by the accounting standards and includes data which is not drawn directly from the accounting system (see below).

More details on these figures and on the preventive and corrective mechanisms laid down in the applicable legislation can be found in the Communication on the protection of the EU budget prepared by the Commission and sent to the Discharge Authority and the Court every September – this is available on the Europa website of the Directorate-General for 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). Further information on the corrective capacity is also available in the Communication: Synthesis of the Commission's management achievements in 2014 (the "Synthesis Report" issued in June 2015) – this is also available on the Europa website.

6.1.1. Financial corrections

Under shared management, Member States are primarily responsible for preventing or detecting and addressing serious deficiencies in the management and control systems, 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 term "financial correction" covers a wide range of actions, resulting from the Commission's (and other EU bodies') supervisory and audit role, including cases where the Commission bases the corrective actions on work done by national authorities. Where amounts unduly spent cannot be identified precisely, the Commission may apply extrapolated or flat-rate corrections in accordance with the sector-specific rules.

Financial corrections are presented under two main categories in this note:

(1) Financial corrections **confirmed/decided** (table **6.2.1**): These amounts have been either confirmed (i.e. agreed) by the Member State concerned or adopted by a Commission decision. Corrections by Commission decision are recorded as revenue or negative expenses in the accounting system (see notes **3.5** and **3.9**).

(2) Financial corrections **implemented** (table **6.2.2**): These amounts represent the final step of the process whereby the observed situation of undue expenditure is definitively corrected. Several implementation mechanisms are foreseen in the sector-based regulatory frameworks.

Included under both categories are "corrections at source" resulting from the Commission's supervisory role (see above). These corrections are deducted before cost claims are made or payments are processed by the Commission.

6.1.2. Recoveries

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 EU budget as assigned revenue, after deduction applied by Member States of 20 % to cover administrative costs. For EAFRD and Cohesion policy, recoveries are taken into consideration in a future reimbursement claim received by the Commission, and therefore can be reused for the programme within the programming period – after the end of the eligibility period it is credited to the EU budget as assigned revenue.

Under direct and indirect 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 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. Commission services implement recoveries also "at source" by deducting ineligible expenditure (which has been identified in previous or current cost claims) from payments made.

6.1.3. Impact of financial corrections and recoveries

The primary objective of financial corrections and recoveries is to ensure that EU funds are used in accordance with the legal framework. However, the methods used, and thus the impact of corrective measures, varies significantly between different areas of spending, and between the different corrective measures. Financial corrections and recoveries related to the Common Agricultural Policy (CAP), as well as recoveries under EAGF and internal and external policies, result in the return of previously paid irregular amounts to the EU budget. Irregular amounts detected under Cohesion policy and recoveries under rural development are, up to now, often corrected by the Member State and consequently replaced by other eligible projects – these amounts do not return to the EU budget. However, after the end of the eligibility period/after closure of the programme, amounts are credited to the EU budget as revenue. See **6.2.2** below for more details.

Furthermore, the corrective capacity is based on a wide range of measures, which apply both before and after the Commission makes (or reimburses) expenditure. Corrections are applied by the Commission following cost claims made by Member States and other beneficiaries and/or payments made by the Commission.

6.2. FINANCIAL CORRECTIONS AND RECOVERIES 2014

6.2.1. Financial corrections and recoveries confirmed/decided in 2014

EUR millions

	Financial Corrections	Recoveries	2014 Total	2013 Total
Agriculture:				
EAGF	*1 649*	*213*	*1 862*	*1 070*
Rural Development	*220*	*165*	*385*	*386*
Cohesion Policy:				
*ERDF**	*1 330*	*–*	*1 330*	*338*
Cohesion Fund	*292*	*–*	*292*	*220*
ESF	*342*	*1*	*343*	*874*
FIFG/EFF	*39*	*29*	*67*	*34*
EAGGF Guidance	*13*	*5*	*18*	*3*
Other	*-*	*-*	*-*	*16*
Internal policy areas	*5*	*293*	*298*	*396*
External policy areas	*N/A*	*127*	*127*	*93*
Administration	*N/A*	*5*	*5*	*6*
Total confirmed/decided in 2014	**3 890**	**838**	**4 728**	
Total confirmed/decided in 2013	*2 495*	*941*		*3 436*

Included in the above amounts for 2014 are financial corrections and recoveries made at source totalling EUR 1 137 million – Agriculture EUR 21 million, Cohesion EUR 834 million, internal policies EUR 207 million, external policies EUR 71 million and administration EUR 4 million.

Corrections at source for ERDF and Cohesion Fund are disclosed in 2014 for the first time in both tables **6.2.1** & **6.2.2** – the 2013 comparative amounts do not, therefore, include such corrections. The amounts disclosed for these funds in 2014 are cumulative and thus include amounts relating to prior years.

6.2.2. Financial corrections and recoveries implemented in 2014

EUR millions

	Financial Corrections	Recoveries	2014 Total	2013 Total
Agriculture:				
EAGF	*796*	*150*	*946*	*636*
Rural Development	*86*	*167*	*252*	*359*
Cohesion Policy:				
*ERDF**	*1 083*	*1*	*1 084*	*622*
Cohesion Fund	*236*	*-*	*236*	*277*
ESF	*289*	*1*	*290*	*882*
FIFG/EFF	*41*	*25*	*66*	*28*
EAGGF Guidance	*13*	*5*	*18*	*16*
Other	*-*	*-*	*-*	*16*
Internal policy areas	*5*	*274*	*279*	*401*
External policy areas	*N/A*	*108*	*108*	*93*
Administration	*N/A*	*5*	*5*	*6*
Total implemented in 2014	**2 549**	**736**	**3 285**	
Total implemented in 2013	*2 472*	*862*		*3 334*

** The figures reported for ERDF include amounts not split between ERDF and the Cohesion Fund for the programming period 2007-2013 due to the multi-funds character of the programmes (EUR 354 million for financial corrections confirmed/decided and EUR 15 million for financial corrections implemented).*

Included in the above amounts for 2014 are financial corrections and recoveries made at source totalling EUR 782 million – Agriculture EUR 6 million, Cohesion EUR 494 million, internal policies EUR 207 million, external policies EUR 71 million and administration EUR 4 million.

Agriculture and Rural Development:

Financial corrections relate to weaknesses detected in Member States' management and control systems based on audits performed by the Commission within the multiannual conformity clearance procedures. In addtion, corrections also come from the annual financial clearance decisions. Financial corrections are an incentive for Member States to improve their management and control systems and, together with recoveries protect the EU budget from expenditure in breach of law.

The amount confirmed/decided includes Conformity clearance decision No 2015/103 (EUR 1 243 million and EUR 166 million for EAGF and EAFRD respectively), which was established before the year-end by the Commission services but formally adopted by the Commission in January 2015 only. These amounts are also included as accrued income as at 31 December 2014.

For EAGF and for EAFRD, financial corrections higher than 0.01 % of the GDP may, at the request of the Member State concerned, be implemented in three annual instalments. In addition, in a few cases (Member States subject to financial assistance in accordance with the European Financial Stability Framework Agreement signed on 7 June 2010), the date of implementation was deferred by 18 months. These modalities aim at ensuring that the actual reimbursement by the Member States concerned to the EU budget can be managed without putting at risk the national budgets. Deferrals and instalments have an impact of EUR 566 million (EAGF: EUR 515 million and EAFRD: EUR 51 million) on the difference observed between the amounts confirmed/decided and the actual implementation. The remaining amount is explained by the decision No 2015/103 confirmed in December 2014 but adopted in January 2015 only – see above.

Recoveries of irregularities made by paying agencies reduce future claims for reimbursement by the Commission to Member States. For EAGF the Commission records the full amount paid to farmers as spending. It accounts for the difference between payments made to farmers and the amounts reimbursed to paying agencies as assigned revenue, available to fund agricultural spending. For EAFRD the Commission records as spending the net eligible amount after deduction of corrections and recoveries.

Cohesion Policy:

Under Cohesion policy, financial corrections relate to weaknesses detected in Member States' management and control systems based on audits performed by the Commission. They are mainly applied when authorities in the Member States withdraw expenditure initially declared and replace it with new expenditure. In such cases, the Member States do not lose EU funds. Member States can also declare additional projects and would in practice be equivalent to receiving a lower co-financing rate at the level of the priority axis/programme since the excluded ineligible expenditure may need to be financed by the national public budget.

Where these measures are not possible or not allowed, financial corrections leading to a loss of EU funds for the Member State concerned are applied. This may occur after programmes are closed or where Member States are unable to present sufficient eligible expenditure or projects.

Financial corrections implemented in 2014 referred to corrections confirmed/decided in 2014 (being EUR 1 365 million) or in previous periods (EUR 297 million).

Cohesion policy financial corrections were implemented as follows in 2014:

EUR millions

	ERDF	Cohesion Fund	ESF	FIFG/EFF	EAGGF Guidance	Total
Decommitment / Deduction at closure 2000-2006	*448*	*136*	*114*	*8*	*8*	*714*
Withdrawal by Member State 2007-2013	*242*	*22*	*92*	*16*	*-*	*372*
Recovery orders	*24*	*17*	*19*	*17*	*5*	*82*
Corrections at source	*370*	*60*	*64*	*-*	*-*	*494*
Total implemented in 2014	**1 083**	**236**	**289**	**41**	**13**	**1 662**

6.3. PREVENTIVE MECHANISMS OF THE COMMISSION

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:

- interrupt the payment deadline for a maximum period of 6 months 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.

Once a case is closed (after a lifting letter is sent), the interrupted amount can be processed and paid out to the Member State authorities under the condition that sufficient credits are available and that there are no other issues affecting the programme.

- suspend all or part of an interim payment to a Member State 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 31.12.2013		New cases 2014		Closed cases during 2014		Total open cases at 31.12.2014	
Fund	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
*EAFRD**	2	*1*	*15*	*79*	*17*	*80*	*–*	*–*
ERDF & Cohesion Fund	101	*1 608*	*134*	*6 227*	*137*	*3 998*	*98*	*3 837*
ESF	20	*272*	*31*	*1 323*	*19*	*625*	*32*	*970*
EFF	10	*97*	*13*	*103*	*15*	*186*	*8*	*14*
Total	**133**	**1 978**	**193**	**7 732**	**188**	**4 889**	**138**	**4 821**

** For EAFRD the system of interruptions was aligned with the Cohesion funds in 2014. For EAGF, the interruption mechanism does not apply, suspension and reduction mechanisms apply from 2014 onwards.*

Suspensions and reductions:

Concerning **ERDF** and the **Cohesion Fund**, five suspension decisions were still in force at the end of 2013 (the decision for lifting one was taken in 2013 but officially notified in 2014). Decisions to lift the suspensions for two programmes were taken during 2014. The other three suspension decisions remained in force at the end of 2014. Four new suspension decisions were adopted in 2014. Two were still in force at year-end.

Concerning **ESF**, one suspension decision adopted in 2011 was still in force at end of 2014. Out of the eleven suspension decisions adopted in 2013, seven remained in force at the end of 2014. During 2014, eleven new suspension decisions were adopted and were still effective at end 2014.

One suspension decision was taken in 2014 for **EFF** following a deficiency identified in the management and control system of a Member State related to the EU measure to reduce fishing overcapacity.

There were no suspension decisions taken in 2014 for **EAFRD**. For **EAGF**, there was one reduction made in 2014 while there were 3 reduction decisions adopted for EAFRD. At year-end there were 5 EAFRD reduction cases ongoing.

6.4. RECOVERY OF UNUSED PRE-FINANCING AMOUNTS

EUR millions

	2014	2013
Agriculture:		
EAGF	–	–
Rural Development	–	–
Cohesion Policy:		
ERDF	–	68
Cohesion Fund	–	4
ESF	9	53
FIFG/EFF	10	7
EAGGF Guidance	6	3
Internal policy areas	278	208
External policy areas	95	91
Administration	2	1
Total recovered	**400**	**435**

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. For more details on prefinancing, see also note **2.5.**

7. FINANCIAL RISK MANAGEMENT

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

- Lending and borrowing activities carried out by the Commission through: EFSM, BOP, MFA, and Euratom actions and the ECSC in Liquidation;

- The treasury operations carried out by the Commission in order to implement the EU budget, including the receipt of fines;

- The Guarantee Fund for external actions; and

- Financial instruments financed by the budget.

7.1. TYPES OF RISK

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

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

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

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

Liquidity risk is the risk that arises from the difficulty 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.

7.2. RISK MANAGEMENT POLICIES

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

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

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

Borrowing & 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.

Treasury

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

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

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

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

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

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

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

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

A written set of guidelines and procedures regulates the management of the Commission's treasury and payment operations with the objective of limiting operational and financial risk and ensuring an adequate level of control. They cover the different areas of operation (for example: payment execution and cash management, cashflow forecasting, business continuity, etc.), and compliance with the guidelines and procedures is checked regularly. Additionally, information is exchanged between Directorate General for the Budget and Directorate-General for Economic and Financial Affairs on risk management and best 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 provisionally cashed from 2010 onwards are invested in a specifically created fund, BUFI. The main objectives of the Fund are the reduction of risks associated with financial markets and the equal treatment of all fined entities by offering a guaranteed return calculated on the same basis. The asset management for provisionally cashed fines is carried out by the Commission in accordance with internal asset management guidelines. Procedural manuals covering specific areas such as treasury management have been developed and are used by the relevant 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 Euro-area Central Banks, Euro-area sovereign debt agencies, fully state-owned or state-guaranteed banks or supranational institutions, and bonds, bills and Certificates of Deposit issued by either sovereign or supranational institutions.

Bank guarantees

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

Guarantee Fund

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

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

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

EUR millions

	31.12.2014		31.12.2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value				
Available for sale financial assets	*9 406*	*9 406*	*7 870*	*7 870*
Cash and cash equivalents	*17 545*	*17 545*	*9 510*	*9 510*
Total	**26 951**	**26 951**	**17 380**	**17 380**
Financial assets at amortised cost				
Loans	*58 843*	*58 843*	*57 545*	*57 545*
Exchange receivables and non-exchange recoverables	*15 578*	*15 578*	*13 680*	*13 680*
Total	**74 421**	**74 421**	**71 225**	**71 225**
Total	**101 372**	**101 372**	**88 605**	**88 605**

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

EUR millions

	31.12.2014		31.12.2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at fair value	**–**	**–**	**–**	**–**
Financial liabilities at amortised cost				
Borrowings	*58 470*	*58 470*	*57 218*	*57 218*
Finance lease liabilities	*1 755*	*1 755*	*1 838*	*1 838*
Payables	*43 180*	*43 180*	*36 213*	*36 213*
Other	*454*	*454*	*477*	*477*
Total	**103 859**	**103 859**	**95 746**	**95 746**

7.3. CURRENCY RISK

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

EUR millions

	31.12.2014							31.12.2013						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Available for sale financial assets	*68*	*77*	*7*	*9*	*9 203*	*42*	*9 406*	*39*	*66*	*13*	*19*	*7 732*	*–*	*7 870*
*Loans**	*2*	*0*	*–*	*–*	*303*	*28*	*334*	*1*	*–*	*–*	*–*	*277*	*8*	*286*
Receivables and recoverables	*2*	*4 102*	*50*	*88*	*11 197*	*140*	*15 578*	*1*	*1 050*	*42*	*79*	*12 284*	*224*	*13 680*
Cash and cash equivalents	*44*	*1 157*	*471*	*928*	*14 180*	*764*	*17 545*	*39*	*140*	*446*	*257*	*8 225*	*403*	*9 510*
Total	**116**	**5 336**	**528**	**1 024**	**34 883**	**974**	**42 862**	**80**	**1 256**	**501**	**355**	**28 518**	**635**	**31 345**
Financial liabilities														
Payables	*0*	*(10)*	*0*	*0*	*(43 168)*	*(2)*	*(43 180)*	*–*	*(5)*	*–*	*–*	*(36 156)*	*(52)*	*(36 213)*
Total	**0**	**(10)**	**0**	**0**	**(43 168)**	**(2)**	**(43 180)**	**–**	**(5)**	**–**	**–**	**(36 156)**	**(52)**	**(36 213)**
Total	**116**	**5 326**	**528**	**1 024**	**(8 284)**	**972**	**(318)**	**80**	**1 251**	**501**	**355**	**(7 638)**	**583**	**(4 868)**

** Excluding back-to-back loans.*

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

EUR millions

	Economic result				
	USD	GBP	DKK	SEK	Other
31.12.2014	*(4)*	*(483)*	*(47)*	*(92)*	*0*
31.12.2013	*(3)*	*(107)*	*(44)*	*(30)*	*–*

EUR millions

	Net assets				
	USD	GBP	DKK	SEK	Other
31.12.2014	*(6)*	*(7)*	*(1)*	*(1)*	*–*
31.12.2013	*(4)*	*(6)*	*(1)*	*(2)*	*–*

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

EUR millions

	Economic result				
	USD	GBP	DKK	SEK	Other
31.12.2014	*5*	*591*	*58*	*113*	*–*
31.12.2013	*4*	*131*	*53*	*38*	*–*

EUR millions

	Net assets				
	USD	GBP	DKK	SEK	Other
31.12.2014	*8*	*9*	*1*	*1*	*–*
31.12.2013	*4*	*7*	*1*	*2*	*–*

Borrowing and lending activities

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

Treasury

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

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

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

Fines

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

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

Guarantee Fund

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

7.4. INTEREST RATE RISK

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

EUR millions

	Increase (+) / decrease (-) in basis points	Effect on economic result and net assets
31.12.2014: Available for sale financial assets	*+ 100*	*(138)*
	- 100	*149*
31.12.2013: Available for sale financial assets	*+ 100*	*(94)*
	- 100	*95*

The sensitivity analysis only considers the impact on the price risk (fair value) of the available for sale financial assets. The impact on surplus or deficit for variable interest rate instruments has not been considered.

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 484 million (2013: EUR 583 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 1 692 million in 2014 (2013: EUR 367 million) and which have a final maturity date of less than one year (EUR 10 million), between one and five years (EUR 146 million) and more than five years (EUR 1 536 million). More significantly, the EU has 9 loans under the financial instrument BOP with fixed interest rates totalling EUR 8.4 billion in 2014 (2013: EUR 11.4 billion) and which have a final maturity of less than one year (EUR 2.7 billion), between one and five years (EUR 5.5 billion) and more than five years (EUR 0.2 billion). Under the financial instrument EFSM, the EU has 21 loans with fixed interest rates totalling EUR 46.8 billion in 2014 (2013: EUR 43.8 billion) which have a final maturity date of less than one year (EUR 5 million), between one and five years (EUR 9.2 billion) and more than five years (EUR 32.5 billion).

Treasury

The Commission's treasury does not borrow any money; as a consequence it is not exposed to interest rate risk. Interest is however calculated on balances held on the different banks accounts. The

Commission has therefore put in place measures to ensure that interest earned on its bank accounts regularly reflects market interest rates, as well as their possible fluctuation.

Accounts opened with Member States Treasuries for own resources receipts are non-interest bearing and free of charges. Accounts held with National Central Banks may be remunerated at the official rates applied by each institution.

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. The rates applied are in general contractually floored at zero. As a result no risk exists that the Commission earns interest at rates lower than market rates.

Fines

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

Deposits and bank guarantees are not exposed to interest rate risks. Interest earned by deposits reflect market interest rates as well as their possible fluctuation. There are 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 65 % of the investment portfolio at the balance sheet date (2013: 58 %).

7.5. CREDIT RISK

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

Financial assets that are neither past due nor impaired

EUR millions

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Loans	*58 843*	*58 843*	*–*	*–*	*–*
Receivables and recoverables	*15 578*	*7 968*	*5 624*	*1 847*	*138*
Total at 31.12.2014	**74 421**	**66 811**	**5 624**	**1 847**	**138**
Loans	*57 544*	*57 542*	*1*	*1*	*–*
Receivables and recoverables	*13 680*	*10 029*	*1 091*	*2 117*	*443*
Total at 31.12.2013	**71 224**	**67 571**	**1 092**	**2 118**	**443**

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

EUR millions

	31.12.2014				31.12.2013			
	Available for sale	Loans & Receivables	Cash	Total	Available for sale	Loans & Receivables	Cash	Total
Counterparties with external credit rating								
Prime and high grade	*7 511*	*2 951*	*13 947*	*24 409*	*6 226*	*4 779*	*7 121*	*18 126*
Upper medium grade	*359*	*25 045*	*2 932*	*28 335*	*138*	*209*	*1 760*	*2 107*
Lower medium grade	*347*	*6 001*	*301*	*6 649*	*322*	*31 889*	*284*	*32 495*
Non-investment grade	*42*	*28 191*	*317*	*28 550*	*57*	*26 786*	*256*	*27 099*
Total	**8 259**	**62 188**	**17 497**	**87 944**	**6 743**	**63 663**	**9 421**	**79 827**
Counterparties without external credit rating								
Group 1	*-*	*4 488*	*48*	*4 537*	*–*	*3 771*	*89*	*3 860*
Group 2	*–*	*136*	*–*	*136*	*–*	*137*	*–*	*137*
Total	**–**	**4 624**	**48**	**4 673**	**–**	**3 908**	**89**	**3 997**
Total	**8 259**	**66 812**	**17 545**	**92 616**	**6 743**	**67 571**	**9 510**	**83 824**

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

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

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

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

Borrowing & 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 resources accounts with the Member States and ultimately through the Budget of the EU. The Own Resources legislation fixes the ceiling for own resources payments at 1.23 % of Member States' GNI and during 2014 1.06 % was actually used to cover payment appropriations. This means that at 31 December 2014 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 resources accounts with Member States in excess of the assets on those accounts in case a debtor would be unable to reimburse the amounts due in full. To this end, the EU is entitled to call upon all the Member States to ensure compliance with the EU's legal obligation towards its lenders.

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

Treasury

Most of the Commission's treasury resources are kept, in accordance with Council Regulation 1150/2000 on own resources, in the accounts opened by Member States for the payment of their contributions (own resources). All such accounts are held with Member States' treasuries or national central banks. These institutions carry the lowest credit (or counterparty) risk for the Commission as the exposure is with its Member States. For the part of the Commission's treasury resources kept with commercial banks, in order to cover the execution of payments, replenishment of these accounts is made on a just-in-time basis and is automatically managed by the treasury cash management system. Minimum cash levels, 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 1 million and EUR 20 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 daily overall treasury balances which fluctuated in 2014 between EUR 100 million and EUR 34 billion, and with an overall amount of payments executed in 2014 that equals EUR 142 billion.

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

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

- The credit ratings of the commercial banks where the Commission has accounts are reviewed on a daily basis. Intensified monitoring measures and daily reviews of commercial banks' ratings were adopted in the context of the financial crisis, and kept in place during 2014.

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

Fines

Provisionally cashed fines: deposits

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

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

Provisionally cashed fines: BUFI portfolio

For investments from provisionally cashed fines, the Commission takes on exposure to credit risk 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 these countries represents 43 % and 27 % respectively of the total nominal volume of the portfolio.

Bank guarantees

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

Guarantee Fund

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 2014 fixed term deposits of EUR 147 million were made with such counterparties (2013: EUR 151 million).

7.6. Liquidity risk

Maturity analysis of financial liabilities by remaining contractual maturity

EUR millions

	< 1 year	1-5 years	> 5 years	Total
Borrowings	*8 727*	*15 386*	*34 357*	*58 470*
Finance lease liabilities	*81*	*366*	*1 309*	*1 755*
Payables	*43 180*	*–*	*–*	*43 180*
Other	*20*	*97*	*336*	*454*
Total at 31.12.2014	**52 008**	**15 849**	**36 002**	**103 859**
Borrowings	*3 065*	*21 454*	*32 699*	*57 218*
Finance lease liabilities	*82*	*353*	*1 403*	*1 838*
Payables	*36 213*	*–*	*–*	*36 213*
Other	*17*	*84*	*375*	*477*
Total at 31.12.2013	**39 377**	**21 891**	**34 477**	**95 746**

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

Treasury

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

Guarantee Fund

The fund is managed according to the principle that the assets shall have a sufficient degree of liquidity and mobilisation in relation to the relevant commitments. The fund must maintain a minimum of EUR 100 million in a portfolio with a maturity of less than twelve months which is to be invested in monetary instruments. As at 31 December 2014 these investments, including cash, amounted to EUR 148 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 2014 this ratio stood at 49 %.

8. RELATED PARTY DISCLOSURES

8.1. 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.

8.2. KEY MANAGEMENT ENTITLEMENTS

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

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

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

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

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

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

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

KEY MANAGEMENT FINANCIAL ENTITLEMENTS

EUR

Entitlement (per employee)	Category 1	Category 2	Category 3	Category 4	Category 5
Basic salary (per month)	*25 352*	*22 964 - 23 882*	*18 371 - 20 667*	*19 840 - 21 126*	*11 775 - 18 518*
Residential/Expatriation allowance	*15%*	*15%*	*15%*	*15%*	*0-4%-16%*
Family allowances:					
Household (% salary)	2% + 171.88	2% + 171.88	2% + 171.88	2% + 171.88	2% + 171.88
Dependent child	375.59	375.59	375.59	375.59	375.59
Pre-school	91.75	91.75	91.75	91.75	91.75
Education, or	254.83	254.83	254.83	254.83	254.83
Education outside place of work	509.66	509.66	509.66	509.66	509.66
Presiding judges allowance	*N/A*	*N/A*	*554.17 - 607.71*	*N/A*	*N/A*
Representation allowance	*1 418.07*	*0 - 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	Covered
Pension (% salary, before tax)	*Max 70%*	*Max 70%*	*Max 70%*	*Max 70%*	*Max 70%*
Deductions:					
Tax on salary	8% - 45%	8% - 45%	8% - 45%	8% - 45%	8% - 45%
Sickness insurance (% salary)	*1.7%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*
Special levy on salary	7%	7%	7%	7%	6-7%
Pension deduction	N/A	N/A	N/A	N/A	10.9-10.1%***
Number of persons at year-end	**3**	**8**	**93**	**28**	**112**

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

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

**** 10.9 % for the first half of 2014 and 10.1 % for the second half of 2014.*

9. EVENTS AFTER THE BALANCE SHEET DATE

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

10. SCOPE OF CONSOLIDATION

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 Small and Medium-sized Enterprises
Consumers, Health, Agriculture and Food Executive Agency
Innovation & Networks Executive Agency
Research Executive Agency
European Research Council Executive Agency

2.2. Decentralised Agencies (33)

European Maritime Safety Agency
European 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 (7)

ITER International Fusion Energy Organisation
SESAR Joint Undertaking
Fuel Cells and Hydrogen 2 Joint Undertaking
Clean Sky 2 Joint Undertaking
Galileo Joint Undertaking in liquidation
Innovative Medicines Initiative 2 Joint Undertaking
*ECSEL Joint undertaking**

C. ASSOCIATES (1)

European Investment Fund

* *The ECSEL joint undertaking is the result of an amalgamation of the ARTEMIS and ENIAC joint undertakings that occured during the financial year 2014.*

EUROPEAN UNION
FINANCIAL YEAR 2014

AGGREGATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET AND EXPLANATORY NOTES

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

CONTENTS

EU BUDGET RESULT

EUR millions

	Note	2014	2013
Revenue for the financial year	*4.1*	*143 940*	*149 504*
Payments against current year's budget appropriations	*5.3*	*(141 193)*	*(147 567)*
Payment appropriations carried over to year N+1		*(1 787)*	*(1 329)*
Cancellation of unused payment appropriations carried over from year N-1		*25*	*34*
Evolution of assigned revenue		*336*	*403*
Exchange differences for the year		*110*	*(42)*
Budget result*	2.2	**1 432**	**1 002**

** Of which EFTA result is EUR (3) million in 2014 and EUR (4) million in 2013.*

RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR millions

	2014	2013
ECONOMIC RESULT OF THE YEAR	**(11 280)**	**(4 365)**
Revenue		
Entitlements established in current year but not yet collected	*(6 573)*	*(2 071)*
Entitlements established in previous years and collected in current year	*4 809*	*3 357*
Accrued revenue (net)	*(4 877)*	*(134)*
Expenses		
Accrued expenses (net)	*9 223*	*3 216*
Expenses prior year paid in current year	*(821)*	*(1 123)*
Net-effect pre-financing	*457*	*(902)*
Payment appropriations carried over to next year	*(1 979)*	*(1 528)*
Payments made from carry-overs & cancellation of unused payment appropriations	*1 858*	*1 538*
Movement in provisions	*12 164*	*4 136*
Other	*(1 719)*	*(1 027)*
Economic result Agencies and ECSC	**170**	**(93)**
BUDGET RESULT OF THE YEAR	**1 432**	**1 002**

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET REVENUE

EUR millions

	Initial adopted budget	Amending budgets	Final adopted budget	Revenue
1. Own resources	133 960	(5 572)	128 388	128 867
Of which Customs duties	*16 186*	*(12)*	*16 174*	*16 499*
Of which VAT	*17 882*	*(192)*	*17 690*	*17 746*
Of which GNI	*99 767*	*(5 154)*	*94 614*	*94 863*
3. Surpluses, balances and adjustments	–	5 101	5 101	5 100
4. Revenue accruing from persons working with the institutions and with other Union bodies	1 275	–	1 275	1 251
5. Revenue accruing from the administrative operation of the institutions	54	–	54	578
6. Contributions and refunds in connection with Union agreements and programmes	60	–	60	3 225
7. Interests on late payments and fines	123	3 850	3 973	4 607
8. Borrowing and lending operations	2	151	153	297
9. Miscellaneous revenue	30	–	30	15
Total	**135 505**	**3 530**	**139 034**	**143 940**

For details of the 2014 revenue implementation see note **4**.

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

EUR millions

	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropria-tions available	Commitments made
1. Smart and inclusive growth	63 986	–	63 986	3 625	67 611	45 972
1a: Competitiveness for growth and jobs	*16 484*	–	*16 484*	*2 645*	*19 129*	*18 018*
1b: Economic, social and territorial cohesion	*47 502*	–	*47 502*	*980*	*48 482*	*27 954*
2. Sustainable growth: natural resources	59 267	(76)	59 191	2 105	61 296	48 263
of which: market related expenditure and direct payments	*43 778*	–	*43 778*	*1 724*	*45 502*	*44 293*
3. Security and citizenship	2 172	–	2 172	84	2 256	1 507
4. Global Europe	8 325	98	8 423	577	9 000	8 489
5. Administration	8 405	(1)	8 405	766	9 171	8 884
of which: Administrative expenditure of the institutions	*3 532*	*(0)*	*3 531*	*400*	*3 931*	*3 789*
6. Compensations	29	–	29	–	29	29
8. Negative reserve	–	–	–	–	–	–
9. Special Instruments	456	29	485	92	577	64
Total	**142 640**	**50**	**142 690**	**7 249**	**149 939**	**113 208**

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

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

EUR millions

	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropria-tions available	Payments made
1. Smart and inclusive growth	62 393	3 470	65 863	3 836	69 699	67 683
1a: Competitiveness for growth and jobs	*11 441*	*415*	*11 857*	*3 451*	*15 308*	*13 331*
1b: Economic, social and territorial cohesion	*50 951*	*3 055*	*54 006*	*385*	*54 392*	*54 352*
2. Sustainable growth: natural resources	56 459	(500)	55 959	2 003	57 962	56 584
of which: market related expenditure and direct payments	*43 777*	*(1)*	*43 776*	*1 738*	*45 514*	*44 287*
3. Security and citizenship	1 677	(17)	1 660	88	1 747	1 711
4. Global Europe	6 191	734	6 925	556	7 481	7 206
5. Administration	8 406	0	8 406	1 634	10 040	8 819
of which: Administrative expenditure of the institutions	*3 532*	*(0)*	*3 531*	*944*	*4 475*	*3 729*
6. Compensations	29	–	29	–	29	29
8. Negative reserve	–	–	–	–	–	–
9. Special Instruments	350	(157)	193	344	536	465
Total	**135 505**	**3 530**	**139 034**	**8 460**	**147 495**	**142 497**

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

For details of the 2014 expenditure implementation see note **5** and for the explanation note **5.11**.

NOTES TO THE AGGREGATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET

1. THE EU BUDGET CYCLE

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

1.1. MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

EUR millions

	2014	2015	2016	2017	2018	2019	2020	Total
1. Smart and inclusive growth	*63 973*	*66 813*	*69 304*	*72 342*	*75 271*	*78 752*	*82 466*	*508 921*
1.a Competitiveness for growth and jobs	*16 560*	*17 666*	*18 467*	*19 925*	*21 239*	*23 082*	*25 191*	*142 130*
1.b Economic, social and territorial cohesion	*47 413*	*49 147*	*50 837*	*52 417*	*54 032*	*55 670*	*57 275*	*366 791*
2. Sustainable growth: natural resources	*59 303*	*59 599*	*59 909*	*60 191*	*60 267*	*60 344*	*60 421*	*420 034*
of which: market related expenditure and direct payments	*43 779*	*44 313*	*44 624*	*44 859*	*44 885*	*44 912*	*44 937*	*312 309*
3. Security and citizenship	*2 179*	*2 246*	*2 378*	*2 514*	*2 656*	*2 801*	*2 951*	*17 725*
4. Global Europe	*8 335*	*8 749*	*9 143*	*9 432*	*9 825*	*10 268*	*10 510*	*66 262*
5. Administration	*8 721*	*9 076*	*9 483*	*9 918*	*10 346*	*10 786*	*11 254*	*69 584*
of which: Administrative expenditure of the institutions	*7 056*	*7 351*	*7 679*	*8 007*	*8 360*	*8 700*	*9 071*	*56 224*
6. Compensations	*29*	*–*	*–*	*–*	*–*	*–*	*–*	*29*
Commitment appropriations:	**142 540**	**146 483**	**150 217**	**154 397**	**158 365**	**162 951**	**167 602**	**1 082 555**
Total payment appropriations:	**135 866**	**141 901**	**144 685**	**142 771**	**149 074**	**153 362**	**156 295**	**1 023 954**

The above table shows the MFF ceilings at current prices. 2014 was the first financial year covered by the new MFF 2014-2020. The overall ceiling for commitments appropriations for 2014 was EUR 142 540 million, equivalent to 1.06 % of GNI, while the corresponding ceiling for payment appropriations was EUR 135 866 million, or 1.01 % of GNI.

New flexibility provisions have been agreed for the 2014-2020 MFF. One of the new provisions is a possibility to mobilise a contingency margin (in exceptional circumstances). This allows for the mobilising of appropriations above the ceilings for a given year, with corresponding reductions in other years in order not to increase the total amount of payment and commitment appropriations over the whole 2014-2020 period. The contingency margin was mobilised in 2014 in order to provide EUR 3 168 million in payment appropriations over and above the payment ceiling for 2014.

The reprogramming of unused 2014 commitment appropriations to 2015 and 2016 (according to MFF Art. 19) was agreed in April 2015 with a revision of the MFF ceilings and a related amending budget for 2015. The main impacts in 2015 were under Heading 1(b) (EUR 11.2 billion) and Heading 2 (EUR 5 billion), while for 2016 the main change is to Heading 2 (EUR 4.4 billion).

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

Heading 1 – Smart and inclusive growth

This heading is divided into two separate, but interlinked components

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

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

Heading 2 – Sustainable growth: natural resources

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

Heading 3 – Security and citizenship

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

Heading 4 – Global Europe

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

Heading 5 - Administration

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

Heading 6 - Compensations

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

1.2. POLICY AREAS

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

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

1.3. ANNUAL BUDGET

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

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

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

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

Origin of Appropriations

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

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

Composition of Total Available Budget

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

2. NOTES TO THE EU BUDGET RESULT

2.1. CALCULATION OF THE BUDGET RESULT

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

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

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

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

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

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

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

Appropriations carried over from the previous financial year in respect of contributions by and work for third parties, which by definition never lapse, are included as additional appropriations for the financial year. This explains the difference between carryovers from the previous year in the 2014 budget implementation statements and those carried over to the following year in the 2013 budget implementation statements. Appropriations made available again following the repayment of payments on account are disregarded when calculating the budget result.

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

2.2. IMPLEMENTATION OF THE 2014 EU BUDGET

Budget surplus of EUR 1.4 billion:

- The surplus comes primarily from the revenue side (EUR 1.2 billion), from over-execution of custom duties (EUR 0.5 billion) and additional, non-budgeted, fines (EUR 0.6 billion);

- The minor surplus on the expenditure side (EUR 142 million) comes mainly from the other institutions as the Commission implementation rate is practically 100 %;

- The remaining EUR 110 million of surplus comes from exchange rate gains.

Revenue:

- Revenue, totalling EUR 143.9 billion, was EUR 4.9 billion higher than the final adopted budget due primarily to assigned revenue under headings 5 and 6 – see table **4.1** below;

- Fines revenue of EUR 4.2 billion was used to finance the increased need for payment appropriations;

- There was an exceptionally high revision of GNI own resources made in 2014 (EUR 9.5 billion) covering the period back to 2002. This, however, had a negligible impact on the budget revenue for 2014 since amounts were effectively adjusted between Member States (some are to receive refunds, others have to pay) and, moreover, most amounts have been deferred until 2015.

Expenditure:

- Initial payment appropriations (EUR 135.5 billion) were exceptionally low – 6 % lower than the final adopted budget for 2013. Amending budgets eventually increased the final adopted appropriations to EUR 139 million – see table **5.1**;

- Total payments amounted to EUR 142.5 billion, (2013: EUR 148.5 billion) – see table **5.3**.;

- Under-implementation of payments (after carry-overs) of EUR 32 million is one of the lowest recorded, confirming the tight constraints imposed on payment appropriations.

Commitments & RAL:

- Available commitment appropriations of EUR 149.9 billion were only implemented at an overall level of 76 % and a large amount of appropriations were carried over or reprogrammed to 2015 – see table **5.2**;

- Outstanding commitments ("RAL") decreased significantly from EUR 222.4 bilion at end 2013 to EUR 189.6 billion at end 2014 – see table **5.9**. This reflects the low implementation of commitments at the start of new programming period – had all appropriations for the new programmes been committed in 2014, the RAL would have remained at a similar level as 2013.

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 2014, Part A "Overview at budget level" and Part B dealing with each heading of the multi-annual financial framework.

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

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

Reconciling items - Revenue

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

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

Reconciling items - Expenditure

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

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

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

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

4. IMPLEMENTATION OF EU BUDGET REVENUE

4.1. SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE

EUR millions

Title	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements current year	On entitlements carried over	Total		
1. Own resources	133 960	128 388	128 853	46	128 899	128 841	25	128 867	100.37%	32
3. Surpluses, balances and adjustments	–	5 101	10 507	–	10 507	5 100	–	5 100	99.98%	5 407
4. Revenue accruing from persons working with the institutions and other Union bodies	1 275	1 275	1 248	12	1 260	1 240	11	1 251	98.14%	8
5. Revenue accruing from the administrative operation of the institutions	54	54	578	21	599	563	15	578	1075.46%	21
6. Contributions and refunds in connection with Union agreements and programmes	60	60	3 267	228	3 496	3 120	105	3 225	5374.97%	271
7. Interests on late payments and fines	123	3 973	2 206	10 416	12 622	1 131	3 475	4 607	115.95%	8 016
8. Borrowing and lending operations	2	153	46	255	301	43	254	297	193.72%	3
9. Miscellaneous revenue	30	30	15	10	25	13	2	15	50.01%	10
Total	**135 505**	**139 034**	**146 721**	**10 988**	**157 709**	**140 052**	**3 888**	**143 940**	**103.53%**	**13 769**

EUR millions

Detail Title 1: Own resources

Chapter	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
	Initial budget voted	Final adopted budget	Current year	Carried over	Total	On entitlements current year	On entitlements carried over	Total		
11. Sugar levies	125	(90)	(69)	–	(69)	(69)	–	(69)	77.12%	–
12. Customs duties	16 186	16 174	16 485	46	16 531	16 473	25	16 499	102.01%	32
13. VAT	17 882	17 690	17 746	–	17 746	17 746	–	17 746	100.32%	–
14. GNI	99 767	94 614	94 863	–	94 863	94 863	–	94 863	100.26%	–
15. Correction of budgetary imbalances	–	–	(172)	–	(172)	(172)	–	(172)	0.00%	–
Total	**133 960**	**128 388**	**128 853**	**46**	**128 899**	**128 841**	**25**	**128 867**	**100.37%**	**32**

EUR millions

Detail Title 3: Surpluses, balances and adjustments on own resources											
Chapter		Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
		Initial budget voted	Final adopted budget	Current year	Carried over	Total	On entitlements current year	On entitlements carried over	Total		
30.	Surplus from previous year	–	1 005	1 005	–	1 005	1 005	–	1 005	100.00%	–
31.	VAT balances	–	(81)	(284)	–	(284)	(79)	–	(79)	97.59%	(205)
32.	GNI balances	–	4 176	9 825	–	9 825	4 212	–	4 212	100.87%	5 613
34.	Adjustment for non-participation in JHAP	–	–	(2)	–	(2)	(2)	–	(2)	0.00%	–
35.	United Kingdom correction - adjustments	–	–	(18)	–	(18)	(18)	–	(18)	0.00%	–
36.	United Kingdom correction - Intermediate calculation	–	–	(19)	–	(19)	(19)	–	(19)	0.00%	–
	Total	**–**	**5 101**	**10 507**	**–**	**10 507**	**5 100**	**–**	**5 100**	**99.98%**	**5 407**

4.2. REVENUE IMPLEMENTATION

4.2.1. Overview of 2014 revenue

In the initial adopted EU budget, signed by the President of the European Parliament on 20 November 2013, the amount of payment appropriations was EUR 135 505 million and the amount to be financed by own resources totalled EUR 133 960 million. The revenue and expenditure estimates in the initial budget are typically adjusted during the budgetary year, such modifications being presented in Amending Budgets. Adjustments in the GNI-based own resources ensure that budgeted revenue matches exactly budgeted expenditure. In accordance with the principle of equilibrium, budget revenue and expenditure (payment appropriations) must be in balance.

During 2014, seven amending budgets were adopted. Taking them into account, the total final adopted revenue for 2014 amounted to EUR 139 034 million. This was financed by own resources totalling EUR 128 388 million (thus EUR 5 572 million less than initially forecasted) and the remainder by other revenue. The increased need for financing payment appropriations was covered mainly by income coming from fines. Moreover, the surplus from the previous financial year and extraordinary income coming from the VAT and GNI adjustments of previous years reduced substantially Member States' GNI balancing contribution.

The Amending Budgets No. 2 and No. 3/2014 included fines and related interest on undertakings totalling EUR 3 850 million that were known at the time when the corresponding Draft Amending Budgets were established. By 31 December 2014, 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 EU agreements and programmes total an amount of EUR 3 225 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 EU programs/activities. A substantial part of this total is made up of earmarked revenue, which typically gives rise to the entering of additional appropriations on the expenditure side.

As far as the own resources result is concerned, the collection of traditional own resources was close to the forecasted amounts. This is primarily because the budget estimates that were modified at the time the Draft Amending Budget No. 4/2014 was established (they were decreased by EUR 646 million according to the new forecasts of spring 2014), were once again amended in the Draft Amending Budget No. 6/2014 to take into account the actual rhythm of collection. Thus they were increased by EUR 420 million.

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

The adjustment in 2014 included major revisions for the GNI dating back to 2002. Thus the adjustment was unprecedented in size totalling EUR 9.5 billion across all EU Member States. In order to address the exceptional situation, the Council adopted on 18 December a Commission proposal (Council Regulation (EU, Euratom) No 1377/2014 of 18 December 2014) allowing Member States to defer payment, interest free, under strict conditions, up to 1 September 2015. Accordingly 6 Member States opted to pay their adjustments in 2015. The deferred payment amounts to EUR 5.4 billion.

The amount of own resources to be received relates to the Amending Budgets Numbers 2 to 7/2014 adopted on 17 December 2014. According to Article 10 of Council Regulation 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 1) the entries corresponding to the readjustments of own resources contributions were carried out on the first working day of February 2015. The adjustments to Member States' national EU budget contributions based on VAT and GNI takes place every year on the first working day of December.

4.2.2. Own resources revenue

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

Own resources can be divided into the following categories:

(1) Traditional own resources (TOR) consist of customs duties and sugar levies. These own resources are levied on economic operators and collected by Member States on behalf of the EU. However, Member States keep 25 % as a compensation for their collection costs (20 % as of 2014). 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). A new decision establishing the system of the EU's own resources has been adopted for the 2014-2020 period (ORD 2014: Council Decision No. 2014/335/EU, Euratom of 26 May 2014). The 2014 ORD will enter into force after it has been ratified by all Member States according to their constitutional rules (expected for beginning of 2016). Until then, the 2007 ORD remains valid. The retroactive effects (the ORD 2014 will apply from 1 January 2014) will be taken into account in the budgetary year when the decision will enter into force.

4.2.3. Traditional own resources

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 (20 % according to the 2014 ORD). The contingent own resources entitlements are adjusted on the basis of the likelihood of their recovery.

4.2.4. VAT-based resources and GNI-based resources

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

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

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

4.2.5. UK correction

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

4.2.6. Gross reduction

The European Council of 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. Reflecting these conclusions, the 2007 ORD provides 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 at 2004 prices. The European Council of 7-8 February 2013 concluded that Denmark, the Netherlands and Sweden are to benefit from gross reductions in their annual contributions based on gross national income (GNI) for the period 2014-2020 only and that Austria is to benefit from gross reductions in its annual GNI-based contributions for the period 2014-2016 only. Denmark, the Netherlands and Sweden shall benefit from gross reductions in their annual GNI-based contribution of EUR 130 million, EUR 695 million and EUR 185 million respectively. Austria shall benefit from a gross reduction in its annual GNI-based contribution of EUR 30 million in 2014, EUR 20 million in 2015 and EUR 10 million in 2016 (all amounts in 2011 prices). These provisions were taken up in the 2014 ORD and will be applied (retroactively) after its entry into force.

5. IMPLEMENTATION OF EU BUDGET EXPENDITURE

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

EUR millions

MFF Heading	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total appropri-ations available	Budget appropriations			Additional appropriations		Total appropri-ations available
	Initial adopted budget	Amending budgets & Transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & Transfers	Final adopted budget	Carry-overs	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
1. Smart and inclusive growth	63 986	(0)	63 986	150	3 474	67 611	62 393	3 470	65 863	289	3 548	69 699
1a: Competitiveness for growth and jobs	*16 484*	*–*	*16 484*	*0*	*2 645*	*19 129*	*11 441*	*415*	*11 857*	*128*	*3 323*	*15 308*
1b: Economic, social and territorial cohesion	*47 502*	*–*	*47 502*	*150*	*830*	*48 482*	*50 951*	*3 055*	*54 006*	*161*	*224*	*54 392*
2. Sustainable growth: natural resources	59 267	(76)	59 191	–	2 105	61 296	56 459	(500)	55 959	35	1 968	57 962
of which: market related expenditure and direct payments	*43 778*	*–*	*43 778*	*–*	*1 724*	*45 502*	*43 777*	*(1)*	*43 776*	*13*	*1 724*	*45 514*
3. Security and citizenship	2 172	0	2 172	3	81	2 256	1 677	(17)	1 660	10	78	1 747
4. Global Europe	8 325	98	8 423	6	571	9 000	6 191	734	6 925	35	521	7 481
5. Administration	8 405	(1)	8 405	1	765	9 171	8 406	0	8 406	772	862	10 040
of which: Administrative expenditure of the institutions	*3 532*	*–*	*3 531*	*1*	*399*	*3 931*	*3 532*	*–*	*3 531*	*452*	*492*	*4 475*
6. Compensations	29	–	29	–	–	29	29	–	29	–	–	29
8. Negative reserve	–	–	–	–	–	–	–	–	–	–	–	–
9. Special Instruments	456	29	485	18	74	577	350	(157)	193	270	74	536
Total	**142 640**	**50**	**142 690**	**179**	**7 070**	**149 939**	**135 505**	**3 530**	**139 034**	**1 410**	**7 050**	**147 495**

5.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR millions

MFF Heading	Total appropriations available	Commitments made					Appropriations carried over to 2015				Appropriations lapsing				
		From final adopted budget	From carry-overs	From assigned revenue	Total	%	Assigned revenue	Carry-overs by decision	Total	%	From final adopted budget	From carry-overs	Assigned revenue (EFTA)	Total	%
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
1. Smart and inclusive growth	67 611	44 260	150	1 561	45 972	67.99%	1 913	8 480	10 392	15.37%	11 246	–	0	11 247	16.63%
1a: Competitiveness for growth and jobs	*19 129*	*16 466*	*0*	*1 552*	*18 018*	*94.19%*	*1 092*	*–*	*1 092*	*5.71%*	*18*	*–*	*0*	*19*	*0.10%*
1b: Economic, social and territorial cohesion	*48 482*	*27 794*	*150*	*9*	*27 954*	*57.66%*	*820*	*8 480*	*9 300*	*19.18%*	*11 228*	*–*	*–*	*11 228*	*23.16%*
2. Sustainable growth: natural resources	61 296	46 866	–	1 397	48 263	78.74%	708	2 866	3 575	5.83%	9 458	–	–	9 458	15.43%
of which: market related expenditure and direct payments	*45 502*	*42 910*	*–*	*1 383*	*44 293*	*97.34%*	*341*	*868*	*1 209*	*2.66%*	*0*	*–*	*–*	*0*	*0.00%*
3. Security and citizenship	2 256	1 463	3	41	1 507	66.81%	40	254	294	13.02%	455	–	–	455	20.17%
4. Global Europe	9 000	8 280	6	203	8 489	94.32%	368	136	504	5.60%	7	–	0	7	0.07%
5. Administration	9 171	8 313	1	571	8 884	96.87%	195	4	199	2.17%	88	–	–	88	0.96%
of which: Administrative expenditure of the institutions	*3 931*	*3 445*	*1*	*343*	*3 789*	*96.40%*	*56*	*4*	*60*	*0.00%*	*82*	*–*	*–*	*82*	*2.09%*
6. Compensations	29	29	–	–	29	100.00%	–	–	–	0.00%	–	–	–	–	0.00%
8. Negative reserve	–	–	–	–	–	0.00%	–	–	–	0.00%	–	–	–	–	0.00%
9. Special Instruments	577	45	18	–	64	11.06%	74	361	435	75.37%	78	–	–	78	13.57%
Total	**149 939**	**109 256**	**179**	**3 772**	**113 208**	**75.50%**	**3 297**	**12 101**	**15 399**	**10.27%**	**21 333**	**–**	**0**	**21 333**	**14.23%**

5.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR millions

MFF Heading	Total appropriations available	Payments made					Appropriations carried over					Appropriations lapsing				
		From final adopted budget	From carry-overs	From assigned revenue	Total	%	Automatic carry-overs	Carry-overs by decision	Assigned revenue	Total	%	From final adopted budget	From carry-overs	Assigned revenue (EFTA)	Total	%
	1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16= 15/1
1. Smart and inclusive growth	69 699	65 730	267	1 686	67 683	97.11%	121	0	1 860	1 980	2.84%	12	22	2	36	0.05%
1a: Competitiveness for growth and jobs	*15 308*	*11 740*	*108*	*1 483*	*13 331*	*87.09%*	*104*	*0*	*1 838*	*1 943*	*12.69%*	*12*	*20*	*2*	*33*	*0.22%*
1b: Economic, social and territorial cohesion	*54 392*	*53 990*	*159*	*203*	*54 352*	*99.93%*	*16*	*–*	*21*	*38*	*0.07%*	*0*	*2*	*–*	*2*	*0.00%*
2. Sustainable growth: natural resources	57 962	55 050	33	1 502	56 584	97.62%	34	868	467	1 369	2.36%	7	2	–	9	0.02%
of which: market related expenditure and direct payments	*45 514*	*42 891*	*12*	*1 383*	*44 287*	*97.30%*	*16*	*868*	*341*	*1 226*	*2.69%*	*0*	*1*	*–*	*2*	*0.00%*
3. Security and citizenship	1 747	1 648	8	55	1 711	97.94%	8	0	23	31	1.75%	4	2	0	5	0.31%
4. Global Europe	7 481	6 880	29	297	7 206	96.32%	34	9	224	267	3.57%	2	6	0	8	0.10%
5. Administration	10 040	7 643	697	480	8 819	87.84%	673	4	382	1 060	10.55%	86	75	–	161	1.61%
of which: Administrative expenditure of the institutions	*4 475*	*3 027*	*402*	*300*	*3 729*	*83.33%*	*418*	*4*	*192*	*614*	*13.72%*	*82*	*50*	*–*	*132*	*2.94%*
6. Compensations	29	29	–	–	29	100.00%	–	–	–	–	0.00%	–	–	–	–	0.00%
8. Negative reserve	–	–	–	–	–	0.00%	–	–	–	–	0.00%	–	–	–	–	0.00%
9. Special Instruments	536	157	270	38	465	86.70%	0	36	35	71	13.28%	0	0	–	0	0.02%
Total	**147 495**	**137 136**	**1 304**	**4 057**	**142 497**	**96.61%**	**870**	**917**	**2 991**	**4 778**	**3.24%**	**112**	**106**	**2**	**220**	**0.15%**

5.4. MFF: MOVEMENTS IN COMMITMENTS OUTSTANDING (RAL)

EUR millions

MFF 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. Smart and inclusive growth	166 761	(2 037)	(60 662)	104 062	45 972	(7 021)	(4)	38 947	143 009
1a: Competitiveness for growth and jobs	*29 657*	*(808)*	*(8 167)*	*20 681*	*18 018*	*(5 164)*	*(4)*	*12 850*	*33 532*
1b: Economic, social and territorial cohesion	*137 105*	*(1 229)*	*(52 494)*	*83 381*	*27 954*	*(1 857)*	*(0)*	*26 096*	*109 477*
2. Sustainable growth: natural resources	27 978	(275)	(11 930)	15 773	48 263	(44 655)	(0)	3 609	19 382
of which: market related expenditure and direct payments	*40*	*(3)*	*(21)*	*16*	*44 293*	*(44 266)*	–	*27*	*43*
3. Security and citizenship	3 092	(306)	(944)	1 841	1 507	(767)	–	740	2 582
4. Global Europe	23 285	(721)	(5 490)	17 075	8 489	(1 716)	(1)	6 772	23 846
5. Administration	892	(182)	(709)	1	8 884	(8 110)	(9)	765	766
of which: Administrative expenditure of the institutions	*557*	*(156)*	*(402)*	–	*3 789*	*(3 328)*	*(8)*	*453*	*453*
6. Compensations	–	–	–	–	29	(29)	–	–	–
8. Negative reserve	–	–	–	–	–	–	–	–	–
9. Special Instruments	401	(0)	(401)	–	64	(64)	–	0	0
Total	**222 410**	**(3 522)**	**(80 136)**	**138 753**	**113 208**	**(62 361)**	**(14)**	**50 832**	**189 585**

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

EUR millions

MFF Heading	<2008	2008	2009	2010	2011	2012	2013	2014	Total
1. Smart and inclusive growth	2 915	414	1 578	4 327	11 007	27 951	55 870	38 947	143 009
1a: Competitiveness for growth and jobs	*255*	*211*	*1 260*	*2 274*	*3 001*	*5 451*	*8 230*	*12 850*	*33 532*
1b: Economic, social and territorial cohesion	*2 660*	*203*	*318*	*2 053*	*8 007*	*22 500*	*47 640*	*26 096*	*109 477*
2. Sustainable growth: natural resources	338	50	93	116	193	3 524	11 459	3 609	19 382
of which: market related expenditure and direct payments	*0*	–	–	*0*	*0*	*9*	*7*	*27*	*43*
3. Security and citizenship	14	31	73	158	261	497	807	740	2 582
4. Global Europe	944	539	842	1 336	2 800	4 686	5 928	6 772	23 846
5. Administration	–	–	–	–	–	0	1	765	766
of which: Administrative expenditure of the institutions	–	–	–	–	–	–	–	*453*	*453*
6. Compensations	–	–	–	–	–	–	–	–	–
8. Negative reserve	–	–	–	–	–	–	–	–	–
9. Special Instruments	–	–	–	–	–	–	0	0	0
Total	**4 211**	**1 034**	**2 586**	**5 937**	**14 261**	**36 658**	**74 066**	**50 832**	**189 585**

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

EUR millions

	Policy Area	Commitment appropriations						Payment appropriations					
		Budget appropriations			Additional appropriations		Total appropriations available	Budget appropriations			Additional appropriations		Total appropriations available
		Initial adopted budget	Amending budgets & Transfers	Final adopted budget	Carried over	Assigned revenue		Initial adopted budget	Amending budgets & Transfers	Final adopted budget	Carried over	Assigned revenue	
		1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
01	Econom. & fin. affairs	213	20	233	–	118	351	297	2	300	8	121	429
02	Enterprise and Industry	2 536	(10)	2 526	–	228	2 754	2 105	60	2 165	14	308	2 486
03	Competition	94	(1)	93	–	6	100	94	(1)	93	8	6	107
04	Empl., social aff. & incl.	13 839	90	13 929	168	581	14 678	11 622	(341)	11 280	51	191	11 522
05	Agriculture & rural dev.	58 047	(22)	58 025	–	2 117	60 141	55 635	(518)	55 117	22	1 981	57 120
06	Mobility and transport	2 867	(7)	2 860	–	71	2 931	1 003	1	1 004	6	80	1 089
07	Environment	407	1	408	–	22	430	346	1	347	18	19	384
08	Research & Innovation	6 215	(53)	6 162	–	1 031	7 193	4 107	(11)	4 096	35	1 490	5 621
09	Commun. networks, content and technology	1 637	(26)	1 612	–	148	1 759	961	107	1 068	16	259	1 343
10	Direct research	425	(23)	401	–	580	982	420	(23)	397	55	497	949
11	Maritime aff & Fisheries	1 066	(76)	991	–	30	1 021	780	8	788	5	30	823
12	Intern. market & serv.	117	1	118	0	15	133	117	(3)	114	6	15	134
13	Regional & urban policy	33 073	81	33 154	–	354	33 508	40 223	3 244	43 467	391	136	43 995
14	Taxation & cust. union	157	0	158	–	7	164	122	10	133	7	6	146
15	Education and culture	2 820	57	2 877	–	453	3 330	2 242	178	2 420	12	537	2 969
16	Communication	246	2	248	–	11	259	245	6	251	14	11	276
17	Health & consum. prot.	618	(2)	616	1	26	643	567	(13)	553	12	25	590
18	Home affairs	1 201	0	1 202	2	39	1 243	763	5	768	4	31	803
19	Foreign pol. instr.	733	(55)	678	5	55	739	463	74	537	3	52	593
20	Trade	121	(2)	119	–	3	122	115	1	116	3	3	123
21	Develop. & Cooperation	5 084	121	5 204	1	263	5 469	3 658	286	3 944	26	222	4 192
22	Enlargement	1 520	(45)	1 475	–	13	1 488	904	(12)	892	5	12	908
23	Human. aid & Civil prot.	1 006	158	1 164	–	75	1 240	851	564	1 415	8	75	1 498
24	Fight against fraud	78	(2)	77	–	1	77	75	0	75	9	1	84
25	Commission's policy coord. & legal advice	194	(0)	194	–	11	205	195	(0)	195	15	11	221
26	Commission’s admin.	1 001	(40)	961	0	162	1 124	991	(30)	961	160	164	1 285
27	Budget	96	(11)	84	–	8	92	96	(11)	84	7	8	99
28	Audit	12	(0)	12	–	1	12	12	(0)	12	1	1	13
29	Statistics	132	0	132	–	14	146	152	(21)	131	6	22	160
30	Pensions & related exp.	1 450	44	1 494	–	2	1 495	1 450	44	1 494	–	2	1 495
31	Language Services	388	3	391	–	87	478	388	3	391	20	87	498
32	Energy	933	24	958	–	128	1 086	588	68	656	5	144	805
33	Justice	203	2	205	–	11	216	193	(6)	187	4	12	202
34	Climate action	121	0	122	–	1	122	43	9	52	3	1	55
40	Reserves	456	(179)	277	–	–	277	150	(150)	–	–	–	–
90	Other Institutions	3 532	(0)	3 531	1	399	3 931	3 532	(0)	3 531	452	492	4 475
	Total	**142 640**	**50**	**142 690**	**179**	**7 070**	**149 939**	**135 505**	**3 530**	**139 034**	**1 410**	**7 050**	**147 495**

5.6.1. POLICY AREA: COMPARISON OF BUDGET AND ACTUAL COMMITMENTS

EUR millions

Policy Area	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropria-tions available	Commitments made
01 Economic and financial affairs	213	20	233	118	351	236
02 Enterprise and Industry	2 536	(10)	2 526	228	2 754	2 608
03 Competition	94	(1)	93	6	100	97
04 Employment, social affairs and inclusion	13 839	90	13 929	750	14 678	10 312
05 Agriculture and rural development	58 047	(22)	58 025	2 117	60 141	47 789
06 Mobility and transport	2 867	(7)	2 860	71	2 931	2 879
07 Environment	407	1	408	22	430	423
08 Research and Innovation	6 215	(53)	6 162	1 031	7 193	7 002
09 Communications networks, content and technology	1 637	(26)	1 612	148	1 759	1 708
10 Direct research	425	(23)	401	580	982	535
11 Maritime affairs and Fisheries	1 066	(76)	991	30	1 021	218
12 Internal market and services	117	1	118	16	133	123
13 Regional and urban policy	33 073	81	33 154	354	33 508	17 078
14 Taxation and customs union	157	–	158	7	164	160
15 Education and culture	2 820	57	2 877	453	3 330	3 223
16 Communication	246	2	248	11	259	252
17 Health and consumer protection	618	(2)	616	27	643	624
18 Home affairs	1 201	–	1 202	41	1 243	523
19 Foreign policy instruments	733	(55)	678	61	739	687
20 Trade	121	(2)	119	3	122	120
21 Development and Cooperation	5 084	121	5 204	264	5 469	5 353
22 Enlargement	1 520	(45)	1 475	13	1 488	1 440
23 Humanitarian aid and Civil protection	1 006	158	1 164	75	1 240	1 187
24 Fight against fraud	78	(2)	77	1	77	77
25 Commission's policy coordination & legal advice	194	–	194	11	205	198
26 Commission’s administration	1 001	(40)	961	162	1 124	1 070
27 Budget	96	(11)	84	8	92	89
28 Audit	12	–	12	1	12	12
29 Statistics	132	–	132	14	146	140
30 Pensions and related expenditure	1 450	44	1 494	2	1 495	1 493
31 Language Services	388	3	391	87	478	444
32 Energy	933	24	958	128	1 086	990
33 Justice	203	2	205	11	216	209
34 Climate action	121	–	122	1	122	122
40 Reserves	456	(179)	277	–	277	–
90 Other Institutions	3 532	–	3 531	400	3 931	3 789
Total	**142 640**	**50**	**142 690**	**7 249**	**149 939**	**113 208**

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

5.7. POLICY AREA: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR millions

Policy Area		Commitments made					Appropriations carried over to 2015				Appropriations lapsing				
	Total appropriations available 1	From final adopted budget 2	From carry-overs 3	From assigned revenue 4	Total 5=2+3+4	% 6=5/1	Assigned revenue 7	Carry-overs by decision 8	Total 9=7+8	% 10=9/1	From final adopted budget 11	From carry-overs 12	Assigned revenue (EFTA) 13	Total 14=11+12+13	% 15=14/1
01 Economic and financial affairs	351	233	–	3	236	67.1%	115	–	115	32.9%	0	–	–	0	0.1%
02 Enterprise and Industry	2 754	2 526	–	82	2 608	94.7%	146	–	146	5.3%	0	–	–	0	0.0%
03 Competition	100	93	–	3	97	97.2%	3	–	3	2.8%	0	–	–	0	0.1%
04 Employment, social affairs and inclusion	14 678	10 139	168	5	10 312	70.3%	576	2 161	2 737	18.6%	1 629	–	0	1 629	11.1%
05 Agriculture and rural development	60 141	46 400	–	1 389	47 789	79.5%	728	2 912	3 640	6.1%	8 712	–	–	8 712	14.5%
06 Mobility and transport	2 931	2 854	–	25	2 879	98.2%	46	–	46	1.6%	6	–	0	7	0.2%
07 Environment	430	407	–	16	423	98.3%	6	–	6	1.4%	1	–	–	1	0.3%
08 Research and Innovation	7 193	6 162	–	840	7 002	97.3%	191	–	191	2.7%	–	–	–	–	0.0%
09 Communications networks, content and technology	1 759	1 612	–	97	1 708	97.1%	51	–	51	2.9%	0	–	–	0	0.0%
10 Direct research	982	401	–	134	535	54.5%	447	–	447	45.5%	–	–	–	–	0.0%
11 Maritime affairs and Fisheries	1 021	216	–	2	218	21.4%	28	28	56	5.5%	746	–	–	746	73.1%
12 Internal market and services	133	118	0	5	123	92.3%	10	–	10	7.5%	0	–	–	0	0.1%
13 Regional and urban policy	33 508	17 066	–	11	17 078	51.0%	343	6 481	6 824	20.4%	9 607	–	–	9 607	28.7%
14 Taxation and customs union	164	157	–	2	160	97.2%	5	–	5	2.8%	0	–	–	0	0.0%
15 Education and culture	3 330	2 877	–	347	3 223	96.8%	106	–	106	3.2%	0	–	–	0	0.0%
16 Communication	259	246	–	6	252	97.3%	5	–	5	1.8%	3	–	–	3	1.0%
17 Health and consumer protection	643	604	1	19	624	97.0%	7	7	13	2.1%	6	–	–	6	0.9%
18 Home affairs	1 243	508	2	13	523	42.1%	26	247	273	22.0%	447	–	–	447	36.0%
19 Foreign policy instruments	739	661	5	21	687	93.1%	34	15	49	6.6%	2	–	–	2	0.3%
20 Trade	122	118	–	2	120	97.9%	2	0	2	1.4%	1	–	–	1	0.7%
21 Development and Cooperation	5 469	5 195	1	157	5 353	97.9%	107	7	114	2.1%	2	–	–	2	0.0%
22 Enlargement	1 488	1 434	–	6	1 440	96.8%	6	40	46	3.1%	1	–	0	1	0.1%
23 Humanitarian aid and Civil protection	1 240	1 163	–	24	1 187	95.8%	52	–	52	4.2%	1	–	–	1	0.1%
24 Fight against fraud	77	77	–	–	77	98.9%	1	–	1	1.0%	0	–	–	0	0.1%
25 Commission's policy coordination & legal advice	205	192	–	6	198	96.6%	5	–	5	2.5%	2	–	–	2	0.8%
26 Commission's administration	1 124	960	0	110	1 070	95.3%	52	–	52	4.6%	1	–	–	1	0.1%
27 Budget	92	84	–	4	89	96.6%	3	–	3	3.4%	–	–	–	–	0.1%
28 Audit	12	12	–	0	12	96.6%	0	–	0	3.2%	0	–	–	0	0.2%
29 Statistics	146	131	–	8	140	95.7%	5	–	5	3.7%	1	–	–	1	0.6%
30 Pensions and related expenditure	1 495	1 493	–	–	1 493	99.8%	2	–	2	0.1%	1	–	–	1	0.0%
31 Language Services	478	391	–	53	444	92.9%	34	–	34	7.1%	0	–	–	0	0.0%
32 Energy	1 086	955	–	34	990	91.1%	94	–	94	8.6%	3	–	0	3	0.3%
33 Justice	216	205	–	4	209	96.5%	7	–	7	3.2%	1	–	–	1	0.4%
34 Climate action	122	121	–	0	122	99.4%	0	–	0	0.4%	0	–	–	0	0.2%
40 Reserves	277	–	–	–	–	0.0%	–	199	199	71.8%	78	–	–	78	28.2%
90 Other Institutions	3 931	3 445	1	343	3 789	96.4%	56	4	60	1.5%	82	–	–	82	2.1%
Total	**149 939**	**109 256**	**179**	**3 772**	**113 208**	**75.5%**	**3 297**	**12 101**	**15 399**	**10.3%**	**21 333**	**–**	**0**	**21 333**	**14.2%**

5.7.1. POLICY AREA: COMPARISON OF BUDGET AND ACTUAL PAYMENTS

EUR millions

Policy Area	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Additional appropri-ations*	Total appropria-tions available	Payments made
01 Economic and financial affairs	297	2	300	129	429	306
02 Enterprise and Industry	2 105	60	2 165	322	2 486	2 237
03 Competition	94	(1)	93	14	107	96
04 Employment, social affairs and inclusion	11 622	(341)	11 280	242	11 522	11 403
05 Agriculture and rural development	55 635	(518)	55 117	2 003	57 120	55 766
06 Mobility and transport	1 003	1	1 004	85	1 089	1 037
07 Environment	346	1	347	37	384	362
08 Research and Innovation	4 107	(11)	4 096	1 525	5 621	4 918
09 Communications networks, content and technology	961	107	1 068	275	1 343	1 184
10 Direct research	420	(23)	397	552	949	508
11 Maritime affairs and Fisheries	780	8	788	35	823	805
12 Internal market and services	117	(3)	114	21	134	119
13 Regional and urban policy	40 223	3 244	43 467	528	43 995	43 979
14 Taxation and customs union	122	10	133	13	146	138
15 Education and culture	2 242	178	2 420	549	2 969	2 673
16 Communication	245	6	251	25	276	257
17 Health and consumer protection	567	(13)	553	37	590	571
18 Home affairs	763	5	768	35	803	789
19 Foreign policy instruments	463	74	537	55	593	552
20 Trade	115	1	116	7	123	118
21 Development and Cooperation	3 658	286	3 944	248	4 192	4 133
22 Enlargement	904	(12)	892	17	908	898
23 Humanitarian aid and Civil protection	851	564	1 415	83	1 498	1 430
24 Fight against fraud	75	0	75	9	84	75
25 Commission's policy coordination & legal advice	195	(0)	195	26	221	199
26 Commission's administration	991	(30)	961	324	1 285	1 060
27 Budget	96	(11)	84	14	99	88
28 Audit	12	(0)	12	1	13	12
29 Statistics	152	(21)	131	28	160	139
30 Pensions and related expenditure	1 450	44	1 494	2	1 495	1 493
31 Language Services	388	3	391	107	498	445
32 Energy	588	68	656	149	805	733
33 Justice	193	(6)	187	16	202	193
34 Climate action	43	9	52	4	55	50
40 Reserves	150	(150)	–	–	–	–
90 Other Institutions	3 532	(0)	3 531	944	4 475	3 729
Total	**135 505**	**3 530**	**139 034**	**8 460**	**147 495**	**142 497**

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

5.8. POLICY AREA: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR millions

Policy Area		Payments made					Appropriations carried over					*Appropriations lapsing*				
	Total appropriations available 1	From final adopted budget 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 final adopted budget 12	From carry-overs 13	Assigned revenue (EFTA) 14	Total 15=12+13+14	% 16=15/1
01 Economic and financial affairs	429	293	7	5	306	71.2%	7	–	116	122	28.5%	0	1	–	1	0.3%
02 Enterprise and Industry	2 486	2 144	12	81	2 237	90.0%	18	–	227	245	9.9%	3	2	–	4	0.2%
03 Competition	107	87	7	3	96	90.0%	7	–	3	10	9.5%	0	0	–	1	0.5%
04 Employment, social affairs and inclusion	11 522	11 226	48	129	11 403	99.0%	15	36	62	112	1.0%	4	2	–	6	0.1%
05 Agriculture and rural development	57 120	54 224	20	1 522	55 766	97.6%	23	868	459	1 350	2.4%	2	2	–	4	0.0%
06 Mobility and transport	1 089	997	5	35	1 037	95.2%	5	–	44	49	4.5%	2	1	0	2	0.2%
07 Environment	384	330	18	15	362	94.5%	16	–	4	20	5.2%	1	0	–	1	0.3%
08 Research and Innovation	5 621	4 080	28	810	4 918	87.5%	16	–	680	696	12.4%	–	8	–	8	0.1%
09 Communications networks, content and technology	1 343	1 052	15	117	1 184	88.2%	16	–	142	158	11.7%	0	1	0	1	0.1%
10 Direct research	949	353	47	108	508	53.6%	43	–	389	433	45.6%	–	8	–	8	0.8%
11 Maritime affairs and Fisheries	823	782	4	19	805	97.8%	3	–	11	14	1.7%	3	1	–	4	0.5%
12 Internal market and services	134	109	5	5	119	88.6%	4	–	10	14	10.1%	1	0	–	2	1.3%
13 Regional and urban policy	43 995	43 456	390	133	43 979	100.0%	11	–	3	14	0.0%	0	1	–	2	0.0%
14 Taxation and customs union	146	128	6	3	138	94.7%	4	–	3	7	5.1%	0	–	–	0	0.2%
15 Education and culture	2 969	2 405	11	257	2 673	90.1%	13	–	280	293	9.9%	1	1	–	2	0.1%
16 Communication	276	241	13	4	257	93.3%	10	0	7	17	6.2%	0	1	–	1	0.5%
17 Health and consumer protection	590	543	11	17	571	96.7%	10	–	8	18	3.0%	0	2	0	2	0.3%
18 Home affairs	803	762	4	22	789	98.2%	3	–	8	12	1.5%	2	0	–	3	0.4%
19 Foreign policy instruments	593	527	2	24	552	93.2%	4	6	29	39	6.6%	0	1	–	1	0.2%
20 Trade	123	113	3	2	118	95.9%	3	–	2	5	3.9%	0	–	–	0	0.3%
21 Development and Cooperation	4 192	3 917	23	193	4 133	98.6%	25	–	29	54	1.3%	1	3	–	5	0.1%
22 Enlargement	908	885	4	9	898	98.8%	6	–	3	9	1.0%	1	1	0	2	0.2%
23 Humanitarian aid and Civil protection	1 498	1 405	8	17	1 430	95.4%	7	3	58	68	4.5%	1	0	0	1	0.1%
24 Fight against fraud	84	68	6	0	75	88.6%	7	0	1	7	8.8%	0	2	–	2	2.7%
25 Commission's policy coordination & legal advice	221	180	13	5	199	90.1%	13	–	6	19	8.5%	2	1	–	3	1.4%
26 Commission’s administration	1 285	833	150	77	1 060	82.5%	128	–	87	215	16.7%	1	10	–	11	0.8%
27 Budget	99	79	6	3	88	89.2%	6	–	4	10	10.3%	0	0	–	1	0.5%
28 Audit	13	11	0	0	12	92.6%	0	–	0	1	6.7%	0	0	–	0	0.8%
29 Statistics	160	126	5	8	139	86.9%	5	–	15	20	12.2%	–	1	–	1	0.8%
30 Pensions and related expenditure	1 495	1 493	–	–	1 493	99.8%	0	–	2	2	0.1%	1	–	–	1	0.0%
31 Language Services	498	377	19	49	445	89.5%	14	–	38	52	10.4%	0	1	–	1	0.2%
32 Energy	805	650	4	79	733	91.0%	5	–	63	69	8.5%	1	1	2	4	0.4%
33 Justice	202	183	3	7	193	95.1%	3	–	5	8	4.1%	1	1	–	2	0.8%
34 Climate action	55	48	2	0	50	91.1%	3	–	1	4	6.4%	1	1	–	1	2.4%
40 Reserves	–	–	–	–	–	0.0%	–	–	–	–	0.0%	–	–	–	–	0.0%
90 Other Institutions	4 475	3 027	402	300	3 729	83.3%	418	4	192	614	13.7%	82	50	–	132	2.9%
Total	**147 495**	**137 136**	**1 304**	**4 057**	**142 497**	**96.6%**	**870**	**917**	**2 991**	**4 778**	**3.2%**	**112**	**106**	**2**	**220**	**0.1%**

5.9. POLICY AREA: MOVEMENTS IN COMMITMENTS OUTSTANDING

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 and financial affairs	739	(3)	(122)	615	236	(184)	–	52	667
02	Enterprise and Industry	1 855	(23)	(724)	1 109	2 608	(1 513)	(0)	1 095	2 204
03	Competition	8	(0)	(7)	–	97	(89)	–	7	7
04	Employment, social affairs and inclusion	27 559	(344)	(10 165)	17 049	10 312	(1 238)	(0)	9 074	26 124
05	Agriculture and rural development	25 354	(70)	(11 148)	14 136	47 789	(44 618)	(0)	3 171	17 308
06	Mobility and transport	3 994	(188)	(867)	2 939	2 879	(170)	(0)	2 708	5 647
07	Environment	1 055	(22)	(245)	788	423	(117)	–	306	1 093
08	Research and Innovation	12 907	(161)	(3 551)	9 194	7 002	(1 367)	(3)	5 631	14 826
09	Communications networks, content and technology	2 823	(42)	(1 000)	1 781	1 708	(184)	(0)	1 524	3 305
10	Direct research	202	(21)	(122)	59	535	(386)	(0)	149	208
11	Maritime affairs and Fisheries	2 360	(202)	(683)	1 475	218	(122)	(0)	96	1 571
12	Internal market and services	21	(3)	(14)	3	123	(105)	–	19	22
13	Regional and urban policy	112 172	(1 033)	(43 087)	68 052	17 078	(892)	(0)	16 185	84 237
14	Taxation and customs union	106	(5)	(65)	36	160	(73)	–	86	122
15	Education and culture	2 387	(58)	(989)	1 341	3 223	(1 684)	(0)	1 539	2 879
16	Communication	125	(9)	(92)	24	252	(165)	(0)	86	110
17	Health and consumer protection	616	(134)	(271)	211	624	(300)	–	324	535
18	Home affairs	1 992	(141)	(431)	1 421	523	(358)	–	165	1 586
19	Foreign policy instruments	770	(42)	(367)	360	687	(185)	(1)	501	862
20	Trade	21	(1)	(13)	7	120	(105)	–	15	22
21	Development and Cooperation	15 617	(457)	(3 266)	11 894	5 353	(867)	(0)	4 486	16 379
22	Enlargement	3 206	(79)	(804)	2 323	1 440	(94)	(1)	1 346	3 669
23	Humanitarian aid and Civil protection	918	(5)	(654)	259	1 187	(775)	(0)	412	671
24	Fight against fraud	38	(9)	(21)	8	77	(54)	–	23	31
25	Commission's policy coordination & legal advice	15	(1)	(14)	–	198	(185)	–	14	14
26	Commission’s administration	201	(11)	(177)	13	1 070	(883)	(0)	187	201
27	Budget	7	(0)	(6)	–	89	(82)	–	7	7
28	Audit	1	(0)	(0)	–	12	(12)	–	0	0
29	Statistics	113	(9)	(58)	46	140	(81)	–	59	105
30	Pensions and related expenditure	–	–	–	–	1 493	(1 493)	(0)	–	–
31	Language Services	20	(1)	(19)	–	444	(426)	(0)	18	18
32	Energy	4 434	(274)	(648)	3 512	990	(85)	(0)	904	4 416
33	Justice	183	(18)	(81)	84	209	(112)	–	97	181
34	Climate action	36	(1)	(20)	14	122	(30)	–	91	105
40	Reserves	–	–	–	–	–	–	–	–	–
90	Other Institutions	557	(156)	(402)	–	3 789	(3 328)	(8)	453	453
	Total	**222 410**	**(3 522)**	**(80 136)**	**138 753**	**113 208**	**(62 361)**	**(14)**	**50 832**	**189 585**

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

EUR millions

	Policy Area	<2008	2008	2009	2010	2011	2012	2013	2014	Total
01	Economic and financial affairs	30	–	0	0	160	178	246	52	667
02	Enterprise and Industry	14	13	34	54	192	349	452	1 095	2 204
03	Competition	–	–	–	–	–	–	0	7	7
04	Employment, social affairs and inclusion	538	6	70	189	1 603	4 687	9 956	9 074	26 124
05	Agriculture and rural development	150	–	0	0	183	3 061	10 742	3 171	17 308
06	Mobility and transport	84	23	128	238	588	746	1 132	2 708	5 647
07	Environment	28	49	84	105	146	174	201	306	1 093
08	Research and Innovation	62	86	226	477	1 288	2 840	4 216	5 631	14 826
09	Communications networks, content and technology	16	13	54	82	183	516	917	1 524	3 305
10	Direct research	5	5	2	4	4	11	29	149	208
11	Maritime affairs and Fisheries	160	1	7	10	43	514	739	96	1 571
12	Internal market and services	–	0	0	1	0	0	2	19	22
13	Regional and urban policy	2 439	197	249	1 871	6 732	18 311	38 253	16 185	84 237
14	Taxation and customs union	–	–	–	0	2	9	25	86	122
15	Education and culture	27	34	44	66	164	391	615	1 539	2 879
16	Communication	–	0	0	1	1	2	20	86	110
17	Health and consumer protection	1	6	18	30	23	30	103	324	535
18	Home affairs	12	23	53	120	217	425	571	165	1 586
19	Foreign policy instruments	4	6	13	23	44	108	162	501	862
20	Trade	–	–	–	0	0	2	4	15	22
21	Development and Cooperation	500	450	708	1 061	1 825	3 245	4 106	4 486	16 379
22	Enlargement	111	76	109	227	410	606	784	1 346	3 669
23	Humanitarian aid and Civil protection	2	8	13	25	26	33	151	412	671
24	Fight against fraud	0	1	1	0	0	2	4	23	31
25	Commission's policy coordination & legal advice	–	–	–	–	–	–	(0)	14	14
26	Commission’s administration	–	–	–	0	0	1	12	187	201
27	Budget	–	–	–	–	–	–	(0)	7	7
28	Audit	–	–	–	–	–	–	(0)	0	0
29	Statistics	1	0	0	1	4	12	28	59	105
30	Pensions and related expenditure	–	–	–	–	–	–	0	(0)	–
31	Language Services	–	–	–	–	–	–	(0)	18	18
32	Energy	25	36	770	1 349	411	386	534	904	4 416
33	Justice	–	0	1	2	11	18	52	97	181
34	Climate action	–	–	–	0	1	3	11	91	105
40	Reserves	–	–	–	–	–	–	–	–	–
90	Other Institutions	–	–	–	–	–	–	–	453	453
	Total	**4 211**	**1 034**	**2 586**	**5 937**	**14 261**	**36 658**	**74 066**	**50 832**	**189 585**

5.11. IMPLEMENTATION OF 2014 EXPENDITURE

The year 2014 was the first year of the new programming period 2014-2020.

Commitments:

The initial adopted budget for all institutions, excluding Special Instruments, set commitment appropriations at EUR 142 184 million. This represented a decrease of 6 % compared to the final 2013 budget and left a margin of EUR 445 million below the ceiling of the MFF.

The final adopted budget for commitments was implemented at a 76 % level in the first year of the new programming period mostly because of the delay in the adoption of the operational programmes for the funds under shared management. Modifications via amending budgets were negligible apart from the mobilisation of the European Union Solidarity Fund for EUR 127 million. The total implementation of EUR 109 256 million left EUR 33 434 million unused. This will be fully compensated by the reprogramming of commitments in various Funds under shared management and by the carry over to 2015.

The reprogramming of unused 2014 commitment appropriations to 2015 and 2016 (according to MFF Art. 19) was agreed in April 2015 with a revision of the MFF ceilings and a related amending budget for 2015. The main impacts in 2015 were under Heading 1(b) (EUR 11.2 billion) and Heading 2 (EUR 5 billion), while for 2016 the main change is to Heading 2 (EUR 4.4 billion).

In 2014, the low implementation of commitments at the start of new programmes led to a decrease of RAL of EUR 32.8 billion or 15 %, which is only temporary due to the magnitude of amounts re-programmed or carried forward.

Payments:

Payment appropriations were, after a cut of EUR 556 million to the Draft Budget 2014 (including Amending Letters 1 and 2), initially set at EUR 135 505 million (including Special Instruments), corresponding to 1 % of the EU's GNI. This meant a decrease of 6 % (EUR 9 billion) compared to the final adopted budget for 2013. This initial level of appropriations left a margin of only EUR 711 million below the MFF ceiling. The ceiling of payments for this first year of the new programming period was set exceptionally low, i.e. more than EUR 8 billion below 2013 and EUR 6 billion below 2015 level. It was clear from the outset that in view of the amount of outstanding commitments, the heavy pressure on payments would continue throughout 2014 with a need to revise the amount of appropriations required and very active management of the budget.

The net reinforcement of payment appropriations of operational budget lines via amending budgets amounted to EUR 3 599 million. This brought at year-end the level of payment appropriations above the ceiling of the MFF through recourse to the Contingency Margin, and the new and last-resort Special Instrument to react to unforeseen circumstances. The Council and the Parliament rejected Commission’s Global transfer proposal and used the proposed reinforcements for redeployments in the amending budgets.

The total implementation of payment appropriations was EUR 137 136 million (EUR 142 883 million in 2013) with a rate of 99 %. Once account is taken of the carryover of payment appropriations to 2015, a total of EUR 112 million lapses. From payment appropriations carried forward from 2013 an amount of EUR 106 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 2014, Part A "Overview at budget level" and Part B dealing with each heading of the multi-annual financial framework.

6. IMPLEMENTATION OF THE INSTITUTIONS AND AGENCIES BUDGET

6.1. INSTITUTIONS: SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE

EUR millions

Institution	Income appropriations		Entitlements established			Revenue			Receipts as	Outstanding
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements of current year	On entitlements Carried over	Total	% of budget	
European Parliament	156	156	173	24	197	170	4	174	111.97%	22
European Council and Council	56	56	74	7	80	70	6	76	136.61%	4
Commission	135 167	138 697	146 066	10 957	157 023	139 403	3 878	143 280	103.30%	13 743
Court of Justice	47	47	50	–	50	50	–	50	105.10%	0
Court of Auditors	20	20	20	–	20	19	–	19	98.42%	–
Economic and Social Committee	11	11	15	–	15	15	–	15	137.08%	–
Committee of the Regions	8	8	10	–	10	10	–	10	121.66%	–
Ombudsman	1	1	1	–	1	1	–	1	104.28%	–
European Data Protection Supervisor	1	1	1	–	1	1	–	1	78.02%	–
European External Action Service	37	37	313	–	313	313	–	313	835.12%	–
	135 505	**139 034**	**146 721**	**10 988**	**157 709**	**140 052**	**3 888**	**143 940**	**103.53%**	**13 769**

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 208 million (2013: EUR 210 million) and the EDF of EUR 56 million (2013: EUR 59 million). These budget credits are put at the disposal of the EEAS (as assigned revenue) so as to cover primarily the costs of Commission staff working in the EU delegations, these delegations being administratively managed by the EEAS.

6.2. INSTITUTIONS: IMPLEMENTATION OF COMMITMENT AND PAYMENT APPROPRIATIONS

Commitment appropriations

EUR millions

Institution	Total appropriations available 1	Commitments made					Appropriations carried over				Appropriations lapsing				
		From final adopted budget 2	From carry-overs 3	From assigned revenue 4	Total 5=2+3+4	% 6=5/1	From assigned revenue 7	Carry-overs by decision 8	Total 9=7+8	% 10=9/1	From final adopted budget 11	From carry-overs 12	Assigned revenue (EFTA) 13	Total 14=11+12+13	% 15=14/1
European Parliament	1 804	1 738	1	37	1 775	98.4%	12	–	12	0.6%	18	–	–	18	0.0%
European Council and Council	587	485	–	29	513	87.4%	24	–	24	4.1%	50	–	–	50	0.0%
Commission	146 008	105 811	178	3 429	109 418	74.9%	3 242	12 097	15 339	10.5%	21 251	–	–	21 251	0.0%
Court of Justice	358	352	–	1	352	98.6%	1	–	1	0.4%	4	–	–	4	0.0%
Court of Auditors	134	132	–	–	132	98.7%	–	–	–	0.1%	2	–	–	2	0.0%
Economic & Social Committee	133	123	–	4	127	95.4%	1	–	1	0.4%	6	–	–	6	0.0%
Committee of the Regions	89	86	–	2	88	98.5%	–	–	–	0.1%	1	–	–	1	0.0%
Ombudsman	10	10	–	–	10	97.9%	–	–	–	0.0%	–	–	–	–	0.0%
European Data Protection Supervisor	8	8	–	–	8	96.9%	–	–	–	0.0%	–	–	–	–	0.0%
European External Action Service	808	513	–	272	784	97.1%	18	4	22	2.7%	2	–	–	2	0.0%
	149 939	**109 256**	**179**	**3 772**	**113 208**	**75.5%**	**3 297**	**12 101**	**15 399**	**10.3%**	**21 333**	**–**	**–**	**21 333**	**0.0%**

Payment appropriations

EUR millions

Institution		Payments made					Appropriations carried over					Appropriations lapsing				
	Total appropriations available	From final adopted budget	From carry-overs	From assigned revenue	Total	%	Automatic carry-overs	Carry-overs by decision	From assigned revenue	Total	%	From final adopted budget	From carry-overs	Assigned revenue (EFTA)	Total	%
	1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
European Parliament	2 168	1 460	256	26	1 742	80.4%	278	–	108	386	17.8%	18	22	–	40	1.8%
European Council and Council	635	435	39	29	503	79.2%	50	–	24	74	11.7%	50	8	–	58	9.2%
Commission	143 020	134 108	902	3 758	138 768	97.0%	452	913	2 799	4 164	2.9%	29	56	2	88	0.1%
Court of Justice	374	335	14	1	349	93.5%	17	–	1	18	4.9%	4	2	–	6	1.6%
Court of Auditors	145	124	9	–	134	92.4%	8	–	–	8	5.4%	2	2	–	3	2.2%
Economic & Social Committee	141	115	6	3	125	88.2%	8	–	1	9	6.3%	6	2	–	8	5.5%
Committee of the Regions	96	79	6	2	86	89.4%	8	–	–	8	8.2%	1	1	–	2	2.5%
Ombudsman	10	9	1	–	10	93.7%	0	–	–	0	3.7%	–	–	–	–	2.6%
European Data protection Supervisor	9	7	–	–	7	82.2%	1	–	–	1	10.1%	–	–	–	1	7.7%
European External Action Service	897	464	70	239	773	86.2%	49	4	57	110	12.3%	2	11	–	13	1.5%
	147 495	**137 136**	**1 304**	**4 057**	**142 497**	**96.6%**	**870**	**917**	**2 991**	**4 778**	**3.2%**	**112**	**106**	**2**	**220**	**0.1%**

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

EUR millions

Agency	Final adopted budget	Entitlements established	Amounts received	Outstanding	Funding Commission Policy Area
European Agency for the Cooperation of Energy Regulators	11	11	11	–	06
European Asylum Support Office	16	13	13	0	18
European Aviation Safety Agency	162	145	137	8	06
Frontex	98	87	87	(0)	18
European Centre for the Development of Vocational Training	18	17	17	0	15
European Police College	9	9	9	0	18
European Chemicals Agency	33	37	37	0	02
European Centre for Disease Prevention and Control	60	59	59	0	17
European Monitoring Centre for Drugs and Drug Addiction	15	16	16	–	18
European Banking Authority	34	34	34	0	12
European Insurance and Occupational Pensions Authority	22	22	22	0	12
European Environment Agency	43	53	52	1	07
European Police office	84	85	85	0	18
European Securities and Markets Authority	33	32	32	–	12
Community Fisheries Control Agency	9	9	9	–	11
European Food Safety Authority	80	80	80	0	17
European Institute for gender equality	7	7	7	–	04
Galileo Supervisory Authority	25	358	358	–	06
Fusion for energy ITER	551	551	551	0	08
The European Union's Judicial Cooperation Unit (Eurojust)	34	34	34	0	33
eu.LISA	65	57	57	–	18
European Maritime Safety Agency	58	58	58	0	06
Office for Harmonisation in the Internal Market	194	196	196	0	12
European Medicines Agency	282	311	272	39	02
European Network and Information Security Agency	10	10	10	–	09
Office for the body of European Regulators for Electronic Communications BEREC	4	4	4	–	09
European Union Agency for Fundamental Rights	21	21	21	–	18
European Railway Safety Agency	26	26	26	0	06
European Agency for Safety and Health at Work	15	15	15	–	04
European Institute of Innovation and Technology	175	167	167	–	15
Translations Centre for the bodies of the EU	56	48	47	1	15
European Training Foundation	20	21	21	0	15
Community Plant Variety Office	15	13	13	–	17
European foundation for improvement of living & working conditions	21	21	21	0	04
Education, Audiovisual and Culture Executive Agency	47	47	47	–	15
Executive Agency for Competitiveness and Innovation	24	25	25	–	06
European Research Council Executive Agency	36	36	36	0	08
Research Executive Agency	52	52	52	0	08
Executive Agency for Health and Consumers	7	7	7	–	17
European Transport Network Executive Agency	13	14	14	0	06
	2 486	**2 809**	**2 759**	**50**	

EUR millions

Type of revenue	Final adopted budget	Entitlements established	Amounts received	Outstanding
Commission Subsidy	1 593	1 566	1 565	0
Fee income	557	603	558	45
Other income	335	640	635	5
	2 486	**2 809**	**2 759**	**50**

6.4. COMMITMENT & PAYMENT APPROPRIATIONS BY AGENCY

EUR millions

Agency	Commitment appropriations			Payment appropriations		
	Total appropriations available	Commitments made	Carried to 2015	Total appropriations available	Payments made	Carried to 2015
European Agency for the Cooperation of Energy Regulators	11	10	0	16	13	3
European Asylum Support Office	16	13	0	16	11	2
European Aviation Safety Agency	184	136	45	191	125	63
Frontex	99	97	2	130	94	33
European Centre for the Development of Vocational Training	19	18	0	20	17	2
European Police College	9	8	0	10	8	2
European Chemicals Agency	115	111	0	127	112	11
European Centre for Disease Prevention and Control	61	61	0	72	59	12
European Monitoring Centre for Drugs and Drug Addiction	16	16	0	16	15	1
European Banking Authority	34	34	–	38	32	5
European Insurance and Occupational Pensions Authority	22	22	0	27	21	6
European Environment Agency	66	59	7	70	48	22
European Police office	86	85	0	95	86	6
European Securities and Markets Authority	33	33	–	39	32	6
Community Fisheries Control Agency	9	9	–	11	9	1
European Food Safety Authority	80	80	0	87	78	8
European Institute for gender equality	7	7	0	10	8	2
Galileo Supervisory Authority	2 095	693	1 402	407	150	257
Fusion for energy ITER	1 169	1 169	–	573	507	38
The European Union's Judicial Cooperation Unit (Eurojust)	34	34	0	39	34	4
eu.LISA	59	49	10	72	54	15
European Maritime Safety Agency	60	56	2	61	53	5
Office for Harmonisation in the Internal Market	420	246	–	458	239	40
European Medicines Agency	282	266	0	316	251	47
European Network and Information Security Agency	10	10	0	11	10	1
Office for the body of European Regulators for Electronic Communications BEREC	4	4	–	5	4	1
European Union Agency for Fundamental Rights	22	22	0	28	21	7
European Railway Safety Agency	26	25	0	28	24	3
European Agency for Safety and Health at Work	17	16	2	22	16	5
European Institute of Innovation and Technology	236	223	8	179	165	2
Translations Centre for the bodies of the EU	56	45	–	59	43	4
European Training Foundation	23	22	0	23	21	2
Community Plant Variety Office	17	16	–	15	13	0
European foundation for improvement of living & working conditions	22	21	1	26	21	5
Education, Audiovisual and Culture Executive Agency	47	46	–	52	46	6
Executive Agency for Competitiveness and Innovation	24	22	–	26	20	4
European Research Council Executive Agency	36	36	–	38	36	2
Research Executive Agency	52	51	–	54	50	4
Executive Agency for Health and Consumers	7	7	–	8	7	1
European Transport Network Executive Agency	13	13	–	14	12	1
	5 600	**3 890**	**1 481**	**3 488**	**2 563**	**638**

EUR millions

Type of expenditure	Commitment appropriations			Payment appropriations		
	Total appropriations available	Commit-ments made	Carried to 2015	Total appropriations available	Payments made	Carried to 2015
Staff	941	914	1	955	909	17
Administrative expenses	387	363	11	465	346	99
Operational expenses	4 272	2 613	1 469	2 067	1 309	522
	5 600	**3 890**	**1 481**	**3 488**	**2 563**	**638**

6.5. BUDGET RESULT INCLUDING AGENCIES

EUR millions

	European Union	AGENCIES	Elimination of subsidies to agencies	TOTAL
Revenue for the financial year	143 940	2 759	(1 565)	145 134
Payments against current year's budget appropriations	(137 136)	(2 049)	1 565	(137 620)
Payments against assigned revenue appropriations	(4 057)	(300)	–	(4 357)
Payment appropriations carried over to year N+1	(1 787)	(402)	–	(2 189)
Cancellation of unused appropriations carried over from year N-1	25	157	–	182
Evolution of assigned revenue	336	(235)	–	101
Exchange differences for the year	110	(2)	–	108
	1 432	***(73)***	***–***	***1 358***

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