



Brussels, 4 June 2019

**FINAL**

**FINANCIAL STATEMENTS 2018**

**THE COUNCIL OF THE EUROPEAN UNION**

**AND**

**THE EUROPEAN COUNCIL**

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## 1. BALANCE SHEET 31 DECEMBER 2018

	Notes	31.12.2018	31.12.2017
		EUR	EUR
<b>NON-CURRENT ASSETS</b>			
INTANGIBLE ASSETS	5.2.1	14.427.426,95	13.934.113,53
PROPERTY, PLANT AND EQUIPMENT	5.2.2	560.127.529,61	602.198.248,43
NON-CURRENT EXCHANGE RECEIVABLES	5.2.3	59.125,30	79.203,42
		<b>574.614.081,86</b>	<b>616.211.565,38</b>
<b>CURRENT ASSETS</b>			
EXCHANGE RECEIVABLES	5.2.4.1	2.728.852,88	3.605.174,05
CURRENT RECOVERABLE (NON-EXCHANGE TRANSACTION)	5.2.4.1	5.690.483,56	9.751.631,28
INVENTORY	5.2.4.2	145.210,00	-
CASH AND CASH EQUIVALENTS	5.2.4.3	3.374.817,98	2.792.299,06
		<b>11.939.364,42</b>	<b>16.149.104,39</b>
<b>TOTAL ASSETS</b>		<b>586.553.446,28</b>	<b>632.360.669,77</b>
<b>NON-CURRENT LIABILITIES</b>			
NON CURRENT PENSION & EMPLOYEE BENEFITS	5.2.5.1	(5.636.057,65)	(7.492.205,17)
OTHER FINANCIAL LIABILITIES	5.2.5.2	(12.493.627,55)	(13.816.414,24)
		<b>(18.129.685,20)</b>	<b>(21.308.619,41)</b>
<b>CURRENT LIABILITIES</b>			
CURRENT PROVISIONS	5.2.6.1	(2.026.000,00)	(2.663.600,00)
CURRENT FINANCIAL LIABILITIES	5.2.6.2	(289.786,69)	(305.475,20)
ACCOUNTS PAYABLES	5.2.6.3	(8.527.258,36)	(7.801.773,72)
ACCRUED CHARGES AND DEFERRED INCOME	5.2.6.3	(34.908.259,66)	(22.748.490,57)
		<b>(45.751.304,71)</b>	<b>(33.519.339,49)</b>
<b>TOTAL LIABILITIES</b>		<b>(63.880.989,91)</b>	<b>(54.827.958,90)</b>
<b>NET ASSETS</b>		<b>522.672.456,37</b>	<b>577.532.710,87</b>
ACCUMULATED SURPLUS/DEFICIT		577.532.710,87	611.273.872,76
ECONOMIC RESULT OF THE YEAR		(56.812.672,82)	(33.741.161,89)
REMEASUREMENTS PENSIONS (VIA NET ASSETS)		1.952.418,32	-
<b>NET ASSETS</b>		<b>522.672.456,37</b>	<b>577.532.710,87</b>

## 2. STATEMENT OF FINANCIAL PERFORMANCE

	2018	2017
	EUR	EUR
<b>NON-EXCHANGE REVENUES</b>		
<i>Revenue from staff</i>	57.180.566,49	55.505.677,74
<i>Other non exchange revenue</i>	4.425.736,90	8.552.854,68
<i>Revenue from funding institutions</i>	457.000.000,00	463.000.000,00
	<b>518.606.303,39</b>	<b>527.058.532,42</b>
<b>EXCHANGE REVENUES</b>		
<i>Financial income</i>	4.052,51	426.877,54
<i>Fixed Assets related income</i>	176.844,46	17.721,44
<i>Income from other exchange operations (3rd parties)</i>	12.212.958,14	9.319.346,94
<i>Income from consolidated EU entities</i>	1.913.834,87	1.214.996,83
<i>Exchange rate differences gains (from operating and financial activities)</i>	6.981,18	25.107,16
	<b>14.314.671,16</b>	<b>11.004.049,91</b>
<b>REVENUES</b>	<b>532.920.974,55</b>	<b>538.062.582,33</b>
<i>Staff costs</i>	(329.412.046,35)	(315.636.370,51)
<i>Pension costs - Others</i>	(532.096,81)	(620.092,57)
<i>Changes in employee benefits &amp; actuarial assumptions</i>	0,00	2.103.196,47
<i>Finance costs</i>	(276.696,55)	(310.308,27)
<i>Other financial expenses</i>	(3.440,06)	(7.398.268,91)
<i>Fixed assets related expenses</i>	(50.879.661,42)	(47.423.119,53)
<i>Intangible assets related expenses</i>	(5.806.462,36)	(5.044.576,30)
<i>Land and buildings expenses with 3rd party</i>	(30.312.848,56)	(11.415.887,50)
<i>Operating lease expenses</i>	(486.296,25)	(894.499,21)
<i>Other</i>	(104.079.995,38)	(109.824.730,68)
<i>Other expenses from consolidated entities</i>	(67.900.487,26)	(75.282.505,31)
<i>Exchange rate differences losses (from operating and financial activities)</i>	(43.616,37)	(56.581,90)
<b>EXPENSES</b>	<b>(589.733.647,37)</b>	<b>(571.803.744,22)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>(56.812.672,82)</b>	<b>(33.741.161,89)</b>

### 3. CASH FLOW TABLE (INDIRECT METHOD)

	2018 EUR	2017 EUR
<b>ECONOMIC RESULT FOR THE YEAR</b>	<b>(56.812.672,82)</b>	<b>(33.741.161,89)</b>
<i>Amortization (intangible fixed assets)</i>	5.806.462,36	5.044.576,30
<i>Depreciation (tangible fixed assets)</i>	50.788.514,79	47.379.790,42
<i>Increase/(decrease) in Provisions for risks and liabilities</i>	(637.600,00)	1.453.349,28
<i>Increase/(decrease) in Value reduction for doubtful debts</i>	(26.665,19)	(33.808,94)
<i>Increase/(decrease) in Inventory</i>	(145.210,00)	-
<i>Increase/(decrease) in Long term Receivables</i>	20.078,12	(36.715,18)
<i>Increase/(decrease) in Short term Receivables</i>	4.801.644,14	3.237.491,85
<i>Increase/(decrease) in Receivables related to consolidated EU entities</i>	162.489,94	164.924,64
<i>Increase/(decrease) in Other Long term liabilities</i>	(1.322.786,69)	(1.185.475,20)
<i>Increase/(decrease) in Current liabilities</i>	12.887.217,21	3.434.984,05
<i>Increase/(decrease) in Liabilities related to consolidated EU entities</i>	(17.651,99)	(3.517.513,92)
<i>Net interest impact of Europa payments on account</i>	-	6.970.451,08
<i>Gains/(losses) on sale of Property, plant and equipment</i>	95.939,57	84.320,75
<i>Other non-cash movements</i>	1.952.418,32	-
<b>OPERATING ACTIVITIES</b>	<b>17.552.177,76</b>	<b>29.255.213,24</b>
<i>Purchase of tangible and intangible fixed assets (-)</i>	(15.113.511,32)	(33.127.643,76)
<i>Proceeds from tangible and intangible fixed assets (+)</i>	-	9.031,04
<b>INVESTING ACTIVITIES</b>	<b>(15.113.511,32)</b>	<b>(33.118.612,72)</b>
<b>Increase/(decrease) in employee benefits</b>	<b>(1.856.147,52)</b>	<b>(2.025.246,77)</b>
<b>NET CASH FLOW</b>	<b>582.518,92</b>	<b>(5.888.646,25)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>582.518,92</b>	<b>(5.888.646,25)</b>
<i>Cash and cash equivalents at the beginning of the period</i>	2.792.299,06	8.680.945,31
<i>Cash and cash equivalents at the end of the period</i>	3.374.817,98	2.792.299,06

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## 4. CERTIFICATION OF THE ACCOUNTS

The annual accounts of the Council of the European Union and the European Council for the year 2018 have been prepared in accordance with the Title IV Chapter 4 Section 3 and Title XIII of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself<sup>1</sup>.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Council of the European Union and the European Council in accordance with Article 77 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 Council of the European Union's and the European Council'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 Council of the European Union and the European Council.

A handwritten signature in black ink, appearing to read 'L. HESS', with a long horizontal flourish extending to the right.

Lucy Jane HESS  
Accounting Officer

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<sup>1</sup> All underlying transactions in these accounts took place on the basis of the relevant provisions of Regulation No. 966/2012 which remained applicable to the implementation of administrative appropriations until the end of the financial year 2018 in accordance with Article 282(3)(c) of Regulation No. 1046/2018.

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## **5. NOTES**

### **5.1 Significant accounting policies**

#### **5.1.1 Accounting principles**

The objectives of financial statements are to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For a public sector entity such as the European Union, 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 are kept in euro on the basis of the calendar year. The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.<sup>1</sup> The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

The financial statements are drawn up in accordance with generally accepted accounting principles as outlined in the EU accounting rules. These rules are based on the internationally accepted accounting standards for the public sector (IPSAS).

In accordance with the EU accounting rules the revenues and receivables are split into revenue/receivables from exchange transactions and revenue/receivables from non-exchange transactions. The latter refers to transactions for which no direct approximately equal value is given in return to another entity.

#### **5.1.2 Currency and basis for conversion**

These financial statements are presented in euros. Unless stated otherwise all amounts are expressed in euros.

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions or at the date of the purchase (fixed assets). Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applying on 31 December 2018.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

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<sup>1</sup> This differs from cash-based accounting because of elements such as carry-overs.

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### **5.1.3 Balance sheet**

#### **5.1.3.1 *Intangible assets***

Acquired computer software licenses are valued at its acquisition price, or at its development costs for in-house developed software, less accumulated depreciation and impairment losses. Computer software is considered as intangible fixed assets if either its unit value or the total value of the number of the same piece of software multiplied with its unit value is above the threshold of EUR 420. The amortization rate is 25 %.

The capitalised costs of the in-house developed software include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs for the internal development of software are capitalised if the total development costs exceed EUR 500.000. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

#### **5.1.3.2 *Property, plant and equipment***

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

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

Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The depreciation rates can be found in the overview on page 11.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of financial performance.

#### **5.1.3.3 *Receivables***

Receivables are carried at original invoice amount less write-down for impairment. A write-down for impairment of receivables is calculated on the basis of an evaluation of the outstanding receivables taking into account the age of the receivables or objective evidence that the General Secretariat of the Council may not be able to collect the amounts due. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

The split between receivables further to exchange or to non-exchange transactions is made in accordance with the pre-defined split in the consolidation package 2018 of the European Commission. For example, receivables on member states are by default classified as non-exchange transactions whereas receivables on staff are by default "exchange". Although some actual transactions would justify a presentation under another heading, these financial statements



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are in line with the figures presented for consolidation purposes, as the differences are not considered material enough justifying a deviation.

#### **5.1.3.4      *Employee benefits***

The European Union 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 to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as a movement in net assets.

#### **5.1.3.5      *Provisions***

Provisions for risks and charges are recognised when a present legal or constructive obligation exists 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.

#### **5.1.3.6      *Stocks***

Stocks of assets held for re-sale are shown in the balance sheet at an estimate of net realisable value.

#### **5.1.3.7      *Accounts payable***

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

#### **5.1.3.8      *Accrued and deferred income and charges***

According to the EU accounting rules, 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 based on an (estimated) amount of the goods received, the works carried out or the services rendered.

Revenue is also accounted for in the period to which it relates. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the Council, an accrued income will be recognised in the financial statements.

In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

### 5.1.4 Statement of financial performance

The statement of financial performance includes all revenues and expenses that are recognised in the year, i.e. the period in which the generating (= economic) event took place.

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

## 5.2 Notes to the Balance Sheet

### 5.2.1 Intangible assets

	Computer Software	Intangible assets under construction	Total
<b>Gross carrying amounts at 31.12.2017</b>	<b>32.797.458,13</b>	<b>1.847.008,65</b>	<b>34.644.466,78</b>
<i>Additions</i>	4.897.022,73	1.402.753,05	6.299.775,78
<i>Transfer between headings</i>	1.642.576,27	(1.642.576,27)	-
<i>Asset retirement</i>	(12.070,82)	-	(12.070,82)
<b>Gross carrying amounts at 31.12.2018</b>	<b>39.324.986,31</b>	<b>1.607.185,43</b>	<b>40.932.171,74</b>
<b>Accumulated amortisation and impairment at 31.12.2017</b>	<b>(20.710.353,25)</b>	<b>-</b>	<b>(20.710.353,25)</b>
<i>Depreciation of the year</i>	(5.806.462,36)		(5.806.462,36)
<i>Asset Retirement</i>	12.070,82		12.070,82
<b>Accumulated amortisation and impairment at 31.12.2018</b>	<b>(26.504.744,79)</b>	<b>-</b>	<b>(26.504.744,79)</b>
<b>Net carrying amounts at 31.12.2018</b>	<b>12.820.241,52</b>	<b>1.607.185,43</b>	<b>14.427.426,95</b>

### 5.2.2 Property, plant and equipment

#### 5.2.2.1 Land and buildings

No additional land has been acquired in 2018. Building investments concern projects for the Justus Lipsius and the Lex building.

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#### 5.2.2.2 *Tangible assets under construction*

		EUR
<b>Balance at 31.12.2017</b>		<b>1.127.694,04</b>
<i>Other investments during the year</i>		<i>1.161.225,03</i>
<i>Transfer to other assets</i>		<i>(586.113,33)</i>
<b>Balance at 31.12.2018</b>		<b>1.702.805,74</b>

The other fixed assets under construction are several projects related to the Justus Lipsius, the Lex building and IT-hardware.

## Property, plant and equipment: Overview

	Land	Buildings	Plant and Equipment	Furniture and vehicles	Computer hardware	Other Fixtures and Fittings	Tangible assets under Finance lease	Land & Buildings Under Construction	Other PPE Under Construction	Total
Gross carrying amounts at 31.12.2017	73.297.651,02	879.849.374,74	3.117.047,05	11.914.521,99	46.208.645,84	24.220.102,21	52.921.560,39	848.992,04	278.702,00	1.092.656.597,28
Additions	-	683.934,39	145.339,72	530.344,64	4.410.487,29	1.882.404,47	-	465.981,64	695.243,39	8.813.735,54
Disposals	-	-	(2.724,59)	(215.444,51)	(3.831.699,51)	(130.042,53)	-	-	-	(4.179.911,14)
Transfer between headings	-	(3.207.825,54)	-	161.050,10	283.779,58	3.349.109,19	-	(577.088,47)	(9.024,86)	-
Other changes	-	-	-	5.606,63	-	-	-	-	-	5.606,63
Gross carrying amounts at 31.12.2018	73.297.651,02	877.325.483,59	3.259.662,18	12.396.078,85	47.071.213,20	29.321.573,34	52.921.560,39	737.885,21	964.920,53	1.097.296.028,31
Accumulated depreciation and impairment at 31.12.2017	-	(423.107.373,78)	(1.806.065,56)	(6.239.977,28)	(36.164.267,03)	(14.673.215,52)	(8.467.449,68)	-	0,00	(490.458.348,85)
Depreciation	-	(37.449.169,06)	(320.986,76)	(804.428,74)	(4.981.006,34)	(5.092.001,71)	(2.116.862,41)	-	-	(50.764.455,02)
Write-back of depreciation	-	-	-	55,54	-	16,11	-	-	-	71,65
Impairment	-	-	-	(11.175,00)	-	(12.822,12)	-	-	-	(23.997,12)
Disposals	-	-	2.724,59	196.154,38	3.751.423,10	127.986,97	-	-	-	4.078.289,04
Transfer between headings	-	164.336,81	-	(6.978,84)	(12.227,07)	(145.130,90)	-	-	-	-
Other changes	-	-	-	(58,40)	-	-	-	-	-	(58,40)
Accumulated depreciation and impairment at 31.12.2018	-	(460.392.206,03)	(2.124.327,73)	(6.866.408,34)	(37.406.077,34)	(19.795.167,17)	(10.584.312,09)	-	-	(537.168.498,70)
Net carrying amounts 31.12.2018	73.297.651,02	416.933.277,56	1.135.334,45	5.529.670,51	9.665.135,86	9.526.406,17	42.337.248,30	737.885,21	964.920,53	560.127.529,61
Depreciation %	0%	4%-10%	12,5%-25%	0%-25%	25%	12,5-33%	4%	0%	0%	
Net carrying amounts 31.12.2017	73.297.651,02	456.742.000,96	1.310.981,49	5.674.544,71	10.044.378,81	9.546.886,69	44.454.110,71	848.992,04	278.702,00	602.198.248,43

### 5.2.3 Non-Current Exchange Receivables

Non-current exchange receivables relate to staff loans falling due in more than one year.

### 5.2.4 Current assets

#### 5.2.4.1 *Exchange receivables and non-exchange recoverables*

	2018	2017
	EUR	EUR
<i>Current receivables customers (net)</i>	363.024,21	417.216,60
<i>Deferred charges</i>	1.698.904,61	2.199.598,80
<i>Sundry receivables</i>	205.018,49	183.071,28
<i>Current receivables with Consolidated Entities</i>	354.093,68	516.583,62
<i>Accrued income (exchange)</i>	69.130,52	152.973,72
<i>Accrued income with Consolidated Entities(exchange)</i>	38.681,37	16.864,23
<b>CURRENT EXCHANGE RECEIVABLES</b>	<b>2.728.852,88</b>	<b>3.486.308,25</b>
<i>Current receivables Member States</i>	5.204.993,56	9.626.546,10
<i>Accrued income(non-exchange)</i>	30.938,26	30.535,14
<i>Accrued income with Consolidated Entities (non-exchange)</i>	7.616,76	27.652,27
<i>Deferred Charges (non-exchange)</i>	151.559,94	151.146,18
<i>Other non-exchange recoverables</i>	295.375,04	34.617,39
<b>CURRENT NON-EXCHANGE RECOVERABLES</b>	<b>5.690.483,56</b>	<b>9.870.497,08</b>
<b>EXCHANGE RECEIVABLES AND NON-CURRENT RECOVERABLES</b>	<b>8.419.336,44</b>	<b>13.356.805,33</b>

	2018	2017
	EUR	EUR
<i>Current receivables customers (gross amount)</i>	510.525,11	591.346,14
<i>Amount written down</i>	(147.500,90)	(174.129,54)
<b>Current receivables customers (net)</b>	<b>363.024,21</b>	<b>417.216,60</b>

In 2017 amounts written down for part of exchange receivables were erroneously reported as "non-exchange". The prior year figures have been restated to reflect correct reporting. There is no impact on the overall figures for recoverable amounts.

Deferred charges (1,7 m.) relate to prepaid expenses for the year 2019, such as maintenance costs for software, subscriptions and the rent for buildings.

Sundry receivables relate to receivables on staff such as advance payments for salaries and mission expenses.

Current receivables with consolidated entities (0,3 m.) relate to prepaid costs and accrued revenues with consolidated entities.

Current receivables on member states (5,2 m.) largely relate to the non-spent part of the "envelopes" paid to member states for their delegates' travel expenses and to interpretation costs.

Accrued income relates to various income items concerning 2018, which are invoiced in 2019.

Other non-exchange recoverables (0,3 m.) mainly relate to court cases, insurance claims and transfer of staff pension rights.

#### 5.2.4.2 *Inventory*

	2018	2017
	EUR	EUR
<i>Available-for-sale Green Energy Certificates</i>	145.210,00	-
<b>Total</b>	<b>145.000,00</b>	<b>-</b>

At 31 December 2018 the Council was in possession of 2,234 Green Energy Certificates. The certificates are allocated by BRUGEL, Brussels based on the energy produced in 2018 by solar panels located on the roof of Council buildings. Following the appropriate sales procedures, these will be sold on the open market in 2019.

#### 5.2.4.3 *Cash and cash equivalents*

	2018	2017
	EUR	EUR
<i>Bank accounts</i>	3.367.480,98	2.791.049,06
<i>Imprest accounts</i>	7.337,00	1.250,00
<b>Total</b>	<b>3.374.817,98</b>	<b>2.792.299,06</b>

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During 2018, treasury of the Council and European Council was managed in accordance with Article 68 of the Financial Regulation No. 966/2012 and Article 58 of its Rules of Application.

According to the above mentioned rules the following main principles apply:

- Commercial banks in which the Council has current accounts selected by negotiated procedure (low value of contract).
- Bank accounts opened in the name of the Council may not be overdrawn. Treasury needs are estimated on a monthly basis and funds for payment execution are requested from the European Commission.
- The Council treasury does not borrow money and is thus not exposed to interest rate risk. However the bank accounts of the Council 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 Council bank accounts in 2018.
- All cash and cash equivalents are held in a financial institution bearing a "Premium and High Grade" external credit rating.

## 5.2.5 Non-current liabilities

### 5.2.5.1 Provision for employee benefits

	2018	2017
	EUR	EUR
<b>Employee Benefits - Net Liability</b>	<b>(5.636.057,65)</b>	<b>(7.492.205,17)</b>

The accounting policy for employee benefits has been updated in line with the requirements of the revised accounting rule EAR12 Employee Benefits, effective for periods beginning on or after 1 January 2018, following the publication of the new IPSAS 39 (employee benefits) in July 2016. The main change, arising from the revision of accounting rule 12, is the presentation of actuarial gains and losses as a movement in net assets instead of in the statement of financial performance.

The provision for employee benefits relates to the "PSMI" pension scheme of the former and current President and Secretaries-General. During 2018 the liabilities pertaining to the former and current President were transferred to the European Commission. Pension benefits of officials of the GSC are presented in the financial statements of the European Commission.

Employee Benefits	Long Term Liability 2018
	EUR
<b>Present value at 31.12.2017 (net of taxes and plan assets)</b>	<b>(7.492.205,17)</b>
<b>Via Statement of Financial Performance</b>	
Service/Normal Cost	(415.218,41)
Interest Cost	(116.878,40)
<b>Via Net Assets</b>	
Actuarial (gains) and losses from change in assumptions	87.864,79
Actuarial (gains) and losses from experience	1.864.553,52
<b>Other</b>	
Benefits Paid	435.826,02
<b>Present value at 31.12.2018 (net of taxes and plan assets)</b>	<b>(5.636.057,65)</b>

The PSMI is a notionally funded, defined benefit plan, valued using the Projected Unit Credit Method.

Current service costs are the increase in the present value of the defined benefit obligation arising from current member's service in the current period.

Interest costs are the increase during the period in the present value of the defined benefit obligation because the benefits are one period closer to settlement.

Actuarial gains and losses comprise:



- Experience adjustments (the effects of differences between the previous actuarial assumptions for 2018 and what has actually occurred in 2018); and
- Effects of changes in actuarial assumptions, either financial (such as projected salary increases) or demographic (such as mortality rates). These assumptions are inherently uncertain and therefore can show significant movements from year to year.

Benefits are paid during the year according to the rules of the scheme. These benefits paid lead to a decrease in the defined benefit obligation as they are no longer to be paid in the future.

## Actuarial Assumptions

<i>Actuarial Assumptions</i>	<i>PSMI</i>
<b>2018</b>	
<i>Nominal discount rate</i>	1,5%
<i>Expected inflation rate</i>	1,2%
<i>Real discount rate</i>	0,3%
<i>Expected rate of salary increases</i>	1,5%
<i>Retirement Age</i>	65 , 66
<b>2017</b>	
<i>Nominal discount rate</i>	1,6%
<i>Expected inflation rate</i>	1,4%
<i>Real discount rate</i>	0,2%
<i>Expected rate of salary increases</i>	(0,4)%
<i>Retirement Age</i>	65 , 66

The Normal Discount Rate (NDR) is determined as the zero-coupon yield curve spot rate of euro area central government's bonds with maturity in 14 years (the same as the duration of the scheme).

The Inflation Rate (IR) is implicit inflation from a comparison of euro area central government's bonds with maturity in 14 years (the same as the duration of the scheme).

Real Discount Rate (RDR) is calculated as follows:  $RDR = (1+NDR)/(1+IR) - 1$

## Sensitivity analysis

A ten basis point (0,1%) change in assumed discount rate would have the following effect:

	<b>0,1% increase</b>	<b>0,1% decrease</b>
	<b>€</b>	<b>€</b>
<i>Defined Benefit Obligation - 2018</i>	(80.063,09)	81.644,27
<i>Defined Benefit Obligation - 2017</i>	(112.857,79)	115.124,81

A ten basis point (0,1%) change in expected salary increases would have the following effect:

	0,1% increase €	0,1% decrease €
Defined Benefit Obligation - 2018	71.257,31	(70.130,77)
Defined Benefit Obligation - 2017	99.720,23	(98.123,04)

A one year change in assumed retirement age would have the following effect:

	1 year increase €	1 year decrease €
Defined Benefit Obligation - 2018	(92.568,69)	51.775,92
Defined Benefit Obligation - 2017	(96.334,87)	97.506,06

**Methods and assumptions for sensitivity analyses** - Simulations are made changing, ceteris paribus, the value of the concerned assumptions and observing how the model reacts.

**Information about maturity profile of the DBO** - The estimated duration of the scheme is 14 years (using the McCauley formula).

#### 5.2.5.2 Other financial liabilities

This item relates to the long term financial obligations (payable after 2019) further to the contract the Council signed with Luxembourg, for the occupation of the ECCL (European Convention Centre Luxemburg) for an unlimited period of time, but for at least 35 years.

The original financial obligation amounted to EUR 54.016.109,42. It is reimbursable by means of 35 yearly equal instalments, including interest, and is payable on 1 December of each year. The Council has the right, at any time, to pay additional reimbursements of the occupation allowance.

In 2018 the Council paid the instalments for the year plus an additional reimbursement of EUR 1.033.000,00.

The payable amount for 2019 is included under Current liabilities and given below.

Description	Future amounts to be paid			Total Liability
	< 1 yr	1 - 5 yrs	> 5 yrs	
	EUR	EUR	EUR	EUR
ECCL Building	530.580,96	2.100.883,83	12.119.846,38	14.751.311,17
<b>Total at 31.12.2018</b>	<b>530.580,96</b>	<b>2.100.883,83</b>	<b>12.119.846,38</b>	<b>14.751.311,17</b>
Interest element	(240.794,27)	(866.542,57)	(860.560,09)	(1.967.896,93)
<b>Total Future Minimum Lease Payments at 31.12.2018</b>	<b>289.786,69</b>	<b>1.234.341,26</b>	<b>11.259.286,29</b>	<b>12.783.414,24</b>
<i>Total Future Minimum Lease Payments at 31.12.2017</i>	<i>305.475,20</i>	<i>1.301.166,20</i>	<i>12.515.248,04</i>	<i>14.121.889,44</i>

## 5.2.6 Current liabilities

### 5.2.6.1 Current provisions

	2018	2017
	EUR	EUR
<i>Legal Cases</i>	(2.026.000,00)	(2.663.600,00)
<b>Total</b>	<b>(2.026.000,00)</b>	<b>(2.663.600,00)</b>

The provision for legal cases covers estimated costs for lost cases not yet claimed by the third party and ongoing legal cases.

### 5.2.6.2 Current financial liabilities

This item relates to the amount payable in 2019 for the finance lease obligations arising from the lease on the ECCL.

### 5.2.6.3 Accounts payable

	2018	2017
	EUR	EUR
<i>Current Payables Vendor</i>	(8.146.589,70)	(7.488.209,34)
<i>Current payables with consolidated entities</i>	(163.498,98)	(131.952,68)
<i>Sundry Payables</i>	(117.169,68)	(81.611,70)
<i>Accounts payable with consolidated entities</i>	(100.000,00)	(100.000,00)
<b>Total</b>	<b>(8.527.258,36)</b>	<b>(7.801.773,72)</b>

Current payables vendors relate to suppliers' invoices, received in 2018 but not yet paid.

Sundry payables include payables towards staff and various payables to third parties.

	2018	2017
	EUR	EUR
<i>Accrued charges</i>	(24.292.951,13)	(17.883.808,80)
<i>Deferred Income</i>	(21.609,67)	(52.303,05)
<i>Accrued charges with consolidated entities</i>	(10.568.704,41)	(4.738.185,98)
<i>Deferred income with consolidated entities</i>	(24.994,45)	(74.192,74)
<b>Total</b>	<b>(34.908.259,66)</b>	<b>(22.748.490,57)</b>

Accrued charges include, among others, supplier invoices to be received (7 m). and the value of the stock of untaken leave and supplementary hours (5,9 m). In addition, the final balance in respect of the Europa Building remains unpaid at 31.12.2018 (4,1 m).

Deferred income includes income concerning 2019 that was already invoiced and/or received in 2018.

Accrued charges and accounts payable with consolidated EU entities include interpretation costs for 2018 to be paid in 2019 (10,4 m).

## 5.2.7 Net Assets/liabilities

	2018	2017
	EUR	EUR
<b>Balance brought forward</b>	<b>577.532.710,87</b>	<b>611.273.872,76</b>
<i>Re-measurements in employee benefits liability</i>	1.952.418,32	-
<i>Economic Result of the year</i>	(56.812.672,82)	(33.741.161,89)
<b>Balance carried forward</b>	<b>522.672.456,37</b>	<b>577.532.710,87</b>

Following the changes to EUAR12 Employee Benefits, annual movements due to changes in actuarial assumptions are now taken directly to net assets. The Council has no fair value or other reserves.

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## 5.3 Notes to the Statement of Financial Performance

The statement of financial performance includes all revenues and expenses that are recognised in 2018, i.e. the period in which the generating (economic) event took place.

### 5.3.1 Non-exchange revenues

Revenue from staff relates mainly to withholdings on salary payments such as income tax and pension contributions. It also includes the transfer of pension rights by staff.

Revenue from funding institutions refers to the funds received from the European Commission.

Other non-exchange revenue relates mainly to accrued revenues from member states as a result of the un-spent part of the "envelopes" paid for their delegates travel expenses.

### 5.3.2 Exchange revenues

Income from other exchange operations relates mainly to interpretation costs charged to member states.

Income from consolidated EU entities relates to services provided and costs charged to other EU institutions.

### 5.3.3 Expenses

Staff and pension costs relates mainly to salaries and staff allowances. It also includes the employers part of sickness insurance costs.

Changes in employee benefits relates to the change in the provision for employee benefits (pension). Details are given in note 5.2.5.1

Finance costs relate to the interest costs for the finance lease of the ECCL in Luxembourg.

	2018	2017
	EUR	EUR
<i>Interest on ECCL Finance Lease</i>	276.696,55	308.956,63
<i>Interest on Late Payment</i>	-	1.351,64
	276.696,55	310.308,27
<i>EUROPA - Interest Payable to Régie des Bâtiments</i>	-	2.583.946,99
<i>EUROPA - Interest received and recognised as revenue in previous years</i>	-	4.810.652,36
<i>Bank Charges</i>	3.440,06	3.669,56
	3.440,06	7.398.268,91
<b>TOTAL</b>	<b>280.136,61</b>	<b>7.708.577,18</b>

Property, plant and equipment related expenses include depreciation of fixed assets, impairment losses and losses on disposals as well as building expenses with 3rd parties (energy, rents, insurance, maintenance etc.).

Other includes the travel expenses of the member states' delegates, IT costs, mission costs of staff and other administrative costs.

Other expenses from consolidated entities relate to costs for interpretation services and official publications.

The total Research and Development costs during 2018 amounted to €5.1 M (2017 - €4,2 M).

## 5.4 Contingent assets and liabilities

	2018	2017
	EUR	EUR
<i>Suppliers guarantees received</i>	4.423.094,27	4.627.333,13
<b>Total</b>	<b>4.423.094,27</b>	<b>4.627.333,13</b>

Performance guarantees are requested to ensure that the suppliers of the European Council & Council meet the obligations of their contracts with the institutions.

	2018	2017
	EUR	EUR
<i>Provision for legal cases</i>	31.100.000,00	33.050.000,00
<b>Total</b>	<b>31.100.000,00</b>	<b>33.050.000,00</b>

Contingent Liabilities for legal cases relate to actions for damages currently being brought against the Council and other legal disputes. 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, actual harm suffered by the applicant, and a direct causal link between the unlawful act and the harm.

### Other significant disclosures:

	2018	2017
	EUR	EUR
<i>Legal commitments (for which budget commitments have not yet been made)</i>	(28.028.032,71)	(22.254.965,02)
<i>Operating lease commitments in coming year</i>	(2.357.531,26)	(3.083.492,97)
<i>Précompte Immobilier and regional tax ( on operating lease)</i>	-	(28.939,78)
<i>Legal commitments for which budget commitments were made but which have not yet been executed (RAL)</i>	(25.022.990,67)	(41.467.192,36)
<b>Total</b>	<b>(55.408.554,64)</b>	<b>(66.834.590,13)</b>

## 5.5 Long term operating leases

		< 1 yr	1 - 5 yrs	> 5 yrs	
	2018	2019	2019-2023	2024 ->	Total 2019 ->
<i>Vehicles</i>	290.913,58	306.176,03	243.913,56		550.089,59
<i>Buildings</i>	247.409,00	243.700,00	1.218.500,00	345.241,67	1.807.441,67
<b>Total</b>	<b>538.322,58</b>	<b>549.876,03</b>	<b>1.462.413,56</b>	<b>345.241,67</b>	<b>2.357.531,26</b>

At 31 December the only remaining building lease was the Service Level Agreement concluded with the European Commission for the long term rental of space in their Neder-Over-Hombeek warehouse.

Elements of operating lease liability include building taxes. These are not separately identifiable for the purposes of reporting.



## 6. RECONCILIATION BETWEEN ECONOMIC AND BUDGETARY RESULT

Under the Financial Regulation (FR) applicable to the general budget of the European Union<sup>1</sup>, the accounting system consists of general accounts and budgetary accounts, presented and kept in euros, each following different principles. Furthermore, 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 received, also the carry-overs are included.

<b>Economic result 2018</b>	<b>(56.812.672,82)</b>
<b>Adjustment for accrual items (items not in the budgetary result but included in the economic result)</b>	
<i>Adjustments for Accrual Cut-off (reversal 31.12.2017)</i>	3.994.592,70
<i>Adjustments for Accrual Cut-off (cut-off 31.12.2018)</i>	2.234.304,74
<i>Funds received from Commission booked in the statement of financial performance</i>	(457.000.000,00)
<i>Unpaid invoices at year end but booked in charges (class 6)</i>	9.674.428,52
<i>Depreciation of intangible and tangible fixed assets</i>	56.560.639,86
<i>Provisions</i>	(145.986,57)
<i>Value reductions</i>	152.218,34
<i>Recovery Orders issued in 2018 in class 7 and not yet cashed</i>	(788.676,87)
<i>Prefinancing given in previous year and cleared in the year</i>	45.215,60
<i>Prefinancing received in previous year and cleared in the year</i>	(171.423,95)
<i>Payments made from carry over of payment appropriations</i>	43.269.944,93
<i>Exchange rate differences</i>	36.635,19
<b>Adjustment for budgetary items (item included in the budgetary result but not in the economic result)</b>	
<i>Asset acquisitions (less unpaid amounts)</i>	(14.346.979,61)
<i>New pre-financing paid in the year 2018 and remaining open as at 31.12.2018</i>	(10.082,81)
<i>New pre-financing received in the year and remaining open as at 31.12.2018</i>	0,00
<i>Budgetary recovery orders issued before 2018 and cashed in the year</i>	1.389.953,38
<i>Capital payments on financial leasing (they are budgetary payments but not in the economic result)</i>	(1.338.475,20)
<i>Payment appropriations carried over to 2019</i>	(79.775.658,93)
<i>Cancellation of unused carried over payment appropriations from previous year</i>	8.982.442,06
<i>Carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue</i>	23.003.500,58
<i>Payments for pensions</i>	(443.854,95)
<i>Payments for stocks of leave and supplementary hours</i>	535.261,26
<i>Other</i>	11,61
<b>Budgetary result 2018</b>	<b>(460.954.662,94)</b>

<sup>1</sup> For the underlying transactions in these accounts Regulation No. 966/2012

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The budgetary result 2018 is calculated as follows:	
<i>Recovered revenues 2018</i>	78.594.332,86
<i>Recovered revenues 2018 accrued before 2018</i>	1.452.789,80
<i>Commitments 2018 (payments and carry-overs)</i>	(526.545.514,39)
<i>Cancelled appropriations carried over from 2017</i>	8.982.442,06
<i>Appropriations from assigned revenues 2018</i>	(23.709.287,89)
<i>Cancelled appropriations assigned revenues carried over from 2017</i>	270.574,62
<b><i>Budgetary result 2018</i></b>	<b>(460.954.662,94)</b>