



Annual accounts of the European Parliament

Financial year 2016

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1. CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Parliament for the year 2016 have been prepared in accordance with the Title IX of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the European Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Parliament in accordance with Article 68 of the Financial Regulation.

I have obtained from the Authorising Officers, who certified its reliability, all the information necessary for the production of the accounts that show the European Parliament's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the European Parliament.

A handwritten signature in blue ink, appearing to read 'V. Veikko', is centered on a light blue rectangular background.

Ville-Veikko TIMBERG
Accounting Officer of the European Parliament
19 June 2017

2. FINANCIAL STATEMENTS

The financial statements of the European Parliament comprise:

- Balance sheet
- Statement of financial performance
- Cashflow statement
- Statement of change in net assets
- Notes to the financial statements

2.1. BALANCE SHEET

	Notes	31.12.2016	31.12.2015
		EUR	EUR
NON-CURRENT ASSETS		1.480.020.156	1.370.535.085
INTANGIBLE ASSETS	3.7.1.	39.463.660	32.825.828
PROPERTY, PLANT AND EQUIPMENT	3.7.2.	1.317.111.709	1.167.816.959
PRE-FINANCING	3.7.3.	108.836.488	154.027.788
EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES	3.7.4	14.608.299	15.864.510
CURRENT ASSETS		94.460.225	140.523.514
PRE-FINANCING	3.7.5.	870.346	786.199
EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES	3.7.6.	47.172.393	33.487.362
CASH AND CASH EQUIVALENTS	3.7.7.	46.417.486	106.249.953
TOTAL ASSETS		1.574.480.381	1.511.058.599
NET ASSETS	2.4.	(801.126.898)	(828.756.085)
ACCUMULATED SURPLUS/DEFICIT		(828.756.085)	(832.213.934)
ECONOMIC RESULT OF THE YEAR		27.629.187	3.457.849
NON-CURRENT LIABILITIES		(659.013.763)	(591.820.948)
PENSION AND OTHER EMPLOYEE BENEFITS	3.7.9.	(659.013.763)	(591.820.948)
(PROVISIONS)		0	0
(FINANCIAL LIABILITIES)		0	0
CURRENT LIABILITIES		(114.339.720)	(90.481.566)
PAYABLES	3.7.10.	(42.216.270)	(39.445.411)
ACCRUED CHARGES AND DEFERRED INCOME	3.7.11.	(72.123.450)	(51.036.155)
TOTAL NET ASSETS/LIABILITIES		(1.574.480.381)	(1.511.058.599)

2.2. STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2016	2015
		EUR	EUR
REVENUE		1.853.640.697	1.761.477.386
Revenue from non-exchange transactions	3.8.1.	1.820.404.113	1.738.780.590
<i>Contribution from the EC</i>		1.661.000.000	1.589.000.000
<i>Revenue from taxes and other staff contributions</i>		151.480.896	146.969.794
<i>Other non-exchange revenue</i>		7.923.217	2.810.796
Revenue from exchange transactions	3.8.2.	33.236.584	22.696.796
<i>Financial income</i>		27.328	207.580
<i>Other exchange revenue</i>		33.209.256	22.489.216
EXPENSES	3.8.3.	(1.800.269.723)	(1.716.733.200)
<i>Staff expenses</i>		(695.248.045)	(657.752.548)
<i>Fixed assets related expenses</i>		(108.241.853)	(110.045.225)
<i>Other administrative expenses</i>		(994.721.830)	(948.235.114)
<i>Finance costs</i>		(1.707.917)	(190.659)
<i>Exchange rate differences loss</i>		(350.078)	(509.654)
Economic Result before changes in employee benefits		53.370.974	44.744.186
Changes in employee benefits & actuarial assumptions	3.7.9.	(81.000.161)	(48.202.035)
ECONOMIC RESULT OF THE YEAR		(27.629.187)	(3.457.849)

2.3. CASH FLOW STATEMENT

	2016	2015
	EUR	EUR
ECONOMIC RESULT OF THE YEAR	(27.629.187)	(3.457.849)
OPERATING ACTIVITIES	231.920.943	104.836.626
<i>Amortisation-Depreciation</i>	108.191.641	105.393.917
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	(12.428.820)	(8.109.121)
<i>(Increase)/decrease in pre-financing</i>	45.107.153	(30.140.220)
<i>Increase/(decrease) in pension and other employee benefits</i>	67.192.815	27.354.662
<i>Increase/(decrease) in payables</i>	2.770.859	13.563.076
<i>Increase/(decrease) in provisions</i>	-	-
<i>Increase/(decrease) in financial liabilities</i>	0	(5.689.755)
<i>Increase/(decrease) in accrued charges and deferred income</i>	21.087.295	2.464.067
INVESTING ACTIVITIES	(264.124.223)	(100.676.302)
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(264.124.223)	(100.676.302)
NET CASHFLOW	(59.832.467)	702.475
<i>Net increase/(decrease) in cash and cash equivalents</i>	(59.832.467)	702.475
<i>Cash and cash equivalents at the beginning of the year</i>	106.249.953	105.547.478
<i>Cash and cash equivalents at year-end</i>	46.417.486	106.249.953

2.4. STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus/deficit (+/-)	Economic result for the year (+/-)	Total net assets (+/-)
Balance at 31 December 2015	832.213.934	(3.457.849)	828.756.085
<i>Allocation of the economic result</i>	(3.457.849)	3.457.849	0
<i>Economic result for the year</i>		(27.629.187)	(27.629.187)
<i>Changes in accounting policy</i>			
Balance at 31 December 2016	828.756.085	(27.629.187)	801.126.898

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. LEGAL BASIS AND ACCOUNTING RULES

The accounts of the European Parliament (EP) are kept in accordance with the EU Financial Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union, hereinafter referred to as the 'Financial Regulation' and Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 (OJ L 362, 31.12.2012) laying down detailed rules of application of this Financial Regulation, hereafter referred to as 'RAP'.

In accordance with article 143 of the Financial Regulation (FR), the EU prepares its financial statements on the basis of accrual-based EU accounting rules that are based on International Public Sector Accounting Standards (IPSAS). These EU accounting rules, adopted by the Accounting Officer of the Commission, have to be applied by all the institutions and EU bodies falling within the scope of consolidation of EU accounts 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.

3.2. ACCOUNTING PRINCIPLES

The objective of the financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For the EP as a public sector entity, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it. It is with these goals in mind that the present document has been drawn up.

The financial statements are drawn up in accordance with the generally accepted accounting principles, as laid down in EU Accounting rule 1 and are the same as those described in the IPSAS 1, namely: fair presentation, accrual basis, going concern, consistency of presentation, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting according to article 144 of the Financial Regulation are relevance, reliability, understandability and comparability.

Preparation of the financial statements in accordance with EU accounting rules and generally accepted accounting principles requires management to make estimates that affect the reported amounts of certain items in the balance sheet and statement of financial performance, as well as the disclosures related to contingent assets and liabilities.

Due to a modified structure in the presentation of the financial statements for the year 2016, the figures for the financial year 2015 have been reclassified in order to have comparable amounts.

3.3. CONSOLIDATION

The EP's financial statements are included in the EU consolidated financial statements, where all material inter-entity transactions and balances between EU controlled entities are eliminated.

The consolidated financial statements of the EU comprise all significant controlled entities including the EU institutions, the EU agencies, associates and joint ventures. Controlled entities are all entities over which the EU has, directly or indirectly, the power to govern the financial and operating policies so as to be able to benefit from these entities' activities. Controlled entities are fully consolidated in the consolidated financial statements of the EU.

3.4. BASIS OF PREPARATION

3.4.1. Reporting year and currency

The financial year of the EP begins on 1 January and ends on 31 December.

The financial statements of the EP are presented in euros (EUR).

3.4.2. Chart of accounts

The EP applies the harmonised chart of accounts structure as adopted by the Accounting Officer of the European Commission (according to article 152 of the Financial Regulation).

3.4.3. Transactions and balances

Foreign currency transactions are converted into euros using the exchange rates prevailing at the date of the transaction. According to article 5.4. of the RAP, the EP uses a monthly accounting rate that is used for this conversion. Exchange losses and gains in EUR resulting from monthly and year-end revaluations of balances of suspense accounts denominated in national currencies, exchange losses and gains resulting from movements of funds are recognised in the statement of financial performance.

Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euro at the rate that was applied when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies, when present, are converted into euro based on the exchange rates on the 31 December.

3.4.4. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to, amounts for employee benefit liabilities, financial risk on accounts receivable, accrued incomes and charges,

contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

3.4.5. Post balance sheet events

Post balance sheet events are any subsequent events, either relating to a situation existing or not at 31 December 2016, that came after the balance sheet date to the attention of the accounting officer of the EP, or were reported to him, that would have a material impact on the financial statements or would be deemed necessary to be mentioned. All such information at the disposal of the accounting officer is reflected in the financial statements or in the notes and disclosures.

3.5. BALANCE SHEET

3.5.1. Fixed assets

Assets with an estimated useful life greater than one year and an acquisition cost greater than the threshold set up by the EC's accounting officer (420 euro), are entered on the assets side of the balance sheet as long as they are controlled by the EP and generate future economic benefits or provide service potential for the EP.

They are divided in intangible and tangible fixed assets depending if they are identifiable assets respectively without or with physical substance.

Intangible assets

Purchased computer software licenses are stated at acquisition cost, less accumulated amortisation and impairment losses.

Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules and the threshold of 1 million euro set out by the Accounting Officer of the EP are met (0,5 million until the end of 2015). Only the costs related solely to the development phase of the asset are capitalised. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses when incurred.

Tangible assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits or service potential associated with the item will flow to the EP and its cost can be measured reliably.

Depreciation/Amortisation of fixed assets is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation method used is the straight line method and depreciation is calculated on a monthly basis.

Land and works of art are not depreciated as they are deemed to have an indefinite useful life, with the exception of the impairments made in respect of particular plots of land in Brussels, Luxembourg and Strasbourg. Assets under construction are not depreciated, as they are not yet available for use.

The depreciation/amortisation is calculated as follows:

Type of Asset	Depreciation rate
Buildings	4 %
Plant, equipment	12,5 - 25 %
Computer hardware	25 %
Furniture and vehicles	10 - 25%
Other tangible assets	12,5 - 25 %
Purchased intangible assets	25%
Internally developed intangible assets	12,5

3.5.2. Leases

A lease contract is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership, while it is classified as an operating lease if it does not.

According to EU accounting rule n° 8, assets acquired under finance lease contracts are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments due. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Operating lease payments are recognised as an expense in the statement of financial performance.

3.5.3. Pre-financing

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

At year-end, outstanding pre-financing amounts are valued at the original amounts paid less eligible amounts cleared and estimated eligible amounts not yet cleared at year-end.

3.5.4. Exchange receivables and non-exchange recoverables

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Non-exchange transactions are transactions in which one entity receives value from another entity without directly giving approximately equal value in exchange.

For the purpose of drawing up the accounts, receivables are defined as arising from exchange transactions and recoverables are defined as arising from non-exchange transactions.

3.5.5. Cash and cash equivalents

Cash and cash equivalents are financial instruments, which in the EP include the bank accounts operated by the treasury, the monetary values of the imprest accounts and cash in hand.

3.5.6. Pension and other employee benefits

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

The defined benefit obligation is calculated by actuaries using the projected unit credit method. The gross liability is reduced with taxes on the pension payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

The defined benefit obligation of the Members voluntary pension scheme is reduced by the planned assets as this scheme is partially funded.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of financial performance.

3.5.7. Provisions

Provisions are recognised when the EP has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenses expected to be required to settle the present obligation at the reporting date.

3.5.8. Payables

Payables arising from the purchase of goods and services (exchange transactions) are recognised at invoice reception for the original amount.

Payables not related to exchange transactions, are booked as payables for the requested amount when the payment request is received.

3.5.9. Accrued and deferred income and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognised for services and supplies that have been received but which have not yet been invoiced to the EP. The recognition of accrued expenses is done in accordance with the closing instructions note issued by the Secretary General with the aim to ensure that the financial statements provide a faithful financial representation of the transactions involved.

3.5.10. Contingent assets and liabilities

A contingent asset is a possible asset and a contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the EP.

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

3.6. STATEMENT OF FINANCIAL PERFORMANCE

The statement of financial performance is prepared according to the accrual accounting principle and it includes all revenues and expenses that are recognised in the year, i.e. the period in which the economic generating event took place.

The total operating revenue is split out between exchange and non-exchange transactions. In a non-exchange revenue transaction the EP has been receiving value without directly giving approximately equal value in return.

3.7. NOTES TO THE BALANCE SHEET

I. NON-CURRENT ASSETS

3.7.1. Intangible assets

2016	Internally generated Computer Software	Other Computer Software	Total Computer Software	Intangible assets under construction	Total
Gross carrying amounts 31.12.2015	17.789.340	22.590.839	40.380.179	18.674.287	59.054.466
Additions		2.919.270	2.919.270	7.602.284	10.521.554
Disposals		(448.238)	(448.238)		(448.238)
Transfer between headings	6.028.705		6.028.705	(6.028.705)	0
Gross carrying amounts 31.12.2016	23.818.045	25.061.871	48.879.916	20.247.866	69.127.782
Accumulated Amortisation 31.12.2015	(6.898.498)	(19.330.140)	(26.228.638)		(26.228.638)
Amortisation	(2.223.667)	(1.660.055)	(3.883.722)		(3.883.722)
Write-back of amortisation			0		0
Disposals		448.238	448.238		448.238
Accumulated amortisation 31.12.2016	(9.122.165)	(20.541.957)	(29.664.122)	0	(29.664.122)
Net carrying amounts 31.12.2016	14.695.880	4.519.914	19.215.794	20.247.866	39.463.660

The EP threshold for Internally generated Computer Software is set at 1 million euro per individual project (threshold applied until the end of 2015 was 0,5 million euro).

Total IT project related Research and non-capitalised Development costs during 2016 amounted to 0,6 million euro and 13,7 million euro respectively.

3.7.2. Property, plant and equipment

2016	Land	Buildings	Plant and Equipment	Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	Tangible assets under Finance lease	Tangible assets under construction	Total
Gross carrying amounts 31.12.2015	324.370.236	1.972.164.642	178.487.184	81.470.818	36.148.434	411.753	79.029.159	173.691.102	2.845.773.328
Additions	46.630.000	79.647.210	8.029.687	6.332.840	2.745.810	86.660		110.180.674	253.652.881
Disposals			(4.586.338)	(5.703.778)	(763.733)	(7.917)			(11.061.766)
Transfer between headings		13.020.587						(13.020.587)	0
Gross carrying amounts 31.12.2016	371.000.236	2.064.832.439	181.930.533	82.099.880	38.130.511	490.496	79.029.159	270.851.189	3.088.364.443
									0
Accumulated depreciation & impairment 31.12.2015	(175.750.740)	(1.239.294.175)	(147.212.095)	(70.043.262)	(27.500.833)	(341.934)	(17.813.330)		(1.677.956.369)
Depreciation		(80.645.877)	(12.918.032)	(6.536.721)	(1.871.337)	(38.785)	(2.297.167)		(104.307.919)
Disposals			4.561.764	5.696.346	745.527	7.917			11.011.554
Accumulated depreciation and impairment 31.12.2016	(175.750.740)	(1.319.940.052)	(155.568.363)	(70.883.637)	(28.626.643)	(372.802)	(20.110.497)	0	(1.771.252.734)
Net carrying amounts 31.12.2016	195.249.496	744.892.387	26.362.170	11.216.243	9.503.868	117.694	58.918.662	270.851.189	1.317.111.709

The accumulated depreciation and impairment on land is based on a protocol signed between the EP and Belgium according to which Belgium has reimbursed part of the land value of the Brussels building complex to the EP. The protocol has a clause that if the EP would install to another location the land would be conceded to Belgium with a symbolic amount and consequently the land value has been reduced to 1 symbolic euro.

The purchase deed for the Martens building in Brussels was signed in June 2016. The value of the land (46,6 million euro) and the acquisition value of the building (76,3 million euro) are included in the additions of land and buildings. The related long term pre-financing of 50,3 million euro as at 31 December 2015 has been cleared to fixed assets. The interest charge during the construction of 1,7 million euro is included in the Finance costs in the Statement of financial performance.

The other additions on building value of 16 million euro are related to subsequent improvements capitalised on existing buildings.

The heading Tangible assets under construction comprise as follows:

	31.12.2016
New KAD building	213.639.919
Other buildings under construction	55.646.886
Other tangible assets under construction	1.564.384
Tangible assets under construction	270.851.189

The EP has a building construction project KAD complex that will enable to bring together on one-site departments currently spread across several rented buildings in Luxembourg.

The Luxembourg Government undertook to sell the EP the land on which the KAD I and KAD II buildings will stand for a nominal price of 1 euro by a deed signed in December 2011.

The EP signed in January 2012 a finance lease contract (Convention-cadre du droit d'emphyteose avec option d'achat et droit de superficie) with SI KAD (Société immobilière bâtiment Konrad Adenauer du Parlement européen) for a KAD building construction including the construction of extension and the modernisation of the existing building. This contract was granted a notarial deed on the 29 February 2012. According to the contract, SI KAD undertook to make the KAD building complex available to the EP. The EP has an option to purchase the building complex at any moment.

The asset under construction - New KAD building includes the direct investments of the EP related to the KAD project of 85,8 million euro and construction costs managed by the SI KAD of 127,8 million euro.

The buildings, land and buildings and land hold on finance lease can be broken down to the EP three working places and other locations as of 31 December 2016 as follows:

	Acquisition Value	Accumulated depreciation	Net carrying amount
Buildings			
Brussels	1.345.271.474	(885.254.393)	460.017.081
Strasbourg	593.380.711	(376.365.992)	217.014.719
Luxembourg	62.222.071	(32.107.366)	30.114.705
Other	63.958.183	(26.212.301)	37.745.882
Total buildings	2.064.832.439	(1.319.940.052)	744.892.387
Land			
Brussels	326.428.483	(175.750.740)	150.677.743
Strasbourg	24.545.819		24.545.819
Luxembourg	1		1
Other	20.025.933		20.025.933
Total land	371.000.236	(175.750.740)	195.249.496
Buildings and land under Finance lease			
Brussels	79.029.159	(20.110.497)	58.918.662
Total finance lease	79.029.159	(20.110.497)	58.918.662
Total	2.514.861.834	(1.515.801.289)	999.060.545

The split per location is as follows:

Location	Acquisition Value	Accumulated depreciation	Net carrying amount
Brussels	1.750.729.116	(1.081.115.630)	669.613.486
Strasbourg	617.926.530	(376.365.992)	241.560.538
Luxembourg	62.222.072	(32.107.366)	30.114.706
Other	83.984.116	(26.212.301)	57.771.815
All locations	2.514.861.834	(1.515.801.289)	999.060.545

3.7.3. Pre-financing

	31.12.2016	31.12.2015
	EUR	EUR
<i>Pre-financing for acquisition of Martens building</i>	0	50.285.174
<i>Pre-financing for new KAD building construction</i>	108.836.488	103.742.614
NON-CURRENT PREFINANCING	108.836.488	154.027.788

The given pre-financing related to the new KAD building construction is guaranteed by a specific fiduciary account. The EP has the right at any time to call up the funds on the first demand.

3.7.4. Exchange receivables and non-exchange recoverables

	31.12.2016	31.12.2015
	EUR	EUR
<i>Exchange receivables from EC for jointly acquired buildings</i>	14.608.299	15.864.510
<i>Other non-exchange recoverables</i>	0	0
NON-CURRENT EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES	14.608.299	15.864.510

Exchange receivables from EC for jointly acquired buildings relate to acquisitions of real estate properties jointly with the European Commission. These buildings accommodate the EP Information Offices in the Member States.

II. CURRENT ASSETS**3.7.5. Pre-financing**

	31.12.2016	31.12.2015
	EUR	EUR
<i>Gross amount of Pre-financing to political parties and foundations</i>	39.161.737	35.179.663
<i>Cut-off for eligible costs for pre-financing to political parties and foundations</i>	(38.291.391)	(34.393.464)
CURRENT PRE-FINANCING	870.346	786.199

Pre-financing to European political parties and foundations represents 80 % of grants awarded under the Regulation (EC) No 2004/2003 of the European Parliament and of the Council of 4 November 2003 on the regulations governing political parties at European level and the rules regarding their funding. Pre-financing will be cleared in N+1 after verification of final reports.

3.7.6. Exchange receivables and non-exchange recoverables

	31.12.2016	31.12.2015
	EUR	EUR
Receivables consolidated entities	26.084.285	18.241.021
Customers	1.663.139	738.693
<i>Current receivables</i>	<i>27.747.424</i>	<i>18.979.714</i>
<i>Deferred charges relating to exchange transactions</i>	<i>2.522.527</i>	<i>2.502.394</i>
<i>Sundry receivables Personnel</i>	<i>976.841</i>	<i>767.659</i>
<i>Other</i>	<i>11.916</i>	<i>4.482</i>
<i>Accrued income with consolidated entities</i>	<i>800.000</i>	<i>0</i>
CURRENT Exchange receivables	32.058.708	22.254.249
<i>Current recoverable member states - VAT</i>	<i>5.815.619</i>	<i>2.930.942</i>
Non-exchange recoverables - Gross	7.351.213	5.844.757
Impairment on non-exchange recoverables	(1.526.622)	(1.010.960)
<i>Other non-exchange recoverables</i>	<i>5.824.591</i>	<i>4.833.797</i>
<i>Deferred charges non exchange</i>	<i>3.473.475</i>	<i>3.468.374</i>
CURRENT Non- Exchange recoverables	15.113.685	11.233.113
EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES	47.172.393	33.487.362

Receivables consolidated entities include the counterpart of a request for future funding of 25 million euro from the European Commission Interpretation service (DG SCIC) which manages the remuneration of the freelance interpreters. The request for payment is accounted in the heading Amounts payable to consolidated entities.

Accrued income with consolidated entities of 800.000 EUR relates to European Commission contribution to the European House of History.

3.7.7. Cash and cash equivalents

The composition of the cash and cash equivalents of the EP as of 31 December 2016 is as follows:

	31.12.2016	31.12.2015
	EUR	EUR
<i>Bank accounts</i>	41.900.336	101.901.200
<i>Imprest accounts</i>	4.517.091	4.348.091
<i>Cash</i>	59	662
Cash and Cash Equivalents	46.417.486	106.249.953

Treasury of EP is managed in accordance with article 68 of the Financial Regulation and article 58 of RAP. According to the above mentioned rules the following main principles apply:

- Commercial banks in which EP has current accounts are selected by open call for tenders. The minimum short-term credit rating required for admission to the tendering procedures is P-1 (Moody's), or A-1 (Standard and Poor's), or F1 (Fitch Ratings).
- In EP's Information Offices in the Member States, imprest accounts are held with local banks selected by simplified procedure. Ratings depend on local situation and may differ from one country to another. In order to limit risk exposure, balances of these accounts are kept at lowest possible levels (taking into account operational needs), they are regularly replenished, and applied ceilings are reviewed.
- Funds held in bank accounts denominated in currencies other than euro are either used for payments in same currencies or periodically converted to euro, as a consequence their balances do not represent exposure to currency risk. These accounts are replenished depending on the amount of payments to be executed, as a consequence their balances do not represent exposure to currency risk.
- Bank accounts opened in the name of EP may not be overdrawn. Treasury needs are estimated on a monthly basis and funds for payment execution are requested from European Commission.
- The EP treasury does not borrow any money and is thus not exposed to interest rate risk. However, the bank accounts of the EP do earn interest income. Bank service contracts in force with the commercial banks ensure that interest earned on current accounts reflect market interest rates. No negative interest has been charged on EP bank accounts in 2016.

The Cash and cash equivalent is held in the financial institutions bearing the following external credit ratings:

External credit rating	Cash and cash equivalents
	EUR
<i>Prime and high grade</i>	45.370.113
<i>Upper medium grade</i>	961.023
<i>Lower medium grade</i>	19.178
<i>Non-investment grade</i>	33.289
<i>Counterparties <u>without</u> external rating</i>	33.883
Cash and Cash Equivalents	46.417.486

III. NET ASSETS

3.7.8. Net assets

The statement of changes in the Net assets is presented under point 2.4. The net assets of the EP consist of the accumulated result and of the economic result of the year 2016.

IV. NON-CURRENT LIABILITIES

3.7.9. Pension and other employee benefits

	31.12.2016	31.12.2015
	EUR	EUR
<i>Voluntary Pension Scheme for EP members (Rules Governing the Payment of Expenses and Allowances to Members (PEAM) Annex VII)</i>	(326.200.000)	(276.800.000)
<i>Temporary Pension Scheme for French and Italian EP members (Rules Governing the Payment of Expenses and Allowances to Members (PEAM) Annex III)</i>	(263.400.000)	(243.100.000)
<i>Invalidity and Survivors Pension Scheme for EP members (Rules Governing the Payment of Expenses and Allowances to Members (PEAM) Annex I and II)</i>	(35.166.000)	(35.510.000)
<i>Transitional Allowance Scheme of EP Members (New Statute for Members of the European Parliament)</i>	(34.247.763)	(36.410.948)
Pension and other Employee benefits	(659.013.763)	(591.820.948)

The Voluntary pension scheme is run by a pension fund that is set up under Luxembourgish law (Non-profit making association). This pension scheme was set up in 1990 when the Parliament's Bureau adopted the Rules governing the Additional (Voluntary) Pension Scheme for Members of the European Parliament.

The EP has an overall liability to guarantee the payments of this defined benefit scheme should the fund's assets not be sufficient.

An outside expert company has been charged to calculate the actuarial benefit obligation in accordance with the recommendations and practices of the actuarial profession.

The actuarial pension obligation of the voluntary pension fund amounts to 472,6 million euro as of 31 December 2016 (2015: 432,3 million euro). The update of the discount and inflation rate counts for 35,2 million euro of the change in the actuarial pension obligation.

The plan assets as of 31 December 2016 amount to 146,4 million euro according to the financial statements of the pension fund. The Voluntary pension scheme was thus underfunded by 326,2 million euro as at 31 December 2016 (2015: 276,8 million euro).

According to the "old" Rules governing the payment of expenses and allowances to Members (hereafter PEAM) Annex III the Members have been guaranteed a pension at the same level as a Member of the national Parliament. These rules were applied until the new Statute for Members of the EP entered into force in the parliamentary term starting in 2009 (14 July 2009). This pension scheme concerns French and Italian Members and no new rights are granted under this pension scheme. The amount of 263,4 million euro reflects the actuarial liability of this pension scheme as of 31 December 2016.

According to the "old" Rules governing the payment of expenses and allowances to Members (hereafter PEAM) Annex I and II the Members in case of invalidity and the survivors and the orphans of the Members have been guaranteed a pension income. These rules were applied for the Members who served the EP until the new Statute for Members of the EP entered into force in the parliamentary term starting in 2009 (14 July 2009). The amount of 35,2 million euro reflects the actuarial liability of this pension scheme as of 31 December 2016.

According to the Statute of the Members that entered into force July 2009 the former Members of the EP are entitled to a transitional allowance at the end of their term of office in the EP. This entitlement shall continue for one month per year in which their mandate has been exercised, but shall not for less than six months or more than 24 months. In the event the former Member assumes a mandate in another parliament or takes a public office while availing of the transitory allowance, the income derived from the new occupation will be offset against the transitory allowance. The amount of 34,2 million euro reflects the actuarial liability net of community tax pertaining to this allowance as of 31 December 2016.

Movement in present value of employee benefits defined benefit obligation:

Employee benefits	Long Term Liability 2016	Impact in the Statement of Financial Performance 2016
	EUR	EUR
Present value at 31.12.2015 (net of taxes and plan assets)	(591.820.948)	
<i>Service/normal cost</i>	<i>(2.766.369)</i>	<i>2.766.369</i>
<i>Interest cost</i>	<i>(11.733.551)</i>	<i>11.733.551</i>
<i>Benefits paid</i>	<i>30.637.033</i>	<i>(16.600.000)</i>
<i>Actuarial (gains) and losses from change in assumptions</i>	<i>(63.709.987)</i>	<i>63.709.987</i>
<i>Actuarial (gains) and losses from experience</i>	<i>(10.290.254)</i>	<i>10.290.254</i>
<i>Tax deduction on benefits paid</i>	<i>(229.687)</i>	
<i>Change due to newcomers</i>	<i>0</i>	
<i>Change in plan assets for year reduction (increase)</i>	<i>(9.100.000)</i>	<i>9.100.000</i>
Present value as at 31.12.2016 (net of taxes and plan assets)	(659.013.763)	
Impact in the Statement of Financial Performance		81.000.161

The pension benefits of the officials and the statutory pension benefits of the Members of the European Parliament are presented in the financial statements of the European Commission.

V. CURRENT LIABILITIES

3.7.10. Payables

	31.12.2016	31.12.2015
	EUR	EUR
<i>Amounts payable to consolidated entities</i>	<i>(25.324.137)</i>	<i>(18.016.493)</i>
<i>Invoices and payment requests received from 3rd parties</i>	<i>(16.703.312)</i>	<i>(20.877.856)</i>
<i>Sundry Payables</i>	<i>(188.821)</i>	<i>(551.062)</i>
Current Payables	(42.216.270)	(39.445.411)

Amounts payable to consolidated entities include a request for future funding of 25 million euro from the European Commission Interpretation service (DG SCIC) which manages the remuneration of the freelance interpreters. The counterparty is presented in the heading Receivables consolidated entities.

3.7.11. Accrued charges and deferred income

	31.12.2016	31.12.2015
	EUR	EUR
<i>Accrued charges</i>	(51.196.093)	(32.683.094)
<i>Estimated cut-off for eligible expenses for grants to political parties and foundations</i>	(7.855.857)	(6.222.951)
<i>Accrued charges for untaken annual leave</i>	(13.071.500)	(12.130.110)
Accrued charges and Deferred income	(72.123.450)	(51.036.155)

The heading accrued charges includes 14,6 million euro accrued expenses related to the occupation of the Square De Meeus building up to 31 December 2016.

3.8. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE**I. REVENUE****3.8.1. Revenue from non-exchange transactions**

Revenue from **Contribution from the EC** refers to the monthly calls for treasury funds made by the EP to the European Commission to replenish its bank account.

Revenue from taxes and other staff contributions relates mainly to withholdings on salary payments such as income tax and pension contributions and on Members parliamentary allowance such as income taxes and insurance coverage. It also includes the transfer of pension rights by staff.

Other non-exchange revenue relates mainly to recovered amounts of unduly paid expenses.

3.8.2. Revenue from exchange transactions

Financial income relates mainly to interest income on the bank accounts.

Other exchange revenue relates to services provided and costs charged to other EU institutions, Political groups of the EP and to income from the Early Childhood Centre.

II. EXPENSES

3.8.3. Expenses

Staff expenses relates mainly to salaries and staff allowances. It also includes the employer's part in the sickness insurance costs.

Fixed assets related expenses include depreciation and amortisation of the fixed assets, impairment losses and losses on disposals.

Other administrative expenses includes running costs of the EP to fulfil its mission, such as members' salaries and allowances, travel expenses, building rent, utilities and maintenance, IT, communication expenditure.

Finance costs relates to the bank charges and includes finance charge of the Martens building transaction (1,7 million euro).

Exchange rate difference loss relates to the conversion of the currency transactions into euro.

3.8.4. Employee benefits

Changes in employee benefits & actuarial assumptions relates to the changes in the provision for Members of the EP employee benefits.

3.9. OTHER SIGNIFICANT DISCLOSURES

3.9.1. Contingent assets

The contingent assets of the EP as of 31 December 2016 comprised performance guarantees received from suppliers and other contingent assets as follows:

	Contingent assets
	EUR
<i>Performance guarantees</i>	43.315.437
<i>Other contingent assets</i>	908.329
Total Contingent assets	44.223.766

3.9.2. Contingent liabilities

The contingent liabilities of the EP as of 31 December comprised guarantees given and contingent liability arising from court cases as follows:

Contingent liabilities	
	EUR
<i>Guarantees given</i>	1.000.000
<i>Contingent liability - legal cases</i>	15.069.113
<i>Total Contingent liabilities</i>	16.069.113

The guarantees given relate to the KAD building project in which the EP has been guaranteeing the loans taken by the SI KAD. The guarantee amount was reduced from 16 million euro as at 31 December 2015 to 1 million euro as at 31 December 2016 as the underlying loan has been repaid by the SI KAD.

3.9.3. Other disclosures

RAL (Reste à liquider)

	31.12.2016
<i>RAL</i>	197.151.175

The RAL is an element of budgetary accounting representing the value of outstanding commitments. This is the difference between commitments entered into and payments, which is due to the time-lag between entering into a commitment and proceeding to the related payment.

The budgetary RAL as of 31 December 2016 was 292,0 million euro. To avoid double reporting the received invoices and cut-off entries of accrued expenses of 94,8 million euro have been deducted from the budgetary RAL to arrive to the reported RAL of 197,2 million euro.

Operating lease

The operating lease contracts of the EP as of 31 December 2016 comprise building rental contracts with third parties and with consolidated entities and other equipment as follows:

	Charges paid during the year	Charges still to be paid			
		<1year	1-5 years	>5 years	Total to be paid
Buildings	33.046.953	35.140.845	120.295.985	93.424.289	248.861.119
Buildings with consolidated entities	1.936.148	1.844.867	6.091.075	1.701.807	9.637.749
Other equipment	932.129	807.169	528.616	0	1.335.785
Total Operating lease	35.915.230	37.792.881	126.915.676	95.126.096	259.834.653

Other contractual commitments

The contractual liability of the KAD building construction not covered by budgetary commitments yet is estimated to amount to 138,9 million euro.

The EP has signed on the 27 April 2016 a 21-year usufruct contract for a building to be built for the need of the EP at rue Montoyer 63. This contract will enter into force after all conditions of the contract have been raised i.e. the EP has accepted the building. The estimated starting date of the contract is 1 June 2018. The estimated payments under this usufruct contract are 32,7 million euro.

The other contractual commitments amount to 104,0 million euro as of 31 December 2016 and include contractual engagements that the EP has signed but which are not covered with the RAL and are not reported under Operating lease. These contracts include maintenance, cleaning, security, informatics and other contracts.

4. RECONCILIATION BETWEEN ECONOMIC AND BUDGETARY RESULT

Under the Financial Regulation (FR) applicable to the general budget of the European Union, the accounting system consists of general accounts and budgetary accounts, presented and kept in euros (article 151 of the FR), each of them following different principles. Furthermore, and in accordance with article 141 of the FR, the annual accounts of the EU comprise two main elements: 1. the financial statements (general accounting) and 2. the budgetary accounts. The general accounts are kept in accordance with accrual accounting principles, which means that the effects of transactions and other events are recognised when those transactions or events occur. The budgetary accounts are kept according to modified cash accounting rules. The term “modified” cash accounting is used as, apart from the payments made and revenue cash in, also the carry-overs are included.

CALCULATION OF THE BUDGET RESULT 2016

The budget result of the year is calculated based on the figures of the budgetary implementation in euros.

Cashed in revenues 2016	181.164.767
Cashed in revenues 2016 accrued before 2016	2.216.746
Payments on appropriations of the year 2016	(1.538.531.527)
Payments on assigned revenue related appropriations	(90.422.317)
Payment appropriations carried over to 2017	(285.312.645)
Assigned revenue related appropriations carried over to 2017	(39.595.291)
Cancellation of the unused carried over payment appropriations	21.627.205
Adjustment for assigned revenue related appropriations carried over from 2015	103.055.269
Budgetary result 2016	(1.645.797.793)

RECONCILIATION OF ECONOMIC RESULT AND BUDGETARY RESULT

	2016	2015
	EUR	EUR
ECONOMIC RESULT OF THE YEAR	(27.629.187)	(3.457.849)
Adjustment for accrual items (items not in the budgetary result but included in the economic result)		
<i>Adjustments for Accrual Cut-off (reversal 31.12.N-1)</i>	(100.309.970)	(105.077.089)
<i>Adjustments for Accrual Cut-off (cut- off 31.12.N)</i>	101.978.400	79.149.940
<i>Contribution from EC booked in the economic revenue</i>	(1.661.000.000)	(1.589.000.000)
<i>Unpaid invoices at year end but booked in charges (class 6)</i>	41.369.249	20.885.803
<i>Depreciation of intangible and tangible assets</i>	108.241.853	110.045.225
<i>Changes in employee benefits & actuarial assumptions</i>	81.000.161	48.202.035
<i>Impairment on recoverables</i>	515.661	880.833
<i>Recovery Orders issued in current year in class 7 and not yet cashed</i>	(4.605.114)	(3.023.273)
<i>Prefinancing given in previous year and cleared in the year</i>	35.179.662	32.886.224
<i>Prefinancing received in previous year and cleared in the year</i>	0	0
<i>Payments made from carry-over of payment appropriations</i>	271.245.319	259.948.414
<i>Exchange rate differences for the year</i>	(326.907)	169.130
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)		
<i>Asset acquisitions (less unpaid amounts)</i>	(144.772.644)	(65.454.473)
<i>New pre-financing paid in the current year and remaining open as at 31.12</i>	(136.787.958)	(103.761.802)
<i>New pre-financing received in the current year and remaining open as at. 31.12</i>	0	0
<i>Budgetary recovery orders issued in previous years and cashed in the current year</i>	4.136.490	3.963.294
<i>Capital payments on financial leasing (they are budgetary payments but not in the economic result)</i>	0	0
<i>Payment appropriations carried over to next year</i>	(324.907.936)	(392.379.176)
<i>Cancellation of unused carried over payment appropriations from previous year</i>	21.627.205	27.342.460
<i>Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue</i>	103.055.269	106.077.150
<i>Payments for pensions (they are budgetary payments but booked against provisions)</i>	(13.807.346)	(20.847.373)
<i>Payments for unused leave (they are budgetary payments but booked against provisions)</i>	0	0
Total	(1.645.797.793)	(1.593.450.527)
BUDGET RESULT OF THE YEAR	(1.645.797.793)	(1.593.450.527)