IV

(Notices)

NOTICES FROM EUROPEAN UNION INSTITUTIONS AND BODIES

COMMISSION

FINAL ANNUAL ACCOUNTS OF THE EUROPEAN COMMUNITIES

FINANCIAL YEAR 2006

Volume I

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED REPORTS ON IMPLEMENTATION OF THE BUDGET

(2007/C 274/01)

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NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The consolidated annual accounts of the European Communities for the year 2006 have been prepared on the basis of the information presented by the other institutions and bodies under Article 129.2 of the Financial Regulation. I hereby declare that they were prepared in accordance with Title VII of the Financial Regulation of the EC and with the accounting principles, rules and methods set out in annex to the financial statements.

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

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts of the European Commission, I have a reasonable assurance that the accounts present a true and fair view of the financial position of the European Communities in all material aspects.

Brian Gray

Accounting Officer of the European Commission

PRINCIPAL EVENTS AND KEY POINTS

The 2006 annual accounts of the European Communities are the second set of accounts to be prepared under the accrual-accounting based rules brought in by the European Communities in 2005. As with any set of accounts, the Commission has been working to improve on what was previously published, aiming in particular to provide more understandable and relevant information to the reader.

With regard to the presentation of the 2006 accounts the following changes should be highlighted:

— Following the update of the Financial Regulation that came into force on 1 May 2007, the Accounting Officer of the Commission has included for the first time a note accompanying these accounts that states that he has obtained reasonable assurance that the accounts present a true and fair view of the financial position of the European Communities in all material aspects.

— Each accounting officer of the bodies consolidated in these accounts has included a certification in their individual accounts, stating that he or she has obtained a reasonable assurance that their accounts present a true and fair view of the financial position of their Institution or Agency in all material aspects.

— Financial statement amounts are now shown in millions of euros, which gives a more readable format

— Budgetary implementation tables have been simplified to make them more understandable

— Further information has been given on the recovery of Commission expenditure

Finally it should be noted that the scope of consolidation has been increased since 2005 — there are now 24 Agencies consolidated compared with 16 in 2005.

MAIN POINTS OF NOTE IN THE 2006 ANNUAL ACCOUNTS

— The budget surplus has continued to decrease, from EUR 2,41 billion to EUR 1,85 billion.

— The economic outturn for the year has changed from a deficit of EUR 7,812 million in 2005 to a surplus of EUR 197 million in 2006.

— Total assets increased from EUR 58,7 billion in 2005 to EUR 67,3 billion, with total liabilities increasing from EUR 120,9 billion to EUR 131,6 billion. The difference will be financed in the short-term from budgetary funds already voted, or guaranteed by the Member States in the longer-term.

PART I

CONSOLIDATED FINANCIAL STATEMENTS OF THE EUROPEAN COMMUNITIES AND EXPLANATORY NOTES

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A. **BALANCE SHEET**

EUR millions

		Note	31.12.2006	31.12.2005
I.	NON-CURRENT ASSETS:		**31 556**	**31 415**
	Intangible fixed assets	*2.1*	37	27
	Tangible fixed assets	*2.2*	4 586	4141
	Investments	*2.3*	2 157	1 874
	Loans	*2.4*	2 023	2 397
	Long-term pre-financing	*2.5*	22 425	22 732
	Long-term receivables	*2.6*	328	244
II.	CURRENT ASSETS:		**35 776**	**27 291**
	Stocks	*2.7*	115	126
	Short-term investments	*2.8*	1 426	1 440
	Short-term pre-financing	*2.9*	8 055	6 633
	Short-term receivables	*2.10*	9 796	7 238
	Cash & cash equivalents	*2.11*	16 384	11 854
	Total Assets		67 332	58 706
III.	NON-CURRENT LIABILITIES:		**37 071**	**38 026**
	Employee benefits	*2.12*	32 200	33 156
	Provisions for risks and charges	*2.13*	989	1 097
	Financial liabilities	*2.14*	1 862	1 920
	Other long-term liabilities	*2.15*	2 020	1 853
IV.	CURRENT LIABILITIES:		**94 479**	**82 825**
	Provisions for risks and charges	*2.16*	379	275
	Financial liabilities	*2.17*	20	22
	Accounts payable	*2.18*	94 080	82 528
	Total Liabilities		**131 550**	**120 851**
	NET ASSETS		**(64 218)**	**(62 145)**
	Reserves	*2.19*	2 855	2 808
	Amounts to be called from Member States:	*2.20*	(67 073)	(64 953)
	Employee benefits (long-term) (*)		*(32 200)*	*(33 156)*
	Other amounts (**)		*(34 873)*	*(31 797)*
V.	NET ASSETS (***)		**(64 218)**	**(62 145)**

(*) Under Article 83 of the Staff Regulations (Council Regulation 259/68 of 29 February 1968 as amended), the Member States shall jointly guarantee the liability for pensions.

(**) The European Parliament has adopted a budget on 14 December 2006 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 2007.

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

B. **ECONOMIC OUTTURN ACCOUNT (including Segment Reporting)**

EUR millions

	Note	2006	2005
OPERATING REVENUE:	*3.1*	**113 486**	**107 890**
Own Resource and contributions revenue:		*105 118*	*103 964*
GNI resources		70 134	70 861
VAT resources		17 207	16 018
Traditional own resources		15 247	14 265
Budgetary adjustments		2 395	2 606
Contributions of Third countries (incl. EFTA countries)		135	214
Operating revenue:		*8 368*	*3 926*
Fines		2 217	719
Agricultural levies		1 695	447
Recovery of expenses		1 296	939
Revenues from administrative operations		982	895
Other operating revenue		2 178	926
OPERATING EXPENSES		**113 422**	**107 597**
Administrative expenses:	*3.2*	*6 619*	*6 127*
Staff expenses		3 998	3 613
Fixed asset related expenses		348	320
Other administrative expenses		2 273	2 194
Operating expenses:	*3.3*	*106 803*	*101 470*
Direct centralised management		12 273	11 281
Indirect centralised management		677	351
Decentralised management		1 809	1 733
Shared management		90 828	86 925
Joint management		34	248
Other operating expenses	*3.4*	1 182	932
SURPLUS FROM OPERATING ACTIVITIES		**64**	**293**
Financial operations revenue	*3.5*	621	399
Financial operations expenses	*3.6*	(331)	(369)
Movement in long-term employee benefits liability	*2.12*	108	(8 044)
SURPLUS/(DEFICIT) FROM NON-OPERATING ACTIVITIES		**398**	**(8 014)**
SHARE OF NET (DEFICIT) ASSOCIATES & JOINT VENTURES	*3.7*	**(265)**	**(91)**
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES		**197**	**(7 812)**
ECONOMIC RESULT FOR THE YEAR		**197**	**(7 812)**

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 different policy areas. 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 millions

	Activities within the EU	Activities outside the EU	Services & Other	ECSC in Liquidation	Other Institutions	Consolidation eliminations	TOTAL
OPERATING REVENUE:							
Fines	2 217	0	0	0	0	0	2 217
Agricultural levies	1 695	0	0	0	0	0	1 695
Recovery of expenses	1 248	58	1	0	0	(11)	1 296
Revenues from admin operations	44	48	702	0	275	(87)	982
Other operating revenue	2 401	332	110	0	1	(666)	2 178
TOTAL OPERATING REVENUES	**7 605**	**438**	**813**	**0**	**276**	**(764)**	**8 368**
Administrative expenses:	***1 985***	***899***	***1 576***	***0***	***2 280***	***(121)***	***6 619***
Staff expenses	1 505	655	745	0	1 100	(7)	3 998
Fixed asset related expenses	62	55	102	0	129	0	348
Other administrative expenses	418	189	729	0	1 051	(114)	2 273
Operating expenses:	***99 016***	***6 928***	***1 449***	***53***	***0***	***(643)***	***106 803***
Direct centralised management	6 474	4 879	1 249	0	0	(329)	12 273
Indirect centralised management	611	308	1	0	0	(243)	677
Decentralised management	362	1 447	0	0	0	0	1 809
Shared management	90 828	0	0	0	0	0	90 828
Joint management	7	27	0	0	0	0	34
Other operating expenses	734	267	199	53	0	(71)	1 182
TOTAL OPERATING EXPENSES	**101 001**	**7 827**	**3 025**	**53**	**2 280**	**(764)**	**113 422**
NET OPERATING EXPENSES	**(93 396)**	**(7 389)**	**(2 212)**	**(53)**	**(2 004)**	**0**	**(105 054)**
Own resource and contributions revenue							105 118
Surplus from operating activities							**64**
Net financial revenue							290
Movement in employee benefits liability							108
Share of associates/joint venture results							(265)
Economic result for the year							**197**

SEGMENT REPORTING – ACTIVITIES WITHIN THE EU

EUR millions

	Economic & Financial affairs	Enterprise & Industry	Competition	Employment	Agriculture	Transport & Energy	Environment	Research	Information Society
OPERATING REVENUE:									
Fines	0	1	2 158	0	0	0	0	0	0
Agricultural levies	0	0	0	0	1 695	0	0	0	0
Recovery of expenses	0	1	0	89	686	1	0	3	5
Revenues from administrative operations	0	8	0	1	0	2	1	0	0
Other operating revenue	1	146	0	34	436	194	39	382	23
TOTAL OPERATING REVENUES	**1**	**156**	**2 158**	**124**	**2 817**	**197**	**40**	**385**	**28**
Administrative expenses:	***48***	***162***	***69***	***95***	***111***	***163***	***89***	***172***	***115***
Staff expenses	42	120	65	77	97	130	66	134	92
Fixed asset related expenses	0	6	0	1	0	1	1	0	0
Other administrative expenses	6	36	4	17	14	32	22	38	23
Operating expenses:	***51***	***253***	***269***	***10 003***	***52 212***	***882***	***209***	***2 860***	***1 841***
Centralised direct management	51	191	1	147	35	749	182	2 807	1 796
Centralised indirect management	0	0	0	(2)	0	58	12	0	0
Decentralised management	0	0	0	0	275	(1)	0	0	0
Shared management	0	0	0	9 842	51 868	0	0	0	0
Joint management	0	0	0	0	0	(23)	0	0	0
Other operating expenses	0	62	268	16	34	99	15	53	45
TOTAL OPERATING EXPENSES	**99**	**415**	**338**	**10 098**	**52 323**	**1 045**	**298**	**3 032**	**1 956**
NET OPERATING EXPENSES	**(98)**	**(259)**	**1 820**	**(9 974)**	**(49 506)**	**(848)**	**(258)**	**(2 647)**	**(1 928)**

	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	58	0	0	0	0	0	0	2 217
Agricultural levies	0	0	0	0	0	0	0	0	1 695
Recovery of expenses	0	10	0	460	0	(11)	3	1	1 248
Revenues from administrative operations	33	0	0	0	(3)	(1)	0	3	44
Other operating revenue	8	0	184	0	1	182	64	707	2 401
TOTAL OPERATING REVENUES	**41**	**68**	**184**	**460**	**(2)**	**170**	**67**	**711**	**7 605**

	Joint Research Centre	Fisheries	Internal Market	Regional Policy	Taxation & Customs	Education & Culture	Health & Consumer protection	Justice, Freedom & Security	Total Activities within the EU
Administrative expenses:	***339***	***32***	***134***	***65***	***46***	***145***	***131***	***69***	***1 985***
Staff expenses	214	28	98	52	42	94	97	57	1 505
Fixed asset related expenses	47	0	4	0	(2)	1	2	1	62
Other administrative expenses	78	4	32	13	6	50	32	11	418
Operating expenses:	***73***	***652***	***47***	***28 095***	***35***	***347***	***275***	***912***	***99 016***
Centralised direct management	67	197	10	26	35	(156)	252	84	6 474
Centralised indirect management	0	0	0	95	0	448	0	0	611
Decentralised management	0	0	0	88	0	0	0	0	362
Shared management	0	454	0	27 856	0	0	0	808	90 828
Joint management	0	0	0	30	0	0	0	0	7
Other operating expenses	6	1	37	0	0	55	23	20	734
TOTAL OPERATING EXPENSES	**412**	**684**	**181**	**28 160**	**81**	**492**	**406**	**981**	**101 001**
NET OPERATING EXPENSES	**(371)**	**(616)**	**3**	**(27 700)**	**(83)**	**(322)**	**(339)**	**(270)**	**(93 396)**

SEGMENT REPORTING – ACTIVITIES OUTSIDE THE EU

EUR millions

	External Relations	Trade	Development	Enlargement	Humanitarian Aid	Total Activities outside the EU
OPERATING REVENUE:						
Recovery of expenses	35	0	1	21	1	58
Revenues from administrative operations	48	0	0	0	0	48
Other operating revenue	69	0	13	250	0	332
TOTAL OPERATING REVENUES	**152**	**0**	**14**	**271**	**1**	**438**
Administrative expenses:	***632***	***51***	***125***	***71***	***20***	***899***
Staff expenses	427	46	118	50	14	655
Fixed asset related expenses	54	0	0	1	0	55
Other administrative expenses	151	5	7	20	6	189
Operating expenses:	***3 449***	***8***	***737***	***2 131***	***603***	***6 928***
Direct centralised management	3 131	7	684	456	601	4 879
Indirect centralised management	48	0	29	231	0	308
Decentralised management	203	0	78	1 166	0	1 447
Joint management	59	1	(62)	29	0	27
Other operating expenses	8	0	8	249	2	267
TOTAL OPERATING EXPENSES	**4 081**	**59**	**862**	**2 202**	**623**	**7 827**
NET OPERATING EXPENSES	**(3 929)**	**(59)**	**(848)**	**(1 931)**	**(622)**	**(7 389)**

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	0	0	0	0	1	0	0	0	1
Revenues from administrative operations	0	5	0	658	0	38	0	1	702
Other operating revenue	0	0	35	5	0	0	0	70	110
TOTAL OPERATING REVENUES	**0**	**5**	**35**	**663**	**1**	**38**	**0**	**71**	**813**
Administrative expenses:	***92***	***43***	***157***	***1 161***	***65***	***50***	***8***	***0***	***1 576***
Staff expenses	63	30	135	410	58	42	7	0	745
Fixed asset related expenses	0	0	0	102	0	0	0	0	102
Other administrative expenses	29	13	22	649	7	8	1	0	729
Operating expenses:	***58***	***14***	***2***	***48***	***67***	***1 139***	***0***	***121***	***1 449***
Direct centralised management	57	14	0	33	66	1 083	0	(4)	1 249
Indirect centralised management	1	0	0	0	0	0	0	0	1
Other operating expenses	0	0	2	15	1	56	0	125	199
TOTAL OPERATING EXPENSES	**150**	**57**	**159**	**1 209**	**132**	**1 189**	**8**	**121**	**3 025**
NET OPERATING EXPENSES	**(150)**	(52)	**(124)**	**(546)**	**(131)**	**(1 151)**	**(8)**	**(50)**	**(2 212)**

C. **CASHFLOW TABLE**

EUR millions

	Note	2006	2005
CASHFLOWS FROM ORDINARY ACTIVITIES			
Surplus/(Deficit) from ordinary activities:		197	(7 812)
Operating activities:	*4.2*		
Amortisation		11	7
Depreciation		306	278
Impairment of investments		(3)	(12)
(Increase)/decrease in loans		374	(99)
(Increase)/decrease in long-term pre-financing		307	(1 447)
(Increase)/decrease in long-term receivables		(84)	64
(Increase)/decrease in stocks		11	(63)
(Increase)/decrease in short-term pre-financing		(1 422)	94
(Increase)/decrease in short-term receivables		(2 558)	(99)
Increase/(decrease) in long-term provisions		(108)	84
Increase/(decrease) in long-term financial liabilities		(58)	233
Increase/(decrease) in other long-term liabilities		167	9
Increase/(decrease) in short-term provisions		104	35
Increase/(decrease) in short-term financial liabilities		(2)	(130)
Increase/(decrease) in accounts payable		11 552	8 287
2005 Budgetary surplus taken as non cash revenue in 2006		(2 410)	(2 737)
Other non-cash movements		140	2
Investing activities:	*4.3*		
(Increase)/decrease in intangible & tangible fixed assets		(772)	(351)
(Increase)/decrease in investments (*)		(156)	13
(Increase)/decrease in short-term investments		14	3
Movement in long-term employee benefits:	*2.12*	(956)	7 144
NET CASHFLOW FROM ORDINARY ACTIVITIES		**4 654**	**3 503**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (**)		**4 654**	**3 503**
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (**)	*2.11*	12 170	8 667
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR (**)	*2.11*	**16 824**	**12 170**

(*) The previous year's amount had to be restated following an update of the relevant accounting rule – a negative EUR 63 million had previously been included under operating activities and not on this line

(**) Includes the cash of the Guarantee Fund (see note **2.11**)

D. **STATEMENT OF CHANGES IN NET ASSETS**

EUR millions

	Reserves		Accumulated Surplus/(Deficit) (**)	Economic outturn of the year (**)	Total
	Fair value reserve	Other reserves			
BALANCE AS AT 31 DECEMBER 2004 (restated)	**88**	**2 479**	**(58 359)**	**4 194** (*)	**(51 598)**
Movement in Guarantee Fund reserve		145	(145)		0
Fair value movements	(7)				(7)
Other			9		9
Allocation of the Economic Result 2004		103	1 354	(1 457)	0
Budget result 2004 credited to Member States				(2 737)	(2 737)
Economic outturn for the year				(7 812)	(7 812)
BALANCE AS AT 31 DECEMBER 2005	**81**	**2 727**	**(57 141)**	**(7 812)**	**(62 145)**
Movement in Guarantee Fund reserve		22	(22)		0
Fair value movements	(77)				(77)
Other		72	145		217
Allocation of the Economic Result 2005		30	(7 842)	7 812	0
Budget result 2005 credited to Member States			(2 410)		(2 410)
Economic outturn for the year				197	197
BALANCE AS AT 31 DECEMBER 2006	**4**	**2 851**	**(67 270)**	**197**	**(64 218)**

(*) *The economic outturn for 2004 was based on the accounting rules then in place*
(**) The accumulated deficit plus the economic outturn of the year equals the amounts to be called from Member States on the balance sheet

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, last amended by Council Regulation (EC, Euratom) No 1995/2006 of 13 December 2006, OJ L 390 of 30 December 2006) 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, last modified on 28 March 2007.

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 current Communities' accounting rules on 28 December 2004. These accrual-based accounting policies are derived from International Public Sector Accounting 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 professional guidance. The accounting rules are regularly reviewed and updated when necessary, most recently on 18 October 2006.

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 15 November together with the Court of Auditors' statement of assurance. Both the provisional and final annual accounts for 2006 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.

1.3 **CONSOLIDATION**

The scope of consolidation of the European Communities comprises 34 controlled entities, one associate and one joint venture. The complete list of consolidated entities can be found in note **E9**. In comparison with 2005, the scope of consolidation has been extended by 8 agencies.

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, the Communities Bodies and Executive Agencies created through a secondary act of legislation are considered as under the exclusive control of the European Communities and therefore are also included in the consolidation scope. In 2006 six newly created agencies have been consolidated for the first time. Additionally, 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, have been integrated for the first time in the 2006 accounts. The impact of the first time consolidation of these 8 agencies on the 2006 accounts is as follows:

Non-current assets:	EUR 32 million
Current assets:	EUR 413 million
Liabilities:	EUR 168 million
Net assets:	EUR 277 million

Furthermore the European Coal and Steel Communities in Liquidation (ECSC) is also considered as a controlled entity.

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 Euro pean Development Fund. At 31 December 2006 the total assets of both were EUR 279 million and EUR 3,3 billion respectively — see note **E 10**.

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 2006:

EURO Exchange Rate at 31 December 2006

CYP	0,5782
LTL	3,4528
CZK	27,4850
MTL	0,4293
DKK	7,4560
PLN	3,8310
EEK	15,6466
SKK	34,4350
GBP	0,6715
SIT	239,6400
HUF	251,7700
SEK	9,0404
LVL	0,6972
USD	1,3170

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 other 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 developed by the European Investment Fund in compliance with IAS 39 and was applied to the European Commission's investments in venture capital funds at the year-end 2005. This change from the current valuation method to the 'fair value method' became effective on 1 January 2006 in the Commission accounts and the related adjustment was recognised in the fair value reserve.

Under this 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 resulting from the fair value measurement are recognised through reserves and unrealised losses are assessed for impairment so as to determine whether they are recognised as impairment losses in the 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 (although no investments of this type are currently held).

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 cannot be reliably measured, 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. Whilst staff contribute from their salaries one third of the expected cost of these benefits, the liability is not funded.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of any plan assets. The defined benefit obligation is calculated by 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.

Post retirement sickness benefits

The European Communities provide health benefits to its employees through the reimbursement of medical expenses. A separate fund ('RCAM') has been created for the day-to-day administration. Both current employees, pensioners, widowers and their beneficiaries benefit from the system. The benefits granted to the current employees are classified as 'Staff costs' and the amounts paid during the accounting period are recognised as an expense in the Economic Outturn Account.

The benefits granted to the 'inactives' (pensioners, orphans, etc.) are classified as 'Post-Employment Employee Benefits'. Given the nature of these benefits, an actuarial calculation was necessary. The liability in the balance sheet is determined on a similar basis as that for the pension obligations (see above).

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.

According to the 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 make 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 is 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.

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.

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 of the data for the budgetary year concerned, they may be revised as changes occur until the final data are issued by the Member States. The effect of a change in estimate is included when determining the net surplus or deficit for the period in which the change occurred.

Traditional own resources

Receivables and related revenues are recognised when the relevant monthly A statements (including duties collected and amounts due that are guaranteed and not contested) are received from the Member States. At the reporting date, revenue collected by the Member States for the period but not yet paid to the 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 the collection costs to which they are entitled (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 of three months laid down as the appeal does not have suspensory effect (Article 242 of the EC Treaty). The debtors have two options; pay the fine provisionally or present a bank guarantee for the amount.

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, the fine remains as a receivable, and the guarantee 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. NOTES TO THE BALANCE SHEET

I. **NON CURRENT ASSETS**

2.1 **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 millions

	Amount
Gross carrying amount at 31 December 2005	65
Additions during the year	15
Disposals	(3)
Transfers between headings	(5)
Other changes	10
Gross carrying amount at 31 December 2006	**82**
Accumulated depreciation at 31 December 2005	38
Depreciation charge for the year	11
Disposal	0
Transfers between headings	(2)
Other changes	(2)
Accumulated depreciation at 31 December 2006	**45**
NET CARRYING AMOUNT AT 31 DECEMBER 2006	**37**

2.2 **TANGIBLE FIXED ASSETS**

2.2.1 ***Land and buildings***

In some countries the value of the land occupied by Delegations cannot be distinguished from the value of the building. The Commission intends to evaluate, country by country, all such properties in order to define the value of the land, which is not subject to amortisation.

The most significant additions for the Commission concerned two buildings purchased in Brussels, totalling EUR 201 million (land included of EUR 47 million) and land in Tokyo costing EUR 34 million. Four Commission buildings with acquisition values totalling EUR 300 million have been transferred to this heading (from the finance lease heading) since the Commission has exercised its purchase option for them and they are thus no longer considered as leased assets. Additionally the Parliament acquired three buildings in Strasbourg for a cost of EUR 143 million during 2006.

Included on the line 'other changes' are assets belonging to two newly consolidated agencies, the Office for Harmonisation in the Internal Market and the Community Plant Variety Office.

2.2.2 ***Plant and equipment***
Furniture and vehicles
Computer hardware
Other tangible fixed assets

As part of the integration of the delegations' transactions directly in the central accounting system, all 132 Delegations have uploaded their fixed asset information into the Commission's central accounting system by 31 December 2006. Further IT developments during 2007 will allow for better control over the quality and exhaustiveness of this information.

Adjustments as a direct result of the ABAC Assets project and related inventory of delegation assets are shown under the heading 'other changes' in the table. Also included on this line are assets belonging to two newly consolidated agencies, the Office for Harmonisation in the Internal Market and the Community Plant Variety Office.

2.2.3 *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 a purchase option (valid from October 2006 to 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. A purchase analysis has been made but no decision has yet been taken.

The Parliament occupied a new leased building in Brussels during 2006, having a value of EUR 34 million.

2.2.4 *Fixed assets under construction*

On March 2003 the **Council** signed a contract for the construction and acquisition of the LEX building in Brussels through a financial lease. From 2003 to 2006 the Council made several advance payments, which were secured by bank guarantees, the capitalised value of which was, at 31 December 2006, EUR 224 million (2005: EUR 123 million.) On 1 February 2007 the Council signed the contract for the acquisition of the LEX building for a provisional contractual purchase price of EUR 262 million. At this date the Council paid the difference between this provisional contractual purchase price and the capitalised value of the advance payments. The final cost price will be established in 2007.

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 the first 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 at 31 December 2006 EUR 253 million has been paid, reflecting the work done up to this date (at 31 December 2005 EUR 196 million had been paid.)

Tangible Fixed Assets

EUR millions

	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 2005	2 823	317	136	367	105	2 189	343	6 280
Additions during the year	423	32	13	56	14	37	156	731
Disposals	(2)	(14)	(7)	(35)	(2)	0	0	(60)
Transfers between headings	300	(2)	1	4	3	(300)	(1)	5
Other changes	36	(2)	38	35	(10)	0	(15)	82
Gross carrying amount at 31 December 2006	**3 580**	**331**	**181**	**427**	**110**	**1 926**	**483**	**7 038**
Accumulated depreciation at 31 December 2005	1 150	256	92	258	64	319		2 139
Depreciation charge for the year	124	26	14	62	13	70		309
Write-back of depreciation	0	(1)	0	(2)	0	0		(3)
Disposals	(2)	(13)	(7)	(31)	(2)	0		(55)
Impairment	0	0	0	0	0	0		0
Write-back of impairment	0	0	0	0	0	0		0
Transfers between headings	77	(2)	1	1	2	(77)		2
Other changes	5	(1)	30	26	0	0		60
Accumulated depreciation at 31 December 2006	**1 354**	**265**	**130**	**314**	**77**	**312**		**2 452**
NET CARRYING AMOUNT AT 31 DECEMBER 2006	**2 226**	**66**	**51**	**113**	**33**	**1 614**	**483**	**4 586**

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	Acquisition value of works	Asset value	Depreciation	Net carrying amount =A+B+C+E
		< 1 year	> 1 year	> 5 years	Total Liability (B)	A+B	(C)	A+B+C	(E)	
Land and buildings	304	28	142	1 391	1 561	1 865	60	1 925	(312)	1 613
Other tangible fixed assets	0	0	1	0	1	1	0	1	0	1
Total at 31.12.2006	**304**	**28**	**143**	**1 391**	**1 562**	**1 866**	**60**	**1 926**	**(312)**	**1 614**

2.3 **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 millions

	Balance at 31.12.2006	Balance at 31.12.2005
Investment in Associates: EIF	208	186
Interest in Joint ventures: Galileo	62	141
Guarantee Fund	1 371	1 309
Available-for-Sale assets	495	211
Held for trading assets	21	27
Total Investments	**2 157**	**1 874**

2.3.1 ***Investments in associates and interests in joint ventures***

Associates and Joint-Ventures

EUR millions

	Investments in Associates: EIF	Interests in Joint Venture: Galileo
Amount at 31 December 2005	**186**	**141**
Acquisitions	0	212
Disposals and withdrawals	0	(12)
Share of profit/(loss)	14	(279)
Adjustment from IFRS transition of EIF recognised in retained earnings	7	0
Fair-value changes recognised in equity	6	0
Other equity movements (dividend)	(5)	0
Amount at 31 December 2006	**208**	**62**

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 2005, 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 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.

The equity method is used to value the Communities' share in the EIF, in accordance with the accounting rules. The shareholding is thus valued at 30 % of the EIF's own capital, which at 31 December 2006 amounts to EUR 208 million (2005: EUR 186 million), of which EUR 14 million concerns the result for 2006. A dividend of EUR 5 million relating to the financial year 2005 was received in 2006.

The EIF has reported for the first time using the IFRS standards, with an opening balance sheet as at 1 January 2005. The impact of the transition has been recognised by the EIF in its opening balance sheet through retained earnings. The Communities have recognised their share of this amount (EUR 7 million) through retained earnings as at 31 December 2006. The fair value changes recognised in equity relate to the AFS portfolio of the EIF. An assessment has been made of the departures between the EC accounting rules and the EIF's current accounting standards. The impact is considered to be non-material.

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 (EC) No 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 joint undertaking (GJU) the requested funds to co-finance the related activities of the development phase.

The Commission has subscribed to and paid in EUR 650 million of the capital of this entity at 31 December 2006. Just before year-end an amount of EUR 12 million of the paid-in capital was reimbursed to the European Communities. This amount was part of a cash transfer of EUR 70 million to the GNSS agency, part of the transfer of the activities of the GJU to this GNSS agency. On 1 January 2007 the GJU was put into liquidation. During 2007, assets and liabilities of the GJU will be transferred to the GNSS agency, which will continue the project.

Galileo is accounted for using the equity method. For 2006 the Commission's share of the loss of the joint undertaking was EUR 279 million. Thus the value of the investment at 31 December 2006 was EUR 62 million being the investment of EUR 637 million less the accumulated share of the losses, EUR 575 million.

2.3.2 *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 1 253 million corresponds to the target amount [1] for the Guarantee Fund calculated on the basis of the amount outstanding at 31 December 2006. The entry on the assets side of the Commission's balance sheet of EUR 1 379million before elimination of MFA debt certificates represents the Fund's net assets at 31 December 2006. 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 126 million.

Net assets of the Guarantee Fund

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Current assets	1 380	1 325
After elimination	*1 372*	*1 310*
Short-term investments: Available-for-sale assets	940	1 009
After elimination	932	994
Cash and cash equivalents	440	316
Current liabilities	(1)	(1)
Net assets	1 379	1 324
After elimination	***1 371***	***1 309***

The Guarantee Fund holds two floating rate notes issued by the European Communities for an amount of EUR 8 million, including accrued interest, as at 31 December 2006 (2005: EUR 15 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. Fair-value changes of the AFS debt security portfolio have been recognised in equity in 2006 with the amount of EUR 32 million. The corresponding amount in 2005 amounted to EUR 11 million.

The risk management policies of the Guarantee Fund are described in section **E 6**.

2.3.3 ***Other investments***

2.3.3.1 Available-for-sale assets

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

Long-term Available-for-sale assets

EUR millions

	EBRD	RCO	ETF Start up	EFSE	Other	Total
Amounts 31.12.2005	157	0	48	0	6	211
Transfers	0	224	0	0	0	224
Acquisitions	0	15	24	46	1	86
Disposals/withdrawals	0	(17)	(8)	0	(2)	(27)
Revaluation surplus/ (deficit) t/f to equity	0	(4)	11	3	0	10
Impairment loss	0	(7)	(1)	0	(1)	(9)
Amounts 31.12.2006	157	211	74	49	4	495

[1] The target amount corresponds to 9 % of the amount outstanding.

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 Commission's subscription to the EBRD's capital amount to EUR 157 million, of which EUR 151 million have been called up and partially paid. Payments outstanding on called up capital (EUR 6 million) are recorded under long-term liabilities and accounted for at amortised cost. Payments outstanding on non-called up capital amount to EUR 443 million and are included as contingent liabilities in the off-balance sheet.

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.

Risk Capital Operations (RCO)

Under risk capital operations amounts are 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. It has thus been decided for the 2006 and future accounts that they should be presented as investments under this heading — they had been previously been presented as loans, see note **E 2.4.1** below.

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 as communicated by the financial counterparts.

ETF Start up facility

The Growth & Employment programme and the MAP programme, under the trusteeship of the EIF, support the creation and financing of start-up SMEs by investing in suitable specialised venture capital funds.

The 'fair value method' has been applied for the first time to the investments of the ETF Start up facility during 2006. Had this also been applied at 31 December 2005, the balance would have amounted to EUR 70 million (in place of EUR 48 million.) The revaluation surplus/(deficit) movements in 2006 include both value adjustment and foreign exchange movements in the fair-value reserve.

European Fund for South East Europe (EFSE)

The European Fund for South East Europe was, created in 2005 with an initial share capital of EUR 147 million. It is structured as an investment company with variable share capital (SICAV). The overall objective of EFSE is to foster economic development and prosperity in South East Europe through the sustainable provision of additional development finance, notably to the small and micro enterprise sector and to private households via local financial intermediaries.

European Communities have obtained a stake of 17,9 % (Voting Rights) in the EFSE fund.

2.3.3.2 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 an interest rate swap agreement and combination of both interest rate swap and cross-currency interest rate swap agreement. The fair value of these interest rate swaps was obtained by discounting the net fixed cash flows using zero-coupon swap rates on the balance sheet date. This fair value (including accrued interests) of these swaps with final maturity of more than one year after the balance sheet date is detailed below:

Held for trading assets

EUR millions

Derivative	Balance at 31.12.2006	Balance at 31.12.2005
ECSC in liquidation swaps	21	27

2.4 **LOANS**

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

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

This item covers 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. All amounts fall due more than 12 months after year-end.

Loans granted from the European Communities budget & ECSC in liquidation

EUR millions

	Loans with special conditions	Risk Capital Operations	ECSC in Liquidation	Total
Total 31.12.2005	**170**	**224**	**44**	**438**
Transfers	0	(224)	0	(224)
New loans	0	0	0	0
Repayments	(26)	0	(8)	(34)
Exchange differences	0	0	0	0
Changes in carrying amount	17	0	3	20
Impairment losses	0	0	0	0
Total 31.12.2006	**161**	**0**	**39**	**200**

Loans with Special Conditions

Loans with special conditions are loans granted at preferential rates. The effective interest rates on these loans vary between 7,39 % and 12,36 %.

Risk Capital Operations

These amounts have been transferred to the Available-for-sale (AFS) investment heading — see note **E 2.3.3.1** above.

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. The effective interest rates on these loans are 2,806 %-22,643 %.

2.4.2 *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.

Loans granted from borrowed funds

EUR millions

	Macro Financial Assistance (MFA)	Euratom loans	ECSC in liquidation	Total
Total 31.12.2005	1 086	389	508	1 983
New loans	19	51	0	70
Repayments	(130)	0	(2)	(132)
Exchange differences	0	0	(4)	(4)
Changes in carrying amount	2	2	(3)	1
Impairment losses	0	0	0	0
Total 31.12.2006	977	442	499	1 918
Amount due < 1 year	**20**	**0**	**75**	**95**
Amount due > 1 year	**957**	**442**	**424**	**1 823**

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 geographically close to the EU territory. It takes the form of medium/long term loans or grants or an appropriate combination of both and generally complements financing provided in the context of an IMF-supported adjustment and reform program.

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.

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	31.12.2006	31.12.2005
Macro Financial Assistance (MFA)	3.222 % - 4.54 %	2.039 % - 4.54 %
Euratom	3.372 % - 5.76 %	2.224 % - 5.76 %
ECSC in liquidation.	3.064 % - 12.077 % (*)	2.241 % - 12.077 % (*)

(*) higher bound value relates to the fixed rate loan covered by the interest rate swap (see point **2.3.3.2**)

2.5 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

EUR millions

Management type	Balance at 31.12.2006	Balance at 31.12.2005
Pre-financing European Communities:	**920**	**3**
Direct centralised management	300	3
Indirect centralised management	549	0
Decentralised management	50	0
Other	21	0

EUR millions

Management type	Balance at 31.12.2006	Balance at 31.12.2005
Pre-financing Third parties:	**21 505**	**22 729**
Direct centralised management	57	145
Indirect centralised management	30	0
Decentralised management	224	106
Shared management	20 744	22 478
Joint management	450	0
Total long-term Pre-financing	**22 425**	**22 732**

The most significant long-term pre-financing amounts relate to Structural Fund actions. As many of these projects are long-term in nature, it is necessary that the related advances are available for more than one year. Thus these pre-financing amounts are shown as long-term assets. The Commission makes a payment on account concerning Structural Funds once the programme is adopted. 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. In 2005 the split between long-term and short-term pre-financing amounts was only made for Structural Actions.

2.6 LONG-TERM RECEIVABLES

Long-term receivables

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Building contribution	24	42
Due from Member States	272	135
ECSC staff loans	17	20
EAR credit schemes	10	40
Guarantees and deposits	5	7
Total	**328**	**244**

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 22 million is due greater than one year (2005: EUR 42 million), while a further EUR 20 million (2005: EUR 21 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 138 million at year-end (2005: EUR 159 million), being split up between long-term receivables, EUR 104 million (2005: EUR 135 million) and short-term receivables, EUR 34 million (2005: EUR 24 million).

The amounts due from Member States at 31 December 2006 also includes EUR 168 million relating to a Commission decision of 2005 reducing the assistance granted from the ERDF to one Member State. The amount due at 31 December 2005 had not been included in the 2005 accounts thus understating this heading by EUR 318 million at that date (see also notes **E2.10.2** & **E3.1.4**).

Also included under this heading is an amount of EUR 17 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

2.7 STOCKS

STOCKS

EUR millions

Description	Acquisition value	Value reduction	Net book value at 31.12.2006	Net book value at 31.12.2005
Scientific Equipment:				
Scientific material	11	0	11	11
Fissile material & heavy water	30	0	30	32
Scientific material for re-sale	60	0	60	64
Vaccinations	7	0	7	7
Production materials	7	0	7	7
Publications & goods for re-sale	16	(16)	0	5
Total	**131**	**(16)**	**115**	**126**

The Commission keeps a stock of production material, valued to EUR 7 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 fully written off due to low rotation. Also publications distributed for free have been fully written down as its realisable value is lower than its cost.

2.8 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.

2.8.1 *Short-term available-for-sale assets*

Short-term available-for-sale assets

EUR millions

	SME Guarantee Facility	ETF Start up	TEN Risk Capital EIB	ECSC in Liquidation	Total
Amounts 31.12.2005	22	4	3	1 411	1 440
Acquisitions	0	0	0	521	521
Disposals and withdrawals	0	(4)	0	(490)	(494)
Adjustment to amortised cost	0	0	0	(3)	(3)
Change in carrying amount	0	0	0	1	1
Revaluation surplus/ (deficit) t/f to equity	0	0	0	(39)	(39)
Amounts 31.12.2006	**22**	**0**	**3**	**1 401**	**1 426**

SME Guarantee Facility — ETF start-up Growth & Employment

All investments are AAA floating rate bonds denominated in EUR and quoted in active markets.

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. This investment represents an equity holding in the special purpose entity.

ECSC in liquidation

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 section **E.6**. At 31 December 2006 debt securities (expressed at their fair value) reaching final maturity in the course of 2007 amount to EUR 135 million (2005: EUR 237 million).

2.9 SHORT-TERM PRE-FINANCING

The split of amounts outstanding between management types reflects the pre-financing payments made since 2005. The unallocated pre-financing amounts are those first included in the opening balance sheet of 2005 and are shown separately on a single line since no information on the split by budget management type is available before 31 December 2004.

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 **2.5** for further explanations concerning long-term pre-financing.

Included as pre-financing under this heading is EUR 206 million relating to amounts paid out under the Schengen Facility Agreement. In the 2005 accounts these payments were treated as operational expenses in the Economic Outturn Account, but further analysis performed in 2006 lead to their reclassification as pre-financing. If the same treatment had been adopted in 2005, the balance at 31 December 2005 under this agreement would have been EUR 183 million (see also note **E 3.3**).

Short-term Pre-financing amounts

EUR millions

Management type		Balance at 31.12.2006	Balance at 31.12.2005
Pre-financing European Communities gross amounts:			
Direct centralised management	*Action grants*	8 850	4 791
	Functioning grants	*167*	111
Indirect centralised management	*National agencies*	778	620
	Financial activities	12	64
	Other	6	3
Decentralised management		381	195
Other		686	474
Pre-financing implemented by other Institutions and Agencies		8	7
Unallocated pre-financing balances		3 577	5 254
Total gross pre-financing amounts		**14 465**	**11 519**
Less accrued charges:			
Direct centralised management		(8 189)	(5 892)
Indirect centralised management		(1 135)	(1 376)
Decentralised management		(232)	(123)
Other		(75)	(169)
Total Pre-financing European Communities		**4 834**	**3 959**
Pre-financing Third parties:			
Direct centralised management	*Procurement*	545	260
	Operational	*470*	356
Indirect centralised management		*3*	0
Decentralised management		599	361
Shared management		937	391
Joint management		578	317

EUR millions

Management type	Balance at 31.12.2006	Balance at 31.12.2005
Pre-financing implemented by other Institutions and Agencies	177	143
Unallocated pre-financing balances	2 930	2 775
Total gross pre-financing amounts	**6 239**	**4 603**
Less accrued charges:		
Direct centralised management	(1 532)	(1 200)
Decentralised management	(468)	(383)
Shared management	(906)	(201)
Joint management	(79)	(143)
Other	(33)	(2)
Total Pre-financing Third parties:	**3 221**	**2 674**
Total short-term pre-financing	**8 055**	**6 633**

2.10 **SHORT-TERM RECEIVABLES**

Short-term receivables

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Long-term receivables due in less than one year	119	46
Current receivables	4 193	4 243
Sundry receivables	26	22
Accruals and deferrals	5 458	2 927
Total	**9 796**	**7 238**

2.10.1 ***Long-term receivables falling due in less than one year***

These amounts totalling EUR 119 million (2005: EUR 46 million) represent primarily the loans with remaining final maturities less than 12 months after the balance sheet date (EUR 95 million, see note **2.4** 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 **2.6** above.)

2.10.2 ***Current receivables***

Current receivables

EUR millions

Account Group	At 31.12.2006			At 31.12.2005		
	Gross amount	Written down	Net Value	Gross amount	Written down	Net Value
Customers	2 865	(169)	2 696	2 372	(150)	2 222
Member States	2 724	(1 257)	1 467	3 252	(1 604)	1 648
EFTA	26	0	26	30	0	30
Third Countries	4	0	4	126	(1)	125
Others	12	(12)	0	230	(12)	218
Total	**5 631**	**(1 438)**	**4 193**	**6 010**	**(1 767)**	**4 243**

2.10.2.1 Customers

These are ***recovery orders*** entered in the accounts at 31 December 2006 as established entitlements to be recovered and not already included under other headings on the assets side of the balance sheet.

The largest portion of this balance relates to fines issued by the Commission. In respect of imposed ***fines*** of EUR 5 459 million at 31 December 2006 a total of EUR 2 772 million was collected provisionally. The balance of EUR 2 687 million is included under this heading, of which EUR 1 783 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 5 611 million, being the total outstanding claims pending judgement plus interest earned on payments received pending final judgement.

Other amounts relate primarily to the recovery of pre-financing amounts (EUR 34 million) and the recovery of expenses (EUR 82 million).

2.10.2.2 Receivables from Member States

EAGGF Guarantee receivables

This item covers the amounts owed by beneficiaries of EAGGF Guarantee at 31 December 2006. This is calculated using the amounts declared and certified by the Member States and entered in their debtors ledgers at the end of the year (15 October 2006) 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. An estimation has also to be made for the receivables arising after this declaration and up to 31 December. This estimation was not made in 2005, where the receivable balance represented the position at 15 October 2005. The Member States are required to make the amounts available to the Commission when they are recovered, or half the amounts not recovered after a certain period.

In accordance with the principle of prudence, the European Commission must estimate and record the part of the amounts owed by beneficiaries of EAGGF Guarantee that is unlikely to be recovered. The estimate of the write-down is EUR 477 million, which accounts for 47 % of the total amount to be recovered at 31 December 2006. 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 millions

	Balance at 31.12.2006	Balance at 31.12.2005
EAGGF Guarantee receivables		
EAGGF Guarantee receivables	1 009	1 474
Value correction	(477)	(874)
Subtotal	532	600
VAT paid and recoverable from Member States		
VAT to be recovered	22	21
Value correction	0	(2)
Subtotal	22	19
OWN RESOURCES		
Own resources established in the A account, as laid down in Article 6(3) of Council regulation 1150/2000, and pending recovery	79	45
Own resources established in the separate account, as laid down in Article 6(3) of Council regulation 1150/2000, and pending recovery	1 347	1 411
Value correction	(779)	(728)
Other	0	201
Subtotal	647	929
OTHER RECEIVABLES FROM MEMBER STATES		
Late interest	14	1
Other	253	99
Value correction	(1)	0
Subtotal	266	100
Total	**1 467**	**1 648**

VAT

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

Own resources

The separate account contains traditional own resources which, under Article 6(3)(b) of Regulation (EC) 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. A write-down of the entitlements in the separate account is based on estimations made by Member States themselves in accordance with Article 6(4)(b) of Council Regulation (EC, Euratom) No 1150/2000 which states '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 779 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 (EC) 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 44 million (2005: EUR 74 million) of recovery of expenses and EAGGF advances of EUR 19 million. This heading also includes EUR 150 million relating to a Commission decision of 2005 reducing the assistance granted from the ERDF to one Member State. The amount due at 31 December 2005 had not been included in the 2005 accounts thus understating this heading by EUR 100 million at that date (see also notes **E2.6** & **E3.1.4**).

2.10.3 ***Sundry receivables***

The main amount included here relates to advances granted under the MEDIA programme, EUR 38 million (2005: EUR 37 million). Using the prudence principle and based on the risks and uncertainty involved, a value reduction of EUR 26 million (2005: EUR 25 million) has been applied. Amounts due from personnel are EUR 4 million (2005: EUR 4 million.)

2.10.4 *Accrued income and deferred charges*

Accrued income at 31 December 2006 totalled EUR 5,2 billion (2005: EUR 2,6 billion). The most significant accrued income amounts represent accrued income relating to traditional own resources (agricultural duties, sugar levies and custom duties). At 31 December 2006 these increased to EUR 3,8 billion compared to EUR 2,3 billion the previous year, mainly due to the inclusion of agricultural sugar levies of EUR 1,3 billion for the first time (see note **E 3.1.3**, these are not related to own resources). Other significant amounts are EUR 512 million relating to non-executed EAGGF conformity correction decisions, EUR 440 million of agricultural assigned revenues for November and December 2006 (mostly milk levies), EUR 172 million assigned revenues for EAGGF conformity corrections and irregularities and EUR 136 million relating to foreseeable recoveries of expenses from the fisheries Structural Fund programme 1994-1999. Other amounts included as accrued income are late interest income, accrued bank interest and accrued interest on pre-financing amounts.

Deferred charges at 31 December 2006 total EUR 217 million (2005: EUR 281 million) of which the main amounts are anticipated payments of EUR 37 million (2005: EUR 90 million) for budgetary compensation to new Member States, pre-paid office rental of EUR 34 million (2005: EUR 30 million), EUR 54 million paid for bilateral fisheries agreements with third countries (2005: EUR 62 million) and EUR 17 million prepaid expenses concerning the European schools.

2.11 CASH AND CASH EQUIVALENTS

Cash & cash equivalents

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Unrestricted cash:	**13 460**	**9 603**
Accounts with Treasuries & Central Banks	11 467	8 093
Current accounts	933	706
Imprest accounts	82	61
Transfers (cash in transit)	3	0
Short-term deposits and other cash equivalents	975	743
Restricted cash	**2 924**	**2 251**
Total	**16 384**	**11 854**

Unrestricted cash covers all the funds which the Communities keep 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.

Following the Council Regulations (EC) No 2028/2004 & 1150/2000 funds are kept mainly with Treasuries and Central Banks. Those funds are non-interest bearing and are kept free of charges. The Commission funds kept on these accounts may be drawn only to meet budgetary needs. The funds are divided among Member States in proportion to the estimated budget revenue from each of them. Only funds needed for immediate payment are placed with Commercial Banks, together with the ‘restricted cash’ in connection with fines issued by the Commission for which the case is still open. Special rules are applied in the context of ECSC in liquidation and the other financial instruments. The increase in the balance with Treasuries and Central Banks is due to the fact that following the rectifying budget at year-end, EUR 7,4 billion had to be repaid to Member States, which was done on the first working day of 2007 (2005: EUR 3,8 billion.) The related liability is shown under current payables — see also note **2.18.2** below.

Restricted cash refers to amounts received in connection with fines issued by the Commission for which the case is still open. These total EUR 2,9 billion and are kept in specific deposit accounts that are not used for any other activities.

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

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Cash and cash equivalents	16 384	11 854
Cash and cash equivalents — Guarantee Fund (see note **2.3.2**)	440	316
Total	**16 824**	**12 170**

III. **NON CURRENT LIABILITIES**

2.12 **EMPLOYEE BENEFITS**

Employee benefits

EUR millions

	Amount at 31.12.2005	Change in provision	Amounts used	Amount at 31.12.2006
Employee benefits	**33 156**	**(108)**	**(848)**	**32 200**

Pensions

At 31 December 2006, the rules concerning the PSEO (Pension Scheme of European Officials) are defined by the latest version of the Staff Regulations of Officials of the European Communities (in force since 1 May 2004). The rules regarding the staff pensions are directly applicable in all Member States. The arrangement covers the 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 on the Communities' budget. The provision for this charge is not funded, but the 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 evaluated on the basis of the population at 31 December 2006 and the applicable rules in the statute at this date. This valuation covered the benefits connected with seniority, invalidity and survival (different types of pensions as well as invalidity allowance). It was carried out in accordance with the methodology of 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 available at the valuation date and used on the valuation were as follows:

1. The nominal discount rate was based on government bonds in the Euro zone in December 2006 for a duration close to that of the scheme (19 years), as an estimation of the zero coupon Euro yield curve in December 2006 for the same duration, being 4,0 %. According to IAS 19, the inflation rate must be an expected inflation rate over the duration of the scheme: it must then be determined prospectively and was based on prospective values as expressed by index-linked bonds on the European financial markets. The expected long-term inflation rate was 2,1 % (the same as in the 2005 valuation), so the real discount rate was 1,9 %.

2. The Life and Invalidity tables are the same as those used in liability valuations from 2004. ('EU-2004 Life table' and 'EU-2004 Invalidity table').

3. The general salary growth (GSG), being equal to the general pension revaluation, was based on a 12 years moving average of revaluation statistics of salaries and pensions of the period 1994 to 2006, being equal to 0,5 %; The individual salary progression (ISP) beyond the rate of the GSG was based on the ISP table used in the valuation at 31 December 2005 and structured according to new salary scale in force from the 1 July 2006. This table details the ISP rate by grade and step and the expected retirement year from 2007 till 2050.

4. The matrimonial coefficients for active officials at the time of their departure on retirement were based on statistics of the population of officials and are equal to 90 % for men and 60 % for women — the actual marriage situation was taken for former officials (pensioners and invalids);

5. 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 old.

Liabilities cover the rights previously defined for the following persons:

1. Staff in active employment at 31 December 2006 in all the Institutions and Agencies included in the PSEO;

2. Staff in a deferred situation, i.e. who have temporally or definitively left the Institutions but leaving their pension rights in the PSEO;

3. Former officials and other servants benefiting from a retirement pension;

4. Former officials and other servants benefiting from a 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 2006 was extracted from the Commission database. The results obtained within the framework of this study were compared with the estimates based on the previous actuarial valuation on 31 December 2005.

The principal facts are:

— The gross actuarial liability was valued at EUR 33,3 billion at 31 December 2006.

— The effect of the application of the correction coefficients based on basic salaries and pensions has been estimated as at EUR 1,3 billion (included in the above amount.)

— The real discount rate changed from 1,5 % in 2005 to 1,9 % in 2006; considering also the general salary growth effect (0,3 % in 2005 and 0,5 % in 2006), the net discount rate changed from 1,2 % in 2005 to 1,4 % in 2006. This is one of the main reasons for the small movement in the overall liability.

— The population of members of the pension scheme increased by 4 893 individuals, among them new contributing members 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.

— Taxes payable by beneficiaries are deducted from the gross liability to arrive at the net liability to be included on the Commission balance sheet with regards to these future payments (since tax is deducted on the payment of pensions and credited to the Communities' revenue in the year of payment).

Also included in the above amount is the liability relating to the pension obligations towards members and former members of the Commission, the Institutions of the Court of Justice (and Court of First Instance), the Court of Auditors, the Ombudsman, the European Data Protection Supervisor, the European Union Civil Service Tribunal, as well as amounts to be paid to staff on early retirement. The amounts used in 2006 represent the pension amounts paid, from the 2006 budget, to retired staff (and widows, orphans, etc.) during the year.

With the entry into force of the new Statute for Members of Parliament, the pension arrangements for Members provided for in Annex III to the Rules governing the payment of expenses and allowances will be discontinued. The Bureau of the European Parliament has appointed a working group to submit proposals in respect of the new Statute of Members. As that working group has not yet finalised its proposals concerning the pension arrangements that will apply after the elections of 2009, there is uncertainty surrounding the amount of the provision that needs to be made, as this is subject to the outcome of a final decision. Once that uncertainty is resolved, a provision can be calculated on a reliable basis and included on the balance sheet of both the Parliament and the Communities. However at 31 December 2006 no such liability is included on either balance sheet.

Joint Sickness Insurance Scheme

A calculation is also made for the estimated liability that the Commission will have regarding its contributions to the Joint Sickness Insurance Scheme in relation to retired staff. At 31 December 2006 this amounted to EUR 2,8 billion.

2.13 LONG-TERM PROVISIONS FOR RISKS AND CHARGES

Long-term provisions for risks and charges

EUR millions

	Amount at 31.12.2005	Additional provisions	Unused amounts reversed	Amounts used	Transfer to short-term	Present value discounting	Amount at 31.12.2006
Legal cases	100	36	(40)	(21)	0	0	75
Nuclear site dismantlement	884	0	0	0	(38)	(40)	806
Financial	113	30	0	0	(39)	1	105
Other	0	3	0	0	0	0	3
Total	**1 097**	**69**	**(40)**	**(21)**	**(77)**	**(39)**	**989**

Legal cases

This is the estimate of amounts that are likely to be paid after 2007 in relation to a number of ongoing legal cases. The largest portion (EUR 70 million) concerns the estimate of amounts that will probably have to be paid out for court cases pending at 31 December 2006 in relation to the financial corrections for EAGGF Guarantee expenditure and 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 2006, this resulted in an amount for the provision of EUR 978 million, less the costs incurred to date of EUR 108 million, giving EUR 870 million split between amounts expected to be used in 2007 (EUR 64 million) and afterwards (EUR 806 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 Commission. The financial risk linked to the drawn and undrawn guarantees is, however, capped.

As at the balance sheet date, financial provisions correspond for both facilities to the payment obligations towards 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 2006 is EUR 11 million, divided into the effective additional provision of EUR 36 million less the payments made for the guarantee calls amounting to EUR 27 million, and an increase of provision due to the effect of time of EUR 2 million.

2.14 FINANCIAL LIABILITIES

2.14.1 *Borrowings*

This heading includes borrowings due by the European Communities maturing in over one year. The detailed movements in borrowings during 2006 are as follows:

Borrowings

EUR millions

Name	Balance at 31.12.2005	New borrowings	Repayments	Exchange differences	Change in carrying amount	Balance at 31.12.2006
MFA	1 086	19	(130)	0	3	978
After elimination	*1 071*	*19*	*(123)*	*0*	*2*	*969*
EURATOM	389	51	0	0	2	442
ECSC in liquidation	468	0	(2)	(3)	0	463
Total	1 943	70	(132)	(3)	5	1 883
After elimination	*1 928*	*70*	*(125)*	*(3)*	4	*1 874*

Split of borrowings between long-term & short-term

EUR millions

	Maturity< 1 year	Maturity > 1 year	Total at 31.12.2006
Borrowings			
MFA	20	958	978
After elimination	*18*	*951*	*969*
EURATOM	0	442	442
ECSC in liquidation	2	461	463
Total before elimination	22	1 861	1 883
Total after elimination	*20*	*1 854*	*1 874*

Borrowings include debts evidenced by certificates amounting (after elimination) to EUR 1 502 million (2005: EUR 1 281 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	31.12.2006	31.12.2005
Macro Financial Assistance (MFA)	3.222 % - 4.54 %	2.039 % - 4.54 %
EURATOM	3.292 % - 5.6775 %	2.144 % - 5.6775 %
ECSC in liquidation	3.0 % - 11.875 % (*)	1.625 % - 11.875 % (*)

(*) higher bound value relates to the fixed rate borrowing covered by the interest rate swap (see note **2.3.3.2**)

2.14.2 ***Held for trading liabilities***

See held for trading assets, note **2.3.3.2** above, for more details.

Held for trading liabilities

EUR millions

Derivative	Balance at 31.12.2006	Balance at 31.12.2005
ECSC in liquidation swaps	8	14

2.15 **OTHER LONG-TERM LIABILITIES**

This item covers leasing liabilities due in greater than one year (see note **2.2** 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' below is an amount of EUR 189 million relating to two buildings that the Commission bought during 2006 — although the purchase price will be paid off in annual instalments it is not a leasing contract since title passed to the Commission immediately. Also included under 'Other' are amounts of EUR 21 million and EUR 12 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 22 million (2005: EUR 42 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

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Finance Leasing debts	1 534	1 773
EBRD subscriptions	6	10
Other	480	70
Total	**2 020**	**1 853**

IV. **CURRENT LIABILITIES**

2.16 **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

EUR millions

	Amount at 31.12.2005	Additional provisions	Unused amounts reversed	Amounts used	Transfer from long term	Present value discounting	Amount at 31.12.2006
Legal cases	16	68	0	(12)	0	0	72
Nuclear site dismantlement	51	0	0	(27)	38	2	64
Emergency Veterinary Fund	35	7	(3)	(4)	0	0	35
Financial provisions	154	6	0	(27)	39	1	173
Other	19	19	(2)	(1)	0	0	35
Total	**275**	**100**	**(5)**	**(71)**	**77**	**3**	**379**

Legal cases

This is the estimate of amounts that are likely to be paid in 2007 in relation to a number of ongoing legal cases, as well as the associated legal costs.

Decommissioning of JRC nuclear facilities — see note 2.13

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 million (2005: EUR 35 million). Amounts of EUR 9 million already agreed to be paid are included as a debt due to Member States.

Financial provisions — see note 2.13

Other provisions — These relate to provisions for untaken holidays of staff in various Agencies and Institutions.

2.17 SHORT-TERM FINANCIAL LIABILITIES

This heading includes borrowings and other financial liabilities of EUR 20 million that mature during the 12 months following the balance sheet date (see text and tables above, note **2.14**).

2.18 ACCOUNTS PAYABLE

Accounts payable

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Long-term liabilities due in less than one year	60	51
Current payables	24 723	15 220
Sundry payables	220	109
Accrued charges and deferred income	69 077	67 148
Total	**94 080**	**82 528**

2.18.1 *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 28 million). It also includes EUR 21,9 million (2005: EUR 21,4 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 millions

	Balance at 31.12.2006	Balance at 31.12.2005
Finance Leasing debts	28	30
Other	32	21
Total	**60**	**51**

2.18.2 *Current payables*

Current payables

EUR millions

Type	Balance at 31.12.2006	Balance at 31.12.2005
Member States	22 943	15 335
EFTA	9	9
Third States	151	175
Suppliers and other	2 728	1 351
Eligibility to be checked	(1 108)	(1 650)
Total	**24 723**	**15 220**

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 are intended to reimburse expenditure incurred by the beneficiary on the basis of a statement of expenditure when the action is in progress. Expenditure 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 **2.18.4** 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.

It should be noted that included under the operational expenses heading in 2006 are adjustments totalling EUR 206 million made concerning 2005 current payables that had been overstated for one particular Directorate-General. These adjustments could not have been made in the 2005 accounts since the amounts were not quantifiable at that time (see also note **E3.3**).

Member States

The primary amounts here related to unpaid cost claims for structural fund actions and also EUR 7,4 billion due back to Member States following the rectifying budget (6) made at the end of 2006 (2005: EUR 3,8 billion). The increase from last year can be explained by a decrease of payment appropriations by EUR 4,7 billion, an increase in miscellaneous revenue of EUR 1,05 billion (in particular fines), and also the 'budgetisation' of the balances on VAT/GNI for EUR 1,5 billion.

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.

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 1,1 billion 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 566 million), DG EMPL (EUR 210 million), DG AGRI (EUR 118 million), DG INFSO (EUR 89 million) and DG EAC/EACEA (EUR 55 million). Those amounts and the remaining balance of 'eligibility to be checked' (EUR 62 million) concern the part of the requests for reimbursement received that was considered to be ineligible.

A balance of EUR 8 million remains open as 'invoices to be checked' mainly in the framework of procurement activities. It concerns invoices received and requests for reimbursement for which the invoice has still to be checked with the delivered goods and services and requests for pre-financing.

2.18.3 *Sundry payables*

An amount of EUR 9 million (2005: EUR 6 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. Also included are co-financing amounts of EUR 32 million (2005: EUR 30 million) received from Member States for their participation in some development projects. Corresponding amounts are also included under cash and cash equivalents. This year there is also an amount of EUR 37 million included here relating to early repayments received from two beneficiaries of MFA loans.

2.18.4 *Accrued charges and deferred income*

Accrued charges & deferred income

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Accrued charges	68 937	66 685
Deferred income	26	79
Other	114	384
Total	**69 077**	**67 148**

The most significant accrued charges amounts represent accrued charges relating to EAGGF-Guarantee expenditure. At 31 December 2006 these amounted to EUR 45,2 billion compared to EUR 49,1 billion the previous year: EUR 26,6 billion (EUR 25,1 billion in 2005) cover expenses incurred between 16 October and 31 December 2006 which are declared by Member States and paid in January and February 2007, EUR 16,7 billion (EUR 23,5 billion in 2005) cover market measures including direct aid (this consists of entitlements incurred in 2006 with financial consequences in 2007) and rural development (this consists of eligible expenditure incurred by operators or the payment authorities until the 31 December 2006, for which no payment request was yet sent to the Commission), EUR 1,3 billion regarding the temporary restructuring of the sugar sector, EUR 0,6 billion (EUR 0,5 billion in 2005) represents stock intervention.

Another significant amount represents accrued charges for structural funds: at 31 December 2006 EUR 12,2 billion for the FEDER 2000-2006, ISPA, innovative actions (EUR 7,9 billion in 2005), EUR 5,6 billion for FSE (EUR 5,1 billion in 2005). The remaining amount of EUR 5,8 billion (EUR 4,5 billion in 2005) covers accrued charges for other policies, the most significant of which is the Research area with approximately EUR 1,7 billion in 2006.

Under the operational expenses heading in 2006 are adjustments totalling EUR 313 million made concerning 2005 accrued charges at 31 December 2005 that had been overstated for one particular Directorate-General. These adjustments could not have been made in the 2005 accounts since the amounts were not quantifiable at that time (see also note **E3.3**).

The decrease in deferred income is due to a specific situation concerning one Directorate General last year-end that did not arise at this year-end. The decrease in 'other' amounts is primarily due to the decrease in the amounts owed to Member States regarding a particular legal case.

V. NET ASSETS

2.19 RESERVES

Reserves

EUR millions

	Balance at 31.12.2006	Balance at 31.12.2005
Fair value reserve	**4**	**81**
Other reserves:	**2 851**	**2 727**
Guarantee fund	1 253	1 231
Revaluation reserve	57	57
Borrowing and lending activities	1 459	1 439
Other	82	0
Total	**2 855**	**2 808**

2.19.1 *Fair value reserve*

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

2.19.2 *Other reserves*

Guarantee fund

See also note **2.3.2** 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 % target 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 primarily to the ECSC in liquidation reserves.

Other

This reserve concerns two agencies, one of which was consolidated for the first time in 2006.

2.20 AMOUNTS TO BE CALLED FROM MEMBER STATES

This amount represents the excess expenses already incurred by the Communities up to 31 December 2006 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 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 are entitled to 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 financed from future budgets, results in liabilities greatly exceeding assets at the year-end.

The existence of negative net assets 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 2006 was EUR 26,6 billion. This is an expense under accrual accounting rules in the year 2006 and so was recognised under accrued charges as such. However, this amount is covered by the 2007 budget and was actually paid out in January and February 2007, being recorded in the budgetary accounts as a payment for 2007 (no entry in the budgetary accounts had been made for these amounts in the 2006 year.)

Also impacting this figure is the amount of the pension obligation of the Commission towards its staff — at 31 December 2006 this amount was estimated to be EUR 32,2 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 to be called are in fact paid by the Member States in less than 12 months after the end of the financial year in question as part of the budget of the following year. It is essentially only the pension amount which is paid out over a longer period, through the Member States' annual budget contribution. The split of the amounts to be called from Members States in the future is as follows:

EUR millions

	Balance
Amounts to be called in future years from Member States at 31.12.2005	**64 953**
Return of 2005 budget surplus to Member States	2 410
Movement in Guarantee Reserve	22
Other reserve movements	(145)
ECSC in liquidation: allocation of 2005 result	30
Economic outturn (surplus) for the year	(197)
Total amounts to be called from Members States at 31.12.2006	**67 073**

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.

3. NOTES TO THE ECONOMIC OUTTURN ACCOUNT

3.1 **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 millions

	Note	2006	2005
OWN RESOURCE REVENUE:	*3.1.1*	**102 588**	**101 144**
GNI resources		70 134	70 861
VAT resources		17 207	16 018
Traditional own resources:			
Agricultural duties		1 300	1 311
Custom duties		13 764	12 252
Sugar levies		183	702

EUR millions

	Note	2006	2005
BUDGETARY ADJUSTMENTS	*3.1.2*	**2 395**	**2 606**
CONTRIBUTIONS OF THIRD COUNTRIES (INCLUDING EFTA COUNTRIES)		**135**	**214**
FINES		**2 217**	**719**
AGRICULTURAL LEVIES	*3.1.3*	**1 695**	**447**
RECOVERY OF EXPENSES	*3.1.4*	**1 296**	**939**
Direct centralised management		50	59
Indirect centralised management		(22)	41
Decentralised management		8	(4)
Shared management		1 244	843
Joint management		16	0
REVENUE FROM ADMINISTRATIVE OPERATIONS	*3.1.5*	**982**	**895**
Staff		856	779
Fixed assets related revenues		23	43
Other administrative revenues		103	73
OTHER OPERATING REVENUES	*3.1.6*	**2 178**	**926**
Adjustments/provisions		43	4
Exchange gains		111	414
Other		2 024	508
Total		**113 486**	**107 890**

3.1.1 *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 2006 relating to the period 1995-2005 for GNI resources were EUR 1 530 million. Conversely, corrections relating to the period 1991-2005 for VAT Resources were EUR - 13,6 million. These corrections have the same impact in the budgetary accounts.

3.1.2 *Budgetary adjustments*

The budgetary adjustments include the budget surplus from 2005 (EUR 2,41 billion) which is indirectly refunded to Member States by deduction of the amounts of own resources they have to transfer to the Community in the following year — thus it is a revenue for 2006.

According to Council Decision (EC) No 2000/597 on the system of the European Communities' own resources, the United Kingdom is granted a correction in respect of budgetary imbalances. As this amount is financed by the other Member States there should be no net effect on the budgetary or economic outturn. However, a negative amount of (EUR 15 million) was registered under this heading. This amount is explained by the differences in the Euro rates used for budgetary purposes (see Article 10(3) of Regulation (EC) No 1150/2000) and the rates in force at the time when those Member States not part of the EMU actually made their payments.

3.1.3 *Agricultural levies*

These amounts concern milk levies of EUR 436 million (2005: EUR 447 million) and sugar levies of EUR 1 259 million. The amount of EUR 447 million relating to 2005 milk levies had originally been classed under the 'recovery of expenses' heading in the 2005 accounts.

It should be noted that 'sugar levies' here are a specific revenue relating to the restructuring of the sugar sector, which is separate from the sugar levies treated as own resource revenue above. In the framework of establishing the 2007 EC budget, an amount of EUR 1 259 million has been taken into account for the assigned revenue item 'temporary restructuring amounts'. Assigned revenue will automatically be carried over to the following year according to Article 10 of the Financial Regulation and will be spent during the coming years according to Regulation (EC) No 320/2006. The entitlement for payment by FEAGA was created in 2006 by the aforementioned Regulation (EC) No 320/2006, and the total amount of the assigned revenue (temporary restructuring amounts collected) will be spent for the restructuring of the sugar sector.

3.1.4 *Recovery of expenses*

The eligibility of expenditure charged to the Commission's budget is verified by the Commission services, or in the case of shared management, by the Member States' services, on the basis of the supporting documents stipulated in the applicable rules or in the conditions of each grant. With the aim of optimizing the relationship between the costs and the benefits of control systems, checks on the supporting documents for final claims tend to be more intense than those on interim claims, and may detect errors in interim payments which are corrected by adjustment of the final payment. Furthermore, the Commission and/or the Member State has the right to verify the probity of the supporting documents by making checks on the claimant's premises, during the implementation of the action financed and/or ex-post. Errors found during the implementation period may be corrected by adjustment of subsequent claims, as permitted under article 20 of the Financial Regulation and article 14 of the Implementing Rules. Errors found ex-post will be the subject of a recovery order.

This heading in the accounts represents the recovery orders issued and recorded in the Commission's books to recover amounts previously paid out from the general budget, based on controls, closed audits or eligibility analysis, together with recovery orders issued by Member States to beneficiaries of EAGGF Guarantee expenditure. It does not show the full extent of the recoveries made on EC expenditure, particularly for the significant spending areas of Agriculture and Structural Actions, where specific mechanisms are in place to ensure the return of ineligible monies, most of which do not involve the issuance of a recovery order. Moreover for Structural Funds, recoveries are not just made by the Commission but also by the Member States themselves who are implementing the concerned expenditure — in this case the recovery has no impact on the Communities' accounts.

The control systems applied to Commission expenditure are such that corrections can and are made in the future to amounts paid out by the European Commission in any budgetary year. 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 Commission.

The heterogeneous Commission' aid schemes make the presentation of a global picture of the recovery of expenses difficult. The recovery of expenses and the related accounting procedure is different depending on the type of action or management type.

For operations giving rise to reimbursement to the Commission by the final beneficiary, third country or Member State, recovery orders have been established and accounted for. These amounts, estimated to be recovered at the end of the year, based primarily on closed audits, eligibility verifications or errors accepted, concern either:

— recuperation of pre-financing (EUR 229 million) — in this case the amount is included under the pre-financing heading; or

— recuperation of expenses (EUR 723 million). For these types of recovery and in accordance with the EC accounting rules, if the recovery order is made before final payment of the grant, it results in a receivable from the recipient with a corresponding reduction in the expenses of that year. If, however, the recovery order is issued after the final payment, it results in a receivable with the corresponding entry being income in the economic outturn account (under the heading 'recovery of expenses') for that year.

When the procedure with the third party is not completed, a forecast of revenue with a best estimate of the amount to be recovered is issued, although this has no impact in the general accounting records (see contingent assets **E 5.4**).

The global overview of the recovery during 2006 of expenses previously paid by the Communities' budget is as follows:

EUR Millions

Description	Total Recovery Orders issued in 2006	Recovery Orders on recovery of expenses		Recovery Orders on pre-financings	Total amounts recovered in 2006	Total amounts recovered in 2006 expenses	Total amounts recovered in 2006 pre-financing
		Recorded as income	Recorded as expenses				
Structural actions	**695**	*560*	*65*	*70*	**394**	344	*50*
Internal policies	**85**	*16*	*2*	*67*	**106**	39	*67*
External actions	**172**	*50*	*30*	*92*	**192**	102	*90*
Total	**952**	(*) **626**	**97**	**229**	**692**	**485**	**207**
		723					

(*) This amount is included under the Recovery of Expenses heading in the Economic Outturn Account

Recovery of expenses: Shared management

The total of EUR 1 244 million included under this sub-heading is made up of EUR 684 million concerning the European Agricultural Guidance and Guarantee Fund (EAGGF) and EUR 560 million for Structural Fund Actions.

(a) *EAGGF*

In the framework of the Common Agricultural Policy amounts accounted for as income of the year under this heading concern negative expenditures during the year and accrued income. In total the EAGGF income included under this heading amounted to EUR 684 million, split as follows:

— Accrued income for an amount of EUR 512 million concerning EAGGF was accounted for here as a conformity correction, being conformity decisions not yet executed at year-end.

— EUR 89 million of EAGGF revenue concerning reimbursements due to fraud and irregularities and recuperations from conformity corrections for November and December 2006.

— Further accrued income at year-end from assigned revenues from frauds and irregularities and conformity corrections totalled EUR 172 million (Budget N+1).

— Negative expenditure during the year amounting to EUR 376 million, primarily receipts from frauds and irregularities and recuperations following audits.

— The balance is however reduced by EUR 465 million being the decrease in the outstanding amounts at year-end estimated to be received relating to frauds and irregularities; EUR 1 009 million compared to EUR 1 474 million at year-end 2005 — see note **E 2.10.2.2**.

At 31 December 2006 the amount of EAGGF Guarantee expenditure subject to future corrections following audits which were not yet finalised totals EUR 1,25 billion. This amount is treated as a contingent asset in the off-balance sheet (see note **E 5.4**.)

(b) *Structural Fund Actions*

In total the Structural Fund recovery of expenses income included under this heading amounted to EUR 560 million. Of this total, EUR 418 million relates to a Commission decision of 2005 reducing the assistance granted from the ERDF to one Member State. This should have been included in the 2005 accounts as a recovery of expenses, but it was not — thus the same heading in the 2005 accounts was understated by this amount (see also notes **E2.6** & **E2.10.2**).

Recovery orders are issued by the Commission, and repayments disclosed in the accounts, only in the following cases:

— formal financial correction decisions following the detection of irregular expenditure in the amounts claimed by Member States (reduction of EU contribution to programme under Article 24(2) of Regulation (EEC) No 4253/88 or Article 39(3) of Regulation (EC) No 1260/1999);

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

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

In accordance with the EC accounting rules, Structural Fund recoveries effected before or at closure of a programme are posted against expenditure. Only recoveries issued after closure systematically increase receivables and this revenue heading.

Many other financial corrections do not result in a repayment to the Commission but are reallocated to other projects within the Member State's programme and they are therefore not shown as revenue in the Communities' accounts:

— financial corrections proposed by the Commission and accepted by the Member State without a formal Commission decision following the detection of irregular expenditure in a programme still being implemented, and deducted from subsequent payments;

— adjustments at closure not leading to a reduction in the EC contribution below the amount already paid to the Member State and it accepts the correction;

— financial corrections at or after closure for irregular expenditure not exceeding a materiality threshold where the Member State has declared more expenditure than necessary to justify the entire payment due (the irregular expenditure is compensated by the additional expenditure declared without affecting the amount of payment due);

— financial corrections (cancellation and/or recovery of all or part of the EU contribution to an operation) made by Member State authorities following the detection of irregular expenditure during programme implementation and before submission of the final declaration of expenditure (Member States can replace such expenditure during programme implementation; at closure they will deduct such expenditure from the final declaration, which leads to a reduction by the Commission of the payment due but not to a repayment).

Amounts recovered by Member States from claimants do not necessarily revert to the Commission. Member States manage the payment of these funds, and errors noted in the interim cost-claims are corrected by a reduction of the subsequent cost-claim, and thus the recovery is not visible in the accounts of the Commission.

Member States are required to submit regular reports to the Commission on cancellation or recovery of Community contributions, and on amounts recoverable. In order to improve the communication of this data, the Commission has modified Regulation (EC) No 448/2001 and has issued a guidance note on the information that is required on recoveries regarding the corrections made and amounts to be recovered by Member States. More complete information about corrections made and amounts to be recovered by Member States should thus be available in the future.

The financial corrections made to programmes in the years 2004, 2005 and 2006, resulting from Commission audit work, audit work by the Court of Auditors and the closure process are given below:

TOTAL FINANCIAL CORRECTIONS CONCERNING 2000-2006

PROGRAMMES/PROJECTS

EUR millions

	Fin. Correction Structural Funds without Commission Decision	Fin. Correction Structural Funds by Commission Decision	Fin. Correction Cohesion Fund by or without Commission Decision	Total Financial corrections	Total corrections made in 2006
Cohesion Fund	0	0	100	100	93
ERDF	857	518	0	1 375	262
ESF	433	6	0	439	165
FIFG	0	0	0	0	0
EAGGF Guidance	0	1	0	1	1
Total	**1 290**	**525**	**100**	**1 915**	**521**

FINANCIAL CORRECTIONS CONCERNING 1994-99

PROGRAMMES/PROJECTS

EUR millions

	Fin. Correction Structural Funds without Commission Decision	Fin. Correction Structural Funds by Commission Decision	Fin. Correction Cohesion Fund by or without Commission Decision	Total Financial corrections	Total corrections made in 2006
Cohesion Fund	0	0	260	260	77
ERDF	951	93	0	1 044	277
ESF	0	330	0	330	125
FIFG	13	0	0	13	12
EAGGF Guidance	20	10	0	30	11
Total	**984**	**433**	**260**	**1 677**	**502**

Structural Funds actions do not include EUSF and ISPA figures. For ERDF and Cohesion Fund, the figures include estimated amounts established in initial letters to Member States launching financial correction procedures. The amounts may change subsequently in the course of the procedure, therefore they are registered as forecasts of revenue until the decision is adopted. Moreover, for the period 1994-99 ERDF tables, a part of the amount disclosed is estimated, based on the ERDF contribution rate for the programme concerned. The figures include corrections that are set off against other eligible expenditure and therefore do not lead to a repayment to the Commission. The ESF figures for 1994-1999 only include financial corrections made by formal Commission decision.

Recovery of expenses: Other management types

For other grant activity, a recovery order has to be addressed to the beneficiary of the grant. If this occurs before final payment of the grant, it results in the entering of a receivable from the recipient with a corresponding reduction in the charge of the year. However, if the recovery order is issued after the final payment, it results in a receivable due from the grant beneficiary with the corresponding accounting entry being income in the economic outturn account of the year under the heading 'recovery of expenses'.

3.1.5 *Revenue from administrative operations*

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

3.1.6 *Other operating revenues*

An amount of EUR 358 million (2005: EUR 276 million) relates to amounts received from accession countries. However, one of the main reasons for the increase in other operating revenues compared with last year is due to a decrease of EUR 397 million in the value reduction for FEOGA receivables at 31 December 2006, the counter-party of which appears under this heading — see note **E 2.10.2.2**.

More importantly, during 2006 there was EUR 832 million of pre-financing amounts included on the balance sheet for the first time, the counter-party of which also appears under this heading — the largest amount, EUR 652 million relates to money paid out under the Schengen Facility. The Schengen Facility was created directly by Article 35 of the Treaty of Accession, which envisaged that the amount to be made available to the Member States be in the form of 'non refundable lump sum payments'. The article also states that 'the non refundable lump sum payments are used within three years as from the date of the first payment and any unutilised amount or spent in an unjustifiable way' shall be recovered by the Commission. Furthermore an amount of EUR 338 million relates to fee income received by 4 agencies.

Exchange gains, except on financial activities dealt with in note **3.5** below, are also included under this heading. These arise from the everyday activities and related transactions made in currencies other than the Euro, as well as the year-end revaluation required to prepare the accounts. They contain both realised and unrealised gains.

3.2 ADMINISTRATIVE EXPENSES

These are administrative expenses incurred as part of the activities of the Commission and include staff costs and costs relating to fixed assets (such as depreciation).

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

3.3 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 91 billion (2005: EUR 87 billion) falls under the heading 'Shared Management' involving the delegation of tasks to Member States, covering such areas as EAGGF spending and Structural Actions.

Included under the operational expenses heading in 2006 are adjustments totalling EUR 519 million to the year-end accruals in the 2005 accounts that had been overstated for one Directorate-General. These adjustments could not have been made in the 2005 accounts since the amounts were not quantifiable at that time (see also notes **E2.18.2** & **E2.18.4**). Additionally, following further analysis during 2006, amounts paid out under the Schengen Facility Agreement, which had been previously treated as operational expenses under this heading, were reclassified as pre-financing in the balance sheet at 31 December 2006. The effect of this change in accounting treatment is to understate operating expenses in 2006 by EUR 206 million (see also note **E2.9**).

3.4 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 **3.6** below, occur on the everyday activities and related transactions made in currencies other than the Euro, as well as the year-end revaluation required to prepare the accounts — they are both realised and unrealised.

Other amounts are higher this year as there is a total of EUR 339 million written down/lost on realisation concerning Commission debtors (2005: EUR 42 million). The largest amounts here, totalling EUR 226 million, concern receivables in connection with competition fines cases that have been renounced, for example when the party subject to the fine has won on appeal. A further EUR 139 million relates to pre-financing corrections.

Also included is an amount of EUR 248 million in relation to a consolidated agency — this concerns the implementation of the CARDS programme in Kosovo, Serbia and Montenegro. Additionally there is an amount of EUR 62 million included by another agency, being fees paid for scientific evaluations done by various national competent authorities.

OTHER OPERATING EXPENSES

EUR millions

	2006	2005
Adjustments/provisions	116	139
Exchange losses	126	376
Other	940	417
Total	**1 182**	**932**

3.5 **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. Other amounts include EUR 78 million relating to a historic correction on financial assets — EUR 46 million of which relates to the EFSE investment (see note **E 2.3.3**) — and EUR 20 million relating to cancellations of commitments in the ECSC in liquidations budget.

FINANCIAL OPERATIONS REVENUE

EUR millions

	2006	2005
DIVIDEND INCOME	**6**	**7**
From Venture Capital Funds	**6**	**7**
INTEREST INCOME	**440**	**343**
On pre-financing	43	20
On late payments	65	35
On swaps	20	20
On available for sale assets	92	48
On loans	96	92
On cash & cash equivalents	123	78
Other	1	50
OTHER FINANCIAL INCOME	**131**	**39**
Realised gain on sale of financial assets	25	5
Reversal of impairment losses on financial assets	2	4
Other	104	30
PRESENT VALUE ADJUSTMENTS	**43**	**5**
EXCHANGE GAINS	**1**	**5**
Total	**621**	**399**

3.6 **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 millions

	2006	2005
INTEREST EXPENSES	**200**	**215**
Leasing	102	104
On swaps	16	15
On borrowings	81	72
Other	1	24
OTHER FINANCIAL EXPENSES	**126**	**152**
Adjustments to financial provisions	38	55
Financial charges on budgetary instruments	55	43
Realised loss on sale of financial assets	0	2
Impairment losses on financial assets	10	2
Other	23	50
EXCHANGE LOSSES	**5**	**2**
Total	**331**	**369**

3.7 **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 2.3.1**).

4. NOTES TO THE CASHFLOW TABLE

4.1 **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.

4.2 **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.

4.3 **INVESTING ACTIVITIES**

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

It should be noted that EUR 2,9 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 **2.11** above.

5. OFF-BALANCE SHEET ITEMS & NOTES

CONTINGENT ASSETS

EUR millions

	Note	31.12.2006	31.12.2005
Guarantees received	***5.1***	***3 919***	***3 352***
Guarantees received in respect of pre-financing	5.1.1	1 182	1 138
Guarantees received in respect of fines' cases pending	5.1.2	1 783	1 466
Other guarantees received	5.1.3	954	748
Borrowing agreements signed	***5.2***	***0***	***0***
Contingent assets relating to cases of fraud & irregularities concerning structural actions	***5.3***	***1 477***	***1 245***
Other contingent assets	***5.4***	***1 274***	***1 235***
Total Contingent Assets		**6 670**	**5 832**

CONTINGENT LIABILITIES & COMMITMENTS FOR FUTURE FUNDING

EUR/millions

Contingent Liabilities	Note	31.12.2006	31.12.2005
Guarantees given	***5.5***	***14 792***	***15 788***
Guarantees given for EIB loans	5.5.1	14 792	15 055
Guarantees signed by the EIF	5.5.2	0	732
Other guarantees given		0	1
Fines – Appeals to the Court of Justice	***5.6***	***5 611***	***4 428***
EAGGF Guarantee – court judgement pending	***5.7***	***1 255***	***465***
Amounts relating to legal cases and other disputes	***5.8***	***2 429***	***2 491***
Other contingent liabilities	***5.9***	***574***	***709***
Total Contingent Liabilities		**24 661**	**23 881**

Commitments for future funding	Note	31.12.2006	31.12.2005
Undrawn commitments	***5.10***	***256***	***332***
Commitments against appropriations not yet consumed	***5.11***	***90 040***	***88 824***
Legal Commitments for which budget commitments have not yet been made	***5.12***	***597***	***48 184***
Structural operations (aid planned but not committed for the period 2000-2006)	5.12.1	0	39 015
Cohesion fund	5.12.2	0	6 001
ISPA	5.12.3	0	515
TRDI	5.12.4	0	2 096
Protocols with Mediterranean Countries	5.12.5	260	259
External relations – KEDO	5.12.6	0	57
Fisheries agreements	5.12.7	337	241
Contributions to related organisations	***5.13***	***923***	***947***
Uncalled Share capital EBRD	5.13.1	443	443
Uncalled Share capital EIF	5.13.2	480	480
Uncalled Share capital Galileo programme (adjusted)	5.13.3	0	24
Operating lease commitments	***5.14***	***1 660***	***1 415***
Total Commitments for future funding		**93 476**	**139 702**

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

5.1 GUARANTEES RECEIVED

5.1.1 *Guarantees received in respect of pre-financing*

These are guarantees that the European Commission requests from beneficiaries when paying out advance payments (pre-financing). In some cases these are required by the Financial Regulation. There are two values to disclose for this type of guarantee, the 'nominal' and the 'on-going' values. For the 'nominal' value, the generating event is linked to the existence of the guarantee. The nominal value is disclosed as contingent asset. For the 'on-going' value, the guarantee's generating event is the pre-financing payment and/or subsequent clearings. The 'on-going' value is disclosed in the notes to the financial statements.

At 31 December 2006 the 'nominal' value of guarantees received by the Commission in respect of pre-financing amounts EUR 1 077 million compared to EUR 891 million for the 'on-going' value. See also note **E 2.5** and **E 2.9** for further details concerning long and short-term pre-financing.

5.1.2 *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 of the fine (and interest) in question instead of making a provisional payment.

5.1.3 *Other guarantees received*

Other guarantees received

EUR millions

	31.12.2006	31.12.2005
Euratom loans: guarantees by third countries	436	385
Performance guarantees	402	254
Guarantees received as part of tenders	5	4
Guarantees for payment delays	18	4
Other	93	101
Total	**954**	**748**

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 230 million (2005: EUR 128 million) received by the Council relating to the advance payments given for the construction of the LEX building.

Other guarantees include EUR 83 million at 31 December 2006 (2005: EUR 93 million) concerning guarantees received by the ECSC in liquidation for loans granted (as specified in the related contracts.)

5.2 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 2006 or 2005.

5.3 FRAUD AND IRREGULARITIES — STRUCTURAL ACTIONS

The table below is based on the formal reports submitted by the Member States in accordance with Commission Regulation (EC) 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

EUR millions

Member State	31.12.2006	31.12.2005
Belgium	15	14
Denmark	12	10
Germany	580	568
Greece	65	96
Spain	157	52
France	13	14
Ireland	2	2
Italy	412	345
Netherlands	12	8
Austria	15	9
Poland	1	0
Portugal	73	48
Finland	3	2
Sweden	1	1
United Kingdom	115	76
Slovenia	1	0
Total	**1 477**	**1 245**

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.

— 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 (EC) 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 February 2007. 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. The main movements since 2005 concern increases relating to: European Social Fund cases (Spain EUR 70 million, Italy EUR 25 million); European Regional and Development Fund cases (UK EUR 36 million, Italy EUR 11 million and Germany EUR 14 million); and Cohesion Fund cases (Spain: EUR 30 million).

5.4 **OTHER CONTINGENT ASSETS**

Much of EC expenditure is by its very nature provisional since, for reasons of control and good financial management, the Commission retains the right to audit/control/clear monies paid out before declaring them final. Thus until a given amount/project/programme has been declared properly eligible in accordance with the relevant contract and or regulation, there remains the possibility of recovering monies from beneficiaries, or having future payments reduced. Furthermore, the Commission has the right over a period defined in article 39 of the Implementing Rules, to make checks after the final payment, and if necessary recover amounts unduly paid.

5.4.1 ***Quantified amounts:***

For agriculture and rural development, the amounts declared by Member States remain provisional until the annual accounts are cleared, in principle by 30 April N+1 on the basis of an annual certification and a review by the Commission. The Commission can also make financial corrections under 'conformity decisions' but only for a period limited to the 24 months before an audit is undertaken on a specific area of expenditure declared by a specific Member State. The most significant item, and one included here as a contingent asset, concerns estimated amounts of EUR 1,25 billion to be received under the agricultural conformity financial corrections decisions for audits covering certain expenditure declared over the period 2001-2006. As the amounts are not yet definitive, they are not recognised on the balance sheet.

5.4.2 ***Recovery of expenses***

For the reasons mentioned in note **E 3.1.4** above, the amounts shown as recovery of expenses in the Economic Outturn Account do not show the full extent of the recoveries made on EC expenditure.

Structural Actions:

All interim payments are subject to a closure procedure as laid down in the legal bases of each programming period. That means some transactions are likely to be corrected at a later date by the Commission's departments or by Member States.

Member States are required to submit regular reports to the Commission on cancellation of Community contribution and adjustments to the management and control systems and on amounts recoverable. In order to improve the communication of this data, the Commission has modified Regulation (EC) No 448/2001 regarding the corrections made and amounts to be recovered by Member States.

The amounts of irregularity declared to OLAF give also an indication of the results of Member States' controls. However, few irregularities reported to OLAF end up being a charge to the EC Budget since the projects concerned are withdrawn by the Member State from the claims for funding, or refused when the final claim is submitted to the Commission.

Others policy areas

Regarding the others projects financed under other management, any interim payment is subject to correction at any time until the final payment is authorised. The amounts previously paid by the general budget estimated to be recovered at the end of the year, based primarily on closed audits for which a forecast of revenue has been established, are:

Forecasts of revenue – open amounts

EUR millions

Estimated recovery of expenses	31.12.2006
Structural Actions	473
Internal polices	65
External policies	163
Total	**701**

5.4.3 *Other non-quantified amounts:*

In the Annual Activity Report (AAR) each authorising officer reports on policy results and on the reasonable assurance he may have that the resources assigned to the activities described in his report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

For 2006, and taking an overall view, the Commission considers in the synthesis report that the internal control system put in place, with the limitations described in the 2006 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. Detailed explanations are included in the Annual Activity Report of each DG and in the 2006 annual synthesis report.

CONTINGENT LIABILITIES

5.5 GUARANTEES GIVEN

5.5.1 *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 2006 (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 2006 the amount outstanding totalled EUR 14 792 million (2005: EUR 15 055 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' 31.12.2006	'Non-risk Sharing' 31.12.2006		Outstanding 31.12.2006 Total	Outstanding 31.12.2005
		Public authority	Private company		
65 % guarantee	1 469	5 416	1 155	8 040	7 098
70 % guarantee	313	3 120	314	3 747	4 180
75 % guarantee		1 318	169	1 487	1 949
100 % guarantee		1 116	402	1 518	1 828
Total	**1 782**	**10 970**	**2 040**	**14 792**	**15 055**

5.5.2 *Guarantees signed by the European Investment Fund (EIF)*

At 31 December 2005 the balance under this heading represented the Commission's share of EIF's guarantees outstanding at that date. The 2006 accounts of the EIF, however, are based on new accounting rules and policies, one impact of which has been the removal of the contingent liability relating to guarantees issued from its off-balance sheet. Financial guarantees are now recognised on the EIF's balance sheet as financial liabilities. Considering this change, and the fact that the Commission consolidates the EIF using the equity method, there is no amount to be shown in the Commission's off-balance sheet. For further information on the change in accounting policies in the EIF see note **2.3.1** above.

The proportion of the capital subscribed by the European Communities which has not been called up (80 %) is included in the off-balance-sheet commitments as a contingent liability (note **5.13.2**).

5.6 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.

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 169 million) is included in the economic result for the year and also as a contingent liability to reflect the uncertainty of the amounts.

5.7 EAGGF GUARANTEE — COURT JUDGEMENT PENDING

These are contingent liabilities towards the Member States connected with the EAGGF conformity decisions, pending judgement of the Court of Justice. The determination of the final amount of the liability and the year in which the effect of successful appeals will be charged to the budget will depend on the length of the procedure before the Court. An estimate of the probable amounts to be paid (EUR 61 million) has been included as a long-term provision on the balance sheet — see note **E 2.13**.

(1) Even if the appeal against fines imposed in 2006 was made in 2007 before the closure of accounts.

5.8 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.

— 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 Court of First Instance issued a judgement in this case in July 2007 condemning the Commission to pay damages to the third party. The amount of these damages will have to be calculated by an independent expert in the months following the decision — for this reason it is not possible, at this time, to include a reliable estimate of the amount to be paid in the 2006 accounts. It should also be noted that both parties have the right to appeal this judgement. The contingent liability is thus maintained at the existing amount.

— 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.

5.9 OTHER CONTINGENT LIABILITIES

Included here is the outstanding contractual obligation of EUR 96 million relating to building related contracts of the Council, as well as EUR 73 million relating to building contracts of the Parliament. The other significant amount included here is EUR 337 million, which concerns the extension of a Court of Justice building in Luxembourg.

Also included under this heading is the possible liability, estimated at EUR 4 million, concerning certain disease eradication costs that may have to be borne by the Commission's budget.

COMMITMENTS FOR FUTURE FUNDING

5.10 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.

5.11 COMMITMENTS AGAINST APPROPRIATIONS NOT YET CONSUMED

The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. At 31 December 2006 the budgetary RAL totalled EUR 131,7 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 2006 Economic Outturn Account giving a total of EUR 90 billion.

The budgetary 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 2006, the potentially abnormal RAL was reduced by 43 %. The following table gives the situation by heading of the financial perspective:

Potentially Abnormal RAL (PAR)

EUR millions

	PAR at 1.1.2006 (*)	Payments during 2006	Other movements during 2006	PAR at 31.12.2006
Agriculture	2	0	(2)	0
Structural actions	4 744	(1 867)	(491)	2 386
Internal policies	1 194	(376)	(151)	667
External policies	1 975	(695)	(76)	1 204
Administration	7	0	(3)	4
Pre-adhesion	1 698	(353)	(83)	1 262
Other	21	(13)	0	8
Total	**9 641**	**(3 304)**	**(806)**	**5 531**

(*) The balance at 1.1.2006 does not correspond with the balance at 31.12.2005 since, under the definition of PAR, new amounts must be added as one enters a new year, whilst other amounts are removed.

5.12 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:

— **5.12.1 & 5.12.2**: 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 the new Financial Perspective period starts in 2007 (and thus the old one finished at the end of 2006) there are no amounts to be disclosed here since no commitments were outstanding at 31 December 2006.

Legal Commitments without budgetary commitments - Structural Operations

EUR billions

	31.12.2006	31.12.2005
Objective 1	0	28.46
Objective 2	0	3.44
Objective 3	0	4.29
FIFG (outside objective 1)	0	0.25
Communities initiatives	0	2.58
Total	**0**	**39.02**

— **5.12.3**: 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.

— **5.12.4**: The Temporary Rural Development Instrument (TRDI) for the new Member States was funded under the EAGGF-Guarantee and covered 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.

— **5.12.5**: 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.

— **5.12.6 & 5.12.7**: 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.

5.13 CONTRIBUTIONS TO RELATED ORGANISATIONS

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

5.13.1 *Uncalled share capital: EBRD*

EUR millions

EBRD	Total EBRD capital	Commission subscription
Capital	19 794	600
Paid-in	- 5 198	- 157
Uncalled	14 596	**443**

5.13.2 *Uncalled share capital: EIF*

EUR millions

EIF	Total EIF capital	Commission subscription
Capital	2 000	600
Paid-in	- 400	- 120
Uncalled	1 600	**480**

5.13.3 *Uncalled share capital: Galileo joint venture*

All capital (EUR 650 million) has been paid-in by the Commission. The Galileo Joint Undertaking is in liquidation since 1 January 2007, as had been foreseen. Its activities are being transferred to the GNSS agency. With respect to this liquidation, EUR 70 million has been transferred to the GNSS agency on 29 December 2006. This cash transfer partially consisted of a capital reimbursement of EUR 12 million.

5.14 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.

OPERATING LEASE COMMITMENTS

EUR millions

Description	Charged during year	Future amounts to be paid			
		< 1 year	1- 5 years	> 5 years	Total
Buildings	219	203	684	755	1 642
IT materials and other equipment	12	10	8	0	18
Total	**231**	**213**	**692**	**755**	**1 660**

6. FINANCIAL RISK MANAGEMENT

EUROPEAN COMMISSION & GUARANTEE FUND

The following disclosures relate to lending and borrowing activities carried out by the European Commission through **Macro Financial Assistance (MFA)** and **Euratom**, as well as the **Guarantee fund**.

6.1 RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

MFA & Euratom:

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.

Guarantee Fund:

The rules and principles for the asset management of the Guarantee Fund (see Section **E 2.3.2**) 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.

6.2 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.

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[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.*

6.3 **INTEREST RATE RISK**

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

MFA & Euratom:

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 1,32 billion (2005: EUR 1,38 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 2006 (2005: EUR 85 million), they have a final maturity date of more than five years.

Guarantee Fund:

Hedging instruments could be used to manage the interest rate (market) risk for the Guarantee Fund. 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 2006 and 2005 (market value excluding accrued interest) is detailed in the table below:

Segments	Fixed rate investments						Variable rate securities EUR m		TOTAL EUR m	
	Less than 3 months EUR m		3 months to 1 year EUR m		1 to 10 years EUR m					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Current accounts	1	2	0	0	0	0	**0**	0	**1**	2
Short term deposits nominal	437	314	0	0	0	0	0	0	**437**	314
Available- for-sale assets	57	*25*	51	*83*	733	*791*	76	*84*	**917**	*983*
Total	**495**	*341*	**51**	*83*	**733**	*791*	**76**	*84*	**1 355**	*1 299*
Percentage	**36 %**	*26 %*	**4 %**	*6 %*	**54 %**	*61 %*	**6 %**	*7 %*	**100 %**	*100 %*

At 31 December 2006, for the cash and cash equivalents (fixed term deposits), the effective interest rate range is between 3,39 % and 3,63 %. For the Available-for-Sale (AFS) securities portfolio, the effective interest rate range is between 2,94 % and 5,52 %.

6.4 **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.

MFA & Euratom:

The largest concentrations of credit risk that the Communities have are towards Bulgaria, Romania and Serbia-Montenegro. These countries represent approximately 30 %, 27 % and 20 % respectively of the total volume of loans.

([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.*

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.

Guarantee Fund:

Guarantee Fund 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. Short-term inter-bank investments, including accrued interest, by type of counterparty at 31 December 2006 are as follows:

EUR millions

Rating	31.12.2006		31.12.2005	
A1	171	39 %	74	23 %
A2	0	0 %	30	10 %
Aa1	44	10 %	28	9 %
Aa2	57	13 %	37	12 %
Aa3	167	38 %	145	46 %
Total	**439**	**100 %**	**314**	**100 %**

Guarantee Fund Available-for-sale assets — Profile of issuers

The profile of issuers, market value excluding accrued interest, at 31 December 2006 is as follows:

EUR millions

Issuer	31.12.2006		31.12.2005	
Other issuers AAA	361	40 %	322	32 %
Supra Aaa	15	2 %	16	2 %
Govt./Agencies Aaa	225	25 %	249	25 %
Govt./Agencies Aa1	58	6 %	134	14 %
Govt./Agencies Aa2	0	0 %	100	10 %
Govt./Agencies Aa3	67	7 %	0	0 %
Govt./Agencies A1	49	5 %	138	14 %
Govt./Agencies A2	122	13 %	15	2 %
Govt./Agencies A3	10	1 %	0	0 %
Govt./Agencies Baa1	10	1 %	0	0 %
Govt./Agencies NR	0	0 %	10	1 %
Total	**917**	**100 %**	**984**	**100 %**

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.

6.5 FAIR VALUE

The estimated fair value of the MFA and Euratom 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 and borrowings amount to EUR 93 million (2005: EUR 99 million) and EUR 93 million (2005: EUR 99 million), respectively, compared to corresponding book value of EUR 87 million (2005: EUR 87 million) and EUR 87 million (2005: EUR 87 million), respectively.

6.6 LIQUIDITY POSITION

The table below provides an analysis of assets and liabilities of the **Guarantee Fund** 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 millions

Maturity	Less than 3 months	3 months to 1 year	1 to 10 years	Maturity undefined	TOTAL
Assets in EUR:					
Current accounts	1	0	0	0	1
Short term deposits	439	0	0	0	439
Of which accrued interests	2	0	0	0	2
Available-for-sale assets	65	66	801	8	940
Of which accrued interests	9	14	0	0	23
Total	**505**	**66**	**801**	**8**	**1 380**
Liabilities in EUR:					
Equity	0	0	0	1 379	1 379
Account payables	1	0	0	0	1
Total	**1**	**0**	**0**	**1 379**	**1 380**
Net liquidity position at 31.12.2006	**504**	**66**	**801**	**(1 371)**	**0**
Cumulative liquidity position at 31.12.2006	**504**	**570**	**1 371**	**0**	

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)**.

6.7 RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

Following the expiry of the ECSC Treaty on 23 July 2002, in accordance with Decision 2003/76/EC the assets and liabilities of the ECSC be passed to the European Community, and that the liquidation of the liabilities of the ECSC be managed by the Commission. Thus, no new loans and no corresponding funding are foreseen 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 with internal guidelines and procedures is checked regularly.

As far as treasury operations are concerned, the principles of prudent management with a view to limit operational risk, counterparty risk and market risk are to be applied. Investments are restricted basically 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, the lower of either EUR 100 million per bank or 5 % of the bank's own funds provided that the respective short-term rating is at least A-1 (S&P) or equivalent;

— For bonds issued or guaranteed by Member States or institutions of the European Union, up to EUR 250 million per Member State or institution depending on its rating;

— For bonds of other sovereign or supranational issuers with a long-term credit rating of not less than AA (S&P) or equivalent up to EUR 100 million per issuer or guarantor;

— For bonds of other issuers having a minimum rating of AA or AAA (S&P) or equivalent, up to EUR 25 or 50 million respectively, 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 2.3.3.2**.

6.8 MARKET RISK

6.8.1. *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 2006.

The ECSC in liquidation's assets and liabilities at their EUR equivalent nominal values, categorised by currency are disclosed in the table.

EUR MILLIONS

	GBP	USD
Assets	227	76
Liabilities	(312)	(76)
Net balance sheet position	**(85)**	**0**
Effect of cross currency interest rate swaps	*89*	—
Net exposure	***4***	***0***

The GBP assets and liabilities position is mainly composed of euro equivalent 152,6 million unquoted debt securities issued by the European Investment Bank as substitute of a defaulted debtor (see note **E2.4.2**). 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 justified.

6.8.2. *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.

6.9 INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument 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 is exposed to the effect 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). If no perfect matching can be reached, derivative financial instruments are used to reduce the exposure to interest rate movements (see note **E 2.3.3.2**)

(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 93 % of the investment portfolio at the balance sheet date (2005: 85 %).

The table below shows the distribution of the ECSC in liquidation holdings (market value excluding accrued interest) at 31 December 2006:

Millions

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	3	0	0	0	3
Short term deposits – nominal	53	0	0	0	53
AFS portfolio	30	88	1 154	102	1 374
Total	**86**	**88**	**1 154**	**102**	**1 430**
Percentage	*6 %*	*6 %*	*81 %*	*7 %*	*100 %*

As at 31 December 2006, the accrued interest amounted to EUR 27 million for the AFS portfolio.

(c) *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 2006 this hypothetical loss was about EUR 54 million.

6.10 **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 2006, EUR 354 million was broken down as follows (in EUR millions):

	Nominal Amount (millions)
Loans granted to credit institutions	49
Loans granted to customers	305
Total	**354**

60 % 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). 15 % of loans outstanding have been granted to banks or have been guaranteed by banks. 5 % of the outstanding debt (EUR 17 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. 20 %, 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 206 million at 31 December 2006.

The loans granted on own funds were covered by another reserve, formerly called 'ECSC Special Reserve'. This special reserve amounts to EUR 56 million at 31 December 2006.

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

At the balance sheet date, 42 % and 58 % 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 shown below. Note also that these loans were backed by guarantees from public bodies, banks or industrial groups except for the United Kingdom where no guarantee is received.

EUR millions

	31 December 2006	Number of loans
Greece	76	1
France	134	2
Italy	2	12
United Kingdom	70	1
Total	**282**	**16**

Following a restructuring of debts of a defaulting debtor in 1998, the Commission acquired EUR 152,6 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.

Regarding the 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, 50 % of the total of EUR 56 million are granted in Germany, with the rest spread across 13 EU Member States. All loans were backed by guarantees.

(c) *Derivative financial instruments — profile of counterparties*: See note **E 2.3.3.2**

(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 millions

	31 December 2006	%
Sovereign	452	32
Multinational Organisations	58	4
Banks & Financial Institutions	695	50
Other Public Issuer	196	14
Total	**1 401**	**100**

EUR millions

	31 December 2006	%
AAA	806	58
AA+	133	10
AA	190	13
AA-	12	1
A+	93	6
A-	86	6
BBB+	81	6
Total	**1 401**	**100**

Concerning the geographical concentrations of the debt securities (expressed at their fair value) at the balance sheet date 19 % are in Germany, 9 % in Spain, 8 % in the UK, 7 % in France and 6 % each in Austria, Hungary and the US. The remainder are spread through EU Member States.

6.11 **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 and liability 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.

6.12 **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 re-pricing 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 1,03 million (net loss) compared to EUR 1,57 million (net profit) in 2005. 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 currents accounts and short-term deposits (of less than three months) is their carrying amount.

7. 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 and the President of the Court of Justice

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 President and Members of the Court of First Instance, the President and Members of the European Civil Service Tribunal, the Ombudsman and the European Data Protection Supervisor

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

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

KEY MANAGEMENT FINANCIAL ENTITLEMENTS

EUR

Entitlement	Category 1	Category 2	Category 3	Category 4	Category 5
Basic salary (per month)	23 384,07	21 181,23	16 944,98 - 19 063,10	18 300,58 – 19 486,73	10 774,54 - 16 944,98
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 % + 157,29	2 % + 157,29	2 % + 157,29	2 % + 157,29	2 % + 157,29
Dependent child	302,32	302,32	302,32	302,32	302,32
Pre-school	50,36	50,36	50,36	50,36	50,36
Education, or	233,20	233,20	233,20	233,20	233,20
Education outside place of work	466,40	466,40	466,40	466,40	466,40
Presiding judges allowance	N/A	N/A	500 - 810,74	N/A	N/A
Representation allowance	1 418,07	911,38	500 - 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
Taking up duty:					
Installation expenses	46 768,14	42 362,46	38 126,20	36 601,16	reimbursed
Family travel expenses	reimbursed	reimbursed	reimbursed	reimbursed	reimbursed
Moving expenses	reimbursed	reimbursed	reimbursed	reimbursed	reimbursed

EUR

Entitlement	Category 1	Category 2	Category 3	Category 4	Category 5
Leaving office:					
Resettlement expenses	23 384,07	21 181,23	19 063,10	18 300,58 – 19 486,73	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	3,36 %	3,36 %	3,36 %	3,36 %	3,36 %
Pension deduction	N/A	N/A	N/A	N/A	10,25 %
Number of persons at 31/12/2006	**2**	**5**	**86**	**25**	**72**

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

8. EVENTS AFTER THE BALANCE SHEET DATE

At the date of the approval of the accounts, 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.

9. 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 and Control

European Centre for the Development of Vocational Training

European Environment Agency

European Food Safety Authority

European Foundation for the 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 Agency

European Training Foundation

Translation Centre for the Bodies of the European Union

European Agency for the Management of Operational Co-operation at the External Borders of the Member States of the European Union (*)

European GNSS Supervisory Authority (*)

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (*)

European Railway Agency (*)

Community Plant Variety Office (*)

3. **Executive Agencies**

Intelligent Energy Executive Agency (*)

Education, Audiovisual & Culture Executive Agency (*)

4. **Other controlled entities**

European Coal and Steel Community (in liquidation)

Eurojust [+]

European Police College (CEPOL) (*) [+]

B. JOINT VENTURES

Galileo Joint Undertaking [1]

C. ASSOCIATES

European Investment Fund [2]

(*) *Consolidated for the first time in 2006.*
(+) *Decentralised body of the EU falling under the pillar 'Police & Judicial Co-operation in criminal matters'.*
(1) Proportion of interest 91,55 %, proportion of voting power 49,3 %
(2) Proportion of interest 30,00 %, proportion of voting power 30 %

10. 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:

10.1 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-Sahara 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.

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 (2005 amounts are restated):

BALANCE SHEET – EDF

EUR millions

	31.12.2006	31.12.2005
CURRENT ASSETS:	**3 318**	**3 122**
Contributions to be received	0	14
Receivables	217	139
Pre-financing	2 809	2 304
Other current assets	1	3
Cash & cash equivalents	291	662
TOTAL ASSETS	**3 318**	**3 122**
CURRENT LIABILITIES:	**2 096**	**1 486**
Accounts payable	2 096	1 486
TOTAL LIABILITIES	**2 096**	**1 486**
NET ASSETS	**1 222**	**1 636**
FUNDS & RESERVES		
Called-up fund capital	29 900	27 390
Result for the year	(2 924)	(2 526)
Results carried forward from previous years	(26 788)	(24 262)
Reserves	1 034	1 034
FUNDS & RESERVES	**1 222**	**1 636**

ECONOMIC OUTTURN ACCOUNT – EDF

EUR millions

	2006	2005
TOTAL REVENUE	**0**	**0**
OPERATING EXPENSES	**2 957**	2 544
Operating Expenses:	2 933	2 516
Programme aid	750	982
Macro-economic support	408	383
Interest-rate subsidies	1	0
Emergency aid	130	135
Refugee aid	7	13
Risk capital	63	61
Stabex	189	66
Sysmin	30	14
Transfers from former EDFs	15	16
Structural adjustments	1	16
Debt relief	17	23
Sectorial policy	911	492
Compensation export receipts	53	(3)
Institutional support	32	29
Intra ACP projects	339	199
Congo Fund	(13)	90
Administrative expenses:	*24*	*28*
(DEFICIT) FROM OPERATING ACTIVITIES	**(2 957)**	**(2 544)**
NON-OPERATING ACTIVITIES		
Financial income	31	24
Provisions	2	(6)
SURPLUS FROM NON-OPERATING ACTIVITIES	**33**	**18**
RESULT FOR THE YEAR	**(2 924)**	**(2 526)**

10.2 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 2006 totalled EUR 279 million (2005: EUR 260 million.)

PART II

CONSOLIDATED REPORTS ON THE IMPLEMENTATION OF THE BUDGETOF 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 2006

EUR

	EFTA - EEA	EUROPEAN COMMUNITIES	TOTAL 2006	TOTAL 2005
Revenue for the financial year	129 972 205,00	108 293 038 760,79	108 423 010 965,79	107 090 637 948,19
Payments against current year appropriations	(120 946 425,57)	(105 290 965 383,30)	(105 411 911 808,87)	(103 548 235 840,31)
Payment appropriations carried over to year N+1	0	(1 400 894 862,16)	(1 400 894 862,16)	(1 421 346 086,07)
EFTA appropriations carried over from year N-1	(67 568,00)	0,00	(67 568,00)	(91 242,32)
Cancellation of unused payment appropriations carried over from year N-1	41 680,79	263 290 101,52	263 331 782,31	253 045 630,75
Exchange differences for the year	0	(16 836 905,85)	(16 836 905,85)	40 924 144,37
Budget Outturn	**8 999 892,22**	**1 847 631 711,00**	**1 856 631 603,22**	**2 414 934 554,61**

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 2006

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	9=8/2	10=5-8
1	OWN RESOURCES	110 671 918 355,00	101 010 391 494,00	100 822 543 908,40	1 450 323 197,35	102 272 867 105,75	99 415 432 120,03	1 428 725 893,13	100 844 158 013,16	99,84 %	1 428 709 092,59
3	SURPLUSES AVAILABLE	0,00	4 018 889 033,00	4 010 040 626,17	0,00	4 010 040 626,17	4 009 857 459,63	0,00	4 009 857 459,63	99,78 %	183 166,54
4	MISCELLANEOUS COMMUNITY TAXES, LEVIES AND DUTIES	1 034 904 640,00	1 034 904 640,00	870 991 583,72	33 003 781,19	903 995 364,91	828 534 236,44	29 650 521,30	858 184 757,74	82,92 %	45 810 607,17
5	ADMINISTRATIVE OPERATION OF THE INSTITUTION	78 630 000,00	78 630 000,00	238 495 922,63	17 721 335,59	256 217 258,22	219 429 913,74	13 772 474,47	233 202 388,21	296,58 %	23 014 870,01
6	CONTRIBUTIONS BY THIRD PARTIES, REPAYMENT EXPENDITURE, FINANCIAL CORRECTIONS	15 000 000,00	235 000 000,00	1 248 271 061,11	389 963 034,86	1 638 234 095,97	1 154 122 952,96	282 509 091,61	1 436 632 044,57	611,33 %	201 602 051,40
7	INTERESTS ON LATE PAYMENTS AND FINES	120 000 000,00	911 500 000,00	2 113 575 518,87	4 277 519 472,07	6 391 094 990,94	- 17 572 903,64	933 842 667,85	916 269 764,21	100,52 %	5 474 825 226,73
8	BORROWING AND LENDING OPERATIONS	29 028 454,00	59 028 454,00	71 097 007,12	704 598,51	71 801 605,63	71 097 007,12	704 598,51	71 801 605,63	121,64 %	0,00
9	MISCELLANEOUS REVENUE	20 126 000,00	30 126 000,00	50 992 541,02	10 637 845,89	61 630 386,91	51 098 684,82	1 806 247,82	52 904 932,64	175,61 %	8 725 454,27
	Total	**111 969 607 449,00**	**107 378 469 621,00**	**109 426 008 169,04**	**6 179 873 265,46**	**115 605 881 434,50**	**105 731 999 471,10**	**2 691 011 494,69**	**108 423 010 965,79**	**100,97 %**	**7 182 870 468,71**

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	9=8/2	10=5-8
10	Agricultural duties	763 500 000,00	863 400 000,00	1 277 764 620,69	402 358 047,01	1 680 122 667,70	889 442 376,81	402 358 047,01	1 291 800 423,82	149,62 %	388 322 243,88
11	Sugar levies	556 200 000,00	150 600 000,00	169 548 421,51	9 565 137,95	179 113 559,46	142 044 559,85	9 565 137,95	151 609 697,80	100,67 %	27 503 861,66
12	Customs duties	12 905 400 000,00	13 874 900 000,00	13 556 565 765,79	1 038 400 012,39	14 594 965 778,18	12 568 050 904,17	1 016 802 708,17	13 584 853 612,34	97,91 %	1 010 112 165,84
13	VAT	15 884 321 797,00	17 200 276 121,00	17 220 239 768,36	0,00	17 220 239 768,36	17 219 801 792,98	0,00	17 219 801 792,98	100,11 %	437 975,38
14	GNI	80 562 496 558,00	68 921 215 373,00	68 604 270 932,85	0,00	68 604 270 932,85	68 602 092 852,50	0,00	68 602 092 852,50	99,54 %	2 178 080,35
15	Correction of budgetary imbalances	0,00	0,00	- 5 845 600,80	0,00	- 5 845 600,80	- 6 000 366,28	0,00	- 6 000 366,28	%	154 765,48
	Total	**110 671 918 355,00**	**101 010 391 494,00**	**100 822 543 908,40**	**1 450 323 197,35**	**102 272 867 105,75**	**99 415 432 120,03**	**1 428 725 893,13**	**100 844 158 013,16**	**99,84 %**	**1 428 709 092,59**

Detail Title 3: Surpluses available

EUR

Chapter		Income appropriations		Entitlements established			Revenue			receipts as	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
30	Surplus from previous year	0,00	2 502 809 591,00	2 502 809 591,35	0,00	2 502 809 591,35	2 502 809 591,35	0,00	2 502 809 591,35	100,00 %	0,00
31	VAT surplus	0,00	- 14 157 979,00	- 13 451 152,64	0,00	- 13 451 152,64	- 13 560 430,52	0,00	- 13 560 430,52	95,78 %	109 277,88
32	GNI surplus	0,00	1 530 237 421,00	1 529 981 320,31	0,00	1 529 981 320,31	1 529 966 190,91	0,00	1 529 966 190,91	99,98 %	15 129,40
34	Adjustment for non-participation in JHAP	0,00	0,00	- 30 883,36	0,00	- 30 883,36	- 30 990,89	0,00	- 30 990,89	0,00 %	107,53
35	United Kingdom correction	0,00	0,00	- 4 020 590,17	0,00	- 4 020 590,17	- 4 020 590,16	0,00	- 4 020 590,16	0,00 %	- 0,01
36	Intermediate calculation of UK correction	0,00	0,00	- 5 247 659,32	0,00	- 5 247 659,32	- 5 306 311,06	0,00	- 5 306 311,06	0,00 %	58 651,74
	Total	**0,00**	**4 018 889 033,00**	**4 010 040 626,17**	**0,00**	**4 010 040 626,17**	**4 009 857 459,63**	**0,00**	**4 009 857 459,63**	**99,78 %**	**183 166,54**

3. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE 2006 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	99 025 636,00	99 025 636,00	132 403 974,99	13 484 056,27	145 888 031,26	112 642 547,81	13 484 056,27	126 126 604,08	127,37 %	19 761 427,18
Council	49 054 000,00	49 054 000,00	81 405 909,42	8 568 077,80	89 973 987,22	71 902 506,79	4 829 884,89	76 732 391,68	156,42 %	13 241 595,54
Commission	111 760 172 428,00	107 169 034 600,00	109 130 785 623,83	6 156 411 580,27	115 287 197 204,10	105 467 457 739,28	2 671 643 818,28	108 139 101 557,56	100,91 %	7 148 095 646,54
Court of Justice	30 357 000,00	30 357 000,00	35 194 659,28	445 907,44	35 640 566,72	34 343 308,29	369 679,14	34 712 987,43	114,35 %	927 579,29
Court of Auditors	14 636 000,00	14 636 000,00	16 751 203,73	963 643,68	17 714 847,41	16 186 571,14	684 056,11	16 870 627,25	115,27 %	844 220,16
Economic and Social Committee	9 866 628,00	9 866 628,00	12 259 488,39	0,00	12 259 488,39	12 259 488,39	0,00	12 259 488,39	124,25 %	0,00
Committee of the Regions	5 151 157,00	5 151 157,00	16 100 779,45	0,00	16 100 779,45	16 100 779,45	0,00	16 100 779,45	312,57 %	0,00
Ombudsman	823 600,00	823 600,00	760 073,06	0,00	760 073,06	760 073,06	0,00	760 073,06	92,29 %	0,00
European Data Protection Supervisor	521 000,00	521 000,00	346 456,89	0,00	346 456,89	346 456,89	0,00	346 456,89	66,50 %	0,00
Total	**111 969 607 449,00**	**107 378 469 621,00**	**109 426 008 169,04**	**6 179 873 265,46**	**115 605 881 434,50**	**105 731 999 471,10**	**2 691 011 494,69**	**108 423 010 965,79**	**100,97 %**	**7 182 870 468,71**

4. COMPARISON OF THE IMPLEMENTATION OF BUDGET REVENUE 2006 AND 2005

EUR

Title		Income appropriations		Entitlements established		Revenue		receipts as % of budget		Outstanding	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
1	OWN RESOURCES	101 010 391 494,00	98 384 147 898,00	102 272 867 105,75	99 824 283 203,21	100 844 158 013,16	98 373 313 140,90	99,84 %	99,99 %	1 428 709 092,59	1 450 970 062,31
3	SURPLUSES AVAILABLE	4 018 889 033,00	5 713 984 737,00	4 010 040 626,17	5 700 453 058,94	4 009 857 459,63	5 700 453 008,36	99,78 %	99,76 %	183 166,54	50,58
4	MISCELLANEOUS COMMUNITY TAXES, LEVIES AND DUTIES	1 034 904 640,00	798 460 359,00	903 995 364,91	805 221 312,83	858 184 757,74	785 650 405,95	82,92 %	98,40 %	45 810 607,17	19 570 906,88
5	ADMINISTRATIVE OPERATION OF THE INSTITUTION	78 630 000,00	54 035 000,00	256 217 258,22	194 278 564,35	233 202 388,21	177 028 082,95	296,58 %	327,62 %	23 014 870,01	17 250 481,40
6	CONTRIBUTIONS BY THIRD PARTIES, REPAYMENT EXPENDITURE, FINANCIAL CORRECTIONS	235 000 000,00	360 000 000,00	1 638 234 095,97	2 037 971 605,84	1 436 632 044,57	1 641 785 879,12	611,33 %	456,05 %	201 602 051,40	396 185 726,72
7	INTERESTS ON LATE PAYMENTS AND FINES	911 500 000,00	318 000 000,00	6 391 094 990,94	4 633 894 891,89	916 269 764,21	356 379 646,77	100,52 %	112,07 %	5 474 825 226,73	4 277 515 245,12
8	BORROWING AND LENDING OPERATIONS	59 028 454,00	25 359 946,00	71 801 605,63	42 461 277,11	71 801 605,63	41 756 678,60	121,64 %	164,66 %	0,00	704 598,51
9	MISCELLANEOUS REVENUE	30 126 000,00	30 061 000,00	61 630 386,91	26 757 428,49	52 904 932,64	14 271 105,54	175,61 %	47,47 %	8 725 454,27	12 486 322,95
	Total	**107 378 469 621,00**	**105 684 048 940,00**	**115 605 881 434,50**	**113 265 321 342,66**	**108 423 010 965,79**	**107 090 637 948,19**	**100,97 %**	**101,33 %**	**7 182 870 468,71**	**6 174 683 394,47**

Detail Title 1: Own resources

EUR

Chapter		Income appropriations		Entitlements established		Revenue		receipts as % of budget		Outstanding	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
10	AGRICULTURAL DUTIES	863 400 000,00	1 119 400 000,00	1 680 122 667,70	1 753 139 003,74	1 291 800 423,82	1 350 779 664,23	149,62 %	120,67 %	388 322 243,88	402 359 339,51
11	SUGAR LEVIES	150 600 000,00	793 800 000,00	179 113 559,46	704 682 245,84	151 609 697,80	695 117 153,40	100,67 %	87,57 %	27 503 861,66	9 565 092,44
12	CUSTOMS DUTIES	13 874 900 000,00	12 030 800 000,00	14 594 965 778,18	13 055 678 105,24	13 584 853 612,34	12 017 241 801,46	97,91 %	99,89 %	1 010 112 165,84	1 038 436 303,78
13	VAT	17 200 276 121,00	15 556 051 275,00	17 220 239 768,36	15 618 999 596,99	17 219 801 792,98	15 618 908 472,73	100,11 %	100,40 %	437 975,38	91 124,26
14	GNI	68 921 215 373,00	68 884 096 623,00	68 604 270 932,85	68 812 063 944,74	68 602 092 852,50	68 811 599 689,02	99,54 %	99,89 %	2 178 080,35	464 255,72
15	CORRECTION OF BUDGETARY IMBALANCES	0,00	0,00	- 5 845 600,80	- 120 279 693,34	- 6 000 366,28	- 120 333 639,94	0,00 %	0,00 %	154 765,48	53 946,60
	Total	**101 010 391 494,00**	**98 384 147 898,00**	**102 272 867 105,75**	**99 824 283 203,21**	**100 844 158 013,16**	**98 373 313 140,90**	**99,84 %**	**99,99 %**	**1 428 709 092,59**	**1 450 970 062,31**

Detail Title 3: Surpluses available

EUR

Chapter		Income appropriations		Entitlements established		Revenue		receipts as % of budget		Outstanding	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
30	SURPLUS FROM PREVIOUS YEAR	2 502 809 591,00	3 262 668 965,00	2 502 809 591,35	3 262 668 965,49	2 502 809 591,35	3 262 668 965,49	100,00 %	100,00 %	0,00	0,00
31	VAT SURPLUS	- 14 157 979,00	400 012 558,00	- 13 451 152,64	399 121 900,87	- 13 560 430,52	399 121 900,81	95,78 %	99,78 %	109 277,88	0,06
32	GNI SURPLUS	1 530 237 421,00	2 051 303 214,00	1 529 981 320,31	2 048 986 753,84	1 529 966 190,91	2 048 986 753,57	99,98 %	99,89 %	15 129,40	0,27
34	ADJUSTMENT FOR NON-PARTICIPATION IN JHAP	0,00	0,00	- 30 883,36	6 063,63	- 30 990,89	6 013,33	0,00 %	0,00 %	107,53	50,30
35	UNITED KINGDOM CORRECTION	0,00	0,00	- 4 020 590,17	- 10 330 624,89	- 4 020 590,16	- 10 330 624,84	0,00 %	0,00 %	- 0,01	- 0,05
36	INTERMEDIATE CALCULATION OF UK CORRECTION	0,00	0,00	- 5 247 659,32	0,00	- 5 306 311,06	0,00	0,00 %	0,00 %	58 651,74	0,00
	Total	**4 018 889 033,00**	**5 713 984 737,00**	**4 010 040 626,17**	**5 700 453 058,94**	**4 009 857 459,63**	**5 700 453 008,36**	**99,78 %**	**99,76 %**	**183 166,54**	**50,58**

Consolidated reports on implementation of the budget expenditure

5. Breakdown and changes in commitment and payment appropriations by Policy area

EUR

	Policy area	Commitment appropriations					
		Appropriations adopted	Modifications (Transfers and AB)	Appropriations carried over or made available again from 2005	Earmarked revenue	Totaladditional	Total authorised
		1	2	3	4	5=3+4	6=1+2+5
01	ECONOMIC AND FINANCIAL AFFAIRS	468 476 353,00	13 044 223,00	0,00	7 687 489,89	7 687 489,89	489 208 065,89
02	ENTERPRISE	399 828 648,00	7 670 470,00	14 875 951,00	44 996 845,18	59 872 796,18	467 371 914,18
03	COMPETITION	98 657 766,00	- 179 342,00	0,00	4 542 034,98	4 542 034,98	103 020 458,98
04	EMPLOYMENT AND SOCIAL AFFAIRS	11 934 359 782,00	- 21 069 592,14	47 839,60	16 606 825,70	16 654 665,30	11 929 944 855,16
05	AGRICULTURE AND RURAL DEVELOPMENT	55 455 078 891,00	- 901 611 514,00	55 647 168,00	55 718 926,54	111 366 094,54	54 664 833 471,54
06	ENERGY AND TRANSPORT	1 462 854 844,00	- 6 484 784,76	1 015 203,07	81 779 378,34	82 794 581,41	1 539 164 640,65
07	ENVIRONMENT	346 198 192,00	3 906 115,00	148 000,00	17 211 270,35	17 359 270,35	367 463 577,35
08	RESEARCH	3 525 524 298,00	3 204 637,76	0,00	503 195 251,48	503 195 251,48	4 031 924 187,24
09	INFORMATION SOCIETY AND MEDIA	1 425 305 907,00	70 157,00	0,00	176 198 176,87	176 198 176,87	1 601 574 240,87
10	DIRECT RESEARCH	330 209 495,00	- 6 020,00	4 425 000,00	310 293 946,28	314 718 946,28	644 922 421,28
11	FISHERIES	1 073 914 748,00	7 846 575,00	687 500,00	6 530 152,31	7 217 652,31	1 088 978 975,31
12	INTERNAL MARKET	75 206 248,00	- 981 183,00	1 711 525,41	3 443 521,64	5 155 047,05	79 380 112,05
13	REGIONAL POLICY	28 629 207 201,00	159 243 548,14	124 513 430,00	17 718 719,87	142 232 149,87	28 930 682 899,01
14	TAXATION AND CUSTOMS UNION	130 398 219,00	- 738,00	0,00	5 660 331,33	5 660 331,33	136 057 812,33
15	EDUCATION AND CULTURE	1 007 494 882,00	202 717,00	1 813 605,10	215 514 076,87	217 327 681,97	1 225 025 280,97
16	PRESS AND COMMUNICATION	205 327 888,00	3 409 324,00	0,00	6 087 365,74	6 087 365,74	214 824 577,74
17	HEALTH AND CONSUMER PROTECTION	558 930 694,00	1 114 153,00	3 623 999,55	24 277 858,95	27 901 858,50	587 946 705,50
18	AREA OF FREEDOM, SECURITY AND JUSTICE	604 690 896,00	3 647 231,00	0,00	16 704 715,21	16 704 715,21	625 042 842,21
19	EXTERNAL RELATIONS	3 476 284 050,00	50 782 805,00	600 000,00	124 672 797,54	125 272 797,54	3 652 339 652,54
20	TRADE	82 796 875,00	- 209 693,00	250 000,00	2 754 066,49	3 004 066,49	85 591 248,49
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 300 607 197,00	- 20 762 944,00	2 000 000,00	107 475 578,09	109 475 578,09	1 389 319 831,09
22	ENLARGEMENT	2 205 171 524,00	119 886 085,00	0,00	85 501 833,66	85 501 833,66	2 410 559 442,66
23	HUMANITARIAN AID	515 103 476,00	140 101 189,00	0,00	8 162 101,49	8 162 101,49	663 366 766,49
24	FIGHT AGAINST FRAUD	65 745 124,00	- 2 708,00	0,00	151 489,82	151 489,82	65 893 905,82
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	214 995 745,00	1 415 454,00	0,00	9 198 337,24	9 198 337,24	225 609 536,24
26	COMMISSION'S ADMINISTRATION	660 329 166,00	1 103 606,00	0,00	52 060 275,40	52 060 275,40	713 493 047,40
27	BUDGET	1 159 929 327,00	- 8 864 801,00	0,00	2 580 846,77	2 580 846,77	1 153 645 372,77
28	AUDIT	11 547 110,00	- 124 231,00	0,00	329 103,27	329 103,27	11 751 982,27
29	STATISTICS	132 987 886,00	- 543 102,00	0,00	7 168 446,03	7 168 446,03	139 613 230,03
30	PENSIONS	945 245 000,00	2 499 990,00	0,00	6,94	6,94	947 744 996,94
31	RESERVES	229 000 000,00	- 180 000 000,00	0,00	0,00	0,00	49 000 000,00
90	OTHER INSTITUTIONS	2 459 501 892,00	554 545,00	200 000,00	98 837 841,12	99 037 841,12	2 559 094 278,12
	Total	**121 190 909 324,00**	**621 137 828,00**	**211 559 221,73**	**2 013 059 611,39**	**2 224 618 833,12**	**122 794 390 329,12**

	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	472 046 353,00	- 30 032 803,00	5 600 164,22	7 621 116,28	13 221 280,50	455 234 830,50
02	ENTERPRISE	432 613 648,00	- 22 929 530,00	15 510 475,59	52 839 748,36	68 350 223,95	478 034 341,95
03	COMPETITION	98 657 766,00	- 179 342,00	7 330 349,34	4 541 708,41	11 872 057,75	110 350 481,75
04	EMPLOYMENT AND SOCIAL AFFAIRS	10 084 836 283,00	- 502 319 720,00	15 696 381,65	15 480 020,52	31 176 402,17	9 613 692 965,17
05	AGRICULTURE AND RURAL DEVELOPMENT	54 778 247 265,00	- 898 869 625,00	67 871 546,84	55 582 167,31	123 453 714,15	54 002 831 354,15
06	ENERGY AND TRANSPORT	1 294 063 844,00	68 160 712,00	16 851 106,22	102 636 632,23	119 487 738,45	1 481 712 294,45
07	ENVIRONMENT	311 565 592,00	- 3 433 885,00	16 909 264,60	19 624 293,28	36 533 557,88	344 665 264,88
08	RESEARCH	3 258 914 298,00	- 78 302 859,00	34 967 804,35	782 756 340,98	817 724 145,33	3 998 335 584,33
09	INFORMATION SOCIETY AND MEDIA	1 417 445 907,00	- 62 474 843,00	17 297 162,14	287 739 489,82	305 036 651,96	1 660 007 715,96
10	DIRECT RESEARCH	347 880 589,00	- 9 706 020,00	38 090 653,66	249 227 746,20	287 318 399,86	625 492 968,86
11	FISHERIES	986 454 359,00	- 21 384 609,00	4 461 945,90	7 873 925,12	12 335 871,02	977 405 621,02
12	INTERNAL MARKET	78 856 248,00	- 6 381 183,00	7 908 009,04	3 407 059,64	11 315 068,68	83 790 133,68
13	REGIONAL POLICY	22 788 783 362,00	- 2 923 645 029,00	109 655 860,39	17 779 495,81	127 435 356,20	19 992 573 689,20
14	TAXATION AND CUSTOMS UNION	122 383 139,00	- 8 300 738,00	6 459 757,80	5 549 328,72	12 009 086,52	126 091 487,52
15	EDUCATION AND CULTURE	952 358 282,00	49 902 717,00	21 519 604,37	243 432 091,92	264 951 696,29	1 267 212 695,29
16	PRESS AND COMMUNICATION	197 757 888,00	14 909 324,00	17 770 212,64	5 962 430,07	23 732 642,71	236 399 854,71
17	HEALTH AND CONSUMER PROTECTION	558 741 808,00	- 14 585 847,00	252 646 931,78	25 657 308,56	278 304 240,34	822 460 201,34
18	AREA OF FREEDOM, SECURITY AND JUSTICE	588 653 896,00	- 10 887 769,00	55 934 522,64	16 460 988,17	72 395 510,81	650 161 637,81
19	EXTERNAL RELATIONS	3 304 271 000,00	50 007 805,00	61 225 726,08	114 834 610,41	176 060 336,49	3 530 339 141,49
20	TRADE	82 996 875,00	- 104 693,00	6 109 010,67	2 754 066,49	8 863 077,16	91 755 259,16
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 260 716 197,00	- 84 523 218,00	38 000 132,95	96 495 263,79	134 495 396,74	1 310 688 375,74
22	ENLARGEMENT	2 160 321 524,00	- 109 146 615,00	23 901 598,29	91 032 187,94	114 933 786,23	2 166 108 695,23
23	HUMANITARIAN AID	516 503 476,00	100 951 189,00	4 720 762,94	12 798 494,49	17 519 257,43	634 973 922,43
24	FIGHT AGAINST FRAUD	64 303 924,00	997 292,00	7 036 177,45	151 489,82	7 187 667,27	72 488 883,27
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	214 995 745,00	1 415 454,00	15 754 773,55	8 486 817,78	24 241 591,33	240 652 790,33
26	COMMISSION'S ADMINISTRATION	660 329 166,00	- 3 396 394,00	80 277 654,25	51 899 373,03	132 177 027,28	789 109 799,28
27	BUDGET	1 159 929 327,00	- 8 864 801,00	8 992 978,19	2 580 846,77	11 573 824,96	1 162 638 350,96
28	AUDIT	11 547 110,00	- 124 231,00	771 831,87	329 103,26	1 100 935,13	12 523 814,13
29	STATISTICS	129 685 686,00	- 8 943 102,00	7 499 217,83	4 965 847,08	12 465 064,91	133 207 648,91
30	PENSIONS	945 245 000,00	2 499 990,00	0,00	6,94	6,94	947 744 996,94
31	RESERVES	229 000 000,00	- 72 000 000,00	0,00	0,00	0,00	157 000 000,00
90	OTHER INSTITUTIONS	2 459 501 892,00	554 545,00	458 533 290,56	124 457 549,48	582 990 840,04	3 043 047 277,04
	Total	**111 969 607 449,00**	**4 591 137 828,00**	**1 425 304 907,80**	**2 414 957 548,68**	**3 840 262 456,48**	**111 218 732 077,48**

6. Implementation of commitment appropriations by Policy area

EUR

	Policy area	Commitment appropriations authorised	Commitments made: from the year's appropriations	Commitments made: from carry-overs or appropriations made available again	Commitments made: earmarked revenue	Commitments made: Total	Commitments made: %
		1	2	3	4	5=2+3+4	6=5/1
01	ECONOMIC AND FINANCIAL AFFAIRS	489 208 065,89	378 825 310,24	0,00	6 201 766,12	385 027 076,36	78,70 %
02	ENTERPRISE	467 371 914,18	393 156 824,20	7 286 733,54	31 109 168,05	431 552 725,79	92,34 %
03	COMPETITION	103 020 458,98	97 973 085,25	0,00	2 061 543,15	100 034 628,40	97,10 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	11 929 944 855,16	11 904 081 832,99	47 839,60	6 296 428,32	11 910 426 100,91	99,84 %
05	AGRICULTURE AND RURAL DEVELOPMENT	54 664 833 471,54	54 216 432 824,28	55 646 957,00	4 516 387,66	54 276 596 168,94	99,29 %
06	ENERGY AND TRANSPORT	1 539 164 640,65	1 427 249 704,06	1 015 203,07	38 752 813,21	1 467 017 720,34	95,31 %
07	ENVIRONMENT	367 463 577,35	340 075 025,80	148 000,00	9 013 830,45	349 236 856,25	95,04 %
08	RESEARCH	4 031 924 187,24	3 518 140 507,17	0,00	414 341 341,44	3 932 481 848,61	97,53 %
09	INFORMATION SOCIETY AND MEDIA	1 601 574 240,87	1 417 994 821,13	0,00	110 390 784,86	1 528 385 605,99	95,43 %
10	DIRECT RESEARCH	644 922 421,28	330 177 033,33	3 565 001,00	78 727 284,33	412 469 318,66	63,96 %
11	FISHERIES	1 088 978 975,31	1 052 088 091,72	637 500,00	2 944 037,68	1 055 669 629,40	96,94 %
12	INTERNAL MARKET	79 380 112,05	71 819 863,37	1 426 979,63	1 644 938,11	74 891 781,11	94,35 %
13	REGIONAL POLICY	28 930 682 899,01	28 763 572 699,31	124 513 430,00	16 029 786,42	28 904 115 915,73	99,91 %
14	TAXATION AND CUSTOMS UNION	136 057 812,33	118 869 915,17	0,00	2 859 555,46	121 729 470,63	89,47 %
15	EDUCATION AND CULTURE	1 225 025 280,97	1 000 228 765,96	1 684 527,98	144 862 079,35	1 146 775 373,29	93,61 %
16	PRESS AND COMMUNICATION	214 824 577,74	202 228 896,38	0,00	3 647 282,75	205 876 179,13	95,83 %
17	HEALTH AND CONSUMER PROTECTION	587 946 705,50	523 902 906,97	3 550 852,00	7 135 886,01	534 589 644,98	90,92 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	625 042 842,21	585 521 985,04	0,00	4 982 433,16	590 504 418,20	94,47 %
19	EXTERNAL RELATIONS	3 652 339 652,54	3 522 696 153,64	600 000,00	92 546 893,34	3 615 843 046,98	99,00 %
20	TRADE	85 591 248,49	81 666 300,24	204 850,00	1 201 426,55	83 072 576,79	97,06 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 389 319 831,09	1 273 644 275,35	2 000 000,00	16 404 808,46	1 292 049 083,81	93,00 %
22	ENLARGEMENT	2 410 559 442,66	2 308 676 644,20	0,00	45 377 030,78	2 354 053 674,98	97,66 %
23	HUMANITARIAN AID	663 366 766,49	654 873 669,48	0,00	7 547 708,11	662 421 377,59	99,86 %
24	FIGHT AGAINST FRAUD	65 893 905,82	61 560 969,65	0,00	75 245,32	61 636 214,97	93,54 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	225 609 536,24	214 834 828,30	0,00	3 673 544,26	218 508 372,56	96,85 %
26	COMMISSION'S ADMINISTRATION	713 493 047,40	633 518 446,84	0,00	28 894 353,35	662 412 800,19	92,84 %
27	BUDGET	1 153 645 372,77	1 145 960 397,45	0,00	974 902,33	1 146 935 299,78	99,42 %
28	AUDIT	11 751 982,27	11 225 836,69	0,00	120 710,73	11 346 547,42	96,55 %
29	STATISTICS	139 613 230,03	122 189 642,14	0,00	4 348 995,20	126 538 637,34	90,64 %
30	PENSIONS	947 744 996,94	947 094 264,30	0,00	0,00	947 094 264,30	99,93 %
31	RESERVES	49 000 000,00	0,00	0,00	0,00	0,00	0,00 %
90	OTHER INSTITUTIONS	2 559 094 278,12	2 381 192 015,53	200 000,00	69 454 275,18	2 450 846 290,71	95,77 %
	Total	**122 794 390 329,12**	**119 701 473 536,18**	**202 527 873,82**	**1 156 137 240,14**	**121 060 138 650,14**	**98,59 %**

	Policy area	Appropriations carried over to 2007: earmarked revenue	Appropriations carried over to 2007: carry-overs by decision	Appropriations carried over to 2007: Total	Appropriations carried over to 2007: %	Appropriations lapsing: from the year's budget appropriations	Appropriations lapsing: appropriations carried over or made available again from 2005	Appropriations lapsing: earmarked revenue (EFTA)	Appropriations lapsing: Total	Appropriations lapsing: %
		7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
01	ECONOMIC AND FINANCIAL AFFAIRS	1 485 723,77	0,00	1 485 723,77	0,30 %	102 695 265,76	0,00	0,00	102 695 265,76	20,99 %
02	ENTERPRISE	13 696 737,13	445 210,00	14 141 947,13	3,03 %	13 897 083,80	7 589 217,46	190 940,00	21 677 241,26	4,64 %
03	COMPETITION	2 475 495,05	0,00	2 475 495,05	2,40 %	505 338,75	0,00	4 996,78	510 335,53	0,50 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	10 241 974,33	0,00	10 241 974,33	0,09 %	9 208 356,87	0,00	68 423,05	9 276 779,92	0,08 %
05	AGRICULTURE AND RURAL DEVELOPMENT	51 202 538,88	399 756,00	51 602 294,88	0,09 %	336 634 796,72	211,00	0,00	336 635 007,72	0,62 %
06	ENERGY AND TRANSPORT	42 926 642,91	8 503 223,00	51 429 865,91	3,34 %	20 617 132,18	0,00	99 922,22	20 717 054,40	1,35 %
07	ENVIRONMENT	8 071 738,56	0,00	8 071 738,56	2,20 %	10 029 281,20	0,00	125 701,34	10 154 982,54	2,76 %
08	RESEARCH	88 663 397,18	0,00	88 663 397,18	2,20 %	10 588 428,59	0,00	190 512,86	10 778 941,45	0,27 %
09	INFORMATION SOCIETY AND MEDIA	65 722 938,24	278 591,00	66 001 529,24	4,12 %	7 102 651,87	0,00	84 453,77	7 187 105,64	0,45 %
10	DIRECT RESEARCH	231 566 353,19	0,00	231 566 353,19	35,91 %	26 441,67	859 999,00	308,76	886 749,43	0,14 %
11	FISHERIES	3 579 636,94	0,00	3 579 636,94	0,33 %	29 673 231,28	50 000,00	6 477,69	29 729 708,97	2,73 %
12	INTERNAL MARKET	1 766 831,39	0,00	1 766 831,39	2,23 %	2 405 201,63	284 545,78	31 752,14	2 721 499,55	3,43 %
13	REGIONAL POLICY	1 688 933,45	0,00	1 688 933,45	0,01 %	24 878 049,83	0,00	0,00	24 878 049,83	0,09 %
14	TAXATION AND CUSTOMS UNION	2 800 775,87	0,00	2 800 775,87	2,06 %	11 527 565,83	0,00	0,00	11 527 565,83	8,47 %
15	EDUCATION AND CULTURE	70 546 716,16	0,00	70 546 716,16	5,76 %	7 468 833,04	129 077,12	105 281,36	7 703 191,52	0,63 %
16	PRESS AND COMMUNICATION	2 440 082,99	0,00	2 440 082,99	1,14 %	6 508 315,62	0,00	0,00	6 508 315,62	3,03 %
17	HEALTH AND CONSUMER PROTECTION	17 125 289,36	0,00	17 125 289,36	2,91 %	36 141 940,03	73 147,55	16 683,58	36 231 771,16	6,16 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	11 715 246,95	294 000,00	12 009 246,95	1,92 %	22 522 141,96	0,00	7 035,10	22 529 177,06	3,60 %
19	EXTERNAL RELATIONS	32 125 904,20	0,00	32 125 904,20	0,88 %	4 370 701,36	0,00	0,00	4 370 701,36	0,12 %
20	TRADE	1 552 639,94	0,00	1 552 639,94	1,81 %	920 881,76	45 150,00	0,00	966 031,76	1,13 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	91 070 769,63	0,00	91 070 769,63	6,56 %	6 199 977,65	0,00	0,00	6 199 977,65	0,45 %
22	ENLARGEMENT	40 124 802,88	0,00	40 124 802,88	1,66 %	16 380 964,80	0,00	0,00	16 380 964,80	0,68 %
23	HUMANITARIAN AID	614 393,38	0,00	614 393,38	0,09 %	330 995,52	0,00	0,00	330 995,52	0,05 %
24	FIGHT AGAINST FRAUD	76 244,50	0,00	76 244,50	0,12 %	4 181 446,35	0,00	0,00	4 181 446,35	6,35 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	5 524 792,98	0,00	5 524 792,98	2,45 %	1 576 370,70	0,00	0,00	1 576 370,70	0,70 %
26	COMMISSION'S ADMINISTRATION	23 165 922,05	807 200,00	23 973 122,05	3,36 %	27 107 125,16	0,00	0,00	27 107 125,16	3,80 %
27	BUDGET	1 605 944,44	0,00	1 605 944,44	0,14 %	5 104 128,55	0,00	0,00	5 104 128,55	0,44 %
28	AUDIT	208 392,54	0,00	208 392,54	1,77 %	197 042,31	0,00	0,00	197 042,31	1,68 %
29	STATISTICS	2 674 013,27	0,00	2 674 013,27	1,92 %	10 255 141,86	0,00	145 437,56	10 400 579,42	7,45 %
30	PENSIONS	6,94	0,00	6,94	0,00 %	650 725,70	0,00	0,00	650 725,70	0,07 %
31	RESERVES	0,00	0,00	0,00	0,00 %	49 000 000,00	0,00	0,00	49 000 000,00	100,00 %
90	OTHER INSTITUTIONS	29 383 565,94	0,00	29 383 565,94	1,15 %	78 864 421,47	0,00	0,00	78 864 421,47	3,08 %
	Total	**855 844 445,04**	**10 727 980,00**	**866 572 425,04**	**0,71 %**	**857 569 979,82**	**9 031 347,91**	**1 077 926,21**	**867 679 253,94**	**0,71 %**

7. Implementation of payment appropriations by budget Policy area

EUR

	Policy area	Payment appropriations authorised	Payments made					Appropriations carried over to 2007					Appropriations lapsing				
			from the year's appropriations	from carry-overs	earmarked revenue	Total	%	automatic carry-overs	carry-overs by decision	earmarked revenue	Total	%	from the year's appropriations	from carry-overs	earmarked revenue (EFTA)	Total	%
		1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
01	ECONOMIC AND FINANCIAL AFFAIRS	455 234 830,50	331 439 970,03	4 726 085,53	6 162 230,04	342 328 285,60	75,20 %	6 033 250,01	0,00	1 458 886,24	7 492 136,25	1,65 %	104 540 329,96	874 078,69	0,00	105 414 408,65	23,16 %
02	ENTERPRISE	478 034 341,95	303 018 900,05	11 959 670,99	15 311 488,76	330 290 059,80	69,09 %	21 764 224,45	0,00	36 343 871,92	58 108 096,37	12,16 %	84 900 993,50	3 550 804,60	1 184 387,68	89 636 185,78	18,75 %
03	COMPETITION	110 350 481,75	88 983 491,60	6 689 150,06	1 769 791,15	97 442 432,81	88,30 %	8 624 319,64	0,00	2 759 395,84	11 383 715,48	10,32 %	870 612,76	641 199,28	12 521,42	1 524 333,46	1,38 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	9 613 692 965,17	9 546 762 642,28	12 050 242,18	4 994 347,42	9 563 807 231,88	99,48 %	17 953 955,44	0,00	10 357 652,89	28 311 608,33	0,29 %	17 799 965,28	3 646 139,47	128 020,21	21 574 124,96	0,22 %
05	AGRICULTURE AND RURAL DEVELOPMENT	54 002 831 354,15	53 509 212 233,87	64 333 710,88	8 303 592,79	53 581 849 537,54	99,22 %	27 456 990,98	3 533 784,00	47 278 574,52	78 269 349,50	0,14 %	339 174 631,15	3 537 835,96	0,00	342 712 467,11	0,63 %
06	ENERGY AND TRANSPORT	1 481 712 294,45	1 268 887 764,99	13 264 998,02	18 977 353,53	1 301 130 116,54	87,81 %	19 710 288,56	0,00	82 444 934,37	102 155 222,93	6,89 %	73 626 502,45	3 586 108,20	1 214 344,33	78 426 954,98	5,29 %
07	ENVIRONMENT	344 665 264,88	267 469 426,31	15 049 074,92	10 718 178,48	293 236 679,71	85,08 %	16 960 425,25	6 960 000,00	8 849 985,56	32 770 410,81	9,51 %	16 741 855,44	1 860 189,68	56 129,24	18 658 174,36	5,41 %
08	RESEARCH	3 998 335 584,33	3 104 650 287,95	24 164 348,81	243 998 692,71	3 372 813 329,47	84,36 %	46 495 236,78	0,00	538 200 908,60	584 696 145,38	14,62 %	29 465 914,27	10 803 455,54	556 739,67	40 826 109,48	1,02 %
09	INFORMATION SOCIETY AND MEDIA	1 660 007 715,96	1 315 595 092,94	13 093 816,75	97 836 784,43	1 426 525 694,12	85,93 %	18 140 365,13	0,00	189 625 967,34	207 766 332,47	12,52 %	21 235 605,93	4 203 345,39	276 738,05	25 715 689,37	1,55 %
10	DIRECT RESEARCH	625 492 968,86	298 411 006,78	34 052 788,03	60 206 831,65	392 670 626,46	62,78 %	34 202 041,57	0,00	188 981 663,02	223 183 704,59	35,68 %	5 561 520,65	4 037 865,63	39 251,53	9 638 637,81	1,54 %
11	FISHERIES	977 405 621,02	782 444 639,04	3 747 657,10	2 570 116,69	788 762 412,83	80,70 %	5 042 089,16	34 693 952,28	5 249 776,55	44 985 817,99	4,60 %	142 889 069,52	714 288,80	54 031,88	143 657 390,20	14,70 %
12	INTERNAL MARKET	83 790 133,68	63 796 731,22	6 522 186,89	1 396 542,15	71 715 460,26	85,59 %	6 336 313,56	0,00	1 980 084,91	8 316 398,47	9,93 %	2 342 020,22	1 385 822,15	30 432,58	3 758 274,95	4,49 %
13	REGIONAL POLICY	19 992 573 689,20	19 715 504 287,31	104 258 117,59	15 871 886,73	19 835 634 291,63	99,22 %	14 769 673,59	0,00	1 907 609,08	16 677 282,67	0,08 %	134 864 372,10	5 397 742,80	0,00	140 262 114,90	0,70 %
14	TAXATION AND CUSTOMS UNION	126 091 487,52	97 400 856,66	6 204 269,24	2 538 971,10	106 144 097,00	84,18 %	6 434 136,56	0,00	3 010 357,62	9 444 494,18	7,49 %	10 247 407,78	255 488,56	0,00	10 502 896,34	8,33 %
15	EDUCATION AND CULTURE	1 267 212 695,29	954 930 905,40	15 125 884,49	138 152 174,50	1 108 208 964,39	87,45 %	14 822 958,65	0,00	104 809 595,38	119 632 554,03	9,44 %	32 507 134,95	6 393 719,88	470 322,04	39 371 176,87	3,11 %
16	PRESS AND COMMUNICATION	236 399 854,71	171 191 042,93	14 875 137,69	2 594 419,75	188 660 600,37	79,81 %	16 564 296,18	10 545 000,00	3 368 010,32	30 477 306,50	12,89 %	14 366 872,89	2 895 074,95	0,00	17 261 947,84	7,30 %
17	HEALTH AND CONSUMER PROTECTION	822 460 201,34	227 655 089,63	189 562 370,04	7 155 399,96	424 372 859,63	51,60 %	268 657 934,80	0,00	18 473 422,73	287 131 357,53	34,91 %	47 842 936,57	63 084 561,74	28 485,87	110 955 984,18	13,49 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	650 161 637,81	540 470 399,57	15 488 537,87	4 849 043,68	560 807 981,12	86,26 %	7 196 416,11	0,00	11 547 699,64	18 744 115,75	2,88 %	30 099 311,32	40 445 984,77	64 244,85	70 609 540,94	10,86 %
19	EXTERNAL RELATIONS	3 530 339 141,49	3 194 154 450,52	46 638 036,86	77 235 394,58	3 318 027 881,96	93,99 %	51 882 198,22	7 004 728,00	37 599 215,83	96 486 142,05	2,73 %	101 237 428,26	14 587 689,22	0,00	115 825 117,48	3,28 %
20	TRADE	91 755 259,16	73 166 678,92	5 607 768,15	1 049 372,23	79 823 819,30	87,00 %	6 300 632,29	0,00	1 704 694,26	8 005 326,55	8,72 %	3 424 870,79	501 242,52	0,00	3 926 113,31	4,28 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 310 688 375,74	945 867 463,97	22 913 323,19	7 979 027,94	976 759 815,10	74,52 %	34 931 000,47	1 512 170,00	88 516 235,85	124 959 406,32	9,53 %	193 882 344,56	15 086 809,76	0,00	208 969 154,32	15,94 %
22	ENLARGEMENT	2 166 108 695,23	2 016 171 987,48	14 286 970,45	82 625 591,56	2 113 084 549,49	97,55 %	15 478 947,63	0,00	8 406 596,38	23 885 544,01	1,10 %	19 523 973,89	9 614 627,84	0,00	29 138 601,73	1,35 %
23	HUMANITARIAN AID	634 973 922,43	608 912 195,88	4 161 439,69	11 980 378,76	625 054 014,33	98,44 %	4 772 753,85	0,00	818 115,73	5 590 869,58	0,88 %	3 769 715,27	559 323,25	0,00	4 329 038,52	0,68 %
24	FIGHT AGAINST FRAUD	72 488 883,27	51 670 750,51	5 897 963,11	29 805,18	57 598 518,80	79,46 %	6 152 399,77	0,00	121 684,64	6 274 084,41	8,66 %	7 478 065,72	1 138 214,34	0,00	8 616 280,06	11,89 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	240 652 790,33	191 721 315,54	14 304 292,86	3 668 311,68	209 693 920,08	87,14 %	19 640 941,50	2 096 023,84	4 818 506,10	26 555 471,44	11,03 %	2 952 918,12	1 450 480,69	0,00	4 403 398,81	1,83 %
26	COMMISSION'S ADMINISTRATION	789 109 799,28	566 507 136,08	57 871 453,66	21 747 558,42	646 126 148,16	81,88 %	66 638 085,31	807 200,00	30 151 814,61	97 597 099,92	12,37 %	22 980 350,61	22 406 200,59	0,00	45 386 551,20	5,75 %
27	BUDGET	1 162 638 350,96	1 135 770 934,74	8 240 134,55	865 380,05	1 144 876 449,34	98,47 %	10 189 462,71	0,00	1 715 466,72	11 904 929,43	1,02 %	5 104 128,55	752 843,64	0,00	5 856 972,19	0,50 %
28	AUDIT	12 523 814,13	10 169 811,63	651 373,82	106 338,38	10 927 523,83	87,25 %	1 056 025,06	0,00	222 764,88	1 278 789,94	10,21 %	197 042,31	120 458,05	0,00	317 500,36	2,54 %
29	STATISTICS	133 207 648,91	102 028 676,93	6 198 634,61	3 048 445,66	111 275 757,20	83,54 %	8 698 894,86	0,00	1 834 938,99	10 533 833,85	7,91 %	10 015 012,21	1 300 583,22	82 462,43	11 398 057,86	8,56 %
30	PENSIONS	947 744 996,94	947 002 984,24	0,00	0,00	947 002 984,24	99,92 %	91 280,06	0,00	6,94	91 287,00	0,01 %	650 725,70	0,00	0,00	650 725,70	0,07 %
31	RESERVES	157 000 000,00	0,00	0,00	0,00	0,00	0,00 %	0,00	0,00	0,00	0,00	0,00 %	157 000 000,00	0,00	0,00	157 000 000,00	100,00 %
90	OTHER INSTITUTIONS	3 043 047 277,04	2 059 504 544,28	421 649 284,95	67 694 659,63	2 548 848 488,86	83,76 %	321 403 538,80	0,00	56 762 889,85	378 166 428,65	12,43 %	79 148 353,92	36 884 005,61	0,00	116 032 359,53	3,81 %
	Total	**111 218 732 077,48**	**104 490 473 699,28**	**1 163 588 722,98**	**921 438 109,59**	**106 575 500 531,85**	**95,83 %**	**1 104 401 076,95**	**67 152 858,12**	**1 489 321 327,31**	**2 660 875 262,38**	**2,39 %**	**1 716 441 986,65**	**261 716 184,82**	**4 198 111,78**	**1 982 356 283,25**	**1,78 %**

8. Comparison of budget implementation 2006 and 2005 by Policy area

Commitment Appropriations

EUR

	Policy area	Authorised appropriations			Commitments made			
		2006	2005	% change	2006	%	2005	%
		1	2	3=(1-2)/2	4	5=4/1	6	7=6/2
01	ECONOMIC AND FINANCIAL AFFAIRS	489 208 065,89	407 527 208,93	20,04 %	385 027 076,36	78,70 %	309 784 343,26	76,02 %
02	ENTERPRISE	467 371 914,18	426 592 592,95	9,56 %	431 552 725,79	92,34 %	349 976 535,28	82,04 %
03	COMPETITION	103 020 458,98	92 921 162,67	10,87 %	100 034 628,40	97,10 %	91 535 613,64	98,51 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	11 929 944 855,16	11 526 648 203,18	3,50 %	11 910 426 100,91	99,84 %	11 499 353 632,97	99,76 %
05	AGRICULTURE AND RURAL DEVELOPMENT	54 664 833 471,54	53 268 700 112,37	2,62 %	54 276 596 168,94	99,29 %	53 105 501 362,09	99,69 %
06	ENERGY AND TRANSPORT	1 539 164 640,65	1 486 438 871,24	3,55 %	1 467 017 720,34	95,31 %	1 426 019 964,83	95,94 %
07	ENVIRONMENT	367 463 577,35	347 971 130,46	5,60 %	349 236 856,25	95,04 %	333 756 826,31	95,92 %
08	RESEARCH	4 031 924 187,24	3 776 900 753,70	6,75 %	3 932 481 848,61	97,53 %	3 642 449 012,70	96,44 %
09	INFORMATION SOCIETY AND MEDIA	1 601 574 240,87	1 565 654 841,89	2,29 %	1 528 385 605,99	95,43 %	1 502 184 340,22	95,95 %
10	DIRECT RESEARCH	644 922 421,28	622 855 009,90	3,54 %	412 469 318,66	63,96 %	393 433 794,93	63,17 %
11	FISHERIES	1 088 978 975,31	1 027 724 083,17	5,96 %	1 055 669 629,40	96,94 %	997 735 419,43	97,08 %
12	INTERNAL MARKET	79 380 112,05	76 737 359,69	3,44 %	74 891 781,11	94,35 %	70 329 348,53	91,65 %
13	REGIONAL POLICY	28 930 682 899,01	27 307 413 557,57	5,94 %	28 904 115 915,73	99,91 %	27 203 606 421,36	99,62 %
14	TAXATION AND CUSTOMS UNION	136 057 812,33	129 937 141,75	4,71 %	121 729 470,63	89,47 %	108 310 512,65	83,36 %
15	EDUCATION AND CULTURE	1 225 025 280,97	1 153 954 314,63	6,16 %	1 146 775 373,29	93,61 %	1 051 670 746,48	91,14 %
16	PRESS AND COMMUNICATION	214 824 577,74	192 743 132,33	11,46 %	205 876 179,13	95,83 %	181 309 572,97	94,07 %
17	HEALTH AND CONSUMER PROTECTION	587 946 705,50	498 193 764,15	18,02 %	534 589 644,98	90,92 %	472 067 559,43	94,76 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	625 042 842,21	608 409 488,09	2,73 %	590 504 418,20	94,47 %	594 371 619,52	97,69 %
19	EXTERNAL RELATIONS	3 652 339 652,54	3 451 788 313,24	5,81 %	3 615 843 046,98	99,00 %	3 387 618 648,81	98,14 %
20	TRADE	85 591 248,49	79 045 483,69	8,28 %	83 072 576,79	97,06 %	76 411 967,41	96,67 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 389 319 831,09	1 289 036 926,29	7,78 %	1 292 049 083,81	93,00 %	1 252 839 282,97	97,19 %
22	ENLARGEMENT	2 410 559 442,66	2 091 172 264,18	15,27 %	2 354 053 674,98	97,66 %	1 924 853 560,36	92,05 %
23	HUMANITARIAN AID	663 366 766,49	649 607 082,02	2,12 %	662 421 377,59	99,86 %	648 484 098,73	99,83 %
24	FIGHT AGAINST FRAUD	65 893 905,82	58 081 724,61	13,45 %	61 636 214,97	93,54 %	57 291 123,75	98,64 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	225 609 536,24	221 979 010,68	1,64 %	218 508 372,56	96,85 %	214 565 740,03	96,66 %
26	COMMISSION'S ADMINISTRATION	713 493 047,40	694 334 023,39	2,76 %	662 412 800,19	92,84 %	646 558 500,04	93,12 %
27	BUDGET	1 153 645 372,77	1 371 761 854,50	- 15,90 %	1 146 935 299,78	99,42 %	1 369 172 980,93	99,81 %
28	AUDIT	11 751 982,27	11 065 776,56	6,20 %	11 346 547,42	96,55 %	10 736 817,48	97,03 %
29	STATISTICS	139 613 230,03	143 845 832,96	- 2,94 %	126 538 637,34	90,64 %	122 598 026,83	85,23 %
30	PENSIONS	947 744 996,94	899 771 006,94	5,33 %	947 094 264,30	99,93 %	897 979 045,67	99,80 %
31	RESERVES	49 000 000,00	13 000 000,00	276,92 %	0,00	0,00 %	0,00	0,00 %
90	OTHER INSTITUTIONS	2 559 094 278,12	2 444 128 322,90	4,70 %	2 450 846 290,71	95,77 %	2 335 402 908,76	95,55 %
	Total	**122 794 390 329,12**	**117 935 940 350,63**	**4,12 %**	**121 060 138 650,14**	**98,59 %**	**116 277 909 328,37**	**98,59 %**

	Policy area	Appropriations carried over to the following year				Appropriations lapsing			
		2006	%	2005	%	2006	%	2005	%
		8	9=8/1	10	11=10/2	12=1-4-8	13=12/1	14=2-6-10	15=14/2
01	ECONOMIC AND FINANCIAL AFFAIRS	1 485 723,77	0,30 %	593 962,61	0,15 %	102 695 265,76	20,99 %	97 148 903,06	23,84 %
02	ENTERPRISE	14 141 947,13	3,03 %	36 383 569,61	8,53 %	21 677 241,26	4,64 %	40 232 488,06	9,43 %
03	COMPETITION	2 475 495,05	2,40 %	912 009,08	0,98 %	510 335,53	0,50 %	473 539,95	0,51 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	10 241 974,33	0,09 %	7 514 005,27	0,07 %	9 276 779,92	0,08 %	19 780 564,94	0,17 %
05	AGRICULTURE AND RURAL DEVELOPMENT	51 602 294,88	0,09 %	65 588 515,72	0,12 %	336 635 007,72	0,62 %	97 610 234,56	0,18 %
06	ENERGY AND TRANSPORT	51 429 865,91	3,34 %	34 387 551,95	2,31 %	20 717 054,40	1,35 %	26 031 354,46	1,75 %
07	ENVIRONMENT	8 071 738,56	2,20 %	5 513 903,44	1,58 %	10 154 982,54	2,76 %	8 700 400,71	2,50 %
08	RESEARCH	88 663 397,18	2,20 %	134 002 260,02	3,55 %	10 778 941,45	0,27 %	449 480,98	0,01 %
09	INFORMATION SOCIETY AND MEDIA	66 001 529,24	4,12 %	55 790 812,19	3,56 %	7 187 105,64	0,45 %	7 679 689,48	0,49 %
10	DIRECT RESEARCH	231 566 353,19	35,91 %	214 636 615,68	34,46 %	886 749,43	0,14 %	14 784 599,29	2,37 %
11	FISHERIES	3 579 636,94	0,33 %	3 892 296,72	0,38 %	29 729 708,97	2,73 %	26 096 367,02	2,54 %
12	INTERNAL MARKET	1 766 831,39	2,23 %	2 428 212,30	3,16 %	2 721 499,55	3,43 %	3 979 798,86	5,19 %
13	REGIONAL POLICY	1 688 933,45	0,01 %	93 615 991,91	0,34 %	24 878 049,83	0,09 %	10 191 144,30	0,04 %
14	TAXATION AND CUSTOMS UNION	2 800 775,87	2,06 %	1 397 863,53	1,08 %	11 527 565,83	8,47 %	20 228 765,57	15,57 %
15	EDUCATION AND CULTURE	70 546 716,16	5,76 %	91 820 790,59	7,96 %	7 703 191,52	0,63 %	10 462 777,56	0,91 %
16	PRESS AND COMMUNICATION	2 440 082,99	1,14 %	1 450 898,11	0,75 %	6 508 315,62	3,03 %	9 982 661,25	5,18 %
17	HEALTH AND CONSUMER PROTECTION	17 125 289,36	2,91 %	12 124 419,78	2,43 %	36 231 771,16	6,16 %	14 001 784,94	2,81 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	12 009 246,95	1,92 %	5 376 553,87	0,88 %	22 529 177,06	3,60 %	8 661 314,70	1,42 %
19	EXTERNAL RELATIONS	32 125 904,20	0,88 %	55 448 433,28	1,61 %	4 370 701,36	0,12 %	8 721 231,15	0,25 %
20	TRADE	1 552 639,94	1,81 %	935 968,45	1,18 %	966 031,76	1,13 %	1 697 547,83	2,15 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	91 070 769,63	6,56 %	25 378 049,45	1,97 %	6 199 977,65	0,45 %	10 819 593,87	0,84 %
22	ENLARGEMENT	40 124 802,88	1,66 %	34 028 225,48	1,63 %	16 380 964,80	0,68 %	132 290 478,34	6,33 %
23	HUMANITARIAN AID	614 393,38	0,09 %	998 669,91	0,15 %	330 995,52	0,05 %	124 313,38	0,02 %
24	FIGHT AGAINST FRAUD	76 244,50	0,12 %	46 294,37	0,08 %	4 181 446,35	6,35 %	744 306,49	1,28 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	5 524 792,98	2,45 %	3 931 895,71	1,77 %	1 576 370,70	0,70 %	3 481 374,94	1,57 %
26	COMMISSION'S ADMINISTRATION	23 973 122,05	3,36 %	18 946 607,61	2,73 %	27 107 125,16	3,80 %	28 828 915,74	4,15 %
27	BUDGET	1 605 944,44	0,14 %	694 377,84	0,05 %	5 104 128,55	0,44 %	1 894 495,73	0,14 %
28	AUDIT	208 392,54	1,77 %	91 170,19	0,82 %	197 042,31	1,68 %	237 788,89	2,15 %
29	STATISTICS	2 674 013,27	1,92 %	3 367 160,99	2,34 %	10 400 579,42	7,45 %	17 880 645,14	12,43 %
30	PENSIONS	6,94	0,00 %	6,94	0,00 %	650 725,70	0,07 %	1 791 954,33	0,20 %
31	RESERVES	0,00	0,00 %	0,00	0,00 %	49 000 000,00	100,00 %	13 000 000,00	100,00 %
90	OTHER INSTITUTIONS	29 383 565,94	1,15 %	48 666 663,84	1,99 %	78 864 421,47	3,08 %	60 058 750,30	2,46 %
	Total	**866 572 425,04**	**0,71 %**	**959 963 756,44**	**0,81 %**	**867 679 253,94**	**0,71 %**	**698 067 265,82**	**0,59 %**

9. Comparison of budget implementation 2006 and 2005 by Policy area

Payment Appropriations

EUR

	Policy area	Authorised appropriations 2006	Authorised appropriations 2005	% change	Payments made 2006	%	Payments made 2005	%
		1	2	3=(1-2)/2	4	5=4/1	6	7=6/2
01	ECONOMIC AND FINANCIAL AFFAIRS	455 234 830,50	455 723 451,06	0,11 %	342 328 285,60	75,20 %	356 798 011,71	78,29 %
02	ENTERPRISE	478 034 341,95	420 813 510,71	13,60 %	330 290 059,80	69,09 %	305 486 312,68	72,59 %
03	COMPETITION	110 350 481,75	99 373 701,44	11,05 %	97 442 432,81	88,30 %	89 655 686,24	90,22 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	9 613 692 965,17	9 811 200 592,87	2,01 %	9 563 807 231,88	99,48 %	9 756 257 708,52	99,44 %
05	AGRICULTURE AND RURAL DEVELOPMENT	54 002 831 354,15	52 984 768 230,41	1,92 %	53 581 849 537,54	99,22 %	52 736 906 945,54	99,53 %
06	ENERGY AND TRANSPORT	1 481 712 294,45	1 347 410 097,94	9,97 %	1 301 130 116,54	87,81 %	1 205 229 065,70	89,45 %
07	ENVIRONMENT	344 665 264,88	342 671 583,23	0,58 %	293 236 679,71	85,08 %	275 876 257,76	80,51 %
08	RESEARCH	3 998 335 584,33	3 516 317 721,69	13,71 %	3 372 813 329,47	84,36 %	3 015 486 495,85	85,76 %
09	INFORMATION SOCIETY AND MEDIA	1 660 007 715,96	1 448 488 027,38	14,60 %	1 426 525 694,12	85,93 %	1 227 318 675,95	84,73 %
10	DIRECT RESEARCH	625 492 968,86	594 480 964,37	5,22 %	392 670 626,46	62,78 %	355 815 491,08	59,85 %
11	FISHERIES	977 405 621,02	921 487 723,07	6,07 %	788 762 412,83	80,70 %	818 585 676,41	88,83 %
12	INTERNAL MARKET	83 790 133,68	78 284 561,36	7,03 %	71 715 460,26	85,59 %	66 677 796,39	85,17 %
13	REGIONAL POLICY	19 992 573 689,20	20 152 243 333,70	0,79 %	19 835 634 291,63	99,22 %	19 982 317 107,34	99,16 %
14	TAXATION AND CUSTOMS UNION	126 091 487,52	110 123 014,03	14,50 %	106 144 097,00	84,18 %	94 048 564,70	85,40 %
15	EDUCATION AND CULTURE	1 267 212 695,29	1 171 624 946,68	8,16 %	1 108 208 964,39	87,45 %	1 002 857 479,56	85,60 %
16	PRESS AND COMMUNICATION	236 399 854,71	201 916 890,24	17,08 %	188 660 600,37	79,81 %	159 016 725,77	78,75 %
17	HEALTH AND CONSUMER PROTECTION	822 460 201,34	837 689 986,30	1,82 %	424 372 859,63	51,60 %	498 837 321,88	59,55 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	650 161 637,81	589 590 155,25	10,27 %	560 807 981,12	86,26 %	470 786 913,49	79,85 %
19	EXTERNAL RELATIONS	3 530 339 141,49	3 335 618 358,92	5,84 %	3 318 027 881,96	93,99 %	3 164 706 890,99	94,88 %
20	TRADE	91 755 259,16	84 797 756,27	8,20 %	79 823 819,30	87,00 %	74 500 528,37	87,86 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	1 310 688 375,74	1 244 240 629,79	5,34 %	976 759 815,10	74,52 %	1 140 061 224,15	91,63 %
22	ENLARGEMENT	2 166 108 695,23	2 547 666 825,37	14,98 %	2 113 084 549,49	97,55 %	1 902 618 042,80	74,68 %
23	HUMANITARIAN AID	634 973 922,43	626 900 784,47	1,29 %	625 054 014,33	98,44 %	596 062 922,91	95,08 %
24	FIGHT AGAINST FRAUD	72 488 883,27	62 887 691,19	15,27 %	57 598 518,80	79,46 %	53 161 961,37	84,53 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	240 652 790,33	236 109 319,02	1,92 %	209 693 920,08	87,14 %	209 965 876,20	88,93 %
26	COMMISSION'S ADMINISTRATION	789 109 799,28	799 466 175,00	1,30 %	646 126 148,16	81,88 %	648 589 592,37	81,13 %
27	BUDGET	1 162 638 350,96	1 383 209 636,30	15,95 %	1 144 876 449,34	98,47 %	1 371 108 963,77	99,13 %
28	AUDIT	12 523 814,13	11 737 179,47	6,70 %	10 927 523,83	87,25 %	10 463 779,17	89,15 %
29	STATISTICS	133 207 648,91	141 296 861,25	5,72 %	111 275 757,20	83,54 %	111 123 383,02	78,65 %
30	PENSIONS	947 744 996,94	899 771 006,94	5,33 %	947 002 984,24	99,92 %	895 202 618,12	99,49 %
31	RESERVES	157 000 000,00	123 000 000,00	27,64 %	0,00	0,00 %	0,00	0,00 %
90	OTHER INSTITUTIONS	3 043 047 277,04	2 853 089 900,39	6,66 %	2 548 848 488,86	83,76 %	2 239 705 806,44	78,50 %
	Total	**111 218 732 077,48**	**109 434 000 616,11**	**1,63 %**	**106 575 500 531,85**	**95,83 %**	**104 835 229 826,25**	**95,80 %**

	Policy area	Appropriations carried over to the following year 2006	%	Appropriations carried over to the following year 2005	%	Appropriations lapsing 2006	%	Appropriations lapsing 2005	%
		8	9=8/1	10	11=10/2	12=1-4-8	13=12/1	14=2-6-10	15=14/2
01	ECONOMIC AND FINANCIAL AFFAIRS	7 492 136,25	1,65 %	6 158 653,19	1,35 %	105 414 408,65	23,16 %	92 766 786,16	20,36 %
02	ENTERPRISE	58 108 096,37	12,16 %	47 989 883,15	11,40 %	89 636 185,78	18,75 %	67 337 314,88	16,00 %
03	COMPETITION	11 383 715,48	10,32 %	8 242 358,33	8,29 %	1 524 333,46	1,38 %	1 475 656,87	1,48 %
04	EMPLOYMENT AND SOCIAL AFFAIRS	28 311 608,33	0,29 %	24 079 509,44	0,25 %	21 574 124,96	0,22 %	30 863 374,91	0,31 %
05	AGRICULTURE AND RURAL DEVELOPMENT	78 269 349,50	0,14 %	69 843 303,26	0,13 %	342 712 467,11	0,63 %	178 017 981,61	0,34 %
06	ENERGY AND TRANSPORT	102 155 222,93	6,89 %	78 332 113,72	5,81 %	78 426 954,98	5,29 %	63 848 918,52	4,74 %
07	ENVIRONMENT	32 770 410,81	9,51 %	25 155 239,45	7,34 %	18 658 174,36	5,41 %	41 640 086,02	12,15 %
08	RESEARCH	584 696 145,38	14,62 %	487 689 644,76	13,87 %	40 826 109,48	1,02 %	13 141 581,08	0,37 %
09	INFORMATION SOCIETY AND MEDIA	207 766 332,47	12,52 %	197 526 887,33	13,64 %	25 715 689,37	1,55 %	23 642 464,10	1,63 %
10	DIRECT RESEARCH	223 183 704,59	35,68 %	216 107 331,04	36,35 %	9 638 637,81	1,54 %	22 558 142,25	3,79 %
11	FISHERIES	44 985 817,99	4,60 %	9 096 638,99	0,99 %	143 657 390,20	14,70 %	93 805 407,67	10,18 %
12	INTERNAL MARKET	8 316 398,47	9,93 %	8 659 241,63	11,06 %	3 758 274,95	4,49 %	2 947 523,34	3,77 %
13	REGIONAL POLICY	16 677 282,67	0,08 %	111 104 553,91	0,55 %	140 262 114,90	0,70 %	58 821 672,45	0,29 %
14	TAXATION AND CUSTOMS UNION	9 444 494,18	7,49 %	7 746 618,65	7,03 %	10 502 896,34	8,33 %	8 327 830,68	7,56 %
15	EDUCATION AND CULTURE	119 632 554,03	9,44 %	143 154 278,28	12,22 %	39 371 176,87	3,11 %	25 613 188,84	2,19 %
16	PRESS AND COMMUNICATION	30 477 306,50	12,89 %	19 156 186,75	9,49 %	17 261 947,84	7,30 %	23 743 977,72	11,76 %
17	HEALTH AND CONSUMER PROTECTION	287 131 357,53	34,91 %	262 871 415,90	31,38 %	110 955 984,18	13,49 %	75 981 248,52	9,07 %
18	AREA OF FREEDOM, SECURITY AND JUSTICE	18 744 115,75	2,88 %	61 070 829,05	10,36 %	70 609 540,94	10,86 %	57 732 412,71	9,79 %
19	EXTERNAL RELATIONS	96 486 142,05	2,73 %	111 182 901,14	3,33 %	115 825 117,48	3,28 %	59 728 566,79	1,79 %
20	TRADE	8 005 326,55	8,72 %	6 817 667,05	8,04 %	3 926 113,31	4,28 %	3 479 560,85	4,10 %
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) STATES	124 959 406,32	9,53 %	51 957 023,01	4,18 %	208 969 154,32	15,94 %	52 222 382,63	4,20 %
22	ENLARGEMENT	23 885 544,01	1,10 %	65 392 530,87	2,57 %	29 138 601,73	1,35 %	579 656 251,70	22,75 %
23	HUMANITARIAN AID	5 590 869,58	0,88 %	10 441 082,36	1,67 %	4 329 038,52	0,68 %	20 396 779,20	3,25 %
24	FIGHT AGAINST FRAUD	6 274 084,41	8,66 %	7 082 471,82	11,26 %	8 616 280,06	11,89 %	2 643 258,00	4,20 %
25	COMMISSION'S POLICY COORDINATION AND LEGAL ADVICE	26 555 471,44	11,03 %	18 975 149,72	8,04 %	4 403 398,81	1,83 %	7 168 293,10	3,04 %
26	COMMISSION'S ADMINISTRATION	97 597 099,92	12,37 %	100 315 741,93	12,55 %	45 386 551,20	5,75 %	50 560 840,70	6,32 %
27	BUDGET	11 904 929,43	1,02 %	9 690 803,33	0,70 %	5 856 972,19	0,50 %	2 409 869,20	0,17 %
28	AUDIT	1 278 789,94	10,21 %	863 002,01	7,35 %	317 500,36	2,54 %	410 398,29	3,50 %
29	STATISTICS	10 533 833,85	7,91 %	10 002 427,05	7,08 %	11 398 057,86	8,56 %	20 171 051,18	14,28 %
30	PENSIONS	91 287,00	0,01 %	2 776 434,49	0,31 %	650 725,70	0,07 %	1 791 954,33	0,20 %
31	RESERVES	0,00	0,00 %	0,00	0,00 %	157 000 000,00	100,00 %	123 000 000,00	100,00 %
90	OTHER INSTITUTIONS	378 166 428,65	12,43 %	507 418 983,90	17,78 %	116 032 359,53	3,81 %	105 965 110,05	3,71 %
	Total	**2 660 875 262,38**	**2,39 %**	**2 686 900 905,51**	**2,46 %**	**1 982 356 283,25**	**1,78 %**	**1 911 869 884,35**	**1,75 %**

10. Breakdown and changes in commitment and payment appropriations by financial perspective

EUR

	Policy area	Commitment appropriations					
		Appropriations adopted	Modifications (Transfers and AB)	Appropriations carried over or made available again from 2005	Earmarked revenue	Total additional	Total authorised
		1	2	3	4	5=3+4	6=1+2+5
1	AGRICULTURE	51 050 720 000,00	- 860 000 000,00	43 400 000,00	2 510 270,02	45 910 270,02	50 236 630 270,02
2	STRUCTURAL OPERATIONS	44 555 004 990,00	- 500 000,00	43 847 607,60	61 246 706,01	105 094 313,61	44 659 599 303,61
3	INTERNAL POLICIES	9 372 714 185,00	27 090 825,00	120 346 114,13	1 378 082 746,77	1 498 428 860,90	10 898 233 870,90
4	EXTERNAL ACTION	5 544 000 000,00	180 157 764,00	3 685 500,00	286 168 673,88	289 854 173,88	6 014 011 937,88
5	ADMINISTRATION	6 656 369 817,00	554 545,00	280 000,00	256 346 572,52	256 626 572,52	6 913 550 934,52
6	RESERVES	458 000 000,00	- 180 000 000,00	0,00	0,00	0,00	278 000 000,00
7	PRE-ACCESSION STRATEGY	2 480 600 000,00	211 559 038,00	0,00	28 704 642,19	28 704 642,19	2 720 863 680,19
8	COMPENSATION	1 073 500 332,00	0,00	0,00	0,00	0,00	1 073 500 332,00
	Total	**121 190 909 324,00**	**- 621 137 828,00**	**211 559 221,73**	**2 013 059 611,39**	**2 224 618 833,12**	**122 794 390 329,12**

	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
1	AGRICULTURE	50 991 020 000,00	- 780 500 000,00	285 496 606,20	2 510 270,02	288 006 876,22	50 498 526 876,22
2	STRUCTURAL OPERATIONS	35 639 599 237,00	- 3 144 390 000,00	13 863 714,64	61 554 300,06	75 418 014,70	32 570 627 251,70
3	INTERNAL POLICIES	8 889 218 143,00	- 119 948 995,84	273 330 476,36	1 765 175 131,07	2 038 505 607,43	10 807 774 754,59
4	EXTERNAL ACTION	5 369 049 920,00	38 033 714,00	61 234 984,55	263 002 173,72	324 237 158,27	5 731 320 792,27
5	ADMINISTRATION	6 656 369 817,00	- 2 023 884,16	775 950 931,48	282 695 929,48	1 058 646 860,96	7 712 992 793,80
6	RESERVES	458 000 000,00	- 72 000 000,00	0,00	0,00	0,00	386 000 000,00
7	PRE-ACCESSION STRATEGY	2 892 850 000,00	- 510 308 662,00	15 428 194,57	40 019 744,33	55 447 938,90	2 437 989 276,90
8	COMPENSATION	1 073 500 332,00	0,00	0,00	0,00	0,00	1 073 500 332,00
	Total	**111 969 607 449,00**	**- 4 591 137 828,00**	**1 425 304 907,80**	**2 414 957 548,68**	**3 840 262 456,48**	**111 218 732 077,48**

11. Implementation of commitment appropriations by financial perspective

EUR

	Policy area	Commitment appropriations authorised	Commitments made				
			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	6=5/1
1	AGRICULTURE	50 236 630 270,02	49 821 805 270,19	43 400 000,00	24 142,40	49 865 229 412,59	99,26 %
2	STRUCTURAL OPERATIONS	44 659 599 303,61	44 520 148 630,58	43 847 606,60	14 797 398,80	44 578 793 635,98	99,82 %
3	INTERNAL POLICIES	10 898 233 870,90	9 245 863 515,32	111 410 127,22	837 722 836,80	10 194 996 479,34	93,55 %
4	EXTERNAL ACTION	6 014 011 937,88	5 708 777 633,33	3 590 350,00	154 825 948,36	5 867 193 931,69	97,56 %
5	ADMINISTRATION	6 913 550 934,52	6 528 741 570,53	279 790,00	145 569 933,90	6 674 591 294,43	96,54 %
6	RESERVES	278 000 000,00	127 640 000,00	0,00	0,00	127 640 000,00	45,91 %
7	PRE-ACCESSION STRATEGY	2 720 863 680,19	2 674 996 584,23	0,00	3 196 979,88	2 678 193 564,11	98,43 %
8	COMPENSATION	1 073 500 332,00	1 073 500 332,00	0,00	0,00	1 073 500 332,00	100,00 %
	Total	**122 794 390 329,12**	**119 701 473 536,18**	**202 527 873,82**	**1 156 137 240,14**	**121 060 138 650,14**	**98,59 %**

	Policy area	Appropriations carried over to 2007				Appropriations lapsing				
		assigned revenue	carry-overs by decision	Total	%	from the year's budget appropriations	appropriations carried over or made available again from 2005	Earmarked revenue (EFTA)	Total	%
		7	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
1	AGRICULTURE	2 486 127,62	0,00	2 486 127,62	0,00 %	368 914 729,81	0,00	0,00	368 914 729,81	0,73 %
2	STRUCTURAL OPERATIONS	46 449 307,21	0,00	46 449 307,21	0,10 %	34 356 359,42	1,00	0,00	34 356 360,42	0,08 %
3	INTERNAL POLICIES	539 286 968,66	9 521 024,00	548 807 992,66	5,04 %	144 420 470,68	8 935 986,91	1 072 941,31	154 429 398,90	1,42 %
4	EXTERNAL ACTION	131 341 335,02	0,00	131 341 335,02	2,18 %	15 380 130,67	95 150,00	1 390,50	15 476 671,17	0,26 %
5	ADMINISTRATION	110 773 044,22	1 206 956,00	111 980 000,22	1,62 %	126 975 835,47	210,00	3 594,40	126 979 639,87	1,84 %
6	RESERVES	0,00	0,00	0,00	0,00 %	150 360 000,00	0,00	0,00	150 360 000,00	54,09 %
7	PRE-ACCESSION STRATEGY	25 507 662,31	0,00	25 507 662,31	0,94 %	17 162 453,77	0,00	0,00	17 162 453,77	0,63 %
8	COMPENSATION	0,00	0,00	0,00	0,00 %	0,00	0,00	0,00	0,00	0,00 %
	Total	**855 844 445,04**	**10 727 980,00**	**866 572 425,04**	**0,71 %**	**857 569 979,82**	**9 031 347,91**	**1 077 926,21**	**867 679 253,94**	**0,71 %**

12. Implementation of payment appropriations by financial perspective

EUR

	Policy area	Paymen appropriations authorised	Payments made				
			from the year's appropriations	from carry-overs	from earmarked revenue	Total	%
		1	2	3	4	5=2+3+4	6=5/1
1	AGRICULTURE	50 498 526 876,22	49 572 765 283,42	225 986 614,06	0,00	49 798 751 897,48	98,61 %
2	STRUCTURAL OPERATIONS	32 570 627 251,70	32 371 258 322,61	9 226 584,43	18 859 930,24	32 399 344 837,28	99,47 %
3	INTERNAL POLICIES	10 807 774 754,59	8 216 185 027,47	201 399 550,61	596 101 531,22	9 013 686 109,30	83,40 %
4	EXTERNAL ACTION	5 731 320 792,27	5 005 486 440,49	38 865 277,12	141 824 434,53	5 186 176 152,14	90,49 %
5	ADMINISTRATION	7 712 992 793,80	5 888 507 416,41	680 320 161,69	130 895 509,08	6 699 723 087,18	86,86 %
6	RESERVES	386 000 000,00	127 640 000,00	0,00	0,00	127 640 000,00	33,07 %
7	PRE-ACCESSION STRATEGY	2 437 989 276,90	2 235 130 876,88	7 790 535,07	33 756 704,52	2 276 678 116,47	93,38 %
8	COMPENSATION	1 073 500 332,00	1 073 500 332,00	0,00	0,00	1 073 500 332,00	100,00 %
	Total	**111 218 732 077,48**	**104 490 473 699,28**	**1 163 588 722,98**	**921 438 109,59**	**106 575 500 531,85**	**95,83 %**

	Policy area	Appropriations carried over to 2007					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
1	AGRICULTURE	268 754 563,77	0,00	2 510 270,02	271 264 833,79	0,54 %	369 000 152,81	59 509 992,14	0,00	428 510 144,95	0,85 %
2	STRUCTURAL OPERATIONS	15 726 487,62	0,00	42 694 369,82	58 420 857,44	0,18 %	108 224 426,77	4 637 130,21	0,00	112 861 556,98	0,35 %
3	INTERNAL POLICIES	132 356 360,73	20 639 028,00	1 164 913 054,23	1 317 908 442,96	12,19 %	400 088 730,96	71 930 925,75	4 160 545,62	476 180 202,33	4,41 %
4	EXTERNAL ACTION	48 771 360,00	43 210 850,28	121 149 270,01	213 131 480,29	3,72 %	309 614 983,23	22 369 707,43	28 469,18	332 013 159,84	5,79 %
5	ADMINISTRATION	630 006 349,39	3 302 979,84	151 791 323,42	785 100 652,65	10,18 %	132 529 187,20	95 630 769,79	9 096,98	228 169 053,97	2,95 %
6	RESERVES	0,00	0,00	0,00	0,00	0,00 %	258 360 000,00	0,00	0,00	258 360 000,00	66,93 %
7	PRE-ACCESSION STRATEGY	8 785 955,44	0,00	6 263 039,81	15 048 995,25	0,62 %	138 624 505,68	7 637 659,50	0,00	146 262 165,18	6,00 %
8	COMPENSATION	0,00	0,00	0,00	0,00	0,00 %	0,00	0,00	0,00	0,00	0,00 %
	Total	**1 104 401 076,95**	**67 152 858,12**	**1 489 321 327,31**	**2 660 875 262,38**	**2,39 %**	**1 716 441 986,65**	**261 716 184,82**	**4 198 111,78**	**1 982 356 283,25**	**1,78 %**

13. Comparison of budget implementation 2006 and 2005 by financial perspective

Commitment Appropriations

EUR

Heading		Authorised appropriations			Commitments made			
		2006	2005	% change	2006	%	2005	%
		1	2	3=(1-2)/2	4	5=4/1	6	7=6/2
1	AGRICULTURE	50 236 630 270,02	49 076 246 092,42	2,36 %	49 865 229 412,59	99,26 %	48 928 359 920,62	99,70 %
2	STRUCTURAL OPERATIONS	44 659 599 303,61	42 536 191 404,48	4,99 %	44 578 793 635,98	99,82 %	42 490 498 505,57	99,89 %
3	INTERNAL POLICIES	10 898 233 870,90	10 440 606 310,84	4,38 %	10 194 996 479,34	93,55 %	9 548 604 176,33	91,46 %
4	EXTERNAL ACTION	6 014 011 937,88	5 660 331 574,76	6,25 %	5 867 193 931,69	97,56 %	5 516 105 602,78	97,45 %
5	ADMINISTRATION	6 913 550 934,52	6 550 862 383,95	5,54 %	6 674 591 294,43	96,54 %	6 354 856 192,85	97,01 %
6	RESERVES	278 000 000,00	236 000 000,00	17,80 %	127 640 000,00	45,91 %	140 110 000,00	59,37 %
7	PRE-ACCESSION STRATEGY	2 720 863 680,19	2 130 713 588,18	27,70 %	2 678 193 564,11	98,43 %	1 994 385 934,22	93,60 %
8	COMPENSATION	1 073 500 332,00	1 304 988 996,00	- 17,74 %	1 073 500 332,00	100,00 %	1 304 988 996,00	100,00 %
	Total	**122 794 390 329,12**	**117 935 940 350,63**	**4,12 %**	**121 060 138 650,14**	**98,59 %**	**116 277 909 328,37**	**98,59 %**

Heading		Appropriations carried over to the following year				Appropriations lapsing			
		2006	%	2005	%	2006	%	2005	%
		8	9=8/1	10	11=10/2	12=1-4-8	13=12/1	14=2-6-10	15=14/2
1	AGRICULTURE	2 486 127,62	0,00 %	43 527 062,95	0,09 %	368 914 729,81	0,73 %	104 359 108,85	0,21 %
2	STRUCTURAL OPERATIONS	46 449 307,21	0,10 %	20 114 968,63	0,05 %	34 356 360,42	0,08 %	25 577 930,28	0,06 %
3	INTERNAL POLICIES	548 807 992,66	5,04 %	683 822 033,31	6,55 %	154 429 398,90	1,42 %	208 180 101,20	1,99 %
4	EXTERNAL ACTION	131 341 335,02	2,18 %	106 063 905,88	1,87 %	15 476 671,17	0,26 %	38 162 066,10	0,67 %
5	ADMINISTRATION	111 980 000,22	1,62 %	97 325 444,06	1,49 %	126 979 639,87	1,84 %	98 680 747,04	1,51 %
6	RESERVES	0,00	0,00 %	0,00	0,00 %	150 360 000,00	54,09 %	95 890 000,00	40,63 %
7	PRE-ACCESSION STRATEGY	25 507 662,31	0,94 %	9 110 341,61	0,43 %	17 162 453,77	0,63 %	127 217 312,35	5,97 %
8	COMPENSATION	0,00	0,00 %	0,00	0,00 %	0,00	0,00 %	0,00	0,00 %
	Total	**866 572 425,04**	**0,71 %**	**959 963 756,44**	**0,81 %**	**867 679 253,94**	**0,71 %**	**698 067 265,82**	**0,59 %**

Payment Appropriations

EUR

Heading		Authorised appropriations			Payments made			
		2006	2005	% change	2006	%	2005	%
		1	2	3=(1-2)/2	4	5=4/1	6	7=6/2
1	AGRICULTURE	50 498 526 876,22	48 907 981 350,25	3,25 %	49 798 751 897,48	98,61 %	48 465 768 985,88	99,10 %
2	STRUCTURAL OPERATIONS	32 570 627 251,70	32 838 251 159,96	0,81 %	32 399 344 837,28	99,47 %	32 763 192 073,85	99,77 %
3	INTERNAL POLICIES	10 807 774 754,59	9 753 639 107,10	10,81 %	9 013 686 109,30	83,40 %	7 972 110 336,75	81,73 %
4	EXTERNAL ACTION	5 731 320 792,27	5 435 407 948,46	5,44 %	5 186 176 152,14	90,49 %	5 013 054 063,21	92,23 %
5	ADMINISTRATION	7 712 992 793,80	7 301 184 292,62	5,64 %	6 699 723 087,18	86,86 %	6 191 378 792,90	84,80 %
6	RESERVES	386 000 000,00	346 000 000,00	11,56 %	127 640 000,00	33,07 %	140 110 000,00	40,49 %
7	PRE-ACCESSION STRATEGY	2 437 989 276,90	3 546 547 761,72	31,26 %	2 276 678 116,47	93,38 %	2 984 626 577,66	84,16 %
8	COMPENSATION	1 073 500 332,00	1 304 988 996,00	17,74 %	1 073 500 332,00	100,00 %	1 304 988 996,00	100,00 %
	Total	**111 218 732 077,48**	**109 434 000 616,11**	**1,63 %**	**106 575 500 531,85**	**95,83 %**	**104 835 229 826,25**	**95,80 %**

Heading		Appropriations carried over to the following year				Appropriations lapsing			
		2006	%	2005	%	2006	%	2005	%
		8	9=8/1	10	11=10/2	12=1-4-8	13=12/1	14=2-6-10	15=14/2
1	AGRICULTURE	271 264 833,79	0,54 %	285 623 669,15	0,58 %	428 510 144,95	0,85 %	156 588 695,22	0,32 %
2	STRUCTURAL OPERATIONS	58 420 857,44	0,18 %	16 456 109,43	0,05 %	112 861 556,98	0,35 %	58 602 976,68	0,18 %
3	INTERNAL POLICIES	1 317 908 442,96	12,19 %	1 322 025 501,16	13,55 %	476 180 202,33	4,41 %	459 503 269,19	4,71 %
4	EXTERNAL ACTION	213 131 480,29	3,72 %	146 344 072,42	2,69 %	332 013 159,84	5,79 %	276 009 812,83	5,08 %
5	ADMINISTRATION	785 100 652,65	10,18 %	879 417 144,82	12,04 %	228 169 053,97	2,95 %	230 388 354,90	3,16 %
6	RESERVES	0,00	0,00 %	0,00	0,00 %	258 360 000,00	66,93 %	205 890 000,00	59,51 %
7	PRE-ACCESSION STRATEGY	15 048 995,25	0,62 %	37 034 408,53	1,04 %	146 262 165,18	6,00 %	524 886 775,53	14,80 %
8	COMPENSATION	0,00	0,00 %	0,00	0,00 %	0,00	0,00 %	0,00	0,00 %
	Total	**2 660 875 262,38**	**2,39 %**	**2 686 900 905,51**	**2,46 %**	**1 982 356 283,25**	**1,78 %**	**1 911 869 884,35**	**1,75 %**

14. Implementation of commitment and payment appropriations by Institution

Commitment appropriations

EUR

Institution	Commitment appropriations authorised	Commitments made					
		from the year's appropriations	from carry-overs or appropriations made available again	from earmarked revenue	Total	%	from earmarked revenue
	1	2	3	4	5=2+3+4	6=5/1	7
European Parliament	1 368 486 316,11	1 306 325 432,30	200 000,00	37 213 465,75	1 343 738 898,05	98,19 %	9 472 850,36
Council	626 102 378,31	558 172 930,11	0,00	16 548 153,74	574 721 083,85	91,79 %	17 801 271,57
Commission	120 235 296 051,00	117 320 281 520,65	202 327 873,82	1 086 682 964,96	118 609 292 359,43	98,65 %	826 460 879,10
Court of Justice	252 306 372,60	238 293 961,93	0,00	325 504,40	238 619 466,33	94,58 %	1 642 266,20
Court of Auditors	113 596 668,31	100 976 934,57	0,00	268 360,80	101 245 295,37	89,13 %	131 816,51
Economic and Social Comittee	112 389 673,52	104 821 188,97	0,00	4 211 501,12	109 032 690,09	97,01 %	193 367,40
Comittee of Regions	74 391 953,27	61 969 537,55	0,00	10 887 289,37	72 856 826,92	97,94 %	141 993,90
Ombudsman	7 682 538,00	6 770 255,52	0,00	0,00	6 770 255,52	88,13 %	0,00
European Data-protection Supervisor	4 138 378,00	3 861 774,58	0,00	0,00	3 861 774,58	93,32 %	0,00
Total	**122 794 390 329,12**	**119 701 473 536,18**	**202 527 873,82**	**1 156 137 240,14**	**121 060 138 650,14**	**98,59 %**	**855 844 445,04**

Institution	Appropriations carried over to 2007			Appropriations lapsing				
	carry-overs by decision	Total	%	from the year's budget appropriations	appropriations carried over or made available again from 2005	earmarked revenue (EFTA)	Total	%
	8	9=7+8	10=9/1	11	12	13	14=11+12+13	15=14/1
European Parliament	0,00	9 472 850,36	0,69 %	15 274 567,70	0,00	0,00	15 274 567,70	1,12 %
Council	0,00	17 801 271,57	2,84 %	33 580 022,89	0,00	0,00	33 580 022,89	5,36 %
Commission	10 727 980,00	837 188 859,10	0,70 %	778 705 558,35	9 031 347,91	1 077 926,21	788 814 832,47	0,66 %
Court of Justice	0,00	1 642 266,20	0,65 %	12 044 640,07	0,00	0,00	12 044 640,07	4,77 %
Court of Auditors	0,00	131 816,51	0,12 %	12 219 556,43	0,00	0,00	12 219 556,43	10,76 %
Economic and Social Comittee	0,00	193 367,40	0,17 %	3 163 616,03	0,00	0,00	3 163 616,03	2,81 %
Comittee of Regions	0,00	141 993,90	0,19 %	1 393 132,45	0,00	0,00	1 393 132,45	1,87 %
Ombudsman	0,00	0,00	0,00 %	912 282,48	0,00	0,00	912 282,48	11,87 %
European Data-protection Supervisor	0,00	0,00	0,00 %	276 603,42	0,00	0,00	276 603,42	6,68 %
Total	**10 727 980,00**	**866 572 425,04**	**0,71 %**	**857 569 979,82**	**9 031 347,91**	**1 077 926,21**	**867 679 253,94**	**0,71 %**

Payment appropriations

EUR

Institution	Payment appropriations authorised	Payments made					
		from the year's appropriations	from carry-overs	from earmarked revenue	Total	%	automatic carry-overs
	1	2	3	4	5=2+3+4	6=5/1	7
European Parliament	1 701 269 660,65	1 117 578 610,06	285 778 030,55	36 945 146,42	1 440 301 787,03	84,66 %	188 746 822,24
Council	736 264 158,20	466 963 905,97	101 169 948,48	16 548 153,74	584 682 008,19	79,41 %	91 209 024,14
Commission	108 175 684 800,44	102 430 969 155,00	741 939 438,03	853 743 449,96	104 026 652 042,99	96,16 %	782 997 538,15
Court of Justice	267 048 157,10	225 025 288,09	12 399 434,36	325 504,40	237 750 226,85	89,03 %	13 268 673,84
Court of Auditors	119 881 073,16	93 728 633,21	5 353 989,80	268 360,80	99 350 983,81	82,87 %	7 248 301,36
Economic and Social Comittee	123 841 644,55	94 412 786,16	10 333 755,87	3 139 932,72	107 886 474,75	87,12 %	10 124 989,54
Comittee of Regions	82 016 334,70	52 968 650,29	5 851 818,02	10 467 561,55	69 288 029,86	84,48 %	9 000 368,08
Ombudsman	8 306 286,57	6 365 069,79	596 606,04	0,00	6 961 675,83	83,81 %	405 185,73
European Data-protection Supervisor	4 419 962,11	2 461 600,71	165 701,83	0,00	2 627 302,54	59,44 %	1 400 173,87
Total	**111 218 732 077,48**	**104 490 473 699,28**	**1 163 588 722,98**	**921 438 109,59**	**106 575 500 531,85**	**95,83 %**	**1 104 401 076,95**

Institution	Appropriations carried over to 2007				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
European Parliament	0,00	35 360 878,05	224 107 700,29	13,17 %	15 274 567,70	21 585 605,63	0,00	36 860 173,33	2,17 %
Council	0,00	17 801 271,57	109 010 295,71	14,81 %	33 580 022,89	8 991 831,41	0,00	42 571 854,30	5,78 %
Commission	67 152 858,12	1 432 558 437,46	2 282 708 833,73	2,11 %	1 637 293 632,73	224 832 179,21	4 198 111,78	1 866 323 923,72	1,73 %
Court of Justice	0,00	1 642 266,20	14 910 940,04	5,58 %	12 044 640,07	2 342 350,14	0,00	14 386 990,21	5,39 %
Court of Auditors	0,00	131 816,51	7 380 117,87	6,16 %	12 219 556,43	930 415,05	0,00	13 149 971,48	10,97 %
Economic and Social Comittee	0,00	1 264 935,80	11 389 925,34	9,20 %	3 447 029,30	1 118 215,16	0,00	4 565 244,46	3,69 %
Comittee of Regions	0,00	561 721,72	9 562 089,80	11,66 %	1 393 651,63	1 772 563,41	0,00	3 166 215,04	3,86 %
Ombudsman	0,00	0,00	405 185,73	4,88 %	912 282,48	27 142,53	0,00	939 425,01	11,31 %
European Data-protection Supervisor	0,00	0,00	1 400 173,87	31,68 %	276 603,42	115 882,28	0,00	392 485,70	8,88 %
Total	**67 152 858,12**	**1 489 321 327,31**	**2 660 875 262,38**	**2,39 %**	**1 716 441 986,65**	**261 716 184,82**	**4 198 111,78**	**1 982 356 283,25**	**1,78 %**

15. CONSOLIDATED SUMMARY OF COMMITMENTS OUTSTANDING

EUR

	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIA-TIONS	Total
Commitments carried forward from previous year	1 253 640 180,79	117 825 874 585,07	**119 079 514 765,86**
Decommitments/Revaluations	- 56 394 461,62	- 1 674 266 331,73	**- 1 730 660 793,35**
Payments	1 005 841 701,50	43 576 201 831,27	**44 582 043 532,77**
Cancellations	162 616 139,62	0,00	**162 616 139,62**
Commitments for the year	56 464 704 523,77	64 595 434 126,37	**121 060 138 650,14**
Payments	55 333 886 613,11	6 659 570 385,97	**61 993 456 999,08**
Cancellation of commitments which cannot be carried over	15 404 798,94	0,00	**15 404 798,94**
Commitments outstanding at the end of the year	1 115 413 111,72	57 935 863 740,40	**59 051 276 852,12**
	1 144 200 989,77	**130 511 270 162,47**	**131 655 471 152,24**

16a. **Consolidated Breakdown of commitments outstanding by the commitment's year of origin**

	Heading	< 2000	2000	2001	2002	2003	2004	2005	2006	Total
1	AGRICULTURE	0,00	0,00	0,00	0,00	0,00	0,00	5 745 553,00	1 863 821 801,17	1 869 567 354,17
2	STRUCTURAL OPERATIONS	1 046 379 952,67	95 111 649,63	346 206 288,59	634 516 796,30	1 804 396 389,27	13 127 211 296,67	32 371 651 135,10	43 745 215 383,04	93 170 688 891,27
3	INTERNAL POLICIES	109 678 911,53	143 987 913,52	364 743 438,90	617 025 435,66	1 424 882 909,53	2 549 110 805,93	4 130 539 748,33	5 977 796 682,48	15 317 765 845,88
4	EXTERNAL ACTION	651 259 480,32	372 207 082,25	564 927 650,83	906 509 624,16	1 112 601 806,61	2 094 712 415,23	2 791 938 263,37	4 239 851 507,66	12 734 007 830,43
5	ADMINISTRATION	1 089 781,57	2 099,92	0,00	0,00	17 995,00	901 495,91	30 690 148,33	673 950 354,56	706 651 875,29
6	RESERVES	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
7	PRE-ACCESSION STRATEGY	191 694 438,30	214 005 465,69	456 758 228,51	640 226 854,60	960 522 568,19	1 217 902 840,89	1 625 037 835,81	2 550 641 123,21	7 856 789 355,20
8	COMPENSATION	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	Total	**2 000 102 564,39**	**825 314 211,01**	**1 732 635 606,83**	**2 798 278 710,72**	**5 302 421 668,60**	**18 989 838 854,63**	**40 955 602 683,94**	**59 051 276 852,12**	**131 655 471 152,30**

16b. **Consolidated Breakdown of commitments outstanding by the commitment's year of origin**

	Policy area	< 2000	2000	2001	2002	2003	2004	2005	2006	Total
01	ECONOMIC AND FINANCIAL AFFAIRS	7 025 681,45	2 156 540,24	5 258 400,00	0,00	0,00	78 157 335,32	65 793 626,76	169 731 341,87	328 122 925,64
02	ENTERPRISE	5 099 551,83	2 065 080,30	12 363 436,83	11 739 714,82	42 114 042,31	46 646 726,02	100 003 794,45	221 198 351,72	441 230 698,28
03	COMPETITION	0,00	0,00	0,00	0,00	0,00	142 450,83	408 647,64	9 417 954,16	9 969 052,63
04	EMPLOYMENT AND SOCIAL AFFAIRS	165 733 458,94	40 613 656,40	13 664 978,87	56 995 963,02	327 468 439,63	2 765 006 636,15	8 419 185 302,33	11 332 944 748,21	23 121 613 183,55
05	AGRICULTURE AND RURAL DEVELOPMENT	326 968 318,18	20 778 242,27	0,00	1 381 554,00	64 540 983,54	1 242 639 624,18	2 636 168 689,59	5 959 215 196,46	10 251 692 608,22
06	ENERGY AND TRANSPORT	49 688 501,85	59 086 068,15	89 925 441,13	92 610 637,65	178 929 907,45	415 335 496,08	667 680 993,15	900 372 186,59	2 453 629 232,05
07	ENVIRONMENT	2 504 876,94	0,00	19 816 218,83	39 513 347,44	53 430 658,85	95 209 378,31	115 901 023,46	168 699 485,46	495 074 989,29
08	RESEARCH	17 544 316,07	55 420 945,89	175 417 722,18	344 977 010,53	856 632 301,43	1 317 074 632,95	1 861 328 520,89	2 766 508 961,47	7 394 904 411,41
09	INFORMATION SOCIETY AND MEDIA	5 675 071,07	3 446 124,06	21 786 448,25	59 621 524,41	180 325 882,22	333 470 368,19	776 068 013,97	880 686 423,30	2 261 079 855,47
10	DIRECT RESEARCH	390 258,24	855 266,78	947 904,17	2 072 193,22	6 897 420,07	5 117 292,90	37 012 707,02	104 724 087,39	158 017 129,79
11	FISHERIES	43 784 924,81	6 018 260,46	15 525 481,47	44 201 345,12	68 291 759,54	205 700 335,20	507 071 196,04	813 000 802,49	1 703 594 105,13
12	INTERNAL MARKET	0,00	0,00	30 000,00	14 000,00	2 659,35	1 822 211,84	1 607 523,59	13 893 125,31	17 369 520,09
13	REGIONAL POLICY	513 245 826,84	181 089 462,19	614 710 204,54	1 029 167 214,71	2 093 528 442,08	9 696 437 327,36	21 655 695 839,44	28 393 448 715,93	64 177 323 033,09

	Policy area	< 2000	2000	2001	2002	2003	2004	2005	2006	Total
14	TAXATION AND CUSTOMS UNION	0,00	0,00	0,00	6 161,28	1 142 156,34	2 907 411,64	17 559 526,96	48 102 423,69	69 717 679,91
15	EDUCATION AND CULTURE	26 937 633,40	14 137 941,54	13 705 319,23	21 346 363,42	37 261 101,01	54 021 934,50	110 647 471,84	289 284 801,79	567 342 566,73
16	PRESS AND COMMU-NICATION	112 581,37	103 302,22	296 757,69	509 847,52	777 488,31	2 167 456,28	6 980 773,98	65 779 731,12	76 727 938,49
17	HEALTH AND CONSUMER PROTEC-TION	923 158,91	0,00	285 596,54	4 804 900,64	20 468 298,46	30 081 717,72	40 833 924,39	352 381 670,57	449 779 267,23
18	AREA OF FREEDOM, SECURITY AND JUSTICE	238 439,04	522 616,96	9 893 071,64	12 461 443,47	13 783 469,02	34 804 047,57	94 408 907,56	130 602 383,48	296 714 378,74
19	EXTERNAL RELA-TIONS	523 633 413,09	271 194 176,90	367 125 148,21	667 352 544,86	679 537 990,84	1 319 365 107,73	1 755 333 573,50	2 528 141 736,28	8 111 683 691,41
20	TRADE	0,00	0,00	23 729,88	0,00	108 218,34	765 576,60	2 811 507,72	15 155 632,26	18 864 664,80
21	DEVELOPMENT AND RELATIONS WITH AFRICAN, CARIB-BEAN AND PACIFIC (ACP) STATES	80 392 729,58	78 729 431,16	166 746 017,28	185 821 030,98	300 885 727,76	427 470 754,44	617 423 313,37	922 327 597,24	2 779 796 601,81
22	ENLARGEMENT	228 514 215,28	89 074 681,65	204 968 077,22	221 838 954,05	366 899 924,94	884 404 108,83	1 310 981 898,59	2 192 666 367,42	5 499 348 227,98
23	HUMANITARIAN AID	1 688 607,50	0,00	0,00	775 292,29	6 179 839,24	22 611 321,19	105 267 711,22	274 887 000,58	411 409 772,02
24	FIGHT AGAINST FRAUD	0,00	0,00	0,00	0,00	12 740,20	626 790,92	2 065 832,22	15 636 875,50	18 342 238,84
25	COMMISSION'S POLICY COORDINA-TION AND LEGAL ADVICE	0,00	0,00	0,00	0,00	0,00	0,00	62 641,71	25 022 743,09	25 085 384,80
26	COMMISSION'S ADMINISTRATION	0,00	0,00	0,00	0,00	794 763,05	0,00	47 025,38	79 137 153,31	79 978 941,74
27	BUDGET	0,00	0,00	0,00	0,00	0,00	0,00	0,00	10 298 984,99	10 298 984,99
28	AUDIT	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1 070 397,41	1 070 397,41
29	STATISTICS	1 000,00	22 413,84	145 652,87	1 067 667,29	2 407 454,62	7 852 811,88	20 522 992,26	43 492 812,70	75 512 805,46
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 INSTITU-TIONS	0,00	0,00	0,00	0,00	0,00	0,00	26 729 704,91	323 447 160,33	350 176 865,24
	Total	**2 000 102 564,39**	**825 314 211,01**	**1 732 635 606,83**	**2 798 278 710,72**	**5 302 421 668,60**	**18 989 838 854,63**	**40 955 602 683,94**	**59 051 276 852,12**	**131 655 471 152,30**

17. **Agencies — Financial year 2006: Forecasted budget, entitlements established and amounts received**

Income by Agency

EUR

Agency	Forecasted Income budget	Entitlements established	Amounts received	Outstanding	Funding Commission Policy Area
European Aviation Safety Agency	65 663 000,00	66 831 669,77	66 831 669,77	0,00	06
Frontex	19 462 300,00	17 590 042,62	17 590 042,62	0,00	18
CEDEFOP	17 571 260,00	15 344 405,14	15 344 065,60	339,54	15
European police college	6 075 144,00	6 075 144,00	6 075 144,00	0,00	18
European Centre for Disease prevention and control	17 146 080,00	16 211 313,00	16 211 313,00	0,00	17
European Monitoring Centre for Drugs and Drug Addiction	13 121 125,00	13 121 125,00	13 094 915,96	26 209,04	18
European Environment Agency	37 314 090,00	36 831 054,00	34 562 415,15	2 268 638,85	07
European Food Safety Authority	40 248 981,75	37 543 431,25	37 543 431,25	0,00	17
European GNSS supervisory authority	6 962 880,19	7 026 214,20	7 026 214,20	0,00	06
Eurojust	14 700 000,00	15 704 194,04	15 704 194,04	0,00	18
European Maritime Safety Agency	44 738 440,00	32 392 190,03	32 392 190,03	0,00	06
Office for harmonisation in the internal market	211 728 860,00	192 264 250,61	192 264 250,61	0,00	12
European Medicines Agency	138 676 000,00	149 722 303,64	141 301 875,45	8 420 428,19	02
European Agency for Networks and Information Security	6 800 000,00	6 612 309,12	6 612 309,12	0,00	09
European Monitoring Centre on Racism and Xenophobia	9 393 907,50	9 682 219,47	9 416 126,97	266 092,50	18
European Railway Agency for Safety and Interoperability	14 398 000,00	12 405 715,89	12 405 715,89	0,00	06
European Agency for Reconstruction	270 575 000,00	277 085 772,92	277 085 772,92	0,00	22
European Agency for Safety and Health at Work	14 108 161,00	12 460 046,64	12 459 095,54	951,10	04
Translation Centre for the bodies of the EU	40 876 392,00	39 583 840,89	33 204 621,09	6 379 219,80	31
European Training Foundation	19 450 000,00	22 423 380,52	22 423 380,52	0,00	15
Community plant variety office	8 720 000,00	9 330 302,73	9 330 302,73	0,00	17
European Foundation for the Improvement of Living and Working Conditions	19 760 000,00	19 522 812,65	19 506 150,24	16 662,41	04
Executive agency for education and culture	29 199 000,00	27 749 000,00	27 749 000,00	0,00	15
Executive agency for intelligent energy	5 628 819,22	5 628 819,22	5 628 819,22	0,00	06
Total	**1 072 317 440,66**	**1 049 141 557,35**	**1 031 763 015,92**	**17 378 541,43**	

Income by type of revenue

EUR

Type of revenue	Forecasted Income budget	Entitlements established	Amounts received	Outstanding
European Commission Subsidy	653 587 219,41	635 349 505,58	635 349 237,42	268,16
Fee income	278 993 042,00	328 414 018,82	320 847 683,07	7 566 335,75
Other income	139 737 179,25	85 378 032,95	75 566 095,43	9 811 937,52
Total	**1 072 317 440,66**	**1 049 141 557,35**	**1 031 763 015,92**	**17 378 541,43**

18. **Agencies — Financial year 2006: Appropriations and Outturn of Commitment and Payment appropriations**

EUR

Agency	Commitment appropriations				Payment appropriations			
	Appropriations	Commitments made	carried to 2007	Amounts lapsing	Appropriations	Payments made	carried to 2007	Amounts lapsing
European Aviation Safety Agency	66 562 970,23	60 412 514,46	15 146,59	6 135 309,18	72 369 278,60	49 028 674,87	19 351 968,30	3 988 635,43
Frontex	17 537 597,62	14 627 229,34	741 891,00	2 168 477,28	17 537 597,62	3 385 325,13	11 932 495,94	2 219 776,55
CEDEFOP	18 278 222,43	16 388 597,09	545 564,32	1 344 061,02	18 630 545,11	14 158 812,61	1 853 009,38	2 618 723,12
European police college	6 075 144,00	4 321 495,43	990 407,08	763 241,49	6 075 144,00	2 153 106,53	3 158 795,98	763 241,49
European Centre for Disease prevention and control	17 146 080,00	16 064 921,93	0,00	1 081 158,07	18 583 087,71	10 088 690,34	7 097 157,11	1 397 240,26
European Monitoring Centre for Drugs and Drug Addiction	13 548 968,34	12 873 208,15	491 506,10	184 254,09	14 051 138,40	12 255 485,45	1 229 083,16	566 569,79
European Environment Agency	40 525 421,49	35 915 861,97	4 592 441,57	17 117,95	45 998 302,34	33 454 115,48	11 852 774,97	691 411,89
European Food Safety Authority	40 248 981,75	36 407 899,95	0,00	3 841 081,80	46 556 959,01	33 562 711,69	7 889 175,60	5 105 071,72
European GNSS supervisory authority	6 962 880,19	3 107 295,90	0,00	3 855 584,29	6 962 880,19	704 146,74	1 276 617,07	4 982 116,38
Eurojust	14 985 483,55	14 330 791,72	71 000,00	583 691,83	16 813 964,47	13 385 613,35	2 590 329,78	838 021,34
European Maritime Safety Agency	44 738 440,00	34 287 177,64	0,00	10 451 262,36	45 232 542,38	24 279 657,43	1 269 659,16	19 683 225,79
Office for harmonisation in the internal market	211 728 860,00	126 055 866,64	0,00	85 672 993,36	236 634 990,93	121 075 929,69	26 488 164,94	89 070 896,30
European Medicines Agency	140 643 000,00	137 235 660,61	0,00	3 407 339,39	157 509 000,82	123 435 768,34	29 413 020,40	4 660 212,08
European Agency for Networks and Information Security	6 940 080,00	6 238 387,04	49 530,00	652 162,96	9 051 581,01	6 682 308,21	917 363,62	1 451 909,18
European Monitoring Centre on Racism and Xenophobia	9 483 907,50	8 775 582,17	269 185,88	439 139,45	10 692 575,03	8 685 246,28	1 520 227,96	487 100,79
European Railway Agency for Safety and Interoperability	14 398 000,00	10 421 586,80	0,00	3 976 413,20	17 275 724,82	9 239 725,88	2 680 034,30	5 355 964,64
European Agency for Reconstruction	970 475 803,99	208 692 527,58	758 996 977,63	2 786 298,78	971 470 537,05	276 112 502,76	679 500 592,00	15 857 442,29
European Agency for Safety and Health at Work	14 246 990,40	13 093 365,31	291 683,97	861 941,12	16 764 114,42	12 451 617,82	2 662 667,89	1 649 828,71
Translation Centre for the bodies of the EU	40 876 392,00	26 847 612,28	0,00	14 028 779,72	28 998 537,52	26 020 996,83	2 886 129,74	91 410,95
European Training Foundation	26 482 381,89	23 870 747,11	1 714 492,67	897 142,11	26 482 381,87	20 364 127,25	5 473 905,44	644 349,18
Community plant variety office	13 018 000,00	11 355 753,43	0,00	1 662 246,57	11 855 039,50	9 829 574,04	902 568,17	1 122 897,29
European Foundation for the Improvement of Living and Working Conditions	19 760 000,00	19 216 906,46	343 167,30	199 926,24	24 378 442,10	19 595 971,34	4 311 913,04	470 557,72
Executive agency for education and culture	29 199 000,00	26 682 387,54	0,00	2 516 612,46	29 199 000,00	19 708 393,04	6 688 124,89	2 802 482,07
Executive agency for intelligent energy	5 628 819,22	5 469 284,25	0,00	159 534,97	5 628 819,22	4 074 700,31	981 586,69	572 532,22
Total	**1 789 491 424,60**	**872 692 660,80**	**769 112 994,11**	**147 685 769,69**	**1 854 752 184,12**	**853 733 201,41**	**833 927 365,53**	**167 091 617,18**

EUR

Type of expenditure	Commitment appropriations				Payment appropriations			
	Appropriations	Commitments made	carried to 2007	Amounts lapsing	Appropriations	Payments made	carried to 2007	Amounts lapsing
Staff	319 158 938,89	300 855 962,71	458 160,33	17 844 815,85	323 268 014,26	291 701 302,29	10 451 097,35	21 115 614,62
Administrative expenses Administrative expenses	143 712 090,58	127 277 441,39	1 651 025,91	14 783 623,28	171 754 012,83	105 350 733,97	49 147 905,01	17 255 373,85
Operational expenses expenses	1 326 620 395,13	444 559 256,70	767 003 807,87	115 057 330,56	1 359 730 157,03	456 681 165,15	774 328 363,17	128 720 628,71
Total	**1 789 491 424,60**	**872 692 660,80**	**769 112 994,11**	**147 685 769,69**	**1 854 752 184,12**	**853 733 201,41**	**833 927 365,53**	**167 091 617,18**

19. AGENCIES

2006 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
	108 423 010 965,79	1 031 763 015,92	- 635 349 237,42	108 819 424 744,29

Payments from 2006 appropriations	European Communities	Agencies		
	- 105 411 911 808,87	- 777 832 118,03	635 349 237,42	- 105 554 394 689,48

Appropriations carried over to 2007	European Communities	Agencies		
	- 1 400 894 862,16	- 833 927 365,53		- 2 234 822 227,69

EFTA-EEA appropriations carried over from 2005	European Communities	Agencies		
	- 67 568,00	0,00		- 67 568,00

Cancellation of unused appropriations carried over from 2005	European Communities	Agencies		
	263 331 782,31	692 966 930,78		956 298 713,09

Exchange rate differences for the year	European Communities	Agencies		
	- 16 836 905,85	761 631,34		- 16 075 274,51

Budget outturn	European Communities	Agencies		
	1 856 631 603,22	113 732 094,48		1 970 363 697,70

SECTION B:

EXPLANATORY NOTES TO THE CONSOLIDATED 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 Union*.

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)).

(1) Appropriations for commitment = commitment appropriations + non-differentiated appropriations.
(2) Appropriations for payment = payment appropriations + non-differentiated appropriations.
(3) Regulation (EC) No 1605/2002 of 25 June 2002.

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).

1.4.3 *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]) Commitment appropriations + non-differentiated appropriations.
([2]) Payment appropriations + non-differentiated appropriations.

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.

1.7.2 *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 2005 and 15 October 2006, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2007. EAGGF guarantee expenditure may be subject to a conformity 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 (EC) 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 2006

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 16.9.2002, p. 1, last amended by Council Regulation (EC, Euratom) No 1995/2006 of 13 December 2006, OJ L 390 of 30.12.2006) 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, last modified on 28 March 2007.

([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 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.

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 2006 financial year was the seventh 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 2006 comes to EUR 123 515 million, equivalent to 1,12 % of GNI. The corresponding ceiling on the appropriations for payments comes to EUR 119 112 million, i.e. 1,08 % of GNI.

The following table shows the adjusted financial perspective for EU-25 at 2006 prices:

FINANCIAL PERSPECTIVE 2000-2006

EUR million

	Current prices						
	2000	2001	2002	2003	2004	2005	2006
Commitment appropriations: EU-25	93 792	97 189	100 672	102 145	115 434	119 419	123 515
1. Agriculture	41 738	44 530	46 587	47 378	49 305	51 439	52 618
2. Structural operations	32 678	32 720	33 638	33 968	41 035	42 441	44 617
3. Internal policies	6 031	6 272	6 558	6 796	8 722	9 012	9 385
4. External action	4 627	4 735	4 873	4 972	5 082	5 119	5 269
5. Administration	4 638	4 776	5 012	5 211	5 983	6 185	6 528
6. Reserves	906	916	676	434	442	446	458
7. Pre-accession aid	3 174	3 240	3 328	3 386	3 455	3 472	3 566
8. Compensation					1 410	1 305	1 074
Total payment appropriations: EU-25	**91 322**	**94 730**	**100 078**	**102 767**	**111 380**	**114 060**	**119 112**

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 (EC) No 1150/2000: all amounts recovered or guaranteed.

— In the separate account provided for in Article 6(3)(b) of Regulation (EC) 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, 2006' 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 2006 relating to the period 1995-2005 for GNI resources were EUR 1 530 million. Conversely, corrections relating to the period 1991-2005 for VAT Resources were EUR - 13,6 million.

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

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.

2.4 **RECOVERY OF EXPENSES**

For operations giving rise to reimbursement to the Commission by the final beneficiary, third country or Member State recovery orders have been established and accounted (see note **E 3.1.4**). These recovery orders are made on the following budget lines and the amounts for 2006 are disclosed below. When the procedure with the third party is not completed, a forecast of revenue with the best estimation amount is issued (see contingent assets note **E 5.4**).

Budget lines:

6150 Repayment of unused aid from the European Social Fund, the European Regional Development Fund, the European Agricultural Guidance and Guarantee Fund — Assigned revenue

6157 Repayments of payments on account under the Structural Funds and the Cohesion Fund — Assigned revenue

6158 Repayment of miscellaneous unused Community aid — Assigned revenue

6170 Repayments within the framework of cooperation with South Africa — Assigned revenue

6181 Repayment of additional costs caused by the recipients of food aid — Assigned revenue

6500 Financial corrections in connection with the Structural Funds

6600 Other assigned contributions and refunds — Assigned revenue

6601 Other non-assigned contributions and refunds

EUR millions

Budget line	2006 Recovery order established			2006 Revenue			2006 Outstanding
	Current year	Carried over	Total	Current year	Carried over	Total	
6150	138	9	147	117	9	126	21
6157	99	36	135	96	14	110	25
6158	1	5	6	- 1	4	3	3
6170	22	0	22	22	0	22	0
6181	0	0	0	0	0	0	0
6500	136	35	171	120	35	155	16
6600	230	139	369	198	84	282	87
6601	9	5	14	6	3	9	5
Total	**635**	**229**	**864**	**557**	**149**	**707**	**157**

EXPENDITURE

2.5 **CATEGORIES OF EXPENDITURE**

2.5.1 ***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 was foreseen under this heading in 2004. This amount was available as transfers to them to balance their budgetary receipts and contributions.

2.5.2 ***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.

2.6 **UTILISATION OF EXPENDITURE BY THE EUROPEAN COMMUNITIES**

2.6.1 ***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 2006 budget implementation statements and those carried over to the following year in the budget implementation statements.

2.6.2 *2006 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 2006 to 2007 could not be included in the 2006 balance as this is subject to the approval by EFTA of the amounts in question, and this will not be given until mid-2007.

The presentation of the budget outturn has been modified in order to improve its readability. The payment appropriations carried over include: automatic carryovers and carryovers by decision. It also includes the increase of appropriations on earmarked revenue as appropriations not used at the end of the year shall be carried over automatically. The cancellation of unused payment appropriations carried over from the previous year now shows only the cancellations on appropriations carried over automatically and by decision. Consequently, it no longer contains the cancellations of earmarked revenue carried over from previous year.