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COMMISSION

FINAL ANNUAL ACCOUNTS OF THE EUROPEAN COMMUNITIES

FINANCIAL YEAR 2005

Volume I

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED REPORTS ON IMPLEMENTATION OF THE BUDGET

(2006/C 264/01)

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PRINCIPAL EVENTS AND KEY POINTS

THE CHANGE TO ACCRUAL ACCOUNTING AND ITS IMPACT

Why change?

The European Communities undertook to fall into line with the approach adopted by many States, and supported by international bodies such as IFAC⁽¹⁾ and OECD, by modernising their accounts. This entailed a change from a system of accounts focusing on a cash-based description of budget expenditure and revenue operations to an accrual accounting system.

The objective was to provide better information to management for their decision making and to improve the transparency and quality of the accounting information presented annually. The new system should ensure that both the internal users of the system and the external readers of the accounts have more reliable and relevant information.

The work done

The work started in earnest in 2003 with the commencement of the 'modernisation of the accounting system' project, which had the aim of placing the European Communities at the forefront of the international movement towards the modernisation of public sector accounting.

As planned, in January 2005 the new accounting system came into use, together with a new set of accounting rules and a new chart of accounts. Thus these are the first set of financial statements prepared under the new accrual accounting rules (the budget accounts are still based on movements of cash.) These new rules and methods are inspired by internationally accepted standards for the public sector — the IPSAS — and, for accounting transactions that are not yet covered by IPSAS, on the relevant International Accounting Standards ('IAS')/International Financial Reporting Standards ('IFRS'). These rules have been adopted by the Accounting Officer of the Commission after receiving the opinion of an Advisory Expert Group for Accounting Standards that provided independent professional guidance. The IT architecture was updated to ensure that each accounting event, and not just cash movement, would be fully registered when it occurs. Improvements will continue to be made to the IT systems to further the integration of systems and to provide better management reporting. Finally, the scope of consolidation was extended in 2005 to include the various Communities' agencies for the first time.

The end result was the preparation of a balance sheet at 31.12.2004 based on the new accounting rules.

The main impact of the changes

The first impact to be noted is that the balance sheet and off-balance sheet presented here in relation to the prior year (2004) will differ from those published in the 2004 annual accounts, since they are prepared under different rules. The Communities have thus taken the original 2004 figures, as prepared under the old rules and made adjustments to bring them into line with the new rules.

The application of accrual accounting principles essentially means that income and expenditure is recorded in the accounts when it is earned/incurred and not just if cash is received/paid. The four biggest impacts on the financial statements of this change of accounting rules were as follows:

1. **Pre-financing:** An asset called pre-financing is now recognised on the Communities' balance sheet representing advances paid to beneficiaries with the intention to provide them with a float. The amount on the balance sheet represents money that the beneficiary has not yet used or for which (s)he has not yet submitted reports/claims detailing how this money was spent. Total pre-financing at 31.12.2004 was EUR 28 billion, which is a significant addition to the balance sheet (see PART I, Section E, notes **3.5 & 3.9**).
2. **Current Payables:** Amounts are now recognised in the accounting system as costs and payables as soon as they are deemed incurred and eligible by the authorising services. Because of the new IT tools and rules, the restated balance sheet at 31.12.2004 shows a figure of EUR 9,4 billion recorded as current payables (see PART I, Section E, note **3.18.2**).

(1) International Federation of Accountants.

3. **Cut-off:** A key element of accrual accounting is ensuring that income and expenses are recorded in the accounting period to which they relate. Therefore, a significant exercise was performed by the European Communities to estimate the accounting entries that needed to be made at year-end to ensure that the correct split of income and expenses between the two years was made. These types of transactions are known as 'cut-off' transactions and a common example is that electricity costs for December 2004 should be included in the accounts of 2004 even if no invoice is received until 2005 and no payment is made until 2005. The inclusion of these amounts has meant an inclusion of accrued expenses at 31.12.2004 of EUR 64,2 billion (see PART I, Section E, note 3.18.4)
4. **Pension receivable from Member States:** As part of the application the new accounting rules, it was decided by the Commission's Accounting Officer, following advice from and discussions with the Advisory Expert Group for Accounting Standards, that the guarantee given by Member States to fund the pensions does not meet the criteria necessary for it to be recognised as a receivable on the balance sheet. The removal of this asset from the balance sheet at 31.12.2004 has reduced total assets by EUR 26 billion — (see PART I, Section E, note 3.12).

A full explanation of the impact of the changes is given in PART I, Section E2.

Amounts to be called up from Members States

Based on new rules, the Communities must evaluate and recognise in its financial statements the expenditure to be financed by the general budget but which has not yet been declared by the year-end. Thus very many expenses are recognised under accrual accounting rules in the year N although they may be actually paid in year N+1 using the budget of year N+1. Nevertheless, the Communities only call up resources from the Member States when they need money to pay an amount due, so as to give Member States maximum flexibility in managing their public finances. This inclusion in the accounts of the Communities' liabilities, coupled with the fact that the corresponding amounts needed to fund these are only recognised in future years, results in liabilities greatly exceeding assets at the year-end.

To present the facts of this situation in the most comprehensible way for the reader of the accounts, a vertical balance sheet showing the Communities' assets first, then its liabilities was adopted. The difference represents principally the amounts to be called up from Member States. The existence of negative net assets simply reflects the difference between cash-based accounting and accrual accounting for an entity which is financed according to its cash-flow needs. It does not take into account the obligation of Member States to provide the necessary resources in the future to pay for the expenditure incurred when it falls due. It should be remembered that the Communities cannot make a payment unless it was foreseen in the budget and all budgeted expenditure is covered by budgeted revenue from the Member States (see PART I, Section E, note 3.20).

A new structure

While the budgetary reporting was unaffected by the move to accrual accounting, the new financial statements include much more information than before. Most significantly there are now an economic outturn account, a cashflow table and a statement of changes in net assets to add to the restructured balance sheet and off-balance sheet.

MAIN POINTS OF NOTE IN THE 2005 ANNUAL ACCOUNTS

- The budget surplus has continued to decrease from EUR 2,7 billion to EUR 2,4 billion
- The economic outturn (loss) for the year was EUR 7,8 billion
- Total assets increased from EUR 53,6 billion in 2004 to EUR 58,7 billion, with total liabilities increasing from EUR 105,2 billion to EUR 120,9 billion.

PART I
**CONSOLIDATED FINANCIAL STATEMENTS OF THE EUROPEAN COMMUNITIES AND EXPLA-
NATORY NOTES**

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A. BALANCE SHEET

EUR

	Note	31.12.2005	31.12.2004 Restated
I.	NON-CURRENT ASSETS:	31 415 180 633,30	30 142 730 492,69
	Intangible fixed assets	26 676 624,50	17 137 089,53
	Tangible fixed assets	4 141 220 250,32	4 084 425 922,70
	Investments	1 874 420 306,00	2 150 177 300,19
	Loans	2 397 326 503,16	2 298 277 591,00
	Long-term pre-financing	22 731 731 325,85	21 284 928 692,20
	Long-term receivables	243 805 623,47	307 783 897,07
II.	CURRENT ASSETS:	27 291 395 093,09	23 450 507 504,46
	Stocks	126 470 335,92	63 255 048,68
	Short-term investments	1 439 652 311,41	1 442 821 890,84
	Short-term pre-financing	6 633 481 985,52	6 727 929 511,29
	Short-term receivables	7 237 854 523,32	7 139 062 014,64
	Cash & cash equivalents	11 853 935 936,92	8 077 439 039,01
	Total Assets	58 706 575 726,39	53 593 237 997,15
III.	NON-CURRENT LIABILITIES:	38 025 870 323,61	30 556 735 482,10
	Employee benefits	33 155 884 938,00	26 012 130 886,00
	Provisions for risks and charges	1 096 842 934,71	1 013 020 111,03
	Financial liabilities	1 920 492 514,34	1 688 032 288,29
	Other long-term liabilities	1 852 649 936,56	1 843 552 196,78
IV.	CURRENT LIABILITIES:	82 825 446 775,06	74 633 599 508,87
	Provisions for risks and charges	275 440 997,63	240 240 253,60
	Financial liabilities	22 018 193,71	152 154 480,63
	Accounts payable	82 527 987 583,72	74 241 204 774,64
	Total Liabilities	120 851 317 098,67	105 190 334 990,97
	NET ASSETS	(62 144 741 372,28)	(51 597 096 993,82)
	Reserves	2 808 609 579,99	2 567 532 141,28
	Amounts to be called from Member States:	(64 953 350 952,27)	(54 164 629 135,10)
	Staff Pensions (long-term) (*)	(33 155 884 938,00)	(26 012 130 886,00)
	Other amounts (**)	(31 797 466 014,27)	(28 152 498 249,10)
V.	NET ASSETS (***)	(62 144 741 372,28)	(51 597 096 993,82)

(*) Under Article 83 of the Staff Regulation, the Member States shall jointly guarantee the liability for pensions.

(**) The Parliament has adopted a budget on 15 December 2005 which provides for the payment of the Communities' short-term liabilities from own resources to be collected by, or called up from, the Member States in 2006.

(***) For more details please see the Statement of changes in Net Assets.

B. ECONOMIC OUTTURN ACCOUNT (including Segment Reporting)

EUR

	Note	2005
OPERATING REVENUE:	4.1	107 890 098 965,56
<i>Own Resource and contributions revenue:</i>		103 964 129 385,85
GNI resources		70 861 050 698,58
VAT resources		16 018 121 497,86
Traditional own resources		14 264 712 942,61
Budgetary adjustments		2 606 103 308,82
Contributions of Third countries (including EFTA countries)		214 140 937,98
<i>Operating revenue:</i>		3 925 969 579,71
Fines		719 616 062,54
Recovery of expenses		1 385 693 507,89
Revenues from administrative operations		895 083 199,67
Other operating revenue		925 576 809,61
OPERATING EXPENSES		107 597 505 955,88
<i>Administrative expenses:</i>	4.2	6 127 531 024,91
Staff expenses		3 612 990 701,52
Fixed asset related expenses		320 308 630,81
Other administrative expenses		2 194 231 692,58
<i>Operating expenses:</i>	4.3	101 469 974 930,97
Direct centralised management		11 281 191 742,49
Indirect centralised management		350 673 116,96
Decentralised management		1 732 823 172,49
Shared management		86 925 465 101,27
Joint management		248 168 777,58
Other operating expenses	4.4	931 653 020,18
SURPLUS FROM OPERATING ACTIVITIES		292 593 009,68
Financial operations revenue	4.5	399 088 528,72
Financial operations expenses	4.6	(368 650 139,19)
Increase in pension liability	3.12	(8 044 529 533,33)
(DEFICIT) FROM NON-OPERATING ACTIVITIES		(8 014 091 143,80)
SHARE OF NET (DEFICIT) ASSOCIATES & JOINT VENTURES	4.7	(90 966 231,35)
(DEFICIT) FROM ORDINARY ACTIVITIES		(7 812 464 365,47)
ECONOMIC RESULT FOR THE YEAR		(7 812 464 365,47)

SEGMENT REPORTING

This report gives the split of the operating revenues and expenses by policy area, based on the Activity Based Budget structure, within the Commission. These policy areas can be grouped under three larger headings — Activities within the European Union, Activities outside the European Union and Services & other.

‘Activities within the European Union’ is the largest of these headings as it covers the many policy areas within the European Union. ‘Activities outside the European Union’ concerns the policies operated outside the Union, such as trade and aid. ‘Services & other’ are the internal and horizontal activities necessary for the functioning of the Communities’ Institutions and bodies.

The consolidated agencies are integrated into the same policy area as the Commission activity from which they receive their main Communities' subsidy. Other Institutions, aside from the Commission are grouped in a specific policy area. The various policy areas represent gross figures before consolidation eliminations and the consolidation eliminations are done globally in one column.

Note that own resources and contributions are not split amongst the various activities as these are calculated, collected and managed by central Commission services. They are shown here so as to allow for comparison of the net result with the Economic Outturn Account.

SEGMENT REPORTING — SUMMARY

EUR

	Activities within the EU	Activities outside the EU	Services & Other	ECSC in Liquidation	Other Institutions	Consolidation eliminations	TOTAL
OPERATING REVENUE:							
Fines	719 616 062,54						719 616 062,54
Recovery of expenses	1 353 084 760,41	36 722 410,81	1 290 942,71			(5 404 606,04)	1 385 693 507,89
Revenues from administrative operations	89 082 518,18	62 742 860,77	597 208 561,21	(53 875 000,00)	261 789 487,91	(61 865 228,40)	895 083 199,67
Other operating revenue	688 188 532,20	272 916 001,90	460 493 351,82		305 161,77	(496 326 238,08)	925 576 809,61
TOTAL OPERATING REVENUES	2 849 971 873,33	372 381 273,48	1 058 992 855,74	(53 875 000,00)	262 094 649,68	(563 596 072,52)	3 925 969 579,71
Administrative expenses:							
Staff expenses	1 809 140 421,50	890 182 701,55	1 382 452 884,00	5 648,00	2 120 615 781,21	(74 866 411,35)	6 127 531 024,91
Fixed asset related expenses	1 344 955 579,32	620 812 260,57	617 749 601,28		1 036 675 272,43	(7 202 012,08)	3 612 990 701,52
Other administrative expenses	59 471 934,18	52 618 748,62	98 316 368,04	5 648,00	109 895 931,97		320 308 630,81
Operating expenses:	404 712 908,00	216 751 692,36	666 386 914,68		974 044 576,81	(67 664 399,27)	2 194 231 692,58
Direct centralised management	94 580 031 861,20	5 613 725 860,31	1 764 946 870,63			(488 729 661,17)	101 469 974 930,97
Indirect centralised management	6 548 039 671,23	3 479 353 565,16	1 493 894 876,89			(240 096 370,79)	11 281 191 742,49
Decentralised management	293 199 308,89	298 361 244,31	1 886 514,00			(242 773 950,24)	350 673 116,96
Shared management	378 103 058,75	1 354 720 113,74					1 732 823 172,49
Joint management	86 925 465 101,27						86 925 465 101,27
Other operating expenses	21 703 755,76	226 465 021,82	269 165 479,74			(5 859 340,14)	248 168 777,58
TOTAL OPERATING EXPENSES	96 389 172 282,70	6 503 908 561,86	3 147 399 754,63	5 648,00	2 120 615 781,21	(563 596 072,52)	107 597 505 955,88
NET OPERATING EXPENSES	(93 539 200 409,37)	(6 131 527 288,38)	(2 088 406 898,89)	(53 880 648,00)	(1 858 521 131,53)	-	(103 671 536 376,17)
Own resource and contributions revenue							103 964 129 385,85
Surplus from operating activities							292 593 009,68
Net financial revenue							30 438 389,53
Increase in pension liability							(8 044 529 533,33)
Share of associates/joint venture results							(90 966 231,35)
Economic result for the year							(7 812 464 365,47)

SEGMENT REPORTING — ACTIVITIES WITHIN THE EU

EUR

	Economic & Financial affairs	Enterprise & Industry	Competition	Employment	Agriculture	Transport & Energy	Environment	Research	Information Society
OPERATING REVENUE:									
Fines	0,00	0,00	699 616 062,54	0,00	0,00	0,00	0,00	0,00	0,00
Recovery of expenses	268 064,24	1 411 811,20	0,00	69 163 331,89	1 095 501 773,52	2 827 282,13	204 297,96	(1 503 012,75)	3 613 410,74
Revenues from administrative operations	0,00	3 137 099,27	0,00	373 252,58	0,00	318 726,24	30 420,36	53 874 389,18	0,00
Other operating revenue	943 047,15	106 245 197,98	6 125 594,59	34 792 023,86	21 463 750,70	48 081 050,89	37 864 063,91	214 975 609,38	7 744 634,28
TOTAL OPERATING REVENUES	1 211 111,39	110 794 108,45	705 741 657,13	104 328 608,33	1 116 965 524,22	51 227 059,26	38 098 782,23	267 346 985,81	11 358 045,02
Administrative expenses:									
Staff expenses	40 170 815,78	112 782 404,99	60 914 198,97	73 291 049,30	93 011 388,22	105 529 494,62	63 297 071,72	144 070 879,70	85 744 021,81
Fixed asset related expenses	0,00	5 333 212,01	0,00	562 643,68	0,00	492 141,91	620 795,93	0,00	31 272,69
Other administrative expenses	6 029 013,41	35 183 264,17	3 686 432,81	18 486 689,48	11 666 216,91	20 742 023,77	21 841 472,80	48 901 816,18	25 671 566,82
Operating expenses:	59 307 959,45	195 709 789,69	452 045,97	10 986 548 855,98	54 319 611 969,20	1 079 402 884,03	226 522 697,46	2 573 004 377,31	848 420 984,23
Centralised direct management	59 307 959,45	153 040 733,18	452 045,97	179 672 789,83	36 689 337,94	1 023 432 786,76	193 960 751,76	2 572 954 268,52	847 440 934,53
Centralised indirect management	0,00	0,00	0,00	1 525 090,20	0,00	5 677 018,73	16 882 600,85	0,00	0,00
Decentralised management	0,00	0,00	0,00	0,00	226 312 553,13	4 751 688,31	0,00	0,00	0,00
Shared management	0,00	0,00	0,00	10 788 124 831,35	54 040 432 329,95	0,00	0,00	0,00	0,00
Joint management	0,00	0,00	0,00	0,00	0,00	21 703 755,76	0,00	0,00	0,00
Other operating expenses	0,00	42 669 056,51	0,00	17 226 144,60	16 177 748,18	23 837 634,47	15 679 344,85	50 108,79	980 049,70
TOTAL OPERATING EXPENSES	105 507 788,64	349 008 670,86	65 052 677,75	11 078 889 238,44	54 424 289 574,33	1 206 166 544,33	312 282 037,91	2 765 977 073,19	959 867 845,55
NET OPERATING EXPENSES	(104 296 677,25)	(238 214 562,41)	640 688 979,38	(10 974 560 630,11)	(53 307 324 050,11)	(1 154 939 485,07)	(274 183 255,68)	(2 498 630 087,38)	(948 509 800,53)
	Joint Research Centre	Fisheries	Internal Market	Regional Policy	Taxation & Customs	Education & Culture	Health & Consumer protection	Justice, Freedom & Security	Total Activities within the EU
OPERATING REVENUE:									
Fines	0,00	20 000 000,00	0,00	0,00	0,00	0,00	0,00	0,00	719 616 062,54
Recovery of expenses	197 689,90	(577 716,70)	0,00	123 765 779,64	214 784,18	57 757 136,14	99 895,16	140 233,16	1 353 084 760,41
Revenues from administrative operations	26 916 536,65	0,00	0,00	0,00	3 706 530,65	674 748,67	0,00	50 814,58	89 082 518,18
Other operating revenue	12 811 935,20	776,79	7 153,49	2 432,19	461 868,81	131 777 307,45	34 783 584,53	30 108 501,00	688 188 532,20
TOTAL OPERATING REVENUES	39 926 161,75	19 423 060,09	7 153,49	123 768 211,83	4 383 183,64	190 209 192,26	34 883 479,69	30 299 548,74	2 849 971 873,33

	Joint Research Centre	Fisheries	Internal Market	Regional Policy	Taxation & Customs	Education & Culture	Health & Consumer protection	Justice, Freedom & Security	Total Activities within the EU
<u>Administrative expenses:</u>	324 372 209,78	32 051 379,81	44 690 462,16	57 972 095,34	47 405 108,82	156 840 485,76	115 039 261,94	52 709 530,21	1 809 140 421,50
Staff expenses	191 769 343,19	25 946 002,86	41 167 654,18	49 647 357,38	39 143 285,61	89 648 655,85	82 770 631,38	46 051 323,76	1 344 955 579,32
Fixed asset related expenses	44 625 365,19	0,00	4 395,68	0,00	3 445 604,19	1 330 513,59	2 055 405,38	970 583,93	59 471 934,18
Other administrative expenses	87 977 501,40	6 105 376,95	3 518 412,30	8 324 737,96	4 816 219,02	65 861 316,32	30 213 225,18	5 687 622,52	404 712 908,00
<u>Operating expenses:</u>	60 714 249,27	697 841 194,30	4 552 640,19	21 526 122 538,25	31 530 486,25	1 211 876 717,33	307 247 898,55	451 164 573,74	94 580 031 861,20
Centralised direct management	(30 348 138,27)	215 276 482,20	4 552 640,19	94 989 892,49	31 530 486,25	791 695 562,00	283 223 089,90	90 168 048,53	6 548 039 671,23
Centralised indirect management	0,00	0,00	0,00	(601 257,04)	0,00	269 715 856,15	0,00	0,00	293 199 308,89
Decentralised management	0,00	0,00	0,00	147 021 849,64	0,00	16 967,67	0,00	0,00	378 103 058,75
Shared management	0,00	470 531 514,01	0,00	21 272 810 053,16	0,00	(543 390,71)	0,00	354 109 763,51	86 925 465 101,27
Joint management	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	21 703 755,76
Other operating expenses	91 062 387,54	12 033 198,09	0,00	11 902 000,00	0,00	150 991 722,22	24 024 808,65	6 886 761,70	413 520 965,30
TOTAL OPERATING EXPENSES	385 086 459,05	729 892 574,11	49 243 102,35	21 584 094 633,59	78 935 595,07	1 368 717 203,09	422 287 160,49	503 874 103,95	96 389 172 282,70
NET OPERATING EXPENSES	(345 160 297,30)	(710 469 514,02)	(49 235 948,86)	(21 460 326 421,76)	(74 552 411,43)	(1 178 508 010,83)	(387 403 680,80)	(473 574 555,21)	(93 539 200 409,37)

SEGMENT REPORTING — ACTIVITIES OUTSIDE THE EU

EUR

	External Relations	Trade	Development	Enlargement	Humanitarian Aid	Total Activities outside the EU
<u>OPERATING REVENUE:</u>						
Recovery of expenses	8 350 389,23	(46 083,70)	19 226 652,13	9 131 176,72	60 276,43	36 722 410,81
Revenues from administrative operations	60 781 919,99	0,00	(1 666,30)	1 962 607,08	0,00	62 742 860,77
Other operating revenue	6 204 915,71	12 110,81	1 301 147,76	265 258 510,04	139 317,58	272 916 001,90
TOTAL OPERATING REVENUES	75 337 224,93	(33 972,89)	20 526 133,59	276 352 293,84	199 594,01	372 381 273,48
<u>Administrative expenses:</u>	626 640 536,51	47 074 129,27	131 434 686,78	67 097 824,88	17 935 524,11	890 182 701,55
Staff expenses	410 582 923,68	42 521 599,62	117 424 692,35	37 307 451,22	12 975 593,70	620 812 260,57
Fixed asset related expenses	51 282 367,01	0,00	0,00	1 336 381,61	0,00	52 618 748,62
Other administrative expenses	164 775 245,82	4 552 529,65	14 009 994,43	28 453 992,05	4 959 930,41	216 751 692,36
<u>Operating expenses:</u>	2 082 953 186,40	10 013 446,62	780 048 497,43	2 205 715 297,71	534 995 432,15	5 613 725 860,31
Direct centralised management	1 776 530 787,59	9 450 379,12	652 893 731,15	505 802 026,55	534 676 640,75	3 479 353 565,16
Indirect centralised management	36 126 501,89	0,00	25 091 165,92	237 143 576,50	0,00	298 361 244,31
Decentralised management	135 528 670,41	0,00	50 981 058,43	1 168 210 384,90	0,00	1 354 720 113,74
Joint management	121 491 031,79	563 067,50	53 531 324,69	50 879 597,84	0,00	226 465 021,82
Other operating expenses	13 276 194,72	0,00	(2 448 782,76)	243 679 711,92	318 791,40	254 825 915,28
TOTAL OPERATING EXPENSES	2 709 593 722,91	57 087 575,89	911 483 184,21	2 272 813 122,59	552 930 956,26	6 503 908 561,86
NET OPERATING EXPENSES	(2 634 256 497,98)	(57 121 548,78)	(890 957 050,62)	(1 996 460 828,75)	(552 731 362,25)	(6 131 527 288,38)

SEGMENT REPORTING — SERVICES & OTHER

	Press & Communication	Anti-Fraud Office	Co-ordination	Personnel & Administration	Eurostat	Budget	Audit	Other	Total Services & Other
OPERATING REVENUE:									
Recovery of expenses	254 215,17	11 015,16	1 863,82	1 059 619,16	(185 770,60)	150 000,00	0,00	0,00	1 290 942,71
Revenues from administrative operations	95 190,18	3 523 760,83	1 322 227,41	557 920 364,69	352,24	34 346 665,86	0,00	0,00	597 208 561,21
Other operating revenue	862 671,22	18 764,17	403 925,30	31 078 188,31	868 179,59	10 585 303,45	19,09	416 676 300,69	460 493 351,82
TOTAL OPERATING REVENUES	1 212 076,57	3 553 540,16	1 728 016,53	590 058 172,16	682 761,23	45 081 969,31	19,09	416 676 300,69	1 058 992 855,74
Administrative expenses:									
Staff expenses	58 300 245,12	29 732 231,14	129 417 384,41	298 586 990,65	55 477 451,07	39 086 578,59	7 019 015,87	129 704,43	617 749 601,28
Fixed asset related expenses	1 164 191,40	42 659,29	0,00	97 109 517,35	0,00	0,00	0,00	0,00	98 316 368,04
Other administrative expenses	29 955 419,95	10 835 790,02	20 876 837,61	615 811 924,30	3 119 394,16	9 571 241,77	428 363,79	(24 212 056,92)	666 386 914,68
Operating expenses:	59 553 544,34	5 863 831,35	551 345,73	51 155 987,10	70 448 743,57	1 352 046 593,25	15 995,00	225 310 830,29	1 764 946 870,63
Direct centralised management	57 845 829,45	5 863 831,35	0,00	49 824 082,51	68 507 973,48	1 313 199 252,25	0,00	(1 346 092,15)	1 493 894 876,89
Indirect centralised management	1 630 514,00	0,00	0,00	256 000,00	0,00	0,00	0,00	0,00	1 886 514,00
Other operating expenses	77 200,89	0,00	551 345,73	1 075 904,59	1 940 770,09	38 847 341,00	15 995,00	226 656 922,44	269 165 479,74
TOTAL OPERATING EXPENSES	148 973 400,81	46 474 511,80	150 845 567,75	1 062 664 419,40	129 045 588,80	1 400 704 413,61	7 463 374,66	201 228 477,80	3 147 399 754,63
NET OPERATING EXPENSES	(147 761 324,24)	(42 920 971,64)	(149 117 551,22)	(472 606 247,24)	(128 362 827,57)	(1 355 622 444,30)	(7 463 355,57)	215 447 822,89	(2 088 406 898,89)

C. CASHFLOW TABLE

EUR

	Note	2005
CASHFLOWS FROM ORDINARY ACTIVITIES		
Deficit from ordinary activities:		(7 812 464 365,47)
<u>Operating activities:</u>	5.2	
Amortisation		6 842 720,30
Depreciation		277 733 537,93
Impairment of investments		(11 983 099,95)
(Increase)/decrease in investments		(62 602 039,59)
(Increase)/decrease in loans		(99 048 912,16)
(Increase)/decrease in long-term pre-financing		(1 446 802 633,65)
(Increase)/decrease in long-term receivables		63 978 273,60
(Increase)/decrease in stocks		(63 215 287,24)
(Increase)/decrease in short-term pre-financing		94 447 525,77
(Increase)/decrease in short-term receivables		(98 792 508,68)
Increase/(decrease) in long-term provisions		83 822 823,68
Increase/(decrease) in long-term financial liabilities		232 460 226,05
Increase/(decrease) in other long-term liabilities		9 097 739,78
Increase/(decrease) in short-term provisions		35 200 744,03
Increase/(decrease) in short-term financial liabilities		(130 136 286,92)
Increase/(decrease) in accounts payable		8 286 782 809,08
2004 Budgetary surplus taken as non cash revenue in 2005		(2 736 707 563,42)
Other non-cash movements		1 527 550,43
<u>Investing activities:</u>	5.3	
(Increase)/decrease in intangible & tangible fixed assets		(350 910 120,82)
(Increase)/decrease in investments		76 469 510,70
(Increase)/decrease in cash investments		3 169 579,43
<u>Long-term employee benefits:</u>	3.12	7 143 754 052,00
NET CASHFLOW FROM ORDINARY ACTIVITIES		3 502 624 274,88
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		3 502 624 274,88
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (*)	3.11	8 667 335 685,27
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR (*)	3.11	12 169 959 960,15

(*) Includes the cash of the Guarantee Fund (see note 3.11)

D. STATEMENT OF CHANGES IN NET ASSETS

EUR

	Reserves		Accumulated Surplus/ (Deficit)	Economic outturn of the year	Total
	Fair value reserve	Other reserves			
BALANCE AS AT 31 DECEMBER 2004 (*)	0,00	1 055 268 223,85	9 258 037 564,68	4 194 018 305,10	14 507 324 093,63
Changes in accounting policies (**)	88 457 197,90	1 423 806 719,53	(67 616 685 004,88)	0,00	(66 104 421 087,45)
BALANCE AS AT 31 DECEMBER 2004 (restated)	88 457 197,90	2 479 074 943,38	(58 358 647 440,20)	4 194 018 305,10	(51 597 096 993,82)
Movement in Guarantee Fund reserve		145 081 942,86	(145 081 942,86)		0,00
Fair value movements	(7 094 661,12)				(7 094 661,12)
Other		(450 782,03)	9 072 993,58		8 622 211,55
Allocation of the Economic Result 2004		103 540 939,00	1 353 769 802,68	(1 457 310 741,68)	0,00
Budget result 2004 credited to Member States				(2 736 707 563,42)	(2 736 707 563,42)
Economic outturn for the year				(7 812 464 365,47)	(7 812 464 365,47)
BALANCE AS AT 31 DECEMBER 2005	81 362 536,78	2 727 247 043,21	(57 140 886 586,80)	(7 812 464 365,47)	(62 144 741 372,28)

(*) The economic outturn for 2004 and the other reserves and surpluses were based on the accounting rules and scope of consolidation in place then. The adjustments made to create the opening balance sheet at 31 December 2004 under the new accounting rules have been included in the reserves and/or the accumulated surplus figure. For more details please see Section E2, and notes E3.19 & E3.20.

(**) Please see Section E2 Impact of the transition to accrual accounting for more details on these changes.

E. NOTES TO THE FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES

1.1 LEGAL PROVISIONS AND THE FINANCIAL REGULATION

The accounts are kept in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 (OJ L 248 of 16 September 2002, p. 1, with a corrigendum in OJ L 25 of 30 January 2003, p. 43) on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of this Financial Regulation.

Article 133 of the Financial Regulation states that the Accounting Officer of the Commission adopts the accounting rules and methods to be applied by all the institutions and bodies. Thus, he adopted the new Communities' accounting rules on 28 December 2004. These new accrual-based accounting policies are inspired by International Public Sector Standards (IPSAS) or by default, International Financial Reporting Standards (IFRS) as respectively issued by the International Public Sector Accounting Standard Board (IPSASB) and International Accounting Standard Board (IASB). These rules have been adopted by the Accounting Officer of the Commission after receiving the opinion of an Advisory Expert Group for Accounting Standards that provided independent professional guidance.

The valuation and accounting rules adopted by the Accounting Officer of the Commission are applied in all the European Institutions and bodies currently 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 Commission's Accounting Officer must submit the consolidated provisional accounts to the Court of Auditors for audit by 31 March of the following year. The Commission must adopt the final consolidated accounts by 31 July and they are then published in the Official Journal by 31 October together with the Court of Auditors' statement of assurance.

Both the provisional and final annual accounts for 2005 are presented as follows: Volume I contains the consolidated accounts, and Volume II the Commission's accounts.

1.2 ACCOUNTING PRINCIPLES

The objective of 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 a public sector entity such as the European Communities, 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.

If they are to present a true and fair view, financial statements must not only supply relevant information to describe the nature and range of an Institution's and Agencies' activities, explain how it is financed and supply definitive information on its operations, but do so in a clear and comprehensible manner which allows comparisons between financial years. It is with these goals in mind that the present document has been drawn up.

The accounting system of the European Institutions and Agencies comprises general accounts and budget accounts. These accounts are kept in euro on the basis of the calendar year. The **budget accounts** give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle. ⁽¹⁾ The **general accounts** allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

Article 124 of the Financial Regulation sets out the accounting principles to be applied in drawing up the financial statements:

- going concern basis;
- prudence;
- consistent accounting methods;
- comparability of information;
- materiality;

⁽¹⁾ This differs from cash-based accounting because of elements such as carryovers.

- no netting;
- reality over appearance;
- accrual-based accounting.

As the financial statements for 2005 have been prepared on a different basis than in 2004, i.e. full accrual accounting, in accordance with the Communities' accounting rules, adjustments were made to the original balance sheet at 31 December 2004 so as to arrive at the opening, accrual based, balance sheet at 31 December 2004 (for example, the inclusion of pre-financing amounts). These adjustments are explained in more detail in note E2.

1.3 CONSOLIDATION

The scope of consolidation of the European Communities comprises 26 controlled entities, one associate and one joint venture. The complete list of consolidated entities can be found in note E10. In comparison with 2004, the scope of consolidation has been extended by 16 controlled entities in order to comply with the updated European Communities' accounting rules.

Controlled entities

Controlled entities are all entities over which the European Communities have 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. The most common indicator of control, majority of voting rights, is in most of the cases not applicable for the European Communities as there are normally no capitalistic links between the entities.

The European Institutions falling within the scope of consolidation have been created through their founding treaties. They represent the basis of the organisational structure of the European Communities and contribute incontestably to the European Communities' objectives. These Institutions can therefore be considered as being under the exclusive control of the European Communities.

Under the same approach, all Communities Agencies created through a secondary act of legislation are considered as under the exclusive control of the European Communities and therefore are, for the first time, included in the consolidation scope. Furthermore the European Coal and Steel Communities in Liquidation (ECSC) is also considered as a controlled entity. However, the Office for Harmonisation in the Internal Market (Alicante) and the Community Plant Variety Office (Angers), which do not receive any subsidies from the General Budget of the Communities, are not consolidated in the 2005 accounts.

Controlled entities are consolidated using the full consolidation method. All inter-company transactions and balances between European Communities' controlled entities are eliminated. Unrealised gains and losses on inter-entity transactions are not material and have therefore not been eliminated.

Associates

Associates are all entities over which the European Communities have significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The European Communities' share of their associates' post-acquisition profits or losses is recognised in the economic outturn account, and their share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

Unrealised gains and losses on transactions between the European Communities and their associate are not material and have therefore not been eliminated.

The accounting policies of associates may differ from those adopted by the European Communities for like transactions and events in similar circumstances. For practicable reasons, no adjustments were made to the associates' financial statements used in applying the equity method.

In cases where the European Communities hold 20 % or more of a venture capital fund, the Communities do not seek to exert significant influence. Such funds are therefore treated as assets available for sale and the equity method is not applied.

Joint ventures

A joint venture is a contractual arrangement whereby the European Communities 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 over an economic activity. Interests in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost.

The European Communities' interest of the profits or losses of their jointly controlled entities is recognised in the economic outturn account, and their interest of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the interest.

Unrealised gains and losses on transactions between the European Communities and their jointly controlled entity are not material and have therefore not been eliminated.

The accounting policies of joint ventures may differ from those adopted by the European Communities for like transactions and events in similar circumstances. For practicable reasons, no adjustments were made to the joint ventures' financial statements used in applying the equity method.

Non-consolidated entities

Not consolidated in the accounts of the European Communities are the funds managed by the Communities on behalf of both the Joint Sickness Insurance Scheme for staff of the European Communities, and the European Development Fund. At 31 December 2005 the total assets of both were EUR 260 million and EUR 3,5 billion respectively — see note E 11.

1.4 CURRENCY AND BASIS FOR CONVERSION

Functional and reporting currency

The consolidated financial statements are presented in euros, which is the European Communities' 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 economic outturn account.

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 2005:

EURO Exchange Rate at 31 December 2005

CYP	0,5735
CZK	29,0000
DKK	7,4605
EEK	15,6466
GBP	0,6853
HUF	252,8700
LVL	0,6962
LTL	3,4528
MTL	0,4293
PLN	3,8600
SKK	37,8800
SIT	239,5000
SEK	9,3885
USD	1,1797

Different conversion methods apply to the following headings:

- tangible and intangible assets, which retain their value in euros at the rate that applied at the date when they were purchased; and
- pre-financing paid under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, which are converted at the exchange rates applying on the 10th day of the month following the month in which they are granted.

Changes in the fair value of monetary securities denominated in foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the economic outturn account, and other changes in carrying amount are recognised in the fair value reserve. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in the economic outturn account. Translation differences on non-monetary financial assets classified as available-for-sale are included in the fair value reserve.

1.5 BALANCE SHEET

1.5.1 *Intangible fixed assets*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (4 years). Internally produced intangible assets are currently expensed in the economic outturn account.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred.

1.5.2 *Tangible fixed assets*

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation (excluding land, works of art and assets under construction) and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land, works of art and assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Depreciation rates	
Type of asset	Straight line depreciation rate
Intangible assets	25 %
Buildings	4 %
Plant, machinery and equipment	10 % to 25 %
Furniture	10 % to 25 %
Fixtures and fittings	10 % to 33 %
Vehicles	25 %
Computer hardware	25 %
Other fixed assets	10 % to 33 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the economic outturn account.

Leases

Leases of tangible assets, where the European Communities have substantially all the risks and rewards of ownership, are classified as financial leases. Financial leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The rental obligations, net of finance charges, are included in other liabilities (long and short-term.) The interest element of the finance cost is charged to the economic outturn account 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 acquired under financial 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 economic outturn account 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 and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.5.4 Investments

Investments in Associates and interests in Joint Ventures

Investments in associates and interests in joint ventures are accounted for by using the equity method.

Investments in Venture Capital Funds

Classification and measurement

Investments in Venture Capital Funds are classified as available-for-sale assets and accordingly, should be carried at fair value with gains and losses arising from changes in the fair value (including translation differences) recognised in the fair value reserve.

Fair value considerations

Since they do not have a quoted market price in an active market and in the absence of any reliable valuation technique, investments in Venture Capital Funds are valued on a line-by-line basis at the lower of cost or attributable net asset value ("NAV") as reported by the fund manager up to the balance sheet date, thus excluding any attributable unrealised gain that may be prevailing in the underlying investment portfolio. Investments in Venture Capital Funds in existence for less than two years at balance sheet date are valued based on the same principles, except in the case of unrealised losses due only to administrative expenses where, in view of the early stage of the underlying investment portfolio, these unrealised losses are not taken into account.

It should be noted that a 'fair value method' has been recently developed by the European Investment Fund in compliance with IAS 39. However, this method can only be applied to the European Communities' investments in venture capital funds at the year-end 2005. Indeed, based on the data collected in 2004, it is not possible to restate the value of investments in Venture Capital Funds at previous year-end. Consequently and for comparability reasons, the current valuation method, as described in the above paragraph, has been consistently applied at year end 2005. The fair value resulting from the application of the 'fair value method' is disclosed in note E 3.3.3.1 for information purposes only. The change from the current valuation method to this 'fair value method' will be effective on 1 January 2006 and the related adjustment will be recognised in the fair value reserve.

Under the 'new method', the fair value of investments in Venture Capital Funds is achieved by applying the aggregated Net Asset Value ('NAV') concept, which implicitly assumes that if the NAVs of the funds can be considered as compliant with IAS 39, then the aggregation of the NAVs of all funds will itself be compliant with IAS 39.

In accordance with this method, the funds are classified into three categories:

- Category I — funds that have adopted the fair value requirements of IAS 39.
- Category II — funds that have adopted other valuation guidelines (i.e. AFIC, BVCA & EVCA valuation guidelines) or standards that can be considered as in line with IAS 39.
- Category III — funds that have not adopted the fair value requirements of IAS 39 or any other valuation guidelines in line with IAS 39.

For Categories I & II, unrealised gains from the fair value measurement are recognised in reserves and unrealised losses are assessed for impairment so as to determine whether they are recognised as impairment losses in the economic outturn account or as changes in the fair value reserve.

The fair valued attributable NAV is determined through applying either the European Communities' percentage ownership in the fund to the NAV reflected in the most recent report or, to the extent available, the precise share value at the same date, submitted by the respective Fund Manager.

Investments belonging to category III are valued at cost less impairment.

Other investments

Classification

The European Communities classify their investments 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 investments is determined at initial recognition and re-evaluated at each balance sheet date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. 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 European Communities. Derivatives are also categorised as held for trading unless they qualify for hedge accounting. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

(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 Communities provide money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the European Communities has the positive intention and ability to hold to maturity. During this financial year, the European Communities 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 included in non-current assets unless the Communities intend to dispose of the investment within 12 months of the balance sheet date.

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 European Communities commit to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the economic outturn account.

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.

In the case of loans to officials granted by the ECSC in liquidation, the transaction price is used as fair value at inception independently from any preferential interest rate granted, for practicable reasons and based on materiality considerations.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the European Communities have transferred substantially all risks and rewards of ownership.

Subsequent measurement

Available-for-sale financial assets and 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 assets at fair value through profit or loss' category are included in the economic outturn account in the period in which they arise.

Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the asset and other changes in the carrying amount of the asset. The translation differences are recognised in the economic outturn account, and other changes in carrying amount are recognised in the fair value reserve. Changes in the fair value of non-monetary financial assets classified as available-for-sale are recognised in the fair value reserve.

When financial assets classified as available-for-sale are sold or impaired, the cumulative fair value adjustments previously recognised in the fair value reserve should be recognised in the economic outturn account.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the economic outturn account. Dividends on available-for-sale equity instruments are recognised when the European Communities 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 European Communities establish a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

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

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 effective interest method may not be applied separately to loans and borrowings, based on materiality considerations. The transaction costs incurred by the European Communities and then recharged to the beneficiary of the loan are directly recognised in the economic outturn account.

Impairment of financial assets

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

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the economic outturn account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the economic outturn account.

(ii) Assets carried at fair value

In the case of equity securities classified as available-for-sale, a significant or 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 economic outturn account — is removed from reserves and recognised in the economic outturn account. Impairment losses recognised in the economic outturn account on equity instruments are not reversed through the economic outturn account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale 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 economic outturn account.

1.5.5 **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. In exceptional cases, the Weighted Average Cost formula (WAC) can be applied. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct 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 stocks 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 European Communities would incur to acquire the asset on the reporting date.

1.5.6 *Pre-financing amounts*

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular pre-financing agreement. The float or advance is repaid or used for the purpose for which it was provided during the period defined in the agreement. If the beneficiary does not incur eligible expenditures, he has the obligation to return the pre-financing advance to the European Communities. The amount of the pre-financing is reduced (wholly or partially) by the acceptance of eligible costs and amounts returned.

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

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

1.5.7 *Receivables*

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the European Communities will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest for similar borrowers. The amount of the write-down is recognised in the economic outturn account statement. Also recognised is a general write-down in value of 20 % per year for outstanding recovery orders not already subject to a specific write-down.

See also note **1.5.13** below concerning the treatment of accrued income recognised at year-end

1.5.8 *Cash & cash equivalents*

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within financial liabilities under current liabilities on the balance sheet.

1.5.9 *Employee benefits*

Pension obligations

The European Communities operate defined benefit pension plans. A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less any fair value of plan assets. The defined benefit obligation is calculated by independent 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 high-quality corporate 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 economic outturn account.

Past-service costs are recognised immediately in income, 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.

1.5.10 *Provisions for risks and charges*

Provisions for risks and charges are recognised when the European Communities have a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ('expected value' method).

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability but not the risks for which future cash flows estimates have been adjusted.

1.5.11 *Financial liabilities*

Financial liabilities include borrowings and held for trading liabilities.

Borrowings are composed of borrowings from credit institutions and debts evidenced by certificates. Borrowings 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 economic outturn account over the period of the borrowings using the effective interest method. They are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date.

In the case of loans granted on borrowed funds, the effective interest method may not be applied separately to loans and borrowings, based on materiality considerations. The transaction costs incurred by the European Communities and then recharged to the beneficiary of the loan are directly recognised in the economic outturn account.

Held for trading liabilities include derivatives that do not qualify for hedge accounting when their fair value is negative. They follow the same accounting treatment as held for trading assets, see note 1.5.4.

1.5.12 *Payables*

A significant amount of the payables of the Communities are not related to the purchase of goods or services — instead they are unpaid cost claims from beneficiaries of grants or other Communities funding. They are recorded as payables for the requested amount when the cost claim is received and, after verification, accepted as eligible by the relevant financial agents. At this stage they 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 are delivered and accepted by the European Communities.

1.5.13 *Separation of accounting periods — accrued and deferred income and charges*

As part of the move to accrual accounting, one important aspect is the exercise of ensuring that transactions made during the year are recorded in the correct accounting year — a cut-off exercise: transactions must be recognised in the period to which they relate.

In particular an assessment has to be made concerning eligible expenses incurred by beneficiaries of Communities' funds but not yet reported to the Communities (accrued charges). Different methods are used depending on the type of activities and information available so as to arrive at the best estimate of these amounts. Conversely, some expenses are recorded in current year although they relate to subsequent periods (deferred charges) and those have to be identified and included in the relevant period.

Revenue should also be accounted for in the period to which it relates. At year-end, when an invoice is not sent and the service has been rendered or the supplies have been delivered or a contractual agreement exists (i.e., by reference to a treaty), the amount should be assessed and recognised in the financial statements as an accrued revenue.

In addition, at year-end, when an invoice is sent although it does not relate to the reporting period, the amount should be deferred and recognised as a decrease in revenues. The objective is to reduce revenues for the amount equal to the deferral.

Since this is the first year of such an exercise, and given the particularities of the Communities' activities, there are no benchmark methods available to compare these methods of estimation to.

1.6 ECONOMIC OUTTURN ACCOUNT

1.6.1 *Revenue*

Exchange revenue

Revenue from the sale of goods 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.

Non-exchange revenue

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

GNI based resources and VAT resources

Receivables and related revenues are recognised when the European Communities send 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, they may be revised as changes occur until the final data are issued by the Member States. The effect of a change in estimate is included when determining the net surplus or deficit for the period in which the change occurred.

Traditional own resources

Receivables and related revenues are recognised when the relevant monthly A statements (including duties collected and amounts due that are guaranteed and not contested) are received from the Member States. At the reporting date, revenue collected by the Member States for the period but not yet paid to the European Communities are estimated and recognised as accrued revenue. The quarterly B statements (including duties neither collected nor guaranteed, as well as guaranteed amounts that have been contested by the debtor) received from the Member States are recognised as revenue less collection costs (25 %). In addition a value reduction is recognised for the amount of the estimated recovery gap in the economic outturn account.

Fines

Receivables and related revenues are recognised when the Communities' 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 should be 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 Communities;
- or not to accept the decision, in which case they lodge an appeal under Communities' law.

However, the principal of the fine must be paid within the time limit laid down as the appeal does not have suspensory effect (Article 242 of the EC Treaty). The debtors have two options; they can present a bank guarantee for the amount or pay the fine provisionally.

If the undertaking appeals against the decision, and has already provisionally paid the fine, the amount is recorded as a contingent liability. However, since an appeal against a Communities' decision by the addressee does not have suspensory effect, the cash received is used to clear the receivable. If a guarantee is received instead of payment, it is recorded as a contingent asset.

If there is a risk that the Court of First Instance may not rule in favour of the Communities, a provision is recognised to cover this risk in the cases where provisional payment has already been received. If a guarantee had been given instead, then the receivable outstanding is written-down as required. The accumulated interest received by the European Communities on the bank accounts where received payments are deposited is recognised as revenue, and any contingent liability is increased accordingly.

Interest income and expense

Interest income and expense are recognised in the economic outturn account using the effective interest method. This is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the European Communities estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but do 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.

In the case of loans granted on borrowed funds, the effective interest method may not be applied separately to loans and borrowings, based on materiality considerations. The transaction costs incurred by the European Communities and then recharged to the beneficiary of the loan are directly recognised in the economic outturn account.

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 used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income

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

1.6.2 Expenditure

Exchange expenses arising from the purchase of goods are recognised when the supplies are delivered and accepted by the European Communities. They are valued at original invoice cost.

Non-exchange expenses are specific to the European Communities and account for the majority of its expenditure. They relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and, discretionary grants, contributions and donations.

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

When any 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 already due to the beneficiaries but not yet reported are estimated and recorded as accrued expenses.

1.7 CONTINGENT ASSETS AND LIABILITIES

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

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

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 European Communities; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the extremely rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

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

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

Commitments for future funding

A commitment for future funding represents a legal or constructive commitment, usually contractual, that the European Communities have entered into and which may require a future outflow of resources.

Guarantees

Guarantees are possible assets or obligations that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of the object of the guarantee. Guarantees thus qualify as contingent assets or liabilities. A guarantee is settled when the object of the guarantee no longer exists. It is crystallised when the conditions are fulfilled for calling a payment from the guarantor.

1.8 USE OF ESTIMATES

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

2. IMPACT OF THE TRANSITION TO ACCRUAL ACCOUNTING

2.1 BASIS OF PREPARATION

The Communities' opening balance sheet has been prepared in accordance with the new accounting rules adopted on 28 December 2004, which apply for the first time for the financial year 2005.

2.2 PRESENTATION OF THE FINANCIAL STATEMENTS

The annual accounts include the following primary statements: balance sheet, economic outturn account, statement of changes in net assets and cashflow table.

2.3 EQUITY RECONCILIATION

OPENING BALANCE SHEET

EUR

	Note	31.12.2004 Restated	Adjustments	31.12.2004
I.	NON-CURRENT ASSETS:	30 142 730 492,69	(4 143 923 005,85)	34 286 653 498 54
	Intangible fixed assets	17 137 089,53	10 795 517,23	6 341 572,30
	Tangible fixed assets	2.3.1 4 084 425 922,70	257 822 280,52	3 826 603 642,18
	Investments	2.3.2 2 150 177 300,19	123 900 459,79	2 026 276 840,40
	Loans	2.3.3 2 298 277 591,00	(30 831 701,00)	2 329 109 292,00
	Long-term pre-financing	2.3.4 21 284 928 692,20	21 284 928 692,20	0,00
	Long-term receivables	2.3.5 307 783 897,07	(25 790 538 254,59)	26 098 322 151,66
II.	CURRENT ASSETS:	23 450 507 504,46	7 700 336 944,33	15 750 170 560,13
	Stocks	63 255 048,68	(5 972 804,31)	69 227 852,99
	Short-term investments	2.3.2 1 442 821 890,84	46 841 216,60	1 395 980 674,24
	Short-term pre-financing	2.3.4 6 727 929 511,29	6 727 929 511,29	0,00
	Short-term receivables	2.3.5 7 139 062 014,64	263 155 996,45	6 875 906 018,19
	Cash & cash equivalents	2.3.6 8 077 439 039,01	668 383 024,30	7 409 056 014,71
	Total Assets	53 593 237 997,15	3 556 413 938,48	50 036 824 058,67
III.	NON-CURRENT LIABILITIES:	30 556 735 482,10	(1 143 539 962,90)	31 700 275 445,00
	Employee benefits	26 012 130 886,00	3 744 986,00	26 008 385 900,00
	Provisions for risks and charges	2.3.7 1 013 020 111,03	(1 254 230 501,43)	2 267 250 612,46
	Financial liabilities	2.3.8 1 688 032 288,29	109 698 482,45	1 578 333 805,84
	Other long-term liabilities	1 843 552 196,78	(2 752 929,92)	1 846 305 126,70
IV.	CURRENT LIABILITIES:	74 633 599 508,87	70 804 374 988,83	3 829 224 520,04
	Provisions for risks and charges	2.3.7 240 240 253,60	240 240 253,60	0,00
	Financial liabilities	2.3.8 152 154 480,63	(74 095 519,37)	226 250 000,00
	Accounts payable	2.3.9 74 241 204 774,64	70 638 230 254,60	3 602 974 520,04
	Total Liabilities	105 190 334 990,97	69 660 835 025,93	35 529 499 965,04
	NET ASSETS	(51 597 096 993,82)	(66 104 421 087,45)	14 507 324 093,63
	Reserves	2.3.10 2 567 532 141,28	1 512 263 917,43	1 055 268 223,85
	Amounts to be called from Member States:	2.3.10 (54 164 629 135,10)	(67 616 685 004,88)	13 452 055 869,78
	Staff pensions (long-term)	(26 012 130 886,00)	0,00	(26 012 130 886,00)
	Other	(28 152 498 249,10)	(67 616 685 004,88)	39 464 186 755,78
V.	NET ASSETS	(51 597 096 993,82)	(66 104 421 087,45)	14 507 324 093,63

The table above summarises the impact of the changes made to restate the balance sheet as at 31 December 2004 under the new accounting rules.

The presentation of the balance at 31 December 2004 (before restatement) differs slightly to that published in the Financial Statements 2004. This is due to the reclassification of certain balances within the balance sheet, made necessary to allow a relevant comparison with the restated figures. The original net assets figure of EUR 14,5 billion (then called 'Own Capital') at 31 December 2004 corresponds to the published figure.

Almost the entire impact is noticed in the accounts of the Commission and to a much lesser extent in the ECSC in liquidation. The first time inclusion of the Agencies in the consolidation scope has had a limited impact on the consolidated accounts, the main being an increase in cash balances.

2.3.1 *Tangible fixed assets*

The main change in accounting policy for tangible fixed assets relates to depreciation policy. Under previous rules, newly acquired assets were depreciated for a full 12 months in the year in which they were purchased (regardless of the date of acquisition). In accordance with the new rules depreciation is applied from the month of acquisition. Historically therefore assets had been 'over-depreciated'. This and other changes in accounting policies have led to an increase in the net value of tangible fixed assets, by EUR 69 million in the Commission, and EUR 137 million in the Parliament. The balance of the increase primarily relates to the inclusion of the Agencies for the first time.

2.3.2 *Investments*

The investment portfolio of the Guarantee Fund and of the ECSC in liquidation, made up of debt securities, was previously recorded at the lower of cost (or in case of premiums/discounts, amortised cost using linear method) or market value. These securities are now classified as available-for-sale assets and consequently carried at their fair value. The impact of the valuation at fair value has been accounted for in the fair value reserve and amounted to EUR 88 million.

The Guarantee Fund was holding three floating rate notes issued by the European Communities for an amount of EUR 21 million, including accrued interests, as at 31 December 2004. These debt securities have been duly eliminated against the corresponding debt evidenced by certificates issued by the Macro Financial Assistance (MFA) program (see note **2.3.8**).

The debt securities, amounting to EUR 38 million, held within the context of budgetary instruments managed by fiduciaries on behalf of the European Commission were included in the net asset calculation of these instruments and as such, classified as short-term receivables as at 31 December 2004. Under the new accounting rules, the components of the budgetary instruments are now classified in the relevant headings of the annual accounts according to their nature and when applicable, residual maturity.

Derivative financial instruments with a positive fair value including accrued interest (EUR 33 million) are recognised as held-for-trading assets whilst previously they were only disclosed as off balance-sheet items. The balance of the movement (EUR 33 million) relates to other reclassifications, revaluations and the inclusion of accrued interest under this heading.

2.3.3 *Loans*

Loans with special conditions were previously recorded at cost less any provision for impairment. Under the new accounting rules, these loans granted at preferential rates are initially recognised at fair value which, in the case of loans carrying interest below market conditions, corresponds to the net present value of expected cash flows discounted at the average prevailing EIB lending rate of interest for borrowers in the respective countries, then subsequently measured at amortised cost. The provisions for impairment, if any, are based on the provisional or definitive write-offs as provided for under the respective finance contract. The combined impact of the valuation of these loans at their amortised cost (EUR -152 million), on one side, and, of their entire classification as non-current assets since all have final maturities above one year after the balance sheet date (EUR 20 million), on the other side, has been accounted through the accumulated deficit account and amount to EUR -132 million.

Housing loans of the ECSC in liquidation granted at preferential rates were previously recorded at their outstanding nominal amount less any provision for impairment. Under the new accounting rules, these loans are initially recognised at fair value which corresponds to the net present value of expected cash flows discounted at the market rate of interest prevailing for bonds with similar maturities issued by the member states where the borrowers are located, then subsequently measured at amortised cost. The provisions for impairment, if any, are based on the provisional or definitive write-offs as provided for under the respective finance contracts. The impact of the valuation of these loans at their amortised cost amounts to a negative EUR 21 million.

Loans granted from borrowed funds have also been classified as non-current assets when their final maturity was above one year after the balance sheet date, increasing the balance of long-term loans by EUR 123 million and decreasing the one of short-term receivables by the same amount (see note 2.3.5).

2.3.4 *Pre-financing*

Financial statements of the European Communities published prior to 2005 included, within short term receivables, a limited number of amounts concerning pre-financing payments made on specific projects (financial intermediaries). During 2004 an inventory of all open pre-financing amounts paid out up to 31 December 2004 was prepared by every Institution and body.

The balance shown for pre-financing as at 31 December 2004 is, however, this total amount outstanding to beneficiaries at that date less accrued charges. These accrued charges represent the estimate of the actual utilisation by the beneficiaries of the pre-financing amounts at this date, for which no cost statements have yet been received by the European Communities.

As many of the projects funded by the European Communities Structural Fund actions are long-term in nature, the related advances are available for more than one year. Thus these pre-financing amounts are shown under both long-term and short-term asset headings.

2.3.5 *Receivables*

Long-term receivables have greatly decreased as the guarantee from Member States in relation to the Commission's pension obligations towards staff does not meet the accounting criteria, set down by the new accounting rules, necessary to be recognised as an asset. Originally this had amounted to EUR 26 billion at 31 December 2004.

Short term receivables have increased due to the inclusion of accrued own resource income of EUR 2,3 billion at 31 December 2004. The overall movement on the balance however is offset by the transfer of previously included pre-financing amounts, net assets of the budgetary instruments managed by fiduciaries on behalf of the European Communities and portions of loans with final maturity above one year after the balance sheet date, and accrued interest, to separate headings.

2.3.6 *Cash and cash equivalents*

The biggest impact of the inclusion of the Agencies was under this heading, being EUR 339 million.

Current accounts and short-term deposits, amounting to EUR 323 million, held within the context of budgetary instruments managed by fiduciaries on behalf of the European Communities were included in the net asset calculation of these instruments and as such, classified as short-term receivables as at 31 December 2004. Under the new accounting rules, the components of the budgetary instruments are now classified in the relevant headings of the annual accounts according to their nature and when applicable, residual maturity.

2.3.7 *Provisions*

The balance on provisions has been revised upward by the application of a more precise discount rate to the dismantling provision for the JRC (EUR 59 million). Following a more detailed review of pending legal cases there has also been an increase in the specific provisions made for these.

The significant change has been that the provisions previously recognised concerning the Guarantee Fund (EUR 1,086 million) and the ECSC in Liquidation (EUR 328 million) no longer meet the requirements to be classed as a provision under the new rules and so are removed from this heading. Reserves for the same amounts are instead recognised.

Additionally financial provisions (EUR 239 million) have been recognised within the context of budgetary instruments whilst previously they were only disclosed as off balance-sheet items. Finally, provisions relating to legal cases of EUR 81 million and provisions of EUR 21 million from other Institutions and agencies were included for the first time (see note 3.13).

2.3.8 *Financial liabilities*

As with loans granted, borrowings with final maturity above one year after the balance sheet date have been classified as non-current liabilities, increasing the balance of long-term borrowings by EUR 109 million and decreasing short-term borrowings by the same amount.

Moreover, debts evidenced by certificates issued by the Macro Financial Assistance (MFA) program and recorded as long-term borrowings were subscribed to by the Guarantee Fund. These debts have been duly eliminated against the corresponding assets held by the Guarantee Fund.

Derivative financial instruments with a negative fair value (EUR 19 million) are recognised as held-for-trading liabilities whilst previously they were only disclosed as off balance-sheet items.

2.3.9 *Accounts payable*

The biggest impact (EUR 70.6 billion) on the balance sheet has been under this heading and it is due primarily to two main exercises introduced by the modernisation project — the recording of invoices and accrued charges:

- In accordance with the Financial Regulation payment appropriations carried over to the following year are entered as budget expenditure. Until the financial year 2004, the contra-entry to these appropriations carried over and not yet used were to be found in the short-term liabilities in the balance sheet. This classification no longer exists, since all outstanding debts have been inventoried. The adjustment is included under 'accounts payable.' Amounts of EUR 2,8 billion previously reported under this heading and relating to budgetary appropriations to be carried over to the following year are no longer included following the introduction of the new accounting rules.
- All **invoices**, cost claims and credit notes received by the Communities are systematically recorded in the accounting system. This process began in the fourth quarter 2004 and in January 2005 the outstanding amounts of EUR 9,4 billion were transferred into the accounting system for the opening balance sheet.
- **Accrued charges** at 1 January 2005 totalled EUR 64,2 billion and represent the most significant impact on the opening balance sheet in comparison with the published 2004 annual accounts. These relate to current liabilities for amounts already due to eligible beneficiaries (Member States, Institutions, suppliers or service providers, individuals, etc.) but not yet recognised at the reporting date since no cost claim or invoice has been received.

According to the new accounting rules, transactions and events are recorded in the accounting systems and recognised in the financial statements in the period to which they relate. When the amount cannot be recognised within the time frame necessary for the preparation of the financial statements, the amounts that are known with reasonable certainty before the financial statements are completed, should be recognised as accrued expenses. The recognition criteria foresee that an expense is recognised by the European Communities for an amount equal to the estimated amount of the transfer obligation due for the period.

In order to calculate the best estimate of the accrued charges, the Communities did an analysis of all aspects related to the cut-off of a public entity. The Communities established an exhaustive inventory of the applicable rules and considered the presentation in the financial statements.

The ultimate goal was to make sure the proposed methodology would reduce the risk that the financial statements do not reflect a true and fair view.

The Communities then translated this designed cut-off strategy into operational and practical instructions, including the recommended methodology and a description of possible techniques by topics.

- The main amounts of accrued charges are for EAGGF-Guarantee: EUR 26,3 billion cover incurred expenses between 16 October and 31 December 2004 which are declared by Member States beyond the time frame necessary for the preparation of the financial statements, EUR 21,2 billion cover market measures including direct aid (this consists of entitlements incurred in 2004 with financial consequences in 2005) and rural development (this consists of eligible expenditure incurred by operators or the payment authorities until the 31.12.2004, for which no payment request was yet received by the Communities). Another significant amount represents accrued charges for Structural Funds: at 31 December 2004 EUR 6,3 billion for the FEDER 2000-2006, ISPA, innovative actions, EUR 5,1 billion for FSE. The remaining amounts of EUR 5,3 billion cover accrued charges for other policies, the most significant of which is the research area with +/- EUR 1,5 billion — see note **3.18.4**.

2.3.10 Reserves and accumulated surplus/deficit

In accordance with new accounting rules, the adjustment to fair value of available-for-sale assets is now accounted for through the fair value reserve (EUR 88 million). The biggest effect on reserves was however the inclusion of the Guarantee Fund reserve (EUR 1,086 million), which corresponds to the 9 % target amount and, of other reserves of the ECSC in liquidation (EUR 328 million). Previously these amounts had been recognised as a provision.

All changes, other than fair value adjustments, required to restate the opening balance sheet were made through the accumulated surplus/deficit account, thus the large impact on its balance.

3. NOTES TO THE BALANCE SHEET

I. NON CURRENT ASSETS

3.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets are identifiable non-monetary assets without physical substance. To be entered on the assets side of the balance sheet, they must be controlled by the entity and generate future economic benefits for the European Communities.

Intangible Fixed Assets

	EUR
	Amount
Gross carrying amount at 31 December 2004 (restated)	43 147 504,22
Additions during the year	15 428 793,99
Disposals	(473 054,00)
Other changes	6 445 391,79
Gross carrying amount at 31 December 2005	64 548 636,00
Accumulated depreciation at 31 December 2004 (restated)	26 010 414,69
Depreciation charge for the year	6 842 720,30
Disposal	(200 762,00)
Other changes	5 219 638,51
Accumulated depreciation at 31 December 2005	37 872 011,50
NET CARRYING AMOUNT AT 31 DECEMBER 2005	26 676 624,50

3.2 TANGIBLE FIXED ASSETS

3.2.1 *Land and buildings*

In some countries the value of the land occupied by Delegations cannot be distinguished from the value of the building.

In December 2005, together with the Parliament, the Commission bought a building in Copenhagen with a value of EUR 9,9 million. Each party owns 50 %, although the Parliament paid the full amount for the building and the Commission will repay its share to the Parliament during the life of the building. In the same month, the two Institutions also jointly signed an acquisition contract worth EUR 7,4 million for a building in The Hague, but since the building was not put into use until 2006, it does not appear in the balance sheet at 31 December 2005.

3.2.2 *Plant and equipment*

Furniture and vehicles

Computer hardware

Other tangible fixed assets

For approximately 20 % of the Delegations, there is no information available about tangible fixed assets at 31 December 2005. An initiative is underway since January 2003 to improve the quality and exhaustiveness of the information provided by the Delegations and this, as well as a specific inventories project launched in 2004, should help to resolve this problem in the future. Furthermore, the integration of the delegations' transactions directly in the central accounting system in 2007 will also improve this situation.

Adjustments as a direct result of these projects total EUR 3,6 million and are shown under the heading 'other changes' in the table below. The total net amount of tangible fixed assets included for the Delegations at 31 December 2005 is EUR 72,3 million.

3.2.3 *Finance leases (and similar rights)*

The main building occupied by the Publications Office is not included in the balance sheet since it is classified as an operating lease. Although the Office has two purchase options (in October 2006 and in 2010) with values based on the market value, it is not considered that the risks and rewards incident to ownership of the asset are substantially transferred to the Office. The classification will be reviewed later in 2006, when the first purchase option may be taken up.

On 21 September 2005 the **Commission** signed a 27 year finance lease contract for a building in Brussels valued to EUR 50 million.

The **Economic and Social Committee** (ESC) and the **Committee of the Regions** (CoR) have entered the finance leasing contracts for their Belliard building in Brussels on the assets side of the balance sheet. It is co-financed on the following scale: ESC: 50 % — CoR: 50 %. The 27 year financial lease these two Committees signed in May 2004 for another Brussels building has been included in the restated opening balance sheet for 2005. It is co-financed on the following scale: ESC: 40 % — CoR: 60 %.

3.2.4 *Fixed assets under construction*

On March 2003 the **Council** signed a contract for the construction and acquisition of the LEX building in Brussels. The estimated price upon completion is EUR 258 million as at 31 December 2005. EUR 64 million has been paid in 2005 as an advance for this construction and EUR 59 million in previous years — in total EUR 123 million.

In October 2004 the **Parliament** signed a financial lease with a purchase option for a building complex in Brussels and the construction began during 2004. In November 2004 an advance payment of EUR 40 million was paid. Until the signature of the provisional approval report the Parliament has the right to make additional advance payments and which so far have been done as following (in Euro millions):

Balance 31 December 2004	EUR 40,0 million
Payments 2005 for work done in 2004 (incl. in the restated opening balance sheet)	EUR 82,3 million
Expenses for work done 2005	EUR 73,7 million
Total at 31 December 2005	EUR 196,0 million

Tangible Fixed Assets

EUR

	Land and buildings	Plant and equipment	Furniture and vehicles	Computer hardware	Other tangible fixed assets	Finance leases and similar rights	Assets under construction	TOTAL
Gross carrying amount at 31 December 2004 (restated)	2 798 459 908,84	314 685 311,72	151 655 006,60	359 450 313,77	94 848 414,86	2 128 258 298,61	204 629 792,33	6 051 987 046,73
Additions during the year	22 183 255,17	28 503 264,15	13 886 120,31	58 804 654,05	13 083 916,15	60 966 303,61	142 094 984,67	339 522 498,11
Disposals	0,00	- 18 802 716,65	- 5 955 058,02	- 48 288 305,99	- 1 639 942,74	0,00	- 099 843,00	- 74 785 866,40
Transfers between headings	3 986 584,00	1 173 719,60	- 322 248,13	281 086,13	- 1 134 157,60	1 600,00	- 3 986 584,00	0,00
Other changes	- 1 971 063,00	- 8 036 654,33	- 23 723 883,65	- 3 096 256,80	353 124,82	0,00	0,00	- 36 474 732,96
Gross carrying amount at 31 December 2005	2 822 658 685,01	317 522 924,49	135 539 937,11	367 151 491,16	105 511 355,49	2 189 226 202,22	342 638 350,00	6 280 248 945,48
Accumulated depreciation at 31 December 2004 (restated)	1 033 480 507,23	258 891 143,45	110 533 143,17	254 904 329,06	57 922 871,90	251 829 129,22		1 967 561 124,03
Depreciation charge for the year	116 156 557,09	22 621 584,39	9 779 959,02	54 066 519,67	8 767 186,25	67 317 044,30		278 708 850,72
Write-back of depreciation	0,00	0,00	- 229 829,46	- 729 745,93	- 15 737,40	0,00		- 975 312,79
Disposals	0,00	- 18 211 797,85	- 5 493 049,90	- 47 248 494,30	- 1 591 914,10	0,00		- 72 545 256,15
Impairment	0,00	0,00	0,00	0,00	0,00	0,00		0,00
Write-back of impairment	0,00	0,00	0,00	0,00	0,00	0,00		0,00
Transfers between headings	0,00	868 666,66	- 28 854,37	262 731,22	- 1 104 143,51	1 600,00		0,00
Other changes	72 548,64	- 8 311 960,11	- 22 789 122,90	- 2 934 810,67	242 634,39	0,00		- 33 720 710,65
Accumulated depreciation at 31 December 2005	1 149 709 612,96	255 857 636,54	91 772 245,56	258 320 529,05	64 220 897,53	319 147 773,52		2 139 028 695,16
NET CARRYING AMOUNT AT 31 DECEMBER 2005	1 672 949 072,05	61 665 287,95	43 767 691,55	108 830 962,11	41 290 457,96	1 870 078 428,70	342 638 350,00	4 141 220 250,32

Charges still to be paid in respect of finance leases and similar entitlements are shown in long-term and short-term liabilities in the balance sheet. They break down as follows:

Finance Leases & Similar Rights

EUR millions

Description	Cumulative charges (A)	Future amounts to be paid				Total Value A + B	Acquisition value of works (C)	Asset value A + B + C	Depreciation (E)	Net carrying amount = A + B + C + E
		< 1 year	> 1 year	> 5 years	Total Liability (B)					
Land and buildings	326,64	29,83	151,54	1 621,29	1 802,66	2 129,30	59,59	2 188,89	(318,85)	1 870,04
Furniture and vehicles	0,14	0,02	0,03	0,00	0,05	0,19	0,00	0,19	(0,15)	0,04
Other tangible fixed assets	0,13	0,02	0,00	0,00	0,02	0,15	0,00	0,15	(0,15)	0,00
Total at 31.12.2005	326,91	29,87	151,57	1 621,29	1 802,73	2 129,64	59,59	2 189,23	(319,15)	1 870,08

3.3 INVESTMENTS

This heading covers investments made with a view to establishing permanent links and/or seen as supporting the activities of the European Communities. It also includes the net assets of the Guarantee Fund.

Investments

	EUR	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Investment in Associates: EIF	185 570 299,80	175 976 040,60
Interest in Joint ventures: Galileo	141 459 169,43	89 283 659,98
Guarantee Fund	1 309 361 111,18	1 649 202 571,55
Available-for-Sale assets	210 520 545,57	204 797 460,68
Held for trading assets	27 509 180,02	30 917 567,38
Amount at 31 December 2005	1 874 420 306,00	2 150 177 300,19

3.3.1 Investments in associates and interests in joint ventures

Associates and Joint-Ventures

	EUR	
	Investments in Associates: EIF	Interests in Joint Venture: Galileo
Amount at 31 December 2004 (restated)	175 976 040,60	89 283 659,98
Acquisitions	0,00	156 000 000,00
Disposals and withdrawals	0,00	0,00
Share of profit/(loss)	12 858 259,20	(103 824 490,55)
Other equity movements	(3 264 000,00)	0,00
Amount at 31 December 2005	185 570 299,80	141 459 169,43

European Investment Fund (EIF)

The EIF is the European Union's financial institution specialising in risk capital and guarantees to SMEs. Under the Council Decision of 6 June 1994 the European Communities, represented by the Commission, subscribed for a total of ECU 600 million of the EIF's capital, being 600 shares. This represents 30 % of the EIF's capital. The Commission has paid all the called-up capital, which amounts to 20 %. Payments outstanding on the non-called up capital (80 %) total EUR 480 million.

Under an agreement between the Commission and the European Investment Bank (EIB) signed in 2000, on 30 June 2005, the Commission was entitled to sell its shares to the EIB at a fixed unit price of EUR 315 000. However, the Commission did not exercise its put option. On the same date, a new Share Purchase Undertaking Agreement entered into force. Under this new agreement, the Commission is entitled to sell its shares at any time to the EIB at the price corresponding to the EIF valuation divided by the total number of issued shares. The formula will be based on the elements contained in the annual report and annual accounts established for the financial year in which the sale notice is given and approved by the general meeting.

The value of the put option is close to nil since the formula used for determining the sale price of the shares is similar to the one used to determine the net equity of the EIF and since, in the absence of a full fair value exercise, the so-determined net equity of the EIF is deemed to be the best approximation of its fair value. It should also be noted that the Commission has no intention to sell its shareholding in the EIF as long as the Commission will continue to develop its venture capital funds and guarantee programs in co-operation with the Fund. The put option was granted to the Commission by the mother company, the EIB, for the sole purpose of giving equal rights to each shareholder of the EIF.

The equity method is used to value the Communities' share in the EIF, in accordance with the accounting rules. Under the equity method the shareholding is initially recorded at cost and is then adjusted to take into account changes subsequent to the investor's acquisition of a share of the net assets of the controlled entity. The result of adjustments reflects the investor's share of the results of the controlled entity.

Under the equity method, the shareholding is valued at 30 % of the EIF's own capital. The EIF's balance sheet for 2005 shows a total of EUR 618,6 million of own capital, including profits of EUR 42,9 million for the year. The Communities' share is 30 % of this amount (EUR 185,6 million), of which EUR 12,9 million concerns the result for 2005. A dividend of EUR 3,3 million relating to the financial year 2004 was received in 2005.

It should be noted that while the EIF is working towards the application of International Financial Reporting Standards (IFRS) for its annual accounts, its 2005 accounts do not yet fully comply with these rules, particularly with regard to the issue of fair value accounting.

Galileo Programme

For the implementation of the development phase of the Galileo programme, a joint undertaking, within the meaning of Article 171 of the Treaty, was set-up by the Council Regulation 876/2002 for a period of 4 years (2002 to 2006.) The aim of this legal entity is to ensure the unity of the administration and the financial control of the Galileo programme for its development, and to this end to mobilise the funds assigned to that programme. The founding members are the European Communities, represented by the Commission, and the European Space Agency (ESA). The Commission, through grants given under the trans-European networks (TEN) budget, makes available to the Galileo undertaking the requested funds to co-finance the related activities of the development phase.

The Communities have subscribed for EUR 520 million of the capital of this entity and at 31 December 2005 EUR 438 million had been paid, with the balance, EUR 82 million uncalled.

As with the EIF, it is accounted for using the equity method of consolidation. For 2005 the Communities' share of the loss of the joint undertaking was EUR 103,8 million. Thus the value of the investment at 31 December 2005 was EUR 141,5 million being the investment of EUR 438 million less the accumulated share of the losses, EUR 296,5 million.

3.3.2 Guarantee Fund

Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 set up a Guarantee Fund for external actions to repay the Communities' creditors in the event of default by beneficiaries of loans granted or guaranteed by the Communities. This facility covers loans guaranteed by the Communities as a result of a Council Decision, in particular European Investment Bank (EIB) lending operations outside the European Union and loans under macro-financial assistance (MFA loans) and Euratom loans outside the European Union.

In accordance with Article 6 of the Regulation the Commission entrusted financial management of the Fund to the EIB under an agreement signed between the Communities and the EIB on 23 November 1994 in Brussels and on 25 November 1994 in Luxembourg.

Regulation (EC, Euratom) No 2728/94 on the Guarantee Fund, as amended by Council Regulation (EC, Euratom) No 1149/1999 of 25 May states that with effect from 1 January 2000 the Fund is endowed by payments from the Communities' general budget equivalent to 9 % of the capital value of the operations, the proceeds from interest on investments made from the Fund's assets, and sums recovered from defaulting debtors for whom the Fund has had to activate its guarantee. The same Regulation sets the target amount at 9 %. In accordance with the Regulation, 'if, at the end of a year, the target amount is exceeded, the surplus shall be paid back to a special heading in the statement of revenue in the general budget of the European Communities.'

The Inter-institutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure provided that the general budget of the European Communities should 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 of EUR 1 231,2 million corresponds to the target amount ⁽¹⁾ for the Guarantee Fund calculated on the basis of the amount outstanding at 31 December 2005. The entry on the assets side of the Commission's balance sheet of EUR 1 324,7 million before elimination of MFA debt certificates represents the Fund's net assets at 31 December 2005. The difference between the amount of the Fund shown on the assets side and the amount of the reserve corresponds to the surplus to be repaid to the budget, i.e. EUR 93,5 million.

Net assets of the Guarantee Fund

	EUR	
	31.12.2005	31.12.2004 Restated
Current assets	1 324 663 957,25	1 670 814 232,53
<i>After elimination</i>	<i>1 310 086 228,65</i>	<i>1 649 968 069,48</i>
Short-term investments: Available-for-sale assets	1 008 639 934,02	1 080 917 586,27
<i>After elimination</i>	<i>994 062 205,42</i>	<i>1 060 071 423,22</i>
Cash and cash equivalents	316 024 023,23	589 896 646,26
Current liabilities	(725 117,47)	(765 497,93)
Net assets	1 323 938 839,78	1 670 048 734,60
<i>After elimination</i>	<i>1 309 361 111,18</i>	<i>1 649 202 571,55</i>

The Guarantee Fund holds three floating rate notes issued by the European Communities for an amount of EUR 14,6 million, including accrued interest, as at 31.12.2005 (2004: EUR 20,8 million) these bonds were issued by the non budgetary instrument MFA. From an accounting point of view, both assets (GF) and liabilities (MFA) have to be eliminated at the Communities level.

The risk management policies of the Guarantee Fund are described in notes **E 7.6** to **E 7.9**.

3.3.3 *Other investments*

3.3.3.1 Available-for-sale assets

This heading includes investments and participations purchased to help beneficiaries develop their business activities.

European Bank for Reconstruction and Development (EBRD) investment

The EBRD was given initial capital of EUR 10 billion, of which 3 % was subscribed by the Communities. The proportion of this capital called up is 30 %. On 15 April 1996, at their annual meeting, the Bank's governors decided to double the amount of authorised capital. Under this decision, the Communities have subscribed for 30 000 additional shares with a face value of EUR 10 000 each. This operation involves called-in shares and callable shares in the following proportions: 22,5 % of the subscribed shares represent the number of called-in shares and the remainder will be callable shares.

At balance sheet date, the Communities' subscription to the EBRD's capital amount to EUR 157,5 million, of which EUR 147,5 million have been called up and partially paid. Payments outstanding on called up capital (EUR 9,5 million) are recorded under long-term liabilities and accounted for at amortised cost. As the long-term liability to be recorded can be compared to a long-term borrowing that carries no interest, the fair value of such liability on initial recognition has been estimated as the present value of all future cash payments discounted using the prevailing market rate of interest on that date for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating.

Payments outstanding on non-called up capital amount to EUR 442,5 million and are included as contingent liabilities in the off-balance sheet.

⁽¹⁾ The target amount corresponds to 9 % of the amount outstanding.

As the 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 3 % European Communities' shareholding in the EBRD is valued at cost less any write-down for impairment.

ECIP programme

This heading covers Communities' contributions to the provision of equity and subordinated loan capital for joint ventures set up under the European Community Investment Partners Programme (ECIP) in Asia, Latin America, the Mediterranean region and South Africa. The ECIP programme that has been in existence for many years, but which was halted early, the only extension being its winding-up. The programme cannot be definitively wound up until the last joint venture has been completed. Most of the operations have already been wound up, recovered or converted into definitive grants and work on the remaining open files is ongoing. A review of open files is currently ongoing to assess the recoverability and thus the value of the investments.

Eurotech Capital, Venture Consort and JOP

The purpose of the **Eurotech Capital** instrument is to encourage the private funding of trans-national high-technology projects developed by small and medium-sized undertakings through a network of risk-capital investors. It covers payments made since 1990 in the form of pre-financing repayable under certain circumstances when contracts run out. The Communities' contributions do not constitute equity stakes in the relevant venture capital companies. Rather they represent a fixed proportion of certain investments of these venture capital companies in third companies. These contributions are reimbursable according to conditions specified in the contracts between the Communities and these venture capital companies.

The purpose of the **Venture Consort** instrument is to promote the trans-national syndication of risk-capital operators in small and medium-sized enterprises. It covers contributions since 1985 for investments in small and medium-sized enterprises (SMEs) engaging in innovatory projects.

The purpose of the Phare-Tacis Joint Venture programme (**JOP**) is to foster the creation and development of joint ventures in the countries of Central/Eastern Europe and former Soviet states.

Since all three are risk capital operations, and even if some amounts may be reimbursed, it is very difficult to assess the real present value of the contributions. In accordance with the principle of prudence, a 100 % write down has been made for the value of these contributions, which are therefore entered in the balance sheet at zero.

Other financial instruments

The 'SME Finance Facility/SME financing mechanism' under the trusteeship of the EBRD is designed to encourage investment funds to grow and to retain over the long term the capital investments they make in SMEs in the Phare candidate countries. The programme is financed jointly by the Commission budget, the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), in association with the Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB).

The 'Growth & Employment — ETF Start up facility' (1998-2000 programme) and 'MAP Equity — ETF Start up facility' (2001-2005 programme), under the trusteeship of the EIF support the creation and financing of start-up SMEs by investing in suitable specialised venture capital funds.

Shares were received in 1998 by the ECSC in liquidation as part of the restructuring plan of Eurotunnel. These shares were divested in 2005.

AVAILABLE FOR SALE INVESTMENTS

EUR

	EBRD	ECIP	Venture consort JOP, Eurotech	SME Finance Facility	ETF Start-up Growth & Employment	ETF Start-up MAP Equity	Eurotunnel	TOTAL
Amount at 31 December 2004 (restated)	157 500 000,00	1 269 739,36	0,00	1 453 155,69	35 100 523,63	2 381 756,00	7 092 286,00	204 797 460,68
Acquisitions				2 191 762,52	6 526 602,37	7 765 435,00		16 483 799,89
Disposals and withdrawals			(3 239 356,00)		(11 826 491,00)	(66 505,00)	(7 092 286,00)	(22 224 638,00)
Exchange differences					29 206,00	18 309,00		47 515,00
Revaluation surplus/(deficit) t/f to equity					7 978 667,00	200 293,00		8 178 960,00
Impairment loss			3 237 448,00					3 237 448,00
Amount at 31 December 2005	157 500 000,00	1 269 739,36	(1 908,00)	3 644 918,21	37 808 508,00	10 299 288,00	0,00	210 520 545,57

If the 'fair value method' developed in 2005, as described in note E 1.5.4, had been applied at 31 December 2005, then the investments of the 'Growth & Employment — ETF Start up facility' (1998-2000 programme) and 'MAP Equity — ETF Start up facility' (2001-2005 programme) would have amounted to EUR 60 million and EUR 9,8 million, respectively.

3.3.3.2 Held for trading assets

The European Communities use derivative instruments in the form of currency and interest rate swaps or hedging purposes.

Currency and interest rate swaps are commitments to exchange one set of cash flow for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed-rate for floating-rate) or a combination of all those (i.e. cross-currency interest rate swaps). Swaps, as detailed below, are used to match the cash flows of loans with the cash flows of related borrowings.

These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and thus the fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The **ECSC in liquidation (ECSC)** entered into the following swap agreements:

- In 1994, an interest rate swap was acquired to match the cash flow of a 14 years loan granted at a fixed rate of 12,077 % and designed with a 5 years grace period on interest payments and a final maturity on 26 March 2008, on one side and, the cash flow of the related borrowing obtained at a fixed rate of 6,375 % and with a identical maturity date, on the other side;

- In 1990, a combination of both interest rate swap and cross-currency interest rate swap was acquired to match the cash flow of a 19 years French franc loan granted at a floating interest rate (reset every 3 months and based on pibor 3 months less 21 basis points) with a final maturity on 13 March 2009, on one side and, the cash flow of the related borrowing obtained in pound sterling at a fixed rate of 11,875 % and with an identical maturity date, on the other side.

SWAPS

Counterparty	Rating S&P		Nominal	CCY	Terms	Maturity
JP Morgan Chase Bank N.Y., London Branch	A+	to receive	100 000 000,00	USD	6,375 % yearly	26.3.2008
N/A	N/A	to pay	100 000 000,00	USD	0 % the first 5 years, 12,077 % yearly the last following years	26.3.2008
BNP Paribas	AA	to receive	60 000 000,00	GBP	11,875 % yearly	13.3.2009
N/A	N/A	to pay	60 000 000,00	GBP	3M LIBOR - 0,31 %	13.3.2009
BNP Paribas	AA	to receive	60 000 000,00	GBP	3M LIBOR - 0,31 %	13.3.2009
N/A	N/A	to pay	85 036 062,00	EUR	3M EURIBOR - 0,21 %	13.3.2009

The fair value of the interest rate swap was obtained by discounting the net fixed cash flows using zero-coupon swap rates on the balance sheet date.

The valuation of the combined instrument was performed in two steps: first, the interest rate swap component was valued by discounting the cash flows (fixed and floating) that would result from reversing the swap position on the balance sheet date (discounting is performed using zero-coupon swap rates on that date); then, the cross-currency interest rate swap was valued by discounting the cash flows (fixed and floating) that would come from returning the two floating branches of the swap with a standard interest rate swap, taking into account the final nominal exchange transaction at maturity of the swap.

The fair value (including accrued interests) of the swaps with final maturity of more than one year after the balance sheet date is detailed below:

Held for trading assets

	EUR	
Derivative	31.12.2005	31.12.2004 Restated
ECSC in liquidation swaps	27 509 180,02	30 917 567,38

3.4 LOANS

This heading covers loan amounts owed to the European Communities maturing in over one year.

3.4.1 *Loans granted from the European Communities budget and the ECSC in liquidation*

This item principally covers risk capital operations and loans with special conditions granted as part of co-operation with non-member countries as well as housing loans granted by the ECSC in liquidation from its own funds.

Risk Capital Operations

Risk capital operations are loans granted to financial intermediaries to finance equity investments. These finance contracts do not have the basic and constituent characteristics of a loan as there is no fixed reimbursement schedule nor interest rate agreed for the principal consideration and therefore, are assimilated to indirect equity investments for valuation purposes. They are held at historic cost less any provisions for impairment, as there are no quoted market prices available in an active market and their fair value cannot currently be reliably measured. The provisions for impairment as at the balance sheet date are based on the provisional or definitive write-offs communicated by the financial counterparts.

Loans with Special Conditions

Loans with special conditions are loans granted at preferential rates. They are initially recognised at fair value which, in the case of loans carrying interest below market conditions, corresponds to the net present value of expected cash flows discounted at the average prevailing EIB lending rate of interest for borrowers in the respective countries, then subsequently measured at amortised cost. The provisions for impairment, if any, are based on the provisional or definitive write-offs as provided for under the respective finance contracts.

Housing loans of the ECSC in liquidation (ECSC)

Housing loans are loans granted by the ECSC from its own funds in accordance with articles 54 and 54.2 of the ECSC Treaty. These loans are granted at a fixed rate of 1 % and consequently, considered as loans at preferential rates. They are initially recognised at fair value which corresponds to the net present value of expected cash flows discounted at the market rate of interest prevailing for bonds with similar maturities issued by the member states where the borrowers are located, then subsequently measured at amortised cost. The provisions for impairment, if any, are based on the provisional or definitive write-offs as provided for under the respective finance contracts.

3.4.2 *Loans granted from borrowed funds*

Under the Communities' Treaties, the Council, acting unanimously, has the power to adopt guarantee or borrowing programmes if it considers this necessary to attain the objectives of the Communities. Communities borrowings are direct commitments by the Communities itself and not by any individual Member State. This item includes loans granted by Macro Financial Assistance (MFA) and Euratom and the ECSC in liquidation.

In accordance with the accounting policy described in note **E 1.5.4**, loans are initially recognised at fair value, then subsequently measured at amortised cost. The fair value of a financial instrument on initial recognition is normally the transaction price. However, if part of the consideration given or received is for something other than the financial instrument, the fair value of the financial instrument is estimated using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on initial recognition in an arm's length exchange motivated by normal business considerations. In the specific case of Euratom and MFA loans, the borrower benefits from a AAA interest rate, when under normal conditions, a spread reflecting his creditworthiness or that of any party guaranteeing the loan would have been applied. The valuation technique here used by the Communities takes into account the historical risk-free yield curve and assumes that borrowers are allocated to credit classes. The historical credit spread for the relevant credit class and maturity is used to infer the average risk-neutral hazard rate, based on a recovery rate that is appropriate for bonds. The average risk-neutral hazard rate is then used with a recovery rate appropriate for Communities' loans, to value the loan cash flows. Based on this valuation technique, the lower bound value of a defaultable bullet loan with maturities of between 1 year and 20 years, for various values of spreads consistent with the grading of the borrowers and recovery rates consistent with actual expected recovery rates on Communities sovereign loans and, assuming a risk-free yield of 4 %, is always close to par. Consequently, it was considered as reasonable to initially recognise the Communities loans at par.

Macro Financial Assistance (MFA) loans

MFA is a policy-based financial instrument of untied and undesignated balance-of-payment and/or budget support to partner third-countries. 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.

MFA is exceptional in nature and is mobilised on a case-by-case basis. It is in principle reserved for countries geographically close to the EU territory which respect democracy and human rights and with which the EU has important political, economic and commercial ties. The assistance is released on the basis of the fulfilment of economic and financial policy conditions.

Based on materiality considerations, the effective interest rate method is not applied separately to loans and borrowings. The transaction costs are directly expensed in the economic outturn account.

Euratom loans

Euratom is a separate legal entity of the European Union represented by the European Commission. The financial objective of this entity is to grant loans to Member States and non-Member States as follows:

- Euratom loans to Member States are granted for the purpose of financing investment projects in the Member States relating to the industrial production of electricity in nuclear power stations and to industrial fuel cycle installations.
- Euratom loans to non-Member States are granted to improving the level of safety and efficiency of nuclear power stations and installations in the nuclear fuel cycle which are in service or under construction. Projects may also relate to the decommissioning of installations for which modifications to upgrade its safety level to Western ones is not justified in technical or economic terms and which would pose a safety hazard if simply abandoned. The financing granted may relate to investment during the period between shut-down and the start of decommissioning and to the decommissioning measures themselves. The financing of the decommissioning measures is considered only where no provision to finance these measures has been made during the operating life of the installation.

Based on materiality considerations, the effective interest rate method is not applied separately to loans and borrowings. The transaction costs are directly expensed in the economic outturn account.

ECSC in liquidation loans

This item mainly includes loans granted by the ECSC in liquidation on borrowed funds in accordance with articles 54 and 56 of the ECSC Treaty as well as two unquoted debt securities issued by the European Investment Bank (EIB) as substitute of a defaulted debtor. These debt securities will be held till their final maturity (2017 and 2019) in order to cover the service of related borrowings.

The changes in carrying amount correspond to the change in accrued interests plus the amortisation of the year of premiums paid and transaction cost incurred at inception, calculated according to the effective interest rate method.

The effective interest rates (expressed as a range of interest rates) were as follows:

Effective interest rates on loans granted from borrowed funds

Borrowings	31.12.2005	31.12.2004
Macro Financial Assistance (MFA)	2,039 % — 4,54 %	2,075 % — 4,54 %
Euratom	2,224 % — 5,76 %	2,241 % — 5,76 %
ECSC in liquidation.	2,241 % — 12,077 % (*)	2,276 % — 12,077 % (*)

(*) Higher bound value relates to the fixed rate loan covered by the interest rate swap (see point 3.3.3.2).

LOANS GRANTED FROM THE EUROPEAN COMMUNITIES BUDGET & THE ECSC IN LIQUIDATION

EUR

Loan type	Balance at 31.12.2004 Restated	New loans	Repayments	Exchange differences	Changes in carrying amount	Impairment losses	Net value at 31.12.2005	Amount due < 1 year	Amount due > 1 year
Loans with special conditions	175 103 234,52	0,00	(17 122 923,18)	0,00	12 030 468,16	0,00	170 010 779,50	0,00	170 010 779,50
Risk capital operations	215 939 683,21	19 147 397,00	(14 893 518,33)	3 881 554,00	0,00	(181 986,77)	223 893 129,11	0,00	223 893 129,11
ECIP loans	1 634 336,59	0,00	(1 784 131,45)	0,00	0,00	313 528,22	163 733,36	119 080,24	44 653,12
Loans for migrant workers	11 008,86	0,00	(11 008,86)	0,00	0,00	0,00	0,00	0,00	0,00
ECSC in liquidation	48 545 467,75	0,00	(8 773 724,00)	147 654,25	3 744 415,00	0,00	43 663 813,00	157 003,00	43 506 810,00
Total	441 233 730,93	19 147 397,00	(42 585 305,82)	4 029 208,25	15 774 883,16	131 541,45	437 731 454,97	276 083,24	437 455 371,73

LOANS GRANTED FROM BORROWED FUNDS

EUR

Loan type	Balance at 31.12.2004 Restated	New loans	Repayments	Exchange differences	Changes in carrying amount	Impairment losses	Net value at 31.12.2005	Amount due < 1 year	Amount due > 1 year
Macro Financial assistance (MFA)	1 220 549 230,50	15 000 000,00	(149 000 000,00)	0,00	(289 993,38)	0,00	1 086 259 237,12	23 122 853,34	1 063 136 383,78
Euratom	172 468 638,77	215 000 000,00		0,00	1 365 031,88	0,00	388 833 670,65	0,00	388 833 670,65
ECSC in liquidation	492 509 315,00	0,00	(2 009 133,00)	19 075 678,00	(1 674 783,00)	0,00	507 901 077,00	0,00	507 901 077,00
Total	1 885 527 184,27	230 000 000,00	(151 009 133,00)	19 075 678,00	(599 744,50)	0,00	1 982 993 984,77	23 122 853,34	1 959 871 131,43

3.5 LONG-TERM PRE-FINANCING

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 either used for the purpose for which it was provided during the period defined in the agreement or it is repaid — if the beneficiary does not incur eligible expenditures he has the obligation to return the pre-financing advance to the European Communities. Thus pre-financing paid is not a definitive expense until the relevant contractual conditions are met and so is recorded as an asset on the balance sheet when the initial payment is made. The amount of the pre-financing asset is reduced (wholly or partially) by the acceptance of eligible costs and amounts returned. When a pre-financing amount is fully or partially accepted by the Communities, following analysis of the eligibility of a cost claim received, then the accepted amount of eligible expenditure is removed from the balance sheet and taken as an expense in the economic outturn account. In this way, interim or final payments are intended to reimburse expenditure incurred by the beneficiary on the basis of a statement of expenditure. This may clear the pre-financing amount in whole or in part.

Pre-financing is valued at its estimated recoverable amount. The Communities reviews its pre-financing for 'value reductions' whenever events, changes in circumstances or information indicate that the carrying amount of the asset might not be recoverable. This assessment takes into consideration the existence of a related guarantee attached to the pre-financing. The expected irrecoverable pre-financing, or the amount for which recovery has ceased to be probable, is recognised as a value reduction or charge in the economic outturn account. The corresponding amount is recognised as a decrease in the pre-financing carrying value in the balance sheet.

At year-end outstanding pre-financing amounts are valued at the original amount(s) paid less: amounts returned, eligible amounts cleared, estimated eligible amounts not yet cleared at year-end, and value reductions. Guarantees related to pre-financing amounts are disclosed in the off-balance sheet as contingent assets.

Interest is generally earned on all pre-financing paid out, except for amounts paid to Member States or as pre-accession aid. This interest 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. The ownership of this interest designates the two categories of pre-financing existing — European Communities and Third Party. The difference between the two categories is that the interest generated by 'European Communities' pre-financing amounts remains the property of the Communities and so must be returned to the Communities, while that earned on 'Third Party' pre-financing is the property of the beneficiary.

Long-term Pre-financing amounts

<i>EUR</i>	
Management type	Outstanding at 31.12.2005
Pre-financing European Communities:	
Centralised direct management: Functioning grants	3 120 098,90
Pre-financing Third parties:	
Centralised direct management: Operational	144 832 316,07
Decentralised management	106 081 969,40
Shared management	22 477 696 941,48
Total long-term Pre-financing	22 731 731 325,85

As many of the projects funded by the European Communities Structural Fund actions are long-term in nature, it is necessary that the related advances are available for more than one year. Thus these pre-financing amounts are shown as long-term assets. The Commission makes a payment on account amounting to 7 % of the total contribution from the Structural Funds once the programme is adopted. The payment on account will have to be reimbursed if no expenditure is declared within 18 months. The Commission then makes interim payments to reimburse actual expenditure certified by the Member State. The balance of 5 % is paid on the closure of the programme once all the documents required are submitted and approved by the Commission. Payments are posted to the earliest open commitment.

3.6 LONG-TERM RECEIVABLES

Long-term receivables

	EUR	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Building contribution	42 325 657,00	62 004 976,00
Due from Member States	134 827 865,00	155 743 558,00
ECSC staff loans	20 101 723,12	21 004 999,12
EAR credit schemes	40 014 742,29	62 388 235,71
Guarantees and deposits	6 535 636,06	6 642 128,24
Total	243 805 623,47	307 783 897,07

The building contribution is primarily the financial contribution by the Belgian State to the purchase and fitting-out of the D3 building for the Parliament, which came to EUR 176 million and is to be paid over ten years ending in 2008. At year-end EUR 42.3 million is due greater than one year (2004: EUR 62 million), while a further EUR 21.4 million (2004: EUR 21.1 million) falls due within one year.

Amounts to be received from Member States refer to amounts due to the ECSC in liquidation from former accession countries. The total contribution amounts to EUR 170 million and is to be paid in four instalments on the first working day of each year, starting in 2006, in the following amounts: 15 %, 20 %, 30 % and 35 %. The net present value of these contributions was EUR 158,8 million at year-end (2004: EUR 155,7 million), being split up between long-term receivables, EUR 134,8 million (2004: EUR 155,7 million) and short-term receivables, EUR 24 million (2004: zero).

Also included above is an amount of EUR 20,1 million relating to loans given by the ECSC in liquidation to officials of the European Communities. These loans are financed by the ECSC in liquidation from its own funds and are currently managed by the Commission. EAR (the European Agency for Reconstruction and Development) credit schemes refer primarily to Counterpart Funds and Credit Line Schemes advanced.

II. CURRENT ASSETS

3.7 STOCKS

STOCKS

	EUR			
Description	Acquisition value	Value reduction	Net book value at 31.12.2005	Net book value at 31.12.2004 Restated
Scientific Equipment:				
Scientific material	11 109 187,38	0,00	11 109 187,38	664 820,59
Fissile material	32 195 147,92	0,00	32 195 147,92	13 989 565,81
Heavy water	14 923,00	0,00	14 923,00	14 923,00
Vaccinations	6 857 590,00	0,00	6 857 590,00	6 857 590,00
For re-sale	63 561 282,00	0,00	63 561 282,00	36 834 072,25
Production materials	6 895 280,89	0,00	6 895 280,89	0,00
Publications	9 598 355,07	(3 761 430,34)	5 836 924,73	4 894 077,03
Total	130 231 766,26	(3 761 430,34)	126 470 335,92	63 255 048,68

The increase in the balance of scientific material is because 2005 includes raw material amounts of EUR 10 million for the first time. The large increase in fissile material stocks is because there is no value reduction made in 2005 as a result of a change in accounting estimates — previously an impairment was made if there had not been any movements in the stock during the year, where as now stocks are valued at the lower of cost and net realisable value. This is also a reason for the increase in the scientific material for re-sale. Another reason for the increase in these stocks is that EUR 20 million of stock in production is now included under stock for re-sale.

The Commission keeps a stock of production material, valued to EUR 6,9 million, mainly consisting of building maintenance material and spare parts used by the Joint Research Centres.

The stock of publications held and/or managed by the Publications Office for which a charge is made (paying stock) is valued at zero following an analysis made in 2001. Publications not destined for resale are valued on the base of average cost of stocks for re-sale. Stocks with low turnover have been written down by 33 % per year.

3.8 SHORT-TERM INVESTMENTS

Short-term investments consist of available-for-sale securities, which are purchased for their investment return or yield, or held to establish a particular asset structure or a secondary source of liquidity and may therefore be sold in response to needs for liquidity or changes in interest rates. Also included are held for trading assets.

3.8.1 Short-term available-for-sale assets

Short-term available-for-sale assets

	SME Guarantee Facility	ETF Start up — Growth & Empl	TEN Risk Capital EIB	ECSC in Liquidation	Total
Amounts 31.12.2004 (restated)	22 027 144,89	15 993 581,81	0 00	1 403 111 917,00	1 441 132 643,70
Acquisitions	11 995 800,00	0 00	3 000 000,00	336 634 706,48	351 630 506,48
Disposals and withdrawals	(12 000 000,00)	(12 000 000,00)		(321 119 440,06)	(345 119 440,06)
Adjustment to amortised cost	7 320,00				7 320,00
Change in carrying amount	49 867,11	1 104,19	0,00	(8 067 709,01)	(8 016 737,71)
Revaluation surplus/(deficit) t/f to equity	8 040,00	9 979,00	0,00	0,00	18 019,00
Amounts 31.12.2005	22 088 172,00	4 004 665,00	3 000 000,00	1 410 559 474,41	1 439 652 311,41

SME Guarantee Facility — ETF start-up Growth & Employment

All investments are AAA floating rate bonds denominated in EUR and quoted in active markets. At 31 December 2005 the nominal value of debt securities with a remaining duration to maturity of less than one year amounts to EUR 4 million (2004: EUR 24 million.) A new bond was purchased in 2005.

Ten Risk Capital EIB

Investments made under the TEN Risk Capital Facility (to date only one totalling EUR 3 million) are undertaken by the establishment of a joint special purpose entity (jointly held by the EIB and the Galaxy Fund, the TEN RCF partner), under the name of GALAXY — A28 for Trans-European Network projects involving private sector investments. These investments represent an equity holding in the special purpose entity, and therefore should be recorded appropriately as an equity investment in the Communities' balance sheet.

ECSC in liquidation

As stipulated in the internal prudential rules of the ECSC in liquidation, the investments are to be confined to securities issued by first-ranking entities. All investments are debt securities denominated in EUR and quoted in an active market. Details of the investment portfolio by issuer type and by rating are described in note E.7.13. At 31 December 2005 debt securities (expressed at their fair value) reaching final maturity in the course of 2006 amount to EUR 237,4 million (2004: EUR 200,1 million).

3.8.2 *Short-term held for trading assets***Short-term held for trading assets**

EUR

Derivative	31.12.2005	31.12.2004 Restated
MFA interest rate swaps	0,00	1 689 247,14

The **Macro Financial Assistance (MFA)** swap agreement, as detailed below, was entered into to match the cash flow of a loan with a floating interest rate and a final maturity on 22 December 2008, on one side and, the cash flow of the corresponding borrowing with a fixed interest rate and a final maturity on 22 December 2005, on the other side. The swap agreement was structured in two 'tranches': the 'swap tranche', where both floating and fixed rate legs were active, ended on 22 December 2005, the second 'tranche' with only the floating rate leg being a forward floating borrowing starting on the same date.

SWAPS

Counterparty	Rating S&P		Nominal	CCY	Terms	Maturity
BNP Paribas	AA	to receive	125 000 000,00	EUR	fix EUR 4 531 250 yearly	22.12.2005
N/A	N/A	to pay	125 000 000,00	EUR	EUR-6M LIBOR — 0,147 %	22.12.2005

The fair value of the 'swap tranche' was obtained by discounting the cash flows (fixed and floating) that would result from reversing the swap position on the balance sheet date (discounting is performed using zero-coupon swap rates on that date).

3.9 **SHORT-TERM PRE-FINANCING**

The split of amounts outstanding between management types reflects the pre-financing payments made during the year 2005 (comparative figures are not available for 2004.) The historic pre-financing amounts are those first included in the opening balance sheet and are shown separately on a single line.

Accrued charges represent the amount of eligible costs that were estimated to have been incurred by the beneficiaries of the outstanding pre-financing amounts at year-end, but not yet reported to the Communities. These amounts are taken as expenses in the Economic Outturn Account. See also note 3.5 for further explanations concerning long-term pre-financing.

Short-term Pre-financing amounts

EUR

Management type	Outstanding at 31.12.2005
Pre-financing European Communities gross amounts:	
Direct centralised management	
<i>Action grants</i>	4 790 792 434,87
<i>Functioning grants</i>	111 387 513,26
Indirect centralised management	
<i>National agencies</i>	620 077 642,63
<i>Financial activities</i>	63 518 496,96
<i>Other</i>	3 583 333,00
Decentralised management	195 456 099,10
Other	473 882 469,99
Pre-financing implemented by other Institutions and Agencies	6 482 306,56
Historic pre-financing balances (*)	5 254 181 771,25
Total gross pre-financing amounts	11 519 362 067,62

		EUR
Management type	Outstanding at 31.12.2005	
Less accrued charges:		
Direct centralised management		(5 891 600 089,98)
Indirect centralised management		(1 376 200 198,71)
Decentralised management		(122 922 410,00)
Other		(169 505 546,79)
Total Pre-financing European Communities		3 959 133 822,14
Pre-financing Third parties:		
Direct centralised management	<i>Procurement</i>	260 024 355,90
	<i>Operational</i>	356 060 584,56
Decentralised management		361 009 093,23
Shared management		390 843 176,32
Joint management		317 053 334,83
Pre-financing implemented by other Institutions and Agencies		143 664 170,02
Historic pre-financing balances (*)		2 774 751 315,50
Total gross pre-financing amounts		4 603 406 030,36
Less accrued charges:		
Direct centralised management		(1 199 787 477,00)
Decentralised management		(382 891 261,00)
Shared management		(201 212 486,00)
Joint management		(143 223 312,00)
Other		(1 943 330,98)
Total Pre-financing European Third parties:		2 674 348 163,38
Total short-term pre-financing		6 633 481 985,52

(*) No information on the split by budget management type was available at 31.12.2004.

3.10. SHORT-TERM RECEIVABLES

Short-term receivables

			EUR
	Balance at 31.12.2005	Balance at 31.12.2004 Restated	
Long-term receivables due in less than one year	45 918 358,03	50 826 727,14	
Current receivables	4 243 426 047,08	4 435 308 351,36	
Sundry receivables	21 591 738,74	44 898 157,64	
Accruals and deferrals	2 926 918 379,47	2 608 028 778,50	
Total	7 237 854 523,32	7 139 062 014,64	

3.10.1 Long-term receivables falling due in less than one year

These amounts totalling EUR 45,9 million (2004: EUR 50,8 million) represent primarily the loans with remaining final maturities less than 12 months after the balance sheet date (see note 3.4 above for more details) and the financial contribution by the Belgian State to the purchase and fitting-out of the D3 building for the Parliament (see note 3.6 above.) Also included are the short-term contributions owed by former accession countries to the ECSC in liquidation (see note E.3.6 above.)

3.10.2 **Current receivables****Current receivables**

EUR

Account Group	At 31.12.2005			At 31.12.2004 Restated		
	Gross amount	Written down	Net Value	Gross amount	Written down	Net Value
Customers	2 371 840 418,60	(149 841 788,65)	2 221 998 629,95	1 435 132 856,81	(177 742 051,83)	1 257 390 804,98
Members States	3 252 041 919,04	(1 603 860 946,87)	1 648 180 972,17	3 976 072 649,01	(1 586 639 391,71)	2 389 433 257,30
EFTA	29 607 404,80	0,00	29 607 404,80	36 797 915,81	0	36 797 915,81
Third States	126 449 842,51	(627 693,54)	125 822 148,97	77 282 595,98	0	77 282 595,98
Others	229 666 086,81	(11 849 195,62)	217 816 891,19	675 014 983,85	(611 206,56)	674 403 777,29
Total	6 009 605 671,76	(1 766 179 624,68)	4 243 426 047,08	6 200 301 001,46	(1 764 992 650,10)	4 435 308 351,36

3.10.2.1 Customers

These are **recovery orders** entered in the accounts at 31 December 2005 as established entitlements to be recovered and not already included under other headings on the assets side of the balance sheet.

In respect of imposed **finés** of EUR 4 274,7 million at 31.12.2005 a total of EUR 2 103,3 million was collected provisionally. The balance of EUR 2 171,4 million is included under this heading, of which EUR 1 465,7 million was covered by bank guarantees. The provisional payments (and related interest) are applied against the related receivable and included as restricted cash under the cash heading. The bank guarantees are entered as contingent assets in the off-balance-sheet. The amount shown in the off-balance-sheet as contingent liabilities totals EUR 4 427,4 million, being the total outstanding claims pending judgement plus interest earned on payments received pending final judgement.

3.10.2.2 Receivables from Member States

Advances to Member States

In 2004 this amount concerned advances paid by the Commission to various Member States from the Emergency Veterinary Fund for certain animal disease eradication costs incurred.

EAGGF Guarantee receivables

This item covers the amounts owed by beneficiaries of EAGGF Guarantee as declared and certified by the Member States and entered in the debtors ledger at the end of the year (15 October 2005) in accordance with Regulation (EC) No 2761/99 less 20 % of the amount, which the Member States are allowed to retain to cover administrative costs. The Member States are not required to make the amounts available to the Commission unless they are recovered.

Additionally, and in accordance with the principle of prudence, the European Commission must estimate and record the part of the EAGGF Guarantee that is unlikely to be recovered. The declared estimate of the write-down is EUR 873,9 million (as estimated by the Member States), which accounts for 59,3 % of the total amount to be recovered at 31 December 2005 (57,4 % at 31 December 2004.) The Commission relies on the estimates of the Member States based on the assumption that the paying agencies are in a better position to assess the amounts likely to be recovered. The findings of the certifying bodies concerning management of amounts owed are handled under the 2005 clearance procedure, including any proposal for the application of financial corrections. The fact that this adjustment is entered in the accounts does not mean that the EC is waiving future recovery of the amounts covered by the write-down.

Receivables from Member States

	EUR	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
ADVANCES TO MEMBER STATES	0,00	500 000,00
EAGGF Guarantee receivables		
EAGGF Guarantee receivables	1 473 622 922,19	1 560 899 301,12
Value correction	(873 943 547,28)	(895 401 413,57)
Subtotal	599 679 374,91	665 497 887,55
VAT paid and recoverable from Member States		
VAT to be recovered	21 039 461,52	22 506 889,98
Value correction	(1 628 334,45)	(1 791 277,23)
Subtotal	19 411 127,07	20 715 612,75
OWN RESOURCES		
Own resources established in the A account, as laid down in Article 6(3) of Council regulation 1150/2000, and pending recovery	44 984 573,61	114 832 792,31
Own resources established in the separate account, as laid down in Article 6(3) of Council regulation 1150/2000, and pending recovery	1 410 925 222,84	1 428 849 871,51
Value correction	(728 277 014,62)	(689 442 098,87)
Other	201 639 674,07	497 629 295,47
Subtotal	929 272 455,90	1 351 869 860,42
OTHER RECEIVABLES FROM MEMBER STATES		
Late interest	1 289 335,32	46 650 783,13
Other	98 528 678,97	304 199 113,45
Subtotal	99 818 014,29	350 849 896,58
Total	1 648 180 972,17	2 389 433 257,30

VAT

This item covers the amounts of VAT paid by the Communities and recoverable from Member States.

Own resources

The separate account contains traditional own resources which, under Article 6(3)(b) of Regulation No 1150/2000, have been established by the Member States but not made available to the Communities as they have not yet been recovered or guaranteed or because they have been challenged. Council Decision No 2000/597/EC, Euratom of 29 September 2000 on the system of the European Communities' own resources allows Member States to withhold 25 % of traditional own resources as collection costs.

Each Member State sends the Commission a quarterly statement of these accounts, with the following particulars for each type of resource:

- the previous quarter's outstanding balance,
- the amounts recovered during the quarter in question,
- rectifications of the base (corrections/cancellations) during the quarter in question,
- amounts written off,
- the balance to be recovered at the end of the quarter in question.

When the traditional own resources from the separate account are recovered, they must be made available to the Commission at the latest on the first working day following the 19th day of the second month following the month during which the entitlement was recovered.

This figure overestimates the Communities' actual entitlements since the separate account for traditional own resources largely consists of amounts where actual recovery is unlikely. For previous years the Commission calculated a write-down of the entitlements in the separate account by using a statistical method. From 2004 onwards this write-down is based on estimations made by Member States themselves. In order to ensure that the separate account provides a better picture of the actual budgetary situation Article 6(4)(b) of Council Regulation (EC, Euratom) No 1150/2000 was amended by Council Regulation (EC, Euratom) No 2028/2004 of 16 November 2004. This Article states now: 'Together with the final quarterly statement for a given year, Member States shall forward an estimate of the total amount of entitlements contained in the separate account at 31 December of that year for which recovery has become unlikely.'

Based on the estimations sent by Member States, a write-down of EUR 728,3 million has been deducted from the item for receivables from Member States on the asset side of the balance sheet. However, this does not mean that the Commission is waiving recovery of the amounts covered by this value adjustment. Even where recovery looks very unlikely, if not virtually impossible, this does not necessarily mean that the amounts in question are lost to the Community budget as traditional own resources. This is because non-recovered entitlements are lost only if the Member State has exhausted all the avenues it is required to pursue in order to secure recovery. Where the Member State fails to do this, it is held financially liable and required to pay the amount into the Community budget in accordance with Article 17(2) of Regulation No 1150/2000.

Other own resource amounts at 31 December 2005 concerned amounts due from Portugal that had not been paid when due in December 2005.

Other receivables from Member States

Other receivables from Member States include EUR 74 million of recovery of expenses from the regions. Included under 'other' in 2004 was an amount of EUR 170 million relating to contributions due from the new Member States to the Research Fund for Coal & Steel (see note 3.6.)

3.10.3 Sundry receivables

The main amount included here relates to advances granted under the MEDIA programme, EUR 36,5 million (2004: EUR 41,7 million). Using the prudence principle and based on the risks and uncertainty involved, a value reduction of EUR 24,5 million (2004: EUR 28,1 million) has been applied.

Amounts due from personnel are EUR 4,2 million (2004: EUR 12,6 million.)

3.10.4 Accrued income and deferred charges

The most significant accrued income amounts represent accrued income relating to traditional own resources (agricultural duties, sugar levies and custom duties). At 31 December 2005 these amounted to EUR 2,3 billion compared to EUR 2 billion the previous year. Also included here is late interest income, accrued bank interest and accrued interest on pre-financing amounts.

The main amounts under deferred charges at 31 December 2005 are anticipated payments of EUR 89,5 million (EUR 108 million in 2004) for budgetary compensation to new Member States, pre-paid office rental of EUR 29,7 million (EUR 49 million in 2004), EUR 62,3 million paid for bilateral fisheries agreements with third countries (EUR 61,7 million in 2004) and EUR 62,8 million pre-paid expenses concerning the European schools.

3.11 CASH AND CASH EQUIVALENTS

Cash & cash equivalents

<i>EUR</i>		
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Unrestricted cash:	9 602 870 098,36	5 947 447 712,18
Accounts with Treasuries & Central Banks	8 092 743 965,78	3 221 396 622,84
Current accounts	705 792 850,51	2 102 099 904,24
Imprest accounts	61 021 076,87	71 433 147,76
Cash in hand	290 635,82	252 979,35
Transfers (cash in transit)	0,00	76 479 847,20
Short-term deposits and other cash equivalents	743 021 569,38	475 785 210,79
Restricted cash	2 251 065 838,56	2 129 991 326,83
Total	11 853 935 936,92	8 077 439 039,01

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

Restricted cash refers to amounts received in connection with fines issued by the Commission for which the case is still open. These total EUR 2,25 billion and are kept in specific current accounts that are not used for any other activities.

Cash & cash equivalents include the following for the purposes of the cash flow statement:

<i>EUR</i>		
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Cash and cash equivalents	11 853 935 936,92	8 077 439 039,01
Cash and cash equivalents — Guarantee Fund (see note 3.3.2)	316 024 023,23	589 896 646,26
Total	12 169 959 960,15	8 667 335 685,27

III. NON CURRENT LIABILITIES

3.12 EMPLOYEE BENEFITS

Employee benefits

<i>EUR</i>				
	Amount at 31.12.2004 Restated	Additional provisions	Amounts used	Amount at 31.12.2005
Pension Scheme	26 012 130 886,00	8 044 529 533,33	(900 775 481,33)	33 155 884 938,00

Pensions

At 31 December 2005, the rules concerning the Pension Scheme of European Officials (PSEO) were defined by the latest version of the Staff Regulations of Officials of the European Communities (in force since 1st May 2004). The rules regarding the staff pensions are directly applicable in all Member States. The arrangement covers various types of pensions and allowances (seniority, invalidity, survival).

In accordance with article 83 of the Staff Regulations, the payment of the benefits provided for in the pension scheme constitutes a charge to the Communities' budget. Member States guarantee the payment of these benefits collectively according to the scale fixed for the financing of this expenditure. In addition, officials contribute one third to the long-term financing of this scheme via a compulsory contribution.

The liabilities of the PSEO were the subject of an actuarial valuation by independent experts on 31 December 2005 on the basis of the applicable rules of the statute. This evaluation covered the benefits connected with retirement, invalidity and survival, as well as invalidity allowance. It was carried out in accordance with the methodology of International Accounting Standard 19 (IAS 19). This accounting standard requires the employer to determine his actuarial commitment on an ongoing basis, taking into account both the promised benefits during the active lifetime of employees, and foreseeable increases in salaries.

The actuarial valuation method used to calculate this liability is known as the projected unit credit method. The main actuarial assumptions used in the valuation were as follows:

1. The nominal discount rate was based on the government bonds in the Euro zone in December 2005 for a duration close to that of the scheme (19 years), as an estimation of the zero coupon Euro yield curve in December 2005 for the same duration, being 3,6 %. According to IAS 19, the inflation rate must be an expected inflation rate over the duration of the scheme — it was thus based on prospective values as expressed by index-linked bonds on the European financial markets. The expected long-term inflation rate was 2,1 % and so the used real discount rate was 1,5 %.
2. The 'EU-2004 Life table' was made on the basis of the national tables of the officials' countries of origin, and was corrected to take account of actual observed mortality rates among staff.
3. The 'EU-2004 Invalidity table' was based on the one used by the Co-ordinated Organisations (OECD, NATO, ESA, etc) and corrected with the observation of the population of EC officials.
4. The general salary growth (GSG), being equal to the general pension revaluation, was based on revaluation statistics of salaries and pensions of the period 1993-2005, being equal to 0,3 %. The individual salary progression (ISP) beyond the rate of the GSG was estimated on the basis of the new career structure (promotion rates specified in annex I of the Staff Regulations) and its transitional measures (section 1 of annex XIII of the Staff Regulations) — it varies with the status, the age and the grade and step of the person.
5. The matrimonial coefficients for active officials at the time of their departure on retirement were based on statistics of the population of officials. The actual marriage situation was taken for former officials (pensioners and invalids).
6. The departure on retirement is supposed to occur at the time when the official benefits from his full rights, taking into account the reduction for early retirement and the Barcelona Incentive for late retirement, at the latest at 65 years.

Liabilities cover the rights previously defined for the following persons:

1. Staff in active employment at 31 December 2005 in all the Institutions and agencies included in the PSEO.
2. Staff in a deferred situation, i.e. who temporarily or definitively left the Institutions leaving his/her pension rights in the PSEO.
3. Former officials and other servants benefiting from a retirement pension.
4. Former officials and other servants benefiting from an invalidity pension.
5. Former officials and other servants benefiting from an invalidity allowance.
6. The recipients of a survivor pension (widows or widowers, orphans, dependants).

The population of the PSEO at 31 December 2005 was extracted from the Eurostat database. The results obtained within the framework of this study were compared with the estimates based on the previous actuarial valuation on 31 December 2004.

The principal facts are:

- The actuarial liability was valued at EUR 33,2 billion on 31 December 2005, while the previous valuation carried out for the situation on 31 December 2004 gave an amount of EUR 26 billion.
- The 2005 service cost was valued at EUR 1,2 billion and the 2005 interest cost at EUR 1,2 billion
- The estimated actuarial loss for the year was EUR 5,5 billion
- The real discount rate changed from 1,9 % to 1,5 %, so if we consider furthermore the general salary growth effect (0,2 % in 2004 and 0,3 % in 2005), the net discount rate decreased from 1,7 % to 1,2 %.
- The population of members of the pension scheme increased by 7,094 to 54,876 individuals since 31 December 2004, and it contains new categories of persons (beneficiaries of an invalidity allowance and contractual agents as well as deferred pensioners), the new agents having a lower yearly accrual rate for pension (1,9 % instead of 2 %).

The calculations of gross pensions and family allowances are based on the provisions of the Staff Regulations.

Also included in the above amount is the liability relating to the pension obligations towards members and former members of the Commission and Court of Auditors, as well as the judges and former judges of the Court of Justice and the Court of First Instance. The amounts used in 2005 represent the pension amounts paid, from the 2005 budget, to retired staff (widows, orphans, etc.) during the year.

3.13 LONG-TERM PROVISIONS FOR RISKS AND CHARGES

Long-term provisions for risks and charges

	Amount at 31.12.2004 Restated	Additional provisions	Transfer to short- term	Present value discounting	Amount at 31.12.2005
Legal cases	81 205 000,00	18 350 223,47	0,00	0,00	99 555 223,47
Nuclear site dismantlement	831 401 306,00	0,00	(34 565 000,00)	87 010 574,00	883 846 880,00
Financial provisions	100 358 155,85	46 601 400,50	(36 517 733,21)	2 605 078,86	113 046 902,00
Other	55 649,18	338 280,06	0,00	0,00	393 929,24
Total	1 013 020 111,03	65 289 904,03	(71 082 733,21)	89 615 652,86	1 096 842 934,71

EUR

Legal cases

This is the estimate of amounts that are likely to be paid after 2006 in relation to a number of ongoing legal cases. The largest (EUR 60 million) concerns the estimate of amounts that will probably have to be paid out for 18 court cases pending at 31 December 2005 in relation to the financial corrections for EAGGF Guarantee expenditure. A further EUR 37,2 million is provided for 5 other court cases concerning agricultural expenditure

Decommissioning of JRC nuclear facilities

In 2002 a consortium of independent experts conducted a study into the estimated costs of the decommissioning of the JRC nuclear facilities and waste management programme. Their estimate of EUR 1 145 million (including EUR 76 million as an estimate of the cost required for the 'green field' option, i.e. total destruction of all the buildings) is taken as the basis for the provision to be included in the accounts. To fully apply the Communities' accounting rules, this provision is indexed for inflation (at a rate of 2,5 %) and then discounted to its net present value (using the Euro zero-coupon swap curve). At 31 December 2005, this resulted in an amount for the provision of EUR 1 016,4 million, less the costs incurred to date of EUR 81,5 million, giving EUR 934,9 million split between amounts expected to be used in 2006 (EUR 51 million) and afterwards (EUR 883,9 million.)

In view of the estimated duration of this programme (around 30 years), it should be pointed out that there is some uncertainty about this estimate, and the final cost could be different from the amounts currently entered.

Financial provisions

Under the SME Guarantee Facility 1998 implemented as part of the European Union's Growth and Employment Initiative and the SME Guarantee Facility 2001 implemented under the Multi-annual Programme for enterprise and entrepreneurship (MAP), the European Investment Fund (EIF) is empowered to issue guarantees in its own name but on behalf of and at the risk of the Communities.

The financial risk linked to the drawn and undrawn guarantees is capped as follows:

- Under the SME Guarantee Facility 1998, the guarantee cap amount is a Euro fixed amount calculated by the EIF and approved by the Commission for each guarantee portfolio. However, as the inclusion period for this facility is over, the financial risk provision is not based on the guarantee cap amount but rather on the contracted percentage of actual utilisation of guarantees issued to financial intermediaries, subsequently reduced by the payment demands made by these intermediaries, net of any loss recoveries. The net amount then obtained represents the payment obligation of the facility.
- Under the SME Guarantee Facility 2001, the guarantee cap amount is the pre-agreed payment obligation to financial intermediaries recorded upon the signature of a new guarantee agreement and subsequently reduced by the payment demands made by financial intermediaries, net of any loss recoveries. The pre-agreed payment obligation covers a small part of the total guarantee volume, technical support for the Micro-credit window (capped to a maximum of EUR 100 000 per intermediary) and marketing costs and collection of information costs (respectively capped to EUR 2 500 and EUR 5 000 per intermediary).

As at the balance sheet date, financial provisions correspond therefore for both facilities to the payment obligations towards to financial intermediaries minus the net payment demands made up that date. Due to the time value of money, long-term financial provisions are discounted to their net present value (using the Euro zero-coupon swap curve).

The financial provisions are annually adjusted in view of any variation of the utilisation of guarantees or any change in the net payment demands made by the financial intermediaries. The total increase in financial provisions (long-term and short-term) in 2005 is EUR 27,4 million, divided into the effective additional provision of EUR 51,7 million less the payments made for the guarantee calls amounting to EUR 27,9 million, and an increase of provision due to the effect of time of EUR 3,6 million.

3.14 FINANCIAL LIABILITIES

3.14.1 Borrowings

This heading includes borrowings due by the European Communities maturing in over one year.

The detailed movements in borrowings during 2005 are as follows:

Borrowings

Name	Balance at 31.12.2004 Restated	New borrowings	Repayments	Exchange differences	Change in carrying amount	Balance at 31.12.2005
MFA	1 220 589 960,38	108 750 000,00	(242 750 000,00)	0,00	(331 548,81)	1 086 258 411,57
<i>After elimination</i>	1 199 743 797,33	108 750 000,00	(236 525 000,00)	0,00	(288 114,36)	1 071 680 682,97
EURATOM	172 412 848,97	215 000 000,00	0 00	0,00	1 317 018,07	388 729 867,04
ECSC in liquidation	448 826 114,00	0,00	(2 223 144,00)	21 085 001,00	(85 520,00)	467 602 451,00
Total	1 841 828 923,35	323 750 000,00	(244 973 144,00)	21 085 001,00	899 949,26	1 942 590 729,61
<i>After elimination</i>	1 820 982 760,30	323 750 000,00	(238 748 144,00)	21 085 001,00	943 383,71	1 928 013 001,01

EUR

Split of borrowings between long-term & short-term

EUR			
	Maturity < 1 year	Maturity > 1 year	Total at 31.12.2005
Borrowings			
MFA	23 122 422,79	1 063 135 988,78	1 086 258 411,57
<i>After elimination</i>	22 018 193,71	1 049 662 489,26	1 071 680 682,97
EURATOM	0,00	388 729 867,04	388 729 867,04
ECSC in liquidation	0,00	467 602 451,00	467 602 451,00
Total before elimination	23 122 422,79	1 919 468 306,82	1 942 590 729,61
<i>Total after elimination</i>	22 018 193,71	1 905 994 807,30	1 928 013 001,01

Borrowings include debts evidenced by certificates amounting (after elimination) to EUR 1 281,4 million (2004: EUR 1 223,8 million). The changes in carrying amount correspond to the change in accrued interests plus, in the case of ECSC in liquidation's borrowings, the amortisation of the year of any material transaction costs incurred at inception, calculated according to the effective interest rate method.

The effective interest rates (expressed as a range of interest rates) were as follows:

Effective interest rates on borrowings

Borrowings	31.12.2005	31.12.2004
Macro Financial Assistance (MFA)	2,039 % — 4,54 %	2,075 % — 4,54 %
Euratom	2,144 % — 5,6775 %	2,161 % — 5,6775 %
ECSC in liquidation	1,625 % — 11,875 % (*)	1,6875 % — 11,875 % (*)

(*) higher bound value relates to the fixed rate borrowing covered by the interest rate swap (see note 3.3.3.2)

3.14.2 Held for trading liabilities

See held for trading assets, note 3.3.3.2 above, for more details.

Held for trading liabilities

EUR		
Derivative	31.12.2005	31.12.2004 Restated
ECSC in liquidation swaps	14 497 707,04	19 204 008,62

3.15 OTHER LONG-TERM LIABILITIES

This item covers leasing liabilities due in greater than one year (see note 3.2 above) and payments still to be made on the part of the EBRD capital subscribed by the Commission which has been called in.

Included under 'Other' are amounts of EUR 19,9 million and EUR 7 million relating to the pension fund for local agents working in the delegations and the unemployment fund for temporary agents respectively. An amount of EUR 42,3 million (2004: EUR 62 million) is also included here relating to reimbursements of investment costs to be made by the Parliament concerning its building in Brussels.

Other long-term liabilities

	<i>EUR</i>	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Finance Leasing debts	1 772 858 660,07	1 736 441 055,04
EBRD subscriptions	9 464 084,64	17 286 307,05
Other	70 327 191,85	89 824 834,69
Total	1 852 649 936,56	1 843 552 196,78

IV. CURRENT LIABILITIES**3.16 SHORT-TERM PROVISIONS FOR RISKS AND CHARGES**

This heading includes the portion of provisions which fall due for payment in less than one year's time.

Short-term provisions for risks and charges

	<i>EUR</i>					
	Amount at 31.12.2004 Restated	Additional provi- sions (*)	Unused amounts	Amounts used	Present value discounting	Amount at 31.12.2005
Legal cases	34 300,00	16 132 973,27	(20 798,39)	(13 501,61)	0,00	16 132 973,27
Nuclear site dismantlement	38 294 093,00	34 565 000,00	0,00	(21 811 237,00)	0,00	51 047 856,00
Emergency Veterinary Fund	41 923 055,00	15 417 743,00	(3 444 839,76)	(18 604 903,26)	0,00	35 291 054,98
Financial provisions	138 553 202,62	41 604 725,38	0,00	(27 899 063,00)	1 031 992,00	153 290 857,00
Other	21 435 602,98	8 652 113,80	(3 839 873,04)	(6 569 587,36)	0,00	19 678 256,38
Total	240 240 253,60	116 372 555,45	(7 305 511,19)	(74 898 292,23)	1 031 992,00	275 440 997,63

(*) Includes amounts transferred from long-term provisions (see note 3.13 above).

Legal cases

This is the estimate of amounts that are likely to be paid in 2006 in relation to a number of ongoing legal cases, as well as the associated legal costs.

Decommissioning of JRC nuclear facilities — see note 3.13**Emergency Veterinary Fund provision**

This provision concerns the estimates of the Communities' contributions to various Member States under the Emergency Veterinary Fund for certain animal disease outbreaks, totalling EUR 35.3 million (2004: EUR 41.9 million). Amounts of EUR 5.5 million already agreed to be paid are included as a debt due to Member States.

Financial provisions — see note 3.13**Other provisions**

These relate to provisions for untaken holidays of staff in various agencies.

3.17 SHORT-TERM FINANCIAL LIABILITIES

This heading includes borrowings and other financial liabilities with remaining final maturities less than 12 months after the balance sheet date (see text and tables above, note 3.14).

3.18 ACCOUNTS PAYABLE

Accounts payable

EUR

	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Long-term liabilities due in less than one year	51 333 980,13	58 576 673,54
Current payables	15 220 283 490,91	9 411 614 657,02
Sundry payables	108 665 542,69	224 816 354,27
Accrued charges and deferred income	67 147 704 569,99	64 546 197 089,81
Total	82 527 987 583,72	74 241 204 774,64

3.18.1 *Long-term liabilities falling due in less than one year*

This heading includes amounts which fall due for payment in less than one year's time, primarily long-term leasing debts falling due within the year (EUR 29,9 million). It also includes EUR 21,4 million (2004: EUR 21 million) relating to reimbursements of investment cost to be made by the Parliament concerning its building in Brussels.

Long-term liabilities falling due in less than one year

EUR

	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Finance Leasing debts	29 866 390,13	36 764 256,76
Other	21 467 590,00	21 812 416,78
Total	51 333 980,13	58 576 673,54

3.18.2 *Current payables***Current payables**

EUR

Type	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Member States	15 335 166 489,79	9 051 856 661,89
EFTA	8 990 813,33	21 938 674,64
Staff	820 194,62	164 540,84
Third States	174 963 659,84	171 147 130,45
Suppliers and other	1 350 211 214,82	1 534 230 533,57
Eligibility to be checked	(1 649 868 881,49)	(1 367 722 884,37)
Total	15 220 283 490,91	9 411 614 657,02

Current payables concern mainly cost statements received by the Communities under the framework of the grant activities. They are credited for the amount being claimed from the moment the demand is received. If the counterpart is a Member State, they are classified as such. It is the same procedure for invoices and credit notes received under procurement activities.

Giving out grants under the different policy areas is the core activity of the European Communities. The normal lifecycle of grant implementation can be summarised as follows: a financing decision is made, followed by a budgetary commitment (reservation of funds in the budget), followed by the signature of the contract between the Communities and the beneficiary (although the sequence may vary for example in the case of the structural funds.) A pre-financing payment can then be made, intended to provide the beneficiary with a float.

The next (interim or final) payments may be repeated and are intended to reimburse expenditure incurred by the beneficiary on the basis of a statement of expenditure when the action is in progress. It may clear the outstanding pre-financing amount in whole or in part.

Cost statements are sent by the beneficiaries, which the Communities have to analyse, looking at the eligibility of the expenses, together with a possible clearing of the pre-financing amount. The rhythm of these cost claims sent during the year is variable depending on the type of action being funded and the contractual conditions, and they are not necessarily received at year end. Cost statements received are registered immediately as a current payable with 'Eligibility to be checked' the counterpart entry.

Eligibility criteria are defined in the basic act, in the calls for proposal, in other information documents for grant beneficiaries and/or in the contractual clauses of the grant agreements. After analysis, the eligible expenses are taken into charges and the beneficiary is informed about any non eligible amounts. 'Eligibility to be checked' amounts thus represent received cost claims for which the eligibility has not yet been checked and therefore where the event giving rise to the expense being realised has not yet been reached.

The cost claims concerned have been taken into account for the year-end cut off procedures (see note 3.18.4 below). Following these cut off entries, estimated eligible amounts have therefore been recorded as accrued charges, while the non-eligible parts remain open on the 'eligibility to be checked' accounts. In order not to overestimate assets and liabilities, it has been decided to present the net amount to be paid under the current liabilities.

Member States

The primary amounts here related to unpaid cost claims for structural fund actions and also EUR 3,8 billion due back to Member States following the rectifying budget (8) made at the end of 2005.

EFTA countries

Amounts owed to EFTA countries include the budget outturn figures of the current year and the previous years but primarily the balance on the EFTA current account.

Staff

This heading covers the unemployment fund for temporary staff at the Commission and the welfare fund for Commission local staff in non-member countries.

Suppliers and other

As well as amounts relating to grant activities, also included under this heading are amounts owed following procurement activities. This heading also covers amounts payable to several public bodies (universities, institutes, chambers of commerce, United Nations, EIB, etc.) and non-consolidated entities, including the EDF.

Eligibility to be checked

Following the year-end accruals, EUR 1 650 million remains open as 'eligibility to be checked' on cost claims in the framework of the grant activity. The most important amounts concern DG REGIO (EUR 801 million), DG EMPL (EUR 465 million), DG AGRI (EUR 252 million) and DG EAC (EUR 51 million).

The remaining balance of 'eligibility to be checked' (EUR 81 million) concerns invoices received and requests for reimbursement, mainly from procurement activities, for which the invoice has still to be checked with the delivered goods and services and requests for pre-financing.

3.18.3 *Sundry payables*

An amount of EUR 5,5 million (2004: EUR 126,4 million) to be paid to various Member States included under this heading relates to claims made for reimbursement of certain costs in connection with certain disease eradication costs and is also included under this heading.

Also included are co-financing amounts of EUR 30,2 million (2004: EUR 24,6 million) received from Member States for their participation in some development projects. Corresponding amounts are also included under cash and cash equivalents.

3.18.4 *Accrued charges and deferred income*

Accrued charges & deferred income

	EUR	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Accrued charges	66 685 287 593,12	64 205 034 324,37
Deferred income	79 167 972,98	74 393 506,91
Other	383 249 003,89	266 769 258,53
Total	67 147 704 569,99	64 546 197 089,81

The most significant accrued charges amounts represent accrued charges relating to EAGGF-Guarantee expenditure. At 31 December 2005 these amounted to EUR 49,1 billion compared to EUR 47,6 billion the previous year: EUR 25,1 billion (EUR 26,3 billion in 2004) cover incurred expenses between 16 October and 31 December 2005 which are declared by Member States beyond the time frame necessary for the preparation of the financial statements, EUR 23,5 billion (EUR 21,2 billion in 2004) cover market measures including direct aid (this consist of entitlements incurred in 2005 with financial consequences in 2006) and rural development (this consist of eligible expenditure incurred by operators or the payment authorities until the 31 December 2005, for which no payment request was yet sent to the Commission), EUR 0,5 billion (EUR 0,1 billion in 2004) represents stock intervention.

Another significant amount represents accrued charges for structural funds: at 31 December 2005 EUR 7,9 billion for the FEDER 2000-2006, ISPA, innovative actions (EUR 6,3 billion in 2004), EUR 5,1 billion for FSE (EUR 5,1 billion in 2004). The remaining amounts of EUR 4,5 billion (EUR 5,2 billion in 2004) covers accrued charges for other politics, the most significant of which is the Research area with +/- EUR 1,5 billion in 2005 and 2004.

More details on the year-end cut-off process are given in note E 2.3.9.

V. NET ASSETS

3.19 RESERVES

Reserves

	EUR	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Fair value reserve	81 362 536,78	88 457 197,90
Other reserves:	2 727 247 043,21	2 479 074 943,38
Guarantee fund	1 231 211 256,30	1 086 129 313,44
Revaluation reserve	57 124 663,00	57 124 663,00
Borrowing and lending activities	1 438 911 123,91	1 335 820 966,94
Total	2 808 609 579,99	2 567 532 141,28

3.19.1 *Fair value reserve*

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

3.19.2 *Other reserves*

Guarantee fund

See also note **3.3.2** concerning the operation of the Guarantee Fund. This reserve reflects the 9 % target amount of the outstanding amounts guaranteed by the Fund that is required to be kept as assets. As stated earlier, any surplus of the assets of the Fund above this 9 % reserve amount is repaid to the budget.

Revaluation reserve

The revaluation reserve comprises the revaluations of tangible and intangible fixed assets. The balance at the year-end of EUR 57,1 million relates to a revaluation of Commission land and buildings, which had already occurred before the transition to the new accounting rules.

Borrowing and lending activities reserve

These amounts comprise the reserves relating to the Communities' borrowing and lending activities. The main amount relates to the ECSC in liquidation reserves (EUR 1,43 billion, 2004: EUR 1,34 billion.)

3.20 AMOUNTS TO BE CALLED FROM MEMBER STATES

This amount represents the excess expenses already incurred by the Communities up to 31 December 2005 that must be funded by future budgets. It arises through the application of accrual accounting methods, done for the first time in 2005, which are different to the rules of cash accounting used to prepare the budgetary accounts. Accrual accounting recognises expenses in the period to which they relate regardless of when the payment is actually made, whereas cash accounting records a transaction only when a payment is made. Based on these new rules, the Communities must evaluate and recognise in its financial statements the expenditure to be financed by the general budget but which has not yet been declared by the year-end. Thus very many expenses are recognised under accrual accounting rules in the year N although they may be actually paid in year N+1 using the budget of year N+1. Nevertheless, the Communities only call up resources from the Member States when it needs money to pay an amount due, so as to give Member States maximum flexibility in managing their public finances. This inclusion in the accounts of the Communities liabilities coupled with the fact that the corresponding amounts are only recognised in future budgets results in liabilities greatly exceeding assets at the year-end.

The existence of negative net assets simply highlights the difference between cash-based accounting and accrual accounting for an entity which is financed according to its cash-flow needs. It does not take into account the obligation of Member States to provide the necessary resources in the future to pay for the expenditure incurred when it falls due. It should be remembered that the Communities cannot make a payment unless it was foreseen in the budget and all budgeted expenditure is covered by budgeted revenue from the Member States.

The most significant amounts to be highlighted are the EAGGF Guarantee activities. The amount of payments due to the Member States for the period 16 October to 31 December 2004 was EUR 26,3 billion. This is an expense under accrual accounting rules in the year 2004 and so is recognised under accrued charges as such. However, this amount is covered by the 2005 budget and was actually paid out in January and February 2005, being recorded in the budgetary accounts as a payment for 2005 (no entry in the budgetary accounts had been made for these amounts in the 2004 year.)

Also impacting this figure is the amount of the pension obligation of the Communities towards its staff — at 31 December 2004 this amount was estimated to be EUR 26,0 billion. This amount will not all be paid out in one year, rather the pension payments are continuously paid to staff when they become eligible every month. These payments are thus covered by the (future) budget of the year in which they are paid.

The majority of the amounts 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. Thus looking at the opening amounts to be called from Member States at 31 December 2004 of EUR 54,2 billion, the following amounts were received during 2005:

- EUR 30 billion of the amounts received from Member States in the period January 2005 to March 2005 were used to pay the EAGGF Guarantee amounts that were accrued for as liabilities at year-end.
- A further EUR 18,5 billion was received during 2005 and paid out under the EAGGF Guarantee, of which all but EUR 1 billion had also been accrued at 31 December 2004.
- EUR 900 million was paid out by the Communities as pension costs during 2005, and thus funded by the Member States under the 2005 budget. The balance of the pension liability recognised at 31 December 2004 (EUR 25,1 billion) will be funded by Member States as part of the budgets of 2006 and later.

The split of the amounts to be called from Member States in the future is as follows:

	<i>EUR</i>	
	Balance at 31.12.2005	Balance at 31.12.2004 Restated
Amounts to be called in future years from Member States:		
Accumulated from previous years	57 140 886 586,80	58 358 647 440,20
Economic outturn for the year (*)	7 812 464 365,47	(4 194 018 305,10)
Total amounts to be called from Member States	64 953 350 952,27	54 164 629 135,10

(*) The economic outturn for 2004 was based on the accounting rules then in place.

This year due to the change in accounting policies following the move to accrual accounting, all the necessary changes to the opening balance sheet of 2005 were made to the (then) accumulated surplus carried forward from 2004.

It should also be noted that the above has no effect on the budget outturn — budget revenue should always equal budget expenditure since any excess of revenue is returned to the Member States.

4. NOTES TO THE ECONOMIC OUTTURN ACCOUNT

It should be noted that since 2005 is the first year of preparing the annual accounts under the new accrual accounting rules, and thus the first year that an Economic Outturn Account is prepared, it was decided that the comparative figures for 2004 would not be presented. This is because such figures were not required for the 2004 annual accounts since they were prepared under different accounting rules. Comparative figures for the economic outturn account will be given from 2006 onwards.

4.1 OPERATING REVENUES

Operating revenue of the European Communities can be divided into two main categories: own resources and other revenue. The main bulk of expenditure is financed by own resources, other revenue represents only a minor part of total financing.

OPERATING REVENUES

EUR

	Note	2005
OWN RESOURCE REVENUE:	4.1.1	101 143 885 139,05
GNI resources		70 861 050 698,58
VAT resources		16 018 121 497,86
Traditional own resources:		
Agricultural duties		1 310 659 214,95
Custom duties		12 252 130 814,06
Sugar levies		701 922 913,60
BUDGETARY ADJUSTMENTS	4.1.2	2 606 103 308,82
CONTRIBUTIONS OF THIRD COUNTRIES (INCLUDING EFTA COUNTRIES)		214 140 937,98
FINES		719 616 062,54
RECOVERY OF EXPENSES	4.1.3	1 385 693 507,89
Direct centralised management		59 430 895,71
Indirect centralised management		40 947 197,39
Decentralised management		(4 251 306,90)
Shared management		1 289 744 473,46
Joint management		(177 751,77)
REVENUE FROM ADMINISTRATIVE OPERATIONS	4.1.4	895 083 199,67
Staff		779 205 112,48
Fixed assets related revenues		42 427 876,97
Other administrative revenues		73 450 210,22
OTHER OPERATING REVENUES	4.1.5	925 576 809,61
Adjustments/provisions		3 507 474,00
Exchange gains		413 875 369,41
Other		508 193 966,20
Total		107 890 098 965,56

4.1.1 *Own resource revenue*

There are three categories of own resources: traditional own resources, the VAT resource and the GNI resource. Traditional own resources, in turn, comprise agricultural duties, sugar levies and customs duties. A correction mechanism in respect of budgetary imbalances (UK Rebate) is also part of the own resources system. Member States retain, by way of collection costs, 25 % of traditional own resources.

VAT own resources derive from the application of a uniform rate, for all countries, to the harmonised VAT base, a base which is capped at 50 % of GNI for all Member States. The GNI 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.

It should be noted that corrections made in 2005 relating to the period 1995-2004 for GNI resources were EUR 2 049 million. Similarly, corrections relating to the period 1991-2004 for VAT Resources were EUR 399 million. These corrections have the same impact in the budgetary accounts.

4.1.2 *Budgetary adjustments*

The budgetary adjustments include the budget surplus from 2004 (EUR 2,7 billion) which is refunded to Member States by deduction of the amounts they have to pay in the following year — thus it is a revenue for 2005. The UK rebate (EUR 130,6 million) is also deducted here.

4.1.3 *Recovery of expenses*

Future corrections can and are made to amounts paid out by the European Communities. These corrections are entered in the accounts if the amount of eligible expenditure, as defined by ex-post controls or audits, is lower than the amount of cumulated eligible expenditure initially recognised by the Communities.

For normal grant activity, a recovery order has in this case to be addressed to the beneficiary of the grant. If this is done before final payment of the grant, it results in the entering of a receivable from the recipient with counterpart a reduction in the charge of the year. However, if the recovery order is only issued after the final payment, it results in a receivable on the recipient with the counterpart being income in the economic outturn account of the year under the heading 'recovery of expenses'.

In the framework of the Common Agricultural Policy, amounts accounted for as income of the year under this heading concern negative expenditures, like receipts from frauds and irregularities, milk levies in order to guarantee the equilibrium in the markets, and conformity clearances following audits that adjust the eligible charges. In 2005, an amount of EUR 46,6 million concerning EAGGF was accounted for as a correction under the 2004 clearance of accounts process. Three further conformity decisions were also taken during 2005, with a financial impact of EUR 520,5 million. In 2005 also, EUR 447,0 million concern milk levies and EUR 107,3 million fraud and irregularities.

At 31 December 2005 the amount of EAGGF Guarantee amounts subject to future corrections total EUR 1,15 billion. This amount is treated as a contingent asset in the off-balance sheet.

Other formal corrections were made during 2005 for amounts paid out previously, which are now being recovered (these corrections have the same impact in the budgetary accounts):

- Under the European Social Fund, financial corrections were made in 2005 relating to the period 1994-1999 totalling EUR 5,3 million and for the period 2000-2006 totalling EUR 6,3 million.
- Under the European Regional Development Fund, corrections were made in 2005 relating to the period 1994-1999 totalling EUR 0,5 million and for the period 2000-2006 totalling EUR 100 million (another EUR 400 million is to be issued in 2006-2008).
- Concerning the Cohesion Fund the amount of financial corrections made in 2005 was EUR 119,4 million.

There are other types of corrections which are not recorded for example, because of the possibility given to the Member States to offset the ineligible expenditure by other expenditure.

Accrued income because of ineligibility of expenses is estimated at year end and accounted for under this heading. The negative amounts (under decentralised and joint management) concern reversal of opening balance sheet cut off entries. Ineligible amounts had been considered as accrued income, but the amount had been overestimated by two DGs.

4.1.4 *Revenue from administrative operations*

Revenue from staff is made up primarily of two amounts — pension contributions and taxes on income.

4.1.5 *Other operating revenues*

The largest amount (EUR 276,2 million) relates to amounts received from accession countries. Other amounts include the write back of amounts previously written off receivables.

Exchange gains, except on financial activities dealt with in note 4.5 below, are also included under this heading. These arise on the everyday activities and related transactions made in currencies other than the Euro, as well as the year-end revaluation required to prepare the accounts — they are both realised and unrealised.

4.2 ADMINISTRATIVE EXPENSES

These are administrative expenses incurred as part of the activities of the Communities. Costs incurred here include: staff costs, costs relating to fixed assets (such as depreciation).

Land and building costs (EUR 349 million) which include rental charges and operating lease expenses are included under 'other administrative expenses', as well as publication costs and internal procurement of goods.

4.3 OPERATING EXPENSES

The European Communities' operating expenditure covers the various headings of the financial perspective and takes different forms, depending on how the money is paid out and managed. In accordance with the Financial Regulation, the Communities implement the general budget using the following methods:

Direct centralised management: this is where the implementation of the budget is done directly by the responsible Communities' Institution or body.

Indirect centralised management: this refers to cases where the Communities entrust the task of managing a portion of the budget to a Communities or Member State body.

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

Shared management: similarly under this method of management the Communities delegate certain tasks for implementation of the budget to Member States.

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

The majority of the expenditure (EUR 86,9 billion) falls under the heading 'Shared Management' involving the delegation of tasks to Member States, covering such areas as EAGGF spending and Structural Actions.

4.4 OTHER OPERATING EXPENSES

Movements on provisions for risks and charges are shown under this heading. In accordance with the Communities' accounting rules, provisions recognised on the balance sheet need to be re-examined at least at each year-end and adjusted where necessary so as to reflect their current underlying situation. Also included are write-downs made on amounts receivable.

Exchange losses, except on financial activities dealt with in note 4.6 below, occur on the everyday activities and related transactions made in currencies other than the Euro, as well as the year-end revaluation required to prepare the accounts — they are both realised and unrealised.

OTHER OPERATING EXPENSES

	<i>EUR</i>
	2005
Adjustments/provisions	138 579 083,80
Exchange losses	375 983 460,65
Other	417 090 475,73
Total	931 653 020,18

4.5 FINANCIAL OPERATIONS REVENUE

The Communities' financial income consists mainly of interest income derived from loans, either granted from the general budget or from borrowed funds, as well as from debt securities and derivative instruments. Interest is also earned on amounts held in bank accounts and short-term bank deposits.

FINANCIAL OPERATIONS REVENUE

	EUR
	2005
DIVIDEND INCOME	7 319 379,77
From Venture Capital Funds	7 319 379,77
INTEREST INCOME	343 282 568,96
On loans	92 060 982,27
On cash & cash equivalents	78 350 741,02
Other	172 870 845,67
OTHER FINANCIAL INCOME	38 655 069,39
Realised gain on sale of financial assets	5 127 264,81
Reversal of impairment losses on financial assets	3 550 976,22
Other	29 976 828,36
PRESENT VALUE ADJUSTMENT	4 573 808,00
EXCHANGE GAINS	5 257 702,60
Total	399 088 528,72

4.6 FINANCIAL OPERATIONS EXPENSES

The main financial expense incurred by the European Communities consists of interest on financial lease contracts, as well as on borrowings taken out to fund lending activities and derivative instruments. In addition to losses on the sale and the write down in the value of financial assets, other financial expenses also include the adjustments made to financial provisions and the management fees paid to the fiduciaries.

FINANCIAL OPERATIONS EXPENSES

	EUR
	2005
INTEREST EXPENSES	215 368 551,00
On borrowings	72 644 656,26
Other	142 723 894,74
OTHER FINANCIAL EXPENSES	151 709 601,37
Realised loss on sale of financial assets	2 246 264,94
Impairment losses on financial assets	1 575 224,77
Other	147 888 111,66
EXCHANGE LOSSES	1 571 986,82
Total	368 650 139,19

4.7 SHARE OF NET SURPLUS/(DEFICIT) ASSOCIATES & JOINT VENTURES

In accordance with the equity method of accounting, the Communities includes in its economic outturn account its share of the net surplus of its associate, EIF, and its share of the net deficit of its joint venture, Galileo (see also note E 3.3.1).

5. NOTES TO THE CASHFLOW TABLE

It should be noted that since 2005 is the first year of preparing the annual accounts under the new accrual accounting rules, and thus the first year that a cashflow table is prepared, it was decided that the comparative figures for 2004 would not be presented. This is because such figures were not required for the 2004 annual accounts since they were prepared under different accounting rules. Comparative figures for the cashflow table will be given from 2006 onwards.

5.1 PURPOSE AND PREPARATION OF THE CASHFLOW TABLE

Cash flow information is used to provide a basis for assessing the ability of the Communities to generate cash and cash equivalents, and its needs to utilise those cash flows.

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

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

The cash flow table shown above reports cash flows during the period classified by operating, investing and financing activities. The cash flows associated with extraordinary items, if any, are classified as arising from operating, investing or financing activities as appropriate, and separately disclosed.

5.2 OPERATING ACTIVITIES

Operating activities are the activities of the Communities 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 Communities. Operating activities also include investments such as EIF, Galileo, EBRD and venture capital funds. Indeed, the objective of these activities is to participate in the achievement of policy targeted outcomes.

5.3 INVESTING ACTIVITIES

Investing activities are the acquisition and disposal of intangible and tangible fixed assets and of other non-operating 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 Communities.

It should be noted that EUR 2,25 billion of cash and cash equivalent balances held by the Communities are not available for use by the Communities. This is the cash received as payment of fines levied, where the other party is appealing the imposition of the fine. These amounts are clearly disclosed as 'restricted cash' under note 3.11 above.

6. OFF-BALANCE SHEET & NOTES

CONTINGENT ASSETS

	Note	31.12.2005	31.12.2004 Restated
Guarantees received	6.1	3 352 097 595,13	2 867 545 633,50
Guarantees received in respect of pre-financing	6.1.1	1 138 136 716,33	1 261 653 669,13
Guarantees received in respect of fines' cases pending	6.1.2	1 465 706 342,00	1 165 874 001,00
Other guarantees received	6.1.3	748 254 536,80	440 017 963,37
Borrowing agreements signed	6.2	0,00	0,00
Contingent assets relating to cases of fraud & irregularities concerning structural actions	6.3	1 244 918 719,00	1 102 621 000,00
Other contingent assets	6.4	1 234 642 838,97	905 824,00
Total Contingent Assets		5 831 659 153,10	3 971 072 457,50

EUR

CONTINGENT LIABILITIES & COMMITMENTS FOR FUTURE FUNDING

EUR

Contingent Liabilities	Note	31.12.2005	31.12.2004 Restated
Guarantees given	6.5	15 788 387 107,69	14 557 201 106,61
Guarantees given for EIB loans	6.5.1	15 055 116 636,77	13 899 797 966,00
Guarantees signed by the EIF	6.5.2	732 272 742,00	656 517 527,00
Other guarantees given		997 728,92	885 613,61
EAGGF Guarantee	6.6	465 360 931,04	562 604 294,00
Contingent liabilities connected with the clearance of the EAGGF Guarantee accounts pending judgement by the Court of Justice	6.6.1	465 360 931,04	554 096 294,00
Contingent liabilities relating to the judgements by the Court of Justice pending enforcement	6.6.2	0,00	8 508 000,00
Fines — Appeals to the Court of Justice	6.7	4 427 429 022,00	3 837 913 801,00
Amounts relating to legal cases and other disputes	6.8	2 490 921 822,28	2 430 473 105,00
Other contingent liabilities	6.9	709 055 454,83	558 822 340,00
Total Contingent Liabilities		23 881 154 337,84	21 947 014 646,61
Commitments for future funding	Note	31.12.2005	31.12.2004 Restated
Undrawn commitments	6.10	331 766 142,56	485 693 578,78
Commitments against appropriations not yet consumed	6.11	88 824 110 196,66	83 945 009 118,97
Legal Commitments for which budget commitments have not yet been made	6.12	48 183 934 608,94	89 485 289 562,47
Structural operations (aid planned but not committed for the period 2000-2006)	6.12.1	39 014 608 434,94	75 999 232 173,47
Cohesion fund	6.12.2	6 000 664 296,00	8 193 874 771,00
ISPA	6.12.3	514 617 181,00	630 464 832,00
TRDI	6.12.4	2 096 000 000,00	4 027 000 000,00
Protocols with Mediterranean Countries	6.12.5	259 258 239,00	253 739 892,00
External relations	6.12.6		
KEDO		57 236 958,00	58 025 519,00
UNWRA		0,00	63 669 375,00
Fisheries agreements	6.12.7	241 549 500,00	259 283 000,00
Contributions to related organisations	6.13	946 500 000,00	1 022 500 000,00
Uncalled Share capital EBRD	6.13.1	442 500 000,00	442 500 000,00
Uncalled Share capital EIF	6.13.2	480 000 000,00	480 000 000,00
Uncalled Share capital Galileo programme (adjusted)	6.13.3	24 000 000,00	100 000 000,00
Operating lease commitments	6.14	1 415 393 523,34	1 182 189 017,45
Total Commitments for future funding		139 701 704 471,50	176 120 681 277,67

All contingent liabilities and commitments would be financed, should they fall due, by the Communities' budget in the years to come. The Communities' budget is financed by the Member States.

CONTINGENT ASSETS

6.1 GUARANTEES RECEIVED

6.1.1 *Guarantees received in respect of pre-financing*

These are guarantees that the European Communities request from beneficiaries when paying out advance payments (pre-financing). In some cases as required by the Financial Regulation, guarantees can be required in order for beneficiaries to receive pre-financing. The object of the guarantee is therefore to secure the pre-financing. The generating event is linked to the existence of the pre-financing. Here the guarantee's generating event is the pre-financing payment. At 31 December 2005 the full (or facial) amount of those guarantees amounts EUR 1,14 billion.

In some cases, the associated pre-financing has been partially cleared via an interim payment. The estimated value of the related open pre-financing amounts at 31 December 2005 is about EUR 0,73 billion.

6.1.2 *Guarantees received in respect of fines' cases pending*

These are guarantees received from the recipient of a Communities' fine who wishes to appeal this fine. A bank guarantee can be given for the amount (and interest) in question instead of making a provisional payment.

6.1.3 *Other guarantees received*

The types of guarantees included under this heading are:

Other guarantees received

	31.12.2005	31.12.2004 Restated
Euratom loans: guarantees by third countries	385 000 000,00	170 000 000,00
Performance guarantees	253 793 322,70	166 209 567,12
Guarantees received as part of tenders	4 690 212,61	1 597 083,84
Guarantees for payment delays	3 759 388,45	6 348 343,37
Other	101 011 613,04	95 862 969,04
Total	748 254 536,80	440 017 963,37

EUR

The Commission has received guarantees from third-party guarantors in respect of loans granted through Euratom. The Commission has not received third-party guarantees for loans granted under the financial assistance (MFA) scheme. However, these loans are guaranteed by the Guarantee Fund.

Performance guarantees are sometimes requested to ensure that beneficiaries of Communities funding meet the obligations of their contracts with the Communities. Included here is a bank guarantee of EUR 127,8 million (2004: EUR 60,8 million) received by the Council relating to the advance payments given for the construction of the LEX building.

Other guarantees include EUR 93,4 million at 31 December 2005 (2004: EUR 84,3 million) concerning guarantees received by the ECSC in liquidation for loans granted (as specified in the related contracts.)

6.2 BORROWING AGREEMENTS SIGNED

These are borrowing agreements entered into by the Communities but not yet drawn down before the year-end — there were none at 31 December 2005 or 2004.

6.3 FRAUD AND IRREGULARITIES — STRUCTURAL ACTIONS

The table below is based on the formal reports submitted by the Member States in accordance with Commission Regulation No 1681/94, with amounts broken down by Member State. The tables show the difference between amounts identified by the Member States as still to be recovered (calculated on the basis of established entitlements or estimates) and amounts already recovered or declared irrecoverable.

Contingent assets: fraud & irregularities cases

Member State	EUR '000	
	31.12.2005	31.12.2004
Belgium	14 045	14 574
Denmark	9 920	9 032
Germany	568 213	500 481
Greece	96 237	67 425
Spain	51 665	45 389
France	13 801	17 722
Ireland	2 396	2 824
Italy	344 455	294 349
Luxembourg	12	119
Netherlands	7 876	7 272
Austria	9 226	5 723
Poland	324	23
Portugal	47 509	58 233
Finland	2 171	2 076
Sweden	1 035	944
United Kingdom	75 959	76 435
Czech Republic	34	0
Estonia	33	0
Hungary	8	0
Total	1 244 919	1 102 621

The figures given in this table represent a theoretical maximum rather than the amounts that will actually be made available to the Communities' budget, for the following reasons:

- The Member States do not always report the results of their recovery operations (and certainly not promptly).
- Although Member States must inform the Commission of the likelihood of recovery, it is impossible to determine exactly what proportion of the amounts still to be recovered will actually be recovered. National laws sometimes provide for a 30-year limitation period, which may well make the national authorities delay formally writing off the debt even if the chances of recovery are only theoretical. For structural operations, Member States must now send the Commission once a year a statement of the amounts awaiting recovery (Article 8 of Regulation No 438/2001) to give a better picture of the actual situation.
- Even if the Member State concerned launches recovery proceedings in time, a positive outcome is not guaranteed. This is particularly true where recovery orders are contested in the courts.
- Individual projects are co-financed as part of multi-annual programmes. As long as a multi-annual programme has not been closed, it is impossible to put an exact figure on the amounts to be recovered because the sums involved in irregularities may, in certain circumstances, be reallocated to other, legitimate projects and because payment by instalments, in particular final payments, can sometimes be used as a means of adjusting expenditure. The figures in these tables are provisional figures based on the reports received and processed up to the end of March 2006. These figures may therefore be changed in line with further reports arriving late.

The prospects of recovery in individual cases cannot be assessed with sufficient accuracy from the information forwarded by the Member States.

On the date when the consolidated annual accounts were drawn up, the annual report on the fight against fraud for 2005 had not yet been adopted.

6.4 OTHER CONTINGENT ASSETS

Quantified amounts:

The most significant item included here concerns estimated amounts of EUR 1,15 billion to be received under the agricultural conformity clearance decisions framework for the period 2001-2005. As the amounts are not yet definitive, they are not recognised on the balance sheet.

Also included under this heading is a probable receivable of EUR 52,9 million related to a penalty payment following a judgement of the European Court of Justice during 2005 relating to the non-respect of certain Communities fisheries regulations by France. A first fine of EUR 20 million had been paid in September 2005. A second part of the Judgement was that an additional penalty needed to be paid covering the period 15.7.2005 — 15.1.2007 if no improvements to the control system were effectively implemented. This part is currently being evaluated, thus the receivable is not yet certain, so not recognised on the balance sheet.

Additionally an amount of EUR 26,6 million is included here, which relates to a potential receivable from a Member State following audits made.

Non-quantified amounts:

In the Annual Activity Report (AAR) each authorising officer reports on policy results and on the reasonable assurance he/she may have that the resources assigned to the activities described in his/her 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.

For 2005, and taking an overall view, the Commission considers in the synthesis report that internal control system put in place, with the limitations described in the 2005 AAR, provides reasonable assurance on the legality and regularity of operations, for which the Commission is responsible under article 274 EC. Some Directors-General made reservations and quantified when possible the global impact of these reservations.

DG Education and Culture raised a reserve concerning accounting: i.e. an insufficient assurance regarding the reliability of recorded amounts due to the impossibility of checking all the transactions figuring in the accounting system before the deadline for finalising the accounts.

Detailed explanations are included in the Annual Activity Report of each DG and in the 2005 annual synthesis report.

CONTINGENT LIABILITIES

6.5 GUARANTEES GIVEN

6.5.1 *On loans granted by the European Investment Bank (EIB) to third countries from its own resources*

As formulated, the guarantee legally covers the loans signed by the EIB at 31 December 2005 (including loans granted to Member States before accession). However, the Communities' guarantee is limited to a percentage of the ceiling of the credit lines authorised: 65 %, 70 %, 75 % or 100 %. Where the ceiling is not reached, the Communities' guarantee covers the full amount.

At 31 December 2005 the amount outstanding totalled EUR 15 055 million (2004: EUR 13 900 million) and this, therefore, is the maximum risk faced by the Communities.

For loans covered by the Communities' budget guarantee, the EIB also obtains guarantees from third parties (States, public or private financial institutions); in these cases the Commission is a secondary guarantor. The Communities' budget guarantee covers only the political risk of guarantees provided under the title of 'risk-sharing'. The other risks are covered by the EIB should the primary guarantor not honour the undertakings given.

For guarantees provided under the title of 'non-risk sharing', all the risks are covered by the Communities' budget should the primary guarantor not honour its undertakings given. If the primary guarantor is a public authority these risks are confined as a rule to the political risk, but when the guarantees are provided by an institution or a private company, the Communities' budget might also have to cover the commercial risk.

The loans granted by the EIB from its own resources to third countries and covered by the Communities' budget guarantee are as follows:

EIB loans guaranteed by the Communities

EUR millions

	'Risk Sharing' 31.12.2005	'Non-risk Sharing' 31.12.2005		Outstanding 31.12.2005 Total	Outstanding 31.12.2004
		Public authority	Private company		
65 % guarantee	1 624	4 427	1 047	7 098	4 980
70 % guarantee	502	3 262	416	4 180	4 384
75 % guarantee	-	1 738	211	1 949	2 442
100 % guarantee	-	1 366	462	1 828	2 094
Total	2 126	10 793	2 136	15 055	13 900

6.5.2 Guarantees signed by the European Investment Fund (EIF)

At 31 December 2005 the EIF had signed guarantees and commitments in venture capital operations totalling EUR 3 160,1 million, however of this amount EUR 719,2 million relates to the portfolio of guarantee operations for projects related to the development of Trans-European Networks (TEN) that has been transferred to the EIB (the relevant Agreement was signed with the EIB on December 7, 2000.) The EIB bears the risk of the transactions (with the EIF remaining the guaranteeing party under the relevant Guarantee Agreements) and in return is entitled to receive the related fees (utilisation fee + commitment fee) from the intermediaries. Excluding these amounts since the EIF bears no risk, the total guarantees given and commitments in venture capital operations by the EIF at 31 December 2005 is thus EUR 2 440,9 million; this represents a maximum potential risk of EUR 732,3 million for the European Communities, as the Communities contribute 30 % of the capital of the EIF. The total capital subscribed by the Communities is EUR 600 million, of which 20 % has been called up.

The proportion of the capital subscribed by the European Communities which has not been called up (80 %) is also included in the off-balance-sheet commitments as a contingent liability (note 6.13.2).

6.6 EAGGF GUARANTEE

6.6.1 Clearance of accounts

These are contingent liabilities towards the Member States connected with the EAGGF clearance of accounts procedures. The determination of the final amount of the liability and the year in which it will be charged to the budget will depend on the length of the procedure before the Court of Justice. An estimate of the probable amounts to be paid (EUR 60 million) has also been included as a long-term provision on the balance sheet (see note E 3.13).

6.6.2 Contingent liabilities in respect of judgements pending execution

At the end of 2004, this amount represented contingent liabilities for which the Commission decision had not been taken by the date on which the accounts were closed and for which the compensation arrangements needed to be agreed on between the parties concerned. At end 2005, the relevant amounts (now amounting to EUR 17,1 million) have been included as accrued charges in the balance sheet since the amounts are now deemed certain.

6.7 FINES

For fines imposed by the Commission for infringement of competition rules where the amount has been provisionally paid (and thus included in the Commission balance sheet), it has been decided that both fines for which an appeal has been lodged ⁽¹⁾ and those where it is unknown if an appeal will be made should be included as a contingent liability in the off-balance-sheet commitments pending a decision by the Court of Justice. This contingent liability will be maintained until a decision is final.

⁽¹⁾ Even if the appeal against fines imposed in 2005 was made in 2006 before the closure of accounts.

Once notified, debtors who do not accept the Commission decision fining them are entitled to lodge an appeal with the Court of Justice. However, the principal of the fine has to be paid within the prescribed time limit, since under Article 242 of the EC Treaty appeals do not have suspensory effect. Thus, debtors have two options: they can either provide a bank guarantee (shown under contingent assets) or make a provisional payment (shown under cash and cash equivalents in the balance sheet.)

Only once the final judgment is delivered, does the Accounting Officer either refund fully or partly the amount of the provisional payment plus the interest or irrevocably collect the full (or part) amount of the fine, as fixed by the final judicial decision.

Interest earned on provisional payments (EUR 154,4 million) is included in the economic result for the year and also as a contingent liability to reflect the uncertainty of the amounts.

6.8 AMOUNTS RELATED TO LEGAL CASES AND OTHER DISPUTES

This heading relates to actions for damages currently being brought against the Communities, other legal disputes and the estimated legal costs. The most significant amounts are summarised below:

- Action brought against it in June 2003 in relation to a ruling made by the Commission. The claim is for EUR 735 million. The Commission submitted its rejoinder in February 2005. Unlikely to be decided before 2007.
- Action for damages brought in October 2003, also in relation to a ruling made by the Commission. The claim is for an amount of EUR 1 664 million. The Commission submitted its rejoinder in November 2004. Unlikely to be decided before 2007.
- In May 2004 the owner of a building in Brussels initiated a legal process in the Court of First Instance against the Commission in order to be compensated for a non-signature of a lease contract. The Commission currently estimates the possible obligation to be EUR 20 million, which is thus treated as contingent liability.
- EUR 22 million concerns cases for damages brought against the Commission in the area of health.
- Other amounts are related to disputes involving suppliers, contractors and former staff.

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.

6.9 OTHER CONTINGENT LIABILITIES

Included under this heading at the end of 2004, was the maximum possible liability, estimated at EUR 23,4 million (being net of the amounts already entered as either provisions or debts) concerning certain disease eradication costs that may have to have been borne by the Communities' budget. At end 2005 there was no outstanding contingent liability for this matter.

Also included here is the outstanding contractual obligation of EUR 130,2 million relating to the construction of the Council's LEX-building, as well as EUR 239 million relating to building contracts of the Parliament. The other significant amount included is EUR 330 million that concerns the extension of a Court of Justice building in Luxembourg.

COMMITMENTS FOR FUTURE FUNDING

6.10 UNDRAWN COMMITMENTS

These are lending and equity investment agreements entered into by the Commission and ECSC in liquidation (not covered by the RAL) but not yet drawn down by the other party before the year-end.

6.11 COMMITMENTS AGAINST APPROPRIATIONS NOT YET CONSUMED

This amount represents the amount of the open commitments for which payments have not yet been made. At 31 December 2005 the RAL totalled EUR 119,1 billion. The amount disclosed as a future commitment to be funded is this budgetary RAL less related amounts that have been included as expenses in the Economic Outturn Account giving a total of EUR 88,8 billion.

The RAL is the normal consequence of the existence of multi-annual programmes. In order to have a more precise view of the composition of this amount, it was decided to identify separately the oldest commitments or those for which no movements were noted. Thus the concept 'Potentially Abnormal RAL' (PAR) was defined. It is composed of the commitments which answer the one of the two following conditions:

- A commitment of more than five years old
- Commitments for which no accounting transaction (payment or de-commitment) was noted during the last two years.

As a result of the joint statements of November 2002 and 2003, the Commission, the European Parliament and the Council stressed the need to eliminate gradually this potentially abnormal RAL. Thus at the beginning of each financial year the commitments meeting this definition are identified and are the subject of an individual examination. The remaining commitments are classified in 8 separate categories according to the identified hypothetical case. This regular analysis leads to a continuous reduction of this part of the RAL and avoids keeping in the accounts amounts that no longer correspond to any legal commitment.

Thus during the financial year 2005, the potentially abnormal RAL was reduced by 48 %. The following table gives the situation by heading of the financial perspective:

Potentially Abnormal RAL (PAR)

	EUR			
	PAR at 31.12.2004	Payments during 2005	Other movements during 2005	PAR at 31.12.2005
Agriculture	2 074 137	-	(2 060 350)	13 787
Structural actions	6 296 247 277	(2 416 431 008)	(1 073 475 677)	2 806 340 592
Internal policies	1 196 515 414	(358 981 904)	(198 920 639)	638 612 871
External policies	2 074 138 692	(554 000 167)	(281 897 691)	1 238 240 834
Administration	8 265 615	-	(3 917 209)	4 348 406
Pre-adhesion	1 198 127 481	(256 623 707)	(34 755 523)	906 748 251
Other	99 743	-	(99 743)	-
Total	10 775 468 359	(3 586 036 786)	(1 595 126 832)	5 594 304 741

6.12 LEGAL COMMITMENTS FOR WHICH BUDGET COMMITMENTS HAVE NOT YET BEEN MADE

These commitments originated because the Commission decided to enter into legal commitments in respect of amounts that were not covered by commitment appropriations in the budget.

Under the Inter-institutional Agreement and, more generally, the rules relating to the budget, the following expenditure must be recorded as off-balance-sheet commitments in view of the volume of financial commitments which arises:

- **6.12.1 & 6.12.2:** The Structural Funds and the Cohesion Fund represent expenditure targets and the whole allocation shown in the financial perspective is meant to be matched by decisions. As a result, contingent commitments are evaluated at a maximum.

Legal Commitments without budgetary commitments — Structural Operations

	EUR billions	
	31.12.2005	31.12.2004
Objective 1	28,46	55,83
Objective 2	3,44	6,97
Objective 3	4,29	8,15
FIFG (outside objective 1)	0,25	0,37
Communities initiatives	2,58	4,67
Total	39,02	75,99

- **6.12.3:** ISPA: In itself, the ISPA Regulation does not lead to off-balance-sheet commitments as it does not provide for an annual allocation or even a total allocation. This is determined each year by the budgetary authority in line with the financial perspective. The ceilings in heading 7 (pre-accession) are not expenditure targets and the Inter-institutional Agreement allows a degree of flexibility between the various pre-accession instruments. On the other hand, ISPA generates contingent liabilities in connection with the individual projects as they involve a number of annual tranches of which only the first is covered by a budget commitment when the decision is adopted.
- **6.12.4:** The Temporary Rural Development Instrument (TRDI) for the new Member States is funded under the EAGGF-Guarantee and covers the period 2004 to 2006. It is financed under differentiated appropriations and annual commitments are automatically made each year on the basis of the Commission decision approving the programme. No additional annual decision is required. The Commission decision represents an expenditure target and the whole allocation is meant to be matched by decisions.
- **6.12.5:** The commitments made under 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 process (of winding them up) is on-going.
- **6.12.6 & 6.12.7:** Commitments entered into with specified third parties for other operations under external and fisheries actions, relating to specific amounts over a fixed period.

The other multi-annual programmes do not contain any commitments to be included under contingent liabilities: expenditure in future years is conditional on the annual decisions by the budgetary authority or changes in the rules concerned.

6.13 CONTRIBUTIONS TO RELATED ORGANISATIONS

This sum represents payments outstanding on non-called-up capital subscribed by the Commission.

6.13.1 *Uncalled share capital: EBRD*

<i>EUR millions</i>		
EBRD	Total EBRD capital	Commission subscription
Capital	19,790	600
Paid-in	– 5,197	– 157,5
Uncalled	14,593	442,5

6.13.2 *Uncalled share capital: EIF*

<i>EUR millions</i>		
EIF	Total EIF capital	Commission subscription
Capital	2 000	600
Paid-in	– 400	– 120
Uncalled	1 600	480

6.13.3 *Uncalled share capital: Galileo joint venture*

<i>EUR millions</i>		
Galileo	Total Galileo capital	Commission subscription
Capital	580	520
Paid-in	– 488	– 438
Uncalled	92	82
Incl. in RAL	N/A	– 58
Contingent Liability	N/A	24

Pursuant to Council Regulation (EC) No 876/2002 of 21 May 2002 the Commission's contribution to the Galileo joint venture is EUR 520 million. This commitment is for a period of four years ending in 2006. Commitments of EUR 58 million not yet paid are included in the RAL (above) and so deducted from the above uncalled amounts.

6.14 OPERATING LEASE COMMITMENTS

This heading covers buildings and other equipment rented under operating leasing contracts that do not meet the conditions for entry on the assets side of the balance sheet. The amounts indicated correspond to commitments still to be paid during the term of the contracts, except for the Court of Justice's Palais building, which is occupied under an indefinite lease; here, the amount of EUR 2,3 million corresponds to the annual rent.

OPERATING LEASE COMMITMENTS

EUR millions

Description	Charged during year	Future amounts to be paid			
		< 1 year	1-5 years	> 5 years	Total
Buildings	172,6	176,7	546,6	675,3	1 398,6
IT materials and other equipment	11,4	9,0	7,8	0,0	16,8
Total	184,0	185,7	554,4	675,3	1 415,4

7. FINANCIAL RISK MANAGEMENT

MACRO FINANCIAL ASSISTANCE (MFA) AND EURATOM

The following disclosures relate to lending and borrowing activities carried out by the European Communities through **Macro Financial Assistance (MFA)** and **Euratom**.

7.1 RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

The lending and borrowing transactions, as well as related treasury management, are carried out by the Communities according to the respective Euratom Council Decisions ⁽¹⁾, 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. Financial and operational risks are identified and evaluated and compliance to internal guidelines and procedures is checked regularly.

As a general rule, there are no hedging activities carried-out as lending operations are financed by 'back-to-back' operations and as there are no open currency positions existing. However, derivative financial instruments can be used to hedge certain risk exposures when no perfect matching between lending and borrowing activities can be reached. A detailed description of such financial instruments can be found under section E 3.3.3.2.

7.2 CURRENCY RISK

Since all financial assets and liabilities are denominated in euros, the Communities do not take on exposure to effects of fluctuations in foreign currency exchange rates on its financial position and cash flows.

⁽¹⁾ 90/212/Euratom: Council Decision of 23 April 1990 amending Decision 77/271/Euratom on the implementation of Decision 77/270/Euratom empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations, *Official Journal L 112*, 3.5.1990, p. 26;
77/271/Euratom: Council Decision of 29 March 1977 on the implementation of Decision 77/270/Euratom empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations, *Official Journal L 88*, 6.4.1977, p. 11;
94/179/Euratom: Council Decision of 21 March 1994 amending Decision 77/270/Euratom, to authorize the Commission to contract Euratom borrowings in order to contribute to the financing required for improving the degree of safety and efficiency of nuclear power stations in certain non-member countries, *Official Journal L 84*, 29.3.1994, p. 41-43.

7.3 INTEREST RATE RISK

Due to the nature of its lending and borrowing activities, the Communities have significant interest-bearing assets and liabilities.

Borrowings issued at variable rates expose the Communities to cash flow interest rate risk. They represent approximately 94 % of the total volume of borrowings. However, the interest rate risks that arise from borrowings are offset by equivalent loans in terms and conditions ('back-to-back' operations). At the balance sheet date, the Communities have loans (expressed in nominal amounts) with variable rates of EUR 1,38 billion (2004: EUR 1,31 billion), with a re-pricing taking place every 6 months. The Communities also have loans (expressed in nominal amounts) with fixed rates for EUR 85 million in 2005 (2004: EUR 70 million), they have a final maturity date of more than five years.

The MFA swap agreement, as detailed in section **E 3.8.2**, was entered into to match the cash flow of a loan with a floating interest rate and a final maturity on 22 December 2008, on one side and, the cash flow of the corresponding borrowing with a fixed interest rate and a final maturity on 22 December 2005, on the other side. The swap agreement was structured in two 'tranches': the 'swap tranche', where both floating and fixed rate legs were active, ended on 22 December 2005, the second 'tranche' with only the floating rate leg being a forward floating borrowing starting on the same date.

7.4 CREDIT RISK

The Communities take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Exposure to credit risk is managed, firstly by obtaining country guarantees in the case of Euratom, then through the Guarantee Fund. The Guarantee Fund for external actions⁽¹⁾ was set up in 1994 to cover default risks related to borrowings which finance loans to countries outside the European Union. In order to avoid any delays in payments due by the Entity, such borrowings are serviced by means of cash advances from the EC budget. If, three months after a payment is due, it is confirmed that a recipient country has defaulted, the cash advances are repaid to the budget by the Guarantee Fund for external actions.

The largest concentrations of credit risk that the Communities have are towards Bulgaria, Serbia-Montenegro and Romania. These countries represent approximately 33 %, 15 % and 13 % respectively of the total volume of loans.

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 being part of a 'trading list of authorized banks' and having sufficient counterparty limits.

7.5 FAIR VALUE

The estimated fair value of loans and borrowings is determined using a discounted cash flow model. According to this model, expected future cash flows are discounted by applying AAA yield curves appropriate for the remaining term to maturity.

The estimated fair value of floating rates loans are assumed to approximate their carrying amount since re-pricing at market interest rates takes place every 6 months.

At the balance sheet date, the estimated fair value of fixed interest bearing loans (including fixed rate leg of interest rate swap) and borrowings amount to EUR 99,4 million (2004: EUR 206,3 million) and EUR 99,1 million (2004: EUR 208,1 million), respectively, compared to corresponding book value of EUR 87,3 million (2004: EUR 197 million) and EUR 87,3 million (2004: EUR 197 million), respectively.

The negative difference between the estimated fair value of fixed interest bearing loans and borrowings as at 31 December 2004 is to be considered together with the positive fair value of the 'swap tranche' (see note **E.3.8.2**).

⁽¹⁾ Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 establishing a Guarantee Fund for external actions, *Official Journal L 293*, 12.11.1994, p. 1-4.

GUARANTEE FUND

The following disclosures relate to the asset management of the **Guarantee Fund** carried out by the European investment Bank on behalf of the European Communities.

7.6 RISK MANAGEMENT POLICIES

The rules and principles for the asset management of the Guarantee Fund are laid out in the Convention between the European Commission and the European Investment Bank (EIB) dated 25 November 1994 and the subsequent amendments dated 17/23 September 1996 and 8 May 2002.

The main principles, as extracted directly from the Convention, are as follows:

- The Guarantee Fund will operate in one single currency: EURO. It will exclusively invest in this currency in order to avoid any exchange rate risk.
- Management of the assets will be based upon the traditional rules of prudence adhered to for financial activities. It will have to pay particular attention to reducing the risks and to ensuring that the managed assets have a sufficient degree of liquidity and transferability, taking into account the commitments to which the Guarantee Fund will be confronted.
- The Guarantee Fund will be able to use all the hedging instruments against the market and interest risks, already used by the Portfolio Division of the EIB.
- The portfolio management will be based on the optimal duration and on the best possible allocation between short term and long term, in order to draw a real advantage from the rates curve. In order to be able to quickly modify the duration of the portfolio according to the forecast of the future conditions of the market, the promoter will use, with the exclusive aim of hedging, the instruments available on the market for which the EIB already has the necessary experience.

7.7 INTEREST RATE POSITION

Theoretically, hedging instruments could be used to manage the interest rate (market) risk. However as agreed between the Commission and the EIB, no significant risk is currently taken and therefore hedging is not performed. As the transactions and operations are only denominated in Euro, no other hedging is required. The distribution of the Guarantee Fund's holdings at 31 December 2005 (market value excluding accrued interest) is detailed in the table below:

Segments	Fixed rate investments			Variable rate securities EUR	TOTAL EUR
	Less than 3 months EUR	3 months to 1 year EUR	1 to 10 years EUR		
Current accounts	1 582 090	0	0	0	1 582 090
Short term deposits — nominal	313 500 000	0	0	0	313 500 000
Available-for-sale assets	25 564 200	83 102 060	791 230 957	84 470 004	984 367 221
Total	340 646 290	83 102 060	791 230 957	84 470 004	1 299 449 311
Percentage	26,2 %	6,4 %	60,9 %	6,5 %	100,00 %

For the cash and cash equivalents (fixed term deposits), the effective interest rate range is between 2,13 % and 2,41 %. For the Available-for-Sale (AFS) securities portfolio, the effective interest rate range is between 2,61 % and 5,92 %.

For the short-term deposits, the interest rate (IR) exposure for 1 basis point (bp) is EUR 2 569 and for the bond portfolio, the IR exposure for 1bp is EUR 317 900. For the short-term deposits, the interest rate (IR) exposure range for +1 %/-1 % is EUR 256 656 to EUR (257 213) and the bond portfolio, the IR exposure range for +1 %/-1 % is EUR 30 868 578 to EUR (32 760 122).

7.8 LIQUIDITY POSITION

The table below provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates. Therefore, in the case of liabilities the earliest possible repayment date is shown, while for assets it is the latest possible repayment date.

Those assets and liabilities that do not have a contractual maturity date are grouped together in the 'Maturity undefined' category.

EUR

Maturity	Less than 3 months	3 months to 1 year	1 to 10 years	Maturity undefined	TOTAL
Assets in EUR:					
Current accounts	1 582 090	0	0	0	1 582 090
Short term deposits	314 441 933	0	0	0	314 441 933
Of which accrued interests	941 933	0	0	0	941 933
Available-for-sale assets	32 011 865	100 927 108	791 230 957	84 470 004	1 008 639 934
Of which accrued interests	6 447 665	17 825 048	0	0	24 272 713
Total	348 035 888	100 927 108	791 230 957	84 470 004	1 324 663 957
Liabilities in EUR:					
Account payables	725 117	0	0	0	725 117
Total	725 117	0	0	0	725 117
Net liquidity position at 31.12.2005	347 310 771	100 927 108	791 230 957	84 470 004	1 323 938 840

7.9 CREDIT RISK

Fixed Term Deposits — Profile of counterparties

In accordance with the agreement between the Community and the EIB on the management of the Guarantee Fund, all the inter-bank investments should have a minimum credit rating of A1. The Commission was informed in April 2005 that one counterparty has a long term rating of A2. Short-term inter-bank investments, including accrued interest, by type of counterparty at 31 December 2005 are as follows:

EUR

Rating	31.12.2005		31.12.2004 (restated)	
A1	74 203 179	23 %	0	0 %
A2	30 104 816	10 %	0	0 %
Aa1	28 093 133	9 %	178 760 865	33 %
Aa2	37 110 996	12 %	162 189 715	29 %
Aa3	144 929 809	46 %	210 287 489	38 %
Total	314 441 933	100 %	551 238 069	100 %

Available-for-sale assets — Profile of issuers

All the securities held meet the following criteria:

- Either they are issued by states in, or by institutions guaranteed by, the European Union, the G10 or supranational bodies;
- Or they are issued by another sovereign state with a rating of at least AA3;
- Or they are issued by another issuer with a rating of AAA.

The profile of issuers, market value excluding accrued interest, at 31 December 2005 is as follows:

Issuer	EUR			
	31.12.2005		31.12.2004 (restated)	
Other issuers AAA	322 068 453	32 %	364 552 225	35 %
Supra	16 279 008	2 %	31 419 327	3 %
Govt./Agencies AAA	248 536 575	25 %	268 604 096	25 %
Govt./Agencies AA2	100 525 980	10 %	129 078 334	12 %
Govt./Agencies AA1	133 813 520	14 %	136 098 435	13 %
Govt./Agencies A1	137 672 642	14 %	104 032 885	10 %
Govt./Agencies A2	15 014 543	2 %	10 008 500	1 %
Govt./Agencies NR	10 456 500	1 %	10 890 000	1 %
Total	984 367 221	100 %	1 054 683 802	100 %

EUROPEAN COAL & STEEL COMMUNITIES (in liquidation)

The following disclosures relate to lending and borrowing, as well as treasury activities carried out by the European Communities through the **European Coal & Steel Communities (in Liquidation)**.

7.10 RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

Following the expiry of the ECSC Treaty on 23 July 2002, the Member States decided ⁽¹⁾ that the assets and liabilities of the ECSC be passed to the European Communities, and that the liquidation of the liabilities of the Community be managed by the Commission. Thus, no new loans and no corresponding funding are allowed for the ECSC in liquidation. New ECSC borrowings are restricted to refinancing with the aim to reduce the cost of funds.

The asset and liability management is carried out by the Commission in accordance with internal guidelines. Written procedures manuals covering specific areas such as borrowings, loans and treasury management have been developed and are used by the relevant operating units. Financial and operational risks are identified and evaluated and compliance to internal guidelines and procedures is checked regularly.

As far as treasury operations are concerned, the principles of prudent management with a view to minimize operational risk, counterparty risk and market risk are to be applied.

Investments are restricted in principle to the following categories: term deposits with banks, money market instruments, fixed and floating rate bonds.

The main investment limits per category are as follows:

- For term deposits, a bank is authorised to receive funds if the respective short-term rating is at least A-1 (S&P) or equivalent. The maximum limit per counterparty is the lower of either EUR 100 million per bank or 5 % of the bank's own funds.
- Bonds issued or guaranteed by Member States or institutions of the Union up to EUR 250 million per Member State or institution depending on its rating.
- Bonds of other sovereign or supranational issuers with a long-term credit rating of not less than AA (S&P) or equivalent, EUR 100 million per issuer or guarantor.
- Bonds of other issuers having a minimum rating of AA (S&P) or equivalent, up to EUR 50 million, depending on the rating and issuer status.

The ECSC in liquidation uses derivative financial instruments to hedge certain risk exposures. A detailed description of such financial instruments can be found under note E 3.3.3.2.

⁽¹⁾ Regulation (EC) 1840/2002 of the European Parliament and the Council

7.11 MARKET RISK

7.11.1. Foreign exchange risk

The ECSC in liquidation is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar and the UK pound.

The table below summarises the ECSC in liquidation's exposure to foreign currency exchange rate risk at 31 December 2005. Included in the table are the ECSC in liquidation's assets and liabilities at their Euro equivalent nominal values, categorised by currency.

	EUR MILLIONS	
	GBP	USD
Assets	223,01	84,99
Liabilities	305,68	84,77
Net balance sheet position	(82,67)	0,22
<i>Effect of cross currency interest rate swaps</i>	87,56	-
Net exposure	4,89	0,22

The GBP assets and liabilities position is mainly composed of euro equivalent 149,5 million unquoted debt securities issued by the European Investment Bank as substitute of a defaulted debtor (see note E 3.4.2). The effect of cross currency interest rate swap corresponds to the euro equivalent notional amount of the swap, which is used to reduce the ECSC in liquidation's exposure to currency movements (see note E 3.3.3.2). Remaining net exposure results of euro equivalent 4,12 million housing loans and euro equivalent 0,77 million current account balances. The US dollar position principally consists of euro equivalent 84,8 million loan granted from borrowed funds. Net exposure results of EUR equivalent 0,22 million current account balances.

According to the Procedures Manual, buying euro is the only foreign exchange operation authorised for EC business. All exceptions to this rule must be duly motivated.

7.11.2. Price risk

The ECSC in liquidation is exposed to debt securities price risk because of investments classified on the balance sheet as available for sale.

7.12 INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instruments will fluctuate because of changes in market interest rates. Fair value interest risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Due to the nature of its activities, the ECSC in liquidation takes on exposure to the effects of fluctuations in the prevailing levels of market interest rate on both its fair value and cash flow risks.

(a) Loans granted from borrowed funds

The interest rate risks that arise from borrowings are generally offset by equivalent loans in terms and conditions (back-to-back operations). In case that no perfect matching can be reached, derivative financial instruments are used to reduce the exposure to interest rate movements (see note E 3.3.3.2)

(b) Debt securities

Debt securities issued at variable rates expose the ECSC in liquidation to cash flow interest rate risk whereas debt securities at fixed rates expose the Community to fair value interest rate risk. Fixed rate bonds represent approximately 85 % of the investment portfolio at the balance sheet date.

Interest rate sensitivity analysis

The market price of a debt security depends on the time to maturity, its coupon and the actual yield to maturity. For the shock analysis all debt securities of the portfolio (incl. Floating Rate Notes) are once priced at actual yields, then re-priced at yields shifted upwards by 100 bps. The change in market price is the reported hypothetical loss for the shock analysis. The 100 bps parallel shift is assumed to happen instantaneously, no time horizon is considered. At 31 December 2005 this hypothetical loss was about EUR 43.9 million.

7.13 CREDIT RISK

The ECSC in liquidation takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Guidelines on the choice of counterparties must be applied. Accordingly, the operating unit will be able to enter into deals only with eligible banks being part of a 'trading list of authorized banks' and having sufficient counterparty limits.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations.

Exposure to credit risk is also managed by obtaining collateral as well as country, corporate and personal guarantees.

At 31 December 2005, the total outstanding nominal amount of loans granted by the ECSC in Liquidation was EUR 374,96 million, broken down as follows (in EUR millions):

	Nominal Amount
Loans granted to credit institutions	55,89
Loans granted to customers	319,07
Total	374,96

59,41 % of the total amount outstanding is covered by guarantees from a Member State or equivalent bodies (public institutions or public-sector industrial groupings in the Member States). 16,80 % of loans outstanding have been granted to banks or have been guaranteed by banks.

5,35 % of the outstanding debt (EUR 20,1 million) is made up of loans granted to European institutions officials from the former ECSC pension fund (in the summary table above, loans to officials are included in loans to customers), which are covered by life-and disability insurances and the respective salaries.

The outstanding loan balance, i.e. 18,44 % (18,55 % as of 31 December 2004), should be considered as presenting a higher degree of risk. It means that the guarantees received (guarantee bonds put up by private industrial groupings and other special guarantees) do not generally provide the same level of security in the event of problems.

From a liquidity perspective, the loans granted on borrowed funds were fully covered by a provision for risks and charges called 'Guarantee Fund'. By applying the new accounting rules, this provision has been replaced as at 1 January 2005 by a dedicated reserve. This reserve amounts to EUR 207 million at 31 December 2005.

The loans granted on own funds were covered by another reserve, formerly called 'ECSC Special Reserve'. This special reserve amounts to EUR 64 million at 31 December 2005.

(a) Cash and deposits with credit institutions — profile of counterparties

At the balance sheet date, 15 % and 85 % of deposits and current account balances are placed with banks rated (Fitch) F1+ (or equivalent) and F1 (or equivalent), respectively.

All deposits and current account balances are held with banks within the OECD.

(b) *Loans and advances — profile of borrowers*

Geographical concentrations of the **loans granted from borrowed funds** (expressed at their outstanding nominal amount) at the balance sheet date are as follows:

<i>EUR millions</i>		
	31 December 2005	Number of loans
Greece	84,77	1
France	133,82	2
Italy	3,86	12
United Kingdom	68,58	1
Total	291,03	16

These loans were backed by guarantees as follows:

<i>EUR millions</i>					
	Guarantee from public body	Bank guarantee	Industrial grouping (public)	No guarantee	Total
Greece	84,77	—	—	—	84,77
France	—	—	133,82	—	133,82
Italy	—	3,86	—	—	3,86
United Kingdom	—	—	—	68,58	68,58
Total EC	84,77	3,86	133,82	68,58	291,03

Following a restructuring of debts of a defaulting debtor in 1998, the Commission acquired EUR 149,54 million promissory notes from European Investment Bank (rated AAA) in order to re-establish the back-to-back character of the lending/borrowing transaction and thus cover interest rate and currency risk. These promissory notes are not included in the tables above.

Geographical concentrations of the **loans granted on own funds** — without loans to European Institutions officials — (expressed at their outstanding nominal amount) at the balance sheet date are as follows:

<i>EUR millions</i>		
	31 December 2005	Number of loans
Belgium	3,46	20
Denmark	0,01	1
Germany	31,75	36
Greece	0,35	9
Spain	7,46	21
France	6,31	22
Ireland	0,22	9
Italy	4,44	21
Luxembourg	0,66	6
Netherlands	0,55	7
Austria	3,39	2
Portugal	0,46	6
Finland	0,65	2
United Kingdom	4,12	21
Total	63,83	183

NB: These are loans for financing the construction of subsidised housing at an interest rate of 1 % p.a.

These loans were backed by guarantees as follows:

EUR millions

	Guarantee from Public body	Bank guarantee ⁽¹⁾	Industrial grouping		No guarantee	Total
			Public	Private		
Belgium	—	3,46	—	—	—	3,46
Denmark	—	0,01	—	—	—	0,01
Germany	—	31,75	—	—	—	31,75
Greece	—	0,35	—	—	—	0,35
Spain	—	7,46	—	—	—	7,46
France	—	6,10	—	—	0,21	6,31
Ireland	0,22	—	—	—	—	0,22
Italy	—	4,44	—	—	—	4,44
Luxembourg	—	0,66	—	—	—	0,66
Netherlands	—	—	—	0,55	—	0,55
Austria	—	3,39	—	—	—	3,39
Portugal	—	0,46	—	—	—	0,46
Finland	—	0,65	—	—	—	0,65
UK	—	4,12	—	—	—	4,12
Total	0,22	62,85	—	0,55	0,21	63,83

⁽¹⁾ Mainly loans granted to financial institutions for on-lending to final recipient

(c) *Derivative financial instruments — profile of counterparties*: See note E 3.3.3.2

(d) *Available-for-sale securities — profile of issuers*

Details of the debt securities (expressed at their fair value) by issuer type and by rating (Standard & Poor's) at the balance sheet date are as follows:

EUR

	31 December 2005	%
Sovereign	444 410 188	31,5
Multinational Organisations	82 761 522	5,9
Banks & Financial Institutions	697 072 995	49,4
Other Public Issuer	186 314 769	13,2
Total	1 410 559 474	100

EUR

	31 December 2005	%
AAA	873 805,754	61,9
AA+	114 409 488	8,2
AA	122 419 397	8,7
AA-	71 922 828	5,1
A+	50 027 842	3,5
A-	142 200 568	10,1
BBB+	35 773 597	2,5
Total	1 410 559 474	100

Geographical concentrations of the debt securities (expressed at their fair value) at the balance sheet date are as follows:

<i>EUR millions</i>		
Country	31 December 2005	%
Austria	57,51	4,1
Belgium	10,90	0,8
Canada	10,42	0,7
Cyprus	34,28	2,4
Czech Republic	11,10	0,8
Denmark	10,15	0,7
Finland	10,17	0,7
France	187,62	13,3
Germany	377,86	26,8
United Kingdom	47,15	3,3
Greece	15,75	1,1
Hungary	92,48	6,6
Ireland	73,42	5,2
Italy	62,10	4,4
Lithuania	22,14	1,6
Luxemburg	30,84	2,3
Latvia	10,92	0,8
Netherlands	95,16	6,7
Poland	35,78	2,5
Slovak Rep	5,55	0,4
Spain	120,06	8,5
Switzerland	42,30	3,0
United States	46,90	3,3
	1 410,56	100,0

7.14 LIQUIDITY RISK

The liquidity risk that arises from borrowings is generally offset by equivalent loans in terms and conditions (back-to-back operations). In case that no perfect matching can be reached, derivative financial instruments are used to match cash flows.

For the asset management of ECSC in liquidation, the Commission manages liquidity requirements based on disbursement forecast with a 11 years horizon obtained through consultations with the responsible Commission services. Investments are carried out accordingly to meet respective annual requirements.

7.15 FAIR VALUE

Loans and borrowings

The estimated fair value of loan and borrowings is determined using a discounted cash flow model. According to this model, expected future cash flows are discounted by applying AAA yield curves appropriate for the remaining term of maturity.

The estimated fair value of floating rate loans are assumed to approximate their carrying amount since repricing at market interest rates takes place every 3 or 6 months.

The estimated fair value of fixed interest bearing loans and borrowings could not be obtained as the necessary data for calculating these values was not available.

Available-for-sale securities

The available-for-sale securities are presented at fair value which is the market price plus accrued interests.

Financial instruments measured at fair value

The total amount of the change in fair value estimated using a valuation technique that was recognized in the economic outturn account during the year is EUR 1,57 million (net profit). There are no financial instruments measured at fair value using a valuation technique that is not supported by observable market prices or rates.

Receivables and payables

The nominal value less impairment provision of trade receivables and the nominal value of trade payables are assumed to approximate their fair values.

Cash and cash equivalents

The fair value of cash and cash equivalents including current accounts and short-term deposits (of less than three months) is their carrying amount.

8. RELATED PARTY DISCLOSURES

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

Category 1: the President of the Commission, the President of the Court of Justice and the President of the Court of First Instance

Category 2: the Vice-presidents of the Commission

Category 3: the Members of the Commission, the Judges and Advocates General of the Court of Justice, the Members of the Court of First Instance, the Ombudsman and the European Data Protection Supervisor

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

Category 5: the highest ranking civil servants of the Institutions and Agencies (grades A14 to A16)

KEY MANAGEMENT FINANCIAL ENTITLEMENTS

Entitlement	Category 1	Category 2	Category 3	Category 4	Category 5
Basic salary (per month)	22 858,33	20 705,01	18 634,51	17 889,13	12 417,36 - 16 234,51
Residential allowance (% salary)	15 %	15 %	15 %	15 %	N/A
Expatriation allowance (% salary)	N/A	N/A	N/A	N/A	16 %
Family allowances:					
Household (% salary)	2 % + 153,75	2 % + 153,75	2% + 153,75	2 % + 153,75	2 % + 153,75
Dependent child	275,97	275,97	275,97	275,97	275,97
Pre-school	32,83	32,83	32,83	32,83	32,83
Education, or	227,96	227,96	227,96	227,96	227,96
Education outside place of work	455,92	455,92	455,92	455,92	455,92
Presiding judges allowance	N/A	N/A	810,74	N/A	N/A
Representation allowance	1 418,07	911,38	607,71	N/A	N/A
Annual travel costs	N/A	N/A	N/A	N/A	Yes
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

EUR

EUR

Entitlement	Category 1	Category 2	Category 3	Category 4	Category 5
Taking up duty:					
Installation expenses	45 716,66	41 410,02	37 269,02	35 778,26	N/A
Family travel expenses	reimbursed	reimbursed	reimbursed	reimbursed	reimbursed
Moving expenses	reimbursed	reimbursed	reimbursed	reimbursed	reimbursed
Leaving office:					
Resettlement expenses	22 858,33	20 705,01	18 634,51	17 889,13	reimbursed
Family travel expenses	reimbursed	reimbursed	reimbursed	reimbursed	reimbursed
Moving expenses	reimbursed	reimbursed	reimbursed	reimbursed	reimbursed
Transition (% salary) (**)	40 % – 65 %	40 % – 65 %	40 % – 65 %	40 % – 65 %	N/A
Sickness insurance	covered	covered	covered	covered	optional
Pension (% salary, before tax)	Max 70 %	Max 70 %	Max 70 %	Max 70 %	Max 70 %
Deductions:					
Community tax	8 % – 45 %	8 % – 45 %	8 % – 45 %	8 % – 45 %	8 % – 45 %
Sickness insurance (% salary)	1,8 %	1,8 %	1,8 %	1,8 %	1,8 %
Special levy on salary	2,93 %	2,93 %	2,93 %	2,93 %	2,93 %
Pension deduction	N/A	N/A	N/A	N/A	9,75 %
Number of persons at 31.12.2005	3	5	77	25	105

(*) with correction coefficient ('cc') applied

(**) paid for the first 3 years following departure

9. EVENTS AFTER THE BALANCE SHEET DATE

At 31 March 2006, no material issues came to the attention of the accounting officer of the Commission or were reported to him that would require separate disclosure under this section. The annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented above.

10. CONSOLIDATED ENTITIES

The following entities are included in the European Communities consolidated accounts:

A. CONTROLLED ENTITIES

1. Institutions and consultative bodies

Committee of the Regions

Council of the European Union

Court of Justice of the European Union

European Commission

European Court of Auditors

European Data Protection Supervisor

European Economic and Social Committee

European Ombudsman

European Parliament

2. Community Agencies

European Agency for Reconstruction

European Agency for Safety and Health at Work

European Aviation Safety Agency

European Centre for Disease Prevention

European Centre for the Development of Vocational Training

European Environment Agency

European Food Safety Authority

European Foundation for Improvement of Living and Working Conditions

European Maritime Safety Agency

European Medicines Agency

European Monitoring Centre for Drugs and Drug Addiction

European Monitoring Centre on Racism and Xenophobia

European Network and Information Security

European Training Foundation

Translation Centre for the Bodies of the European Union

3. Other controlled entities

European body for the enhancement of judicial co-operation (Eurojust) ⁽¹⁾

European Coal and Steel Community (in liquidation)

B. JOINT VENTURES

Galileo Joint Undertaking ⁽²⁾

C. ASSOCIATES

European Investment Fund ⁽³⁾

11. NON-CONSOLIDATED ENTITIES

Although the Communities manage the assets of the below mentioned entities, they do not meet the requirements to be consolidated and so are not included in the European Communities accounts:

11.1 THE EUROPEAN DEVELOPMENT FUND (EDF)

The European Development Fund (EDF) is the main instrument for Community aid for development cooperation in the ACP countries and the Overseas Countries and Territories (OCT). Each Fund is concluded for a period of five years. Since the conclusion of the first partnership convention in 1964 (Yaoundé I Convention), the EDF cycles have generally followed that of the partnership conventions of Yaoundé and Lomé. The ninth EDF was concluded at the same time as the most recent partnership convention, the so-called Cotonou Agreement, on June 2000. The Cotonou Agreement was signed by 77 States: 48 countries of Sub-Saharan Africa; 15 countries of the Caribbean and 14 countries of the Pacific. The ninth EDF has been allocated EUR 13,5 billion over a period of five years. The Cotonou agreement makes provision for only 2 financial instruments under the EDF: an instrument for granting subsidies for long-term development support (non-reimbursable aid); and an investment facility to promote the private sector in ACP States.

The EDF is not funded from the Communities' Budget but from direct contributions from Member States, which are agreed in negotiations. The amount a Member State pays is, amongst other things, partly based on their GNP and partly based on their historical links (i.e. previous colonies) with the ACP States involved. The Commission and EIB manage the resources of the EDF.

⁽¹⁾ Decentralised body of the European Union falling under the pillar 'Police and Judicial Cooperation in criminal matters'

⁽²⁾ Proportion of interest 89,66 %, proportion of voting power 50,00 %

⁽³⁾ Proportion of interest 30,00 %, proportion of voting power 30,00 %

The EDF is governed by its own Financial Regulation (OJ L 83/1 of 1.4.2003) which foresees the presentation of its own financial statements, separately from those of the Communities. The EDFs are subject to the external control of the Court of Auditors and the Parliament. For information purposes, the balance sheet and economic outturn account of the EDF are shown:

BALANCE SHEET — EDF

EUR millions

	31.12.2005	31.12.2004 Restated
CURRENT ASSETS:	3 515,29	3 391,24
Contributions to be received	13,72	42,38
Receivables	138,77	121,02
Pre-financing	2 304,20	1 885,06
Other current assets	3,31	6,89
Deferred charges	393,19	537,00
Security cash accounts	391,55	537,00
Cash & cash equivalents	270,55	261,89
TOTAL ASSETS	3 515,29	3 391,24
CURRENT LIABILITIES:	1 878,94	1 578,49
Accounts payable	1 878,94	1 578,49
TOTAL LIABILITIES	1 878,94	1 578,49
NET ASSETS	1 636,35	1 812,75
FUNDS & RESERVES		
Called-up fund capital	27 390,00	25 040,00
Result for the year	(2 526,40)	—
Results carried forward from previous years	(24 261,09)	(24 261,09)
Reserves	1 033,84	1 033,84
FUNDS & RESERVES	1 636,35	1 812,75

ECONOMIC OUTTURN ACCOUNT — EDF

EUR millions

	2005
TOTAL REVENUE	0,35
OPERATING EXPENSES	2 544,15
<i>Operating Expenses:</i>	2 515,78
Programme aid	949,13
Macro-economic support	383,01
Regional programs	33,32
Interest-rate subsidies	0,27
Emergency aid	134,92
Refugee aid	12,99
Risk capital	60,80
Stabex	66,40
Sysmin	13,99

	<i>EUR millions</i>
	2005
Transfers from former EDFs	15,61
Structural adjustments	15,89
Debt relief	21,59
Payments World Bank	1,60
Sectorial policy	492,16
Compensation export receipts	(3,32)
Centre for the development of enterprise	16,51
Centre for the development of agriculture	11,09
General assembly	1,07
Technical assistance	0,04
Intra ACP projects	198,91
Congo Fund	89,80
<i>Administrative expenses:</i>	28,37
(DEFICIT) FROM OPERATING ACTIVITIES	(2 543,80)
NON-OPERATING ACTIVITIES	
Financial income	23,95
Financial charges	(0,19)
Provisions	(6,36)
SURPLUS FROM NON-OPERATING ACTIVITIES	17,40
RESULT FOR THE YEAR	(2 526,40)

11.2 THE SICKNESS INSURANCE SCHEME

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

The scheme has four separate entities — the main scheme covering staff of the Institutions, Agencies of the European Communities, and three smaller schemes covering staff in the European University of Florence, the European schools and staff working outside the EC such as staff in the EU delegations. The total assets of the Scheme at 31 December 2005 totalled EUR 260 million (2004: EUR 246 million.)

PART II

CONSOLIDATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET OF THE EUROPEAN COMMUNITIES AND EXPLANATORY NOTES

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SECTION A:
CONSOLIDATED REPORTS ON IMPLEMENTATION OF THE BUDGET
RESULT OF IMPLEMENTATION OF THE BUDGET
1. BUDGET OUTTURN 2005

EUR

	EFTA — EEA	EUROPEAN COMMUNITIES	TOTAL 2005	TOTAL 2004
Revenue for the financial year	114 214 258,00	106 976 423 690,19	107 090 637 948,19	103 511 946 247,35
Payments against 2005 appropriations	(109 322 504,07)	(103 438 913 336,24)	(103 548 235 840,31)	(99 195 366 915,32)
Payment appropriations carried over to 2006	0,00	(2 686 900 905,51)	(2 686 900 905,51)	(2 829 903 395,29)
EFTA payment appropriations carried over from 2004	(91 242,32)	0,00	(91 242,32)	(338 136,00)
Cancellation of unused payment appropriations carried over from 2004	54 451,65	1 518 545 998,54	1 518 600 450,19	1 302 286 952,09
Exchange differences for the year	0,00	40 924 144,37	40 924 144,37	(50 047 046,15)
Budget Outturn 2005	4 854 963,26	2 410 079 591,35	2 414 934 554,61	2 738 577 706,68

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

Consolidated reports on implementation of the budget revenue

2. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE 2005

EUR

Title	Income appropriations		Entitlements established			Revenue			receipts as % of budget	Outstanding	
	initial	final	current year	carried	Total	current year	carried	Total			
	1	2	3	4	5 = 3 + 4	6	7	8=6+7			
1	OWN RESOURCES	105 259 468 772,00	98 384 147 898,00	98 280 564 341,05	1 543 718 862,16	99 824 283 203,21	96 865 799 498,77	1 507 513 642,13	98 373 313 140,90	99,99 %	1 450 970 062,31
3	SURPLUSES AVAILABLE	0,00	5 713 984 737,00	5 174 491 656,87	525 961 402,07	5 700 453 058,94	5 174 491 606,29	525 961 402,07	5 700 453 008,36	99,76 %	50,58
4	MISCELLANEOUS COMMUNITY TAXES, LEVIES AND DUTIES	813 075 282,00	798 460 359,00	790 618 360,58	14 602 952,25	805 221 312,83	771 426 382,62	14 224 023,33	785 650 405,95	98,40 %	19 570 906,88
5	ADMINISTRATIVE OPERATION OF THE INSTITUTION	54 035 000,00	54 035 000,00	168 214 363,61	26 064 200,74	194 278 564,35	153 699 163,75	23 328 919,20	177 028 082,95	327,62 %	17 250 481,40
6	CONTRIBUTIONS BY THIRD PARTIES	0,00	360 000 000,00	1 450 022 980,79	587 948 625,05	2 037 971 605,84	1 187 164 831,51	454 621 047,61	1 641 785 879,12	456,05 %	396 185 726,72
7	INTERESTS ON LATE PAYMENTS AND FINES	118 000 000,00	318 000 000,00	771 302 420,66	3 862 592 471,23	4 633 894 891,89	51 015 527,09	305 364 119,68	356 379 646,77	112,07 %	4 277 515 245,12
8	BORROWING AND LENDING OPERATIONS	25 359 946,00	25 359 946,00	40 969 885,83	1 491 391,28	42 461 277,11	40 965 703,56	790 975,04	41 756 678,60	164,66 %	704 598,51
9	MISCELLANEOUS REVENUE	30 061 000,00	30 061 000,00	18 682 921,22	8 074 507,27	26 757 428,49	12 024 509,98	2 246 595,56	14 271 105,54	47,47 %	12 486 322,95
Total		106 300 000 000,00	105 684 048 940,00	106 694 866 930,61	6 570 454 412,05	113 265 321 342,66	104 256 587 223,57	2 834 050 724,62	107 090 637 948,19	101,33 %	6 174 683 394,47

Detail Title 1: Own resources

EUR

Chapter	Income appropriations		Entitlements established			Revenue			receipts as % of budget	Outstanding	
	initial	final	current year	carried	Total	current year	carried	Total			
	1	2	3	4	5 = 3 + 4	6	7	8=6+7			
10	Agricultural duties	819 450 000,00	1 119 400 000,00	1 322 420 679,85	430 718 323,89	1 753 139 003,74	920 068 728,02	430 710 936,21	1 350 779 664,23	120,67 %	402 359 339,51
11	Sugar levies	793 575 000,00	793 800 000,00	701 742 053,92	2 940 191,92	704 682 245,84	692 176 961,48	2 940 191,92	695 117 153,40	87,57 %	9 565 092,44
12	Customs duties	10 749 900 000,00	12 030 800 000,00	11 945 617 758,89	1 110 060 346,35	13 055 678 105,24	10 943 379 287,46	1 073 862 514,00	12 017 241 801,46	99,89 %	1 038 436 303,78
13	VAT	15 313 493 929,00	15 556 051 275,00	15 618 999 596,99	0,00	15 618 999 596,99	15 618 908 472,73	0,00	15 618 908 472,73	100,40 %	91 124,26
14	GNI	77 583 049 843,00	68 884 096 623,00	68 812 063 944,74	0,00	68 812 063 944,74	68 811 599 689,02	0,00	68 811 599 689,02	99,89 %	464 255,72
15	Correction of budgetary imbalances	0,00	0,00	-120 279 693,34	0,00	-120 279 693,34	-120 333 639,94	0,00	-120 333 639,94		53 946,60
Total		105 259 468 772,00	98 384 147 898,00	98 280 564 341,05	1 543 718 862,16	99 824 283 203,21	96 865 799 498,77	1 507 513 642,13	98 373 313 140,90	99,99 %	1 450 970 062,31

Detail Title 3: Surpluses available

EUR

Chapter		Income appropriations		Entitlements established			Revenue			receipts as % of budget	Outstanding
		initial	final	current year	carried	Total	current year	carried	Total		
		1	2	3	4	5 = 3 + 4	6	7	8=6+7		
30	Surplus from previous year	0,00	3 262 668 965,00	2 736 707 563,42	525 961 402,07	3 262 668 965,49	2 736 707 563,42	525 961 402,07	3 262 668 965,49	100,00 %	0,00
31	VAT surplus	0,00	400 012 558,00	399 121 900,87	0,00	399 121 900,87	399 121 900,81	0,00	399 121 900,81	99,78 %	0,06
32	GNI surplus	0,00	2 051 303 214,00	2 048 986 753,84	0,00	2 048 986 753,84	2 048 986 753,57	0,00	2 048 986 753,57	99,89 %	0,27
34	Adjustment for non-participation in JHAP	0,00	0,00	6 063,63	0,00	6 063,63	6 013,33	0,00	6 013,33		50,30
35	United Kingdom correction	0,00	0,00	- 10 330 624,89	0,00	- 10 330 624,89	- 10 330 624,84	0,00	- 10 330 624,84		- 0,05
Total		0,00	5 713 984 737,00	5 174 491 656,87	525 961 402,07	5 700 453 058,94	5 174 491 606,29	525 961 402,07	5 700 453 008,36	99,76 %	50,58

3. CORRECTION OF BUDGETARY IMBALANCES (CHAPTER 15)

EUR

Member state	Income appropriations		Entitlements established			Revenue			receipts as % of budget 9=8/2	Outstanding 10=5-8
	initial	final	current year	carried	Total	current year	carried	Total		
	1	2	3	4	5 = 3 + 4	6	7	8 = 6 + 7		
01 BELGIQUE/BELGIUM	248 903 663,00	253 499 702,00	253 499 702,04	0,00	253 499 702,04	253 499 702,04	0,00	253 499 702,04	100,00 %	0,00
02 REP.TCHEQUE/CZECH REP.	70 084 115,00	77 436 772,00	78 784 207,18	0,00	78 784 207,18	78 784 206,90	0,00	78 784 206,90	101,74 %	0,28
03 DANEMARK/DENMARK	170 491 608,00	170 869 224,00	170 626 344,71	0,00	170 626 344,71	170 626 344,78	0,00	170 626 344,78	99,86 %	- 0,07
04 ALLEMAGNE/GERMANY	327 163 174,00	326 677 437,00	326 677 437,00	0,00	326 677 437,00	326 677 437,00	0,00	326 677 437,00	100,00 %	0,00
05 ESTONIE/ESTONIA	7 163 521,00	7 579 685,00	7 579 685,04	0,00	7 579 685,04	7 579 685,06	0,00	7 579 685,06	100,00 %	- 0,02
06 GRECE/GREECE	148 843 753,00	149 533 989,00	149 533 989,00	0,00	149 533 989,00	149 533 989,00	0,00	149 533 989,00	100,00 %	0,00
07 ESPAGNE/SPAIN	707 230 145,00	712 604 846,00	712 604 846,04	0,00	712 604 846,04	712 604 846,04	0,00	712 604 846,04	100,00 %	0,00
08 FRANCE	1 416 965 627,00	1 431 018 736,00	1 431 018 735,96	0,00	1 431 018 735,96	1 431 018 735,96	0,00	1 431 018 735,96	100,00 %	0,00
09 IRLANDE/IRELAND	106 473 014,00	111 596 437,00	111 596 436,96	0,00	111 596 436,96	111 596 436,96	0,00	111 596 436,96	100,00 %	0,00
10 ITALIE/ITALY	1 174 030 013,00	1 172 564 383,00	1 172 564 382,96	0,00	1 172 564 382,96	1 172 564 382,96	0,00	1 172 564 382,96	100,00 %	0,00
11 CHYPRE/CYPRUS	10 854 599,00	10 840 761,00	10 891 043,37	0,00	10 891 043,37	10 891 043,37	0,00	10 891 043,37	100,46 %	0,00
12 LETTONIE/LATVIA	9 044 766,00	9 893 248,00	9 912 957,91	0,00	9 912 957,91	9 955 263,87	0,00	9 955 263,87	100,63 %	- 42 305,96
13 LITHUANIE/LITUANIA	15 783 115,00	16 168 908,00	16 168 908,00	0,00	16 168 908,00	16 168 908,01	0,00	16 168 908,01	100,00 %	- 0,01
14 LUXEMBOURG/LUXEMBURG	19 804 092,00	20 409 608,00	20 409 608,04	0,00	20 409 608,04	20 409 608,04	0,00	20 409 608,04	100,00 %	0,00
15 HONGRIE/HUNGRIA	70 461 820,00	71 059 709,00	70 567 371,88	0,00	70 567 371,88	70 567 374,12	0,00	70 567 374,12	99,31 %	- 2,24
16 MALTE/MALTA	3 908 867,00	3 718 228,00	3 748 006,19	0,00	3 748 006,19	3 748 006,19	0,00	3 748 006,19	100,80 %	0,00
17 PAYS-BAS/NETHERLANDS	69 036 330,00	69 621 326,00	69 621 326,04	0,00	69 621 326,04	69 621 326,04	0,00	69 621 326,04	100,00 %	0,00
18 AUTRICHE/AUSTRIA	34 870 705,00	35 207 736,00	35 207 736,00	0,00	35 207 736,00	35 207 736,00	0,00	35 207 736,00	100,00 %	0,00
19 POLOGNE/POLAND	163 551 630,00	190 479 027,00	193 428 582,40	0,00	193 428 582,40	193 428 582,21	0,00	193 428 582,21	101,55 %	0,19
20 PORTUGAL	116 471 517,00	115 831 053,00	115 831 053,00	0,00	115 831 053,00	115 831 053,00	0,00	115 831 053,00	100,00 %	0,00
21 SLOVENIE/SLOVENIA	22 959 582,00	23 145 592,00	23 160 725,93	0,00	23 160 725,93	23 160 724,87	0,00	23 160 724,87	100,07 %	1,06
22 SLOVAQUIE/SLOVAKIA	29 348 064,00	30 880 084,00	30 893 845,27	0,00	30 893 845,27	30 797 591,49	0,00	30 797 591,49	99,73 %	96 253,78
23 FINLANDE/FINLAND	129 624 747,00	131 106 782,00	131 106 782,04	0,00	131 106 782,04	131 106 782,04	0,00	131 106 782,04	100,00 %	0,00
24 SUEDE/SWEDEN	42 082 486,00	43 940 406,00	42 874 874,13	0,00	42 874 874,13	42 874 874,13	0,00	42 874 874,13	97,58 %	0,00
25 ROYAUME-UNI/UNITED KINGDOM	- 5 115 150 953,00	- 5 185 683 679,00	- 5 308 588 280,43	0,00	- 5 308 588 280,43	- 5 308 588 280,02	0,00	- 5 308 588 280,02	102,37 %	- 0,41
Total	0,00	0,00	- 120 279 693,34	0,00	- 120 279 693,34	- 120 333 639,94	0,00	- 120 333 639,94	%	53 946,60

4. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE 2005 BY INSTITUTION

EUR

Institution	Income appropriations		Entitlements established			Revenue			receipts as % of budget	Outstanding
	initial	final	current year	carried	Total	current year	carried	Total		
	1	2	3	4	5 = 3 + 4	6	7	8=6+7	9=8/2	10=5-8
European Parliament	91 547 803,00	89 962 566,00	112 393 557,07	8 094 561,00	120 488 118,07	112 393 557,07	0,00	112 393 557,07	124,93 %	8 094 561,00
Council	45 617 160,00	44 847 907,00	68 307 917,45	4 329 850,14	72 637 767,59	60 619 734,88	3 263 388,24	63 883 123,12	142,44 %	8 754 644,47
Commission	106 100 103 477,00	105 490 727 996,00	106 437 243 761,80	6 557 641 124,27	112 994 884 886,07	104 007 954 408,26	2 830 554 559,50	106 838 508 967,76	101,28 %	6 156 375 918,31
Court of Justice	30 548 000,00	29 680 000,00	30 967 058,04	51 059,59	31 018 117,63	30 508 217,94	11 038,50	30 519 256,44	102,83 %	498 861,19
Court of Auditors	14 450 000,00	14 214 000,00	17 965 570,71	337 817,05	18 303 387,76	17 123 481,68	221 738,38	17 345 220,06	122,03 %	958 167,70
Economic and Social Committee	11 911 688,00	8 896 909,00	11 879 326,22	0,00	11 879 326,22	11 879 326,22	0,00	11 879 326,22	133,52 %	0,00
Committee of the Regions	4 591 907,00	4 509 221,00	15 184 997,93	0,00	15 184 997,93	15 183 756,13	0,00	15 183 756,13	336,73 %	1 241,80
Ombudsman	766 423,00	755 606,00	623 107,93	0,00	623 107,93	623 107,93	0,00	623 107,93	82,46 %	0,00
European Data Protection Supervisor	463 542,00	454 735,00	301 633,46	0,00	301 633,46	301 633,46	0,00	301 633,46	66,33 %	0,00
Total	106 300 000 000,00	105 684 048 940,00	106 694 866 930,61	6 570 454 412,05	113 265 321 342,66	104 256 587 223,57	2 834 050 724,62	107 090 637 948,19	101,33 %	6 174 683 394,47

5. COMPARISON OF THE IMPLEMENTATION OF BUDGET REVENUE 2005 AND 2004

EUR

Title	Income appropriations		Entitlements established		Revenue		receipts as % of budget		Outstanding	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
1 OWN RESOURCES	98 384 147 898,00	94 997 025 409,00	99 824 283 203,21	96 597 751 300,26	98 373 313 140,90	95 051 421 648,09	99,99 %	100,06 %	1 450 970 062,31	1 546 329 652,17
3 SURPLUSES AVAILABLE	5 713 984 737,00	5 693 003 706,00	5 700 453 058,94	6 220 834 396,05	5 700 453 008,36	5 694 872 994,11	99,76 %	100,03 %	50,58	525 961 401,94
4 MISCELLANEOUS COMMUNITY TAXES, LEVIES AND DUTIES	798 460 359,00	680 523 920,00	805 221 312,83	650 037 329,42	785 650 405,95	646 971 640,09	98,40 %	95,07 %	19 570 906,88	3 065 689,33
5 ADMINISTRATIVE OPERATION OF THE INSTITUTION	54 035 000,00	66 496 286,00	194 278 564,35	333 734 391,04	177 028 082,95	295 649 897,91	327,62 %	444,61 %	17 250 481,40	38 084 493,13
6 CONTRIBUTIONS BY THIRD PARTIES	360 000 000,00	200 000,00	2 037 971 605,84	1 863 731 345,91	1 641 785 879,12	1 275 865 940,11	456,05 %	637 932,97 %	396 185 726,72	587 865 405,80
7 INTERESTS ON LATE PAYMENTS AND FINES	318 000 000,00	300 000 000,00	4 633 894 891,89	4 331 529 810,70	356 379 646,77	470 135 008,34	112,07 %	156,71 %	4 277 515 245,12	3 861 394 802,36
8 BORROWING AND LENDING OPERATIONS	25 359 946,00	25 863 805,00	42 461 277,11	32 975 503,09	41 756 678,60	31 484 111,81	164,66 %	121,73 %	704 598,51	1 491 391,28
9 MISCELLANEOUS REVENUE	30 061 000,00	43 489 254,00	26 757 428,49	53 756 109,75	14 271 105,54	45 545 006,89	47,47 %	104,73 %	12 486 322,95	8 211 102,86
Total	105 684 048 940,00	101 806 602 380,00	113 265 321 342,66	110 084 350 186,22	107 090 637 948,19	103 511 946 247,35	101,33 %	101,68 %	6 174 683 394,47	6 572 403 938,87

Detail Title 1: Own resources

EUR

Chapter	Income appropriations		Entitlements established		Revenue		receipts as % of budget		Outstanding	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
10 AGRICULTURAL DUTIES	1 119 400 000,00	1 325 586 192,00	1 753 139 003,74	1 744 111 505,01	1 350 779 664,23	1 313 393 181,17	120,67 %	99,08 %	402 359 339,51	430 718 323,84
11 SUGAR LEVIES	793 800 000,00	416 888 808,00	704 682 245,84	404 562 864,47	695 117 153,40	401 622 672,54	87,57 %	96,34 %	9 565 092,44	2 940 191,93
12 CUSTOMS DUTIES	12 030 800 000,00	10 664 400 000,00	13 055 678 105,24	11 702 865 607,08	12 017 241 801,46	10 592 094 999,20	99,89 %	99,32 %	1 038 436 303,78	1 110 770 607,88
13 VAT	15 556 051 275,00	13 579 913 763,00	15 618 999 596,99	13 680 625 569,83	15 618 908 472,73	13 679 345 946,60	100,40 %	100,73 %	91 124,26	1 279 623,23
14 GNI	68 884 096 623,00	69 010 236 646,00	68 812 063 944,74	69 218 607 723,22	68 811 599 689,02	69 214 219 484,04	99,89 %	100,30 %	464 255,72	4 388 239,18
15 CORRECTION OF BUDGETARY IMBALANCES	0,00	0,00	- 120 279 693,34	- 153 021 969,35	- 120 333 639,94	- 149 254 635,46			53 946,60	- 3 767 333,89
Total	98 384 147 898,00	94 997 025 409,00	99 824 283 203,21	96 597 751 300,26	98 373 313 140,90	95 051 421 648,09	99,99 %	100,06 %	1 450 970 062,31	1 546 329 652,17

Detail Title 3: Surpluses available

EUR

Chapter	Income appropriations		Entitlements established		Revenue		receipts as % of budget		Outstanding		
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
30	SURPLUS FROM PREVIOUS YEAR	3 262 668 965,00	5 693 003 706,00	3 262 668 965,49	6 218 965 107,97	3 262 668 965,49	5 693 003 705,90	100,00 %	100,00 %	0,00	525 961 402,07
31	VAT SURPLUS	400 012 558,00	0,00	399 121 900,87	232 817 089,08	399 121 900,81	232 817 089,13	99,78 %		0,06	- 0,05
32	GNI SURPLUS	2 051 303 214,00	0,00	2 048 986 753,84	- 232 213 948,86	2 048 986 753,57	- 232 213 948,76	99,89 %		0,27	- 0,10
34	ADJUSTMENT FOR NON-PARTICIPATION IN JHAP	0,00	0,00	6 063,63	- 9 468,61	6 013,33	- 9 468,61			50,30	0,00
35	UNITED KINGDOM CORRECTION	0,00	0,00	- 10 330 624,89	1 275 616,47	- 10 330 624,84	1 275 616,45			- 0,05	0,02
Total		5 713 984 737,00	5 693 003 706,00	5 700 453 058,94	6 220 834 396,05	5 700 453 008,36	5 694 872 994,11	99,76 %	100,03 %	50,58	525 961 401,94

Consolidated reports on implementation of the budget expenditure

6. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF BUDGET EXPENDITURE

EUR

Breakdown of and changes in commitment appropriations				Breakdown of and changes in payment appropriations			
	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total		NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total
BUDGET				BUDGET			
Budget appropriations adopted	56 463 106 119,00	60 091 029 579,00	116 554 135 698,00	Budget appropriations adopted	56 463 106 119,00	49 836 893 881,00	106 300 000 000,00
Modifications (Transfers, AB)	- 752 760 628,00	154 277 146,00	- 598 483 482,00	Modifications (Transfers, AB)	- 752 760 628,00	136 809 568,00	- 615 951 060,00
Final Budget appropriations	55 710 345 491,00	60 245 306 725,00	115 955 652 216,00	Final Budget appropriations	55 710 345 491,00	49 973 703 449,00	105 684 048 940,00
ADDITIONAL APPROPRIATIONS				ADDITIONAL APPROPRIATIONS			
Earmarked revenue	304 112 232,13	1 462 791 936,87	1 766 904 169,00	Earmarked revenue	308 182 668,83	1 882 003 981,38	2 190 186 650,21
Appropriations carried over or made available again from 2004	51 857 273,88	161 526 691,75	213 383 965,63	Appropriations carried over from 2004	1 333 400 526,52	226 364 499,38	1 559 765 025,90
TOTAL ADDITIONAL APPROPRIATIONS	355 969 506,01	1 624 318 628,62	1 980 288 134,63	TOTAL ADDITIONAL APPROPRIATIONS	1 641 583 195,35	2 108 368 480,76	3 749 951 676,11
Final Budget appropriations	55 710 345 491,00	60 245 306 725,00	115 955 652 216,00	Final Budget appropriations	55 710 345 491,00	49 973 703 449,00	105 684 048 940,00
TOTAL ADDITIONAL APPROPRIATIONS	355 969 506,01	1 624 318 628,62	1 980 288 134,63	TOTAL ADDITIONAL APPROPRIATIONS	1 641 583 195,35	2 108 368 480,76	3 749 951 676,11
TOTAL APPROPRIATIONS AUTHORISED	56 066 314 997,01	61 869 625 353,62	117 935 940 350,63	TOTAL APPROPRIATIONS AUTHORISED	57 351 928 686,35	52 082 071 929,76	109 434 000 616,11

7. CONSOLIDATED SUMMARY OF BUDGET IMPLEMENTATION — EXPENDITURE

EUR

Implementation of commitment appropriations by type of appropriation				Implementation of payment appropriations by type of appropriation			
	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total		NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total
Budget appropriations adopted	56 463 106 119,00	60 091 029 579,00	116 554 135 698,00	Budget appropriations adopted	56 463 106 119,00	49 836 893 881,00	106 300 000 000,00
Amending budgets	- 712 031 890,00	113 548 408,00	- 598 483 482,00	Amending budgets	- 712 031 890,00	96 080 830,00	- 615 951 060,00
Transfers	- 40 728 738,00	40 728 738,00	0,00	Transfers	- 40 728 738,00	40 728 738,00	0,00
Final budget appropriations	55 710 345 491,00	60 245 306 725,00	115 955 652 216,00	Final budget appropriations	55 710 345 491,00	49 973 703 449,00	105 684 048 940,00
Commitments made	55 346 299 799,45	59 727 974 103,48	115 074 273 902,93	Payments made	54 121 175 902,78	48 500 113 441,50	102 621 289 344,28
Appropriations carried over to 2006	43 561 392,00	143 751 663,33	187 313 055,33	Appropriations carried over to 2006	1 268 685 288,67	158 235 216,62	1 426 920 505,29
Appropriations lapsing	320 484 299,55	373 580 958,19	694 065 257,74	Appropriations lapsing	320 484 299,55	1 315 354 790,88	1 635 839 090,43
Earmarked revenue	304 112 232,13	1 462 791 936,87	1 766 904 169,00	Earmarked revenue	308 182 668,83	1 882 003 981,38	2 190 186 650,21
Commitments made	191 138 084,34	802 007 922,48	993 146 006,82	Payments made	166 746 662,33	760 199 833,70	926 946 496,03
Carried over to 2006	112 751 911,34	659 898 789,77	772 650 701,11	Carried over to 2006	139 133 838,73	1 118 766 630,17	1 257 900 468,90
				EFTA automatic carry-over	2 079 931,32		2 079 931,32
Appropriations lapsing (EFTA)	222 236,45	885 224,62	1 107 461,07	Appropriations lapsing (EFTA)	222 236,45	3 037 517,51	3 259 753,96
Appropriations carried over or made available again from 2004	51 857 273,88	161 526 691,75	213 383 965,63	Appropriations carried over from 2004	1 333 400 526,52	226 364 499,38	1 559 765 025,90
Commitments made	51 356 663,88	159 132 754,74	210 489 418,62	Payments made	1 095 186 701,04	191 807 284,90	1 286 993 985,94
Appropriations lapsing	500 610,00	2 393 937,01	2 894 547,01	Appropriations lapsing	238 213 825,48	34 557 214,48	272 771 039,96
Total appropriations authorised	56 066 314 997,01	61 869 625 353,62	117 935 940 350,63	Total appropriations authorised	57 351 928 686,35	52 082 071 929,76	109 434 000 616,11
Total Commitments	55 588 794 547,67	60 689 114 780,70	116 277 909 328,37	Total Payments	55 383 109 266,15	49 452 120 560,10	104 835 229 826,25
Total Appropriations carried over to 2006	156 313 303,34	803 650 453,10	959 963 756,44	Total Appropriations carried over to 2006	1 409 899 058,72	1 277 001 846,79	2 686 900 905,51
Total Appropriations lapsing	321 207 146,00	376 860 119,82	698 067 265,82	Total Appropriations lapsing	558 920 361,48	1 352 949 522,87	1 911 869 884,35

8. CONSOLIDATED SUMMARY OF COMMITMENTS OUTSTANDING

EUR

	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPRO- PRIATIONS	Total
Commitments carried forward from previous year	1 312 644 779,69	108 834 255 173,26	110 146 899 952,95
Decommitments/Revaluations	-47 156 041,55	-2 245 430 890,13	-2 292 586 931,68
Payments	1 071 918 530,03	42 852 472 130,70	43 924 390 660,73
Cancellations	191 073 488,34	0,00	191 073 488,34
Commitments outstanding at the end of the year	2 496 719,77	63 736 352 152,43	63 738 848 872,20
Commitments for the year	55 588 794 547,67	60 689 114 780,70	116 277 909 328,37
Payments	54 311 190 736,12	6 599 648 429,40	60 910 839 165,52
Cancellation of commitments which cannot be carried over	26 404 269,19	0,00	26 404 269,19
Commitments outstanding at the end of the year	1 251 199 542,36	54 089 466 351,30	55 340 665 893,66
Total commitments outstanding at the end of the year	1 253 696 262,13	117 825 818 503,73	119 079 514 765,86

9. Implementation of commitment Commitment

Institution	Commitment appropriations authorised	Commitments made					from earmarked revenue
		from the year's appropriations	from carry-overs or appropriations made available again	from earmarked revenue	Total	%	
		1	2	3	4	5 = 2 + 3 + 4	
European Parliament	1 331 278 747,41	1 249 096 468,15	0,00	32 973 590,55	1 282 070 058,70	96,30 %	34 280 434,86
Council	586 182 640,52	555 239 565,95	0,00	11 558 772,34	566 798 338,29	96,69 %	11 460 465,18
Commission	115 491 812 027,73	112 798 592 572,23	208 358 944,74	935 554 902,64	113 942 506 419,61	98,66 %	723 984 037,27
Court of Justice	232 602 467,74	213 273 945,40	2 100 000,00	146 693,44	215 520 638,84	92,66 %	1 402 902,30
Court of Auditors	107 548 618,24	93 428 852,33	0,00	377 847,77	93 806 700,10	87,22 %	222 191,47
Economic and Social Committee	106 880 105,67	98 676 582,74	0,00	2 850 142,45	101 526 725,19	94,99 %	1 193 747,22
Committee of Regions	69 570 456,32	57 526 821,63	30 473,88	9 684 057,63	67 241 353,14	96,65 %	106 922,81
Ombudsman	7 224 554,00	6 087 826,81	0,00	0,00	6 087 826,81	84,27 %	0,00
European Data-protection Supervisor	2 840 733,00	2 351 267,69	0,00	0,00	2 351 267,69	82,77 %	0,00
Total	117 935 940 350,63	115 074 273 902,93	210 489 418,62	993 146 006,82	116 277 909 328,37	98,59 %	772 650 701,11

Payment

Institution	Payment appropriations authorised	Payments made					automatic carry-overs
		from the year's appropriations	from carry-overs	from earmarked revenue	Total	%	
		1	2	3	4	5 = 2 + 3 + 4	
European Parliament	1 612 740 091,13	941 932 831,97	259 853 229,82	32 845 285,49	1 234 631 347,28	76,55 %	307 163 636,18
Council	679 630 238,80	445 077 786,06	76 726 378,91	11 558 772,34	533 362 937,31	78,48 %	110 161 779,89
Commission	106 580 910 715,72	100 804 047 660,10	921 808 294,32	869 668 065,39	102 595 524 019,81	96,26 %	766 684 250,15
Court of Justice	245 604 486,57	198 532 160,90	12 311 130,11	146 693,44	210 989 984,45	85,91 %	14 741 784,50
Court of Auditors	114 492 500,22	87 114 872,52	4 882 442,92	377 847,77	92 375 163,21	80,68 %	6 313 979,81
Economic and Social Committee	114 515 813,40	87 224 611,71	6 402 503,80	2 673 156,03	96 300 271,54	84,09 %	11 451 971,03
Committee of Regions	75 152 389,40	49 892 222,69	4 430 447,01	9 676 675,57	63 999 345,27	85,16 %	7 634 598,94
Ombudsman	7 670 079,48	5 464 078,24	371 164,93	0,00	5 835 243,17	76,08 %	623 748,57
European Data-protection Supervisor	3 284 301,39	2 003 120,09	208 394,12	0,00	2 211 514,21	67,34 %	348 147,60
Total	109 434 000 616,11	102 621 289 344,28	1 286 993 985,94	926 946 496,03	104 835 229 826,25	95,80 %	1 225 123 896,67

and payment appropriations by Institution appropriations

Appropriations carried over to 2006				Appropriations lapsing			
carry-overs by decision	Total	%	from the year's budget appropriations	appropriations carried over or made available again from 2004	earmarked revenue (EFTA)	Total	%
8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
	34 280 434,86	2,58 %	14 928 253,85	0,00		14 928 253,85	1,12 %
	11 460 465,18	1,96 %	7 923 837,05	0,00		7 923 837,05	1,35 %
187 313 055,33	911 297 092,60	0,79 %	634 006 507,44	2 894 547,01	1 107 461,07	638 008 515,52	0,55 %
	1 402 902,30	0,60 %	15 678 926,60	0,00		15 678 926,60	6,74 %
	222 191,47	0,21 %	13 519 726,67	0,00		13 519 726,67	12,57 %
	1 193 747,22	1,12 %	4 159 633,26	0,00		4 159 633,26	3,89 %
	106 922,81	0,15 %	2 222 180,37	0,00		2 222 180,37	3,19 %
	0,00		1 136 727,19	0,00		1 136 727,19	15,73 %
	0,00		489 465,31	0,00		489 465,31	17,23 %
187 313 055,33	959 963 756,44	0,81 %	694 065 257,74	2 894 547,01	1 107 461,07	698 067 265,82	0,59 %

appropriations

Appropriations carried over to 2006				Appropriations lapsing				
carry-overs by decision	from earmarked revenue	Total	%	from the year's appropriations	from carry-overs	earmarked revenue (EFTA)	Total	%
8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
	34 408 739,92	341 572 376,10	21,18 %	14 928 253,85	21 608 113,90		36 536 367,75	2,27 %
	11 460 465,18	121 622 245,07	17,90 %	7 923 837,05	16 721 219,37		24 645 056,42	3,63 %
201 796 608,62	1 211 001 062,84	2 179 481 921,61	2,04 %	1 575 780 340,13	226 864 680,21	3 259 753,96	1 805 904 774,30	1,69 %
	1 402 902,30	16 144 686,80	6,57 %	15 678 926,60	2 790 888,72		18 469 815,32	7,52 %
	222 191,47	6 536 171,28	5,71 %	13 519 726,67	2 061 439,06		15 581 165,73	13,61 %
	1 370 733,64	12 822 704,67	11,20 %	4 159 633,26	1 233 203,93		5 392 837,19	4,71 %
	114 304,87	7 748 903,81	10,31 %	2 222 180,37	1 181 959,95		3 404 140,32	4,53 %
	0,00	623 748,57	8,13 %	1 136 727,19	74 360,55		1 211 087,74	15,79 %
	0,00	348 147,60	10,60 %	489 465,31	235 174,27		724 639,58	22,06 %
201 796 608,62	1 259 980 400,22	2 686 900 905,51	2,46 %	1 635 839 090,43	272 771 039,96	3 259 753,96	1 911 869 884,35	1,75 %

10. Breakdown and changes in commitment

Policy area	Commitment appropriations						
	Appropriations adopted	Modifications (Transfers and AB)	Appropriations carried over or made available again from 2004	Earmarked revenue	Total additional	Total authorised	
	1	2	3	4	5 = 3 + 4	6 = 1 + 2 + 5	
01	ECONOMIC AND FINANCIAL AFFAIRS	454 910 620,00	-54 708 622,00	220 000,00	7 105 210,93	7 325 210,93	407 527 208,93
02	ENTERPRISE	339 981 911,00	41 334 857,00	5 429 089,97	39 846 734,98	45 275 824,95	426 592 592,95
03	COMPETITION	89 959 877,00	-832 504,00	0,00	3 793 789,67	3 793 789,67	92 921 162,67
04	EMPLOYMENT AND SOCIAL AFFAIRS	11 589 037 218,00	-161 220 590,00	82 775 286,00	16 056 289,18	98 831 575,18	11 526 648 203,18
05	AGRICULTURE AND RURAL DEVELOPMENT	53 725 730 198,00	-541 078 953,00	74 450 373,00	9 598 494,37	84 048 867,37	53 268 700 112,37
06	ENERGY AND TRANSPORT	1 416 766 052,00	-881 009,00	22 226 424,81	48 327 403,43	70 553 828,24	1 486 438 871,24
07	ENVIRONMENT	325 652 221,00	166 321,00	0,00	22 152 588,46	22 152 588,46	347 971 130,46
08	RESEARCH	3 356 914 928,00	-49 108 014,00	0,00	469 093 839,70	469 093 839,70	3 776 900 753,70
09	INFORMATION SOCIETY	1 274 339 814,00	100 910 281,00	319 400,08	190 085 346,81	190 404 746,89	1 565 654 841,89
10	DIRECT RESEARCH	366 429 245,00	-10 958,00	0,00	256 436 722,90	256 436 722,90	622 855 009,90
11	FISHERIES	1 053 177 780,00	-33 302 164,00	1 763 199,95	6 085 267,22	7 848 467,17	1 027 724 083,17
12	INTERNAL MARKET	73 380 570,00	201 389,00	0,00	3 155 400,69	3 155 400,69	76 737 359,69
13	REGIONAL POLICY	27 104 822 015,00	190 207 970,00	9 418 866,00	2 964 706,57	12 383 572,57	27 307 413 557,57
14	TAXATION AND CUSTOMS UNION	120 533 981,00	31 966,00	4 040 000,00	5 331 194,75	9 371 194,75	129 937 141,75
15	EDUCATION AND CULTURE	1 049 837 346,00	-106 339 146,00	0,00	210 456 114,63	210 456 114,63	1 153 954 314,63
16	PRESS AND COMMUNICATION	185 213 937,00	2 246 146,00	0,00	5 283 049,33	5 283 049,33	192 743 132,33
17	HEALTH AND CONSUMER PROTECTION	515 791 628,00	-35 035 572,00	1 350 949,90	16 086 758,25	17 437 708,15	498 193 764,15
18	AREA OF FREEDOM, SECURITY AND JUSTICE	588 216 684,00	8 650 230,00	2 236 000,00	9 306 574,09	11 542 574,09	608 409 488,09
19	EXTERNAL RELATIONS	3 682 152 272,00	-349 641 873,00	1 070 698,25	118 207 215,99	119 277 914,24	3 451 788 313,24
20	TRADE	76 850 402,00	-746 836,00	0,00	2 941 917,69	2 941 917,69	79 045 483,69
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 235 677 973,00	-4 765 287,00	2 240 408,00	55 883 832,29	58 124 240,29	1 289 036 926,29
22	ENLARGEMENT	1 473 955 752,00	528 751 487,00	0,00	88 465 025,18	88 465 025,18	2 091 172 264,18
23	HUMANITARIAN AID	513 410 743,00	130 421 626,00	0,00	5 774 713,02	5 774 713,02	649 607 082,02
24	FIGHT AGAINST FRAUD	61 894 845,00	-3 927 797,00	0,00	114 676,61	114 676,61	58 081 724,61
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	207 322 036,00	5 743 921,00	0,00	8 913 053,68	8 913 053,68	221 979 010,68
26	COMMISSION'S ADMINISTRATION	650 507 325,00	-4 031 702,00	140 800,00	47 717 600,39	47 858 400,39	694 334 023,39
27	BUDGET	1 385 458 954,00	-15 831 390,00	0,00	2 134 290,50	2 134 290,50	1 371 761 854,50
28	AUDIT	10 311 261,00	435 557,00	0,00	318 958,56	318 958,56	11 065 776,56
29	STATISTICS	132 389 161,00	-1 124 948,00	3 571 995,79	9 009 624,17	12 581 619,96	143 845 832,96
30	PENSIONS	914 968 000,00	-15 197 000,00	0,00	6,94	6,94	899 771 006,94
31	RESERVES	223 000 000,00	-210 000 000,00	0,00	0,00	0,00	13 000 000,00
90	OTHER INSTITUTIONS	2 355 540 949,00	-19 800 868,00	2 130 473,88	106 257 768,02	108 388 241,90	2 444 128 322,90
	Total	116 554 135 698,00	-598 483 482,00	213 383 965,63	1 766 904 169,00	1 980 288 134,63	117 935 940 350,63

and payment appropriations by Policy area

Policy area	Payment appropriations						
	Appropriations adopted	Modifications (Transfers and AB)	carried over	Earmarked revenue	Total additional	Total authorised	
	7	8	9	10	11=9+10	12=7+8+11	
01	ECONOMIC AND FINANCIAL AFFAIRS	465 032 120,00	-29 298 622,00	10 835 408,60	9 154 544,46	19 989 953,06	455 723 451,06
02	ENTERPRISE	356 566 911,00	4 109 857,00	16 464 248,09	43 672 494,62	60 136 742,71	420 813 510,71
03	COMPETITION	89 959 877,00	-832 504,00	6 457 710,65	3 788 617,79	10 246 328,44	99 373 701,44
04	EMPLOYMENT AND SOCIAL AFFAIRS	9 070 141 487,00	708 146 752,00	16 701 951,05	16 210 402,82	32 912 353,87	9 811 200 592,87
05	AGRICULTURE AND RURAL DEVELOPMENT	52 488 410 376,00	413 894 175,00	72 564 675,04	9 899 004,37	82 463 679,41	52 984 768 230,41
06	ENERGY AND TRANSPORT	1 349 286 852,00	-94 228 503,38	17 256 921,35	75 094 827,97	92 351 749,32	1 347 410 097,94
07	ENVIRONMENT	321 222 221,00	-35 133 679,00	30 637 276,35	25 945 764,88	56 583 041,23	342 671 583,23
08	RESEARCH	2 572 191 178,00	198 272 338,08	38 295 819,33	707 558 386,28	745 854 205,61	3 516 317 721,69
09	INFORMATION SOCIETY	1 097 149 814,00	59 814 281,00	17 084 121,39	274 439 810,99	291 523 932,38	1 448 488 027,38
10	DIRECT RESEARCH	348 317 695,00	-15 610 958,00	40 992 201,55	220 782 025,82	261 774 227,37	594 480 964,37
11	FISHERIES	952 523 705,00	-87 288 778,70	48 516 552,61	7 736 244,16	56 252 796,77	921 487 723,07
12	INTERNAL MARKET	72 780 570,00	-4 486 611,00	6 971 454,92	3 019 147,44	9 990 602,36	78 284 561,36
13	REGIONAL POLICY	20 926 980 303,00	-929 716 821,00	144 601 838,13	10 378 013,57	154 979 851,70	20 152 243 333,70
14	TAXATION AND CUSTOMS UNION	115 049 981,00	-15 968 034,00	5 789 864,81	5 251 202,22	11 041 067,03	110 123 014,03
15	EDUCATION AND CULTURE	972 580 466,00	-52 689 146,00	21 946 298,64	229 787 328,04	251 733 626,68	1 171 624 946,68
16	PRESS AND COMMUNICATION	176 202 837,00	6 746 146,00	13 794 155,80	5 173 751,44	18 967 907,24	201 916 890,24
17	HEALTH AND CONSUMER PROTECTION	518 444 423,00	-52 329 572,00	353 483 951,18	18 091 184,12	371 575 135,30	837 689 986,30
18	AREA OF FREEDOM, SECURITY AND JUSTICE	573 669 908,00	-8 749 770,00	15 351 019,82	9 318 997,43	24 670 017,25	589 590 155,25
19	EXTERNAL RELATIONS	3 811 785 875,00	-652 593 373,00	58 503 774,48	117 922 082,44	176 425 856,92	3 335 618 358,92
20	TRADE	77 870 402,00	-1 946 836,00	5 932 272,58	2 941 917,69	8 874 190,27	84 797 756,27
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 316 234 473,00	-171 645 287,00	38 681 157,00	60 970 286,79	99 651 443,79	1 244 240 629,79
22	ENLARGEMENT	2 180 625 752,00	198 601 487,00	17 113 929,66	151 325 656,71	168 439 586,37	2 547 666 825,37
23	HUMANITARIAN AID	515 773 243,00	100 421 626,00	4 418 722,69	6 287 192,78	10 705 915,47	626 900 784,47
24	FIGHT AGAINST FRAUD	58 734 845,00	-527 797,00	4 565 966,58	114 676,61	4 680 643,19	62 887 691,19
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	205 507 036,00	4 243 921,00	17 346 032,75	9 012 329,27	26 358 362,02	236 109 319,02
26	COMMISSION'S ADMINISTRATION	650 507 325,00	-3 731 702,00	104 489 801,00	48 200 751,00	152 690 552,00	799 466 175,00
27	BUDGET	1 385 458 954,00	-15 831 390,00	11 438 323,60	2 143 748,70	13 582 072,30	1 383 209 636,30
28	AUDIT	10 311 261,00	435 557,00	671 402,91	318 958,56	990 361,47	11 737 179,47
29	STATISTICS	127 171 161,00	-3 029 948,00	7 766 121,97	9 389 526,28	17 155 648,25	141 296 861,25
30	PENSIONS	914 968 000,00	-15 197 000,00	0,00	6,94	6,94	899 771 006,94
31	RESERVES	223 000 000,00	-100 000 000,00	0,00	0,00	0,00	123 000 000,00
90	OTHER INSTITUTIONS	2 355 540 949,00	-19 800 868,00	411 092 051,37	106 257 768,02	517 349 819,39	2 853 089 900,39
	Total	106 300 000 000,00	-615 951 060,00	1 559 765 025,90	2 190 186 650,21	3 749 951 676,11	109 434 000 616,11

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11. Implementation of commitment

Policy area	Commitment appropriations authorised	Commitments made					
		from the year's appropriations	from carry-overs or appropriations made available again	earmarked revenue	Total	%	
		1	2	3	4	5 = 2 + 3 + 4	6 = 5/1
01	ECONOMIC AND FINANCIAL AFFAIRS	407 527 208,93	303 123 094,94	150 000,00	6 511 248,32	309 784 343,26	76,02 %
02	ENTERPRISE	426 592 592,95	326 655 199,11	5 334 699,05	17 986 637,12	349 976 535,28	82,04 %
03	COMPETITION	92 921 162,67	88 658 322,33	0,00	2 877 291,31	91 535 613,64	98,51 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	11 526 648 203,18	11 408 136 263,44	82 772 096,00	8 445 273,53	11 499 353 632,97	99,76 %
05	AGRICULTURE AND RURAL DEVELOPMENT	53 268 700 112,37	53 023 624 330,44	74 387 053,00	7 489 978,65	53 105 501 362,09	99,69 %
06	ENERGY AND TRANSPORT	1 486 438 871,24	1 389 661 930,94	21 515 183,93	14 842 849,96	1 426 019 964,83	95,94 %
07	ENVIRONMENT	347 971 130,46	317 027 446,77	0,00	16 729 379,54	333 756 826,31	95,92 %
08	RESEARCH	3 776 900 753,70	3 307 357 499,84	0,00	335 091 512,86	3 642 449 012,70	96,44 %
09	INFORMATION SOCIETY	1 565 654 841,89	1 367 651 273,13	312 800,00	134 220 267,09	1 502 184 340,22	95,95 %
10	DIRECT RESEARCH	622 855 009,90	347 211 040,07	0,00	46 222 754,86	393 433 794,93	63,17 %
11	FISHERIES	1 027 724 083,17	993 099 049,71	1 763 199,95	2 873 169,77	997 735 419,43	97,08 %
12	INTERNAL MARKET	76 737 359,69	68 032 912,51	0,00	2 296 436,02	70 329 348,53	91,65 %
13	REGIONAL POLICY	27 307 413 557,57	27 191 958 010,70	9 418 866,00	2 229 544,66	27 203 606 421,36	99,62 %
14	TAXATION AND CUSTOMS UNION	129 937 141,75	100 429 172,92	3 948 008,51	3 933 331,22	108 310 512,65	83,36 %
15	EDUCATION AND CULTURE	1 153 954 314,63	931 369 268,96	0,00	120 301 477,52	1 051 670 746,48	91,14 %
16	PRESS AND COMMUNICATION	192 743 132,33	177 477 421,75	0,00	3 832 151,22	181 309 572,97	94,07 %
17	HEALTH AND CONSUMER PROTECTION	498 193 764,15	463 926 799,70	711 528,51	7 429 231,22	472 067 559,43	94,76 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	608 409 488,09	588 507 140,40	1 939 084,54	3 925 394,58	594 371 619,52	97,69 %
19	EXTERNAL RELATIONS	3 451 788 313,24	3 323 189 167,85	1 070 698,25	63 358 782,71	3 387 618 648,81	98,14 %
20	TRADE	79 045 483,69	74 156 018,17	0,00	2 255 949,24	76 411 967,41	96,67 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 289 036 926,29	1 218 093 092,13	2 240 408,00	32 505 782,84	1 252 839 282,97	97,19 %
22	ENLARGEMENT	2 091 172 264,18	1 870 416 760,66	0,00	54 436 799,70	1 924 853 560,36	92,05 %
23	HUMANITARIAN AID	649 607 082,02	643 708 055,62	0,00	4 776 043,11	648 484 098,73	99,83 %
24	FIGHT AGAINST FRAUD	58 081 724,61	57 222 741,51	0,00	68 382,24	57 291 123,75	98,64 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	221 979 010,68	209 584 582,06	0,00	4 981 157,97	214 565 740,03	96,66 %
26	COMMISSION'S ADMINISTRATION	694 334 023,39	617 647 307,26	140 200,00	28 770 992,78	646 558 500,04	93,12 %
27	BUDGET	1 371 761 854,50	1 367 733 068,27	0,00	1 439 912,66	1 369 172 980,93	99,81 %
28	AUDIT	11 065 776,56	10 509 029,11	0,00	227 788,37	10 736 817,48	97,03 %
29	STATISTICS	143 845 832,96	114 447 526,26	2 655 119,00	5 495 381,57	122 598 026,83	85,23 %
30	PENSIONS	899 771 006,94	897 979 045,67	0,00	0,00	897 979 045,67	99,80 %
31	RESERVES	13 000 000,00	0,00	0,00	0,00	0,00	0,00 %
90	OTHER INSTITUTIONS	2 444 128 322,90	2 275 681 330,70	2 130 473,88	57 591 104,18	2 335 402 908,76	95,55 %
Total		117 935 940 350,63	115 074 273 902,93	210 489 418,62	993 146 006,82	116 277 909 328,37	98,59 %

appropriations by Policy area

Appropriations carried over to 2006				Appropriations lapsing				
earmarked revenue	carry-overs by decision	Total	%	from the year's budget appropriations	appropriations carried over or made available again from 2004	earmarked revenue (EFTA)	Total	%
7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
593 962,61	0,00	593 962,61	0,15 %	97 078 903,06	70 000,00	0,00	97 148 903,06	23,84 %
21 625 832,61	14 757 737,00	36 383 569,61	8,53 %	39 903 831,89	94 390,92	234 265,25	40 232 488,06	9,43 %
912 009,08	0,00	912 009,08	0,98 %	469 050,67	0,00	4 489,28	473 539,95	0,51 %
7 466 165,67	47 839,60	7 514 005,27	0,07 %	19 632 524,96	3 190,00	144 849,98	19 780 564,94	0,17 %
2 108 515,72	63 480 000,00	65 588 515,72	0,12 %	97 546 914,56	63 320,00	0,00	97 610 234,56	0,18 %
33 392 839,95	994 712,00	34 387 551,95	2,31 %	25 228 400,06	711 240,88	91 713,52	26 031 354,46	1,75 %
5 365 903,44	148 000,00	5 513 903,44	1,58 %	8 643 095,23	0,00	57 305,48	8 700 400,71	2,50 %
134 002 260,02	0,00	134 002 260,02	3,55 %	449 414,16	0,00	66,82	449 480,98	0,01 %
55 790 812,19	0,00	55 790 812,19	3,56 %	7 598 821,87	6 600,08	74 267,53	7 679 689,48	0,49 %
210 211 615,68	4 425 000,00	214 636 615,68	34,46 %	14 782 246,93	0,00	2 352,36	14 784 599,29	2,37 %
3 204 796,72	687 500,00	3 892 296,72	0,38 %	26 089 066,29	0,00	7 300,73	26 096 367,02	2,54 %
751 232,67	1 676 979,63	2 428 212,30	3,16 %	3 872 066,86	0,00	107 732,00	3 979 798,86	5,19 %
735 161,91	92 880 830,00	93 615 991,91	0,34 %	10 191 144,30	0,00	0,00	10 191 144,30	0,04 %
1 397 863,53	0,00	1 397 863,53	1,08 %	20 136 774,08	91 991,49	0,00	20 228 765,57	15,57 %
90 007 185,49	1 813 605,10	91 820 790,59	7,96 %	10 315 325,94	0,00	147 451,62	10 462 777,56	0,91 %
1 450 898,11	0,00	1 450 898,11	0,75 %	9 982 661,25	0,00	0,00	9 982 661,25	5,18 %
8 573 567,78	3 550 852,00	12 124 419,78	2,43 %	13 278 404,30	639 421,39	83 959,25	14 001 784,94	2,81 %
5 376 553,87	0,00	5 376 553,87	0,88 %	8 359 773,60	296 915,46	4 625,64	8 661 314,70	1,42 %
54 848 433,28	600 000,00	55 448 433,28	1,61 %	8 721 231,15	0,00	0,00	8 721 231,15	0,25 %
685 968,45	250 000,00	935 968,45	1,18 %	1 697 547,83	0,00	0,00	1 697 547,83	2,15 %
23 378 049,45	2 000 000,00	25 378 049,45	1,97 %	10 819 593,87	0,00	0,00	10 819 593,87	0,84 %
34 028 225,48	0,00	34 028 225,48	1,63 %	132 290 478,34	0,00	0,00	132 290 478,34	6,33 %
998 669,91	0,00	998 669,91	0,15 %	124 313,38	0,00	0,00	124 313,38	0,02 %
46 294,37	0,00	46 294,37	0,08 %	744 306,49	0,00	0,00	744 306,49	1,28 %
3 931 895,71	0,00	3 931 895,71	1,77 %	3 481 374,94	0,00	0,00	3 481 374,94	1,57 %
18 946 607,61	0,00	18 946 607,61	2,73 %	28 828 315,74	600,00	0,00	28 828 915,74	4,15 %
694 377,84	0,00	694 377,84	0,05 %	1 894 495,73	0,00	0,00	1 894 495,73	0,14 %
91 170,19	0,00	91 170,19	0,82 %	237 788,89	0,00	0,00	237 788,89	2,15 %
3 367 160,99	0,00	3 367 160,99	2,34 %	16 816 686,74	916 876,79	147 081,61	17 880 645,14	12,43 %
6,94	0,00	6,94	0,00 %	1 791 954,33	0,00	0,00	1 791 954,33	0,20 %
0,00	0,00	0,00	0,00 %	13 000 000,00	0,00	0,00	13 000 000,00	100,00 %
48 666 663,84	0,00	48 666 663,84	1,99 %	60 058 750,30	0,00	0,00	60 058 750,30	2,46 %
772 650 701,11	187 313 055,33	959 963 756,44	0,81 %	694 065 257,74	2 894 547,01	1 107 461,07	698 067 265,82	0,59 %

12. Implementation of payment appropriations

Policy area	Payment appropriations authorised	Payments made					
		from the year's appropriations	from carry-overs	earmarked revenue	Total	%	
		1	2	3	4	5 = 2 + 3 + 4	6 = 5/1
01	ECONOMIC AND FINANCIAL AFFAIRS	455 723 451,06	338 764 166,30	9 579 187,96	8 454 657,45	356 798 011,71	78,29 %
02	ENTERPRISE	420 813 510,71	281 995 143,66	11 106 167,87	12 385 001,15	305 486 312,68	72,59 %
03	COMPETITION	99 373 701,44	81 330 360,60	5 898 656,71	2 426 668,93	89 655 686,24	90,22 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	9 811 200 592,87	9 736 482 417,84	11 241 777,93	8 533 512,75	9 756 257 708,52	99,44 %
05	AGRICULTURE AND RURAL DEVELOPMENT	52 984 768 230,41	52 664 045 015,42	66 446 957,88	6 414 972,24	52 736 906 945,54	99,53 %
06	ENERGY AND TRANSPORT	1 347 410 097,94	1 178 703 579,70	13 444 694,84	13 080 791,16	1 205 229 065,70	89,45 %
07	ENVIRONMENT	342 671 583,23	237 922 753,30	20 642 188,47	17 311 315,99	275 876 257,76	80,51 %
08	RESEARCH	3 516 317 721,69	2 734 272 087,80	25 961 243,31	255 253 164,74	3 015 486 495,85	85,76 %
09	INFORMATION SOCIETY	1 448 488 027,38	1 114 532 763,41	14 598 308,03	98 187 604,51	1 227 318 675,95	84,73 %
10	DIRECT RESEARCH	594 480 964,37	284 157 194,65	29 853 929,12	41 804 367,31	355 815 491,08	59,85 %
11	FISHERIES	921 487 723,07	774 597 205,06	41 070 936,21	2 917 535,14	818 585 676,41	88,83 %
12	INTERNAL MARKET	78 284 561,36	59 660 725,32	5 145 692,77	1 871 378,30	66 677 796,39	85,17 %
13	REGIONAL POLICY	20 152 243 333,70	19 829 411 120,89	143 622 798,33	9 283 188,12	19 982 317 107,34	99,16 %
14	TAXATION AND CUSTOMS UNION	110 123 014,03	85 600 803,19	5 202 717,78	3 245 043,73	94 048 564,70	85,40 %
15	EDUCATION AND CULTURE	1 171 624 946,68	878 639 956,06	16 903 821,68	107 313 701,82	1 002 857 479,56	85,60 %
16	PRESS AND COMMUNICATION	201 916 890,24	146 563 988,47	9 391 539,28	3 061 198,02	159 016 725,77	78,75 %
17	HEALTH AND CONSUMER PROTECTION	837 689 986,30	191 011 590,47	301 339 033,39	6 486 698,02	498 837 321,88	59,55 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	589 590 155,25	462 975 439,63	3 964 763,09	3 846 710,77	470 786 913,49	79,85 %
19	EXTERNAL RELATIONS	3 335 618 358,92	3 057 105 735,30	35 364 350,62	72 236 805,07	3 164 706 890,99	94,88 %
20	TRADE	84 797 756,27	67 406 218,19	5 186 389,65	1 907 920,53	74 500 528,37	87,86 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 244 240 629,79	1 069 899 298,94	21 855 991,51	48 305 933,70	1 140 061 224,15	91,63 %
22	ENLARGEMENT	2 547 666 825,37	1 782 261 182,02	8 694 019,76	111 662 841,02	1 902 618 042,80	74,68 %
23	HUMANITARIAN AID	626 900 784,47	591 421 208,28	4 015 330,15	626 384,48	596 062 922,91	95,08 %
24	FIGHT AGAINST FRAUD	62 887 691,19	49 772 903,10	3 323 151,64	65 906,63	53 161 961,37	84,53 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	236 109 319,02	191 720 903,10	12 846 079,56	5 398 893,54	209 965 876,20	88,93 %
26	COMMISSION'S ADMINISTRATION	799 466 175,00	552 309 314,89	77 850 023,13	18 430 254,35	648 589 592,37	81,13 %
27	BUDGET	1 383 209 636,30	1 358 844 152,65	10 922 950,13	1 341 860,99	1 371 108 963,77	99,13 %
28	AUDIT	11 737 179,47	9 746 582,60	498 793,51	218 403,06	10 463 779,17	89,15 %
29	STATISTICS	141 296 861,25	97 691 231,14	5 836 800,01	7 595 351,87	111 123 383,02	78,65 %
30	PENSIONS	899 771 006,94	895 202 618,12	0,00	0,00	895 202 618,12	99,49 %
31	RESERVES	123 000 000,00	0,00	0,00	0,00	0,00	0,00 %
90	OTHER INSTITUTIONS	2 853 089 900,39	1 817 241 684,18	365 185 691,62	57 278 430,64	2 239 705 806,44	78,50 %
Total		109 434 000 616,11	102 621 289 344,28	1 286 993 985,94	926 946 496,03	104 835 229 826,25	95,80 %

by budget Policy area

Appropriations carried over to 2006					Appropriations lapsing				
automatic carry-overs	carry-overs by decision	earmarked revenue	Total	%	from the year's appropriations	from carry-overs	earmarked revenue (EFTA)	Total	%
7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
5 458 766,18	0,00	699 887,01	6 158 653,19	1,35 %	91 510 565,52	1 256 220,64	0,00	92 766 786,16	20,36 %
17 491 519,32	81 392,00	30 416 971,83	47 989 883,15	11,40 %	61 108 713,02	5 358 080,22	870 521,64	67 337 314,88	16,00 %
6 890 666,45	0,00	1 351 691,88	8 242 358,33	8,29 %	906 345,95	559 053,94	10 256,98	1 475 656,87	1,48 %
16 604 010,81	0,00	7 475 498,63	24 079 509,44	0,25 %	25 201 810,35	5 460 173,12	201 391,44	30 863 374,91	0,31 %
22 879 271,13	43 480 000,00	3 484 032,13	69 843 303,26	0,13 %	171 900 264,45	6 117 717,16	0,00	178 017 981,61	0,34 %
17 357 235,72	0,00	60 974 878,00	78 332 113,72	5,81 %	58 997 533,20	3 812 226,51	1 039 158,81	63 848 918,52	4,74 %
16 527 932,12	0,00	8 627 307,33	25 155 239,45	7,34 %	31 637 856,58	9 995 087,88	7 141,56	41 640 086,02	12,15 %
35 391 780,12	0,00	452 297 864,64	487 689 644,76	13,87 %	799 648,16	12 334 576,02	7 356,90	13 141 581,08	0,37 %
21 431 364,29	0,00	176 095 523,04	197 526 887,33	13,64 %	20 999 967,30	2 485 813,36	156 683,44	23 642 464,10	1,63 %
37 284 072,21	0,00	178 823 258,83	216 107 331,04	36,35 %	11 265 470,14	11 138 272,43	154 399,68	22 558 142,25	3,79 %
4 342 023,42	0,00	4 754 615,57	9 096 638,99	0,99 %	86 295 697,82	7 445 616,40	64 093,45	93 805 407,67	10,18 %
7 525 064,17	0,00	1 134 177,46	8 659 241,63	11,06 %	1 108 169,51	1 825 762,15	13 591,68	2 947 523,34	3,77 %
17 128 898,46	92 880 830,00	1 094 825,45	111 104 553,91	0,55 %	57 842 632,65	979 039,80	0,00	58 821 672,45	0,29 %
5 740 460,16	0,00	2 006 158,49	7 746 618,65	7,03 %	7 740 683,65	587 147,03	0,00	8 327 830,68	7,56 %
20 119 663,82	800 000,00	122 234 614,46	143 154 278,28	12,22 %	20 331 700,12	5 042 476,96	239 011,76	25 613 188,84	2,19 %
17 043 633,33	0,00	2 112 553,42	19 156 186,75	9,49 %	19 341 361,20	4 402 616,52	0,00	23 743 977,72	11,76 %
248 151 463,93	3 280 000,00	11 439 951,97	262 871 415,90	31,38 %	23 671 796,60	52 144 917,79	164 534,13	75 981 248,52	9,07 %
6 649 078,83	49 056 934,97	5 364 815,25	61 070 829,05	10,36 %	46 238 684,57	11 386 256,73	107 471,41	57 732 412,71	9,79 %
54 726 980,12	10 770 643,65	45 685 277,37	111 182 901,14	3,33 %	36 589 142,93	23 139 423,86	0,00	59 728 566,79	1,79 %
5 783 669,89	0,00	1 033 997,16	6 817 667,05	8,04 %	2 733 677,92	745 882,93	0,00	3 479 560,85	4,10 %
39 292 669,92	0,00	12 664 353,09	51 957 023,01	4,18 %	35 397 217,14	16 825 165,49	0,00	52 222 382,63	4,20 %
25 729 715,18	0,00	39 662 815,69	65 392 530,87	2,57 %	571 236 341,80	8 419 909,90	0,00	579 656 251,70	22,75 %
4 780 274,06	0,00	5 660 808,30	10 441 082,36	1,67 %	19 993 386,66	403 392,54	0,00	20 396 779,20	3,25 %
5 586 893,84	1 446 808,00	48 769,98	7 082 471,82	11,26 %	1 400 443,06	1 242 814,94	0,00	2 643 258,00	4,20 %
15 361 713,99	0,00	3 613 435,73	18 975 149,72	8,04 %	2 668 339,91	4 499 953,19	0,00	7 168 293,10	3,04 %
70 545 245,28	0,00	29 770 496,65	100 315 741,93	12,55 %	23 921 062,83	26 639 777,87	0,00	50 560 840,70	6,32 %
8 888 915,62	0,00	801 887,71	9 690 803,33	0,70 %	1 894 495,73	515 373,47	0,00	2 409 869,20	0,17 %
762 446,51	0,00	100 555,50	863 002,01	7,35 %	237 788,89	172 609,40	0,00	410 398,29	3,50 %
8 432 393,72	0,00	1 570 033,33	10 002 427,05	7,08 %	18 017 588,14	1 929 321,96	224 141,08	20 171 051,18	14,28 %
2 776 427,55	0,00	6,94	2 776 434,49	0,31 %	1 791 954,33	0,00	0,00	1 791 954,33	0,20 %
0,00	0,00	0,00	0,00	0,00 %	123 000 000,00	0,00	0,00	123 000 000,00	100,00 %
458 439 646,52	0,00	48 979 337,38	507 418 983,90	17,78 %	60 058 750,30	45 906 359,75	0,00	105 965 110,05	3,71 %
1 225 123 896,67	201 796 608,62	1 259 980 400,22	2 686 900 905,51	2,46 %	1 635 839 090,43	272 771 039,96	3 259 753,96	1 911 869 884,35	1,75 %

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13. Comparison of budget implementation 2005
Commitment

Policy area	Authorised appropriations			Commitments made				
	2005	2004	% change	2005	%	2004	%	% change
	1	2	3 = (1 - 2)/2	4	5 = 4/1	6	7 = 6/2	8 = (4 - 6)/6
01 ECONOMIC AND FINANCIAL AFFAIRS	407 527 208,93	482 183 876,53	- 15,48 %	309 784 343,26	76,02 %	431 421 396,37	89,47 %	- 28,19 %
02 ENTERPRISE	426 592 592,95	334 476 717,34	27,54 %	349 976 535,28	82,04 %	285 493 213,13	85,36 %	22,59 %
03 COMPETITION	92 921 162,67	86 474 458,65	7,46 %	91 535 613,64	98,51 %	83 896 447,61	97,02 %	9,11 %
04 EMPLOYMENT AND SOCIAL AFFAIRS	11 526 648 203,18	10 900 240 229,71	5,75 %	11 499 353 632,97	99,76 %	10 779 114 367,58	98,89 %	6,68 %
05 AGRICULTURE AND RURAL DEVELOPMENT	53 268 700 112,37	48 861 561 432,53	9,02 %	53 105 501 362,09	99,69 %	48 470 919 587,96	99,20 %	9,56 %
06 ENERGY AND TRANSPORT	1 486 438 871,24	1 423 952 103,92	4,39 %	1 426 019 964,83	95,94 %	1 344 674 705,69	94,43 %	6,05 %
07 ENVIRONMENT	347 971 130,46	365 778 907,75	- 4,87 %	333 756 826,31	95,92 %	344 645 192,57	94,22 %	- 3,16 %
08 RESEARCH	3 776 900 753,70	3 658 311 117,71	3,24 %	3 642 449 012,70	96,44 %	3 513 905 006,10	96,05 %	3,66 %
09 INFORMATION SOCIETY	1 565 654 841,89	1 334 309 820,76	17,34 %	1 502 184 340,22	95,95 %	1 248 968 905,43	93,60 %	20,27 %
10 DIRECT RESEARCH	622 855 009,90	530 904 375,48	17,32 %	393 433 794,93	63,17 %	328 756 406,21	61,92 %	19,67 %
11 FISHERIES	1 027 724 083,17	975 270 237,12	5,38 %	997 735 419,43	97,08 %	943 256 184,11	96,72 %	5,78 %
12 INTERNAL MARKET	76 737 359,69	73 950 447,69	3,77 %	70 329 348,53	91,65 %	67 050 269,70	90,67 %	4,89 %
13 REGIONAL POLICY	27 307 413 557,57	26 639 722 946,19	2,51 %	27 203 606 421,36	99,62 %	26 557 916 551,38	99,69 %	2,43 %
14 TAXATION AND CUSTOMS UNION	129 937 141,75	112 278 931,35	15,73 %	108 310 512,65	83,36 %	96 297 710,53	85,77 %	12,47 %
15 EDUCATION AND CULTURE	1 153 954 314,63	1 176 732 204,68	- 1,94 %	1 051 670 746,48	91,14 %	1 063 611 615,33	90,39 %	- 1,12 %
16 PRESS AND COMMUNICATION	192 743 132,33	181 879 106,71	5,97 %	181 309 572,97	94,07 %	155 741 219,10	85,63 %	16,42 %
17 HEALTH AND CONSUMER PROTECTION	498 193 764,15	583 712 932,98	- 14,65 %	472 067 559,43	94,76 %	571 356 588,85	97,88 %	- 17,38 %
18 AREA OF FREEDOM, SECURITY AND JUSTICE	608 409 488,09	536 943 730,17	13,31 %	594 371 619,52	97,69 %	512 430 214,76	95,43 %	15,99 %
19 EXTERNAL RELATIONS	3 451 788 313,24	3 808 509 131,63	- 9,37 %	3 387 618 648,81	98,14 %	3 704 338 473,85	97,26 %	- 8,55 %
20 TRADE	79 045 483,69	76 989 783,85	2,67 %	76 411 967,41	96,67 %	71 776 052,80	93,23 %	6,46 %
21 DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 289 036 926,29	1 246 399 272,16	3,42 %	1 252 839 282,97	97,19 %	1 196 257 470,50	95,98 %	4,73 %
22 ENLARGEMENT	2 091 172 264,18	1 426 112 677,33	46,63 %	1 924 853 560,36	92,05 %	1 289 858 570,66	90,45 %	49,23 %
23 HUMANITARIAN AID	649 607 082,02	536 579 381,08	21,06 %	648 484 098,73	99,83 %	536 163 165,48	99,92 %	20,95 %
24 FIGHT AGAINST FRAUD	58 081 724,61	55 069 144,71	5,47 %	57 291 123,75	98,64 %	51 316 597,57	93,19 %	11,64 %
25 COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	221 979 010,68	206 873 459,37	7,30 %	214 565 740,03	96,66 %	199 352 506,03	96,36 %	7,63 %
26 COMMISSION'S ADMINISTRATION	694 334 023,39	726 137 377,55	- 4,38 %	646 558 500,04	93,12 %	700 053 947,33	96,41 %	- 7,64 %
27 BUDGET	1 371 761 854,50	1 474 380 091,01	- 6,96 %	1 369 172 980,93	99,81 %	1 471 230 496,42	99,79 %	- 6,94 %
28 AUDIT	11 065 776,56	9 634 884,70	14,85 %	10 736 817,48	97,03 %	9 290 648,05	96,43 %	15,57 %
29 STATISTICS	143 845 832,96	136 939 803,35	5,04 %	122 598 026,83	85,23 %	111 900 599,82	81,72 %	9,56 %
30 PENSIONS	899 771 006,94	841 776 998,00	6,89 %	897 979 045,67	99,80 %	841 672 750,00	99,99 %	6,69 %
31 RESERVES	13 000 000,00	221 000 000,00	- 94,12 %	0,00	0,00 %	0,00	0,00 %	0,00 %
90 OTHER INSTITUTIONS	2 444 128 322,90	2 396 724 218,17	1,98 %	2 335 402 908,76	95,55 %	2 289 908 421,15	95,54 %	1,99 %
Total	117 935 940 350,63	111 421 809 800,18	5,85 %	116 277 909 328,37	98,59 %	109 272 575 282,07	98,07 %	6,41 %

and 2004 by Policy area
Appropriations

Policy area	Appropriations carried over to the following year					Appropriations lapsing				
	2005	%	2004	%	% change	2005	%	2004	%	% change
	9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16
01 ECONOMIC AND FINANCIAL AFFAIRS	593 962,61	0,15 %	1 254 405,01	0,26 %	52,65 %	97 148 903,06	23,84 %	49 508 075,15	10,27 %	96,23 %
02 ENTERPRISE	36 383 569,61	8,53 %	24 978 227,01	7,47 %	45,66 %	40 232 488,06	9,43 %	24 005 277,20	7,18 %	67,60 %
03 COMPETITION	912 009,08	0,98 %	947 316,65	1,10 %	3,73 %	473 539,95	0,51 %	1 630 694,39	1,89 %	- 70,96 %
04 EMPLOYMENT AND SOCIAL AFFAIRS	7 514 005,27	0,07 %	90 045 989,83	0,83 %	91,66 %	19 780 564,94	0,17 %	31 079 872,30	0,29 %	- 36,36 %
05 AGRICULTURE AND RURAL DEVELOPMENT	65 588 515,72	0,12 %	77 476 564,13	0,16 %	15,34 %	97 610 234,56	0,18 %	313 165 280,44	0,64 %	- 68,83 %
06 ENERGY AND TRANSPORT	34 387 551,95	2,31 %	46 559 497,57	3,27 %	26,14 %	26 031 354,46	1,75 %	32 717 900,66	2,30 %	- 20,44 %
07 ENVIRONMENT	5 513 903,44	1,58 %	7 108 055,57	1,94 %	22,43 %	8 700 400,71	2,50 %	14 025 659,61	3,83 %	- 37,97 %
08 RESEARCH	134 002 260,02	3,55 %	142 801 493,90	3,90 %	6,16 %	449 480,98	0,01 %	1 604 617,71	0,04 %	- 71,99 %
09 INFORMATION SOCIETY	55 790 812,19	3,56 %	77 768 956,18	5,83 %	28,26 %	7 679 689,48	0,49 %	7 571 959,15	0,57 %	1,42 %
10 DIRECT RESEARCH	214 636 615,68	34,46 %	201 895 118,06	38,03 %	6,31 %	14 784 599,29	2,37 %	252 851,21	0,05 %	5 747,15 %
11 FISHERIES	3 892 296,72	0,38 %	3 861 122,97	0,40 %	0,81 %	26 096 367,02	2,54 %	28 152 930,04	2,89 %	- 7,30 %
12 INTERNAL MARKET	2 428 212,30	3,16 %	751 891,63	1,02 %	222,95 %	3 979 798,86	5,19 %	6 148 286,36	8,31 %	- 35,27 %
13 REGIONAL POLICY	93 615 991,91	0,34 %	10 277 704,13	0,04 %	810,86 %	10 191 144,30	0,04 %	71 528 690,68	0,27 %	- 85,75 %
14 TAXATION AND CUSTOMS UNION	1 397 863,53	1,08 %	5 847 210,28	5,21 %	76,09 %	20 228 765,57	15,57 %	10 134 010,54	9,03 %	99,61 %
15 EDUCATION AND CULTURE	91 820 790,59	7,96 %	101 556 932,98	8,63 %	9,59 %	10 462 777,56	0,91 %	11 563 656,37	0,98 %	- 9,52 %
16 PRESS AND COMMUNICATION	1 450 898,11	0,75 %	1 575 988,58	0,87 %	7,94 %	9 982 661,25	5,18 %	24 561 899,03	13,50 %	- 59,36 %
17 HEALTH AND CONSUMER PROTECTION	12 124 419,78	2,43 %	6 792 602,55	1,16 %	78,49 %	14 001 784,94	2,81 %	5 563 741,58	0,95 %	151,66 %
18 AREA OF FREEDOM, SECURITY AND JUSTICE	5 376 553,87	0,88 %	6 259 412,30	1,17 %	14,10 %	8 661 314,70	1,42 %	18 254 103,11	3,40 %	- 52,55 %
19 EXTERNAL RELATIONS	55 448 433,28	1,61 %	81 860 056,95	2,15 %	32,26 %	8 721 231,15	0,25 %	22 310 600,83	0,59 %	- 60,91 %
20 TRADE	935 968,45	1,18 %	796 215,67	1,03 %	17,55 %	1 697 547,83	2,15 %	4 417 515,38	5,74 %	- 61,57 %
21 DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	25 378 049,45	1,97 %	38 418 664,63	3,08 %	33,94 %	10 819 593,87	0,84 %	11 723 137,03	0,94 %	- 7,71 %
22 ENLARGEMENT	34 028 225,48	1,63 %	89 363 052,12	6,27 %	61,92 %	132 290 478,34	6,33 %	46 891 054,55	3,29 %	182,12 %
23 HUMANITARIAN AID	998 669,91	0,15 %	231 663,44	0,04 %	331,09 %	124 313,38	0,02 %	184 552,16	0,03 %	- 32,64 %
24 FIGHT AGAINST FRAUD	46 294,37	0,08 %	8 296,71	0,02 %	457,98 %	744 306,49	1,28 %	3 744 250,43	6,80 %	- 80,12 %
25 COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	3 931 895,71	1,77 %	2 953 338,10	1,43 %	33,13 %	3 481 374,94	1,57 %	4 567 615,24	2,21 %	- 23,78 %
26 COMMISSION'S ADMINISTRATION	18 946 607,61	2,73 %	12 961 462,14	1,78 %	46,18 %	28 828 915,74	4,15 %	13 121 968,08	1,81 %	119,70 %
27 BUDGET	694 377,84	0,05 %	570 134,73	0,04 %	21,79 %	1 894 495,73	0,14 %	2 579 459,86	0,17 %	- 26,55 %
28 AUDIT	91 170,19	0,82 %	91 087,76	0,95 %	0,09 %	237 788,89	2,15 %	253 148,89	2,63 %	- 6,07 %
29 STATISTICS	3 367 160,99	2,34 %	7 982 136,09	5,83 %	57,82 %	17 880 645,14	12,43 %	17 057 067,44	12,46 %	4,83 %
30 PENSIONS	6,94	0,00 %	0,00	0,00 %	0,00 %	1 791 954,33	0,20 %	104 248,00	0,01 %	1 618,93 %
31 RESERVES	0,00	0,00 %	0,00	0,00 %	0,00 %	13 000 000,00	100,00 %	221 000 000,00	100,00 %	- 94,12 %
90 OTHER INSTITUTIONS	48 666 663,84	1,99 %	23 296 722,15	0,97 %	108,90 %	60 058 750,30	2,46 %	83 519 074,87	3,48 %	- 28,09 %
Total	959 963 756,44	0,81 %	1 066 291 319,82	0,96 %	9,97 %	698 067 265,82	0,59 %	1 082 943 198,29	0,97 %	- 35,54 %

Payment

Policy area	Authorised appropriations			Payments made					
	2005	2004	% change	2005	%	2004	%	% change	
	1	2	3 = (1 - 2)/2	4	5 = 4/1	6	7 = 6/2	8 = (4 - 6)/6	
01	ECONOMIC AND FINANCIAL AFFAIRS	455 723 451,06	427 609 702,53	6,57 %	356 798 011,71	78,29 %	348 735 390,60	81,55 %	2,31 %
02	ENTERPRISE	420 813 510,71	335 461 753,38	25,44 %	305 486 312,68	72,59 %	246 403 887,40	73,45 %	23,98 %
03	COMPETITION	99 373 701,44	86 473 958,65	14,92 %	89 655 686,24	90,22 %	77 193 624,14	89,27 %	16,14 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	9 811 200 592,87	9 404 474 746,89	4,32 %	9 756 257 708,52	99,44 %	9 286 011 059,39	98,74 %	5,06 %
05	AGRICULTURE AND RURAL DEVELOPMENT	52 984 768 230,41	47 837 811 252,10	10,76 %	52 736 906 945,54	99,53 %	47 445 758 316,56	99,18 %	11,15 %
06	ENERGY AND TRANSPORT	1 347 410 097,94	1 268 796 306,08	6,20 %	1 205 229 065,70	89,45 %	1 008 351 753,20	79,47 %	19,52 %
07	ENVIRONMENT	342 671 583,23	334 448 713,93	2,46 %	275 876 257,76	80,51 %	252 060 503,84	75,37 %	9,45 %
08	RESEARCH	3 516 317 721,69	3 079 532 525,39	14,18 %	3 015 486 495,85	85,76 %	2 605 823 652,19	84,62 %	15,72 %
09	INFORMATION SOCIETY	1 448 488 027,38	1 445 815 136,01	0,18 %	1 227 318 675,95	84,73 %	1 248 258 283,12	86,34 %	-1,68 %
10	DIRECT RESEARCH	594 480 964,37	527 145 608,20	12,77 %	355 815 491,08	59,85 %	320 583 774,48	60,82 %	10,99 %
11	FISHERIES	921 487 723,07	1 069 369 663,28	-13,83 %	818 585 676,41	88,83 %	841 041 432,94	78,65 %	-2,67 %
12	INTERNAL MARKET	78 284 561,36	71 278 902,70	9,83 %	66 677 796,39	85,17 %	56 406 868,44	79,14 %	18,21 %
13	REGIONAL POLICY	20 152 243 333,70	22 099 647 224,99	-8,81 %	19 982 317 107,34	99,16 %	21 880 111 466,25	99,01 %	-8,67 %
14	TAXATION AND CUSTOMS UNION	110 123 014,03	98 227 298,18	12,11 %	94 048 564,70	85,40 %	81 268 055,31	82,73 %	15,73 %
15	EDUCATION AND CULTURE	1 171 624 946,68	1 180 630 485,06	-0,76 %	1 002 857 479,56	85,60 %	989 161 627,60	83,78 %	1,38 %
16	PRESS AND COMMUNICATION	201 916 890,24	172 259 866,09	17,22 %	159 016 725,77	78,75 %	136 650 838,22	79,33 %	16,37 %
17	HEALTH AND CONSUMER PROTECTION	837 689 986,30	852 582 498,08	-1,75 %	498 837 321,88	59,55 %	447 210 164,10	52,45 %	11,54 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	589 590 155,25	520 636 688,47	13,24 %	470 786 913,49	79,85 %	436 247 369,11	83,79 %	7,92 %
19	EXTERNAL RELATIONS	3 335 618 358,92	3 690 315 564,41	-9,61 %	3 164 706 890,99	94,88 %	3 316 778 199,10	89,88 %	-4,58 %
20	TRADE	84 797 756,27	76 317 783,85	11,11 %	74 500 528,37	87,86 %	65 820 593,60	86,25 %	13,19 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 244 240 629,79	1 109 292 742,03	12,17 %	1 140 061 224,15	91,63 %	975 738 727,07	87,96 %	16,84 %
22	ENLARGEMENT	2 547 666 825,37	2 175 562 677,34	17,10 %	1 902 618 042,80	74,68 %	1 987 258 359,53	91,34 %	-4,26 %
23	HUMANITARIAN AID	626 900 784,47	535 465 941,36	17,08 %	596 062 922,91	95,08 %	514 114 375,30	96,01 %	15,94 %
24	FIGHT AGAINST FRAUD	62 887 691,19	57 808 657,31	8,79 %	53 161 961,37	84,53 %	43 715 682,56	75,62 %	21,61 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	236 109 319,02	212 940 672,81	10,88 %	209 965 876,20	88,93 %	185 427 528,55	87,08 %	13,23 %
26	COMMISSION'S ADMINISTRATION	799 466 175,00	983 502 420,70	-18,71 %	648 589 592,37	81,13 %	801 460 872,17	81,49 %	-19,07 %
27	BUDGET	1 383 209 636,30	1 474 835 000,71	-6,21 %	1 371 108 963,77	99,13 %	1 460 232 799,45	99,01 %	-6,10 %
28	AUDIT	11 737 179,47	9 634 884,70	21,82 %	10 463 779,17	89,15 %	8 619 245,17	89,46 %	21,40 %
29	STATISTICS	141 296 861,25	127 656 533,46	10,69 %	111 123 383,02	78,65 %	97 286 088,98	76,21 %	14,22 %
30	PENSIONS	899 771 006,94	841 834 269,76	6,88 %	895 202 618,12	99,49 %	840 129 987,75	99,80 %	6,56 %
31	RESERVES	123 000 000,00	221 000 000,00	-44,34 %	0,00	0,00 %	0,00	0,00 %	0,00 %
90	OTHER INSTITUTIONS	2 853 089 900,39	2 703 684 214,15	5,53 %	2 239 705 806,44	78,50 %	2 135 581 311,59	78,99 %	4,88 %
	Total	109 434 000 616,11	105 032 053 692,60	4,19 %	104 835 229 826,25	95,80 %	100 139 441 837,71	95,34 %	4,69 %

Appropriations

EUR											
Policy area	Appropriations carried over to the following year					Appropriations lapsing					
	2005	%	2004	%	% change	2005	%	2004	%	% change	
	9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16	
01	ECONOMIC AND FINANCIAL AFFAIRS	6 158 653,19	1,35 %	13 998 787,81	3,27 %	- 56,01 %	92 766 786,16	20,36 %	64 875 524,12	15,17 %	42,99 %
02	ENTERPRISE	47 989 883,15	11,40 %	40 464 982,17	12,06 %	18,60 %	67 337 314,88	16,00 %	48 592 883,81	14,49 %	38,57 %
03	COMPETITION	8 242 358,33	8,29 %	7 404 527,24	8,56 %	11,32 %	1 475 656,87	1,48 %	1 875 807,27	2,17 %	- 21,33 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	24 079 509,44	0,25 %	24 526 756,61	0,26 %	- 1,82 %	30 863 374,91	0,31 %	93 936 930,89	1,00 %	- 67,14 %
05	AGRICULTURE AND RURAL DEVELOPMENT	69 843 303,26	0,13 %	75 891 376,20	0,16 %	- 7,97 %	178 017 981,61	0,34 %	316 161 559,34	0,66 %	- 43,69 %
06	ENERGY AND TRANSPORT	78 332 113,72	5,81 %	71 906 118,06	5,67 %	8,94 %	63 848 918,52	4,74 %	188 538 434,82	14,86 %	- 66,13 %
07	ENVIRONMENT	25 155 239,45	7,34 %	42 932 781,15	12,84 %	- 41,41 %	41 640 086,02	12,15 %	39 455 428,94	11,80 %	5,54 %
08	RESEARCH	487 689 644,76	13,87 %	459 677 101,52	14,93 %	6,09 %	13 141 581,08	0,37 %	14 031 771,68	0,46 %	- 6,34 %
09	INFORMATION SOCIETY	197 526 887,33	13,64 %	166 245 154,03	11,50 %	18,82 %	23 642 464,10	1,63 %	31 311 698,86	2,17 %	- 24,49 %
10	DIRECT RESEARCH	216 107 331,04	36,35 %	203 455 304,41	38,60 %	6,22 %	22 558 142,25	3,79 %	3 106 529,31	0,59 %	626,15 %
11	FISHERIES	9 096 638,99	0,99 %	52 761 995,68	4,93 %	- 82,76 %	93 805 407,67	10,18 %	175 566 234,66	16,42 %	- 46,57 %
12	INTERNAL MARKET	8 659 241,63	11,06 %	7 723 346,52	10,84 %	12,12 %	2 947 523,34	3,77 %	7 148 687,74	10,03 %	- 58,77 %
13	REGIONAL POLICY	111 104 553,91	0,55 %	152 873 983,26	0,69 %	- 27,32 %	58 821 672,45	0,29 %	66 661 775,48	0,30 %	- 11,76 %
14	TAXATION AND CUSTOMS UNION	7 746 618,65	7,03 %	7 517 082,53	7,65 %	3,05 %	8 327 830,68	7,56 %	9 442 160,34	9,61 %	- 11,80 %
15	EDUCATION AND CULTURE	143 154 278,28	12,22 %	171 559 656,98	14,53 %	- 16,56 %	25 613 188,84	2,19 %	19 909 200,48	1,69 %	28,65 %
16	PRESS AND COMMUNICATION	19 156 186,75	9,49 %	15 260 846,54	8,86 %	25,53 %	23 743 977,72	11,76 %	20 348 181,33	11,81 %	16,69 %
17	HEALTH AND CONSUMER PROTECTION	262 871 415,90	31,38 %	361 598 618,48	42,41 %	- 27,30 %	75 981 248,52	9,07 %	43 773 715,50	5,13 %	73,58 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	61 070 829,05	10,36 %	19 363 264,06	3,72 %	215,40 %	57 732 412,71	9,79 %	65 026 055,30	12,49 %	- 11,22 %
19	EXTERNAL RELATIONS	111 182 901,14	3,33 %	152 171 985,62	4,12 %	- 26,94 %	59 728 566,79	1,79 %	221 365 379,69	6,00 %	- 73,02 %
20	TRADE	6 817 667,05	8,04 %	6 733 891,39	8,82 %	1,24 %	3 479 560,85	4,10 %	3 763 298,86	4,93 %	- 7,54 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	51 957 023,01	4,18 %	80 791 455,36	7,28 %	- 35,69 %	52 222 382,63	4,20 %	52 762 559,60	4,76 %	- 1,02 %
22	ENLARGEMENT	65 392 530,87	2,57 %	60 680 036,69	2,79 %	7,77 %	579 656 251,70	22,75 %	127 624 281,12	5,87 %	354,19 %
23	HUMANITARIAN AID	10 441 082,36	1,67 %	5 182 437,74	0,97 %	101,47 %	20 396 779,20	3,25 %	16 169 128,32	3,02 %	26,15 %
24	FIGHT AGAINST FRAUD	7 082 471,82	11,26 %	4 574 263,29	7,91 %	54,83 %	2 643 258,00	4,20 %	9 518 711,46	16,47 %	- 72,23 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	18 975 149,72	8,04 %	20 401 080,37	9,58 %	- 6,99 %	7 168 293,10	3,04 %	7 112 063,89	3,34 %	0,79 %
26	COMMISSION'S ADMINISTRATION	100 315 741,93	12,55 %	118 029 012,19	12,00 %	- 15,01 %	50 560 840,70	6,32 %	64 012 536,34	6,51 %	- 21,01 %
27	BUDGET	9 690 803,33	0,70 %	12 022 741,40	0,82 %	- 19,40 %	2 409 869,20	0,17 %	2 579 459,86	0,17 %	- 6,57 %
28	AUDIT	863 002,01	7,35 %	762 490,64	7,91 %	13,18 %	410 398,29	3,50 %	253 148,89	2,63 %	62,12 %
29	STATISTICS	10 002 427,05	7,08 %	13 120 347,35	10,28 %	- 23,76 %	20 171 051,18	14,28 %	17 250 097,13	13,51 %	16,93 %
30	PENSIONS	2 776 434,49	0,31 %	1 596 454,95	0,19 %	73,91 %	1 791 954,33	0,20 %	107 827,06	0,01 %	1561,88 %
31	RESERVES	0,00	0,00 %	0,00	%	%	123 000 000,00	100,00 %	221 000 000,00	100,00 %	- 44,34 %
90	OTHER INSTITUTIONS	507 418 983,90	17,78 %	458 675 515,05	16,96 %	10,63 %	105 965 110,05	3,71 %	109 427 387,51	4,05 %	3,16 %
	Total	2 686 900 905,51	2,46 %	2 829 903 395,29	2,69 %	- 5,05 %	1 911 869 884,35	1,75 %	2 062 708 459,60	1,96 %	- 7,31 %

14. Breakdown and changes in commitment

Policy area	Commitment appropriations					
	Appropriations adopted	Modifications (Transfers and AB)	Appropriations carried over or made available again from 2004	Assigned revenue	Total additional	Total authorised
	1	2	3	4	5 = 3 + 4	6 = 1 + 2 + 5
1 AGRICULTURE	49 676 450 000,00	-650 000 000,00	49 500 000,00	296 092,42	49 796 092,42	49 076 246 092,42
2 STRUCTURAL OPERATIONS	42 423 497 444,00	-3 200 000,00	115 454 588,95	439 371,53	115 893 960,48	42 536 191 404,48
3 INTERNAL POLICIES	9 052 000 000,00	98 458 408,00	35 452 135,67	1 254 695 767,17	1 290 147 902,84	10 440 606 310,84
4 EXTERNAL ACTION	5 219 000 000,00	225 000 000,00	8 985 967,13	207 345 607,63	216 331 574,76	5 660 331 574,76
5 ADMINISTRATION	6 351 199 258,00	-58 741 890,00	2 491 273,88	255 913 742,07	258 405 015,95	6 550 862 383,95
6 RESERVES	446 000 000,00	-210 000 000,00	0,00	0,00	0,00	236 000 000,00
7 PRE-ACCESSION STRATEGY	2 081 000 000,00	0,00	1 500 000,00	48 213 588,18	49 713 588,18	2 130 713 588,18
8 COMPENSATION	1 304 988 996,00	0,00	0,00	0,00	0,00	1 304 988 996,00
Total	116 554 135 698,00	-598 483 482,00	213 383 965,63	1 766 904 169,00	1 980 288 134,63	117 935 940 350,63

15. Implementation of commitment appropriations

Policy area	Commitment appropriations authorised	Commitments made				
		from the year's appropriations	from carry-overs or appropriations made available again	from assigned revenue	Total	%
		1	2	3	4	5 = 2 + 3 + 4
1 AGRICULTURE	49 076 246 092,42	48 879 190 891,15	49 000 000,00	169 029,47	48 928 359 920,62	99,70 %
2 STRUCTURAL OPERATIONS	42 536 191 404,48	42 374 671 699,12	115 454 563,95	372 242,50	42 490 498 505,57	99,89 %
3 INTERNAL POLICIES	10 440 606 310,84	8 824 865 362,19	33 839 454,54	689 899 359,60	9 548 604 176,33	91,46 %
4 EXTERNAL ACTION	5 660 331 574,76	5 402 892 729,32	8 274 726,25	104 938 147,21	5 516 105 602,78	97,45 %
5 ADMINISTRATION	6 550 862 383,95	6 193 771 537,50	2 420 673,88	158 663 981,47	6 354 856 192,85	97,01 %
6 RESERVES	236 000 000,00	140 110 000,00	0,00	0,00	140 110 000,00	59,37 %
7 PRE-ACCESSION STRATEGY	2 130 713 588,18	1 953 782 687,65	1 500 000,00	39 103 246,57	1 994 385 934,22	93,60 %
8 COMPENSATION	1 304 988 996,00	1 304 988 996,00	0,00	0,00	1 304 988 996,00	100,00 %
Total	117 935 940 350,63	115 074 273 902,93	210 489 418,62	993 146 006,82	116 277 909 328,37	98,59 %

16. Implementation of payment appropriations

Policy area	Payment appropriations authorised	Payments made				
		from the year's appropriations	from carry-overs	from assigned revenue	Total	%
		1	2	3	4	5 = 2 + 3 + 4
1 AGRICULTURE	48 907 981 350,25	48 120 840 229,42	344 928 756,46	0,00	48 465 768 985,88	99,10 %
2 STRUCTURAL OPERATIONS	32 838 251 159,96	32 575 102 855,08	180 324 504,97	7 764 713,80	32 763 192 073,85	99,77 %
3 INTERNAL POLICIES	9 753 639 107,10	7 309 716 353,79	104 184 612,81	558 209 370,15	7 972 110 336,75	81,73 %
4 EXTERNAL ACTION	5 435 407 948,46	4 849 881 015,05	28 027 280,45	135 145 767,71	5 013 054 063,21	92,23 %
5 ADMINISTRATION	7 301 184 292,62	5 429 154 353,75	624 779 349,14	137 445 090,01	6 191 378 792,90	84,80 %
6 RESERVES	346 000 000,00	140 110 000,00	0,00	0,00	140 110 000,00	40,49 %
7 PRE-ACCESSION STRATEGY	3 546 547 761,72	2 891 495 541,19	4 749 482,11	88 381 554,36	2 984 626 577,66	84,16 %
8 COMPENSATION	1 304 988 996,00	1 304 988 996,00	0,00	0,00	1 304 988 996,00	100,00 %
Total	109 434 000 616,11	102 621 289 344,28	1 286 993 985,94	926 946 496,03	104 835 229 826,25	95,80 %

and payment appropriations by financial perspective

Policy area	Payment appropriations					
	Appropriations adopted	Modifications (Transfers and AB)	carried over	Assigned revenue	Total additional	Total authorised
	7	8	9	10	11=9+10	12=7+8+11
1 AGRICULTURE	49 114 850 000,00	-604 790 000,00	397 625 257,83	296 092,42	397 921 350,25	48 907 981 350,25
2 STRUCTURAL OPERATIONS	32 396 027 704,00	245 091 822,00	188 992 197,08	8 139 436,88	197 131 633,96	32 838 251 159,96
3 INTERNAL POLICIES	7 923 781 439,00	66 139 058,00	162 468 488,84	1 601 250 121,26	1 763 718 610,10	9 753 639 107,10
4 EXTERNAL ACTION	5 476 162 603,00	-304 663 050,00	49 359 418,49	214 548 976,97	263 908 395,46	5 435 407 948,46
5 ADMINISTRATION	6 351 199 258,00	-58 728 890,00	751 581 418,71	257 132 505,91	1 008 713 924,62	7 301 184 292,62
6 RESERVES	446 000 000,00	-100 000 000,00	0,00	0,00	0,00	346 000 000,00
7 PRE-ACCESSION STRATEGY	3 286 990 000,00	141 000 000,00	9 738 244,95	108 819 516,77	118 557 761,72	3 546 547 761,72
8 COMPENSATION	1 304 988 996,00	0,00	0,00	0,00	0,00	1 304 988 996,00
Total	106 300 000 000,00	-615 951 060,00	1 559 765 025,90	2 190 186 650,21	3 749 951 676,11	109 434 000 616,11

by financial perspective

Policy area	Appropriations carried over to 2006				Appropriations lapsing				
	assigned revenue	carry-overs by decision	Total	%	from the year's budget appropriations	appropriations carried over or made available again from 2004	assigned revenue (EFTA)	Total	%
	7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
1 AGRICULTURE	127 062,95	43 400 000,00	43 527 062,95	0,09 %	103 859 108,85	500 000,00	0,00	104 359 108,85	0,21 %
2 STRUCTURAL OPERATIONS	67 129,03	20 047 839,60	20 114 968,63	0,05 %	25 577 905,28	25,00	0,00	25 577 930,28	0,06 %
3 INTERNAL POLICIES	563 722 317,58	120 099 715,73	683 822 033,31	6,55 %	205 493 330,08	1 612 681,13	1 074 089,99	208 180 101,20	1,99 %
4 EXTERNAL ACTION	102 378 405,88	3 685 500,00	106 063 905,88	1,87 %	37 421 770,68	711 240,88	29 054,54	38 162 066,10	0,67 %
5 ADMINISTRATION	97 245 444,06	80 000,00	97 325 444,06	1,49 %	98 605 830,50	70 600,00	4 316,54	98 680 747,04	1,51 %
6 RESERVES	0,00	0,00	0,00	0,00 %	95 890 000,00	0,00	0,00	95 890 000,00	40,63 %
7 PRE-ACCESSION STRATEGY	9 110 341,61	0,00	9 110 341,61	0,43 %	127 217 312,35	0,00	0,00	127 217 312,35	5,97 %
8 COMPENSATION	0,00	0,00	0,00	0,00 %	0,00	0,00	0,00	0,00	0,00 %
Total	772 650 701,11	187 313 055,33	959 963 756,44	0,81 %	694 065 257,74	2 894 547,01	1 107 461,07	698 067 265,82	0,59 %

by financial perspective

Policy area	Appropriations carried over to 2006					Appropriations lapsing				
	automatic carry-overs	carry-overs by decision	assigned revenue	Total	%	from the year's appropriations	from carry-overs	assigned revenue (EFTA)	Total	%
	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
1 AGRICULTURE	241 927 576,73	43 400 000,00	296 092,42	285 623 669,15	0,58 %	103 892 193,85	52 696 501,37	0,00	156 588 695,22	0,32 %
2 STRUCTURAL OPERATIONS	16 081 386,35	0,00	374 723,08	16 456 109,43	0,05 %	49 935 284,57	8 667 692,11	0,00	58 602 976,68	0,18 %
3 INTERNAL POLICIES	134 688 559,36	147 545 964,97	1 039 790 976,83	1 322 025 501,16	13,55 %	397 969 618,88	58 283 876,03	3 249 774,28	459 503 269,19	4,71 %
4 EXTERNAL ACTION	56 172 102,28	10 770 643,65	79 401 326,49	146 344 072,42	2,69 %	254 675 792,02	21 332 138,04	1 882,77	276 009 812,83	5,08 %
5 ADMINISTRATION	759 657 825,83	80 000,00	119 679 318,99	879 417 144,82	12,04 %	103 578 188,42	126 802 069,57	8 096,91	230 388 354,90	3,15 %
6 RESERVES	0,00	0,00	0,00	0,00	0,00 %	205 890 000,00	0,00	0,00	205 890 000,00	59,51 %
7 PRE-ACCESSION STRATEGY	16 596 446,12	0,00	20 437 962,41	37 034 408,53	1,04 %	519 898 012,69	4 988 762,84	0,00	524 886 775,53	14,80 %
8 COMPENSATION	0,00	0,00	0,00	0,00	0,00 %	0,00	0,00	0,00	0,00	0,00 %
Total	1 225 123 896,67	201 796 608,62	1 259 980 400,22	2 686 900 905,51	2,46 %	1 635 839 090,43	272 771 039,96	3 259 753,96	1 911 869 884,35	1,75 %

17. Comparison of budget implementation Commitment

Heading	Authorised appropriations			Commitments made				
	2005	2004	% change	2005	%	2004	%	% change
	1	2	3 = (1 - 2)/2	4	5 = 4/1	6	7 = 6/2	8 = (4 - 6)/6
1 AGRICULTURE	49 076 246 092,42	45 122 266 798,87	8,76 %	48 928 359 920,62	99,70 %	44 760 544 197,01	99,20 %	9,31 %
2 STRUCTURAL OPERATIONS	42 536 191 404,48	41 045 648 706,14	3,63 %	42 490 498 505,57	99,89 %	40 833 534 750,66	99,48 %	4,06 %
3 INTERNAL POLICIES	10 440 606 310,84	9 835 369 993,26	6,15 %	9 548 604 176,33	91,46 %	9 009 928 752,03	91,61 %	5,98 %
4 EXTERNAL ACTION	5 660 331 574,76	5 368 378 595,29	5,44 %	5 516 105 602,78	97,45 %	5 198 391 061,02	96,83 %	6,11 %
5 ADMINISTRATION	6 550 862 383,95	6 361 184 442,50	2,98 %	6 354 856 192,85	97,01 %	6 161 248 511,09	96,86 %	3,14 %
6 RESERVES	236 000 000,00	442 000 000,00	-46,61 %	140 110 000,00	59,37 %	181 875 000,00	41,15 %	-22,96 %
7 PRE-ACCESSION STRATEGY	2 130 713 588,18	1 837 416 208,12	15,96 %	1 994 385 934,22	93,60 %	1 717 507 954,26	93,47 %	16,12 %
8 COMPENSATION	1 304 988 996,00	1 409 545 056,00	-7,42 %	1 304 988 996,00	100,00 %	1 409 545 056,00	100,00 %	-7,42 %
Total	117 935 940 350,63	111 421 809 800,18	5,85 %	116 277 909 328,37	98,59 %	109 272 575 282,07	98,07 %	6,41 %

Payment

Heading	Authorised appropriations			Payments made				
	2005	2004	% change	2005	%	2004	%	% change
	1	2	3 = (1 - 2)/2	4	5 = 4/1	6	7 = 6/2	8 = (4 - 6)/6
1 AGRICULTURE	48 907 981 350,25	44 308 294 150,43	10,38 %	48 465 768 985,88	99,10 %	43 579 431 503,78	98,36 %	11,21 %
2 STRUCTURAL OPERATIONS	32 838 251 159,96	34 635 080 032,07	-5,19 %	32 763 192 073,85	99,77 %	34 198 343 032,24	98,74 %	-4,20 %
3 INTERNAL POLICIES	9 753 639 107,10	8 992 067 035,23	8,47 %	7 972 110 336,75	81,73 %	7 255 159 408,26	80,68 %	9,88 %
4 EXTERNAL ACTION	5 435 407 948,46	5 098 021 843,23	6,62 %	5 013 054 063,21	92,23 %	4 605 776 116,02	90,34 %	8,84 %
5 ADMINISTRATION	7 301 184 292,62	6 927 161 567,52	5,40 %	6 191 378 792,90	84,80 %	5 856 375 907,90	84,54 %	5,72 %
6 RESERVES	346 000 000,00	442 000 000,00	-21,72 %	140 110 000,00	40,49 %	181 875 000,00	41,15 %	-22,96 %
7 PRE-ACCESSION STRATEGY	3 546 547 761,72	3 219 884 008,12	10,15 %	2 984 626 577,66	84,16 %	3 052 935 813,51	94,82 %	-2,24 %
8 COMPENSATION	1 304 988 996,00	1 409 545 056,00	-7,42 %	1 304 988 996,00	100,00 %	1 409 545 056,00	100,00 %	-7,42 %
Total	109 434 000 616,11	105 032 053 692,60	4,19 %	104 835 229 826,25	95,80 %	100 139 441 837,71	95,34 %	4,69 %

2005 and 2004 by financial perspective Appropriations

Appropriations carried over to the following year					Appropriations lapsing				
2005	%	2004	%	% change	2005	%	2004	%	% change
9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16
43 527 062,95	0,09 %	49 781 798,87	0,11 %	-12,56 %	104 359 108,85	0,21 %	311 940 802,99	0,69 %	-66,55 %
20 114 968,63	0,05 %	115 456 224,14	0,28 %	-82,58 %	25 577 930,28	0,06 %	96 657 731,34	0,24 %	-73,54 %
683 822 033,31	6,55 %	619 084 016,40	6,29 %	10,46 %	208 180 101,20	1,99 %	206 357 224,83	2,10 %	0,88 %
106 063 905,88	1,87 %	121 216 858,26	2,26 %	-12,50 %	38 162 066,10	0,67 %	48 770 676,01	0,91 %	-21,75 %
97 325 444,06	1,49 %	70 125 292,32	1,10 %	38,79 %	98 680 747,04	1,51 %	129 810 639,09	2,04 %	-23,98 %
0,00	0,00 %	0,00	0,00 %	%	95 890 000,00	40,63 %	260 125 000,00	58,85 %	-63,14 %
9 110 341,61	0,43 %	90 627 129,83	4,93 %	-89,95 %	127 217 312,35	5,97 %	29 281 124,03	1,59 %	334,47 %
0,00	0,00 %	0,00	0,00 %	%	0,00	%	0,00	0,00 %	%
959 963 756,44	0,81 %	1 066 291 319,82	0,96 %	-9,97 %	698 067 265,82	0,59 %	1 082 943 198,29	0,97 %	-35,54 %

Appropriations

Appropriations carried over to the following year					Appropriations lapsing				
2005	%	2004	%	% change	2005	%	2004	%	% change
9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16
285 623 669,15	0,58 %	397 907 056,70	0,90 %	-28,22 %	156 588 695,22	0,32 %	330 955 589,95	0,75 %	-52,69 %
16 456 109,43	0,05 %	196 998 767,79	0,57 %	-91,65 %	58 602 976,68	0,18 %	239 738 232,04	0,69 %	-75,56 %
1 322 025 501,16	13,55 %	1 152 067 270,35	12,81 %	14,75 %	459 503 269,19	4,71 %	584 840 356,62	6,50 %	-21,43 %
146 344 072,42	2,69 %	175 605 910,90	3,44 %	-16,66 %	276 009 812,83	5,08 %	316 639 816,31	6,21 %	-12,83 %
879 417 144,82	12,04 %	849 574 347,99	12,26 %	3,51 %	230 388 354,90	3,16 %	221 211 311,63	3,19 %	4,15 %
0,00	0,00 %	0,00	0,00 %	%	205 890 000,00	59,51 %	260 125 000,00	58,85 %	-20,85 %
37 034 408,53	1,04 %	57 750 041,56	1,79 %	35,87 %	524 886 775,53	14,80 %	109 198 153,05	3,39 %	380,67 %
0,00	0,00 %	0,00	0,00 %	%	0,00	0,00 %	0,00	0,00 %	%
2 686 900 905,51	2,46 %	2 829 903 395,29	2,69 %	-5,05 %	1 911 869 884,35	1,75 %	2 062 708 459,60	1,96 %	-7,31 %

18a. Consolidated Breakdown of commitments outstanding by the commitment's year of origin

Heading	< 1999	1999	2000	2001	2002	2003	2004	2005	Total
1 AGRICULTURE	0,00	0,00	0,00	0,00	0,00	0,00	5 767 908,00	1 856 831 923,20	1 862 599 831,20
2 STRUCTURAL OPERATIONS	405 086 542,62	1 393 467 233,38	185 297 624,11	575 000 162,45	1 112 714 021,71	9 900 240 265,64	27 223 856 079,17	40 908 724 316,87	81 704 386 245,95
3 INTERNAL POLICIES	105 603 910,73	105 581 168,56	266 132 519,39	712 090 227,45	1 202 150 657,52	2 272 128 931,17	3 936 469 656,49	5 979 827 778,62	14 579 984 849,93
4 EXTERNAL ACTION	646 146 053,49	364 286 246,76	622 257 685,45	917 737 716,08	1 406 362 923,61	1 828 844 228,59	2 798 273 963,61	3 802 803 202,05	12 386 712 019,64
5 ADMINISTRATION	1 089 999,57	120,38	2 099,92	0,00	0,00	32 067,50	3 116 606,37	831 304 384,42	835 545 278,16
6 RESERVES	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
7 PRE-ACCESSION STRATEGY	126 444 848,61	164 735 064,63	341 096 106,47	733 946 130,80	1 127 522 707,06	1 699 654 188,12	1 555 713 206,73	1 961 174 288,50	7 710 286 540,92
8 COMPENSATION	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total	1 284 371 355,02	2 028 069 833,71	1 414 786 035,34	2 938 774 236,78	4 848 750 309,90	15 700 899 681,02	35 523 197 420,37	55 340 665 893,66	119 079 514 765,86

18b. Consolidated Breakdown of commitments outstanding by the commitment's year of origin

Policy area	< 1999	1999	2000	2001	2002	2003	2004	2005	Total
01 ECONOMIC AND FINANCIAL AFFAIRS	4 454 514,45	10 125 000,00	2 156 540,24	5 258 400,00	0,00	38 337 665,10	122 138 691,44	107 899 229,25	290 370 040,48
02 ENTERPRISE	4 455 189,62	3 811 654,02	3 760 289,49	16 466 519,58	18 089 128,26	69 769 860,14	77 105 177,09	166 994 584,20	360 452 402,40
03 COMPETITION	0,00	0,00	0,00	0,00	0,00	0,00	160 261,79	7 859 752,44	8 020 014,23
04 EMPLOYMENT AND SOCIAL AFFAIRS	62 957 375,72	187 926 857,07	57 845 323,34	14 262 504,61	168 615 647,29	2 984 396 256,89	6 818 632 779,83	10 656 823 989,98	20 951 460 734,73
05 AGRICULTURE AND RURAL DEVELOPMENT	56 730 023,23	349 068 907,14	22 349 598,36	45 996 264,77	102 747 034,83	789 220 529,75	2 512 541 389,39	5 754 337 067,69	9 632 990 815,16
06 ENERGY AND TRANSPORT	59 126 429,69	30 391 970,50	85 179 635,30	142 668 754,58	144 585 172,55	277 372 733,70	654 053 294,12	972 299 892,88	2 365 677 883,32
07 ENVIRONMENT	942 335,49	5 239 115,11	22 560,00	35 043 082,62	50 550 181,89	75 002 099,57	120 893 129,46	168 055 621,28	455 748 125,42
08 RESEARCH	3 266 600,00	40 936 947,24	127 560 403,05	345 746 091,82	715 357 323,18	1 266 216 507,25	1 845 288 076,79	2 570 759 995,91	6 915 131 945,24
09 INFORMATION SOCIETY	3 918 717,33	6 667 826,48	17 072 613,30	106 673 654,39	171 768 210,99	364 501 559,75	605 171 838,96	991 947 668,71	2 267 722 089,91
10 DIRECT RESEARCH	1 152 541,04	513 245,09	1 207 529,86	2 528 474,97	3 453 818,54	12 042 621,58	12 572 929,79	115 851 695,38	149 322 856,25
11 FISHERIES	17 994 194,82	160 624 116,36	7 054 882,05	24 078 700,00	99 312 045,61	215 117 424,10	371 273 350,10	725 621 756,71	1 621 076 469,75

Policy area	< 1999	1999	2000	2001	2002	2003	2004	2005	Total
12 INTERNAL MARKET	0,00	0,00	53 641,00	52 461,00	16 878,41	163 238,56	2 901 446,89	12 902 261,25	16 089 927,11
13 REGIONAL POLICY	274 044 160,16	702 608 595,59	300 723 295,11	992 013 852,87	1 516 375 199,91	6 818 193 752,12	18 423 282 348,26	26 401 198 578,34	55 428 439 782,36
14 TAXATION AND CUSTOMS UNION	0,00	0,00	3 090,83	0,00	130 730,15	2 903 989,43	14 596 285,40	42 622 467,67	60 256 563,48
15 EDUCATION AND CULTURE	24 135 368,46	11 274 844,29	20 404 652,33	24 724 278,04	38 663 718,89	55 733 304,49	113 847 135,36	289 202 447,84	577 985 749,70
16 PRESS AND COMMUNICATION	12 000,00	100 581,37	303 302,22	671 757,69	961 704,62	2 151 800,62	6 125 165,81	53 385 150,97	63 711 463,30
17 HEALTH AND CONSUMER PROTECTION	1 425 928,41	45 000,00	134 692,61	1 223 133,18	6 851 398,33	34 057 955,08	50 833 843,66	323 311 212,02	417 883 163,29
18 AREA OF FREEDOM, SECURITY AND JUSTICE	295 976,27	66 661,39	832 677,80	11 907 939,80	14 244 412,67	22 480 268,77	77 243 939,58	161 173 519,26	288 245 395,54
19 EXTERNAL RELATIONS	580 265 140,68	270 776 170,24	489 288 074,92	633 018 279,40	968 570 597,64	1 115 890 265,67	1 682 359 326,54	2 312 109 542,39	8 052 277 397,48
20 TRADE	0,00	0,00	0,00	46 794,14	241 671,69	1 322 143,11	2 054 778,86	13 085 665,28	16 751 053,08
21 DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	43 576 112,95	59 517 813,56	108 303 027,22	238 486 487,56	323 398 326,15	416 837 370,98	560 286 624,21	787 322 889,15	2 537 728 651,78
22 ENLARGEMENT	143 771 717,08	188 373 528,26	170 490 154,48	297 514 226,04	500 150 790,85	1 104 083 209,95	1 338 314 443,01	1 772 158 014,28	5 514 856 083,95
23 HUMANITARIAN AID	1 847 029,62	0,00	0,00	153 518,47	3 017 695,49	27 818 889,28	94 211 430,92	272 415 995,97	399 464 559,75
24 FIGHT AGAINST FRAUD	0,00	0,00	12 167,12	34 651,74	65 065,64	895 180,07	2 363 352,07	13 589 551,99	16 959 968,63
25 COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	0,00	0,00	0,00	0,00	0,00	54 858,18	642 546,54	20 614 398,51	21 311 803,23
26 COMMISSION'S ADMINISTRATION	0,00	0,00	0,00	0,00	0,00	797 202,83	164 342,07	89 260 217,75	90 221 762,65
27 BUDGET	0,00	0,00	0,00	0,00	0,00	2 880,00	567,32	8 992 978,17	8 996 425,49
28 AUDIT	0,00	0,00	0,00	0,00	0,00	0,00	0,00	771 831,82	771 831,82
29 STATISTICS	0,00	1 000,00	27 884,71	204 409,51	1 583 556,32	5 536 114,05	14 013 044,29	42 930 574,85	64 296 583,73
30 PENSIONS	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
31 RESERVES	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
90 OTHER INSTITUTIONS							125 880,82	485 167 341,72	485 293 222,54
Total	1 284 371 355,02	2 028 069 833,71	1 414 786 035,34	2 938 774 236,78	4 848 750 309,90	15 700 899 681,02	35 523 197 420,37	55 340 665 893,66	119 079 514 765,86

19. Agencies — Financial year 2005: Forecasted budget, entitlements established and amounts received

Income by Agency

EUR

Agency	Forecasted Income budget	Entitlements established	Amounts received	% of budget received	Outstanding	Funding Commission Policy Area
	1	2	3	4 = 3/1	5 = 2 - 3	
European Aviation Safety Agency	39 981 000,00	36 531 797,02	28 970 695,61	72,46 %	7 561 101,41	06
CEDEFOP	17 093 453,15	17 032 937,23	17 026 763,76	99,61 %	6 173,47	15
European Centre for Disease prevention and control	3 433 531,45	3 433 531,45	3 402 280,45	99,09 %	31 251,00	17
European Monitoring Centre for Drugs and Drug Addiction	12 515 625,00	12 798 600,12	12 798 600,12	102,26 %	0,00	18
European Environment Agency	31 332 590,00	35 868 450,56	35 868 450,56	114,48 %	0,00	07
European Food Safety Authority	36 856 712,00	36 856 712,00	31 536 790,00	85,57 %	5 319 922,00	17
Eurojust	13 000 000,00	13 040 255,46	13 008 474,82	100,07 %	31 780,64	18
European Maritime Safety Agency	35 368 219,02	16 068 219,02	16 060 000,00	45,41 %	8 219,02	06
European Medicines Agency	110 331 093,67	110 331 093,67	109 396 447,50	99,15 %	934 646,17	02
European Agency for Networks and Information Security	6 800 000,00	4 400 000,00	4 400 000,00	64,71 %	0,00	09
European Monitoring Centre on Racism and Xenophobia	8 279 000,00	8 540 115,72	8 430 115,72	101,83 %	110 000,00	18
European Agency for Reconstruction	100 053 615,08	100 053 615,08	100 053 615,08	100,00 %	0,00	22
European Agency for Safety and Health at Work	13 738 087,00	12 768 717,38	12 764 989,69	92,92 %	3 727,69	04
Translation Centre for the bodies of the EU	27 962 684,00	37 037 128,60	30 795 413,67	110,13 %	6 241 714,93	N/A
European Training Foundation	18 500 000,00	23 267 548,15	23 251 879,84	125,69 %	15 668,31	15
European Foundation for the Improvement of Living and Working Conditions	19 280 000,00	19 293 442,27	19 223 238,93	99,71 %	70 203,34	04
Total	494 525 610,37	487 322 163,73	466 987 755,75	94,43 %	20 334 407,98	

Income by type of revenue

EUR

Type of revenue	Forecasted Income budget	Entitlements established	Amounts received	% of budget received	Outstanding
	1	2	3	4 = 3/1	5 = 2 - 3
European Commission Subsidy	363 552 407,56	337 635 436,56	332 263 060,56	91,39 %	5 372 376,00
Fee income	89 013 300,00	88 344 069,48	80 464 146,82	90,40 %	7 879 922,66
Other income	41 959 902,81	61 342 657,69	54 260 548,37	129,32 %	7 082 109,32
Total	494 525 610,37	487 322 163,73	466 987 755,75	94,43 %	20 334 407,98

20. Agencies — Financial year 2005: Appropriations and Outturn of Commitment appropriations

Commitment appropriations by Agency

EUR

Agency	Budget appropriations		Additional appropriations		Total				
	Appropriations	Commitments made	Appropriations	Commitments made	Appropriations	Commitments made	%	carried to 2006	Amounts lapsing
	1	2	3	4	5 = 1 + 3	6 = 2 + 4	7 = 6/5	8	9=5-6-8
European Aviation Safety Agency	38 554 014,92	29 836 423,11	1 466 985,08	1 440 593,19	40 021 000,00	31 277 016,30	78,15 %	26 391,89	8 717 591,81
CEDEFOP	16 418 000,00	15 095 904,05	946 015,39	644 656,03	17 364 015,39	15 740 560,08	90,65 %	343 189,36	1 280 265,95
European Centre for Disease prevention and control	3 273 312,00	2 614 882,98	0,00	0,00	3 273 312,00	2 614 882,98	79,88 %	0,00	658 429,02
European Monitoring Centre for Drugs and Drug Addiction	12 805 625,00	12 239 536,51	86 992,91	47 405,00	12 892 617,91	12 286 941,51	95,30 %	49 086,91	556 589,49
European Environment Agency	31 344 000,00	31 342 430,33	3 361 889,22	2 787 716,53	34 705 889,22	34 130 146,86	98,34 %	574 172,69	1 569,67
European Food Safety Authority	36 856 712,00	29 461 846,00	366 834,64	329 705,76	37 223 546,64	29 791 551,76	80,03 %	218 370,68	7 213 624,20
Eurojust	13 000 000,00	11 780 354,55	- 0,00	0,00	13 000 000,00	11 780 354,55	90,62 %	352 571,33	867 074,12
European Maritime Safety Agency	35 360 000,00	29 713 635,33	0,00	0,00	35 360 000,00	29 713 635,33	84,03 %	3 041 210,10	2 605 154,57
European Medicines Agency	111 835 000,00	107 322 031,54	1 950 000,00	1 949 916,67	113 785 000,00	109 271 948,21	96,03 %	1 101 388,58	3 411 663,21
European Agency for Networks and Information Security	6 346 234,64	4 539 723,40	0,00	0,00	6 346 234,64	4 539 723,40	71,53 %	0,00	1 806 511,24
European Monitoring Centre on Racism and Xenophobia	8 189 000,00	7 607 934,55	90 000,00	0,00	8 279 000,00	7 607 934,55	91,89 %	180 000,00	491 065,45
European Agency for Reconstruction	24 000 000,00	21 780 971,95	592 797 658,72	208 966 138,98	616 797 658,72	230 747 110,93	37,41 %	383 831 519,74	2 219 028,05
European Agency for Safety and Health at Work	13 380 303,00	12 291 952,64	339 894,00	171 662,18	13 720 197,00	12 463 614,82	90,84 %	673 864,22	582 717,96
Translation Centre for the bodies of the EU	25 897 184,00	23 831 030,34	- 0,00	- 0,00	25 897 184,00	23 831 030,34	92,02 %	0,00	2 066 153,66
European Training Foundation	18 500 000,00	18 125 586,30	4 718 335,59	4 718 335,59	23 218 335,59	22 843 921,89	98,39 %	0,00	374 413,70
European Foundation for the Improvement of Living and Working Conditions	19 280 000,00	19 274 644,50	- 0,00	- 0,00	19 280 000,00	19 274 644,50	99,97 %	0,00	5 355,50
Total	415 039 385,56	376 858 888,08	606 124 605,55	221 056 129,93	1 021 163 991,11	597 915 018,01	58,55 %	390 391 765,50	32 857 207,60

Commitment appropriations by type of expenditure

EUR

Type of expenditure	Budget appropriations		Additional appropriations		Total				
	Appropriations	Commitments made	Appropriations	Commitments made	Appropriations	Commitments made	%	carried to 2006	Amounts lapsing
	1	2	3	4	5 = 1 + 3	6 = 2 + 4	7 = 6/5	8	9=5-6-8
Staff	182 853 599,89	169 253 720,49	1 847 641,00	1 050 975,28	184 701 240,89	170 304 695,77	92,21 %	1 066 783,92	13 329 761,20
Administrative expenses	69 438 551,55	62 240 857,00	3 817 851,72	3 578 633,45	73 256 403,27	65 819 490,45	89,85 %	1 644 453,00	5 792 459,82
Operational expenses	162 747 234,12	145 364 310,59	600 459 112,83	216 426 521,20	763 206 346,95	361 790 831,79	47,40 %	387 680 528,58	13 734 986,58
Total	415 039 385,56	376 858 888,08	606 124 605,55	221 056 129,93	1 021 163 991,11	597 915 018,01	58,55 %	390 391 765,50	32 857 207,60

21. Agencies — Financial year 2005: Appropriations and Outturn of Payment appropriations

Payment appropriations by Agency

EUR

Agency	Budget appropriations		Additional appropriations		Total				
	Appropriations	Payments made	Appropriations	Payments made	Appropriations	Payments made	%	carried to 2006	Amounts lapsing
	8	9	10	11	12 = 8 + 10	13 = 9 + 11	14 = 11/10	15	16=12-13-15
European Aviation Safety Agency	30 154 014,92	19 632 730,56	2 814 861,13	2 603 615,24	32 968 876,05	22 236 345,80	67,45 %	6 606 308,37	4 126 221,88
CEDEFOP	14 036 840,97	12 194 177,92	4 475 478,00	3 306 918,52	18 512 318,97	15 501 096,44	83,73 %	1 110 373,71	1 900 848,82
European Centre for Disease prevention and control	3 273 312,00	1 167 706,72	0,00	0,00	3 273 312,00	1 167 706,72	35,67 %	1 437 007,72	668 597,56
European Monitoring Centre for Drugs and Drug Addiction	14 971 553,96	10 982 163,38	1 824 120,03	523 210,00	16 795 673,99	11 505 373,38	68,50 %	574 056,97	4 716 243,64
European Environment Agency	31 344 000,00	25 860 758,49	9 046 366,29	6 375 068,04	40 390 366,29	32 235 826,53	79,81 %	7 779 722,28	374 817,48
European Food Safety Authority	37 036 712,00	23 153 868,00	5 699 609,20	3 635 877,17	42 736 321,20	26 789 745,17	62,69 %	6 309 837,93	9 636 738,10
Eurojust	13 000 000,00	9 951 873,63	867 208,03	800 121,15	13 867 208,03	10 751 994,78	77,54 %	2 113 965,37	1 001 247,88
European Maritime Safety Agency	35 360 000,00	15 175 400,65	826 650,28	701 303,73	36 186 650,28	15 876 704,38	43,87 %	494 102,38	19 815 843,52
European Medicines Agency	111 835 000,00	88 489 030,72	22 750 619,06	21 649 230,48	134 585 619,06	110 138 261,20	81,84 %	18 833 000,82	5 614 357,04
European Agency for Networks and Information Security	6 346 234,64	2 139 354,55	0,00	0,00	6 346 234,64	2 139 354,55	33,71 %	2 111 501,01	2 095 379,08
European Monitoring Centre on Racism and Xenophobia	8 189 000,00	6 289 267,02	956 595,96	656 332,33	9 145 595,96	6 945 599,35	75,94 %	1 498 667,53	701 329,08
European Agency for Reconstruction	24 000 000,00	21 005 338,17	287 510 984,88	241 438 817,18	311 510 984,88	262 444 155,35	84,25 %	46 751 922,30	2 314 907,23
European Agency for Safety and Health at Work	13 380 303,00	9 076 146,87	3 196 821,40	2 586 418,20	16 577 124,40	11 662 565,07	70,35 %	2 825 285,24	2 089 274,09
Translation Centre for the bodies of the EU	25 897 184,00	21 680 104,98	1 753 344,44	1 670 387,15	27 650 528,44	23 350 492,13	84,45 %	2 150 925,36	2 149 110,95
European Training Foundation	18 500 000,00	15 360 410,87	6 256 190,94	2 085 534,22	24 756 190,94	17 445 945,09	70,47 %	6 512 003,79	798 242,06
European Foundation for the Improvement of Living and Working Conditions	19 280 000,00	14 656 202,40	3 163 569,61	3 092 788,70	22 443 569,61	17 748 991,10	79,08 %	4 618 442,10	76 136,41
Total	406 604 155,49	296 814 534,93	351 142 419,25	291 125 622,11	757 746 574,74	587 940 157,04	77,59 %	111 727 122,88	58 079 294,82

Payment appropriations by type of expenditure

EUR

Type of expenditure	Budget appropriations		Additional appropriations		Total				
	Appropriations	Payments made	Appropriations	Payments made	Appropriations	Payments made	%	carried to 2006	Amounts lapsing
	8	9	10	11	12 = 8 + 10	13 = 9 + 11	14 = 11/10	15	16=12-13-15
Staff	183 033 599,89	164 281 827,50	5 264 475,98	3 299 177,42	188 298 075,87	167 581 004,92	89,00 %	5 587 099,58	15 129 971,37
Administrative expenses	69 438 551,55	41 403 611,37	20 274 551,37	19 019 912,10	89 713 102,92	60 423 523,47	67,35 %	20 921 919,33	8 367 660,12
Operational expenses	154 132 004,05	91 129 096,06	325 603 391,90	268 806 532,59	479 735 395,95	359 935 628,65	75,03 %	85 218 103,97	34 581 663,33
Total	406 604 155,49	296 814 534,93	351 142 419,25	291 125 622,11	757 746 574,74	587 940 157,04	77,59 %	111 727 122,88	58 079 294,82

22. AGENCIES

2005 BUDGET OUTTURN INCLUDING AGENCIES

The budget outturn for the European Communities is contained in Item 1.A.1 on the liabilities of the consolidated balance sheet

EUR

Revenue from the year	European Communities	Agencies	Elimination of subsidies to agencies	Total
	107 090 637 948,19	466 987 755,75	332 263 060,56	107 225 362 643,38
Payments from 2005 appropriations	European Communities	Agencies		
	- 103 548 235 840,31	- 540 868 721,77	- 332 263 060,56	- 103 756 841 501,52
Appropriations carried over to 2006	European Communities	Agencies		
	- 2 686 900 905,51	- 111 989 055,12		- 2 798 889 960,63
Cancellation of unused appropriations carried over from 2004	European Communities	Agencies		
	1 518 509 207,87	214 717 545,20		1 733 226 753,07
Exchange rate differences for the year	European Communities	Agencies		
	40 924 144,37	1 549 054,11		42 473 198,48
Budget outturn	European Communities	Agencies		
	2 414 934 554,61	30 396 578,17		2 445 331 132,78

SECTION B:

EXPLANATORY NOTES TO THE REPORTS ON IMPLEMENTATION OF THE BUDGET

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1. BUDGETARY PRINCIPLES, STRUCTURES AND APPROPRIATIONS

1.1 BUDGETARY PRINCIPLES

The general budget of the Communities is governed by a number of basic principles:

- **unity and budget accuracy:** all Communities' expenditure and revenue must be incorporated in a single budget document, must be booked on a budget line and expenditure must not exceed authorised appropriations;
- **universality:** this principle comprises two rules:
 - the rule of non-assignment, meaning that budget revenue must not be earmarked for specific items of expenditure (total revenue must cover total expenditure);
 - the gross budget rule, meaning that revenue and expenditure are entered in full in the budget without any adjustment against each other;
- **annuality:** the appropriations entered are authorised for a single year and must therefore be used during that year;
- **equilibrium:** the revenue and expenditure shown in the budget must be in balance (estimated revenue must equal payment appropriations);
- **specification:** each appropriation is assigned to a specific purpose and a specific objective;
- **unit of account:** the budget is drawn up and implemented in euros and the accounts are presented in euros;
- **sound financial management:** budget appropriations are used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness;
- **transparency:** the budget is established and implemented and the accounts presented in compliance with the principle of transparency — the budget and amending budgets are published in the *Official Journal of the European Communities*.

1.2 BUDGET STRUCTURE

The budget consists of:

- a) a general statement of revenue;
- b) separate sections divided into the statements of revenue and expenditure of each Institution: Section I: Parliament; Section II: Council; Section III: Commission; Section IV: Court of Justice; Section V: Court of Auditors; Section VI: Economic and Social Committee; Section VII: Committee of the Regions; Section VIII: Part A. Ombudsman, Part B. European Data Protection Supervisor.

Each Institution's items of revenue and expenditure are classified according to their type or the use to which they are assigned under titles, chapters, articles and items.

A part of the funds of the ECSC in liquidation were placed at the disposal of the operational budget of the ECSC in liquidation. This operational budget was adopted annually by the Commission, after consultation with the Council and the European Parliament. The last budget was drawn up for the period of 1st January to 23 July 2002. As from 24 July 2002, the revenue and charges connected with the operational budget are included in the revenue and expenditure account of the ECSC in liquidation. The remaining commitments to be fulfilled are shown on the liability side of the balance sheet.

1.3 STRUCTURE OF THE BUDGETARY ACCOUNTS

Only the Commission budget contains administrative appropriations and operating appropriations. The other Institutions have only administrative appropriations.

The budget distinguishes between two types of appropriation: non-differentiated appropriations and differentiated appropriations. Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). Differentiated appropriations were introduced in order to reconcile the principle of annuality with the need to manage multi-annual operations.

- a) **Non-differentiated appropriations** cover:
 - all the administrative sections of the budget (Chapter 1 of the Commission Section and the whole of every other section);

- EAGGF Guarantee appropriations of an annual nature; and
- certain technical appropriations (repayments, borrowing and lending guarantees, etc.)

In the case of non-differentiated appropriations, the amount of commitment appropriations is the same as that of payment appropriations.

- b) **Differentiated appropriations** are intended to cover multi-annual operations and comprise the appropriations in all Chapters except Chapter 1 of the Commission Section (not including EAGGF.)

These differentiated appropriations break down into commitment appropriations 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. ⁽¹⁾ However, budgetary commitments for actions extending over more than one financial year may, in accordance with Article 76(3) of the Financial Regulation, be broken down over several years into annual instalments where the basic act so provides. For the differentiated appropriations, budget commitments not yet made for future years are shown as a contingent liability in the off balance sheet.
- **payment appropriations**: cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years. ⁽²⁾

1.4 ORIGIN OF APPROPRIATIONS

The main source of appropriations is the Communities' 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.

1.4.1 *Final Budget Appropriations*

Initial budget appropriations adopted

Transfers

Appropriations may be transferred between lines in accordance with the rules laid down in Articles 22 to 24 of the Financial Regulation. ⁽³⁾

Amending budgets

The budget adopted may be amended or increased by an amending budget. The rules are set out in Articles 37 and 38 of the Financial Regulation.

1.4.2 *Appropriations carried over from previous year or made available again*

Appropriations automatically carried over

These are non-differentiated payment appropriations which may be carried over automatically for one financial year only (no limits for the ECSC in liquidation) in accordance with Article 9(4) of the Financial Regulation.

Appropriations carried over by decision of the Institutions

An Institution may decide to carry over appropriations from the previous budget in one of two cases: if the preparatory stages have been completed (Article 9(2)(a) of the Financial Regulation) or if the legal base is adopted late (Article 9(2)(b)). Both commitment and payment appropriations may be carried over (Article 9(3)).

Appropriations made available again as a result of decommitments

This involves the re-entry of commitment appropriations concerning structural funds which have been decommitted. Amounts can be re-entered by way of exception in the event of error by the Commission or if they are indispensable for completion of the programme (Article 157 of the Financial Regulation).

⁽¹⁾ Appropriations for commitment = commitment appropriations + non-differentiated appropriations.

⁽²⁾ Appropriations for payment = payment appropriations + non-differentiated appropriations.

⁽³⁾ Regulation No 1605/2002 of 25 June 2002.

1.4.3 *Assigned revenue*

Refunds

These appropriations arise from the refund of amounts paid in error, proceeds from the supply of goods/services to other Communities' bodies, insurance payments received and revenue from lettings and publication sales — the amounts are assigned revenue on the budget line which incurred the initial expenditure, (Financial Regulation Article 10 and Article 18(1)(e), (f), (g), (h), (i), and (j)), and may be carried over without limit.

EFTA appropriations

The agreement on the European Economic Area provides for financial contribution by its members to certain activities in the Communities' budget. The budget lines concerned and the amounts projected are published in Annex III of the Communities' budget. The lines concerned are increased by the EFTA contribution. Appropriations not used at the year-end are cancelled and returned to the EEA countries.

Revenue from third parties

As with the EFTA appropriations other countries have concluded agreements with the European Communities involving a financial contribution to Communities' activities. The amounts received are considered to be revenue from third parties which is allocated to the budget lines concerned (often in the field of research) and may be carried over without limit (Article 10 and Article 18(1)(a) and (d) of the Financial Regulation).

Work for third parties

As part of their research activities, the Communities' research centres may work for outside bodies, (Article 161(2) of the Financial Regulation). Like the revenue from third parties, the work for third parties is assigned to specific budget lines and may be carried over without limit (Article 10 and Article 18(1)(d) of the Financial Regulation).

Appropriations made available again as a result of repayment of payments on account

These are Communities' funds which have been repaid by the beneficiaries. Repayments of payments on account are entered as assigned revenue (Articles 10 and 18(2) of the Financial Regulation) and may be carried over without limit. In the area of Structural Funds the re-inscription is based on a Commission Decision (Article 18(2) of the Financial Regulation and Article 228 of its Implementing Rules).

1.5 COMPOSITION OF APPROPRIATIONS AVAILABLE:

- *Final budget appropriations* = initial budget appropriations adopted + amending budget appropriations + transfers;
- *Additional appropriations* = assigned revenue (see above) + appropriations carried over from the previous financial year or made available again following decommitments;
- *Total appropriations authorised* = final budget appropriations + additional appropriations;
- *Appropriations for the year* (as used to calculate the budgetary result) = final budget appropriations + assigned revenue.

1.6 BUDGET IMPLEMENTATION

Article 48(1) of the Financial Regulation states: 'The Commission shall implement ... the budget in accordance with this Regulation, on its own responsibility and within the limits of the appropriations authorised.'

Article 50 states that the Commission shall confer on the Institutions the requisite powers for the implementation of the sections of the budget relating to them.

1.6.1 *Execution of revenue*

The budget takes over the revenue forecasts subject to any changes resulting from the adoption of amending budgets which adjust the forecasts in the initial budget in line with the reductions or increases in revenue established during implementation. The budget revenue covers appropriations for payment.

The revenue outturn comprises established entitlements, revenue actually collected against these established entitlements and the balance to be recovered.

The actual revenue for a financial year corresponds to the revenue collected against entitlements established in the course of the year and amounts collected against entitlements still to be recovered from previous years.

1.6.2. *Execution of expenditure*

As with revenue, expenditure is forecast in the initial budget. The execution of expenditure shows how appropriations for commitments ⁽¹⁾ and appropriations for payments ⁽²⁾ are changed, used, carried over and lapse during the year.

— **Utilisation of appropriations:**

Appropriations for commitments: The appropriations authorised are available during the financial year for entering into commitments.

Appropriations for payments: The appropriations authorised are available during the financial year for making payments.

— **Carryovers to the following year:**

Appropriations for commitments:

Some types of appropriation which are not committed may be carried over automatically, as is the case with assigned revenue (Article 10 of the Financial Regulation).

Carryovers may be authorised by the Institutions:

- if most of the preparatory stages of the commitment procedure have been completed by 31 December (Article 9(2)(a) of the Financial Regulation); or
- if the legal base is adopted in the final quarter of the financial year (Article 9(2)(b) of the Financial Regulation.)

The budgetary authority must be notified of this decision (Article 9(5) of the Financial Regulation).

Appropriations for payments:

As is the case for commitment appropriations, unused payment appropriations from assigned revenue are carried over automatically.

- non-differentiated appropriations: carryover is generally automatic if it is to cover outstanding commitments (Article 9(4) of the Financial Regulation);
- differentiated appropriations: unused payment appropriations usually lapse; however, they may be carried over by Commission decision if the payment appropriations for the following financial year will not cover existing commitments or commitments linked to commitment appropriations which have themselves been carried over (Article 9(3) of the Financial Regulation).

— **Cancellation of appropriations:**

Any appropriations for commitment and for payment not used and not carried over are cancelled at year-end (Article 9(1) of the Financial Regulation).

1.7 BUDGET OUTTURN FOR THE YEAR

1.7.1 *Revenue*

The amounts of own resources and financial contributions entered in the accounts are those credited in the course of the year to the accounts opened in the Commission's name by the governments of the Member States.

The difference between the amount of VAT own resources, GNI-based resources and financial contributions entered in the budget and the amount actually due is calculated by 1 July of the following year and entered in an amending budget for that year.

The other revenue entered in the accounts is the amount actually received in the course of the year.

⁽¹⁾ Commitment appropriations + non-differentiated appropriations.

⁽²⁾ Payment appropriations + non-differentiated appropriations.

1.7.2 *Expenditure*

For the purposes of calculating the budget outturn for the year, expenditure comprises payments made against the year's appropriations for payments plus any of the appropriations for that year that are carried over to the following year.

Payments made against the year's appropriations for payments means payments that are made by the accounting officer by 31 December of the financial year. In the case of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, the payments are those effected by the Member States between 16 October 2004 and 15 October 2005, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2006. EAGGF guarantee expenditure may be subject to a clearance decision following controls in the Member States.

1.7.3 *Budget Outturn for the year*

The budget outturn comprises two elements: the result of the European Communities 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 outturn represents the difference between:

- total revenue received for that year;
- and total payments made against that year's appropriations plus the total amount of that year's appropriations carried over to the following year. ⁽¹⁾

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 balance of exchange-rate gains and losses recorded during the year.

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

1.8 OUTSTANDING COMMITMENTS

With the introduction of differentiated appropriations, a gap developed between commitments entered into and payments made: this gap, corresponding to outstanding commitments, represents the time-lag between when the commitments are entered into and when the corresponding payments are made.

2. COMMENTS ON THE CONSOLIDATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET FOR THE FINANCIAL YEAR 2005

LEGAL BASIS AND THE FINANCIAL REGULATION

The budgetary accounts are kept in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 (OJ L 248 of 16 September 2002, p. 1, with a corrigendum in OJ L 25 of 30 January 2003, p. 43) on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of this Financial Regulation.

Article 128 of the above mentioned Financial Regulation stipulates that the Commission's accounting officer must submit the consolidated provisional accounts to the Court of Auditors by 31 March of the following year, on the basis of the provisional accounts that each Institution and other consolidated body have sent to him by 1 March. The Court of Auditors must make its observations on these accounts by 15 June (Article 129). On the basis of these observations, the Commission adopts the final consolidated accounts by 31 July and they are then published in the Official Journal by 31 October together with the Court of Auditors' statement of assurance.

Both the provisional and definitive annual accounts for 2005 are presented as follows: Volume I contains the consolidated accounts, and Volume II the Commission's accounts.

The general budget, the main instrument of the Communities' financial policy, is the instrument which provides for and authorises the Communities' revenue and expenditure every year.

⁽¹⁾ In the case of the EFTA-EEA countries, the volume of appropriations carried over from year n to year n+1 is known after the accounts have been closed. As a result the calculation of the balance includes carryovers of appropriations from year n-1 to year n.

The budgetary procedure is set out in Article 272 of the EC Treaty which stipulates the sequence of stages and the time-limits which must be respected by the two arms of the budgetary authority: the Council and Parliament. Every year, the Commission estimates all the European Institutions' revenue and expenditure for the coming year and draws up a preliminary draft budget which it sends to the budgetary authority. On the basis of this preliminary draft budget, the Council draws up a draft budget which is then the subject of negotiations between the two arms of the budgetary authority. The President of Parliament declares that the budget has been finally adopted making the budget enforceable. The task of executing the budget is mainly the responsibility of the Commission.

FINANCIAL PERSPECTIVE

The 2005 financial year was the sixth covered by the financial perspective 2000-2006, concluded on 6 May 1999 between the European Parliament, the Council and the Commission, on the basis of the conclusions of the Berlin European Council of 24 and 25 March 1999 which called for tighter budgetary discipline and improvement of the budgetary procedure.

In concluding an agreement of this type, the Institutions agreed in advance on the main budgetary priorities for the following period and established a framework for Communities' expenditure in the shape of the financial perspective. The financial perspective shows the maximum amount and the composition of foreseeable Communities' expenditure.

As the initial financial perspective was drawn up in constant 1999 prices, point 15 of the Agreement states that each year the Commission will make a technical adjustment to the financial perspective in line with movements in the Gross National Income (GNI) of the European Union and prices. However, it was agreed that a deflator of 2 % would be used for agriculture and the Structural Funds.

The overall ceiling on appropriations for commitments for 2004 comes to EUR 119 419 million, equivalent to 1,14 % of GNI. The corresponding ceiling on the appropriations for payments comes to EUR 114 060 million, i.e. 1,09 % of GNI.

The following table shows the adjusted financial perspective for EU-25 at 2005 prices:

FINANCIAL PERSPECTIVE 2000-2006

	Current prices					2005 prices	
	2000	2001	2002	2003	2004	2005	2006
Commitment appropriations: EU-25	93,792	97,189	100,672	102,145	115,434	119,419	120,876
1. Agriculture	41,738	44,530	46,587	47,378	49,305	51,439	51,587
2. Structural operations	32,678	32,720	33,638	33,968	41,035	42,441	43,701
3. Internal policies	6,031	6,272	6,558	6,796	8,722	9,012	9,138
4. External action	4,627	4,735	4,873	4,972	5,082	5,119	5,130
5. Administration	4,638	4,776	5,012	5,211	5,983	6,185	6,356
6. Reserves	906	916	676	434	442	446	446
7. Pre-accession aid	3,174	3,240	3,328	3,386	3,455	3,472	3,472
8. Compensation					1,410	1,305	1,046
Total payment appropriations: EU-25	91,322	94,730	100,078	102,767	111,380	114,060	116,555

A new financial perspective was agreed between Member States at the end of 2005 and covers the period 2007-2013. It foresees a maximum Community expenditure for this period of EUR 862 363 million, representing 1,045 % of EU GNI.

BUDGETARY CONSOLIDATION

The consolidated reports on the implementation of the general budget of the European Communities include, as in previous years, the budget implementation of all Institutions since within the Communities' budget a separate budget for each Institution is established.

Agencies do not have a separate budget inside the Communities' budget and they are partially financed by a Commission budget subsidy. In order to provide all relevant budgetary data for the Agencies, the budgetary part of the consolidated annual accounts include separate reports on the implementation of the individual budgets of the traditional agencies consolidated. Those reports are:

- A table on budgetary income, indicating the amount received from the Commission budget;
- Two tables on budgetary expenditure (commitments, payments) giving the detail by agency and splitting budget and additional appropriations;
- At the bottom of each table a sub-total has been inserted that gives information on the Agencies total financial impact by type of expenditure/income;
- A budget outturn table, adding the Agencies' budget result to the Communities' result (by eliminating subsidies paid from Communities' expenditure and subsidies received as Agencies revenue.)

REVENUE

The revenue of the general budget of the European Communities can be divided into two main categories: own resources and other revenue. This is laid down in Article 269 of the Treaty establishing the European Communities, which states that: 'Without prejudice to other revenue, the budget shall be financed wholly from own resources.' The main bulk of budgetary expenditure is financed by own resources. Other revenue represents only a minor part of total financing.

There are three categories of own resources: traditional own resources, the VAT resource and the GNI resource. Traditional own resources, in turn, comprise agricultural duties, sugar levies and customs duties. A correction mechanism in respect of budgetary imbalances is also part of the own resources system.

2.1 TRADITIONAL OWN RESOURCES

Traditional own resources: All established amounts of traditional own resources 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 send the Commission a quarterly statement that includes:

- the balance to be recovered during the previous quarter,
- the amounts recovered during the quarter in question,
- rectifications of the base (corrections/cancellations) during the quarter in question,
- amounts written off,
- balance to be recovered at the end of the quarter in question.

The information sent in by the Member States does not allow the amounts recovered during the year to be assigned to the year in which the entitlements arose. Hence the column for amounts received against carry-overs in the table 'Summary of the implementation of general budget revenue, 2005' includes amounts received during the year and the amount of entitlements cancelled and replaced by the new amount of entitlements declared by the Member States when making their new statement. A value reduction is applied to own resources entitlements.

When the traditional own resources from the separate account are recovered, they must be entered in the Commission's account with the treasury or the body appointed at the latest on the first working day following the 19th day of the second month following the month during which the entitlement was recovered.

Member States retain, by way of collection costs, 25 % of traditional own resources.

2.2 VAT RESOURCES AND GNI RESOURCES

VAT own resources derive from the application of a uniform rate, for all countries, to the harmonised VAT base determined in accordance with the rules of Article 2(1)(c) of the Council Decision of 29 September 2000. The VAT base is capped at 50 % of GNI for all Member States.

The GNI 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 resources are determined on the basis of forecasts of VAT and GNI bases made when the preliminary 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 final 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 final 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 1 December of the year following the budget year in question. Corrections may still be made to the final VAT and GNI bases in subsequent years. 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. It should be noted that corrections made in 2005 relating to the period 1995-2004 for GNI resources were EUR 2 049 million. Similarly, corrections relating to the period 1991-2004 for VAT Resources were EUR 399 million.

2.3 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 Communities.

The explanatory table for Chapter 15 in the consolidated summary of the implementation of the revenue budget shows each Member State's contribution to the UK correction.

EXPENDITURE

2.4 CATEGORIES OF EXPENDITURE

2.4.1 *Financial perspective headings*

This section describes the main categories of Communities' expenditure, classified by heading of the financial perspective 2000-2006.

Heading 1 — Agriculture

Expenditure under heading 1 is financed by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF).

Heading 2 — Structural operations: the objective of economic and social cohesion

This expenditure is for structural aid measures, designed to promote better economic and social cohesion within the Communities. The Communities' contribution must be accompanied by national funding and so involves cooperation between the Commission and Member States' authorities.

Heading 3 — Internal policies

It is primarily since the adoption of the Single European Act and with a view to speeding up the completion of the internal market that the Communities has broadened some of its existing policies — in the field of research, for example — or launched new policies. Since 1993 these internal policies have been brought together under a single heading of the financial perspective, forming an extremely diversified group.

Heading 4 — External action

This heading of the financial perspective covers all Communities' expenditure in favour of third countries, except for enlargement-related expenditure on the candidate countries and expenditure under the European Development Fund (EDF). Enlargement-related aid has been given a specific heading in the financial perspective for 2000-06 (see 'Heading 7: Pre-accession aid'). Some of these measures are of a horizontal nature (thematic), whereas others are defined by geographical areas.

Heading 5 — Administrative expenditure

This heading of the financial perspective covers all the expenditure on the running of the Communities' Institutions. For the Institutions other than the Commission, these costs make up the total of their expenditure, but the Agencies and other bodies make both administrative and operational expenditure.

Heading 6 — Reserves

This heading covers three types of reserve designed to leave the necessary margins available, beneath the total ceiling on expenditure of the financial perspective, to meet expenditure which could not be foreseen when the budget was drawn up. Each reserve has a clearly identified object in a specific field.

Heading 7 — Pre-accession aid

As regards enlargement-related expenditure for candidate countries from Central and Eastern Europe, heading 7, has been created to cover pre-accession expenditure established in the financial perspective.

Heading 8 — Compensation

In accordance with the political agreement that the new Member States should not become net-contributors to the budget at the very beginning of their membership, compensation of EUR 1 410 million was foreseen under this heading in 2004. This amount will be available as transfers to them to balance their budgetary receipts and contributions.

2.4.2 Policy areas

As part of its use of Activity Based Management (ABM) the Commission has implemented Activity Based Budgeting (ABB) in its planning and management processes. ABB involves a budget structure in which 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. In total 31 policy areas have been identified, each policy area corresponding, in general, to a DG, and encompassing an average of about 6 or 7 individual Activities. These policy areas are predominantly operational, since their core activities aim at benefiting a third-party beneficiary, each within their respective domains of activity. The operational budget is completed with the necessary administrative expenditure and staff for each policy area.

2.5 UTILISATION OF EXPENDITURE BY THE EUROPEAN COMMUNITIES

2.5.1 Appropriations carried over relating to contributions by and work for third parties

Appropriations carried over from the previous financial year in respect of contributions by and work for third parties, which by definition never lapse, are included with the additional appropriations for the financial year. This explains the difference between carryovers from the previous year in the 2005 budget implementation statements and those carried over to the following year in the budget implementation statements.

2.5.2 2005 budget outturn

The payment appropriations for re-use and appropriations made available again following the repayment of payments on account are disregarded when calculating the outturn for the year.

The EFTA-EEA part of the payment appropriations carried over by the Communities from 2005 to 2006 could not be included in the 2005 balance as this is subject to the approval by EFTA of the amounts in question, and this will not be given until mid-2006.

Total budget revenue for the year comes to EUR 107,1 billion (2004: EUR 103,5 billion.) Total budget expenditure comes to EUR 103,5 billion (2004: EUR 99,2 billion), when the negative expenditure under EAGGF Guarantee EUR 1,1 billion (2004: EUR 1,4 billion) is taken into account. This negative expenditure comprises: amounts recovered as a result of fraud and irregularities, correction of advances made on the basis of Article 7(4) of Regulation (EC) No 1258/1999, any profit deriving from sales from public stocks, the additional levy on surplus milk production and the financial consequences of clearance of accounts decisions.

The payment appropriations carried over which the Communities have cancelled include the appropriations corresponding to contributions by and work for third parties carried over from 2004 to 2005 (EUR 1,2 billion) as these appropriations are included with the appropriations for the financial year (see also note **1.4.3** above, Assigned Revenue).
