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(Information)

COMMISSION

FINAL ANNUAL ACCOUNTS OF THE EUROPEAN COMMUNITIES

FINANCIAL YEAR 2003

VOLUME I

CONSOLIDATED REPORTS ON IMPLEMENTATION OF THE BUDGET AND CONSOLIDATED
FINANCIAL STATEMENTS

(2004/C 294/01)

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DEVELOPMENT OF THE EUROPEAN COMMUNITIES' ACCOUNTING SYSTEM

As an information system, public-sector accounting has substantially broadened its objectives from a mere record of budget execution to be more dynamic and complete by setting out the economic, financial and asset/liability implications that arise. In recent years, it has become apparent that the European Communities' accounts needed to be modernised to change from a system of accounts focusing on a mere cash-based description of budget expenditure and revenue operations to a system based on assets and liabilities with the objective of presenting the Communities' financial situation in a more comprehensive form, showing all its assets, entitlements and debts as well as the expenditure and revenue for the financial year. The Commission has therefore undertaken to gradually fall into line with the approach adopted by a large number of States and supported by international bodies such as IFAC ⁽¹⁾ and OECD. This work started in earnest in 2003 with the commencement of the 'modernisation of the accounting system' project, which has the aim of placing the European Communities in the forefront of the international movement towards the modernisation of public sector accounting from 2005 onwards.

The Financial Regulation ⁽²⁾ lays down the broad outlines of the new accounting framework for the European Communities from 2005. The transitional provisions of the Financial Regulation include the general rule that the provisions of Title VII of part one — Accounting — shall apply gradually depending on technical possibilities in order to be fully effective for the budgetary year 2005. This gradual application relates in particular to the new principles governing the Institutions' accounts. While the budget accounts will still be subject to the cash principle, the general accounts will be accrual-based accounts from 2005.

The Commission communication of 17 December 2002 on the modernisation of the accounting system set out the measures, timetable and resources needed for the reform of the accounts. A new accounting framework will be drawn up. The rules and methods applicable will be based on internationally accepted standards for the public sector — the IPSAS — and, for accounting transactions that are not yet covered by IPSAS, on the relevant IAS/IFRS. They will be subject to the opinion of an Accounting Standards Committee providing independent professional guidance — at this time 16 exposure drafts for new accounting rules derived from these standards have been already presented to the Committee for discussion. The critical event for each transaction has been defined and the IT architecture is being reviewed to ensure that each accounting event may be fully registered at source. The financial statements can then be produced automatically. Directorates-General's internal control procedures will be extended to cover accrual accounting aspects. Finally, the scope of consolidation will be extended.

However, the Commission has anticipated this reform and already introduced elements of accrual accounting in the presentation of the financial statements in recent years, without yet being able to apply the corresponding standards in full. At present, some information does not come from an integrated system of accounts so the Accounting Officer's departments use non-accounting information from the Commission's services to complete the financial balance sheet and draw up the annexes to this balance sheet.

Since 2000 the reliability of the information has been improved on fixed assets, inventories, the list of financial intermediaries, the valuation of entitlements and official's pension rights. This approach has continued more intensely in 2002 and 2003. The presentation of the annual accounts and the explanatory notes continue to be supplemented, new balance-sheet and off-balance-sheet items have been included, the valuation of the shareholdings have been brought into line with IPSAS standards and the consolidation procedures have been improved and the scope increased.

⁽¹⁾ International Federation of Accountants.

⁽²⁾ OJ L 248, 16.9.2002.

PRESENTATION OF THE ACCOUNTS

1. The consolidated annual accounts are drawn up in accordance with Article 121 of the Financial Regulation of 25 June 2002 applicable to the general budget of the European Communities.

They are drawn up by the Commission every year and record the budgetary and accounting data of all the European Institutions.

2. The annual accounts of the Communities are set out in three volumes:

Volume I — Consolidated reports on implementation of the budget and consolidated financial statements

Volume II — Part 1: Commission — Reports on implementation of the budget and financial statements

Part 2: Commission — Detailed reports on implementation of the budget and annexes to financial statements

Volume III — European Parliament, the Council, the Court of Justice, the Court of Auditors, the Economic and Social Committee, the Committee of the Regions and the Ombudsman

Under the transitional provisions of the Financial Regulation, for accounts relating to financial years prior to 2005, the Commission's accounting officer must, in accordance with Article 129(2) and Article 181(2) of the Financial Regulation, consolidate the final accounts. Then the Commission must, in accordance with Article 129(3) and Article 181(2) approve and send them to the European Parliament, the Council and the Court of Auditors by 15 October of the following year:

The final accounts will be published in the Official Journal of the European Communities together with the statement of assurance given by the Court of Auditors by 30 November of the following year in accordance with Articles 129 and 181 of the Financial Regulation.

3. The final consolidated annual accounts for 2003 were approved by the Commission on 5 October 2004, in accordance with Article 129(3) of the Financial Regulation.

CHAPTER I

CONSOLIDATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET OF THE EUROPEAN COMMUNITIES

1. BUDGET OUTTURN 2003

	EUR		
	EFTA — EEA	EUROPEAN COMMUNITIES	TOTAL
Revenue for the financial year	93 694 102	93 374 860 334	93 468 554 436
Payments against 2003 appropriations	- 79 589 544	- 88 315 224 214	- 88 394 813 758
Payment appropriations carried over to 2004	0	- 2 246 023 739	- 2 246 023 739
Cancellation of unused payment appropriations carried over from 2002	0	2 765 220 289	2 765 220 289
Exchange differences for the year	0	- 108 988 964	- 108 988 964
Budget Outturn 2003	14 104 558	5 469 843 706	5 483 948 264

The budget outturn for the European Communities is included under heading I.A.1 on the liabilities side of the consolidated balance sheet.

The budget outturn for EFTA-EEA is included under heading IV.C.1 on the liabilities side of the consolidated balance sheet.

The functioning of the EFTA-EEA system is detailed in the explanatory notes, Annex 2.

CONSOLIDATED REPORTS ON IMPLEMENTATION OF THE BUDGET REVENUE

2. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF GENERAL BUDGET REVENUE 2003

(EUR)

Title	Income appropriations		Entitlements established			Amounts received			receipts as % of budget	Outstanding
	initial	final	year	carryovers	Total	year	carryovers	Total		
	1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
1 Own resources	95 665 576 864,00	84 010 946 121,00	83 339 741 642,88	1 792 398 506,81	85 132 140 149,69	81 555 057 562,18	1 742 407 392,94	83 297 464 955,12	99,15 %	1 834 675 194,57
3 Surpluses available	1 000 000 000,00	7 676 811 988,00	7 971 662 135,57	263 330 000,00	8 234 992 135,57	7 748 502 135,68	263 330 000,00	8 011 832 135,68	104,36 %	223 159 999,89
4 Miscellaneous community taxes, levies and duties	608 077 032,00	608 095 787,00	579 185 685,87	2 995 699,10	582 181 384,97	576 530 455,76	2 996 528,01	579 526 983,77	95,30 %	2 654 401,20
5 Administrative operation of the institution	95 473 696,00	95 173 696,00	264 360 750,52	41 529 412,20	305 890 162,72	245 639 378,91	35 436 527,18	281 075 906,09	295,33 %	24 814 256,63
6 Contributions by third parties, reimbursements, financial corrections and refunds	90 601 701,00	90 601 701,00	777 044 687,86	689 038 034,02	1 466 082 721,88	575 812 666,70	438 264 586,83	1 014 077 253,53	1 119,27 %	452 005 468,35
7 Interests on late payments and fines	0	0	229 500 823,44	3 434 801 836,35	3 664 302 659,79	-194 340 693,63	431 379 431,78	237 038 738,15	0,00 %	3 427 263 921,64
8 Borrowing and lending operations	21 681 805,00	21 681 805,00	26 847 987,16	1 619 225,81	28 467 212,97	26 847 987,16	30 221,67	26 878 208,83	123,97 %	1 589 004,14
9 Miscellaneous revenue	21 526 000,00	21 526 000,00	22 970 646,61	10 921 759,78	33 892 406,39	14 786 780,50	5 873 474,18	20 660 254,68	95,98 %	13 232 151,71
Total	97 502 937 098,00	92 524 837 098,00	93 211 314 359,91	6 236 634 474,07	99 447 948 833,98	90 548 836 273,26	2 919 718 162,59	93 468 554 435,85	101,02 %	5 979 394 398,13

Detail Title 1 : Own ressources

(EUR)

Chapter	Income appropriations		Entitlements established			Amounts received			receipts as % of budget	Outstanding	
	initial	final	year	carryovers	Total	year	carryovers	Total			
	1	2	3	4	5=3+4	6	7	8=6+7			
10	Agricultural duties	879 825 000,00	879 825 000,00	848 585 073,18	589 553 014,91	1 438 138 088,09	422 253 552,66	589 544 806,38	1 011 798 359,04	115,00 %	426 339 729,05
11	Sugar levies	546 600 000,00	546 600 000,00	424 378 387,64	3 909 089,63	428 287 477,27	379 299 481,57	3 909 089,63	383 208 571,20	70,11 %	45 078 906,07
12	Customs duties	10 713 900 000,00	9 479 775 000,00	9 623 389 197,80	1 198 936 402,27	10 822 325 600,07	8 313 193 564,94	1 148 953 496,93	9 462 147 061,87	99,81 %	1 360 178 538,20
13	VAT	24 121 259 065,00	21 748 030 275,00	21 536 290 980,50	0	21 536 290 980,50	21 534 865 234,38	0	21 534 865 234,38	99,02 %	1 425 746,12
14	GNI	59 403 992 799,00	51 356 715 846,00	50 627 534 080,85	0	50 627 534 080,85	50 624 310 463,23	0	50 624 310 463,23	98,57 %	3 223 617,62
15	Correction of budgetary imbalances	0	0,00	279 563 922,91	0	279 563 922,91	281 135 265,40	0	281 135 265,40	0,00 %	- 1 571 342,49
Total Title 1		95 665 576 864,00	84 010 946 121,00	83 339 741 642,88	1 792 398 506,81	85 132 140 149,69	81 555 057 562,18	1 742 407 392,94	83 297 464 955,12	99,15	1 834 675 194,57

Detail Title 3 : Surpluses available

(EUR)

Chapter	Income appropriations		Entitlements established			Amounts received			receipts as % of budget	Outstanding	
	initial	final	year	carryovers	Total	year	carryovers	Total			
	1	2	3	4	5=3+4	6	7	8=6+7			
30	Surplus from previous year	1 000 000 000,00	7 676 811 988,00	7 636 641 988,34	263 330 000,00	7 899 971 988,34	7 413 481 988,34	263 330 000,00	7 676 811 988,34	100,00 %	223 160 000,00
31	VAT surplus	0	0	- 274 766 759,55	0	- 274 766 759,55	- 274 766 759,54	0	- 274 766 759,54	0,00 %	- 0,01
32	GNI surplus	0	0	610 850 456,32	0	610 850 456,32	610 850 456,41	0	610 850 456,41	0,00 %	- 0,09
34	Adjustment for non-participation in JHAP	0	0	- 52 037,96	0	- 52 037,96	- 52 037,97	0	- 52 037,97	0,00 %	0,01
35	United Kingdom correction	0	0,00	- 1 011 511,58	0	- 1 011 511,58	- 1 011 511,56	0	- 1 011 511,56	0,00 %	- 0,02
Total Title 3		1 000 000 000,00	7 676 811 988,00	7 971 662 135,57	263 330 000,00	8 234 992 135,57	7 748 502 135,68	263 330 000,00	8 011 832 135,68	104,36 %	223 159 999,89

3. CORRECTION OF BUDGETARY IMBALANCES (CHAPTER 15)

(EUR)

Member state	Income appropriations		Entitlements established			Amounts received			% of budget received	Outstanding
	initial	final	year	carry-overs	Total	year	carry-overs	Total		
	1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
AUSTRIA	35 834 025,00	38 742 614,00	38 742 614,04	0	38 742 614,04	38 742 614,04	0	38 742 614,04	100,00 %	0,00
BELGIUM	275 544 428,00	293 160 920,00	293 160 920,04	0	293 160 920,04	293 160 920,04	0	293 160 920,04	100,00 %	0,00
DENMARK	187 946 732,00	201 561 044,00	201 521 623,42	0	201 521 623,42	201 521 623,50	0	201 521 623,50	99,98 %	-0,08
FINLAND	140 043 230,00	154 000 530,00	154 000 530,00	0	154 000 530,00	154 000 530,00	0	154 000 530,00	100,00 %	0,00
FRANCE	1 529 418 106,00	1 683 164 903,00	1 683 164 903,04	0	1 683 164 903,04	1 683 164 903,04	0	1 683 164 903,04	100,00 %	0,00
GERMANY	352 367 653,00	379 120 871,00	379 120 871,04	0	379 120 871,04	379 120 871,04	0	379 120 871,04	100,00 %	0,00
GREECE	147 039 136,00	162 559 352,00	162 559 352,04	0	162 559 352,04	162 559 352,04	0	162 559 352,04	100,00 %	0,00
IRELAND	110 603 174,00	119 104 443,00	119 104 443,00	0	119 104 443,00	119 104 443,00	0	119 104 443,00	100,00 %	0,00
ITALY	1 290 917 217,00	1 381 260 501,00	1 381 260 501,00	0	1 381 260 501,00	1 381 260 501,00	0	1 381 260 501,00	100,00 %	0,00
LUXEMBOURG	21 237 466,00	21 475 914,00	21 475 914,00	0	21 475 914,00	21 475 914,00	0	21 475 914,00	100,00 %	0,00
NETHERLANDS	76 882 003,00	80 460 248,00	80 460 248,04	0	80 460 248,04	80 460 248,04	0	80 460 248,04	100,00 %	0,00
PORTUGAL	127 331 227,00	139 843 107,00	139 843 107,00	0	139 843 107,00	139 843 107,00	0	139 843 107,00	100,00 %	0,00
SPAIN	696 185 399,00	774 760 818,00	774 760 818,00	0	774 760 818,00	774 760 818,00	0	774 760 818,00	100,00 %	0,00
SWEDEN	41 720 425,00	46 493 010,00	46 699 899,63	0	46 699 899,63	46 704 373,34	0	46 704 373,34	100,45 %	- 4 473,71
UNITED KINGDOM	-5 033 070 221,00	-5 475 708 275,00	-5 196 311 821,38	0	-5 196 311 821,38	-5 194 744 952,68	0	-5 194 744 952,68	94,87 %	-1 566 868,70
Total	0,00	0,00	279 563 922,91	0,00	279 563 922,91	281 135 265,40	0,00	281 135 265,40		-1 571 342,49

4. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE 2003 BY INSTITUTION

EUR

Institution	Income appropriations		Entitlements established			Amounts received			Outstanding
	initial	final	year	carryovers	Total	year	carryovers	Total	
	1	2	3	4	5=3+4	6	7	8=6+7	
Commission	97 357 507 535,00	92 379 388 780,00	93 000 908 106,07	6 232 403 926,25	99 233 312 032,32	90 348 948 592,36	2 916 822 501,73	93 265 771 094,09	5 967 540 938,23
European Parliament	66 348 525,00	66 348 525,00	104 132 654,70	2 605 023,00	106 737 677,70	96 901 610,70	1 643 723,00	98 545 333,70	8 192 344,00
Council	38 108 701,00	38 108 701,00	51 261 139,59	1 383 734,23	52 644 873,82	48 952 480,05	1 042 526,73	49 995 006,78	2 649 867,04
Court of Justice	19 426 000,00	19 426 000,00	20 801 779,69	188 754,78	20 990 534,47	20 454 858,96	175 125,30	20 629 984,26	360 550,21
Court of Auditors	11 331 000,00	11 331 000,00	11 042 951,19	53 035,81	11 095 987,00	10 411 002,52	34 285,83	10 445 288,35	650 698,65
Economic and Social Committee	6 701 865,00	6 701 865,00	9 626 987,41	0	9 626 987,41	9 626 987,41	0	9 626 987,41	0,00
Committee of Regions	3 097 395,00	3 097 395,00	13 134 095,69	0	13 134 095,69	13 134 095,69	0	13 134 095,69	0,00
Ombudsman	416 077,00	434 832,00	406 645,57	0	406 645,57	406 645,57	0	406 645,57	0,00
Total	97 502 937 098,00	92 524 837 098,00	93 211 314 359,91	6 236 634 474,07	99 447 948 833,98	90 548 836 273,26	2 919 718 162,59	93 468 554 435,85	5 979 394 398,13

5. COMPARISON OF THE IMPLEMENTATION OF BUDGET REVENUE 2003 AND 2002

(EUR)

Title	Income appropriations		Entitlements established		Amounts received		receipts as % of budget		Outstanding	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	1	2	3	4	5	6	7=5/1	8=6/2	9=3-5	10=4-6
1 Own resources	84 010 946 121,00	80 926 283 648,00	85 132 140 149,69	81 568 236 795,42	83 297 464 955,12	79 775 369 905,89	99,15 %	98,58 %	1 834 675 194,57	1 792 866 889,53
2 Adjustment of collection costs		- 2 037 915 181,00		- 2 023 032 973,62		- 2 023 032 973,59		99,27 %	0,00	- 0,03
3 Surpluses available	7 676 811 988,00	15 374 982 104,00	8 234 992 135,57	15 583 977 690,08	8 011 832 135,68	15 320 647 690,19	104,36 %	99,65 %	223 159 999,89	263 329 999,89
4 Miscellaneous community taxes, levies and duties	608 095 787,00	587 492 563,00	582 181 384,97	578 244 519,18	579 526 983,77	575 248 831,35	95,30 %	97,92 %	2 654 401,20	2 995 687,83
5 Administrative operation of the institution	95 173 696,00	112 267 898,50	305 890 162,72	168 393 696,14	281 075 906,09	140 676 657,50	295,33 %	125,30 %	24 814 256,63	27 717 038,64
6 Contributions by third parties, reimbursements, financial corrections and refunds	90 601 701,00	461 772 620,19	1 466 082 721,88	1 016 437 828,74	1 014 077 253,53	876 420 333,59	1 119,27 %	189,79 %	452 005 468,35	140 017 495,15
7 Interests on late payments and fines	0	583 400 000,00	3 664 302 659,79	4 066 543 335,33	237 038 738,15	631 451 854,20		108,24 %	3 427 263 921,64	3 435 091 481,13
8 Borrowing and lending operations	21 681 805,00	21 516 180,00	28 467 212,97	58 328 056,51	26 878 208,83	56 708 830,70	123,97 %	263,56 %	1 589 004,14	1 619 225,81
9 Miscellaneous revenue	21 526 000,00	22 234 000,00	33 892 406,39	91 808 197,50	20 660 254,68	80 913 515,62	95,98 %	363,92 %	13 232 151,71	10 894 681,88
Total	92 524 837 098,00	96 052 033 832,69	99 447 948 833,98	101 108 937 145,28	93 468 554 435,85	95 434 404 645,45	101,02 %	99,36 %	5 979 394 398,13	5 674 532 499,83

Detail Title 1 : Own resources

Chapter	Income appropriations		Entitlements established		Amounts received		receipts as % of budget		Outstanding		
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	
	1	2	3	4	5	6	7=5/1	8=6/2	9=3-5	10=4-6	
10	Agricultural duties	879 825 000,00	1 121 700 000,00	1 438 138 088,09	1 769 794 438,39	1 011 798 359,04	1 180 247 286,05	115,00 %	105,22 %	426 339 729,05	589 547 152,34
11	Sugar levies	546 600 000,00	770 900 000,00	428 287 477,27	868 747 584,45	383 208 571,20	864 838 494,94	70,11 %	112,19 %	45 078 906,07	3 909 089,51
12	Customs duties	9 479 775 000,00	13 734 200 000,00	10 822 325 600,07	14 703 414 446,93	9 462 147 061,87	12 917 508 660,66	99,81 %	94,05 %	1 360 178 538,20	1 785 905 786,27
13	VAT	21 748 030 275,00	22 601 189 980,00	21 536 290 980,50	22 539 172 732,29	21 534 865 234,38	22 538 960 831,71	99,02 %	99,72 %	1 425 746,12	211 900,58
14	GNI	51 356 715 846,00	46 604 993 668,00	50 627 534 080,85	45 850 609 172,47	50 624 310 463,23	45 850 349 483,70	98,57 %	98,38 %	3 223 617,62	259 688,77
15	Correction of budgetary imbalances	0,00	0	279 563 922,91	149 071 090,27	281 135 265,40	149 032 265,55	0,00 %		- 1 571 342,49	38 824,72
19	Costs incurred in the collection of own resources		- 3 906 700 000,00		- 4 312 572 669,38		- 3 725 567 116,72		95,36 %	0,00	- 587 005 552,66
Total Title 1		84 010 946 121,00	80 926 283 648,00	85 132 140 149,69	81 568 236 795,42	83 297 464 955,12	79 775 369 905,89	99,15 %	98,58 %	1 834 675 194,57	1 792 866 889,53

Detail Title 3 : Surpluses available

Chapter	Income appropriations		Entitlements established		Amounts received		receipts as % of budget		Outstanding		
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	
	1	2	3	4	5	6	7=5/1	8=6/2	9=3-5	10=4-6	
30	Surplus from previous year	7 676 811 988,00	15 374 982 104,00	7 899 971 988,34	15 638 312 103,55	7 676 811 988,34	15 374 982 103,55	100,00 %	100,00 %	223 160 000,00	263 330 000,00
31	VAT surplus	0	0	- 274 766 759,55	- 150 786 347,49	- 274 766 759,54	- 150 786 347,40	0,00 %		- 0,01	- 0,09
32	GNI surplus	0	0	610 850 456,32	97 261 471,44	610 850 456,41	97 261 471,47	0,00 %		- 0,09	- 0,03
34	Adjustment for non-participation in JHAP	0		- 52 037,96		- 52 037,97		0,00 %		0,01	
35	United Kingdom correction	0,00	0	- 1 011 511,58	- 809 537,42	- 1 011 511,56	- 809 537,43	0,00 %		- 0,02	0,01
Total Title 3		7 676 811 988,00	15 374 982 104,00	8 234 992 135,57	15 583 977 690,08	8 011 832 135,68	15 320 647 690,19	104,36 %	99,65 %	223 159 999,89	263 329 999,89

6. CONSOLIDATED SUMMARY OF THE IMPLEMENTATION OF BUDGET EXPENDITURE

(EUR)

Changes in and Breakdown of commitment appropriations				Changes in and Breakdown of payment appropriations			
	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total		NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total
BUDGET				BUDGET			
Budget appropriations adopted	50 357 521 098,00	49 328 171 240,00	99 685 692 338,00	Budget appropriations adopted	50 357 521 098,00	47 145 416 000,00	97 502 937 098,00
Modifications (Transfers, AB, EFTA)	23 887 000,00	209 864 473,22	233 751 473,22	Modifications (Transfers, AB, EFTA)	23 887 000,00	-4 916 588 868,82	-4 892 701 868,82
Final Budget appropriations	50 381 408 098,00	49 538 035 713,22	99 919 443 811,22	Final Budget appropriations	50 381 408 098,00	42 228 827 131,18	92 610 235 229,18
ADDITIONAL APPROPRIATIONS				ADDITIONAL APPROPRIATIONS			
Rev from third parties/Work for third parties	159 299 589,53	866 352 148,43	1 025 651 737,96	Rev from third parties/Work for third parties	161 416 551,88	1 263 564 799,91	1 424 981 351,79
Appropriations carried				Appropriations carried			
Appropriations carried over from 2002	100 628 929,00	57 855 069,20	158 483 998,20	Appropriations carried over from 2002	783 226 605,01	3 372 628 187,75	4 155 854 792,76
Other appropriations				Other appropriations			
Appropriations for re-use	64 792 664,87	33 384 569,45	98 177 234,32	Appropriations for re-use	82 589 729,69	65 067 384,71	147 657 114,40
Appropriations made available again	0	31 096 007,00	31 096 007,00	Appropriations made available again	0	0	0
Total other appropriations	64 792 664,87	64 480 576,45	129 273 241,32	Total other appropriations	82 589 729,69	65 067 384,71	147 657 114,40
Final Budget appropriations	50 381 408 098,00	49 538 035 713,22	99 919 443 811,22	Final Budget appropriations	50 381 408 098,00	42 228 827 131,18	92 610 235 229,18
TOTAL ADDITIONAL APPROPRIATIONS	324 721 183,40	988 687 794,08	1 313 408 977,48	TOTAL ADDITIONAL APPROPRIATIONS	1 027 232 886,58	4 701 260 372,37	5 728 493 258,95
TOTAL APPROPRIATIONS AUTHORISED	50 706 129 281,40	50 526 723 507,30	101 232 852 788,70	TOTAL APPROPRIATIONS AUTHORISED	51 408 640 984,58	46 930 087 503,55	98 338 728 488,13

7. CONSOLIDATED SUMMARY OF BUDGET IMPLEMENTATION - EXPENDITURE

(EUR)

Implementation of commitment appropriations by type of appropriation				Implementation of payment appropriations by type of appropriation			
	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total		NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total
Budget appropriations adopted	50 357 521 098,00	49 328 171 240,00	99 685 692 338,00	Budget appropriations adopted	50 357 521 098,00	47 145 416 000,00	97 502 937 098,00
Amending budgets	21 900 000,00	104 789 000,00	126 689 000,00	Amending budgets	21 900 000,00	-5 000 000 000,00	-4 978 100 000,00
Transfers	0	0	0,00	Transfers	0	0	0
EFTA appropriations	1 987 000,00	105 075 473,22	107 062 473,22	EFTA appropriations	1 987 000,00	83 411 131,18	85 398 131,18
Final budget appropriations	50 381 408 098,00	49 538 035 713,22	99 919 443 811,22	Final budget appropriations	50 381 408 098,00	42 228 827 131,18	92 610 235 229,18
Commitments made	49 880 206 998,30	49 125 342 872,12	99 005 549 870,42	Commitments made	49 020 957 051,42	38 993 349 678,12	88 014 306 729,54
Appropriations carried over to 2004	42 097 000,00	113 483 364,00	155 580 364,00	Appropriations carried over to 2004	895 334 812,69	306 214 602,93	1 201 549 415,62
Appropriations lapsing	459 104 099,70	299 209 477,10	758 313 576,80	Appropriations lapsing	465 116 233,89	2 929 262 850,13	3 394 379 084,02
Earmarked revenue	159 299 589,53	866 352 148,43	1 025 651 737,96	Earmarked revenue	161 416 551,88	1 263 564 799,91	1 424 981 351,79
Commitments made	120 607 078,52	409 825 783,90	530 432 862,42	Commitments made	75 279 020,14	305 228 008,79	380 507 028,93
Appropriations carried over to 2004	38 692 511,01	456 526 364,53	495 218 875,54	Appropriations carried over to 2004	86 137 531,74	958 336 791,12	1 044 474 322,86
Appropriations carried over from 2002	100 628 929,00	57 855 069,20	158 483 998,20	Appropriations carried over from 2002	783 226 605,01	3 372 628 187,75	4 155 854 792,76
Commitments made	100 600 684,00	46 400 568,57	147 001 252,57	Commitments made	665 996 965,40	1 415 759 134,39	2 081 756 099,79
Appropriations lapsing	28 245,00	11 454 500,63	11 482 745,63	Appropriations lapsing	117 229 639,61	1 956 869 053,36	2 074 098 692,97
Appropriations for re-use	64 792 664,87	33 384 569,45	98 177 234,32	Appropriations for re-use	82 589 729,69	65 067 384,71	147 657 114,40
Commitments made	53 791 371,70	8 354 847,13	62 146 218,83	Commitments made	70 155 219,56	10 741 212,12	80 896 431,68
Appropriations lapsing	11 001 293,17	25 029 722,32	36 031 015,49	Appropriations lapsing	12 434 510,13	54 326 172,59	66 760 682,72
Appropriations made available again	0,00	31 096 007,00	31 096 007,00	Appropriations made available again	0,00	0,00	0,00
Commitments made	0,00	29 680 316,00	29 680 316,00	Commitments made	0,00	0,00	0,00
Appropriations lapsing	0,00	1 415 691,00	1 415 691,00	Appropriations lapsing	0,00	0,00	0,00
Total appropriations authorised	50 706 129 281,40	50 526 723 507,30	101 232 852 788,70	Total appropriations authorised	51 408 640 984,58	46 930 087 503,55	98 338 728 488,13
Total commitments	50 155 206 132,52	49 619 604 387,72	99 774 810 520,24	Total commitments	49 832 388 256,52	40 725 078 033,42	90 557 466 289,94
Total Appropriations carried over to 2004	80 789 511,01	570 009 728,53	650 799 239,54	Total Appropriations carried over to 2004	981 472 344,43	1 264 551 394,05	2 246 023 738,48
Total Appropriations lapsing	470 133 637,87	337 109 391,05	807 243 028,92	Total Appropriations lapsing	594 780 383,63	4 940 458 076,08	5 535 238 459,71

8. CONSOLIDATED SUMMARY OF COMMITMENTS OUTSTANDING

EUR

	NON-DIFFERENTIATED APPROPRIATIONS	DIFFERENTIATED APPROPRIATIONS	Total
Commitments carried from previous year	704 436 074,93	99 115 426 330,55	99 819 862 405,48
Decommitments	- 14 107 950,58	- 4 124 343 632,06	- 4 138 451 582,64
Revaluations	- 3 058,42	- 77 980,67	- 81 039,09
Payments	586 162 669,75	35 003 461 557,97	35 589 624 227,72
Cancellations	101 960 393,62		101 960 393,62
Commitments outstanding at the end of the year	2 202 002,56	59 987 543 159,85	59 989 745 162,41
Commitments for the year	50 155 206 132,52	49 619 604 387,72	99 774 810 520,24
Payments	49 246 225 586,77	5 721 616 475,45	54 967 842 062,22
Cancellation of commitments which cannot be carried over	6 012 134,19	0,00	6 012 134,19
Commitments outstanding at the end of the year	902 968 411,56	43 897 987 912,27	44 800 956 323,83
Total commitments outstanding at the end of the year	905 170 414,12	103 885 531 072,12	104 790 701 486,24

9. IMPLEMENTATION OF COMMITMENT

Appropriations for institutions other than the Commission are consolidated in heading 5 of the financial perspectives.

Commitment

Institution	Commitment appropriations authorised	Commitments made				
		from the year's appropriations	from carry-overs	from other appropriations	Total	%
		1	2	3	4	5=2+3+4
COMMISSION	99 256 787 097,99	97 640 728 310,36	133 547 852,57	60 287 168,42	97 834 563 331,35	98,57 %
EUROPEAN PARLIAMENT	1 154 257 775,22	1 105 241 886,29	3 302 900,00	28 425 286,00	1 136 970 072,29	98,50 %
COUNCIL	453 650 329,82	431 978 077,62	10 108 500,00	1 078 347,13	443 164 924,75	97,69 %
COURT OF JUSTICE	152 456 360,95	149 724 158,07	0,00	923 224,60	150 647 382,67	98,81 %
COURT OF AUDITORS	77 471 941,28	74 677 811,95	0,00	110 943,99	74 788 755,94	96,54 %
ECONOMIC AND SOCIAL COMMITTEE	84 209 170,95	81 435 425,27	42 000,00	809 658,52	82 287 083,79	97,72 %
COMMITTEE OF THE REGIONS	49 581 459,49	48 144 575,01	0,00	191 906,17	48 336 481,18	97,49 %
OMBUDSMAN	4 438 653,00	4 052 488,27	0,00	0,00	4 052 488,27	91,30 %
Total	101 232 852 788,70	99 535 982 732,84	147 001 252,57	91 826 534,83	99 774 810 520,24	98,56 %

Payment

Institution	Payment appropriations authorised	Payments made				
		from the year's appropriations	from carry-overs	from other appropriations	Total	%
		1	2	3	4	5=2+3+4
COMMISSION	96 172 458 593,85	86 833 254 501,03	1 916 776 942,99	49 357 487,31	88 799 388 931,33	92,33 %
EUROPEAN PARLIAMENT	1 254 558 747,97	865 326 743,89	91 591 584,56	28 425 286,00	985 343 614,45	78,54 %
COUNCIL	511 409 260,28	364 332 410,29	44 636 899,28	1 078 347,13	410 047 656,70	80,18 %
COURT OF JUSTICE	159 207 403,43	140 820 163,18	6 147 381,03	923 224,60	147 890 768,81	92,89 %
COURT OF AUDITORS	93 950 343,19	69 088 941,54	14 772 840,77	110 943,99	83 972 726,30	89,38 %
ECONOMIC AND SOCIAL COMMITTEE	89 193 379,84	75 427 575,26	4 498 045,10	809 658,52	80 735 278,88	90,52 %
COMMITTEE OF THE REGIONS	53 072 330,09	43 011 423,69	2 955 373,09	191 484,13	46 158 280,91	86,97 %
OMBUDSMAN	4 878 429,48	3 551 999,59	377 032,97	0,00	3 929 032,56	80,54 %
Total	98 338 728 488,13	88 394 813 758,47	2 081 756 099,79	80 896 431,68	90 557 466 289,94	92,09 %

AND PAYMENT APPROPRIATIONS BY INSTITUTION

appropriations

Appropriations carried over to the following year					Appropriations lapsing	%	Commitments outstanding at close of financial year	Appropriations made available again in 2004
automatic carry-overs	carry-overs by decision	other appropriations	Total	%				
7	8	9	10=7+8+9	11=10/1				
481 082 443,68	155 580 364,00		636 662 807,68	0,64 %	785 560 958,96	0,79 %	104 456 984 400,32	3 269 595,00
5 192 573,07	0,00		5 192 573,07	0,45 %	12 095 129,86	1,05 %	239 915 142,40	
7 524 670,44	0,00		7 524 670,44	1,66 %	2 960 734,63	0,65 %	67 646 567,33	
725 597,40	0,00		725 597,40	0,48 %	1 083 380,88	0,71 %	8 903 994,89	
241 076,28	0,00		241 076,28	0,31 %	2 442 109,06	3,15 %	5 588 870,41	
364 914,33	0,00		364 914,33	0,43 %	1 557 172,83	1,85 %	6 028 448,85	
87 600,34	0,00		87 600,34	0,18 %	1 157 377,97	2,33 %	5 133 573,36	
0,00	0,00		0,00	0,00 %	386 164,73	8,70 %	500 488,68	
495 218 875,54	155 580 364,00		650 799 239,54	0,64 %	807 243 028,92	0,80 %	104 790 701 486,24	3 269 595,00

appropriations

Appropriations carried over to 2004					Appropriations lapsing			
automatic carry-overs	carry-overs by decision	other appropriations	Total	%	from the year's appropriations	from carry-overs	from other appropriations	Total
7	8	9	10=7+8+9	11=10/1	12	13	14	15
1 549 880 538,65	348 311 602,93		1 898 192 141,58	1,97 %	3 374 052 297,80	2 035 420 246,20	65 404 976,94	5 474 877 520,94
245 107 715,47	0,00		245 107 715,47	19,54 %	11 088 316,86	12 012 288,19	1 006 813,00	24 107 418,05
75 170 337,77	0,00		75 170 337,77	14,70 %	2 827 811,78	23 230 531,18	132 922,85	26 191 265,81
9 629 592,29	0,00		9 629 592,29	6,05 %	1 000 653,91	603 661,45	82 726,97	1 687 042,33
5 829 946,69	0,00		5 829 946,69	6,21 %	2 442 109,06	1 705 561,14	0,00	4 147 670,20
6 372 764,34	0,00		6 372 764,34	7,14 %	1 524 466,00	528 163,79	32 706,83	2 085 336,62
5 220 751,66	0,00		5 220 751,66	9,84 %	1 057 263,88	535 497,51	100 536,13	1 693 297,52
500 488,68	0,00		500 488,68	10,26 %	386 164,73	62 743,51	0,00	448 908,24
1 897 712 135,55	348 311 602,93		2 246 023 738,48	2,28 %	3 394 379 084,02	2 074 098 692,97	66 760 682,72	5 535 238 459,71

10. COMPARISON OF BUDGET IMPLEMENTATION 2003
Commitment

Sub-Section	Authorised appropriations			Commitments made				
	2003	2002	% variation	2003	%	2002	%	% variation
	1	2	3=(1-2)/2	4	5=4/1	6	7=6/2	8=(4-6)/6
A- Administrative expenditure	5 615 810 273,37	5 381 478 248,11	4,35 %	5 545 325 038,66	98,74 %	5 272 245 062,98	97,97 %	5,18 %
B0 Guarantees - Reserves	272 145 507,16	270 453 623,16	0,63 %	147 920 000,00	54,35 %	170 490 000,00	63,04 %	- 13,24 %
B1 Agriculture	44 847 535 500,87	44 579 180 000,00	0,60 %	44 461 961 093,86	99,14 %	43 216 958 191,67	96,94 %	2,88 %
B2 Structural Actions	34 290 408 669,57	34 777 627 706,61	- 1,40 %	34 248 856 567,23	99,88 %	34 764 265 060,72	99,96 %	- 1,48 %
B3 Training Education Culture	1 170 814 199,94	1 060 057 284,06	10,45 %	1 076 077 763,05	91,91 %	971 114 442,38	91,61 %	10,81 %
B4 Energy	318 269 222,36	268 514 155,79	18,53 %	283 567 292,45	89,10 %	264 447 317,64	98,49 %	7,23 %
B5 Internal market - Transeuropean Networks	1 350 918 257,51	1 175 405 825,20	14,93 %	1 270 404 563,85	94,04 %	1 106 146 410,66	94,11 %	14,85 %
B6 Research	4 597 466 503,26	4 685 680 842,45	- 1,88 %	4 280 743 997,20	93,11 %	4 519 791 560,35	96,46 %	- 5,29 %
B7 External Actions	8 715 775 300,88	8 745 410 115,45	- 0,34 %	8 406 342 497,94	96,45 %	8 556 439 604,42	97,84 %	- 1,75 %
B8 Common foreign and security policy	53 709 353,78	32 800 000,00	63,75 %	53 611 706,00	99,82 %	32 799 655,99	100,00 %	63,45 %
Total	101 232 852 788,70	100 976 607 800,83	0,25 %	99 774 810 520,24	98,56 %	98 874 697 306,81	97,92 %	0,91 %

Payment

Sub-Section	Authorised appropriations			Commitments made				
	2003	2002	% change	2003	%	2002	%	% change
	1	2	3=(1-2)/2	4	5=4/1	6	7=6/2	8=(4-6)/6
A- Administrative expenditure	6 087 145 932,55	5 856 632 014,15	3,94 %	5 305 221 201,88	87,15 %	5 211 565 031,09	88,99 %	1,80 %
B0 Guarantees - Reserves	295 701 557,16	274 129 623,16	7,87 %	147 920 000,00	50,02 %	170 490 000,00	62,19 %	- 13,24 %
B1 Agriculture	45 078 711 544,87	45 165 097 004,50	- 0,19 %	44 379 247 054,64	98,45 %	43 520 554 117,82	96,36 %	1,97 %
B2 Structural Actions	32 127 952 952,57	32 372 970 061,61	- 0,76 %	28 685 630 543,78	89,29 %	24 231 265 217,63	74,85 %	18,38 %
B3 Training Education Culture	1 150 592 496,60	1 117 965 271,39	2,92 %	943 315 895,04	81,99 %	930 115 608,40	83,20 %	1,42 %
B4 Energy	284 736 821,15	221 924 348,80	28,30 %	211 740 304,58	74,36 %	197 521 419,79	89,00 %	7,20 %
B5 Internal market - Transeuropean Networks	1 334 320 208,38	1 303 928 267,35	2,33 %	1 079 189 194,63	80,88 %	1 039 597 862,88	79,73 %	3,81 %
B6 Research	4 157 044 844,89	4 521 050 261,08	- 8,05 %	3 279 553 180,56	78,89 %	3 667 215 553,28	81,11 %	- 10,57 %
B7 External Actions	7 772 112 776,18	7 709 545 320,17	0,81 %	6 494 649 398,74	83,56 %	6 145 211 690,86	79,71 %	5,69 %
B8 Common foreign and security policy	50 409 353,78	36 035 415,00	39,89 %	30 999 516,09	61,50 %	30 932 805,12	85,84 %	0,22 %
Total	98 338 728 488,13	98 579 277 587,21	- 0,24 %	90 557 466 289,94	92,09 %	85 144 469 306,87	86,37 %	6,36 %

AND 2002 BY BUDGET SUB-SECTION
Appropriations

Appropriations carried over to the following year					Appropriations lapsing				
2003	%	2002	%	% variation	2003	%	2002	%	% variation
9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16
39 396 339,14	0,70 %	74 343 507,93	1,38 %	- 47,01 %	31 088 895,57	0,55 %	34 889 677,20	0,65 %	- 10,89 %
0,00	0,00 %	8 783 507,16	3,25 %	- 100,00 %	124 225 507,16	45,65 %	91 180 116,00	33,71 %	36,24 %
41 393 171,87	0,09 %	83 892 329,00	0,19 %	- 50,66 %	344 181 235,14	0,77 %	1 278 329 479,33	2,87 %	- 73,08 %
7 014 117,28	0,02 %	1 455 677,29	0,00 %	381,85 %	34 537 985,06	0,10 %	11 906 968,60	0,03 %	190,07 %
62 467 035,31	5,34 %	42 603 695,69	4,02 %	46,62 %	32 269 401,58	2,76 %	46 339 145,99	4,37 %	- 30,36 %
17 634 333,71	5,54 %	2 551 641,75	0,95 %	591,10 %	17 067 596,20	5,36 %	1 515 196,40	0,56 %	1 026,43 %
35 203 502,44	2,61 %	14 042 285,21	1,19 %	150,70 %	45 310 191,22	3,35 %	55 217 129,33	4,70 %	- 17,94 %
311 413 536,77	6,77 %	153 927 000,95	3,29 %	102,31 %	5 308 969,29	0,12 %	11 962 281,15	0,26 %	- 55,62 %
136 234 727,24	1,56 %	93 276 480,90	1,07 %	46,05 %	173 198 075,70	1,99 %	95 694 030,13	1,09 %	80,99 %
42 475,78	0,08 %	0,00	0,00 %	0,00 %	55 172,00	0,10 %	344,01	0,00 %	15 937,91 %
650 799 239,54	0,64 %	474 876 125,88	0,47 %	37,05 %	807 243 028,92	0,80 %	1 627 034 368,14	1,61 %	- 50,39 %

Appropriations

Appropriations carried over to the following year					Appropriations lapsing				
2003	%	2002	%	% change	2003	%	2002	%	% change
9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16
650 051 821,00	10,68 %	548 068 006,97	9,36 %	18,61 %	131 872 909,67	2,17 %	96 998 976,09	1,66 %	35,95 %
0,00	0,00 %	8 783 507,16	3,20 %	- 100,00 %	147 781 557,16	49,98 %	94 856 116,00	34,60 %	55,80 %
331 420 523,43	0,74 %	315 068 373,00	0,70 %	5,19 %	368 043 966,80	0,82 %	1 329 474 513,68	2,94 %	- 72,32 %
244 957 171,21	0,76 %	3 259 801 207,29	10,07 %	- 92,49 %	3 197 365 237,58	9,95 %	4 881 903 636,69	15,08 %	- 34,51 %
147 585 373,15	12,83 %	98 138 682,93	8,78 %	50,38 %	59 691 228,41	5,19 %	89 710 980,06	8,02 %	- 33,46 %
22 255 137,68	7,82 %	8 161 430,22	3,68 %	172,69 %	50 741 378,89	17,82 %	16 241 498,79	7,32 %	212,42 %
34 317 402,92	2,57 %	88 829 436,27	6,81 %	- 61,37 %	220 813 610,83	16,55 %	175 500 968,20	13,46 %	25,82 %
647 795 938,53	15,58 %	548 974 895,78	12,14 %	18,00 %	229 695 725,80	5,53 %	304 859 812,02	6,74 %	- 24,66 %
162 278 443,78	2,09 %	118 742 372,62	1,54 %	36,66 %	1 115 184 933,66	14,35 %	1 445 591 256,69	18,75 %	- 22,86 %
5 361 926,78	10,64 %	0,00	0,00 %	0,00 %	14 047 910,91	27,87 %	5 102 609,88	14,16 %	175,31 %
2 246 023 738,48	2,28 %	4 994 567 912,24	5,07 %	- 55,03 %	5 535 238 459,71	5,63 %	8 440 240 368,10	8,56 %	- 34,42 %

11. BREAKDOWN AND CHANGES IN COMMITMENT

Sub-section	Commitment appropriations						
	Appropriations adopted	Modifications (Transfers, AB and EFTA)	carried over from 2002	Revenue from third parties/Work for third parties	other	Total additional	Total authorised
	1	2	3	4	5	6=3+4+5	7=1+2+6
A- Administrative expenditure	5 360 071 098,00	23 887 000,00	16 736 600,00	159 106 417,66	56 009 157,71	231 852 175,37	5 615 810 273,37
B0 Guarantees - Reserves	506 920 050,00	-243 558 050,00	0,00	0,00	8 783 507,16	8 783 507,16	272 145 507,16
B1 Agriculture	44 762 450 000,00	1 000 000,00	83 892 329,00	193 171,87	0,00	84 085 500,87	44 847 535 500,87
B2 Structural Actions	34 121 625 240,00	135 989 000,00	1 217 738,00	242 745,28	31 333 946,29	32 794 429,57	34 290 408 669,57
B3 Training Education Culture	966 057 500,00	23 944 290,90	13 577 281,99	166 961 571,31	273 555,74	180 812 409,04	1 170 814 199,94
B4 Energy	243 100 000,00	55 854 128,00	304 983,00	18 974 315,01	35 796,35	19 315 094,36	318 269 222,36
B5 Internal market - Transeuropean Networks	1 153 527 000,00	86 861 070,33	7 904 107,34	98 999 003,65	3 627 076,19	110 530 187,18	1 350 918 257,51
B6 Research	4 055 000 000,00	114 915 483,99	0,00	426 086 731,15	1 464 288,12	427 551 019,27	4 597 466 503,26
B7 External Actions	8 469 441 450,00	34 858 550,00	34 850 958,87	148 878 428,25	27 745 913,76	211 475 300,88	8 715 775 300,88
B8 Common foreign and security policy	47 500 000,00	0,00	0,00	6 209 353,78	0,00	6 209 353,78	53 709 353,78
Total	99 685 692 338,00	233 751 473,22	158 483 998,20	1 025 651 737,96	129 273 241,32	1 313 408 977,48	101 232 852 788,70

12. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

Sub-section	Commitment appropriations authorized	Commitments made					%
		from the year's appropriations	from carry-overs	from other appropriations	Total		
		1	2	3	4	5=2+3+4	
A- Administrative expenditure	5 615 810 273,37	5 474 825 311,96	16 708 355,00	53 791 371,70	5 545 325 038,66	98,74 %	
B0 Guarantees - Reserves	272 145 507,16	147 920 000,00	0,00	0,00	147 920 000,00	54,35 %	
B1 Agriculture	44 847 535 500,87	44 378 068 764,86	83 892 329,00	0,00	44 461 961 093,86	99,14 %	
B2 Structural Actions	34 290 408 669,57	34 217 798 550,01	1 217 738,00	29 840 279,22	34 248 856 567,23	99,88 %	
B3 Training Education Culture	1 170 814 199,94	1 063 256 060,63	12 821 702,42	0,00	1 076 077 763,05	91,91 %	
B4 Energy	318 269 222,36	283 262 309,45	304 983,00	0,00	283 567 292,45	89,10 %	
B5 Internal market - Transeuropean Networks	1 350 918 257,51	1 261 800 088,01	6 758 171,28	1 846 304,56	1 270 404 563,85	94,04 %	
B6 Research	4 597 466 503,26	4 279 466 618,49	0,00	1 277 378,71	4 280 743 997,20	93,11 %	
B7 External Actions	8 715 775 300,88	8 375 973 323,43	25 297 973,87	5 071 200,64	8 406 342 497,94	96,45 %	
B8 Common foreign and security policy	53 709 353,78	53 611 706,00	0,00	0,00	53 611 706,00	99,82 %	
Total	101 232 852 788,70	99 535 982 732,84	147 001 252,57	91 826 534,83	99 774 810 520,24	98,56 %	

AND PAYMENT APPROPRIATIONS BY BUDGET SUB-SECTION

Sub-section	Payment appropriations						
	Appropriations adopted	Modifications (Transfers, AB and EFTA)	carried over from 2002	Revenue from third parties/Work for third parties	other	Total additional	Total authorised
	8	9	10	11	12	13=10+11+12	14=8+9+13
A- Administrative expenditure	5 360 071 098,00	23 887 000,00	468 158 232,01	161 223 380,01	73 806 222,53	703 187 834,55	6 087 145 932,55
B0 Guarantees - Reserves	366 169 050,00	-79 251 000,00	0,00	0,00	8 783 507,16	8 783 507,16	295 701 557,16
B1 Agriculture	44 762 450 000,00	1 000 000,00	315 068 373,00	193 171,87	0,00	315 261 544,87	45 078 711 544,87
B2 Structural Actions	33 330 476 500,00	-4 462 567 500,00	3 259 563 268,00	242 745,28	237 939,29	3 260 043 952,57	32 127 952 952,57
B3 Training Education Culture	879 610 000,00	35 475 289,49	241 500,00	234 992 151,38	273 555,73	235 507 207,11	1 150 592 496,60
B4 Energy	250 832 000,00	8 912 253,87	0,00	24 893 210,76	99 356,52	24 992 567,28	284 736 821,15
B5 Internal market - Transeuropean Networks	1 165 694 000,00	43 230 294,90	81 144 307,25	39 233 039,08	5 018 567,15	125 395 913,48	1 334 320 208,38
B6 Research	3 650 000 000,00	-305 591 707,08	0,00	809 080 379,79	3 556 172,18	812 636 551,97	4 157 044 844,89
B7 External Actions	7 687 634 450,00	-151 996 500,00	31 679 112,50	148 913 919,84	55 881 793,84	236 474 826,18	7 772 112 776,18
B8 Common foreign and security policy	50 000 000,00	-5 800 000,00	0,00	6 209 353,78	0,00	6 209 353,78	50 409 353,78
Total	97 502 937 098,00	-4 892 701 868,82	4 155 854 792,76	1 424 981 351,79	147 657 114,40	5 728 493 258,95	98 338 728 488,13

BY BUDGET SUB-SECTION

Sub-section	Appropriations carried over to 2004					Appropriations lapsing				
	automatic carry-overs	carry-overs by decision	other appropriations	Total	%	from the year's appropriations	from carry-overs	from other appropriations	Total	%
	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
A- Administrative expenditure	38 499 339,14	897 000,00		39 396 339,14	0,70 %	28 842 864,56	28 245,00	2 217 786,01	31 088 895,57	0,55 %
B0 Guarantees - Reserves	0,00	0,00		0,00	0,00 %	115 442 000,00	0,00	8 783 507,16	124 225 507,16	45,65 %
B1 Agriculture	193 171,87	41 200 000,00		41 393 171,87	0,09 %	344 181 235,14	0,00	0,00	344 181 235,14	0,77 %
B2 Structural Actions	242 745,28	6 771 372,00		7 014 117,28	0,02 %	33 044 317,99	0,00	1 493 667,07	34 537 985,06	0,10 %
B3 Training Education Culture	62 467 035,31	0,00		62 467 035,31	5,34 %	31 240 266,27	755 579,57	273 555,74	32 269 401,58	2,76 %
B4 Energy	4 262 083,71	13 372 250,00		17 634 333,71	5,54 %	17 031 799,85	0,00	35 796,35	17 067 596,20	5,36 %
B5 Internal market - Transeuropean Networks	16 415 160,44	18 788 342,00		35 203 502,44	2,61 %	42 383 483,53	1 145 936,06	1 780 771,63	45 310 191,22	3,35 %
B6 Research	292 513 536,77	18 900 000,00		311 413 536,77	6,77 %	5 122 059,88	0,00	186 909,41	5 308 969,29	0,12 %
B7 External Actions	80 583 327,24	55 651 400,00		136 234 727,24	1,56 %	140 970 377,58	9 552 985,00	22 674 713,12	173 198 075,70	1,99 %
B8 Common foreign and security policy	42 475,78	0,00		42 475,78	0,08 %	55 172,00	0,00	0,00	55 172,00	0,10 %
Total	495 218 875,54	155 580 364,00		650 799 239,54	0,64 %	758 313 576,80	11 482 745,63	37 446 706,49	807 243 028,92	0,80 %

13. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

Sub-section	Commitment appropriations authorized	Commitments made					%
		from the year's appropriations	from carry-overs	from other appropriations	Total		
		1	2	3	4	5=2+3+4	
A-	Administrative expenditure	6 087 145 932,55	4 860 274 658,26	374 791 324,06	70 155 219,56	5 305 221 201,88	87,15 %
B0	Guarantees - Reserves	295 701 557,16	147 920 000,00	0,00	0,00	147 920 000,00	50,02 %
B1	Agriculture	45 078 711 544,87	44 088 041 413,30	291 205 641,34	0,00	44 379 247 054,64	98,45 %
B2	Structural Actions	32 127 952 952,57	27 308 678 463,87	1 376 913 280,39	38 799,52	28 685 630 543,78	89,29 %
B3	Training Education Culture	1 150 592 496,60	943 315 895,04	0,00	0,00	943 315 895,04	81,99 %
B4	Energy	284 736 821,15	211 740 304,58	0,00	0,00	211 740 304,58	74,36 %
B5	Internal market - Transeuropean Networks	1 334 320 208,38	1 039 174 923,89	38 395 301,28	1 618 969,46	1 079 189 194,63	80,88 %
B6	Research	4 157 044 844,89	3 276 970 659,35	0,00	2 582 521,21	3 279 553 180,56	78,89 %
B7	External Actions	7 772 112 776,18	6 487 697 924,09	450 552,72	6 500 921,93	6 494 649 398,74	83,56 %
B8	Common foreign and security policy	50 409 353,78	30 999 516,09	0,00	0,00	30 999 516,09	61,50 %
Total		98 338 728 488,13	88 394 813 758,47	2 081 756 099,79	80 896 431,68	90 557 466 289,94	92,09 %

14. COMPARISON OF BUDGET IMPLEMENTATION 2003

Commitment

Heading	Authorised appropriations			Commitments made					
	2003	2002	% change	2003	%	2002	%	% change	
	1	2	3=(1-2)/2	4	5=4/1	6	7=6/2	8=(4-6)/6	
1	AGRICULTURE	44 864 535 500,87	44 354 080 000,00	1,15 %	44 461 961 093,86	99,10 %	43 216 958 191,67	97,44 %	2,88 %
2	STRUCTURAL OPERATIONS	34 012 540 256,19	34 017 380 748,67	-0,01 %	33 986 962 361,84	99,92 %	34 011 741 251,12	99,98 %	-0,07 %
3	INTERNAL POLICIES	7 744 136 596,45	7 973 670 065,44	-2,88 %	7 172 687 821,94	92,62 %	7 614 023 540,63	95,49 %	-5,80 %
4	EXTERNAL ACTION	5 219 076 540,76	5 207 266 081,07	0,23 %	5 066 670 486,29	97,08 %	5 085 345 420,49	97,66 %	-0,37 %
5	ADMINISTRATION	5 615 810 273,37	5 381 478 248,11	4,35 %	5 545 325 038,66	98,74 %	5 272 245 062,98	97,97 %	5,18 %
6	RESERVES	327 783 507,16	510 783 507,16	-35,83 %	147 920 000,00	45,13 %	170 490 000,00	33,38 %	-13,24 %
7	PRE-ACCESSION STRATEGY	3 448 970 113,90	3 531 949 150,38	-2,35 %	3 393 283 717,65	98,39 %	3 503 893 839,92	99,21 %	-3,16 %
Total		101 232 852 788,70	100 976 607 800,83	0,25 %	99 774 810 520,24	98,56 %	98 874 697 306,81	97,92 %	0,91 %

Payment

Heading	Authorised appropriations			Payments made					
	2003	2002	% change	2003	%	2002	%	% change	
	1	2	3=(1-2)/2	4	5=4/1	6	7=6/2	8=(4-6)/6	
1	AGRICULTURE	45 095 711 544,87	44 939 997 004,50	0,35 %	44 379 247 054,64	98,41 %	43 520 554 117,82	96,84 %	1,97 %
2	STRUCTURAL OPERATIONS	31 837 837 220,19	31 603 264 288,67	0,74 %	28 527 595 541,76	89,60 %	23 499 048 472,95	74,36 %	21,40 %
3	INTERNAL POLICIES	7 256 810 103,40	7 956 833 921,56	-8,80 %	5 671 833 576,83	78,16 %	6 566 667 189,03	82,53 %	-13,63 %
4	EXTERNAL ACTION	4 898 934 185,98	4 969 826 005,78	-1,43 %	4 285 823 224,23	87,48 %	4 423 703 383,69	89,01 %	-3,12 %
5	ADMINISTRATION	6 087 145 932,55	5 856 632 014,15	3,94 %	5 305 221 201,88	87,15 %	5 211 565 031,09	88,99 %	1,80 %
6	RESERVES	363 783 507,16	651 783 507,16	-44,19 %	147 920 000,00	40,66 %	170 490 000,00	26,16 %	-13,24 %
7	PRE-ACCESSION STRATEGY	2 798 505 993,98	2 600 940 845,39	7,60 %	2 239 825 690,60	80,04 %	1 752 441 112,29	67,38 %	27,81 %
Total		98 338 728 488,13	98 579 277 587,21	-0,24 %	90 557 466 289,94	92,09 %	85 144 469 306,87	86,37 %	6,36 %

BY BUDGET SUB-SECTION

Appropriations carried over to 2004					Appropriations lapsing				
automatic carry-overs	carry-overs by decision	other appropriations	Total	%	from the year's appropriations	from carry-overs	from other appropriations	Total	%
7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
649 154 821,00	897 000,00		650 051 821,00	10,68 %	34 854 998,75	93 366 907,95	3 651 002,97	131 872 909,67	2,17 %
0,00	0,00		0,00	0,00 %	138 998 050,00	0,00	8 783 507,16	147 781 557,16	49,98 %
290 220 523,43	41 200 000,00		331 420 523,43	0,74 %	344 181 235,14	23 862 731,66	0,00	368 043 966,80	0,82 %
242 745,28	244 714 425,93		244 957 171,21	0,76 %	1 314 516 110,20	1 882 649 987,61	199 139,77	3 197 365 237,58	9,95 %
146 291 627,15	1 293 746,00		147 585 373,15	12,83 %	59 176 172,68	241 500,00	273 555,73	59 691 228,41	5,19 %
14 073 365,68	8 181 772,00		22 255 137,68	7,82 %	50 642 022,37	0,00	99 356,52	50 741 378,89	17,82 %
20 223 472,92	14 093 930,00		34 317 402,92	2,57 %	174 665 007,17	42 749 005,97	3 399 597,69	220 813 610,83	16,55 %
632 355 938,53	15 440 000,00		647 795 938,53	15,58 %	228 722 074,83	0,00	973 650,97	229 695 725,80	5,53 %
139 787 714,78	22 490 729,00		162 278 443,78	2,09 %	1 034 575 501,97	31 228 559,78	49 380 871,91	1 115 184 933,66	14,35 %
5 361 926,78	0,00		5 361 926,78	10,64 %	14 047 910,91	0,00	0,00	14 047 910,91	27,87 %
1 897 712 135,55	348 311 602,93		2 246 023 738,48	2,28 %	3 394 379 084,02	2 074 098 692,97	66 760 682,72	5 535 238 459,71	5,63 %

AND 2002 BY FINANCIAL PERSPECTIVE

appropriations

Appropriations carried over to the following year					Appropriations lapsing				
2003	%	2002	%	% change	2003	%	2002	%	% change
9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	18=(14-16)/16
41 393 171,87	0,09 %	83 892 329,00	0,19 %	-50,66 %	361 181 235,14	0,81 %	1 053 229 479,33	2,37 %	-65,71 %
3 704 109,84	0,01 %	1 424 358,35	0,00 %	160,05 %	21 873 784,51	0,06 %	4 215 139,20	0,01 %	418,93 %
430 028 415,67	5,55 %	213 155 942,54	2,67 %	101,74 %	141 420 358,84	1,83 %	146 490 582,27	1,84 %	-3,46 %
93 524 173,36	1,79 %	71 415 017,93	1,37 %	30,96 %	58 881 881,11	1,13 %	50 505 642,65	0,97 %	16,58 %
39 396 339,14	0,70 %	74 343 507,93	1,38 %	-47,01 %	31 088 895,57	0,55 %	34 889 677,20	0,65 %	-10,89 %
0,00	0,00 %	8 783 507,16	1,72 %	-100,00 %	179 863 507,16	54,87 %	331 510 000,00	64,90 %	-45,74 %
42 753 029,66	1,24 %	21 861 462,97	0,62 %	95,56 %	12 933 366,59	0,37 %	6 193 847,49	0,18 %	108,81 %
650 799 239,54	0,64 %	474 876 125,88	0,47 %	37,05 %	807 243 028,92	0,80 %	1 627 034 368,14	1,61 %	-50,39 %

(Commitment Appropriations)

appropriations

Appropriations carried over to the following year					Appropriations lapsing				
2003	%	2002	%	% change	2003	%	2002	%	% change
9	10=9/1	11	12=11/2	13=(9-11)/11	14=1-4-9	15=14/1	16=2-6-11	17=16/2	(18=(14-16)/16)
331 420 523,43	0,73 %	315 068 373,00	0,70 %	5,19 %	385 043 966,80	0,85 %	1 104 374 513,68	2,46 %	-65,13 %
176 471 733,77	0,55 %	3 254 306 620,35	10,30 %	-94,58 %	3 133 769 944,66	9,84 %	4 849 909 195,37	15,35 %	-35,38 %
920 439 289,72	12,68 %	749 599 032,14	9,42 %	22,79 %	664 537 236,85	9,16 %	640 567 700,39	8,05 %	3,74 %
112 728 740,90	2,30 %	68 278 663,16	1,37 %	65,10 %	500 382 220,85	10,21 %	477 843 958,93	9,61 %	4,72 %
650 051 821,00	10,68 %	548 068 006,97	9,36 %	18,61 %	131 872 909,67	2,17 %	96 998 976,09	1,66 %	35,95 %
0,00	0,00 %	8 783 507,16	1,35 %	-100,00 %	215 863 507,16	59,34 %	472 510 000,00	72,49 %	-54,32 %
54 911 629,66	1,96 %	50 463 709,46	1,94 %	8,81 %	503 768 673,72	18,00 %	798 036 023,64	30,68 %	-36,87 %
2 246 023 738,48	2,28 %	4 994 567 912,24	5,07 %	-55,03 %	5 535 238 459,71	5,63 %	8 440 240 368,10	8,56 %	-34,42 %

Payment Appropriations

15. BREAKDOWN AND CHANGES IN COMMITMENT

Heading	Commitment appropriations						
	Appropriations adopted	Modifications (Transfers, AB and EFTA)	carried over from 2002	Revenue from third parties/Work for third parties	other	Total additional	Total authorised
	1	2	3	4	5	6=3+4+5	7=1+2+6
1 AGRICULTURE	44 780 450 000,00	0,00	83 892 329,00	193 171,87	0,00	84 085 500,87	44 864 535 500,87
2 STRUCTURAL OPERATIONS	33 980 008 240,00	0,00	1 217 738,00	11 650,84	31 302 627,35	32 532 016,19	34 012 540 256,19
3 INTERNAL POLICIES	6 795 801 000,00	209 864 473,22	21 786 372,33	711 252 715,56	5 432 035,34	738 471 123,23	7 744 136 596,45
4 EXTERNAL ACTION	4 949 362 000,00	115 000 000,00	34 850 958,87	98 252 418,17	21 611 163,72	154 714 540,76	5 219 076 540,76
5 ADMINISTRATION	5 360 071 098,00	23 887 000,00	16 736 600,00	159 106 417,66	56 009 157,71	231 852 175,37	5 615 810 273,37
6 RESERVES	434 000 000,00	-	0,00	0,00	8 783 507,16	8 783 507,16	327 783 507,16
		115 000 000,00					
7 PRE-ACCESSION STRATEGY	3 386 000 000,00	0,00	0,00	56 835 363,86	6 134 750,04	62 970 113,90	3 448 970 113,90
Total	99 685 692 338,00	233 751 473,22	158 483 998,20	1 025 651 737,96	129 273 241,32	1 313 408 977,48	101 232 852 788,70

16. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

Heading	Commitment appropriations authorized	Commitments made				
		from the year's appropriations	from carry-overs	from other appropriations	Total	%
		2	3	4	5=2+3+4	6=5/1
1 AGRICULTURE	44 864 535 500,87	44 378 068 764,86	83 892 329,00	0,00	44 461 961 093,86	99,10 %
2 STRUCTURAL OPERATIONS	34 012 540 256,19	33 955 904 344,62	1 217 738,00	29 840 279,22	33 986 962 361,84	99,92 %
3 INTERNAL POLICIES	7 744 136 596,45	7 149 679 281,97	19 884 856,70	3 123 683,27	7 172 687 821,94	92,62 %
4 EXTERNAL ACTION	5 219 076 540,76	5 036 487 665,20	25 297 973,87	4 884 847,22	5 066 670 486,29	97,08 %
5 ADMINISTRATION	5 615 810 273,37	5 474 825 311,96	16 708 355,00	53 791 371,70	5 545 325 038,66	98,74 %
6 RESERVES	327 783 507,16	147 920 000,00	0,00	0,00	147 920 000,00	45,13 %
7 PRE-ACCESSION STRATEGY	3 448 970 113,90	3 393 097 364,23	0,00	186 353,42	3 393 283 717,65	98,39 %
Total	101 232 852 788,70	99 535 982 732,84	147 001 252,57	91 826 534,83	99 774 810 520,24	98,56 %

17. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

Heading	Commitment appropriations authorized	Payments made				
		from the year's appropriations	from carry-overs	from other appropriations	Total	%
		2	3	4	5=2+3+4	6=5/1
1 AGRICULTURE	45 095 711 544,87	44 088 041 413,30	291 205 641,34	0,00	44 379 247 054,64	98,41 %
2 STRUCTURAL OPERATIONS	31 837 837 220,19	27 152 179 288,85	1 375 377 453,39	38 799,52	28 527 595 541,76	89,60 %
3 INTERNAL POLICIES	7 256 810 103,40	5 627 700 957,88	39 931 128,28	4 201 490,67	5 671 833 576,83	78,16 %
4 EXTERNAL ACTION	4 898 934 185,98	4 281 781 474,22	450 552,72	3 591 197,29	4 285 823 224,23	87,48 %
5 ADMINISTRATION	6 087 145 932,55	4 860 274 658,26	374 791 324,06	70 155 219,56	5 305 221 201,88	87,15 %
6 RESERVES	363 783 507,16	147 920 000,00	0,00	0,00	147 920 000,00	40,66 %
7 PRE-ACCESSION STRATEGY	2 798 505 993,98	2 236 915 965,96	0,00	2 909 724,64	2 239 825 690,60	80,04 %
Total	98 338 728 488,13	88 394 813 758,47	2 081 756 099,79	80 896 431,68	90 557 466 289,94	92,09 %

AND PAYMENT APPROPRIATIONS BY FINANCIAL PERSPECTIVE

Heading	Payment appropriations						
	Appropriations adopted	Modifications (Transfers, AB and EFTA)	carried over from 2002	Revenue from third parties/Work for third parties	other	Total additional	Total authorised
	8	9	10	11	12	13=10+11+12	14=8+9+13
1 AGRICULTURE	44 780 450 000,00	0,00	315 068 373,00	193 171,87	0,00	315 261 544,87	45 095 711 544,87
2 STRUCTURAL OPERATIONS	33 173 097 000,00	- 4 589 578 051,00	3 254 100 000,00	11 650,84	206 620,35	3 254 318 271,19	31 837 837 220,19
3 INTERNAL POLICIES	6 204 163 000,00	- 151 610 817,82	86 849 075,25	1 108 429 875,45	8 978 970,52	1 204 257 921,22	7 256 810 103,40
4 EXTERNAL ACTION	4 843 756 000,00	- 96 400 000,00	31 679 112,50	98 287 909,76	21 611 163,72	151 578 185,98	4 898 934 185,98
5 ADMINISTRATION	5 360 071 098,00	23 887 000,00	468 158 232,01	161 223 380,01	73 806 222,53	703 187 834,55	6 087 145 932,55
6 RESERVES	434 000 000,00	- 79 000 000,00	0,00	0,00	8 783 507,16	8 783 507,16	363 783 507,16
7 PRE-ACCESSION STRATEGY	2 707 400 000,00	0,00	0,00	56 835 363,86	34 270 630,12	91 105 993,98	2 798 505 993,98
Total	97 502 937 098,00	- 4 892 701 868,82	4 155 854 792,76	1 424 981 351,79	147 657 114,40	5 728 493 258,95	98 338 728 488,13

BY FINANCIAL PERSPECTIVE

Heading	Appropriations carried over to 2004					Appropriations lapsing				
	automatic carry-overs	carry-overs by decision	other appropriations	Total	%	from the year's appropriations	from carry-overs	from other appropriations	Total	%
	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
1 AGRICULTURE	193 171,87	41 200 000,00		41 393 171,87	0,09 %	361 181 235,14	0,00	0,00	361 181 235,14	0,81 %
2 STRUCTURAL OPERATIONS	11 650,84	3 692 459,00		3 704 109,84	0,01 %	20 411 436,38	0,00	1 462 348,13	21 873 784,51	0,06 %
3 INTERNAL POLICIES	375 888 910,67	54 139 505,00		430 028 415,67	5,55 %	137 210 491,14	1 901 515,63	2 308 352,07	141 420 358,84	1,83 %
4 EXTERNAL ACTION	41 724 173,36	51 800 000,00		93 524 173,36	1,79 %	32 602 579,61	9 552 985,00	16 726 316,50	58 881 881,11	1,13 %
5 ADMINISTRATION	38 499 339,14	897 000,00		39 396 339,14	0,70 %	28 842 864,56	28 245,00	2 217 786,01	31 088 895,57	0,55 %
6 RESERVES	0,00	0,00		0,00	0,00 %	171 080 000,00	0,00	8 783 507,16	179 863 507,16	54,87 %
7 PRE-ACCESSION STRATEGY	38 901 629,66	3 851 400,00		42 753 029,66	1,24 %	6 984 969,97	0,00	5 948 396,62	12 933 366,59	0,37 %
Total	495 218 875,54	155 580 364,00		650 799 239,54	0,64 %	758 313 576,80	11 482 745,63	37 446 706,49	807 243 028,92	0,80 %

BY FINANCIAL PERSPECTIVE

Heading	Appropriations carried over to 2004					Appropriations lapsing				
	automatic carry-overs	carry-overs by decision	other appropriations	Total	%	from the year's appropriations	from carry-overs	from other appropriations	Total	%
	7	8	9	10=7+8+9	11=10/1	12	13	14	15=12+13+14	16=15/1
1 AGRICULTURE	290 220 523,43	41 200 000,00		331 420 523,43	0,73 %	361 181 235,14	23 862 731,66	0,00	385 043 966,80	0,85 %
2 STRUCTURAL OPERATIONS	11 650,84	176 460 082,93		176 471 733,77	0,55 %	1 254 879 577,22	1 878 722 546,61	167 820,83	3 133 769 944,66	9,84 %
3 INTERNAL POLICIES	813 175 498,72	107 263 791,00		920 439 289,72	12,68 %	612 841 810,03	46 917 946,97	4 777 479,85	664 537 236,85	9,16 %
4 EXTERNAL ACTION	91 248 011,90	21 480 729,00		112 728 740,90	2,30 %	451 133 694,64	31 228 559,78	18 019 966,43	500 382 220,85	10,21 %
5 ADMINISTRATION	649 154 821,00	897 000,00		650 051 821,00	10,68 %	34 854 998,75	93 366 907,95	3 651 002,97	131 872 909,67	2,17 %
6 RESERVES	0,00	0,00		0,00	0,00 %	207 080 000,00	0,00	8 783 507,16	215 863 507,16	59,34 %
7 PRE-ACCESSION STRATEGY	53 901 629,66	1 010 000,00		54 911 629,66	1,96 %	472 407 768,24	0,00	31 360 905,48	503 768 673,72	18,00 %
Total	1 897 712 135,55	348 311 602,93		2 246 023 738,48	2,28 %	3 394 379 084,02	2 074 098 692,97	66 760 682,72	5 535 238 459,71	5,63 %

18. BREAKDOWN OF COMMITMENTS OUTSTANDING BY THE COMMITMENT'S YEAR OF ORIGIN

EUR

Heading		< 1997	1997	1998	1999	2000	2001	2002	2003	Total
1	AGRICULTURE	0,00	0,00	0,00	0,00	0,00	0,00	0,00	292 521 989,56	292 521 989,56
2	STRUCTURAL OPERATIONS	675 889 321,46	474 903 531,04	1 367 948 114,20	6 900 704 358,15	1 218 808 229,21	5 987 822 034,47	20 585 693 841,85	32 061 845 208,27	69 273 614 638,65
3	INTERNAL POLICIES	124 604 317,60	111 698 918,47	192 321 212,61	544 813 066,13	1 068 010 871,20	2 098 068 964,44	3 155 512 838,14	4 906 355 906,71	12 201 386 095,30
4	EXTERNAL ACTION	577 495 315,54	598 389 040,40	888 305 399,57	968 866 750,46	1 491 165 507,55	2 000 539 366,57	2 715 542 055,46	3 645 591 221,88	12 885 894 657,43
5	ADMINISTRATION	114 921,00	129 407,57	847 972,00	204 784,81	448 086,92	4 500,00	452 330,26	610 446 422,00	612 648 424,56
6	RESERVES	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
7	PRE-ACCESSION STRATEGY	71 071 271,77	31 055 871,24	69 674 660,04	177 668 527,18	783 591 958,71	2 466 772 467,44	2 640 605 348,95	3 284 195 575,41	9 524 635 680,74
Total		1 449 175 147,37	1 216 176 768,72	2 519 097 358,42	8 592 257 486,73	4 562 024 653,59	12 553 207 332,92	29 097 806 414,66	44 800 956 323,83	104 790 701 486,24

Sub-Section		< 1997	1997	1998	1999	2000	2001	2002	2003	Total
A0	ADMINISTRATIVE EXPENDITURE	114 921,00	129 407,57	847 972,00	204 784,81	448 086,92	4 500,00	452 330,26	610 446 422,00	612 648 424,56
B0	GUARANTEES - RESERVES	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
B1	AGRICULTURE	0,00	0,00	0,00	0,00	0,00	0,00	0,00	292 521 989,56	292 521 989,56
B2	STRUCTURAL ACTIONS	676 633 873,77	477 274 757,05	1 371 900 425,92	6 911 213 147,61	1 245 045 928,69	6 026 780 080,57	20 647 587 946,54	32 235 867 598,93	69 592 303 759,08
B3	TRAINING EDUCATION CULTURE	27 503 644,65	21 418 406,63	37 239 381,98	39 594 191,59	68 633 508,62	111 796 532,22	205 241 699,21	455 047 642,76	966 475 007,66
B4	ENERGY	2 620 972,33	3 826 783,20	8 602 627,38	27 080 066,10	3 349 944,92	93 806 834,44	125 810 922,06	194 598 452,66	459 696 603,09
B5	INTERNAL MARKET - TRANSEUROPEAN NETWORKS	52 674 469,08	40 293 284,11	61 377 475,37	127 065 498,19	163 527 612,14	299 252 948,66	503 345 751,62	897 945 627,44	2 145 482 666,61
B6	RESEARCH	41 060 679,23	43 789 218,52	81 149 416,16	340 564 520,79	806 262 106,04	1 554 254 603,02	2 259 220 360,56	3 184 741 793,19	8 311 042 697,51
B7	EXTERNAL ACTIONS	648 566 587,31	629 176 906,83	957 980 059,61	1 146 432 388,42	2 270 986 438,23	4 467 235 084,01	5 349 011 737,09	6 898 168 931,17	22 367 558 132,67
B8	COMMON FOREIGN AND SECURITY POLICY	0,00	268 004,81	0,00	102 889,22	3 771 028,03	76 750,00	7 135 667,32	31 617 866,12	42 972 205,50
Total		1 449 175 147,37	1 216 176 768,72	2 519 097 358,42	8 592 257 486,73	4 562 024 653,59	12 553 207 332,92	29 097 806 414,66	44 800 956 323,83	104 790 701 486,24

CHAPTER II

CONSOLIDATED FINANCIAL STATEMENTS OF THE EUROPEAN COMMUNITIES

BALANCE SHEET

ASSETS

	(EUR)	
	31.12.2003	31.12.2002
I. FORMATION EXPENSES	—	—
II. INTANGIBLE FIXED ASSETS	8 906 061,31	7 849 426,87
III. TANGIBLE FIXED ASSETS	3 290 411 624,02	3 311 141 828,51
A. Land and buildings	1 372 961 134,24	1 401 405 844,93
B. Plant, machinery and tools	39 257 877,74	37 234 380,92
C. Furniture and vehicles	31 319 724,61	30 332 343,84
D. Computer hardware	72 112 286,75	79 965 606,20
E. Finance leases and similar entitlements	1 635 150 202,72	1 666 588 220,28
F. Other tangible fixed assets	19 705 399,54	11 941 659,81
G. Fixed assets under construction and advances in respect of tangible fixed assets	119 904 998,42	83 673 772,53
IV. FINANCIAL FIXED ASSETS	2 202 424 471,70	2 193 857 710,34
A. Investments in related organisations	400 869 242,49	324 011 899,20
B. Other financial fixed assets	1 801 555 229,21	1 869 845 811,14
1. Subscriptions and participations	58 068 013,05	60 813 856,98
2. Other securities	145 404 370,03	157 541 890,85
3. Guarantees and advances granted	1 598 082 846,13	1 651 490 063,31
V. LONG-TERM ASSETS	25 186 470 796,39	22 070 662 175,56
A. Loans granted from the budget	544 442 618,62	627 217 512,42
B. Loans granted from borrowed funds	1 635 965 872,17	1 745 843 139,35
C. Other long-term assets	23 006 062 305,60	19 697 601 523,79
VI. STOCKS	74 970 690,91	76 002 255,83
A. Office supplies and other consumables	13 848 044,66	14 088 330,78
B. Scientific equipment	61 122 646,25	61 913 925,05

	(EUR)	
	31.12.2003	31.12.2002
VII. SHORT-TERM ASSETS	6 039 895 896,57	7 371 242 916,41
A. Long-term assets falling due in less than one year	209 419 985,60	412 668 769,77
1. Loans granted from the budget	17 351 707,43	27 663 796,05
2. Loans granted from borrowed funds	163 312 751,48	355 633 579,28
3. Other long-term assets	28 755 526,69	29 371 394,44
B. Current assets	5 793 287 893,73	6 917 168 431,62
1. Advances paid to Member States	4 948 454,00	355 000 000,00
2. Amounts owed by Member States	2 148 686 567,89	2 078 454 951,07
a. EAGGF Guarantee receivables	905 909 153,71	1 349 977 685,84
b. VAT paid and recoverable from Member States	41 593 570,83	37 137 312,19
c. Own resources	1 183 021 716,40	660 833 981,90
d. Other receivables from Member States	18 162 126,95	30 505 971,14
3. Non-consolidated Communities bodies	29 288 960,71	11 190 347,97
4. Sundry debtors	3 610 363 911,13	4 472 523 132,58
C. Other receivables	37 188 017,24	41 405 715,02
1. Receivable from personnel	36 929 231,45	41 200 687,23
2. Other	258 785,79	205 027,79
VIII. CASH INVESTMENTS	1 472 457 179,71	1 528 146 863,72
IX. DISPOSABLE ASSETS	13 907 191 398,77	17 399 969 075,96
Total	52 182 728 119,38	53 958 872 253,20

LIABILITIES

EUR

	31.12.2003	31.12.2002
I. OWN CAPITAL	15 523 403 014,48	17 624 821 401,99
A. Economic outturn for the year	5 500 747 328,01	8 750 278 677,23
1. Budget outturn of the European Communities	5 469 843 705,90	7 413 481 988,34
2. Result of adjustments	- 307 077 541,75	1 268 832 829,48
3. Result of borrowing and lending activities	102 691,94	211 819,79
4. Economic outturn of the ECSC in liquidation	337 878 471,92	67 752 039,62
B. Outturn carried over from previous financial years:	9 475 249 936,33	8 556 971 226,37
1. Result of adjustments	9 475 249 936,33	8 275 052 504,67
2. ECSC in liquidation	0,00	281 918 721,70
C. Reserves	547 405 750,14	317 571 498,39
1. Revaluation reserve	57 124 663,00	57 124 663,00
2. Reserve for borrowing and lending activities	2 610 325,82	2 446 835,39
3. Reserves of the ECSC in liquidation	487 670 761,32	258 000 000,00
II. PROVISIONS FOR RISKS AND CHARGES	25 472 245 979,35	23 109 444 390,34
III. LONG-TERM LIABILITIES	3 243 542 225,74	3 158 065 535,75
A. Borrowing	1 744 672 854,67	1 810 564 556,37
B. Other long-term liabilities	1 498 869 371,07	1 347 500 979,38
IV. SHORT-TERM LIABILITIES	7 943 536 899,81	10 066 540 925,12
A. Long-term liabilities falling due in less than one year	297 110 245,06	466 278 256,46
B. Other short-term financial liabilities	0,00	3 467 493 212,21
C. Current liabilities	7 622 053 745,62	6 115 509 530,20
1. Member States and EFTA countries	4 959 878 291,39	39 176 367,74
2. Non-consolidated Communities bodies	15 827 212,58	13 642 016,76
3. Payment appropriations to be carried over	2 246 023 738,48	4 846 976 388,84
4. Sundry creditors	400 324 503,17	1 215 714 756,86
D. Other liabilities	24 372 909,13	17 259 926,25
Total	52 182 728 119,38	53 958 872 253,20

CHAPTER III
CONSOLIDATED FINANCIAL STATEMENTS OF THE EUROPEAN COMMUNITIES

ANNEX I

ACCOUNTING PRINCIPLES, RULES AND METHODS

A. ACCOUNTING PRINCIPLES

1. LEGAL PROVISIONS

The accounts are kept in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 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. The annual accounts for 2003 are the second drawn up in accordance with this Financial Regulation, on the basis of the transitional provisions mentioned below.

The same rules of valuation and accounting methods are applied in all the European Institutions currently falling within the scope of consolidation (Commission, Parliament, Council, Court of Justice, Court of Auditors, Economic and Social Committee, Committee of the Regions and the Ombudsman), in order to guarantee harmonisation of the accounts and consistency of data. The exception to this rule is the European Coal & Steel Community ('ECSC') in liquidation which is being consolidated for the first time in 2003. There are some differences in certain accounting treatments between the ECSC in liquidation and the other Institutions since the ECSC in liquidation currently applies certain accrual accounting principles more extensively than the Communities' Institutions. Given the current transition to accrual accounting and the immateriality of the differences in question it was not considered useful or appropriate to make corrections for the amounts.

2. THE FINANCIAL REGULATION

The Financial Regulation adopted by the Council on 25 June 2002 (OJ L 248 of 16 September 2002, p. 1, with a corrigendum in OJ L 25 of 30 January 2003, p. 43) brings together the provisions on the presentation of accounts and accounting in Title VII of Part One.

While this Financial Regulation is applicable from 1 January 2003, Article 181 contains a number of transitional provisions, some of which relate to the presentation of the accounts.

This is particularly the case with regards to the timetable for the presentation of accounts which will be shifted forward by about one month from 2005 onwards to give the discharge authority the same amount of time for its deliberations. Article 128 thus stipulates that, starting with the accounts for 2005, the Commission's accounting officer must submit the consolidated provisional accounts by 31 March of the following year, on the basis of the provisional accounts that each Institution and other consolidated bodies have sent by 1 March. These accounts are sent to the Court of Auditors, who must make its observations by 15 June (Article 129). On the basis of these observations, the Commission adopts the final consolidated accounts by 31 July and they are then published by 31 October together with the Court of Auditors' statement of assurance.

The transitional provisions lay down the general rule that the provisions of Title VII of Part One shall apply gradually depending on technical possibilities in order to be fully effective for the budgetary year 2005. This gradual application relates in particular to the new principles governing the Institutions' accounts.

Under the transitional provisions of the new Financial Regulation, for accounts relating to financial years prior to 2005, the Accounting Officer of the Commission must, in accordance with Article 128(2) and Article 181(2) of the Financial Regulation, consolidate the provisional accounts and send them no later than 1 May to the Court of Auditors. This includes both the individual provisional accounts for each Institution (and other consolidated body) and the provisional consolidated accounts.

Both the provisional and definitive accounts for 2003 are presented as follows: Volume I contains the consolidated accounts, Volume II the Commission's accounts and Volume III the individual accounts of the other Institutions and bodies.

3. ACCOUNTING PRINCIPLES

The objectives of financial statements are 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 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 comprises general accounts and budget accounts. These accounts shall be 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 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;
- no netting;
- reality over appearance;
- accrual-based accounting.

However, the transitional provisions of the Financial Regulation indicate that these principles will apply gradually depending on technical possibilities in order to be fully effective for the budgetary year 2005.

For example, the financial statements for 2003 take account of certain elements of the principle of prudence and accrual accounting, such as value adjustments for entitlements, depreciation and the entry of carryovers in the accounts as charges for the financial year. The financial statements will gradually evolve so that the principle of accrual-based accounting will take full effect from 2005 onwards.

B. ACCOUNTING RULES AND METHODS

1. CURRENCY AND BASIS FOR CONVERSION

1.1. Accounts are kept in euros.

1.2. Except for the headings set out below, assets and liabilities are converted into euros on the basis of the conversion rates applying on 31 December 2003. The conversion rates for the main currencies at 31 December 2003:

€1	GBP 0.7048
€1	DKK 7.4450
€1	SEK 9.0800
€1	USD 1.2630
€1	JPY 135.0500

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

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;
- commitments outstanding, some of which are commitments in national currencies, were revalued using the rates for December;
- 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.

1.3. Monetary items other than those listed above are revalued at the closing euro rate on the date the accounts are closed. The revalued figure is treated as follows:

- cash assets: the contra-entry for the positive and negative exchange differences relating to cash assets is recorded in the economic outturn for the year;
- monetary items other than cash assets: overall the exchange differences on assets and commitments expressed in a specific currency are recorded in the economic outturn for the year.

1.4. Revenue (and expenditure) in other currencies is converted using a monthly rate.

2. REVENUE

2.1. 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.

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

3. EXPENDITURE

3.1. 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.

3.2. 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 affected by the Member States between 16 October 2002 and 15 October 2003, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2004. EAGGF guarantee expenditure may be subject to a clearance decision following controls in the Member States.

4. ECONOMIC OUTTURN FOR THE YEAR

The economic outturn shows the result of the Communities' activities by applying a number of elements of the accrual accounting principle. The explanatory notes specify which elements have been taken into account.

The Financial Regulation states that the accrual accounting principle will be gradually introduced by 2005. One of the objectives of the ongoing project to modernise the accounting system is the transition from the current system based on the modified cash principle to an accounting system based on the accrual principle.

The economic outturn consists of the budget outturn, the economic outturn of the ECSC in liquidation, the result of the adjustments and the result of borrowing and lending activities.

4.1. *Budget outturn*

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

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

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

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

The budget outturn is paid back to the Member States the following year.

4.2. *Result of adjustments*

In the course of the year, the accounting is based on the cash principle. In order to give a more accurate picture of assets and liabilities, the financial situation and the result, a number of adjustments are necessary at year-end. These adjustments correct the items of capital spending and receipts charged to expenditure and revenue in accordance with the cash-based principle and allow non-budget expenditure and revenue to be entered in the accounts.

As a result of these adjustments, the annual accounts can be presented in accordance with the principle of modified accrual accounting, based on modified cash budget accounting.

4.3. *Result of borrowing and lending activities*

Borrowing and lending activities are off-budget operations provided for in the Treaties. Pursuant to the principle of budgetary equilibrium, the Communities may not finance its activities by borrowing.

However, a number of provisions of the Treaties establishing the Communities have led to the creation of various instruments authorising the Commission, on behalf of the Communities, to borrow on the financial markets to make loans in order to enable the final recipients to benefit from the advantageous conditions that the Communities can secure on these markets.

The result of 'borrowing and lending activities' is mentioned separately as part of the economic outturn. The result is paid back to the general budget of the Communities. A reserve has also been set up for future risks.

4.4. *Economic outturn of the ECSC in liquidation*

The economic outturn of the ECSC in liquidation represents the difference between its revenues and expenses for the year arising from the liquidation of its financial operations, investment movements and its contributions to the Research Fund for Coal & Steel. This result is not paid back to the Communities but kept within the ECSC in liquidation to finance its future activities.

⁽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.

5. RULES ON VALUATION

Except where indicated in the explanatory notes to the balance sheet, the various headings are valued as follows:

- 5.1. **Tangible and intangible fixed assets** are valued at their acquisition price, with the exception of assets produced by the European Communities, which are valued at their production cost, and assets acquired free of charge that are valued at their market value. Tangible and intangible fixed assets are valued at their historic value converted into euros at the rate applying when they were purchased. The book value of a fixed asset is equal to its acquisition price or production cost, plus or minus revaluations, depreciation and other amounts written off.

Assets covered by finance leases are valued at the date of entry into force of the lease at the lower of the market value of the asset or the discounted value of the minimum lease payments due, in accordance with Article 21 of Regulation (EC) No 2909/2000 of 29 December 2000.

Except for land, assets under construction, pre-financing paid out and works of art, these fixed assets must also be subject to depreciation, according to the straight line method (Title IV, Chapter 4 of Regulation (EC) No 2909/2000 of 29 December 2000 on the management in the accounts of the non-financial fixed assets of the European Institutions) at the following rates:

Depreciation rates

Type of asset	Straight line depreciation rate
Computer software	25 %
Computer hardware	25 %
Kitchens — Cafeterias — Nurseries	
Small electrical equipment	25 %
Cash registers	25 %
Large kitchen equipment	12,5 %
Specialist furniture for kitchens, cafeterias	12,5 %
Specialist furniture for nurseries	25 %
Plant, machinery and tools	
Telecommunication and audiovisual equipment	
Telephone and fax machines	25 %
Headphones, earphones, microphones	25 %
Cameras	25 %
Videos	25 %
Video and dictating machines	25 %
Projectors (slides and overhead)	25 %
Photographic equipment	25 %
Projector screens	25 %
Televisions, radios, monitors (not including computers)	25 %
Technical equipment	
Printers, mail, security, building, tools	12,5 %
Measuring or laboratory equipment	25 %
Other plant, machinery and tools	12,5 %
Movable shelving, partitions, false floors, false ceilings and wiring	25 %
Vehicle fleet	25 %
Furniture	10 %
Buildings	4 %
Land	n.a.

5.2. **Stocks**

Office supplies and other consumer goods are valued at the price of the last supplies received.

Scientific equipment: stocks of heavy water, fissile material and samples for industrial and scientific use are valued every year and entered in the balance sheet at the acquisition price or re-sale cost of the last supplies received or the market price, whichever is the lower.

- 5.3. **Financial assets** are valued at their purchase price. If denominated in foreign currency, they are converted at the euro rate applying at the close of the year. In line with the principle of prudence, an adjustment is made where there is a probable loss in value.
- 5.4. **Entitlements** are entered in the accounts at their face value, converted at the euro rate applying at the end of the year, with the exception of entitlements denominated at a fixed rate. Value adjustments are calculated and entered in the accounts for this purpose. A value reduction or write-down is thus applied for amounts considered irrecoverable.

Two types of value reduction exist:

- a specific write-down applied when a given amount is deemed irrecoverable, irrespective of any legal developments (the risk of non-recovery is thus examined for each debt);
- a flat-rate write-down applied when the amount of the irrecoverable debt is not known. Entitlements due for more than one year are written down by 20 %. A further cut of 20 % is made for each additional year. After five years entitlements which have not yet been received are thus completely written down.

- 5.5. **Cash investments and disposable assets** are valued at their face value converted into euros at the rate applying at the end of the year. For the sake of prudence, an adjustment is made where there is a probable loss in value.
- 5.6. **Debts** are valued at their face value converted into euros at the rate applying at the end of the year if they are denominated in a foreign currency.
- 5.7. **Provisions** are valued/accounted for, where possible, in accordance with IPSAS 19. Details of their calculation and basis are given in the related explanatory notes.

6. **PRE-FINANCING**

Pre-financing amounts for operational purposes are included in the year's expenditure and do not appear as assets in the balance sheet.

Pre-financing amounts to public or private intermediaries which had not been received by the final beneficiary at 31 December 2003 and which are included in the year's budget expenditure are entered on the assets side of the balance sheet as short-term assets, under sundry debtors.

7. **CONSOLIDATION**

The consolidated accounts cover the accounts of the European Parliament, the Council, the Commission, the Court of Justice, the Court of Auditors, the Economic and Social Committee, the Committee of the Regions and the Ombudsman. Following the entry in force of the Treaty of Nice on 1 February 2003, the Member States have entrusted the European Commission with the management of the ECSC in liquidation. As a result, the financial statements of the ECSC in liquidation were consolidated in the European Communities accounts of 2003, with adjustment made to the 2002 comparative figures to reflect the consolidation of the ECSC in liquidation from 24 July 2002 onwards. The method used is that of full consolidation, in line with IPSAS 6.

Also consolidated for the first time in 2003 is the joint undertaking with the European Space Agency, Galileo. Reflecting the nature of this investment, and in compliance with IPSAS 8, the equity method of consolidation is used. Since 2002 the Communities' investment in the European Investment Fund has also been consolidated in Volume I using the equity method, in accordance with IPSAS 7.

Article 121 of the Financial Regulation provides for the consolidation of the Institutions and certain agencies set up in the Member States of the European Union. The scope of consolidation will be extended in 2005 to the bodies mentioned in Article 185 of the Financial Regulation. An analysis being conducted as part of the modernisation of the Communities' accounting system, in particular in accordance with the gradual introduction of IPSAS standards between now and 2005, will determine whether other bodies and entities are to be consolidated. The issue of whether or not certain other entities are to be consolidated will be referred, for an opinion, to the Accounting Standards Committee, a forum of experts in public-sector accounts set up as part of the modernisation project.

Not included on the balance sheet of the European Communities are the funds managed by the Commission on behalf of both the Sickness Insurance Scheme for staff of the Communities and the European Development Fund. At 31 December 2003 the total assets of both were EUR 224 million and EUR 18 billion respectively.

ANNEX 2

EXPLANATORY NOTES TO THE REPORTS ON IMPLEMENTATION OF THE BUDGET**A. GENERAL BUDGET AND TYPES OF APPROPRIATION**

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.

Unless otherwise stated, the following budgetary provisions refer to the Financial Regulation adopted by the Council on 25 June 2002 (OJ L 248, 16 September 2002, p. 1 and corrigendum OJ L 25, 30 January 2003, p. 43) which applies with effect from 1 January 2003.

1. BUDGETARY PRINCIPLES

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

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

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: Ombudsman.

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.

3. STRUCTURE OF THE 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 (Part A 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 Part B 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 (under point 6).
- *payment appropriations*: cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years.⁽²⁾

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

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

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. ⁽¹⁾

— *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.

— *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 end of the year are cancelled and returned to the EEA countries.

4.2. Appropriations carried over from previous year

— *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) of the Financial Regulation).

4.3. Revenue from third parties and work for third parties

— *Revenue from third parties*

As with the EFTA appropriations, other countries have concluded agreements with the European Union 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(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(d) of the Financial Regulation).

⁽¹⁾ Regulation No 1605/2002 of 25 June 2002.

4.4. Appropriations for re-use

These appropriations arose 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 were assigned to the budget line which incurred the initial expenditure. Previously, these appropriations could be carried over for a period of one year only (under Article 27(2) of the 1977 Financial Regulation), ⁽¹⁾ but from 2003, the new Financial Regulation converted them into assigned revenue (Article 10 and Article 18(e), (f), (g), (h), (i), and (j) of the Financial Regulation), which may be carried over without limit.

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

These were Communities' funds which had been repaid by the beneficiaries. These amounts were re-entered by a Commission decision (Art 7(7) of the 1977 Financial Regulation, Article 18(2) of the new Financial Regulation.) The amounts entered had to be used in the course of the financial year. Now and since 1 January 2003, repayments of payments on account are entered as assigned revenue (Article 10 and Article 18(2) of the Financial Regulation), which may be carried over without limit.

4.6. Commitment 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).

5. COMPOSITION OF APPROPRIATIONS AVAILABLE:

- *Final budget appropriations*: initial budget appropriations adopted + amending budget appropriations + transfers + EFTA contributions;
- *Appropriations for the year*: final budget appropriations + revenue from third parties /work for third parties (contributions by third parties);
- *Additional appropriations*: revenue from third parties/work for third parties + appropriations carried over from the previous financial year + other appropriations (appropriations for re-use + appropriations made available again following repayments of amounts paid on account + commitment appropriations made available again following decommitments);
- *Total appropriations authorised*: final budget appropriations + additional appropriations;

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.

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.

⁽¹⁾ Financial Regulation of 21 December 1977

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.

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.

6.2.1. Utilisation of appropriations

- *Appropriations for commitments:* The appropriations authorised are available during the financial year for entering into commitments. The EFTA contribution forms part of the appropriations authorised. Their use is thus included in all the tables.
- *Appropriations for payments:* The appropriations authorised are available during the financial year for making payments. As the EFTA contribution forms part of the appropriations authorised their use is included in all tables.

6.2.2. Carryovers to the following year

Appropriations for commitments:

Some types of appropriation which are not committed may be carried over automatically. This is the case with revenue from third parties and 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:

- 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).

6.2.3. 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).

7. 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.

⁽¹⁾ Commitment appropriations + non-differentiated appropriations.

⁽²⁾ Payment appropriations + non-differentiated appropriations.

B. FINANCIAL PERSPECTIVE

The 2003 financial year was the fourth 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 2003 comes to EUR 102,145 million, equivalent to 1.07 % of GNI.

The corresponding ceiling on the appropriations for payments for EU-15 comes to EUR 102,767 million, i.e. around 1.08 % of GNI.

The following table shows the adjusted financial perspective for EU-15 at 2003 prices and the adjusted financial perspective for EU-25 at 2005 prices.

(EUR million)

	Current prices				2003 prices		
	2000	2001	2002	2003	2004	2005	2006
Commitment appropriations: EU-15	93 792	97 189	100 672	102 145	100 974	100 046	99 207
1. Agriculture	41 738	44 530	46 587	47 378	46 285	45 386	45 094
2. Structural operations	32 678	32 720	33 638	33 968	33 652	33 384	32 588
3. Internal policies	6 031	6 272	6 558	6 796	6 915	7 034	7 165
4. External action	4 627	4 735	4 873	4 972	4 983	4 994	5 004
5. Administration	4 638	4 776	5 012	5 211	5 319	5 428	5 536
6. Reserves	906	916	676	434	434	434	434
7. Pre-accession aid	3 174	3 240	3 328	3 386	3 386	3 386	3 386
Total payment appropriations: EU-15	91 322	94 730	100 078	102 767	99 553	97 659	97 075
	Current prices						2005 prices
	2000	2001	2002	2003	2004	2005	2006
Commitment appropriations: EU-25	93 792	97 189	100 672	102 145	115 434	119 419	120 876
1. Agriculture	41 738	44 530	46 587	47 378	49 305	51 439	51 587
2. Structural operations	32 678	32 720	33 638	33 968	41 035	42 441	43 701
3. Internal policies	6 031	6 272	6 558	6 796	8 722	9 012	9 138
4. External action	4 627	4 735	4 873	4 972	5 082	5 119	5 130
5. Administration	4 638	4 776	5 012	5 211	5 983	6 185	6 356
6. Reserves	906	916	676	434	442	446	446
7. Pre-accession aid	3 174	3 240	3 328	3 386	3 455	3 472	3 472
8. Enlargement					1 410	1 305	1 046
Total payment appropriations: EU-25	91 322	94 730	100 078	102 767	111 380	114 060	116 555

C. STRUCTURAL ACTIONS: THE PROGRAMMING PERIOD 2000-2006

The Communities' Structural Funds consist of the ERDF, the ESF, the EAGGF Guidance Section and the FIFG. ⁽¹⁾ The Structural Funds come under heading 2 'Structural operations' of the financial perspective, which also covers the Cohesion Fund. In the budget the Structural Funds are grouped together under Title B2-1.

This programming period is based on the new Structural Funds Regulation, the main elements of which are as follows:

1. STRUCTURAL ACTIONS

The **Structural Funds** are the main instrument for attaining increased economic and social cohesion in the Communities. The Union supports three specific objectives with appropriations from the Structural Funds:

Objective 1: development and structural adjustment of regions whose development is lagging behind

Objective 2: economic and social conversion of areas in structural difficulty;

Objective 3: adaptation and modernisation of policies and systems for education, training and employment.

There is a special scheme covering restructuring in the fisheries sector outside Objective 1 regions. Rural development projects are implemented across the EU, financed by either the Structural Funds or the Common Agricultural Policy.

Other structural actions are Communities' initiatives covering the following fields:

- a) *Interreg:* cross-border, trans-national and interregional cooperation intended to encourage the harmonious, balanced and sustainable development of the whole of the Communities area.
- b) *Urban:* economic and social regeneration of cities and of urban neighbourhoods in crisis with a view to promoting a sustainable urban development.
- c) *Leader:* rural development.
- d) *Equal:* trans-national cooperation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market.

2. FINANCIAL PERSPECTIVE AND PROGRAMMING

The financial perspective for 2000-2006 sets out the overall and annual totals for all the Structural Funds. It was drawn up at constant 1999 prices and is thus adjusted every year by an index of 2 % (with a technical revision, if necessary, in 2003 for 2004-2006) in line with Communities' inflation.

The initial financial programming was based on the annual allocations in the financial perspective for all the Funds and corresponds to the financing plans in the programming documents initially adopted.

3. COMMITMENT AND PAYMENT PROCEDURES

3.1. Commitment procedure

The budget commitments, made in annual tranches, are based on the initial or revised financial plans in the programming documents. The first annual tranche is committed when the Commission approves the decision relating to the operation.

⁽¹⁾ ERDF: European Regional Development Fund.
ESF: European Social Fund.
EAGGF: European Agricultural Guidance and Guarantee Fund.
FIFG: Financial Instrument for Fisheries Guidance.

The Commission then commits the annual tranches by 30 April of each year and automatically decommits any commitments not used within two years.

3.2. **Payment procedure**

The Commission makes a payment on account amounting to 7 % of the total contribution from the Structural Funds once the programme is adopted. This payment may be subdivided over two budget years. The payment on account will have to be reimbursed if no expenditure is declared within 18 months. The Commission then makes interim payments to reimburse actual expenditure certified by the Member State. The balance of 5 % is paid on the closure of the programme once all the documents required are submitted and approved by the Commission.

Payments are posted to the earliest open commitment.

D. COMMENTS ON THE CONSOLIDATED REPORTS ON THE IMPLEMENTATION OF THE BUDGET
FOR THE FINANCIAL YEAR 2003

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.

1. Traditional own resources, Title 1 of the statement of revenue

Traditional own resources: All established amounts of traditional own resources must be entered in one or other of the accounts kept by the competent authorities.

- In the ordinary account provided for in Article 6(3)(a) of Regulation No 1150/2000: all amounts recovered or guaranteed.
- In the separate account provided for in Article 6(3)(b) of Regulation No 1150/2000: all amounts not yet recovered and/or not guaranteed; amounts guaranteed but challenged may also be entered in this account.

For the separate account, the Member States send the Commission a quarterly statement that includes:

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

The information sent in by the Member States does not allow the amounts recovered during the year to be assigned to the year in which the entitlements arose. Hence the column for amounts received against carryovers in the table 'Summary of the implementation of general budget revenue, 2003' 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 (see explanatory note to asset item VII.B.2 in the balance sheet).

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.

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.

3. UK correction

This mechanism reduces the own resources payments of the UK in proportion to what is known as its 'budgetary imbalance' and increases the own resources payments of the other Member States correspondingly. The budgetary imbalance correction mechanism in favour of the United Kingdom was instituted by the European Council in Fontainebleau (June 1984) and the resulting Own Resources Decision of 7 May 1985. The purpose of the mechanism was to reduce the budgetary imbalance of the UK through a reduction in its payments to the Communities.

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

4. Adjustment of the European Communities' system of own resources

The Council Decision of 29 September 2000 on the system of the European Communities' own resources ⁽¹⁾ was adopted following the Berlin European Council of 24-25 March 1999. Article 2(3) of this Decision states that Member States shall retain, by way of collection costs, 25 % of traditional own resources instead of 10 %. However the rate of 10 % remains applicable for the amounts of traditional own resources that should have been made available before 28 February 2001. This Decision entered into force on 1 March 2002, backdated to 1 January 2001.

In accordance with Article 42 of the Financial Regulation 1605/2002 ⁽²⁾, the 2003 budget, contrary to the budgets of the previous years, indicates only the net amounts of the traditional own resources. From this year on, the amount of the costs incurred by the Member States in the collection of own resources will no longer appear separately in the budget.

⁽¹⁾ OJ L 105, 7.10.2000.

⁽²⁾ OJ L 248, 16.9.2002

EXPENDITURE

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

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.

The Communities' contribution of EUR 120 million to the Global Health Fund to combat AIDS, tuberculosis and malaria was paid in two instalments of EUR 60 million each, one paid in 2002 from general budget appropriations and the other in 2003 from the European Development Fund (EDF) budget. The EDF is not included in the Communities' budget.

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 bulk of their 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 the ten candidate countries from Central and Eastern Europe, a new heading, 7, has been created to cover the three pre-accession instruments established in the financial perspective for 2000-06: the agricultural instrument (SAPARD), the structural instrument (ISPA) and the Phare programme.

UTILISATION OF EXPENDITURE BY THE EUROPEAN COMMUNITIES

1. Pre-financing payments and payments of balances

The new Financial Regulation draws a distinction between four different types of payment:

- payment of the entire amount due;

- prefinancing, which may be divided into a number of payments;
- interim payments;
- payment of the balance of the amounts due.

A distinction must be made in the accounts between these different types of payment at the time they are made; this will have the advantage of removing any uncertainty about the payment. The Accounting Officer will lay down accounting rules for the entry of pre-financing on the assets side of the balance sheet on the basis of Article 3(5) of the Regulation laying down detailed rules for the implementation of the Financial Regulation. The Commission will adapt its accounting system when these rules are adopted. Until then, it has presented the information as in the annual accounts for the previous financial year.

Pre-financing paid from the budget but not used at 31.12.2003

- *EAGGF Guarantee — modulations/cross compliance*: these are the 'modulations' adopted by the Member States under Article 3(2) and Article 4 of Regulation (EC) No 1259/99. Under the common agricultural policy, Member States are allowed to reduce payments due to farmers under certain aid schemes and to finance additional rural development measures with the sums withheld. Amounts not used by the end of the third financial year following that during which they are withheld must be repaid to the Commission.

EAGGF Guarantee Prefinancing modulations: Budget sub-section B1

(EUR millions)

Year	Withheld	Used	Balance not used at 31.12.2003	Usage
Modulation 2001	117,93	57,32	60,61	49 %
Modulation 2002	159,52	55,32	104,20	35 %
Modulation 2003	88,92	15,87	73,05	18 %
Total	366,37	128,51	237,86	35 %

— Structural Operations — B2

(EUR millions)

Structural operations	Pre-financing granted in 2003	Pre-financing granted before 2003	TOTAL unused Pre-financing granted
Objective 1 (B2-10)	—	9 676,4	9 676,4
Objective 2 (B2-11)	—	1 628,3	1 628,3
Objective 3 (B2-12)	—	1 747,8	1 747,8
Other Structural Operations	66,4	1 596,5	1 662,9
EQUAL	0,0	208,1	208,1
LEADER	0,1	147,4	147,5
INTERREG + URBAN	17,8	395,4	413,2
IFOP	0,0	80,4	80,4
PEACE	0,0	37,2	37,2
SOLIDARITY FUND	48,5	728,0 ⁽¹⁾	776,5
Total	66,4	14 649,0	14 715,4

⁽¹⁾ Includes EUR 129 million paid to pre-accession countries.

— Pre-accession aid: SAPARD and ISPA — B7

(EUR millions)

Pre-accession aid	Pre-financing granted in 2003	Pre-financing granted before 2003	TOTAL unused Pre-financing granted
B7-020 ISPA	245,0	532,8	777,8
B7-010 Sapard	67,9	139,7	207,6
Total	312,9	672,5	985,4

— Financial intermediaries

(EUR millions)

Budget line	Pre-financing not distributed at 31.12.2003
B3-1 Education, training and youth	213,3
B3-2 Culture and audiovisual media	0,0
B3-3 Information and communication	0,2
B7-0 Pre-accession strategy	498,7
B7-2 Food aid and humanitarian aid	- 0,8
B7-3 Cooperation with developing countries in Asia, Latin America and southern Africa, including South Africa	29,3
B7-5 Cooperation with countries of central and eastern Europe, the Balkans, the new independent states and Mongolia	203,9
B7-6 Other cooperation measures	19,3
Total	963,9

— Financial instruments

(EUR millions)

Budget line	Pre-financing not distributed at 31.12.2003
B5-3 Internal market	5,2
B5-5 Labour market and technological innovation	201,7
B5-7 Trans-European Networks	25,0
B7-0 Pre-accession strategy	43,5
B7-4 Cooperation with Mediterranean non-member countries	25,4
Total	300,8

2. 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 2003 budget implementation statements and those carried over to the following year in the budget implementation statements.

3. 2003 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 2003 to 2004 could not be included in the 2003 balance as this is subject to the approval by EFTA of the amounts in question, and this will not be given until mid-2004.

Total budget revenue for the year comes to EUR 93,469 million (2002: EUR 95,434 million.) Total budget expenditure comes to EUR 88,395 million (2002: EUR 83,770 million), when the negative expenditure under EAGGF Guarantee EUR 659 million (2002: EUR 597 million) is taken into account. This negative expenditure comprises: amounts recovered as a result of fraud and irregularities, correction of advances made on the basis of Article 7(4) of Regulation (EC) No 1258/1999, any profit deriving from sales from public stocks, the additional levy on surplus milk production and the financial consequences of clearance of accounts decisions.

The payment appropriations carried over which the Communities have cancelled include the appropriations corresponding to contributions by and work for third parties carried over from 2002 to 2003 (EUR 691 million) as these appropriations are included with the appropriations for the financial year (see also Point A, paragraph 4.3 Revenue from third parties and work for third parties).

Budget Outturn 2003 (including EFTA)

(EUR)

Item	2003	2002	Change
Revenue for the financial year	93 468 554 436	95 434 404 645	- 2 %
Payments against appropriations for the financial year	- 88 394 813 758	- 83 770 766 619	5,5 %
Payment appropriations carried over to the following year	- 2 246 023 739	- 4 846 976 389	- 53,7 %
EFTA-EEA payment appropriations carried over from the previous year	0	- 508 443	- 100 %
Cancellation of unused payment appropriations carried over from the previous year	2 765 220 289	858 383 918	222 %
Exchange differences for the year	- 108988964	- 252 816 324	- 56,9 %
Budget Outturn for the year	5 483 948 264	7 421 720 788	- 26,1 %

ANNEX 3

EXPLANATORY NOTES TO THE BALANCE SHEET

COMMENTS ON THE CONSOLIDATED BALANCE SHEET FOR THE FINANCIAL YEAR 2003

Establishment of the balance-sheet

The balance sheet is drawn up in accordance with:

- Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities;
- Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation;.
- Commission Regulation No 2909/2000 of 29 December 2000 on the management in the accounts of the non-financial fixed assets of the European Institutions (O) L 336, 30.12.2000);
- Accounting and consolidation manual of the European Communities, drawn up by the Accounting Officer of the Commission, setting out the rules on valuation and accounting methods to be applied by all the Institutions 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, as required by article 133 of the above mentioned Financial Regulation.

In connection with the modernisation of the Communities' accounting system and the shift towards application of the IPSAS standards for 2005, gradual changes in accounting methods are both inevitable and necessary. Some changes have already been made to the methods applied to produce the 2003 annual accounts. These changes are explained in the notes and comparative figures are provided.

Re-statement of the balance-sheet figures for 2002

Due to the consolidation of the ECSC in liquidation for the first time in 2003, the 2002 comparative figures for the balance sheet have been reclassified to include the relevant figures of the ECSC in liquidation at 31 December 2002. The adjustments to the headings were as follows:

ASSETS

	(EUR)		
	European Communities 31.12.2002	ECSC 31.12.2002 plus adjustments	Adjusted 31.12.2002
II. INTANGIBLE FIXED ASSETS	7 846 576,87	2 850,00	7 849 426,87
III. TANGIBLE FIXED ASSETS	3 311 127 734,51	14 094,00	3 311 141 828,51
D. Computer hardware	79 951 512,20	14 094,00	79 965 606,20
IV. FINANCIAL FIXED ASSETS	2 017 547 773,48	176 309 936,86	2 193 857 710,34
B. Other financial fixed assets	1 693 535 874,28	176 309 936,86	1 869 845 811,14
1. Subscriptions and participations	42 045 810,97	18 768 046,01	60 813 856,98
2. Other securities	0,00	157 541 890,85	157 541 890,85
V. LONG-TERM ASSETS	21 624 361 525,95	446 300 649,61	22 070 662 175,56
B. Loans granted from borrowed funds	1 394 599 344,04	351 243 795,31	1 745 843 139,35
C. Other long-term assets	19 602 544 669,49	95 056 854,30	19 697 601 523,79
VI. STOCKS	76 002 255,83	0,00	76 002 255,83

	(EUR)		
	European Communities 31.12.2002	ECSC 31.12.2002 plus adjustments	Adjusted 31.12.2002
VII. SHORT-TERM ASSETS	7 014 996 335,36	356 246 581,05	7 371 242 916,41
A. Long-term assets falling due in less than one year	163 026 211,05	249 642 558,72	412 668 769,77
2. Loans granted from borrowed funds	115 000 000,00	240 633 579,28	355 633 579,28
3. Other long-term assets	20 362 415,00	9 008 979,44	29 371 394,44
B. Current assets:	6 843 413 741,84	73 754 689,78	6 917 168 431,62
3. Non consolidated Communities' bodies	10 846 237,86	344 110,11	11 190 347,97
4. Sundry debtors	4 399 112 552,91	73 410 579,67	4 472 523 132,58
C. Other receivables	8 556 382,47	32 849 332,55	41 405 715,02
1. Receivable from personnel	8 351 354,68	32 849 332,55	41 200 687,23
VIII. CASH INVESTMENTS	127 326 430,17	1 400 820 433,55	1 528 146 863,72
IX. DISPOSABLE ASSETS	17 393 343 907,54	6 625 168,42	17 399 969 075,96
Total	51 572 552 539,71	2 386 319 713,49	53 958 872 253,20

LIABILITIES

	(EUR)		
	European Communities 31.12.2002	ECSC 31.12.2002 plus adjustments	Adjusted 31.12.2002
I. OWN CAPITAL	17 017 150 640,67	607 670 761,32	17 624 821 401,99
A. Economic outturn for the year	8 682 526 637,61	67 752 039,62	8 750 278 677,23
4. Economic outturn of the ECSC in liquidation	0,00	67 752 039,62	67 752 039,62
B. Outturn carried over from previous financial years:	8 275 052 504,67	281 918 721,70	8 556 971 226,37
ECSC in liquidation	0,00	281 918 721,70	281 918 721,70
C. Reserves	59 571 498,39	258 000 000,00	317 571 498,39
3. Reserves of the ECSC in liquidation	0,00	258 000 000,00	258 000 000,00
II. PROVISIONS FOR RISKS AND CHARGES	22 434 703 135,72	674 741 254,62	23 109 444 390,34
III. LONG-TERM LIABILITIES	2 686 179 688,07	471 885 847,68	3 158 065 535,75
A. Borrowing	1 338 678 708,69	471 885 847,68	1 810 564 556,37
B. Other long-term liabilities	1 347 500 979,38	0,00	1 347 500 979,38
IV. SHORT-TERM LIABILITIES	9 434 519 075,25	632 021 849,87	10 066 540 925,12
A. Long-term liabilities falling due in less than 1 year	225 228 007,01	241 050 249,45	466 278 256,46
B. Other short-term financial liabilities	3 467 490 712,21	2 500,00	3 467 493 212,21
C. Current liabilities	5 725 315 534,34	390 193 995,86	6 115 509 530,20
1. Member States and EFTA countries	38 535 782,52	640 585,22	39 176 367,74
2. Non consolidated Communities' bodies	16 412 388,90	- 2 770 372,14	13 642 016,76
4. Sundry creditors	823 390 974,08	392 323 782,78	1 215 714 756,86
D. Other liabilities	16 484 821,69	775 104,56	17 259 926,25
Total	51 572 552 539,71	2 386 319 713,49	53 958 872 253,20

Note that amounts previously shown as Transitional accounts are included under the headings sundry debtors and sundry creditors above.

A. ASSETS

II. 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 Institution and generate future economic benefits for the European Communities.

Computer software developed within the Institutions does not constitute an intangible fixed asset, whereas a computer licence, governed by an inter-institutional framework contract for database management does, and so is included here.

Depreciation of intangible fixed assets (computer software) for the Publications Office is spread over three years (33 %), the standard practice for the Office's software — the rate applied by the other Institutions is 25 %.

The transfer between headings reflects a transfer from tangible to intangible assets made by the Committee of Regions — this is also reflected in the table for tangible fixed assets.

	(EUR)
	Computer software
A. ACQUISITION VALUE	
Previous year-end	25 889 309,38
Changes during the year:	
Acquisitions during the year	7 062 479,30
Disposals and withdrawals	- 935 773,00
Transfers between headings	63 677,84
Other changes	- 485 681,12
Year-end	31 594 012,40
B. DEPRECIATION AND REDUCTION IN VALUE	
Previous year-end	18 039 882,51
Changes during the year:	
Recorded	5 964 144,60
Cancellations as a result of disposals and withdrawals	- 930 954,00
Transfers between headings	15 919,47
Other changes	- 401 041,49
Year-end	22 687 951,09
NET BOOK VALUE (A-B)	8 906 061,31

III. TANGIBLE FIXED ASSETS

A. Land and buildings:

Commission: In the absence of historical data on the costs of acquisition and the costs of annual improvements before 1998 in the *Joint Research Centre*, acquisition values are based on a valuation conducted by an outside firm at 31 December 1997. It has been possible to calculate the changes that occurred during the period 1998-2003.

The method of depreciation is as follows:

1. For buildings that had been fully depreciated at 1 January 1998, a new depreciation plan was fixed. They were revalued and depreciated over a period of ten years up to 2007.
2. For buildings which had not been fully depreciated at 1 January 1998, depreciation was calculated over their residual life having due regard to the revalued amount at 1 January 1998.

This method of valuation and depreciation, applied by Ispra in 2000, was used to value land and buildings of the JRC at Geel at end-2001.

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

In May 1998 the *Parliament* invoked its purchase option in respect of a complex in Brussels (consisting of three buildings) for which the final investment cost (not including land) came to EUR 1,097 million. In two memoranda of understanding with the European Communities dated 23 July 1998, Belgium made a contribution to the purchase of the land and the development and construction costs for the third building. A clause stipulates that if Parliament were to relocate, either the land would be returned to the Belgian State for a payment of EUR 0.025, or the land and buildings would be put up for sale so that the market value of the land could be paid to the Belgian State. An adjustment has therefore been made for the value of the land, which is now entered in the balance sheet at EUR 0.025.

In December 2003 the Parliament invoked its purchase option for the Louis Weiss building in Strasbourg and the purchase agreement was signed in February 2004 — see below, under E. Finance Leases and similar entitlements.

There was an increase in the amount relating to the Parliament's buildings in 2003 of EUR 60.4 million relating to the purchase of the Konrad Adenauer building in Luxembourg. The land is rented for the symbolic amount of EUR 1 per year.

The *Council* building in Brussels was definitively accepted as fully completed on 17 December 2003.

As regards the land of this building, the Council's General Secretariat based itself on Article 24 of Commission Regulation No 2909/2000, which lays down the principle that there is no need to value a plot of land or a building which has been transferred subject to conditions precedent.

The transfer conditions are that should the Council relocate, either:

- the land would be returned to the Belgian State for a payment of EUR 0.025, or
- the land and buildings would be put up for sale and the Communities undertake to pay the Belgian State the market value of the land.

B. C. D. Plant, machinery and tools

Furniture and vehicles

Computer hardware

The depreciation figure recorded by *DG Press* in 2002 included some of the adjustments for earlier years. Shelving had been entered under 'Furniture and vehicles', but in 2003 it was reclassified as 'Other tangible fixed assets'.

As in 2002, computer hardware acquired on the *DG Taxud* budget, used for specific purposes and located outside Commission premises appears under tangible fixed assets. The net book value at 31 December 2003 is EUR 463,475 (at 31 December 2002 EUR 433,898.)

Following the physical stocktaking already carried out in the *Delegations*, there is a correction under 'Other changes' for items acquired before 2003 which had not been entered in the inventories of the Delegations concerned at 31 December 2002.

For approximately 20 % of the Delegations, there is no information about tangible fixed assets at 31 December 2003. An initiative is underway since January 2003 to improve the quality and exhaustiveness of information provided by Delegations and this, as well as a specific inventories project in 2004, should help to resolve this problem in the future. The total amount of tangible fixed assets included for the Delegations at 31 December 2003 is EUR 57.7 million.

E. Finance leases and similar entitlements

The criterion for the classification of property covered by leases as fixed assets is based on the extent to which the risks and rewards incident to ownership of the leased asset lie with the lessor or the lessee and depends on the transaction rather than the form of the contract ⁽¹⁾.

Assets covered by a finance lease which does not transfer substantially the risks and rewards incident to their ownership to the lessee and assets covered by a lease of over five years are entered in the off-balance-sheet commitments annex to the financial statements.

A correction was made to the closing balance at 31 December 2002 of certain Commission buildings held under finance leases. This was required as it had been observed that the method of calculation of the outstanding liability relating to these leases had been incorrect. The result had been that the total finance lease liability had been understated at 31 December 2002 by EUR 188.6 million. This correction has been made to the results carried forward from 2002.

As shown in the 'Tangible fixed assets' table below, the acquisition value at year-end is EUR 2,052.9 million. The table concerning charges still to be paid in respect of finance leases and similar entitlements below gives the details: the total is made up of EUR 1,970.3 million 'Land and buildings', EUR 78.9 million 'Plant, machinery and tools', EUR 0.2 million 'Furniture and vehicles' and EUR 3.5 million 'Computer hardware'.

A new lease for a *Commission* building in Brussels signed in 2003, with a discounted value of minimum payments due of EUR 37.2 million, is included under this heading. The contract was signed in February 2003 for 27 years, with a purchase option for the value of EUR 1.

The Charlemagne case was resolved in September 2003 by negotiation of the main terms of a settlement agreement between the Commission, the owner of the building and the general contractor. The settlement was formalised in May 2004 (see also Annex 4 point 11.2).

The main building occupied by the *Publications Office* is not included in the balance sheet but in the 'Off-balance-sheet commitments — contingent liabilities' annex to the financial statements. Although the Office has two purchase options (in 2006 and in 2010) with values based on the market value, it is not considered that the risks and rewards incident to ownership of the asset are substantially transferred to the Office. The classification will be reviewed in 2006, when the first purchase option may be taken up.

In March 1994 the *European Parliament* signed a long-term leasing contract with a purchase option for a complex in Strasbourg. In accordance with Commission Regulation No 2909/2000 of 29 December 2000 on the management in the accounts of the non-financial fixed assets of the European Institutions (OJ L 336, 30.12.2000 p. 75), this complex has been entered in the balance sheet as the risks and rewards incident to ownership of the asset are substantially transferred to the lessee. The asset was valued on the date on which the lease entered into force at the discounted value of the minimum lease payments due. On the balance sheet date, Parliament and the developer had not managed to agree on a final cost for the complex. The value entered in the balance sheet is an estimate of the cost. This value was calculated in the light of the actual payments made and payment forecasts based on documents from banks and of a rate of discount deriving either from the interest rate charged by the banks or an estimate.

⁽¹⁾ This heading is based on standard IPSAS 13 — Leases.

As stated above, the costs for the building and the specific fittings of the complex in Strasbourg are estimates. According to the data available in 2002, a distribution of values of EUR 2.5 million was transferred from specific fittings to the building. Up to 31 December 2001 an annual depreciation rate of 25 % was applied to specific fittings; hence the net value of these fittings at 31 December 2001 was zero. On the basis of additional information obtained, the depreciation of the specific fittings was recalculated using the rates of 25 %, 12,5 % and 10 % depending on the category of equipment, and these were entered in the balance sheet at 31 December 2003 at a net value of EUR 10 million.

As stated above, in December 2003 the Parliament invoked its purchase option for the Louis Weiss building in Strasbourg; however since the purchase agreement was signed in February 2004 the building remains under this heading at 31 December 2003, although with a reduction in value of EUR 10.8 million to reflect the agreed purchase price.

On 15 November 1994 the *Court of Justice* signed a lease/purchase contract with the Luxembourg Government for three annexes of the Palais building. The Court will rent the buildings for the whole term of the agreement and will be able to exercise the purchase option once the selling price has been paid in full, and no later than 31 December 2015. The selling price is determined by an independent expert.

These buildings have been entered on the assets side of the balance sheet and the charges to be paid, recorded on the liabilities side, are estimated at EUR 32.57 millions on the basis of a valuation by the independent expert.

The *Economic and Social Committee* (ESC) and the *Committee of the Regions* (CoR) have entered the finance leasing contracts for their Belliard and Montoyer buildings on the assets side of the balance-sheet. They are co-financed on the following scale:

2001	ESC: 70%	CoR: 30%
2002	ESC: 67.7%	CoR: 32.3%
from 2003	ESC: 67%	CoR: 33%

There will be no depreciation on the Belliard building until the work in progress is accepted.

On 17 December 2003, the ESC and the CoR jointly signed a 27 year finance lease contract with total lease payments of EUR 48 million and a purchase option, commencing 1 January 2004 for a new building in Brussels.

F. Other tangible fixed assets

The *Council* has an operational lease for a building in Brussels. Alteration work on this building in 2003 totalling EUR 3.8 million was included under this heading at year-end.

G. Fixed assets under construction and advances in respect of tangible fixed assets

The *Commission* has paid an advance of EUR 8.2 million for the construction of the new offices of the delegation in Abuja. This building will be shared with other Member States and their part of the advance already paid by the Commission will be reimbursed.

On 26 March 2003 the *Council* signed a convention for the construction of a building in Brussels and the finance lease covering this building. The estimated cost is EUR 233 million (including land) and an advance of EUR 8.5 million has been paid and included under this heading.

The *Court of Auditors* has entered EUR 28.5 million under this item for the funds required for the planned extension of the Court's building. The bulk of the funds have been placed at the disposal of the project manager by means of a transfer to a bank account opened for this purpose. The interest yielded by this account will be recorded as budget revenue.

The *Economic and Social Committee* has paid an advance of EUR 26 million to finance renovation of the Belliard building. This figure is included with the fees provided for in the finance lease contract mentioned in Item E 'Finance leases and similar entitlements'.

(EUR)

	Land and buildings	Plant, machinery and tools	Furniture and vehicles	Computer hardware	Finance leases and similar entitlements	Other tangible fixed assets	Assets under construction and advances paid
A. ACQUISITION VALUE							
Previous year-end	2 113 094 602,67	313 268 791,06	133 087 194,07	309 325 806,45	2 023 129 356,64	17 726 489,89	83 673 772,53
Changes during the year:							
Acquisitions during the year	64 819 021,01	25 171 179,77	8 606 498,64	42 313 455,48	37 297 754,51	8 602 179,05	39 009 460,48
Disposals and withdrawals	- 87 537,27	- 11 981 713,20	- 5 320 495,20	- 35 627 748,60	- 10 485,33	- 28 416,23	0,00
Transfers between headings	2 778 234,59	604 326,10	- 271 731,53	- 22 957,35	- 667 839,24	294 524,18	- 2 778 234,59
Other changes	0,00	3 598 509,99	3 629 969,97	4 598 415,39	- 6 823 585,73	- 351 977,52	0,00
Year-end	2 180 604 321,00	330 661 093,72	139 731 435,95	320 586 971,37	2 052 925 200,85	26 242 799,37	119 904 998,42
B. INCREASES IN VALUE							
Previous year-end	57 124 663,00	0,00	0,00	0,00	0,00	0,00	0,00
Changes during the year:							
Recorded	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Cancellations	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other changes	0,00	0,00	0,00	0,00	0,00	1 957 439,24	0,00
Year-end	57 124 663,00	0,00	0,00	0,00	0,00	1 957 439,24	0,00
C. DEPRECIATION AND VALUE ADJUSTMENTS							
Previous year-end	768 813 420,74	276 034 410,14	102 754 850,23	229 360 200,25	356 541 136,36	5 784 830,08	
Changes during the year:							
Recorded	95 740 856,98	21 702 223,92	9 197 801,94	49 485 392,44	61 829 233,70	2 538 413,23	
Cancellations as a result of disposals and withdrawals	- 52 522,36	- 11 140 339,40	- 4 702 124,30	- 35 022 883,58	- 10 485,33	- 28 416,23	
Transfers between headings	0,00	614 179,76	- 260 371,99	64 333,31	- 706 906,68	272 846,13	
Other changes	266 094,40	4 192 741,56	1 421 555,46	4 587 642,20	122 020,08	- 72 834,14	
Year-end	864 767 849,76	291 403 215,98	108 411 711,34	248 474 684,62	417 774 998,13	8 494 839,07	
NET BOOK VALUE (A+B-C)	1 372 961 134,24	39 257 877,74	31 319 724,61	72 112 286,75	1 635 150 202,72	19 705 399,54	119 904 998,42

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 ENTITLEMENTS
ASSETS AND LIABILITIES

(EUR)

Description	Repayments made (A)	Repayments to be made			Total Value (A+B)	Acquisition value of works (C)	Asset value (D=A+B+C)
		< 1 year	> 1 year	Total Liability (B)			
Total at 31.12.2002	706 737 517,92	81 420 881,91	1 188 625 780,81	1 270 046 662,72	1 976 784 180,64	46 345 176,00	2 023 129 356,64
Correction	- 188 635 397,84	- 53 293 383,59	241 928 781,43	188 635 397,84	0,00	0,00	0,00
Restated Total at 31.12.2002	518 102 120,08	28 127 498,32	1 430 554 562,24	1 458 682 060,56	1 976 784 180,64	46 345 176,00	2 023 129 356,64
Land and buildings	464 843 113,58	93 729 168,08	1 365 229 504,65	1 458 958 672,73	1 923 801 786,31	46 480 930,50	1 970 282 716,81
Plant, machinery and tools	72 424 185,97	6 433 535,84	55 273,19	6 488 809,03	78 912 995,00	0,00	78 912 995,00
Furniture and vehicles	71 132,37	55 128,10	61 154,18	116 282,28	187 414,65	0,00	187 414,65
Computer hardware	2 513 517,99	738 654,80	289 901,60	1 028 556,40	3 542 074,39	0,00	3 542 074,39
Other tangible fixed assets	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Assets under construction	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total at 31.12.2003	539 851 949,91	100 956 486,82	1 365 635 833,62	1 466 592 320,44	2 006 444 270,35	46 480 930,50	2 052 925 200,85

IV. FINANCIAL FIXED ASSETS

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 permanent guarantees and advances granted and the net assets of the Guarantee Fund. A distinction should be drawn between guarantees granted by the European Communities to third parties and the Guarantee Fund, which is designed to cover risks associated with loans granted to non-member countries.

A. Investments in related organisations

— *European Bank for Reconstruction and Development (EBRD) subscription*

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.

This item covers the full amount of the Commission's subscription (EUR 157.5 million) to the EBRD's capital which has been called up and partially paid (EUR 130.5 million). Payments outstanding on the proportion of capital called up of EUR 27 million are recorded under short-term liabilities (EUR 8.4 million) and long-term liabilities (EUR 18.6 million). Payments outstanding on non-called up capital amount to EUR 442.5 million and are included as contingent liabilities in the off balance sheet.

The 3 % shareholding in the EBRD is valued at cost, as it represents a financial instrument under IPSAS 15 and IAS 39.

— *European Investment Fund (EIF) subscription*

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 to the EIF's capital. This represents 30 % of the EIF's capital. The Commission has paid all the called-up capital, which amounts to 20 %.

Under an agreement between the Commission and the EIB signed in 2000, the European Communities have a 'put option' on its shares in the EIF. On 30 June 2005 the Commission will be entitled to sell its shares at a unit price of EUR 315,000, which is 57.5 % above the purchase price.

Payments outstanding on non-called up capital (80 %) amount to EUR 480 million.

The equity method is used to value the Communities' share in the EIF, in accordance with IPSAS 7. Under the equity method the shareholding is initially recorded at cost and is then adjusted to take into account changes subsequent to the investor's acquisition of a share of the net assets of the controlled entity. The result of adjustments reflects the investor's share of the results of the controlled entity.

Under the equity method, the shareholding is valued at 30 % of the EIF's own capital. The EIF's balance sheet for 2003 shows a total of EUR 567.3 million of own capital, including profits of EUR 19.7 million for the year. The Communities' share is 30 % of this amount (EUR 170.2 million), of which EUR 5.9 million concerns the result for 2003. A dividend of EUR 2.25 million relating to the financial year 2002 was received in 2003.

— *Galileo Programme*

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

The Communities have subscribed for EUR 520 million of the capital of this entity and at 31 December 2003 EUR 122.3 million had been paid, with the balance, EUR 397.7 million uncalled. In the 2002 annual accounts the EC's initial investment of EUR 120 million in the project had been treated as an advance as the operations were not yet started.

As with the EIF, it is accounted for using the equity method of consolidation. For 2003 the Communities' share of the loss of the joint undertaking was EUR 49.1 million. Thus the value of the investment at 31 December 2003 was EUR 73.2 million being the initial investment of EUR 120 million plus interest earned on the investment converted into capital (EUR 2.3 million) less the share of the loss.

B. Other financial fixed assets

B.1. Subscriptions and participations

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

— *ECIP programme*

This heading covers Communities' contributions to the provision of equity and subordinated loan capital for joint ventures set up under the European Community Investment Partners Programme (ECIP). The ECIP programme was halted early, the only extension being its winding-up. The programme cannot be definitively wound up until the last joint venture has been completed. Most of the operations have already been wound up, recovered or converted into definitive grants and work on the remaining open files is ongoing.

As part of this review of open files it has been observed that many of the amounts previously shown as participations do not fully meet the criteria to be treated as such. In most cases the amounts forwarded to beneficiaries were in fact interest-free advances. Thus in 2003 EUR 24.8 million of amounts that had been previously classed under this heading in 2002 were transferred to budgetary loans (see assets V.A.) and a correction of EUR 4.1 million had to be made. For the remaining investments, it has proved extremely difficult to calculate reliably the real value of ECIP equity contributions, and in accordance with the principle of prudence, a 100 % write down has been applied.

— *Eurotech Capital, Venture Consort and JOP*

The purpose of the **Eurotech Capital** instrument is to encourage the private funding of trans-national high-technology projects developed by small and medium-sized undertakings through a network of risk-capital investors. It covers payments made since 1990 in the form of pre-financing repayable under certain circumstances when contracts run out. The Communities' contributions do not constitute equity stakes in the relevant venture capital companies. Rather they represent a fixed proportion of certain investments of these venture capital companies in third companies. These contributions are reimbursable according to conditions specified in the contracts between the Communities and these venture capital companies. Amounts that are held by the venture capital companies (EUR 3.7 million) are shown under 'Sundry Debtors,' see VII.B.4.

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

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

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

— *Other financial instruments*

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

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

The participation in Eurotunnel is held by the ECSC in liquidation.

B.2. Other securities

This heading comprises two GBP commercial papers issued by the EIB and held by the ECSC in liquidation to hedge the payments to be made on GBP borrowings of the same amounts. The papers have settlement dates of 2017 and 2019 respectively.

INVESTMENTS

(EUR)

	Related organisations				Non related organisations						
	EBRD	EIF	Galileo	Total Related organisa-tions	ECIP	Venture consort JOP, Eurotech	SME Finance Facility	Growth & Employment	MAP Equity	Eurotunnel	TOTAL non-related organi-sations
A. ACQUISITION VALUE											
Previous year-end	600 000 000,00	600 000 000,00	0,00	1 200 000 000,00	22 879 226,68	16 784 628,00	1 906 250,00	51 352 778,07	860 000,00	40 950 784,14	134 733 666,89
Changes during the year:											
Acquisitions during the year			520 000 000,00	520 000 000,00	4 061 553,52		587 500,00	10 161 761,19	2 105 000,00		16 915 814,71
Disposals and withdrawals					- 500 000,00	- 1 830 307,00		- 164 416,95		- 222 026,00	- 2 716 749,95
Transfers bet balance sheet head-ings					- 24 770 780,20	- 2 259 840,00					- 27 030 620,20
Year-end (A)	600 000 000,00	600 000 000,00	520 000 000,00	1 720 000 000,00	1 670 000,00	12 694 481,00	2 493 750,00	61 350 122,31	2 965 000,00	40 728 758,14	121 902 111,45
B. INCREASE IN VALUE											
Previous year-end	0,00	46 511 899,20	0,00	46 511 899,20							
Changes during the year											
Recorded (equity method)	0,00	3 671 309,70	0,00	3 671 309,70							
Cancellations											
Transfers bet balance sheet head-ings											
Year-end (B)	0,00	50 183 208,90	0,00	50 183 208,90	0,00	0,00	0,00	0,00	0,00	0,00	0,00
C. REDUCTION IN VALUE											
Previous year-end	0,00	0,00	0,00	0,00	22 879 226,68	16 784 628,00	333 000,00	11 740 217,10	0,00	22 182 738,13	73 919 809,91
Changes during the year:											
Recorded	0,00	0,00	49 108 656,38	49 108 656,38	4 061 553,52			12 115 649,70	300 417,60	2 797 594,87	19 275 215,69
Cancellations as a result of disposals and withdrawals					- 500 000,00	- 1 830 307,00					- 2 330 307,00
Transfers bet balance sheet head-ings					- 24 770 780,20	- 2 259 840,00					- 27 030 620,20
Year-end (C)	0,00	0,00	49 108 656,38	49 108 656,38	1 670 000,00	12 694 481,00	333 000,00	23 855 866,80	300 417,60	24 980 333,00	63 834 098,40
D. AMOUNTS NOT CALLED UP											
Year-end (D)	442 500 000,00	480 000 000,00	397 705 310,03	1 320 205 310,03	0,00	0,00	0,00	0,00	0,00	0,00	0,00
NET BOOK VALUE (A+B-C-D)	157 500 000,00	170 183 208,90	73 186 033,59	400 869 242,49	0,00	0,00	2 160 750,00	37 494 255,51	2 664 582,40	15 748 425,14	58 068 013,05

B.3. *Guarantees and advances granted*

GUARANTEES AND ADVANCES GRANTED

(EUR)			
DESCRIPTION	Net book value at 31.12.2002 (A)	Changes during year (B)	Net book value at 31.12.2003 C=(A)+(B)
Guarantees and advances granted	5 935 691,60	19 254,61	5 954 946,21
Guarantee Fund	1 645 554 371,71	- 53 426 471,79	1 592 127 899,92
Total	1 651 490 063,31	- 53 407 217,18	1 598 082 846,13

— *Guarantees and advances granted*

This covers fixed assets such as deposits and guarantees paid and permanent advances for building charges.

— *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 EIB lending operations outside the European Union and loans under macro-financial assistance (MTA loans) and Euratom financial assistance outside the European Union.

In accordance with Article 6 of the Regulation the Commission entrusted financial management of the Fund to the European Investment Bank (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 general budget equivalent to 9 % of the capital value of the operations. 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 non-member 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.

The Fund is endowed by payments from the Communities' budget, 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 entry on the assets side of the Commission's balance sheet of EUR 1,592 million (2002: EUR 1,645 million) represents the Fund's net assets at 31 December 2003. This amount comprises the repayable surplus in excess of the target amount at 31 December 2003, being EUR 223 million (2002: EUR 263 million).

Since the Fund may be called on to cover defaulting debtors at any time, a provision has been created for risks and charges in line with the principle of prudence. This provision of EUR 1,369 million (2002: EUR 1,382 million) corresponds to the target amount⁽¹⁾ for the Guarantee Fund calculated on the basis of the amount outstanding at 31 December 2003. The difference between the amount of the Fund shown on the assets side and the amount of the provision corresponds to the surplus to be repaid to the budget (EUR 223 million); it is entered under own capital.

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

V. LONG-TERM ASSETS

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

A. Loans granted from the budget

SPLIT OF LONG-TERM & SHORT-TERM LOANS

	(EUR)		
	Due > 1 year	Due < 1 year	Outstanding at 31.12.2003
A. LOANS GRANTED FROM THE BUDGET			
Loans with special conditions	322 078 707,58	16 061 395,92	338 140 103,50
Risk capital operations	222 352 902,18	396 433,75	222 749 335,93
ECIP loans	0,00	0,00	0,00
Loans for migrant workers	11 008,86	13 592,76	24 601,62
MEDIA loans	0,00	880 285,00	880 285,00
Total	544 442 618,62	17 351 707,43	561 794 326,05

This item principally covers risk capital loans on special terms granted as part of cooperation with non-member countries. ⁽¹⁾ It also covers loans granted under the ECIP programme to promote the setting-up of investment joint ventures in Asia, Latin America, the Mediterranean region and South Africa.

The ECIP programme was halted early, the only extension being its winding-up. The programme cannot be definitively wound up until the last joint venture has been completed. Most of the operations have already been wound up, recovered or converted into definitive grants and work on the remaining open files is ongoing.

As part of this review of files it has been observed that many of the amounts previously shown as loans do not fully meet the criteria to be treated as such. In most cases the amounts forwarded to beneficiaries were in fact interest-free advances. Thus in 2003 EUR 67.6 million of amounts that had been previously classed under this heading in 2002 were transferred to the heading 'Sundry Debtors', see VII.B.4. Similarly EUR 24.8 million of amounts previously classed as investments are now shown under this heading.

It has proved extremely difficult to calculate the real value, i.e. the recoverability, of these ECIP loans before the review is complete and so, in accordance with the principle of prudence, a 100 % write-down has been applied.

Also included here in 2002 were amounts granted under the MEDIA I, MEDIA II and MEDIA Plus (third phase of the MEDIA programme) programmes for measures to promote the development of the audiovisual industry. Following a legal and financial review of MEDIA programmes, for amounts of EUR 26.7 million relating to MEDIA I it was considered that these do not fully meet the criteria to be treated as loans as the contracts stipulate that repayments depend on the always uncertain success of the projects. Therefore, an adjustment has been made for these loans which have been written off and thus removed from this heading. Similarly, for MEDIA II and Plus it has become apparent that EUR 50 million (with a value write-down of EUR 34.2 million) of the amounts concerned do not meet the criteria to be classed as loans, and so are shown under 'Sundry Debtors', see VII.B.4. A further EUR 22.4 million concerning recovery orders raised was also transferred to Sundry debtors.

Loans for migrant workers are also included under this heading.

⁽¹⁾ Including EUR 3.3 million granted to Greece before it joined the EU.

B. Loans granted from borrowed funds**SPLIT OF LONG-TERM & SHORT-TERM LOANS**

	(EUR)		
	Due > 1 year	Due < 1 year	Outstanding at 31.12.2003
B. LOANS GRANTED FROM BORROWED FUNDS			
Financial assistance (MTA)	1 211 000 000,00	145 000 000,00	1 356 000 000,00
Balance of payments	0,00	0,00	0,00
NCI	0,00	16 316 685,58	16 316 685,58
EURATOM	105 000 000,00	0,00	105 000 000,00
ECSC in liquidation	319 965 872,17	1 996 065,90	321 961 938,07
Total	1 635 965 872,17	163 312 751,48	1 799 278 623,65

Under the EC Treaty, 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.

Under an agreement with the EIB, the latter bears the risks of the NCI treasury instrument.

Changes in amounts of loans granted by the European Communities:

LOANS GRANTED

(EUR)

	Balance at 31.12.2002 (A)	New loans (B)	Repayments (C)	Write off/ Transfers (D)	Changes in exchange rates (E)	Balance at 31.12.2003 (F)=(A)+(B)-(C)- (D)+(E)	Reduction in value at 31.12.2002 (G)	Changes during the year (H)	Reduction in value at 31.12.2003 (I)=(G)+(H)	Net value at 31.12.2003 (J)=(F)-(I)
A. LOANS GRANTED FROM THE BUDGET										
Loans with special conditions	353 932 013,61	0,00	15 791 910,11	0,00	0,00	338 140 103,50	0,00	0,00	0,00	338 140 103,50
Risk capital operations ⁽¹⁾	202 047 447,69	26 332 225,70	4 400 871,78	803 221,64	0,00	223 175 579,97	413 085,28	13 158,76	426 244,04	222 749 335,93
ECIP loans ⁽²⁾	67 604 196,21	0,00	5 540 992,76	42 833 416,01	0,00	19 229 787,44	67 604 196,21	- 48 374 408,77	19 229 787,44	0,00
Loans for migrant workers	38 059,46	0,00	13,457,84	0,00	0,00	24 601,62	0,00	0,00	0,00	24 601,62
MEDIA I, MEDIA II & MEDIA Plus loans ⁽²⁾ ⁽³⁾	109 299 301,39	0,00	9 266 592,01	99 152 424,38	0,00	880 285,00	10 022 428,40	- 10 022 428,40	0,00	880 285,00
Subtotal	732 921 018,36	26 332 225,70	35 013 824,50	142 789 062,03	0,00	581 450 357,53	78 039 709,89	- 58 383 678,41	19 656 031,48	561 794 326,05
B. LOANS GRANTED FROM BORROWED FUNDS										
Financial assistance (MTA)	1 361 000 000,00	118 000 000,00	123 000 000,00	0,00	0,00	1 356 000 000,00	0,00	0,00	0,00	1 356 000 000,00
Balance of payments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
NCI	68 599 344,04	0,00	47 022 539,98	0,00	- 5 260 118,48	16 316 685,58	0,00	0,00	0,00	16 316 685,58
Euratom	80 000 000,00	25 000 000,00	0,00	0,00	0,00	105 000 000,00	0,00	0,00	0,00	105 000 000,00
ECSC in liquidation	616 416 666,01	0,00	246 898 003,12	0,00	- 26 845 746,15	342 672 916,74	24 539 291,42	- 3 828 312,75	20 710 978,67	321 961 938,07
Subtotal	2 126 016 010,05	143 000 000,00	416 920 543,10	0,00	- 32 105 864,63	1 819 989 602,32	24 539 291,42	- 3 828 312,75	20 710 978,67	1 799 278 623,65
Total	2 858 937 028,41	169 332 225,70	451 934 367,60	142 789 062,03	- 32 105 864,63	2 401 439 959,85	102 579 001,31	- 62 211 991,16	40 367 010,15	2 361 072 949,70

⁽¹⁾ The write-off corresponds to commissions that the borrower does not have to repay.

⁽²⁾ In light of ongoing reviews of open files certain amounts have been transferred to 'Sundry debtors' to better reflect their nature

⁽³⁾ The reimbursement figure for MEDIA loans is the result of all operations made during the year

C. Other long-term assets**SPLIT OF OTHER LONG-TERM & SHORT-TERM RECEIVABLES**

(EUR)

	Due > 1 year	Due < 1 year	Outstanding at 31.12.2003
Amounts owed by Member States:			
Pension scheme	22 838 600 000,00	0,00	22 838 600 000,00
Other amounts	167 462 305,60	28 755 526,69	196 217 832,29
Total	23 006 062 305,60	28 755 526,69	23 034 817 832,29

1. Communities' pensions

Under Article 83 of the Staff Regulations, benefits paid under the pension scheme are charged to the budget of the Communities (Chapter A-19 (Pensions and severance grants) covering all the Institutions). Officials contribute one third towards the long-term financing of the scheme by means of a compulsory levy set at 9.25 % of the basic salary. Member States jointly guarantee payment of such benefits in accordance with the scale laid down for financing such expenditure (first subparagraph of paragraph 1). For this reason a receivable from the Member States is shown on the balance sheet. Due to a new actuarial valuation of the scheme at 31 December 2003 the receivable has risen to EUR 22.8 billion (from EUR 19.5 billion in 2002) to reflect the increase in the scheme's estimated liabilities. Such a valuation is made every 5 years.

Thus, the method applied in 2003 to account for Communities' pensions is the same as in 2002: a provision on the liabilities side to cover the debt, and an entry on the assets side to reflect the undertaking given by Member States to the Communities to pay Communities' pensions. Under the plan for the modernisation of the accounting system, the method to be applied will be adopted by the Commission's Accounting Officer after obtaining the opinions of the Accounting Officers of the other Institutions and the Accounting Standards Committee.

2. Other amounts

This 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 80.8 million is due greater than one year (2002: EUR 98.6 million), while a further EUR 20.7 million (2002: EUR 20.4 million) falls due within one year.

VI. STOCKS**STOCKS**

(EUR)

Description	Acquisition value	Value reduction	Net book value at 31.12.2003	Net book value at 31.12.2002
A. OFFICE SUPPLIES AND OTHER CONSUMABLES				
Office supplies	2 905 961,87	44 291,12	2 861 670,75	3 062 338,03
Other consumables	5 596 627,90	202 611,24	5 394 016,66	5 448 882,33
Building maintenance equipment	5 592 357,25	0,00	5 592 357,25	5 577 110,42
Subtotal	14 094 947,02	246 902,36	13 848 044,66	14 088 330,78

(EUR)				
Description	Acquisition value	Value reduction	Net book value at 31.12.2003	Net book value at 31.12.2002
B. SCIENTIFIC EQUIPMENT				
Scientific reference equipment	63 626 846,98	23 963 072,85	39 663 774,13	41 477 791,87
Fissile material	32 413 948,01	17 827 588,89	14 586 359,12	13 916 360,18
Heavy water	14 923,00	0,00	14 923,00	14 923,00
Other scientific equipment	6 857 590,00	0,00	6 857 590,00	6 504 850,00
Subtotal	102 913 307,99	41 790 661,74	61 122 646,25	61 913 925,05
TOTAL	117 008 255,01	42 037 564,10	74 970 690,91	76 002 255,83

The stock of vaccines and antigens held at the Food and Veterinary Office of **DG SANCO** has a net book value of EUR 6.9 million. It was valued in accordance with the implementing rules for the Commission's accounting and consolidation manual (valuation at most recent acquisition price) and incorporated into the balance sheet for the first time in 2002.

Apart from the above, the heading mainly covers the scientific and technical equipment of the **Joint Research Centre**. The fissile materials at Petten were valued at EUR 3.2 million (2002: EUR 2.08 million) using the purchase price, since they are consumed on a regular basis. Write-downs totalling EUR 41.8 million (2002: EUR 35.97 million) were made in respect of the Joint Research Centre in Geel in accordance with the rules in the Commission's accounting and consolidation manual.

The stock of publications held by the Publications Office is valued at zero following an analysis made in 2001. This relates to publications stock held and/or managed by the Office for which a charge is made (paying stock). Publications to be distributed free of charge are not taken into account.

VII. SHORT-TERM ASSETS

A. Long-term receivables falling due in less than one year

These amounts represent the portion of the long-term receivables that fall due during the following 12 months — see tables above for more details.

B. Current assets

B.1 *Advances paid to Member States*

This amount represents an advance of EUR 4.9 million (2002: EUR 355 million) paid to various Member States' authorities in connection with the costs of the eradication of foot and mouth and other animal diseases — see also Point 8, off-balance-sheet commitments.

B.2 *Amounts owed by member states*

a. *EAGGF Guarantee receivables*

This item covers:

- the amounts owed by beneficiaries of EAGGF Guarantee (EUR 1,937.6 million) as declared and certified by the Member States and entered in the debtors ledger at the end of the year (15 October 2003) in accordance with Regulation (EC) No 2761/99 less 20 % of the amount that the Member States are allowed to retain as administrative costs. The amounts shown for 2002 do not include the 20 % reduction for administrative costs. The Member States are not required to make the amounts available to the Commission unless they are recovered. The above figure does not include the EUR 64.5 million (2002: EUR 43.3 million) declared by the Member States as irrecoverable. This amount represents claims which paying agencies have had to abandon or are statutorily unable to recover.

AMOUNTS OWED BY MEMBER STATES

	(EUR millions)	
	Balance at 31.12.2003	Balance at 31.12.2002
A. EAGGF GUARANTEE RECEIVABLES		
EAGGF Guarantee receivables	1 937,56	2 376,07
Value correction	- 1 031,65	- 1 085,74
Clearance of accounts	—	59,65
Subtotal	905,91	1 349,98
B. VAT PAID AND RECOVERABLE FROM MEMBER STATES		
VAT to be recovered	43,06	38,46
Value correction	- 1,46	- 1,32
Subtotal	41,60	37,14
C. OWN RESOURCES		
Own resources established in the A account, as laid down in Article 6(3) of Council regulation 1150/2000, and pending recovery	57,57	51,48
Own resources established in the separate account, as laid down in Article 6(3) of Council regulation 1150/2000, and pending recovery	1 773,21	1 740,91
Value correction	- 1 043,87	- 1 136,21
Own resources to be regularised	396,11	4,65
Subtotal	1 183,02	660,83
D. OTHER RECEIVABLES FROM MEMBER STATES		
Late interest	6,46	12,72
National pensions (subgratations)	0,05	0,05
Other	11,65	17,74
Subtotal	18,16	30,51
Total	2 148,69	2 078,46

In accordance with the principle of prudence, the European Communities must estimate and record the part of the EAGGF Guarantee that is unlikely to be recovered. The declared estimate of the write-down is EUR 1,031.7 million (as estimated by the Member States), which accounts for 53.2 % of the total amount to be recovered at 31 December 2003 (45.7 % at 31 December 2002.) The Commission relies on the estimates of the Member States based on the assumption that the paying agencies are in a better position to assess the amounts likely to be recovered. The findings of the certifying bodies concerning management of amounts owed are handled under the 2003 clearance procedure, including any proposal for the application of financial corrections. The fact that this adjustment is entered in the accounts does not mean that the EC is waiving future recovery of the amounts covered by the write-down.

— There was a receivable of EUR 59.6 million at 31 December 2002 in respect of a monthly advance paid to Finland which was settled with the payments of advances for 2003 (for EUR 2.4 million) and of the amounts owed following the clearance of the accounts (for EUR 57.2 million). Such a situation did not occur at 31 December 2003.

- b. VAT paid by Institutions and recoverable from the Member States: this item covers the amounts due in respect of taxes paid by the Institutions and recoverable from the Member States (EUR 43.1 million). A specific write-down of EUR 1.5 million has been calculated.

c. *Own resources*: The separate account contains traditional own resources of EUR 2,364.3 million less collection costs of EUR 591.1 million, giving EUR 1,773.2 million which, under Article 6(3)(b) of Regulation No 1150/2000, have been established by the Member States but not made available to the Communities as they have not yet been recovered or guaranteed, or because they have been challenged. 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,
- 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 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.

This figure of EUR 1,773.2 million overestimates the Communities' actual entitlements since the separate account for traditional own resources largely consists of amounts where actual recovery is rather hit-or-miss.

It is, however, extremely difficult to make an exact calculation of the impact of this overestimate. The information available on the potential recovery of these receivables is rather scarce and patchy, as the current rules do not allow the Commission to get hold of the information needed to calculate a value adjustment more accurately. This is why the figure worked out for the provision should be seen as a best estimate.

Despite this, in accordance with the principle of prudence, a write-down of EUR 1,043.9 million has been estimated on the basis of previous years' recovery statistics (EUR 669.9 million) and individual examination of certain cases (EUR 374 million). This write-down has been deducted from the item for receivables from Member States on the assets side of the balance sheet, but does not mean that the Commission is waiving recovery of the amounts covered by the value adjustment.

The calculation method used to arrive at this figure is, therefore, based on a combination of two factors:

- The first involves a theoretical recovery probability coefficient arrived at by comparing the booked entitlements recovered over the previous five years with the figure for entitlements established during the same period. The coefficient is applied to the total entitlements balance at 31 December, minus the amount corresponding to the cases examined individually.

The Commission works on the assumption that this ratio, calculated on the basis of the amounts actually recovered in the past, is representative of the likelihood of recovering amounts remaining in the balance of the separate account (minus the amounts in respect of the examined cases on which the Commission has individual information).

- The second factor is the individual examination of certain cases. This approach cannot be entirely objective since it involves assessing outstanding amounts for which recovery crucially depends on the outcome of the appeal and the debtor's future solvency. Moreover, even where recovery looks very unlikely, if not virtually impossible, this does not necessarily mean that the amounts in question are lost to the Communities' 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 Communities' budget in accordance with Article 17(2) of Regulation 1150/2000.

The breakdown by Member State of A account and separate account receivables in respect of own resources is as follows:

A ACCOUNT: OWN RESOURCES ESTABLISHED AND STILL TO BE RECOVERED AT END 2003

(EUR)

Member State	Agricultural duties	Sugar and isoglucose levies	Customs duties	Total Traditional own resources still to be recovered
Belgium	0	0	4 131 101	4 131 101
Denmark	0	0	6 741 348	6 741 348
Germany	0	0	19 629 669	19 629 669
Greece	7 388	0	0	7 388
Spain	0	0	95 819	95 819
France	0	0	456 975	456 975
Ireland	0	0	110 693	110 693
Italy	0	0	14 825 675	14 825 675
Luxembourg	0	0	0	0
Netherlands	0	0	10 015 091	10 015 091
Austria	0	0	0	0
Portugal	0	0	1 429 942	1 429 942
Finland	0	0	0	0
Sweden	0	0	98 532	98 532
UK	0	0	5 707	5 707
EUR 15	7 388	0	57 540 552	57 547 940

SEPARATE ACCOUNT: OWN RESOURCES ESTABLISHED AND STILL TO BE RECOVERED AT END 2003

(EUR)

Member State	Agricultural duties	Sugar and isoglucose levies	Customs duties	Total Traditional own resources still to be recovered
Belgium	27 678 567	0	93 565 272	121 243 839
Denmark	1 797 945	0	4 632 899	6 430 844
Germany	95 839 765	42 294 278	319 626 336	457 760 379
Greece	19 007 068	0	15 562 862	34 569 930
Spain	8 578 051	0	72 561 148	81 139 199
France	10 055 068	250 036	100 552 748	110 857 852
Ireland	66 174	0	2 282 757	2 348 931
Italy	215 252 199	0	151 723 420	366 975 619
Luxembourg	0	0	777 858	777 858
Netherlands	16 115 383	2 534 592	58 523 045	77 173 020
Austria	9 001 157	0	58 395 481	67 396 638
Portugal	8 060 121	0	22 920 225	30 980 346
Finland	77 725	0	4 151 566	4 229 291
Sweden	1 522 474	0	4 209 729	5 732 203
UK	13 085 190	0	392 512 605	405 597 795
EUR 15	426 136 887	45 078 906	1 301 997 951	1 773 213 744

The differences between the 2002 and 2003 amounts are as follows:

SEPARATE ACCOUNT ENTITLEMENTS

	(EUR millions)	
	31.12.2003	31.12.2002
Entitlements declared excluding collection costs	1 773,2	1 740,9
<i>Cases examined individually</i>	409,3	481,5
<i>Cases not examined individually</i>	1 363,9	1 259,4
Write-downs	1 043,9	1 136,2
<i>Cases examined individually</i>	374,0	438,7
<i>Cases not examined individually</i>	669,9	697,5
Net value of separate account entitlements	729,3	604,7

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 to cover the costs of collection.

The large increase in own resources to be regularised relates to amounts due from Sweden and Portugal at 31 December 2003 but not received until January 2004.

- d. *Other receivables from Member States*: In 2003 the amount principally comprised late-payment interest of EUR 6.5 million and structural operation receivables of EUR 11.7 million.

B.3 Amounts owed by non-consolidated communities bodies

This heading contains various amounts owed to the European Communities by Communities' bodies not covered by the scope of consolidation, for which the Institutions pay certain expenditure, which will subsequently be repaid, totalling EUR 29.3 million (2002: EUR 11.2 million).

B.4 Sundry debtors

SUNDRY DEBTORS

	(EUR millions)	
	Balance at 31.12.2003	Balance at 31.12.2002
1. UNPAID FINES		
Amounts outstanding	1 811,04	2 283,65
Value reduction	- 55,78	- 19,96
Sub-total	1 755,26	2 263,69
2. FINANCIAL INTERMEDIARIES		
Amounts held by financial intermediaries	1 007,54	1 089,86
Value reduction	0,00	0,00
Sub-total	1 007,54	1 089,86
3. AMOUNTS HELD IN TRUST ACCOUNTS		
Amounts held in trust accounts	300,87	201,27
Value reduction	- 0,08	- 0,92
Sub-total	300,79	200,35
4. EFTA FINANCIAL MECHANISM		
Amount to be returned to the EC	44,55	61,65
Value reduction	0,00	0,00
Sub-total	44,55	61,65

(EUR millions)

	Balance at 31.12.2003	Balance at 31.12.2002
5. GALILEO		
Advances given	0,00	120,00
Value reduction	0,00	0,00
Sub-total	0,00	120,00
6. RECEIVABLES DUE ON CERTAIN PROGRAMMES		
Files open at year-end	121,37	0,00
Value reduction	- 101,82	0,00
Sub-total	19,55	0,00
7. CALL ON THE GUARANTEE FUND — AMOUNTS DUE		
Amounts paid to EIB and recoverable from debtor	4,83	0,00
Value reduction	- 4,83	0,00
Sub-total	0,00	0,00
8. OTHER RECOVERY ORDERS		
Recovery orders issued	530,09	721,12
Value reduction	- 185,20	- 148,22
Sub-total	344,89	572,90
9. ACCRUED INCOME AND PREPAID EXPENSES		
Accrued interest and other income to be received	65,83	85,49
Prepaid expenses	71,95	67,80
Sub-total	137,78	153,29
10. EXPENDITURE TO BE RECORDED	0,00	10,78
Total	3 610,36	4 472,52

This item covers receivables arising from the activities of the European Communities.

1. **Unpaid fines** imposed by the Commission for infringements of competition rules EUR 1,755.2 million (2002: EUR 2,263.7 million.)

The changes in the figures for outstanding fines and the write-downs are as follows (EUR million):

FINES OUTSTANDING

(EUR millions)

31.12.2002	2003				31.12.2003
Fine receivables (a)	Fines imposed 2003 (b)	Cancellations fine receivables (c)	Amounts definitively collected (d)	Movements amounts provisionally collected (e)	Fine receivables f=a+b+c+d+e
2 283,6	430,3	- 280,3	- 151,6	- 471,0	1 811,0

FINES OUTSTANDING: VALUE REDUCTION

	(EUR millions)	
	at 31.12.2003	at 31.12.2002
Gross receivables	1 811,0	2 283,6
Value reduction	– 55,8	– 20,0
Net receivables	1 755,2	2 263,6

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 Commission;
- or not to accept the decision, in which case they lodge an appeal under Communities' law. However, the principal of the fine must be paid within the time limit laid down as the appeal does not have suspensory effect (Article 242 of the EC Treaty). In such cases, debtors have two options: they can present a bank guarantee or pay the fine provisionally.

In respect of imposed fines outstanding at 31.12.2003, a total of EUR 1,607.9 million was collected provisionally. These payments are applied against the related receivable and included under disposable assets, but EUR 1,373 million of the amount relating to cases where an appeal is made or it is not known if an appeal will be made is also treated as contingent liabilities⁽¹⁾, since the case is still pending the final judgment. In addition, at 31.12.2003 bank guarantees had been presented for a total of EUR 1,187.8 million. These guarantees do not affect the amount of receivables on the assets side of the balance sheet, but are entered in the annex as off-balance-sheet commitments under contingent assets. The amount shown in the off-balance-sheet commitments as potential liabilities totals EUR 3,241 million, being the total outstanding claims pending judgement plus interest earned on payments received pending final judgement.

Note also that the accounting treatment of fines differs for the ECSC in liquidation — whereas the Commission recognises a receivable and a revenue once it imposes a fine, the ECSC in liquidation does not recognise a revenue until the amount has been paid without appeal — until settlement a provision is maintained for appealed amounts. No new fines have been issued by the ECSC in liquidation in the last two years although a provision of EUR 3.8 million exists for fines currently being appealed.

2. Amounts paid to **financial intermediaries** but not yet transferred to the final beneficiary. This item includes advance payments from the budget to public or private intermediaries selected by the Commission to carry out the management or forward these payments to the final beneficiaries, either because of provisions contained in the regulations or as a result of contractual provisions. This amount, which totals EUR 1,008 million, represents funds held by intermediaries at 31 December 2003 (2002: EUR 1,090 million.) For the split of these amounts by budget-line see also Annex 2 D. The bank interest generated by these amounts is also included EUR 43.6 million (2002: EUR 80.5 million.)

The issue of pre-financing operations and the integrated accounting and clearance arrangements for them is to be addressed as part of the Communities' accounting modernisation project. The inventory currently being made outside the accounts is a step towards establishing the opening balance sheet for these items for 2005.

3. Certain financial instruments are managed on trust by third-party bodies, such as the European Investment Bank (EIB), the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB) and EUROFER. The amount held by these bodies in **trust accounts** at 31 December 2003 totals EUR 300.9 million, not including write-down (2002: EUR 201.2 million.) For the split of these amounts by budget-line see also Annex 2 D.

⁽¹⁾ See point 4 of Annex 4 Off-balance-sheet contingent liabilities.

This figure does not include investments in risk capital funds by these instruments, which are shown under 'Other investments' (Assets IV.B.1).

4. The **EFTA financial mechanism** was introduced in 1993 to support the development and structural adjustment of certain regions of the European Union. The contributors, including the Commission, are joint owners of the funds available. The Commission's share at 31 December 2003 is EUR 44.5 million (2002: EUR 61.6 million.)
5. An advance of EUR 120 million paid to the **Galileo** programme was included under this heading in 2002 but has been transferred to investments in 2003 — see also note IV.A.
6. These amounts relate to advances granted under both the **ECIP** (EUR 67.6 million) and **MEDIA** (EUR 50 million) programmes. Using the prudence principle and based on the risks and uncertainty involved, a value reduction is included for the ECIP balances of 100 % and EUR 34.2 million for the MEDIA amounts. A review of the open files is ongoing so as to determine the status of all such advances so as to determine the final amounts to be refunded to the Commission. When a file is closed and a receivable is due, a recovery order is made and the balance will be transferred to recovery orders.

Also included is an amount of EUR 3.7 million relating to the **Eurotech Capital** programme. This concerns amounts not invested by the financial intermediaries at 31 December 2003 and related interest due on these amounts.

7. A **call** was made on the **Guarantee Fund** relating to a debt in Argentina and the amount paid to the EIB. The debt in question thus became a debt of the Guarantee Fund and was still outstanding at 31 December 2003. Given the nature and circumstances surrounding this receivable a write down of 100 % was considered prudent.
8. These are **recovery orders** entered in the accounts at 31 December 2003 as established entitlements to be recovered and not already included under other headings on the assets side of the balance sheet.

A value adjustment has been entered for irrecoverable entitlements still to be determined. Entitlements due for more than one year are written down by 20 %. A further cut of 20 % is made for each additional year. This overall write-down is calculated on the amount of the entitlements outstanding at the end of the year. Certain entitlements, such as entitlements for which an individual write-down is made, are not included in the flat-rate write-down.

9. Interest to be received and charges paid in advance are included under this heading having been previously shown under the heading 'Transitional accounts.'
10. As the payment appropriations carried over are already contained in the result for the financial year, only the expenditure to be charged to non-differentiated appropriations are included in this item. These amounts were also included under 'Transitional accounts' in prior years.

C. Other receivables

This item basically comprises amounts owed to the European Institutions by their staff or by insurance bodies.

OTHER RECEIVABLES

	(EUR)	
	Balance at 31.12.2003	Balance at 31.12.2002
Receivable from personnel	36 929 231,45	41 200 687,23
Amounts due from insurance companies	258 785,79	205 027,79
Total	37 188 017,24	41 405 715,02

VIII. CASH INVESTMENTS

The breakdown by maturity date is as follows:

CASH INVESTMENTS

(EUR)		
	Balance at 31.12.2003	Balance at 31.12.2002
Term deposits:		
Maturity date less than one month	67 991 795,52	36 547 826,21
Maturity date between one month & one year	63 963 547,66	97 684 174,31
Bonds and other fixed income deposits	1 340 501 836,53	1 393 914 863,20
Total	1 472 457 179,71	1 528 146 863,72

IX. DISPOSABLE ASSETS

DISPOSABLE ASSETS

(EUR)		
	Balance at 31.12.2003	Balance at 31.12.2002
Accounts with Treasuries	10 276 517 701,99	14 901 823 209,61
Accounts with Central Banks	285 019 770,15	879 213 763,13
Borrowing/lending accounts	40 712 379,08	35 528 631,84
Current accounts	3 264 191 619,62	1 510 008 334,40
Imprest accounts	34 979 881,40	73 104 860,44
Cash in hand	270 046,53	290 276,54
Transfers	5 500 000,00	0,00
Total	13 907 191 398,77	17 399 969 075,96

This heading covers all the funds which the Institutions keep in their accounts in each Member State and EFTA country (Treasury or central bank), as well as in current accounts, imprest accounts and petty cash. The proceeds of loans made from borrowed funds and loans granted to improve housing conditions for migrant workers are also included. Amounts received in connection with fines issued by the Commission for which the case is still open amount to EUR 1,708 million and are kept in specific current accounts.

Funds totalling EUR 1.4 million kept in imprest accounts with two banks outside the Communities which have gone bankrupt will probably prove irrecoverable. As a result, and in accordance with the principle of prudence, an adjustment has been made for these accounts and entered on the assets side (reducing the value of the 'Imprest accounts' heading).

B. LIABILITIES**I. OWN CAPITAL**

The own capital heading consists of:

A. The economic outturn for the year

The economic outturn breaks down as follows:

ECONOMIC OUTTURN OF THE EUROPEAN COMMUNITIES

	(EUR)	
	31.12.2003	31.12.2002
1. Budget outturn of the European Communities	5 469 843 705,90	7 413 481 988,34
2. Result of adjustments	– 307 077 541,75	1 268 832 829,48
3. Result of borrowing and lending activities	102 691,94	211 819,79
4. Economic outturn of the ECSC in liquidation	337 878 471,92	67 752 039,62
ECONOMIC OUTTURN FOR THE YEAR	5 500 747 328,01	8 750 278 677,23

The budget outturn is EUR 5,469.8 million and is set out in detail in the budget outturn 2003 table.

Exchange differences included in the economic outturn are the result of payments and financial assets in currencies other than the euro, in particular those of the three Member States which have not yet adopted the euro.

As regards financial assets, the value in euros of the national currencies varies each day in line with the market exchange rates. Financial assets are revalued for the purposes of the balance sheet at the exchange rates on 31 December.

The Commission enters payments at the monthly rates which are inevitably different from the market rates.

The result of adjustments breaks down as follows:

RESULT OF ADJUSTMENTS

	(EUR)	
	2003	2002
A. POSITIVE ADJUSTMENTS		
1. Reduction in charges: increase in assets	– 56 362 825,75	1 518 898 166,97
a. Formation expenses	0,00	0,00
b. Intangible fixed assets	7 180 907,10	7 116 474,33
c. Tangible fixed assets	238 712 751,38	378 597 881,01
d. Financial fixed assets	39 186 302,15	229 276 528,07
e. Loans granted from the budget	26 332 225,70	31 815 898,83
f. Stocks	1 989 888,72	7 127 066,82
g. Other expenses	– 369 764 720,80	864 964 317,91
2. Depreciation	55 872 750,10	104 386 481,08
3. Value adjustments	204 698 966,24	1 035 595 167,59
4. Provisions	674 201 298,29	25 569 219,41
5. Income resulting from budgetary assets acquired during the year but not recovered	3 586 183 482,79	5 943 096 498,61
Sub-total	4 464 593 671,67	8 627 545 533,66

(EUR)		
	2003	2002
B. NEGATIVE ADJUSTMENTS		
1. Reduction in revenue: reduction in assets	947 674 628,68	1 788 445 663,28
a. Formation expenses	0,00	0,00
b. Intangible fixed assets	1 476 204,08	250 933,71
c. Tangible fixed assets	67 314 584,70	89 649 379,35
d. Financial fixed assets	1 889 089,00	3 376 076,00
e. Loans granted from the budget	51 855 018,45	26 112 431,46
f. Stocks	3 021 453,64	8 618 810,28
g. Cashing of rights stated in previous years	822 118 278,81	1 660 438 032,48
2. Depreciation	260 553 621,75	244 114 042,60
3. Value adjustments	125 460 020,10	142 018 419,56
4. Exceptional depreciation and value adjustments	27 509 824,43	17 667 655,42
5. Provisions	3 348 094 102,69	5 193 944 066,50
6. Expenditure to be regularised	16 941 669,09	- 27 477 143,18
7. Results of related bodies	45 437 346,68	0,00
Sub-total	4 771 671 213,42	7 358 712 704,18
Result of Adjustments (A-B)	- 307 077 541,75	1 268 832 829,48

The result of borrowing and lending activities breaks down as follows:

THE RESULT OF BORROWING AND LENDING ACTIVITIES

(EUR)	
Instruments	Result 2003
Medium-term financial assistance (MTA)	6 713,73
Balance of payments (BOP)	2 881,55
EURATOM	44 406,51
New Community Instrument (NCI)	48 690,15
Total	102 691,94

The allocation of the result of borrowing/lending operations for 2003 was not known at the date of closure.

The result of borrowing/lending operations for 2002 was allocated as follows for the various instruments:

ALLOCATION OF THE BORROWING & LENDING ACTIVITIES RESULT FROM THE PREVIOUS YEAR

(EUR)				
Instrument	Result 2002	Transfer of result to budget	Transfer to special reserve	Transfer from special reserve
Medium Term Financial Assistance (MTA)	54 155,46	0,00	54 155,46	0,00
Balance of Payments (BOP)	1 962,28	0,00	1 962,28	0,00
EURATOM	107 372,69	0,00	107 372,69	0,00
New Community Instrument (NCI)	48 329,36	48 329,36	0,00	0,00
Total	211 819,79	48 329,36	163 490,43	0,00

A summary of the revenue and expenditure account of the ECSC in liquidation for 2003 is shown below (note that its result for 2002 relate to the period from 24 July to 31 December only, as it was only from 24 July that the assets were passed to the Communities):

ECSC IN LIQUIDATION REVENUE & EXPENDITURE ACCOUNT

	(EUR)	
	2003	2002
A. REVENUES:		
1. Interest and similar revenues	119 191 862	62 114 830
2. Commissions received	298 205	0
3. Gains on financial operations	11 697 059	10 446 755
4. Release of provisions	60 982 850	1 907 062
5. Other revenues	23 677 013	12 662 684
6. Release of smoothing provision	3 500 000	0
7. Movement on Guarantee Fund	254 000 000	32 000 000
<i>Sub-total</i>	473 346 989	119 131 331
B. EXPENDITURE:		
1. Interest and similar charges	57 938 886	32 986 478
2. Commissions paid	211 887	89 173
3. Losses on financial operations	16 214 228	10 914 491
4. General administrative expenses	280 274	1 455 616
5. Corrections to fixed asset values	5 648	5 649
6. Corrections to receivables and provisions	847 414	5 665 306
7. Other charges	3 470 180	188 424
8. Exceptional charges	0	74 154
9. Transfer to Coal & Steel Research Fund	56 500 000	0
<i>Sub-total</i>	135 468 517	51 379 291
Result for the period (A-B)	337 878 472	67 752 040

B. Outturn carried over from previous financial years

This covers only the cumulative outturn of economic adjustments given that the budget outturn is repaid to the Member States and that the result of borrowing and lending activities is transferred partly to the reserves and partly to budget revenue.

The result of adjustments carried over from previous years has been updated to correct for an error found in the lease liability amount at 31 December 2002.

MOVEMENT IN RESULTS CARRIED FORWARD FROM PRIOR YEARS

	(EUR)
Result	Amount
Result carried forward from prior years at 31.12.2002	8 275 052 504,67
Result of adjustments for 2002	1 268 832 829,48
Correction of leasing liabilities at 31.12.2002	- 188 635 397,84
Inclusion of receivable from ECSC in liquidation at 31.12.2002	120 000 000,02
Result carried forward from prior years at 31.12.2003	9 475 249 936,33

C. Reserves

1. The revaluation reserve comprises the revaluations of tangible and intangible fixed assets. The balance at year-end relates entirely to revaluations made on Commission buildings prior to 2002.

2. The reserve for borrowing and lending activities comprises a special reserve set up in previous years to cover future liabilities resulting from borrowing and lending activities.

SPECIAL RESERVE FOR BORROWING & LENDING ACTIVITIES

(EUR)

Instrument	Balance at 31.12.2002	Transfer to special reserve	Transfer from special reserve	Transfer between instruments	Balance at 31.12.2003
Medium Term Financial Assistance (MTA)	964 915,85	54 155,46	0,00	0,00	1 019 071,31
Balance of Payments (BOP)	117 707,66	1 962,28	0,00	0,00	119 669,94
EURATOM	1 064 211,88	107 372,69	0,00	0,00	1 171 584,57
New Community Instrument (NCI)	300 000,00	0,00	0,00	0,00	300 000,00
Total	2 446 835,39	163 490,43	0,00	0,00	2 610 325,82

3. The reserves relating to the ECSC in liquidation are made up of three separate reserves: a special reserve (EUR 88.1 million), a pension reserve of EUR 30 million and a reserve for the Research Fund for Coal & Steel (EUR 369.6 million). The increase is due mainly to the allocation from the result from 2002 of EUR 229.7 million to the research fund.

ECSC IN LIQUIDATION RESERVES

(EUR)

Reserve	Balance at 31 December 2002	Transfer of prior result	Movement 2003	Balance at 31 December 2003
Special reserve	103 800 000,00	0,00	- 15 700 000,00	88 100 000,00
Pension reserve	34 000 000,00	0,00	- 4 000 000,00	30 000 000,00
Research Fund for Coal & Steel	120 200 000,00	229 670 761,32	19 700 000,00	369 570 761,32
Total	258 000 000,00	229 670 761,32	0,00	487 670 761,32

II. PROVISIONS FOR RISKS AND CHARGES

PROVISIONS FOR RISKS AND CHARGES

(EUR)

	Balance at 31.12.2003	Balance at 31.12.2002
Guarantee Fund	1 368 967 899,92	1 382 224 371,71
Provision for costs of decommissioning of nuclear facilities	789 467 848,51	1 133 625 000,51
Provision for pension scheme liabilities	22 838 600 000,00	19 500 000 000,00
Other provisions	111 560 191,69	418 853 763,50
Provisions of the ECSC in liquidation	363 650 039,23	674 741 254,62
Total	25 472 245 979,35	23 109 444 390,34

Guarantee Fund

Since the Fund may be called on to cover defaulting debtors at any time, a provision has been created for liabilities and charges in line with the principle of prudence. This provision of EUR 1,369 million (2002: EUR 1,382 million) corresponds to the target amount ⁽¹⁾ for the Guarantee Fund calculated on the basis of the amount of loans outstanding at 31 December 2003. The difference between the amount of the Fund shown on the assets side and the amount of the provision corresponds to the surplus to be repaid to the budget i.e. EUR 223 million (2002: EUR 263 million) is entered under own capital.

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

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 report was received in mid-2003. For the 2002 annual accounts, the previous provision of EUR 570 million was amended to the expert's estimate of EUR 1,145 million recommended in this report. The updated provision also included EUR 76 million as an estimate of the cost required for the 'green field' option, i.e. total destruction of all the buildings. While the value of the provision at 31 December 2002 reflected this estimate less the EUR 11.4 million costs then incurred, i.e. EUR 1,133.6 million, for 2003 it was decided to fully apply IPSAS rules, which meant that the provision was indexed for inflation (at a rate of 2.5 %) and then discounted to its net present value (at 5 %). This resulted in a revised amount for the provision of EUR 833 million. Thus the value of the provision at 31 December 2003 is this amount of EUR 833 million less the costs incurred to date of EUR 43.5 million, giving EUR 789.5 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.

Pensions

At 31 December 2003, the rules concerning the Communities' pension scheme are defined by the Staff Regulations of Officials of the European Communities, and in particular chapter 3 'Pensions' of title V 'Emoluments and officials' welfare benefits' and Annex VIII 'Rules of the pension scheme'. They are directly applicable in all Member States.

The arrangement covers the various types of pensions (seniority, disability, survival).

In accordance with Article 83 of the Statute, the payment of the benefits provided for in the pension scheme constitutes a charge to the Communities' budget (via the inter-institutional chapter A.19 'Pensions and grants severance'). Member States guarantee the payment of these benefits collectively according to the scale fixed for the financing of this expenditure (§ 1, first subparagraph). In addition, officials contribute one third to the long-term financing of this scheme via a compulsory contribution.

For 2001 and 2002, the provision in respect of the estimated amount of pension rights was based on the applicable rules of the old statute. As from 1 May 2004, new Staff Regulations of the officials, including in particular reform of the Communities' pension scheme, will be in force.

The liabilities under the Communities' pension scheme were the subject to an actuarial valuation by independent experts at 31 December 2003 also on the basis of the applicable rules of the old statute. This evaluation covered the benefits connected with seniority, disability and survival and 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 (or accumulated entitlements method). The results obtained within the framework of this study were compared with the estimates based on the previous actuarial valuation at 31 December 1997.

Liabilities cover the rights previously defined for the following persons:

1. Staff in active employment at 31 December 2003 in all the Institutions and agencies included in the Communities' pension scheme;
2. Former officials benefiting of a retirement pension;
3. Former officials benefiting of a disablement pension;
4. The recipients of a survivor pension (widows or widowers, orphans, dependants).

The principal actuarial hypotheses used in the valuation were as follows:

1. The mortality table was made on the basis of the national tables of the officials' countries of origin, and was corrected to take account of actual observed mortality rates;
2. A discount rate based on the yield on government bonds to 31 December 2003 for a duration close to that of the scheme, being 2.61 %;
3. A general revaluation rate of the salaries and benefits based on revaluation statistics of the period 1992-2003 and equal to 0.3 %;
4. Individual increases beyond the rate of the general revaluation, varying with age and corresponding to an average revaluation of 2 % on an annual basis;
5. Matrimoniality coefficients for active officials at the time of their departure on retirement, based on statistics of the population of officials and equal to 90 % for men and 50 % for women;
6. The actual marriage situation of former officials;
7. A departure on retirement at the time when the official benefits from his full rights, at the earliest at 60 years old and at the latest at 65 years.

The two principal impacts are:

- The actuarial liability was valued at EUR 22.8 billion at 31 December 2003, while the estimate on the basis of the previous valuation carried out in 1997, updated by taking the structural changes into account in the participants' population, gives an amount of EUR 19.8 billion.
- The essential difference between the two valuations comes from the changes of actuarial hypotheses and more particularly from the net discount rate for the increase in wages, which changed from 2.5 % to 2.3 % and the mortality table which is more prudent than that used previously.

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

(EUR millions)

	NUMBER OF PERSONS			EXPENDITURE		
	REAL	ESTIMATE		REAL	ESTIMATE	
	2003	2004	2005	2003	2004	2005
Retirement pension	6 609	6 987	7 407	413	448	487
Invalidity pension	3 520	3 719	3 904	162	175	191
Survivor's pension	2 637	2 785	2 897	75	82	87
Severance grant	543	798	500	18	19	20
Total	13 309	14 289	14 708	668	724	785

Other provisions

The other provisions concern mainly an estimate of the Communities' contribution to the Emergency Fund for foot and mouth and other animal diseases of EUR 102.1 million relating to various Member States (2002: EUR 418.6 million) — see also Annex 4, Off-balance-sheet commitments, Point 8. The balance relates to a provision for amounts to be paid back to Member States concerning the procedure for correcting EAGGF advances.

Provisions of the ECSC in liquidation

These provisions cover borrowings not covered by a guarantee from Member States (EUR 243 million), a provision for bank costs of EUR 0.3 million, a provision for the Research Fund for Coal & Steel of EUR 116.5 million and a provision for fines being appealed of EUR 3.8 million.

III. LONG-TERM LIABILITIES

This heading includes liabilities due in more than one year.

LONG-TERM LIABILITIES

	(EUR)	
	Balance at 31.12.2003	Balance at 31.12.2002
A. BORROWINGS		
Medium Term Financial Assistance (MTA)	1 211 000 000,00	1 241 000 000,00
Euratom	105 000 000,00	80 000 000,00
New Community Instrument (NCI)	0,00	17 678 708,69
ECSC in liquidation	428 672 854,67	471 885 847,68
<i>Sub-total</i>	1 744 672 854,67	1 810 564 556,37
B. OTHER LONG-TERM LIABILITIES		
Staff funds	28 350 176,47	25 542 948,64
Deposits and guarantees received	2 412 984,34	2 706 356,93
Financial instruments	0,00	5 000 000,00
Leasing debts	1 365 635 833,62	1 180 489 057,86
EBRD subscriptions	18 562 500,00	27 000 000,00
Other	83 907 876,64	106 762 615,95
<i>Sub-total</i>	1 498 869 371,07	1 347 500 979,38
Total	3 243 542 225,74	3 158 065 535,75

A. Borrowings

This heading includes borrowings which fall due for payment in greater than one year's time. The detailed movements in borrowing operations in 2003 are as follows:

MOVEMENT IN BORROWING OPERATIONS

	(EUR)				
	Balance 31.12.2002	New borrowings	Repayments	Exchange differences	Balance at 31.12.2003
I. Borrowings					
MTA	1 351 000 000,00	118 000 000,00	- 118 000 000,00	0,00	1 351 000 000,00
EURATOM	80 000 000,00	25 000 000,00	0,00	0,00	105 000 000,00
NCI	17 678 708,69	0,00	0,00	- 1 362 023,11	16 316 685,58
ECSC in liquidation	712 936 097,13	0,00	- 241 050 249,45	- 40 989 849,01	430 895 998,67
TOTAL	2 161 614 805,82	143 000 000,00	- 359 050 249,45	- 42 351 872,12	1 903 212 684,25

The amounts outstanding on borrowings at 31 December 2003 are entered under long-term liabilities in the case of loans due in more than a year and under short-term liabilities in the case of loans due in less than one year. Liabilities from borrowings are guaranteed by the Communities' budget.

B. Other long-term liabilities

Staff funds:	This heading covers the unemployment fund for temporary staff at all the Institutions and the welfare fund for Commission local staff in non-member countries.
Deposits and guarantees received:	These are sums deducted as guarantees for the payment of construction work and the guarantee accounts for accounting officers, delegate accounting officers and imprest administrators.
Financial instruments:	This item covers a liability relating to the MTA instrument.
Leasing:	This item covers leasing liabilities due in greater than one year (see note III.E. Assets).
EBRD Subscriptions:	This item covers the payments still to be made on the part of the capital subscribed by the Commission which has been called in (see note IV.A. Assets).
Other:	As it has invoked its purchase option for a building, Parliament must repay the cost of investment (see note III.A. Assets). Also included here is a tax liability owed by the Commission to the Brussels Capital region of EUR 3.2 million (with a further EUR 3.5 million falling due in 2004.)

SPLIT OF LONG-TERM & SHORT-TERM LIABILITIES

	(EUR)		
	Amount due > 1 year	Amount due < 1 year	Balance at 31.12.2003
A. BORROWINGS			
MTA	1 211 000 000,00	140 000 000,00	1 351 000 000,00
EURATOM	105 000 000,00	0,00	105 000 000,00
NCI	0,00	16 316 685,58	16 316 685,58
ECSC in liquidation	428 672 854,67	2 223 144,00	430 895 998,67
Sub-total	1 744 672 854,67	158 539 829,58	1 903 212 684,25
B. OTHER LONG-TERM LIABILITIES			
Staff funds	28 350 176,47	0,00	28 350 176,47
Deposits and guarantees received	2 412 984,34	0,00	2 412 984,34
Financial instruments	0,00	5 000 000,00	5 000 000,00
Leasing debts	1 365 635 833,62	100 956 486,82	1 466 592 320,44
EBRD subscriptions	18 562 500,00	8 437 500,00	27 000 000,00
Other	83 907 876,64	24 176 428,66	108 084 305,30
Sub-total	1 498 869 371,07	138 570 415,48	1 637 439 786,55
Total	3 243 542 225,74	297 110 245,06	3 540 652 470,80

IV. SHORT-TERM LIABILITIES**A. Long-term liabilities falling due in less than one year**

This heading includes borrowings which fall due for payment in less than one year's time, long-term leasing debts falling due within the year, subscriptions to EBRD capital and the purchase of Parliament's building complex (see table above).

B. Other short-term financial liabilities

Prior to 2003 this item covered payments booked to the budget in the current year but only effected by the Accounting Officer between the closure of the accounts and 15 January of the following year. However, the Financial Regulation that came into force from 1 January 2003 states that payments can only be made up to 31 December of the financial year. Thus this amount does not exist this year.

C. Current liabilities**C.1 Member States and EFTA countries****AMOUNTS OWED TO MEMBER STATES & EFTA COUNTRIES**

	(EUR)	
	Balance at 31.12.2003	Balance at 31.12.2002
EFTA budget outturns (current and previous years)	22 236 558,08	19 113 198,11
EFTA current account	3 674 293,29	2 316 358,83
Amending budget	4 910 166 839,10	0,00
Due to UK in relation to foot and mouth claim	23 215 654,00	0,00
Clearance of accounts corrections annulled	0,00	17 106 225,58
Amounts owed by the ECSC in liquidation	584 946,92	640 585,22
Total	4 959 878 291,39	39 176 367,74

This item includes amounts owed to EFTA countries, which includes the budget outturn figures of the current year, EUR 14.1 million, and the previous years and the balance on the EFTA current account.

The amending budgets 6 and 7 of 2003 were adopted by the European Parliament on 4 December 2003. Together they resulted in a reduction of EUR 4.9 billion in the Member States' own resources contributions for 2003. This was due to a decrease of the credits for the structural funds of EUR 5 billion (AB 6/2003) and an increase of payment appropriations for administration expenditures of EUR 21.9 million (AB 7/2003). In accordance with Article 10(3)(10) of Regulation No 1150/2000, the readjustments related to these amending budgets took place in January 2004. To that end, at the end of December 2003, the Commission had authorised the Member States to make on the first working day of 2004 the corresponding negative entry in the own resources account kept by them for the Commission.

An amount of EUR 23.2 million to be paid to the UK relating to a claim made for reimbursement of certain costs in connection with the foot and mouth outbreak in 2001 is also included under this heading.

C. 2 Amounts due to non-consolidated Communities' bodies

This item covers amounts totalling EUR 15.8 million owed by the Institutions to certain Communities' bodies which do not come within the scope of consolidation (2002: EUR 13.6 million).

C.3 Payment appropriations to be carried over

In accordance with the Financial Regulation payment appropriations carried over to the following year are entered as budget expenditure. The contra-entry to these appropriations carried over and not yet used is to be found in the short-term liabilities in the balance sheet. This amount includes EUR 176.5 million (2002: EUR 3,254 million) in payment appropriations carried over for structural operations which is an overall sum as the appropriations have been calculated on the basis of expenditure estimated by the Member States.

It should be noted that this classification is being examined as part of the modernisation of the accounting system project and any changes deemed necessary will be made for the 2005 accounts.

At 31 December 2003 the breakdown of appropriations to be carried over, taking all the Institutions together was as follows:

PAYMENT APPROPRIATIONS TO BE CARRIED OVER

	(EUR)	
	Balance at 31.12.2003	Balance at 31.12.2002
Non-differentiated appropriations carried over automatically	853 237 812,69	682 597 676,01
Appropriations carried over by Commission decision	348 311 602,93	3 473 257 116,75
Differentiated appropriations from contributions from third parties	1 044 474 322,86	691 121 596,08
Total	2 246 023 738,48	4 846 976 388,84

C.4 Sundry creditors

SUNDRY CREDITORS

	(EUR)	
	Balance at 31.12.2003	Balance at 31.12.2002
Other sundry creditors	318 569 936,55	508 060 413,50
Interest accrued	40 142 629,64	63 668 063,58
Revenue to be booked	41 611 936,98	496 572 605,46
Amounts for re-use to be carried over	0,00	147 413 674,32
Total	400 324 503,17	1 215 714 756,86

This item covers debts arising from the activities of the European Communities as well as non-budget recovery orders.

This item includes revenue not booked, i.e. revenue that could not be definitively booked to the budget before the close of the year. Additionally it includes accrued interest on borrowings and swaps. In previous years these items had been included under the heading 'Transitional Accounts'. This year it was considered more appropriate to include them here.

Under the Financial Regulation, amounts for re-use from 2003 onwards are recorded as assigned revenue, hence the zero balance above at 31 December 2003.

In previous years this item also covered conversion gains on currency items, but this year the gain is included in the result of adjustments.

D. Other liabilities

These are mainly amounts owed to staff and revenue to be transferred to various organisations or other third parties.

ANNEX 4

OFF-BALANCE-SHEET COMMITMENTS

CONTINGENT ASSETS

(EUR)

		31.12.2003	31.12.2003
1	Guarantees received	1 618 684 367	1 688 286 155
	1.1. Guarantees received for NCI & EURATOM instruments	121 316 686	148 599 344
	1.2. Other guarantees received	309 590 796	289 907 311
	1.3. Guarantees received in respect of fines' cases pending	1 187 776 885	1 249 779 500
2	SWAPS to be received	374 437 630	404 829 637
3	EAGGF Guarantee — Net contingent gain on disposal of agricultural stock	259 170 000	—
4	Contingent assets relating to cases of fraud & irregularities concerning structural actions	815 363 000	560 917 000
5	Estimates of amounts receivable	403 946 460	344 448 681
	Total	3 471 601 457	2 998 481 473

CONTINGENT LIABILITIES

(EUR)

		31.12.2003	31.12.2002
1	Guarantees given	13 573 600 979	13 757 120 182
	1.1. Guarantees given for EIB loans	13 573 480 797	13 757 000 000
	1.2. Guarantees signed by the EIF	0	0
	1.3. Guarantees given in relation to financial activities	120 182	120 182
2	SWAPS to be delivered	382 392 139	410 677 938
3	EAGGF Guarantee	25 203 051 486	25 499 770 292
	3.1. Expenditure incurred by the Member States under the EAGGF Guarantee section between 16 October — 31 December Year N	24 419 496 000	24 691 023 000
	3.2. Contingent liabilities connected with the clearance of the EAGGF Guarantee accounts pending judgement by the Court of Justice	770 102 430	771 604 236
	3.3. Contingent liability in connection with a procedure for correcting advances pending judgement by the Court of Justice	4 583 056	4 583 056
	3.4. Contingent liabilities relating to the judgements by the Court of Justice pending enforcement	8 870 000	10 000 000
	3.5. Contingent losses on the disposal of agricultural stock	—	22 560 000
4	Fines — Appeals to the Court of Justice	3 240 973 714	3 321 639 326
5	Commitments against differentiated appropriations not covered by carry-over of payment appropriations	102 620 979 678	95 053 551 303

(EUR)

		31.12.2003	31.12.2002
6	Legal Commitments for which budget commitments have not yet been made	106 637 115 929	140 851 992 051
	6.1. Structural operations (aid planned but not committed for the period 2000-2006)	94 788 376 821	125 768 662 800
	6.2. Cohesion fund	8 489 281 988	11 356 088 451
	6.3. ISPA	2 553 409 104	2 434 166 175
	6.4. Protocols with Mediterranean Countries	234 128 893	193 400 000
	6.5. External relations		
	— KEDO	58 907 747	60 000 000
	— UNWRA	124 306 875	182 056 875
	— Shelter Fund	22 000 000	40 000 000
	6.6. Fisheries agreements	366 704 501	537 617 750
	6.7. Galileo	—	280 000 000
7	Contributions to related organisations	1 120 205 310	922 500 000
	7.1. Uncalled Share capital EBRD	442 500 000	442 500 000
	7.2. Uncalled Share capital EIF	480 000 000	480 000 000
	7.3. Uncalled Share capital Galileo programme (adjusted)	197 705 310	—
8	Contingent liabilities relating to the Emergency Veterinary Fund	538 863 573	1 071 000 000
9	Renovation of the Berlaymont building	552 879 207	552 879 207
10	Long term leasing	1 380 444 535	850 853 824
	10.1. Buildings	1 379 697 287	849 492 497
	10.2. IT equipment and vehicles	747 248	1 361 327
11	Amounts relating to legal cases	2 398 553 105	21 606 426
	11.1. Tax of the Brussels Capital Region	—	20 006 426
	11.2. Litigation Charlemagne building	—	1 600 000
	11.3. Actions for damages brought against the Commission	2 398 553 105	—
12	Correction of budgetary imbalances	P.M.	P.M.
	Total	257 649 059 655	282 313 590 549

All contingent liabilities (except for SWAPS) 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.

OFF-BALANCE-SHEET COMMITMENTS: Contingent assets and liabilities

Contingent assets and liabilities are included in the annex to the financial statements as off-balance-sheet commitments. These include commitments made or received that could be of considerable budgetary significance in the medium or long term. Whether or not these commitments are confirmed will depend on the materialisation (or not) of one or more future events that are currently uncertain and not entirely under the control of the Communities.

CONTINGENT ASSETS**POINT 1: GUARANTEES RECEIVED****1.1. Guarantees received under borrowing and lending activities**

The Commission has received guarantees from third-party guarantors in respect of guarantees it has granted on loans under its borrowing and lending activities. The guarantees received may be classified as follows:

Guarantees received

	31.12.2003	31.12.2002
Commission: Exchange rate swaps	105 000 000	80 000 000
ECSC in liquidation: Interest rate swaps	0	50 920 635
ECSC in liquidation: Interest & Exchange rate swaps	16 316 686	17 678 709
Total	121 316 686	148 599 344

(EUR)

The Commission has not received third-party guarantees for loans granted under the financial assistance (MTA) scheme. However, these loans, totalling EUR 1,356 million, are guaranteed by the Guarantee Fund.

1.2. Other guarantees received

These are guarantees received by the Commission in connection with the operation of its various activities during the year. As part of the accounting modernisation project the Commission is producing a more exhaustive list of these guarantees for inclusion in future financial statements. Also included are guarantees totalling EUR 92.4 million (2002: EUR 111.2 million) received by the ECSC in liquidation and guarantees of EUR 8.1 million received by the Court of Auditors.

1.3. Guarantees received in respect of fines' cases pending

See balance sheet heading VII.B.4 and Point 4 under Contingent Liabilities for further details of the treatment of the amounts received in relation to fines issued. In summary, the recipient of a fine wishing to appeal can either provide a bank guarantee for the amount (and interest) in question or make a provisional payment. EUR 1,187.8 million of such bank guarantees were received at 31 December 2003 and are shown as contingent assets.

POINT 2: SWAPS TO BE RECEIVED

These are SWAPS entered into by the Commission and ECSC in liquidation outstanding at year-end.

Swaps to be received

	(EUR)	
	31.12.2003	31.12.2002
Commission: Exchange rate swaps	125 000 000	125 000 000
ECSC in liquidation: Interest rate swaps	164 307 097	187 592 896
ECSC in liquidation: Interest & Exchange rate swaps	85 130 533	92 236 741
Total	374 437 630	404 829 637

POINT 3: NET CONTINGENT GAIN ON DISPOSAL OF AGRICULTURAL STOCKS

The situation as regards stocks was established at 30 September 2003 and the additional depreciation of stocks was calculated at 30 September 2003 and entered. The expected selling prices for products from public stocks might change in line with the market situation. The situation update of market prices in February 2004 shows a contingent gain of EUR 259.2 million (2002: contingent loss of EUR 22.56 million) compared with the end of 2003.

AGRICULTURAL STOCKS AT 30 SEPTEMBER 2003

PRODUCT	Quantity (tonnes)	Book value (EUR million) (a)	Foreseeable sales value (EUR million) (b)	Contingent losses/gains (EUR million) (c = a-b)
Common wheat, for bread	1 179 085	124,22	153,28	29,06
Durum wheat	0	0,00	0,00	0,00
Barley	800 171	84,36	101,62	17,26
Rye	4 715 731	338,77	528,16	189,39
Maize (corn)	16 675	1,56	2,33	0,77
Sorghum	10 691	1,00	1,41	0,41
CEREALS — TOTAL	6 722 353	549,91	786,80	236,89
Rice	700 531	93,72	84,06	- 9,66
Olive oil	0	0,00	0,00	0,00
Public alcohol *	3 497 230	42,01	48,96	6,95
Mixed alcohol *	102 606	1,61	1,44	- 0,17
TOTAL ALCOHOL	3 599 836	43,62	50,40	6,78
Butter	226 937	253,31	281,27	27,96
Skimmed milk powder	200 039	296,89	282,09	- 14,80
MILK PRODUCTS TOTAL	426 976	550,20	563,36	13,16
Bone/carcasses	22 212	19,98	23,77	3,79
Boned (boneless) beef	6 101	9,18	17,39	8,21
Equivalent. carcasses	8 972			
BEEF TOTAL	31 184	29,16	41,16	12,00
GRAND TOTAL		1 266,61	1 525,78	259,17

a real figures at 30 September 2003, after depreciation

b based on expected selling prices assumed in the situation update of February 2004 at the assumed budgetary rate of EUR 1 = USD 1.02

c + = gain; - = loss.

(*) Alcohol quantities are shown in hl

POINT 4: FRAUD AND IRREGULARITIES**Structural operations**

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

Contingent assets linked to fraud & irregularities cases

Member State	(EUR '000)	
	31.12.2003	31.12.2002
Belgium	2 505	1 448
Denmark	5 897	3 984
Germany	380 007	170 722
Greece	15 394	20 498
Spain	62 253	63 673
France	24 647	28 351
Ireland	8 715	6 339
Italy	170 889	148 552
Luxembourg	9	0
Netherlands	16 614	20 128
Austria	2 578	650
Portugal	42 074	17 524
Finland	1 612	1 422
Sweden	586	366
United Kingdom	81 583	77 260
Total	815 363	560 917

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

- The Member States do not always report the results of their recovery operations (and certainly not promptly).
- Although Member States must inform the Commission of the likelihood of recovery, it is impossible to determine exactly what proportion of the amounts still to be recovered will actually be recovered. National laws sometimes provide for a 30-year limitation period, which may well make the national authorities think twice about formally writing off the debt even if the chances of recovery are only theoretical. For structural operations, Member States must now send the Commission once a year a statement of the amounts awaiting recovery (Article 8 of Regulation No 438/2001) to give a better picture of the actual situation.
- Even if the Member State concerned launches recovery proceedings in time, a positive outcome is not guaranteed. This is particularly true where recovery orders are contested in the courts.

— Individual projects are co-financed as part of multiannual programmes. As long as a multiannual programme has not been closed, it is impossible to put an exact figure on the amounts to be recovered because the sums involved in irregularities may, in certain circumstances, be reallocated to other, legitimate projects and because payment by instalments, in particular final payments, can sometimes be used as a means of adjusting expenditure. The figures in these tables are provisional figures based on the reports received and processed up to the end of March 2004. These figures may therefore be changed in line with further reports arriving late.

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

On the date when the consolidated statements on the implementation of the budget were drawn up, the annual report on the fight against fraud for 2003 had not yet been adopted.

POINT 5: ESTIMATES OF AMOUNTS RECEIVABLE

An estimate of the amount receivable is first to be made by the authorising officer responsible in respect of any measure or situation that may give rise to or modify an amount owing to the Communities. Estimates of amounts receivable are to specify the type of revenue and the budget item to which they are to be booked and, as far as possible, the particulars of the debtor and the estimated amount. Subject to Article 161(2) of the Financial Regulation, an estimate of amounts receivable does not generate commitment appropriations. The estimate of amounts receivable is regularised, when the recovery order is drawn up, i.e. when the entitlement is certain, of a fixed amount and due.

The table below shows the breakdown by Member State of the estimated number of cases booked as memorandum items in respect of own resources:

Estimates of number of cases booked

Member State	Agricultural duties	Sugar levies	Custom duties	VAT balances	GNP balances	Late payment interest	Total
Belgium	2	0	7	4	1	20	34
Denmark	0	0	3	1	1	18	23
Germany	0	1	25	5	1	42	74
Greece	0	0	6	7	1	5	19
Spain	2	0	10	3	1	19	35
France	1	0	9	9	1	17	37
Ireland	0	0	0	1	1	6	8
Italy	0	0	6	12	1	9	28
Lux	0	0	2	2	1	0	5
NL	0	0	6	2	1	16	25
Austria	0	0	3	3	1	4	11
Portugal	0	0	6	6	1	10	23
Finland	0	0	6	4	1	6	17
Sweden	0	1	5	19	14	18	57
UK	3	0	14	7	1	28	53
Total	8	2	108	85	28	218	449

CONTINGENT LIABILITIES

POINT 1: GUARANTEES GIVEN

1.1. 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 2003 (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 2003 the amount outstanding totalled EUR 13,573 million (2002: EUR 13,757 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' 31.12.2003	'Non-risk Sharing' 31.12.2003		Outstanding 31.12.2003 Total	Outstanding 31.12.2002 Total
		Public authority	Private company		
65% guarantee	1 006	2 170	332	3 508	2 589
70% guarantee	726	3 225	656	4 607	4 587
75% guarantee	0	2 376	396	2 772	3 255
100% guarantee	0	1 900	786	2 686	3 326
Total	1 732	9 671	2 170	13 573	13 757

1.2. Guarantees signed by the European Investment Fund (EIF)

At 31 December 2003 the EIF had signed guarantees and commitments in venture capital operations totalling EUR 3,055.3 million, however of this amount EUR 1,357.4 million relates to the portfolio of guarantee operations for projects related to the development of Trans-European Networks (TEN) that has been transferred to EIB (the relevant Agreement was signed with the EIB on December 7, 2000.) The EIB bears the risk of the transactions (with the EIF remaining the guaranteeing party under the relevant Guarantee Agreements) and in return is entitled to receive the related fees (utilisation fee + commitment fee) from the intermediaries. Excluding these amounts since the EIF bears no risk, the total guarantees given and commitments in venture capital operations by the EIF at 31 December 2003 is EUR 1,697.9 million; this represents a maximum potential risk of EUR 509.4 million for the European Communities, as the Communities contribute 30 % of the capital of the EIF. The total capital subscribed by the Communities is EUR 600 million, of which 20 % has been called up.

In the 2002 financial statements the European Communities mistakenly included a contingent liability relating to these TEN guarantees. The comparative figures have now been adjusted accordingly — in fact the amount of guarantees outstanding and commitments in venture capital operations should have been EUR 1,562 million (Communities' share EUR 468.6 million.)

As the EIF is consolidated using the equity method, the calculation of the maximum commitment from the Communities' budget takes account of not only the capital, but also the European Communities' share of the EIF's total own resources. The Communities' share of the EIF's own resources totals EUR 170.2 million (2002: EUR 166.5 million), see also note IV.A Assets. The capital not called up totals EUR 480 million. Given these figures, in the worst possible scenario the European Communities would not have to repay any further amounts should all the guarantees be called in and thus no contingent liability is shown for 2003 or 2002.

The proportion of the capital subscribed by the European Communities which has not been called up (80 %) is also included in the off-balance-sheet commitments as a contingent liability (Point 7).

1.3. Guarantees in relation to financial activities

The amount relates to guarantees given by the Communities relating to JOP Facility 3. The Communities' risk is capped at the amounts shown.

POINT 2: SWAPS TO BE DELIVERED

These are SWAPS entered into by the Commission and ECSC in liquidation outstanding at year-end.

Swaps to be delivered

	31.12.2003	31.12.2002
Commission: Exchange rate swaps	130 000 000	135 000 000
ECSC in liquidation: Interest rate swaps	164 307 097	187 592 896
ECSC in liquidation: Interest & Exchange rate swaps	88 085 042	88 085 042
Total	382 392 139	410 677 938

(EUR)

POINT 3: EAGGF GUARANTEE

3.1. Expenditure between 16 October 2003 and 31 December 2003

In the case of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, the payments are those affected by the Member States between 16 October 2002 and 15 October 2003, provided that the accounting officer was notified of the commitment and authorisation by 31 January 2004. Payments made by Member States between 16 October and 31 December 2003 are included in the off-balance-sheet commitments.

3.2. Clearance of accounts

Contingent liabilities towards the Member States connected with the clearance procedures. The determination of the final amount of the liability and the year in which it will be charged to the budget will depend on the length of the procedure before the Court of Justice.

3.3. Contingent debt pending a judgement by the Court

Contingent debt towards a Member State as part of a procedure lodged with the Court of Justice concerning correction of advances.

3.4. Contingent debts in respect of judgements pending execution

Contingent debts for which the Commission decision has not been taken by the date on which the accounts are closed and for which the compensation arrangements need to be agreed on between the parties concerned.

POINT 4: FINES

As the fines imposed by the Commission for infringement of competition rules are entered in the result for the financial year, 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 that acquires the authority of a final decision (see explanatory note to the balance sheet — assets VII b.4).

Fines Outstanding

(EUR millions)

Year	Appeals presented				Provisional payments appeal not known	Appeal not known, no amounts received	Total contingent liability
	With bank guarantees	Provisional payment made	Neither payment or guarantee	Total			
Pre 2003	1 173,8	1 350,3	171,5	2 695,6	0,0	16,9	2 712,5
2003	14,0	10,4	15,2	39,6	12,3	375,8	427,7
Total	1 187,8	1 360,7	186,7	2 735,2	12,3	392,7	3 140,2

This table shows the state of play with fines imposed by the Commission that were still pending a legal decision when the accounts were closed. 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. Debtors have two options: they can either provide a bank guarantee or make a provisional payment.

Only once the final judgment is delivered, does the Accounting Officer either refund the full amount of the provisional payment plus the interest on the principal or irrevocably collect the amount of the fine, as fixed by the final judicial decision, refunding, if appropriate, the relevant portion of the provisional payment together with the related interest.

Interest earned on provisional payments (EUR 100.8 million) is included in the result of adjustments for the year and also as a contingent liability to reflect the uncertainty of the amounts.

POINT 5: OUTSTANDING COMMITMENTS (RAL)

Commitments against differentiated appropriations still outstanding at 31 December 2003 totalled EUR 103.9 billion of which EUR 1,264.6 million is covered by carryovers of payment appropriations from 2003 to 2004. The latter already feature in the budget out turn for the year as budget liabilities, so they are not included in the potential liabilities. The outstanding commitment total of EUR 102.6 billion is the maximum potential commitment.

The overall amount of outstanding commitments has been growing over the last ten years, most of the increase being linked to the increase over the same period in commitment appropriations and corresponding to the deferred completion of the operations covered by the budget commitments. These normal outstanding commitments are the direct and legitimate consequence of the implementation of the Community budget. For 2003, the increase of commitments outstanding (before carry over) was 5 %, compared to 14 % in 2002, mainly due to the gradual stabilisation of the situation for the Structural Funds in 2003.

⁽¹⁾ Even if the appeal against fines imposed in 2003 was made in 2004 before the closure of accounts.

In a Joint Declaration of 25 November 2002, the Commission, Parliament and Council emphasised the need to contain the amounts still to be cleared and to eliminate 'abnormal outstanding commitments' in the medium term. Potentially abnormal outstanding commitments were defined in this Declaration, by common agreement, as consisting of dormant commitments for which no payment had been made for the past two financial years and old commitments that have been in the budget for at least five financial years.

As a result of this Declaration, the Commission undertook to present, along with the preliminary draft budget for 2004, the results of the Commission's endeavours to examine all potentially abnormal RAL cases, identified as at 31 December 2002, by the end of 2003. Furthermore, as required by the Joint Declaration, the Commission provided progress reports to the Budgetary Authority, in particular focusing on those budget lines identified in the annex to the Declaration, on the accounting situations as at 31 March and 31 July 2003. In these progress reports, the Budgetary Authority was informed of the findings of this examination, including the measures taken by the Commission to prevent abnormal commitments from re-emerging in the future.

By end of 2003 the results, covering 99.9 % of the PAR commitments of the Commission, were as follows:

(EUR millions)

	Structural Funds	Internal policies	External action	Pre-accession aid	Total
Potentially abnormal RAL in the beginning of 2003, of which:	13 249	1 225	2 573	226	17 273
paid in 2003	3 005	346	542	63	3 956
de-committed in 2003	2 110	250	358	20	2 738
amounts retained after examination of commitments	8 130	628	1 673	143	10 574
Potentially abnormal RAL not examined at end 2003	4	1	0	0	5

The potentially abnormal RAL that has been retained is based on case-by-case examinations, with justifications supplied, that payments are still to be made on the basis of the outstanding commitments.

POINT 6: LEGAL COMMITMENTS WITHOUT A BUDGET COMMITMENT

These contingent liabilities 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:

- The Structural Funds and the Cohesion Fund represent expenditure targets and the whole allocation shown in the financial perspective is meant to be matched by decisions. As a result, contingent commitments are evaluated at a maximum (points 6.1 and 6.2).

A second more binding level of commitment arises once there is a legal decision for each programme or project (see table below).

- 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 (point 6.3).

- The commitments made under financial protocols with Mediterranean non-member countries: The amount included in point 6.4 is the difference between the total amount of the protocols signed and the amount of the budget commitments entered in the accounts. The increase in these contingent liabilities corresponds to decommitments in 2003. These Protocols are international treaties that cannot be wound up without the agreement of both parties, although the process of winding them up is ongoing.
- Commitments entered into with specified third parties for other operations under heading 4, external actions, relating to specific amounts over a fixed period (points 6.5 and 6.6).
- See Point 7.3 below and also balance sheet note VII.B.4 assets for details on the Galileo programme (point 6.7.)

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.

Commitments on Multi-Annual Programmes

(EUR millions)

Structural Funds ⁽¹⁾	Amounts available under the financial perspective (in current prices) (a)	Legal commitments concluded in 2000-2003 (b)	Budget commitments 2000/2003 ⁽²⁾	Maximum contingent commitments (a-c)	Legal commitments with no budget commitment (b-c ^(*))
Objective 1	147 098	138 809	80 919	66 179	57 890
Objective 2	24 242	23 230	13 810	10 432	9 420
Objective 3	26 054	24 946	14 467	11 587	10 479
FIFG (outside obj.1)	1 198	1 148	661	537	487
Communities initiatives	11 295	11 140	5 241	6 054	5 899
Total	209 887	199 273	115 098	94 789	84 175

⁽¹⁾ Including appropriations cancelled and those which have not been carried over or transferred in 2000, 2001, 2002 and 2003.

⁽²⁾ Budget commitments in respect of the networks are not included unless they take the form of a programme with annual tranches

^(*) Commitments from Chapter B2-16 (Innovation measures and technical assistance) are not included in this list as they are not likely to have generated any off-balance-sheet commitments.

Legal commitments not followed up by a budget commitment total EUR 84.2 billion (2002: EUR 114.7 billion) and correspond to the difference between the value of the programmes adopted by the Commission at 31 December 2003 and the amount of budget commitments entered into in respect of these programmes and implemented between 2000 and 2003.

Cohesion Fund

(EUR millions)

Total allocation 2000-2006 ^(*) (a)	Budget commitments (b)	Maximum contingent commitments (a-b)
19 519	11 030	8 489

^(*) Under the ceiling for the Cohesion Fund in the financial perspective in force at 31 December 2003

ISPA

(EUR millions)

ISPA contribution to projects adopted by the Commission between 2000 and 2003 (a)	Budget commitments (b)	Maximum contingent commitments (a-b)
6 893	4 340	2 553

POINT 7: CONTRIBUTIONS TO RELATED ORGANISATIONS

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

7.1. Uncalled share capital: EBRD

(EUR millions)

EBRD	Total EBRD capital	Commission subscription
Capital	20 000	600
Paid-in	- 5 250	- 157,5
	14 750	442,5

7.2. Uncalled share capital: EIF

(EUR millions)

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

7.3. Uncalled share capital: Galileo programme

(EUR millions)

Galileo	Total Galileo capital	Commission subscription
Capital	570	520
Paid-in	- 132	- 122
Uncalled	438	398
Incl. in RAL	N/A	- 200
Contingent Liability	N/A	198

Pursuant to Council Regulation (EC) No 876/2002 of 21 May 2002 the Commission's contribution to the Galileo programme is EUR 520 million. This commitment is for a period of four years ending on 20 May 2006. In 2002 budget commitments totalling EUR 240 million were entered in the accounts, against which grants of EUR 120 million were paid, the remaining EUR 120 million being included in the RAL. EUR 2 million of interest earned on the Commission contribution was treated as an increase in its subscription. A further 80 million was committed in 2003 without further payments and is also included in the RAL (above) and so deducted from the above uncalled amounts.

POINT 8: EMERGENCY VETERINARY FUND

This heading covers amounts for foot-and-mouth primarily, but also other disease eradication costs that may have to be borne by the Communities' budget. The amounts entered represent the maximum possible liability minus the amounts already entered as provisions.

The largest amount relates to the foot-and-mouth crisis, primarily in the UK, which ran from February to September 2001. On-the-spot financial checks are ongoing for the only remaining UK claim of EUR 483 million, while a provision of EUR 40 million is recognised in the accounts at year-end. Thus the difference between the total claim and the amount provided for, in this case EUR 443 million, is included as a contingent liability here. The balance relates to similar claims from other Member States.

POINT 9: RENOVATION OF THE BERLAYMONT BUILDING

An agreement was signed between the Commission, the Belgian State and S.A. Berlaymont 2002 on 13 November 2002. It fixes the maximum price the Commission will have to pay and a deadline for the building to be made available. The long-term lease (27 years) for the Berlaymont building has not yet been signed. The amount entered as a contingent liability is the value of the building before renovation (EUR 49,578,705) and a fixed amount (EUR 503,300,502) covering the cost of the renovation work and all other costs.

The Berlaymont building does not yet figure in the balance sheet of the Communities at 31 December 2003, since the finance leasing contract has not yet been signed and no payment was made in 2003.

POINT 10: LONG-TERM LEASES**10.1. Buildings**

This heading covers buildings occupied under a long-term leasing contract (with an initial term of more than five years) 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 contract, except for the Court of Justice's Palais building, which is occupied under an indefinite lease; here, the amount of EUR 2.1 million corresponds to the annual rent.

The total for rented buildings breaks down as follows:

<i>(EUR millions)</i>	
Institution	Amount
Parliament	91,1
Council	240,1
Commission	1 038,1
Court of Justice	2,1
Court of Auditors	8,3
Total	1 379,7

In accordance with the framework contract relating to the construction of one or more extensions to the building of the Court of Auditors, signed on 15 December 1999, the Luxembourg State undertakes to grant the Court a building lease on the land for the first extension at the price of EUR 1 (one) for a period not exceeding 49 years. Any further building leases on other land needed for the other extensions must not exceed the expiry date of the building lease granted for the first extension.

The Luxembourg State also undertakes to sell the land at any time at the market rate determined by a joint expert opinion. For its part, the Court undertakes to do all it can to purchase the land from the Luxembourg State. It will ask the budgetary authority for the necessary funds.

The Commission is in negotiations with the owner of a building for which rental payments have been made on a provisional basis since 1999. The purpose of the negotiations is to fix a rental value that does not exceed the advance provided for in the existing agreement protocol, while the building is being brought up to standard.

POINT 11: AMOUNTS RELATED TO LEGAL CASES**11.1. Brussels Capital Region tax**

In 1992 the Brussels Capital Region introduced a tax on the occupants of real estate and the holders of certain real estate property rights. The Commission's arguments were rejected by a judgement of the Belgian Cour de Cassation of 1 March 2002. The Commission asked the regional authorities about its exemption under the Protocol on privileges and immunities. The initial reply given was favourable.

However, this position was reversed as a result of legal proceedings brought by the owners of some of the buildings occupied by the Commission. The Commission has subsequently concluded settlement agreements with certain owners representing a total amount of EUR 9.9 million to be paid over the period 2003-2005. An amount of EUR 3.3 million was paid in 2003 and the balance is included under long and short term liabilities on the balance sheet.

11.2. Dispute concerning the acceptance of work done on the Charlemagne building

Legal action had been initiated in 1999 against the Commission and the owner of the Charlemagne building by the general contractor charged with renovation work. The main terms of a settlement were negotiated in September 2003, protecting the legal and financial interests of the Commission and settling both the question of the property of the building and the question of additional work. The agreement was finalised in May 2004 by signature of a formal settlement agreement and of the notary deed regarding the transfer of property.

11.3. Actions for damages brought against the Commission

This heading relates to two actions for damages currently being brought against the Commission. The first action was 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 defence in February 2004.

In the second case an action for damages was brought in October 2003, also in relation to a ruling made by the Commission. The claim is for an amount of EUR 1,664 million. The Commission submitted its defence in February 2004.

Neither case is likely to be decided before late 2005. 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. In both cases the Commission has vigorously denied any liability in damages.
