

FINAL ANNUAL ACCOUNTS

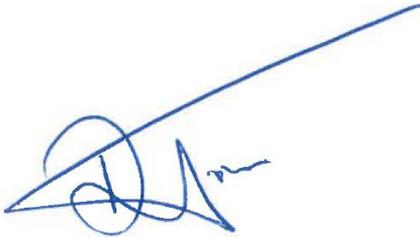
Financial Statements & Reports on the Implementation of the Budget

Financial Year 2018

Europol Public Information

These final accounts have been prepared and signed off by the Accounting Officer and adopted by the Executive Director in accordance with Article 50 of the Financial Regulation applicable to Europol.

The Accounting Officer of Europol shall send these final accounts to the Accounting Officer of the European Commission, the European Court of Auditors, the European Parliament and the Council by 1 July 2019 in accordance with Article 60 of the Europol Regulation and Article 99 of the Financial Regulation applicable to Europol.

A handwritten signature in blue ink, appearing to be 'RT', with a long diagonal line extending upwards and to the right from the end of the signature.

Rebecca Topham, 13 June 2019
The Accounting Officer of the
European Union Agency for Law Enforcement Cooperation (Europol)

A handwritten signature in blue ink, appearing to be 'C De Bolle', with a large, sweeping oval shape on the left side and a horizontal line extending to the right from the end of the signature.

Catherine De Bolle, 14 June 2019
The Executive Director of the
European Union Agency for Law Enforcement Cooperation (Europol)

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CERTIFICATE

The final annual accounts of Europol for the year 2018 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by the European Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings, and in accordance with Title IX of the Financial Regulation applicable to Europol.

I acknowledge my responsibility for the preparation and presentation of the final annual accounts of Europol in accordance with Article 68 of the Financial Regulation applicable to the general budget of the European Union and with Article 99 of the Financial Regulation applicable to Europol.

I have obtained from the Authorising Officer, who certified its reliability, all the information necessary for the production of the final accounts that show the assets and liabilities of Europol 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 reasonable assurance that the final accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of Europol.



Rebecca Topham
The Accounting Officer of the
European Union Agency for Law Enforcement Cooperation (Europol)

INTRODUCTION

Basis for preparation

As a general rule, all aspects of the final annual accounts 2018 have been drawn up in accordance with the Financial Regulation applicable to Europol adopted by Europol's Management Board and with the European Commission's accounting rules and methods adopted by the European Commission's Accounting Officer following the principles of accrual-based accounting. The budgetary implementation reports are prepared on the basis of the modified cash-based accounting principle.

The final accounts of Europol include the financial statements and the budgetary implementation reports. They are drawn up by the Accounting Officer in accordance with Article 99 of the Financial Regulation applicable to Europol.

The financial statements comprise of the balance sheet, statement of financial performance, cash-flow statement and statement of changes in net assets. The notes to the financial statements supplement and comment on the information presented in the statements.

The objective of the financial statements is to provide information about the financial position, performance and cash-flows of Europol to demonstrate the accountability of the agency for the resources entrusted to it.

Throughout this document, figures are rounded so the sum of the individual amounts may differ from the totals.

Reporting entity

Regulatory context

Europol's work is founded on the Europol Regulation (Regulation 2016/794) which became applicable in full in May 2017, taking effect in all EU Member States that are part of the Europol cooperation framework. The Europol Regulation enables Europol to step up its efforts to fight terrorism, cyber-crime and other serious and organised forms of crime, while, at the same time, enhancing Europol's governance and accountability arrangements towards the European Parliament, in particular by establishing the Joint Parliamentary Scrutiny Group (JPSG) in order to introduce national parliament oversight by EU Member States.

Europol's Strategy 2020+, including the mission, vision and values was endorsed by the Management Board of Europol at the end of 2018, and is directly linked to the objective of Europol as laid out in Article 88 of the Treaty of the European Union, i.e. "to support and strengthen action by the Member States' police authorities and other law enforcement services and their mutual cooperation in preventing and combating serious crime affecting two or more Member States, terrorism and forms of crime which affect a common interest covered by a Union policy."

Mission

Europol's mission is to support its Member States in preventing and combating all forms of serious international and organised crime, cybercrime and terrorism.

Vision

Europol's vision is to ensure an effective EU response to the threats of serious international and organised crime, cybercrime and terrorism in the EU, by acting as the principal information hub, delivering agile operational support and providing European policing solutions in conjunction with our network of partners.

Values

In line with Europol's vision and mission, the following organisational values guide the conduct, activities and goals of Europol:

- **Service:**
We treat our colleagues and our cooperation partners in Member States and beyond with diligence, aiming to deliver the best service possible, in order to address their needs effectively and efficiently.
- **Integrity:**
We uphold strong moral principles and do the right thing in a reliable way. Our Code of Conduct sets out the framework for our ethics.
- **Accountability:**
We accept responsibility for our proposals, actions and decisions, and we are willing to align our behaviour with the needs, priorities and goals of the organisation.
- **Initiative:**
We continuously strive to improve performance by doing or promoting new things relevant to our specific area and for the organisation and our partners.
- **Partnership:**
We build sustainable relations across the law enforcement community and beyond, increasing innovation and knowledge, to provide agile operational support to Member States and cooperation partners.
- **Diversity:**
We foster diversity in the workplace and uphold an inclusive corporate culture and conditions where all staff members have equal opportunities to develop and contribute to the success of the organisation.

Nature of Europol's work

Europol uses its unique information capabilities and the expertise of its staff and the Liaison Bureaux community of Member States and cooperation partners hosted at Europol to identify and track the most dangerous criminal and terrorist networks in Europe. Law enforcement authorities in the EU rely on the work and services of Europol's 24/7 operational centre and secure information network, as well as strategic and operational analysis and support, including on-the-spot deployments covering the full range of Europol's capabilities.

The European Counter Terrorism Centre (ECTC) at Europol, including the Internet Referral Unit (IRU) to tackle unprecedented levels of terrorism propaganda online, provides a focal point for joint cooperation at EU level, aimed at supporting national counter terrorism efforts.

The European Cybercrime Centre (EC3) at Europol has become the central platform in the EU's fight against cybercrime, contributing to an enhanced response to criminal activity online.

Europol Public Information

The European Serious Organised Crime Centre (ESOCC), which incorporates the European Migrant Smuggling Centre (EMSC), supports EU Member States to deliver operational results to address the EU crime priorities: Drug trafficking, facilitation of illegal immigration, organised theft and burglary, trafficking in human beings, excise and Missing Trader Intra-Community (MTIC) fraud, firearms trafficking, criminal finances document fraud and financial as well as environmental crime.

From an overall perspective, Europol's work contributes to the disruption of criminal and terrorist networks, to the arrest of thousands of dangerous criminals, to the recovery of millions of Euro in criminal proceeds, and to the rescue from harm of hundreds of victims, including children trafficked for sexual exploitation. Europol also acts as a major centre of expertise in key fields of law enforcement activity and as a European centre for strategic analysis on organised crime.

Reporting about the progress of Europol's work in 2018

The Consolidated Annual Activity (CAAR) 2018 provides a full account of Europol's progress in relation to the multi-annual strategic goals and objectives, as defined in the Europol Strategy, and the objectives contained in the 2018 Work Programme.

Withdrawal of the United Kingdom from the EU

On 29 March 2017, in accordance with Article 50 of the Treaty on European Union (TEU), the European Council was notified of the United Kingdom's intention to withdraw from the European Union and the European Atomic Energy Community (EURATOM). At present, negotiations on the withdrawal arrangements are ongoing. Against this background, the final annual accounts of Europol for the financial year 2018 do not include accounting provisions related to this circumstance, as a potential impact on the financial situation of Europol was not quantifiable at the year-end 2018.

FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS	Note	31.12.2018	31.12.2017
NON-CURRENT ASSETS		36,569,634	32,973,656
Intangible fixed assets	2.1.	14,665,145	9,921,077
Computer software		4,562,240	3,041,037
Computer software under Financial lease		415,928	-
Under construction		9,686,977	6,880,040
Tangible fixed assets	2.1.	21,897,574	23,045,664
Land and buildings		8,107,094	8,570,688
Plant and equipment		208,348	301,034
Computer hardware		6,675,601	6,769,321
Furniture and vehicles		1,898,752	1,964,693
Other fixtures and fittings		2,859,796	4,202,676
Assets under financial lease		2,147,983	1,237,252
Non-current receivables and recoverables	2.2.	6,915	6,915
Long-term receivables		6,915	6,915
CURRENT ASSETS		36,818,216	26,387,203
Short-term pre-financing	2.3.	3,668,008	2,179,198
Short-term pre-financing		5,006,458	8,492,261
Accrued charges on pre-financing		-1,338,450	-6,313,064
Short-term Receivables		7,473,783	5,336,876
Current receivables	2.4.	2,712,374	1,404,619
Sundry receivables	2.5.	215,262	325,619
Other receivables: Accrued income	2.6.	32,880	43,379
Deferred charges	2.6.	4,481,058	3,563,199
Receivables with consolidated EU entities	2.7.	32,208	60
Cash and cash equivalents	2.8.	25,676,425	18,871,130
TOTAL ASSETS		73,387,850	59,360,859
LIABILITIES			
NON-CURRENT LIABILITIES		5,796,762	4,877,110
Pensions and other employee benefits	2.9.	3,199,584	3,330,986
Provisions for risks and charges		-	-
Other liabilities	2.10.	2,597,178	1,546,124
CURRENT LIABILITIES		13,422,097	10,518,267
Provisions for risks and charges	2.11.	17,000	17,000
Financial liabilities	2.12.	632,081	379,101
Payables		12,773,017	10,122,166
Current payables	2.13.	46,232	11,175
Sundry payables	2.14.	335,695	397,367
Other payables: Accrued charges	2.15.	5,316,154	4,264,937
Deferred income	2.15.	15,871	30,668
Accrued charges with consolidated EU entities	2.15.	178,341	365
Accounts payable with consolidated EU entities	2.16.	6,880,724	5,417,655
NET ASSETS		54,168,990	43,965,482
Accumulated surplus/deficit		43,965,482	37,240,973
Economic result of the year		10,203,508	6,724,509
TOTAL LIABILITIES		73,387,850	59,360,859

STATEMENT OF FINANCIAL PERFORMANCE

	Note	31.12.2018	31.12.2017
REVENUE	3.1.	132,857,030	120,259,651
Non-exchange revenue			
European Union Contribution ¹		129,045,225	118,249,459
Other Grants		910,881	-
Other non-exchange revenue		2,617,214	1,794,500
Exchange revenue		283,710	215,692
EXPENDITURE	3.2.	122,653,521	113,535,141
Operational		23,803,025	24,091,911
Administrative:		98,844,814	89,433,601
Staff		72,280,056	65,105,595
Fixed asset-related		8,760,465	7,802,243
Other		17,804,293	16,525,764
Financial expenditure		5,682	9,629
SURPLUS/DEFICIT FROM ORDINARY ACTIVITIES		10,203,508	6,724,509
Extraordinary gains		-	-
Extraordinary losses		-	-
SURPLUS/DEFICIT FROM EXTRAORDINARY ITEMS		-	-
ECONOMIC RESULT OF THE YEAR		10,203,508	6,724,509

¹ Includes the Delegation Agreement and Hotspot II Grant Agreement.

CASH FLOW STATEMENT

	Note	31.12.2018	31.12.2017
Economic result of the year		10,203,508	6,724,509
Operational activities			
Amortisation (intangible fixed assets)		1,255,689	1,090,467
Depreciation (tangible fixed assets)		7,504,776	6,685,193
Increase (-)/Decrease in provisions for risks and charges		-	-14,000
Increase (-)/Decrease in short-term pre-financing		-1,488,810	-16,126
Increase (-)/Decrease in short-term receivables		-2,104,759	-796,277
Increase (-)/Decrease in receivables related to consolidated EU entities		-32,148	1,781
Increase(-)/Decrease in other long-term liabilities		1,051,054	220,200
Increase (-)/Decrease in accounts payable		1,187,782	-460,604
Increase (-)/Decrease in liabilities related to consolidated EU entities		1,463,069	-3,035,393
Other non-cash movements		252,979	-13,831
Net cash-flow from operational activities	4.1	19,293,140	10,385,920
Investing activities			
Increase (-) of tangible and intangible fixed assets		-12,396,722	-10,498,104
Proceeds from tangible and intangible fixed assets		40,278	693,128
Net cash-flow from investing activities	4.2	-12,356,444	-9,804,976
Increase/decrease (-) in pension and employee benefits liability	4.3	-131,401	-1,450,975
Net increase/decrease (-) in cash and cash equivalents		6,805,295	-870,031
Cash and cash equivalents at the beginning of the year		18,871,130	19,741,161
Cash and cash equivalents at year-end		25,676,425	18,871,130

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Surplus/ Deficit	Economic result of the year	Net Assets (Total)
Balance as at 31 December 2017	37,240,973	6,724,509	43,965,482
Changes in accounting policies	-	-	-
Balance as at 1 January 2018	37,240,973	6,724,509	43,965,482
Allocation of the economic result of previous year	6,724,509	-6,724,509	-
Economic result of the year 2018	-	10,203,508	10,203,508
Balance as at 31 December 2018	43,965,482	10,203,508	54,168,990

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. Accounting rules

These financial statements are prepared on the basis of the EU Accounting Rules as adopted by the Commission's Accounting Officer which adapt the International Public Sector Accounting Standards (IPSAS) and in some cases the International Financial Reporting Standards (IFRS) to the specific environment of the EU, while the reports on the implementation of the budget continue to be primarily based on movements of cash.

The accounting system of Europol 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.² 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 as at 31 December.

Europol's financial statements have been drawn up using the methods of preparation as set out in the accounting rules laid down by the European Commission's Accounting Officer.

1.2. Accounting principles

The objectives of the financial statements are to provide information about the financial position, performance and cash flows of Europol that is useful to a wide range of users. For a public sector entity such as Europol, 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.

Article 95 of the Financial Regulation applicable to Europol sets out the accounting principles to be applied in drawing up the financial statements.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting rule 1 and are the same as those described in IPSAS 1, that is:

Fair presentation

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in European Commission's Accounting Rules. The application of European Commission's Accounting Rules, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

² This differs from cash-based accounting because of elements such as carry forward commitments.

Accrual Basis

In order to meet their objectives, financial statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements in the periods to which they relate.

Going concern basis

When preparing financial statements an assessment of an entity's ability to continue as a going concern shall be made. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. These financial statements have been prepared in accordance with the going concern principle, which means that Europol is deemed to have been established for an indefinite duration.

Consistency of presentation

According to this principle the presentation and classification of items in the financial statements shall be retained from one period to the next.

Aggregation

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

Offsetting

Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an EU Accounting rule.

Comparative Information

Except when an EU Accounting Rule permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable).

1.3. Basis of preparation

1.3.1. Currency and basis for conversion

Functional and reporting currency

The financial statements are presented in Euro, which is the functional and reporting currency of the EU and of Europol (Article 21 of the Financial Regulation applicable to Europol).

Transactions and balances in foreign currencies

Foreign currency transactions are recorded using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or from the translation of monetary items in foreign currency into Euro at the year-end are recognised in the Statement of Financial Performance.

Chart of Accounts

The chart of accounts used by Europol follows the structure of the chart of accounts of the European Commission.

Use of estimates

Preparation of the financial statements in conformity with generally-accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect reported amounts presented and disclosed in the Financial Statements of Europol. Significant estimates and assumptions in these financial statements require judgment and are used for, but not limited to, accrued income and charges, provisions, contingent assets and liabilities. Actual results reported in future periods may be different from these estimates. Changes in estimates are reflected in the period in which they become known.

1.4. Balance Sheet

Assets are resources controlled by Europol as a result of past events and from which future economic benefits or service potential are expected to flow.

1.4.1. Intangible fixed assets

Intangible assets are identifiable non-monetary assets without physical substance. Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement.

Currently Europol uses a 25% amortisation rate for its intangible assets.

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life (EU Accounting Rule 6).

Internally-generated intangible assets are capitalised when the relevant criteria of the EU Accounting rules are met. The costs that meet these criteria 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 associated with research activities, development costs that do not meet the criteria to be capitalised and maintenance costs are recognised as expenses as incurred.

1.4.2. Tangible fixed assets

All tangible fixed assets (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 Europol 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.

Assets under construction are not depreciated as these assets are not yet available for use.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life (EU Accounting Rule 7).

The depreciation is calculated using the straight-line method. Please see note 2.1. for the rates.

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the Statement of Financial Performance.

1.4.3. Leases

Leases of intangible and tangible assets, where Europol has (substantially) all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The rental obligations, net of finance charges, are included in other liabilities (non-current and current). The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are amortised/depreciated over the shorter of the assets' useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the period of the lease. As at the year-end 2018, Europol had no operating leases.

1.4.4. Pre-financing amounts

The initial recognition of pre-financing is based on the original amount received or given. Subsequent recognition is based on the original amount received or given, less eligible expenses, including estimated amounts where necessary, incurred during the period (EU Accounting Rule 3).

1.4.5. Receivables

Receivables are carried at the original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that Europol will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the Statement of Financial Performance.

See note 1.4.10 below concerning the treatment of accrued income at year-end.

1.4.6. Cash and cash equivalents

Cash and cash equivalents are financial instruments and classified as available for sale financial assets. They include cash at hand and deposits held at call with banks.

1.4.7. Pensions and other employee benefits

The Staff Regulations of Officials of the European Communities provide for various employee benefits (retirement pensions, invalidity pensions, survivors' pensions, medical insurance) for staff in service, invalidated staff and retired staff.

Each year of service performed by European Commission employees entitles them to various benefits (sickness, retirement, etc.). These benefits, which they will receive after a period of activity, constitute a commitment on the part of the European Communities which must be entered in the accounts. The arrival of new staff, the retirement of serving staff, and changes in interest rates or in mortality tables are all factors or assumptions that have a direct influence on the valuation of those commitments. The commitments are constantly changing and must be valued at the close of each reporting period.

The principle underlying all the detailed requirements of the applicable accounting rule is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable. The principal objectives of post-employment accounting are to measure the cost associated with employees' benefits and to recognise that cost over the employees' respective service periods. The periodic costs of post-employment plans have to be assigned properly to the periods in which the related economic benefits are received by the employers incurring these costs.

1.4.8. Provisions

Provisions are recognised when Europol 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. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.4.9. Payables

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 Europol.

1.4.10. 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 transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines which aim at ensuring that the financial statements reflect a true and fair view.

Revenue is also accounted for in the period to which it relates. At the year-end, if an invoice is not yet issued but the service has been rendered/goods have been delivered by Europol or a contractual agreement exists, accrued income is recognised in the financial statements.

In addition, at the 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 or charges will be deferred and recognised in the subsequent accounting period.

1.5. Statement of Financial Performance

Revenue and expenditure are accounted for in accordance with the principle of accrual-based accounting.

1.5.1. Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

Non-exchange revenue makes up the vast majority of Europol's revenue and includes mainly the EU subsidy and own resource amounts.

Exchange revenue is revenue from fees, mission reimbursements, gains from fixed asset disposals, bank credit interest and exchange rate conversion gains.

1.5.2. Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets. Distributions of the result of the year are not considered as expenses.

According to the principle of accrual-based accounting, the financial statements take account of expenditure relating to the reporting period, without taking into consideration the payment date; meaning when the goods or services were delivered/provided.

1.6. Contingent Assets and Liabilities

1.6.1. Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Europol. It is not recognised because the amount of the obligation cannot be measured with sufficient reliability. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.6.2. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Europol; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

2. NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

2.1. Intangible and tangible fixed assets

During 2018 Europol's fixed assets increased by € 9,6M. The Host State carried out a number of additional works within the Europol Headquarters in order to meet the business demands of the organisation. These works were executed by contractors for the Host State, which in turn invoiced Europol. The total amount delivered in 2018 and fulfilling the recognition criteria for fixed assets as defined in Accounting Rule 7 amounted to € 473K compared to the € 577K in 2017.

In 2018 Europol finalised 2 disposal procedures involving 204 configuration items. These disposal procedures resulted in a retirement of assets with an initial acquisition value of € 256.5K and a book value of € 42K. These disposals can be found categorised as follows:

Asset class	Reason for disposal	No of items
Computer hardware	Sold to supplier	199
Computer hardware	Lost ³	5

In accordance with EU Accounting Rule 6 regarding internally-generated intangible fixed assets, Europol kept its threshold at € 200K.

There were a total of eighteen ICT development projects run in 2018, of which nine reached (or were estimated to reach) the threshold set for capitalisation; two were finalised and released in 2018 and the other seven are scheduled to be finalised in 2019 and 2020. One project previously under construction was classified as finalised in 2018.

³ Items lost during transmission from Member States by Courier service and Europol was therefore compensated.

Europol Public Information

Research and development cost

Europol used its time-tracking system as a basis for the calculations. In the time-tracking system, each staff member and external consultant working within the project recorded the hours worked with a link to the task performed. The tasks have been split into two phases; research and development. In addition to this, the tasks within the development phase were split into two categories depending on their nature. This was done in accordance with EU Accounting rule 6; costs directly qualifying for capitalisation and costs expensed for the given year. For the calculation of Europol employees' costs, the average staff costs per category (AD, AST and CA) provided by the European Commission were used as a basis.

The result:

Non-capitalised cost	Research cost	Non-capitalised development cost
Eight projects		
Cost of the year	-	607,718

In-house ICT projects capitalised as at 31.12.2018	Research cost	Capitalised development cost
Eight projects		
Cost of the year	-	7,691,897

Projects under construction as at 31.12.2018	Research cost	To be capitalised development cost
Nine projects		
Cost of the year	-	9,686,977

Leasing

Leases of tangible and intangible assets, where Europol has (substantially) all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to expenditure over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

In 2018 Europol has opted for finance leases to purchase computer hardware and IT storage and software. Europol has registered these leases as fixed assets under the asset classes for computer hardware (under finance lease) and computer software (under finance lease). The financing costs for the 5 year lease period amounts to € 159,430. The depreciation period for the leasing fixed assets is 4 years.

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Amounts payable under finance leases	Minimum lease payments €	Future finance charges €	Present value of minimum lease payments €
Within one year (current portion)	922,159	- 70,678	851,481

Depreciation

The depreciation rates used by Europol can be found in the table below:

Type of asset	Rate
Intangible (computer software)	25%
Leasehold improvements	25%
Buildings	4%
Plant and equipment	12.5%
Computer hardware	25%
Vehicles	25%
Furniture	10%
Kitchen, cafeteria equipment	12.5%
Telecommunication and audio-visual equipment	25%

Details of the intangible and tangible fixed assets can be found on the next two pages.

Intangible fixed assets

Year 2018	Internally-generated computer software	Other computer software	Total computer software	Under Financial Lease	Under construction	Total
Gross carrying amounts 01.01.2018	4,974,423	13,403,394	18,377,817	-	6,880,040	25,257,857
Additions	2,717,474	-	2,717,474	475,346	2,806,938	5,999,758
Disposals	-	-	-	-	-	-
Gross carrying amounts 31.12.2018	7,691,897	13,403,394	21,095,291	475,346	9,686,977	31,257,614
Accumulated amortisation and impairment 01.01.2018	-2,549,674	-12,787,106	-15,336,780	-	-	-15,336,780
Amortisation	-579,983	-616,289	-1,196,271	-59,418	-	-1,255,689
Disposals	-	-	-	-	-	-
Accumulated amortisation and impairment 31.12.2018	-3,129,657	-13,403,394	-16,533,051	-59,418	-	-16,592,469
Net carrying amounts 31.12.2018	4,562,240	-	4,562,240	415,928	9,686,977	14,665,145

Tangible fixed assets

Year 2018	Buildings	Plant and equipment	Computer hardware	Furniture and vehicles	Other fixtures and fittings	Under finance lease	Total
Gross carrying amounts 01.01.2018	11,759,574	1,120,911	32,172,506	5,541,708	17,258,247	1,787,852	69,640,798
Additions	74,303	21,068	3,263,611	457,700	849,383	1,730,900	6,396,964
Disposals	-	-	-	-	-42,021	-	-42,021
Other changes	-	-	-	-	-	-	-
Gross carrying amounts 31.12.2018	11,833,876	1,141,979	35,436,117	5,999,408	18,065,609	3,518,752	75,995,741
Accumulated depreciation and impairment 01.01.2018	-3,188,886	-819,877	-25,403,185	-3,577,015	-13,055,571	-550,600	-46,595,134
Depreciation	-537,897	-113,754	-3,357,331	-523,641	-2,151,985	-820,169	-7,504,776
Disposals	-	-	-	-	1,743	-	1,743
Other changes	-	-	-	-	-	-	-
Accumulated depreciation and impairment 31.12.2018	-3,726,782	-933,631	-28,760,516	-4,100,656	-15,205,813	-1,370,769	-54,098,167
Net carrying amounts 31.12.2018	8,107,094	208,348	6,675,601	1,898,752	2,859,796	2,147,983	21,897,574

2.2. Long-term receivables

The total amount relates to a guarantee/deposit paid for Europol's postal services.

CURRENT ASSETS

2.3. Short-term Pre-financing

The total gross amount relates to pre-financing paid out to the beneficiaries of grants from the budget for the European Multidisciplinary Platform against Criminal Threats (EMPACT) and to the Host State for the upgrade of the audio-visual equipment within Europol's headquarters:

Gross pre-financing	Amount
EMPACT grants	2,203,406
Host State	2,803,052
Total	5,006,458

The amount of estimated expenditure during 2018 (accrued charges) only relates to the EMPACT grants as the audio-visual equipment will be capitalised (not expensed) once it has been fully handed-over to Europol, which is foreseen in 2019.

2.4. Current receivables

	31.12.2018	31.12.2017
Open debtors (customers)	210	22,669
Open debtors (member states)	2,277,900	680,351
Open debtors (non-member states)	28,007	7,892
Open debtors (other)	20,502	18,260
VAT and other taxes	385,755	675,447
Total	2,712,374	1,404,619

Europol pays the invoices from local suppliers including VAT and claims (on invoices with a net amount of € 225 and above) a VAT refund from the Host State on a quarterly basis. The amount mentioned in the table above for VAT and other taxes relates only to the fourth quarter 2018 as the claim was only prepared and sent in 2019. However the significant increase (compared to 2017) in the amount mentioned for open debtors (member states) is mainly due to the Host State not settling Europol's claims for VAT during 2018.

2.5. Sundry receivables

	31.12.2018	31.12.2017
Staff – salary-related and mission advances	55,362	75,172
Other – expenditure to be allocated	159,901	250,447
Total	215,262	325,619

The amount for other expenditure to be allocated relates almost entirely (99.9%) to advance payments to Guest Officers deployed at Hotspots.

2.6. Other

	31.12.2018	31.12.2017
Accrued income	32,880	43,379
Deferred charges	2,825,925	3,563,199
Deferred charges with consolidated EU entities	1,655,133	
Total	4,513,938	3,606,578

The amount for accrued income relates to amounts recoverable by Europol relating to reimbursements and the outcome of one litigation case, but the debts towards Europol will only be recognised in the budget (revenue) 2019. Similarly the amount for deferred charges relates to invoices paid by Europol to suppliers in 2018, but relating to a period in 2019 (or beyond).

The deferred charges with consolidated EU entities can be broken down as follows:

EU Entity	Description of deferral	Amount
European Commission	Contribution to European School	1,652,147
Council of the EU	Rental of Europol Office in Brussels	2,986
Total		1,655,133

2.7. Short-term receivables with consolidated entities

This amount involves only one entity – European Border and Coast Guard Agency (FRONTEX) – and relates to the reimbursement of interpretation costs for a joint Management Board meeting.

2.8. Cash and cash equivalents

These relate only to bank accounts as follows:

	31.12.2018	31.12.2017
Europol current accounts	22,097,886	15,148,636
Savings account I ⁴	3,132,399	3,278,135
Savings account II ⁵	446,141 ⁶	444,359
Total	25,676,425	18,871,130

The increase in the cash balance on Europol's current accounts compared to 2017 is mainly due to the amending budget of € 5M to build up a decryption platform which was not spent as at 31.12.2018 and the receipt of € 1M relating to a new grant agreement between EUIPO⁷ and Europol in December 2018.

⁴ Ring-fenced for the planned assets for the defined benefit obligations. See notes under point 2.9. below.

⁵ Ring-fenced for the local staff pension fund. See notes under point 2.10. below.

⁶ Includes an amount of € 1,782 credit interest earned on Europol funds. Therefore, the actual balance for the local staff pension fund is € 444,359.

⁷ European Union Intellectual Property Office

NON-CURRENT LIABILITIES

2.9. Pensions and other employee benefits

Historic elements

In October 2015, the Council of the European Union decided⁸ to dissolve the Europol Pension Fund as of 1 January 2016 and to consider Europol as the legal successor of the fund in respect of all contracts concluded by, liabilities incumbent on and property acquired by the fund, and of claims of the fund towards third parties. In practice all the fund's assets and liabilities upon the closure of the fund were transferred to Europol.

The assets obtained are considered as Plan Assets (PA); the liabilities inherited are hereafter referred to as Defined Benefit Obligations (DBO). Due to the link with external assigned revenue (budget fund source R0) the PA can only be used by Europol to make payments related to the DBO. Under the DBO, Europol also recognises the surpluses remaining to be paid to Member States, pursuant to the principles upon which Article 58(5) of the Europol Decision were based and the surpluses remaining to be paid to former active participants of the fund or their lawful heirs.

Disclosure on DBO (Pursuant to EU Accounting Rule (EAR) 12⁹)

At the year-end 2018 Europol made an in-house actuarial assessment of the DBO, resulting in a decline of the residual DBO 2018 by € 131,401.37 to € 3,199,584.48.

The table below summarises the DBO 2017 and 2018:

	31.12.2018	31.12.2017
Pension liabilities payable	3,071,430	3,194,626
Surplus to Member States	63,911	67,866
Surplus to former participants (or lawful heirs)	64,243	68,494
Total	3,199,584	3,330,986

The DBO 2018 is set up in accordance with the actuarial assumption described in the Annex to the Council Decision on the dissolution of the Europol Pension Fund. This Annex does not refer to the most typical assumptions such as annual indexation, pensionable age, change of medical costs, etc. These typical assumptions were not required to be disclosed in the Annex as not changing over time. Therefore Europol only discloses those actuarial assumptions specifically referred to in the Annex. Some have changed during 2018 compared to 2017.

⁸ Council Decision (EU) 2015/1889 on the dissolution of the Europol Pension Fund as published in OJEU L/276, 21.10.2015 pages 60-64.

⁹ Europol, following a proposal thereto by the European Commission's Accounting Officer, decided not to provide a restatement of the 2017 comparative figures that would be required due to the first time application of the updated EAR 12 (based on IPSAS39).

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	31.12.2018	31.12.2017
Discount Rate	DNB ¹⁰ 2018	DNB 2017
Actuarial value for deferred pensioners or persons not entitled to a pension	Max value of pension, transfer right or severance grant	Max value of pension, transfer right or severance grant
Mortality table (healthy people)	EULT 2018 ¹¹	ICSLT 2013
Mortality table (invalids)	EULT 2018 + 3 years	ICSLT 2013 + 3 years
Marriage rate when leaving service	Real situation	Real situation
Age difference between spouses	Real situation	Real situation
Future administrative costs	NPV¹² of foreseeable costs	NPV of foreseeable costs

The change in DBO 2018 compared to 2017 is a result of the positive change in the DNB rate (financial assumption) and the negative mortality table/medical cost adjustment (demographic actuarial assumptions), aside the further decrease due to benefits paid in 2018 can be detailed as follows:

	31.12.2018
Balance 31.12.2017	3,330,986
Benefits paid in 2018	-147,531
Actuarial G/L demographic assumption	-61,698
Actuarial G/L financial assumption	77,828
Total after accounting for actuarial changes	3,199,584

In order to test the sensitivity of the actuarial assumptions, Europol should disclose a 10 basic point (or 0.1%) upward/downward adjustment of the most important actuarial assumptions. For the DBO of Europol, only a measurement of the sensitivity of the discount rate is required. The sensitivity effect was immaterial:

	0.1% up €	0.1% down €
Sensitivity analysis 0.1% Discount Rate Adjustment 2018 ¹³	-345	345

Disclosure on PA (Pursuant to EAR 12¹⁴)

All PA are invested in cash held on a ring-fenced bank account (see point 2.8. above) with an EU-based financial institution that does not charge negative interest. However being linked to an index, the interest revenue is not material. The only PA movement in 2018, other than benefits paid, was interest cashed in 2018 for a total of € 1,474. Additionally an accrued charge of € 68,825 was taken into account.

¹⁰ Each year the Dutch National Bank (DNB) provides discount rates to be used by all NL-based pension schemes.

¹¹ EU life table as provided by the EC's actuary ESTAT (EUROSTAT) for the period 2018-2022 whilst awaiting a review in 2023.

¹² Net present value.

¹³ Europol, at its own discretion, based on the 2018 immateriality, decided not to provide comparative figures from 2017 that would be required due to the first time application of the updated EAR 12 (based on IPSAS). This decision is strengthened by EAR 12 Article 109(b), which indicates some leeway for first time application.

¹⁴ Europol, following a proposal thereto by the European Commission's Accounting Officer, decided not to provide a restatement of the 2017 comparative figures that would be required due to the first time application of the updated EAR 12 (based on IPSAS39).

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For future PA inflow it is important to note is that pursuant to Article 4(b) of the Council Decision on the dissolution of the Europol Pension Fund, former active participants of the fund (or their lawful heirs) had until October 2017, being two years after publication of the Council Decision, to communicate their beneficiary details to Europol. If not provided or found by Europol by that date, the remaining portion of the related PA should have become other income for Europol. At 31.12.2018 the amount was € 64,243. Following its own legal advice, Europol did not yet consider the amount of € 64,243 as other income 2017, or even 2018, as a more robust file of administrative actions taken by Europol should support such recognition. This recognition is expected to occur in 2019.

Disclosure on the net DBO liability (Pursuant to EAR 12)

	31.12.2018	31.12.2017
DBO	3,199,584	3,330,986
PA	-3,130,759	-3,276,816
Net DBO liability	68,825	54,169

This increased net DBO liability 2018 reduced the 2017 coverage ratio of 98.41% to only 97.85%, whereas 100% is required. In order to supplement the missing 2.15% Europol charged € 68,825 (2017: € 54,169) to its Statement of Financial Performance 2018 as an accrued charge. This accrued charge is expected to be offset in 2019 by the revenue expected as described above (€ 64,243).

2.10. Other long-term liabilities

	31.12.2018	31.12.2017
Local staff pension fund	444,359	444,359
Leasing liability on computer hardware	1,994,370	1,101,765
Leasing liability on computer software	158,449	-
Total	2,597,178	1,546,124

Local Staff members recruited prior to 2010, and still having an employment contract after 2010, are entitled to a Defined Benefit old age pension accrual under Dutch labour law pursuant to the applicable pension scheme characteristics. The premium payments needed thereto are provided to a third party who assures the liabilities accrued by obtaining the required assets thereto periodically. Such an approach classifies this scheme to be a Defined Contributions or DC-scheme, even though the underlying entitlement is a defined benefit entitlement for the staff member.

Until the start of 2018 Europol set aside the employer and employee contributions onto a ring-fenced bank account (see point 2.8. above) on a monthly basis, with an EU-based financial institution that does not charge negative interest. The sole purpose of this bank account's balance is to finance the premiums to be paid to the third party.

In 2014 a tender procedure to secure a new service provider as from 2015 onwards failed meaning no fees have been settled in relation to the employment periods beyond 01.01.2015. No new tender was initiated in the period 2016-2018 as it was considered more efficient to run a new tender for a pension insurer after Article 73(4) of the

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Europol Regulation would be implemented as this would determine the rights to be reinsured by the contractor.

On 1st January 2018 the last staff members subject to Article 73(4) took up a contract in accordance with the Conditions of Employment of Other Servants, meaning as from December 2017 no further Dutch labour law Defined Benefit old age pension rights were accrued and a tender could be launched to secure the entitlements linked to the employment period 2015–2017.

Disclosure of outstanding DC liability

The lack of having a pension reinsurer for these three years currently makes Europol liable to cover the pension rights until the DC are paid to a pension reinsurer. An internal worst-case actuarial calculation made as at 31.12.2018, established the pension cost in relation to these three years to be € 265,659 (2017: € 262,669).

From a prudency perspective, whereas the pension payments will be outsourced to an external pension provider Europol, in 2018 for a first time, also accounted for the possible payment of Dutch legal interest of 8% per annum in order to assure retroactive recognition by the external pension provider. At 31.12.2018 this interest would be € 51,550 (2017 not measured). This brings the outstanding DC liability to **€ 317,209** as at 31.12.2018.

Even after the addition of the interest component, the internal calculation is considerably lower than the available bank balance. Hence, in accordance with the principles of sound financial management, no external actuarial calculation was deemed necessary to provide an external assurance on the financial health of the fund.

Future treatment of surplus PA and classification of DC as a long-term liability

In 2019 Europol will have to launch a legal review on determining how the excess funds of the PA (if any) will have to be treated under Dutch labour law:

- Considered other income for Europol, or;
- entitlements for the former Local Staff members in the form of a repayment of premiums or extra pension rights linked to their past employment, or;
- a possible combination of both aforementioned elements.

As both the tender and settlement of a left over balance are likely to trigger multi-year projects, it is prudent to consider these liabilities as long-term.

2.11. Provisions for risks and charges (short-term)

Provision	Litigation cases
Balance at the beginning of the year	17,000
Additions	-
Utilised	-
Unused	-
Transferred to non-current	-
Total as at 31.12.2018	17,000

The provision for the litigation cases provides for the applicants' legal costs involving three open cases. This provision remains the same as that in the 2017 financial

statements as the estimation on timing made by Europol's legal team did not materialise in 2018.

CURRENT LIABILITIES

2.12. Current Financial Liabilities

The total amount relates to the short-term leasing liabilities on computer hardware (€ 473,632) and software (€ 158,449).

2.13. Current payables

	31.12.2018	31.12.2017
Amounts payable - vendors	1,867,549	1,835,189
Amounts payable - Member States	44,470	2,889
Invoices / credit notes pending verification	-1,865,788	-1,826,904
Total	46,232	11,175

2.14. Sundry payables

	31.12.2018	31.12.2017
Fixed assets – goods received ¹⁵	335,695	396,651
Payments pending information	-	715
Total	335,695	397,367

2.15. Other accounts payable

	31.12.2018	31.12.2017
Accrued charges ¹⁶	4,145,992	3,059,826
Accrued charges with consolidated entities	178,341	365
Accrual for untaken annual leave at year-end	1,170,162	1,205,111
Deferred income ¹⁷	15,871	30,668
Total	5,510,366	4,295,969

The total amount for accrued charges with consolidated entities relates to the European Commission only and involves four Directorate Generals.

According to the EU Staff Regulation, Annex V: Leave, Article 4, if the person at the time of leaving the service has not used their annual leave, they shall be paid compensation equal to one thirtieth of their monthly remuneration for each leave day due to them. Therefore the calculation (based on average salary rates) for untaken annual leave has been recognised as an accrued charge.

¹⁵ Fixed assets received in 2018, but not yet paid.

¹⁶ Invoices to be paid in 2019 relating to goods/services delivered in 2018 and expensed (not capitalised).

¹⁷ Receipts 2018 to be put to budget 2019.

2.16. Accounts payable with consolidated EU entities

	31.12.2018	31.12.2017
Surplus from European Commission subsidy ¹⁸	1,106,807	1,158,893
Balance on pre-financing received for the Delegation Agreement ¹⁹	3,366,988	3,250,070
Balance on pre-financing received for the Hotspot Grant	-	23,430
Balance on pre-financing received for the SIRIUS Grant	248,978	-
Balance on pre-financing received for the WB (Western Balkans) Grant	933,582	-
Balance on pre-financing received for Grant agreements with EUIPO	1,219,990	979,894
Other accounts payable	4,379	5,368
Total	6,880,724	5,417,655

Details on the grants can be found under within the budget implementation reports starting from page 39 below.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

Europol's financial statements are prepared on an accrual-basis by which transactions are recorded in the period to which they relate. The result for the year using this basis is indicated in the Statement of Financial Performance. However, Europol uses a modified cash accounting system for preparing the budget result. In this system, only payments made and revenue received in the year as well as the carry-forward of appropriations to the following year are recorded.

All differences between the Statement of Financial Performance and the budget result can be found in the reconciliation on page 38.

3.1. Revenue

According to EU Accounting Rules, all revenue should be split between that from exchange transactions (EU Accounting Rule 4) and that from non-exchange transactions (EU Accounting Rule 17).

An overview of the total amount of revenue can be found on the next page.

¹⁸ This is the budget result (see page 56 below).

¹⁹ Cost claim finalised in 2018, pending confirmation of eligibility from the European Commission.

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Description	Non-exchange	Exchange
Agreement with Denmark ²⁰	2,491,501	
Cut-off 2018 – accrued income	31,450	1,430
Cut-off 2018 – other grants	910,881	
European Commission Subsidy ²¹	129,138,713	
Exchange rate differences		2,291
Final cost claims for DA and Hotspot II grant	7,838,948	
Fixed asset corrections	21,029	
Host State reimbursement	25,717	
Interest on bank accounts		3,243
Litigation cases	1,156	
Mission-related reimbursements	167	23,978
NEUS connection reimbursements ²²		133,766
Operational subsidy refunds ²³	30,200	15,784
Other reimbursements	5,689	50,368
Other sales		3,003
Private mobile phone reimbursements		88,718
Reverse cut-off 2017 – accrued income		-43,379
Reverse cut-off 2017 - grants	-7,932,435	
Sale of fixed assets		4,508
VAT refunds	10,305	
Total	132,573,321	283,710

3.2. Expenditure

A total of >€ 11.2M is included in the Statement of Financial Performance relating to expenditure made from budgetary commitments carry forward from 2017. This is not included in the budgetary result 2018 as it relates to the implementation of the European Commission Subsidy 2017. However details of this implementation can be found in the budget implementation reports on page 54.

Operational

The total amount of expenses (including accruals and deferrals) amounted to € 30.8M covering the following areas:

- Deployments
- European Police Chiefs' Convention
- Expertise training for third parties
- External expertise
- Heads of Europol National Units
- Liaison Bureaux outside The Netherlands
- Meetings
- Missions
- ICT external service provision
- Equipment

²⁰ Further explanation provided on page 42.

²¹ Total European Commission subsidy minus surplus (budget result) to be paid back to the European Commission (see page 56).

²² In accordance with the agreements with non-EU states, 50% of secure connection costs will be reimbursed to Europol.

²³ Unused amounts of operational subsidies paid in previous years.

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- Research and development
- Purchase²⁴ and maintenance of computer hardware and software
- Telecommunications
- Training
- Printing

The difference of € 7M between the € 30.8M expenditure and the result in the Statement of Financial Performance of € 23.8M can be explained as follows:

1. Delegation Agreement (DA) and Grants – In order to ensure the final cost claims (closure) and estimated expenditure 2018 on open grants paid out were correctly accounted for, Europol made the relevant adjustments as follows:

Type	Description of adjustment	Amount
DA and EMPACT grants	Reversal of accrued charges 2017	-6,313,064
EUIPO 2016 grant	Closure of grant	-29,285
EMPACT grants	Accrued charges 2018	1,338,450
Total		-5,003,899

2. Internally-generated intangible assets – In order to correctly reduce the expenses for consultants that worked on projects considered eligible to be capitalised or expected to be capitalised (under construction), an adjustment was made that totalled -€ 2M.

Staff

These expenses contain personnel-related expenses such as salaries, allowances, social security contributions and other welfare expenses.

All salary calculations resulting in the total staff expenses included in the Statement of Financial Performance of Europol are outsourced to the Office for administration and payment of individual entitlements (also known as the Paymaster's Office - PMO) which is a central office of the European Commission audited by the European Court of Auditors.

A large difference (decrease) between the staff costs detailed in the budget result and those in the Statement of Financial Performance is due to the capitalised and expected to be capitalised (under construction) staff costs of the Internally-generated intangible assets which totalled € 3.5M.

Another large difference (increase) was due to the accrual made for annual leave (see point 2.15. above).

Fixed asset-related

These expenses contain the charged depreciation of tangible (€ 7.5M) and amortisation of intangible (€ 1.3M) fixed assets. The latter includes the amortisation for the internally-generated intangible assets.

²⁴ Only purchases of configuration items below the threshold of € 420 for capitalisation.

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Other

The total amount of € 17.8M can be broken down as follows:

Description of expense	Amount
Expenses with consolidated entities *	4,398,023
Experts and related expenditure	4,549,845
Maintenance, rent, security and insurance – building	3,844,454
Other external services (non-IT)	2,095,816
Office supplies and maintenance	1,491,718
Communications and publications	680,347
Training	296,171
Recruitment	216,730
Interest (mainly on leasing)	100,434
Transport	55,689
Insurance (other)	49,729
Missions	16,918
Legal	7,200
Debts written-off	1,220
Total	17,804,294

* The expenses with consolidated entities can be further broken down as follows:

Entity	Description of expense	Amount
European Commission HR ²⁵	European School, training services etc.	2,970,039
European Commission SCIC ²⁶	Interpretation services	555,108
European Commission PMO ²⁷	Administrative charges (salaries)	418,151
European Commission DIGIT ²⁸ and Budget	Financial system (ABAC) fees	247,996
European Commission JRC ²⁹	Media-monitoring tool	50,000
European Commission OP ³⁰	Publications, distribution and storage	45,205
European External Action Service	Liaison Office in the U.S.	36,011
Translation Centre for EU Bodies	Translation services	20,836
European Food Safety Authority	Permanent secretariat costs	19,344
Council of the European Union	Rental of office space	12,075
EU-LISA ³¹	Joint meeting costs	9,631
European Aviation Safety Agency	Permanent secretariat costs	9,067
European Commission EPSO ³²	Recruitment services	4,190
European Chemical Agency	Travel reimbursement	370
Total		4,398,023

²⁵ Human Resources and Security

²⁶ Interpretation

²⁷ Paymaster's Office

²⁸ Informatics

²⁹ Joint Research Centre

³⁰ Publications Office

³¹ European Agency for the Operational Management of Large-scale IT systems

³² European Personnel Selection Office

Financial expenses

These relate to bank and credit card charges.

4. NOTES TO THE CASH-FLOW STATEMENT

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

The cash flow statement is prepared using the indirect method. This means that the economic result of the financial year (Statement of Financial Performance) is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cash flows.

The cash flow statement presented, reports cash flows during the period classified by operating and investing activities.

4.1. Operating activities

Operating activities are the activities of Europol that are not investing activities. These are the majority of the activities performed. Other changes under this activity mainly relate to the increase to the financial liability for the short-term finance lease (see point 2.12. above).

4.2. Investing activities

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

4.3. Employee benefits

This relates to the decrease in employee benefits (see point 2.9. above).

5. CONTINGENT ASSETS AND LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

5.1. Contingent Assets

Europol discloses no contingent assets as at 31 December 2018.

5.2. Contingent Liabilities

The total amount disclosed as a contingent liability is € 15K and relates to one outstanding litigation case for which there is the possibility Europol should cover the applicant's legal costs.

5.3. Other significant disclosures

5.3.1. Services-in-kind

In accordance with European Commission Accounting rule 17, Europol discloses its free use of the office building (including parking facilities) during the year offered by the Host State. The estimated amount for the year 2018 was € 12.5M. This service-in-kind is, in principle, offered until the end of February 2031 (20-year lease agreement from 2011).

5.3.2. Remaining net RAL (Reste à Liquider)

The total amount of budget commitments carried forward to 2019 after deducting all eligible 2018 expenses amounted to € 7,346,123.

5.3.3. Other contractual commitments

Europol's contractual obligations as at 31.12.2018 not covered by the RAL (see above) totals € 5,950,697. This calculation considers contracts up to the earliest date possible to end the contract and possible penalty costs.

6. FINANCIAL INSTRUMENTS

Financial instruments comprise of cash, current receivables/recoverables, current payables and amounts due to and from consolidated entities. Financial instruments give rise to risks such as credit, liquidity and market (interest rates and foreign currency exchange).

Credit risk

Credit risk is the risk of loss due to a debtor's/borrower's non-payment of a loan or other line of credit (either the principal amount, accrued interest or both) or other failure to meet a contractual obligation. The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

The table on the next page provides for the credit quality of Europol's financial assets that are neither past due or impaired.

31 December 2018	Receivables with			
	Member States	Third parties including accruals & deferrals	Consolidated entities	Bank accounts
Counterparties with external credit rating	2,663,656	-	-	25,676,425
Prime and high grade	1,926,654	-	-	24,914,301
Upper medium grade	304,168	-	-	762,124
Lower medium grade	432,834	-	-	-
Non-investment grade	-	-	-	-
Counterparties without external credit rating	-	4,784,834	32,208	-
Debtors who never defaulted	-	4,784,834	32,208	-
Debtors who defaulted in the past	-	-	-	-

Liquidity risk

Liquidity risk arises from the ongoing financial obligations, including settlement of payables.

Europol manages liquidity risk by monitoring forecasts and actual cash flows.

The table below shows Europol's liabilities (payables) that had a remaining contractual maturity as at 31.12.2018:

31 December 2018	< 1 year	1-5 years	Total
Payables with third parties	381,927	602,808	984,735
Payables with consolidated entities	6,880,724	-	6,880,724
Total liabilities	7,262,651	602,808	7,865,458

Market risk

Interest rate risk

Europol does not borrow any money; as a consequence it is not exposed to interest rate risk.

Foreign currency risk

Currency risk is the risk that Europol's operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.

Most financial assets and liabilities are in Euro, so in these cases Europol has no foreign currency risk.

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The table below provides an overview of Europol's market risk disclosures as at 31.12.2018:

31 December 2018	Euro	Euro equivalent	Total Euro
Monetary assets	33,156,913	210	33,157,123
Receivables with Member States	2,663,656	-	2,663,656
All receivables with third parties including accruals and deferrals	4,784,624	210 ³³	4,784,834
Receivables with consolidated entities	32,208	-	32,208
Cash and cash equivalents	25,676,425	-	25,676,425
Monetary liabilities	7,262,651	-	7,262,651
Payables with third parties	1,601,917	-	1,601,917
Payables with consolidated entities	5,660,734	-	5,660,734
Net position	25,894,262	210	25,894,472

7. CHANGES IN ACCOUNTING POLICIES

Other than the change to EU Accounting Rule 12 as detailed under point 2.9 above, there have been no changes in accounting policies for the financial year 2018.

8. RELATED PARTY DISCLOSURE

In accordance with EU Accounting Rule 15, Europol discloses its related parties as its key management personnel. Key management personnel are the directorate members (top management) of Europol. The total remuneration of the directorate members and the number of individuals, on a full-time equivalent basis, are provided for in the table below:

Position	Grade	Number of Individuals	Total remuneration
Executive Director	AD15	1	245,613
Deputy Executive Director	AD14	2 ³⁴	280,654
Deputy Executive Director	AD13	1 ³⁵	258,286
Total remuneration 2018			784,553

9. EVENTS AFTER THE BALANCE SHEET DATE

At the date these accounts were signed, no material issue came to the attention of the Accounting officer of Europol or was reported to her that would require a separate disclosure under that section.

³³ British pound.

³⁴ For the period January-April, only one individual occupied this grade.

³⁵ For the period January-April, two individuals occupied this grade.

10. RECONCILIATION BETWEEN STATEMENT OF FINANCIAL PERFORMANCE AND BUDGET RESULT

The difference between the budget result and the Statement of Financial Performance is explained as follows:

Description	Amount
Economic result (Statement of Financial Performance) 2018	10,203,508
Accruals/deferrals 2018	908,126
Accruals/deferrals reversed from 2017	-251,387
Adjustment for 2017 carry forward appropriations assigned revenue	6,480,224
Adjustment to employee benefit liability	-131,401
Cancellation of unused payment appropriations from 2017	1,029,950
Cashed balance sheet recovery orders issued in 2018	1,330,020
Cashed recovery orders issued before 2018	241,847
Depreciation and amortisation of fixed assets	8,760,465
Fixed asset acquisitions (excluding unpaid amounts at 31.12.2018)	-5,538,659
Fixed asset corrections	-40,512
Internally-generated fixed assets ³⁶	-5,524,412
Open pre-financing paid in 2018	-4,688,211
Open pre-financing received in 2018	3,470,238
Other general ledger corrections	-4,162
Payment appropriations carried forward to 2019	-26,103,122
Payments 2018 in Statement of Financial Performance different year	-34,460
Payments made from 2019 budget	3,371
Payments made from carry forward 2017	11,246,115
Pre-financing given in 2017 and cleared in 2018	5,975,035
Pre-financing received in 2017 and cleared in 2018	-6,156,442
Uncashed recovery orders issued in 2018	-75,425
Unpaid but expensed invoices at 31.12.2018	6,098
Total = Budget result 2018	1,106,807

³⁶ This is the total amount capitalised in 2018 and considered under construction.

REPORTS ON THE IMPLEMENTATION OF THE BUDGET

1. INTRODUCTION

This report provides information about the 2018 budget implementation. The budget has been implemented in accordance with the Financial Regulation applicable to Europol following the budgetary principles.

2. CONTENT

The main elements of the report are:

2.1 Explanatory notes on the budget implementation

- 2.1.1 Revenue 2018
- 2.1.2 Budget implementation 2018
- 2.1.3 Budget implementation of assigned revenue
- 2.1.4 Appropriations carried over from 2018 to 2019
- 2.1.5 Implementation of appropriations carried forward from 2017 to 2018
- 2.1.6 Budget transfers 2018
- 2.1.7 Budget result 2018

2.2 Budget implementation tables

- Table 1: Revenue 2018
- Table 2: Budget implementation 2018
- Table 3: Budget implementation of assigned revenue
- Table 4: Appropriations carried over from 2018 to 2019
- Table 5: Implementation of appropriations carried forward from 2017 to 2018
- Table 6: List of budget Transfers 2018
- Table 7: Budget result 2018

2.1. Explanatory notes on the budget implementation

In this section explanatory notes are provided for the implementation of the 2018 Budget. The tables containing the amounts are provided in the next section (Tables 1–7). Throughout these explanations, fund sources for the different types of appropriations are mentioned, the definitions for which are as follows:

Fund Source Code	Concept	Presentation in the reports
C1	Initial Budget	Adopted budget for 2018
C4	Refunds	Internal assigned revenue (current year)
C5	Refunds carried forward	Internal assigned revenue (carried forward)
C8	Automatic carry forward	Carried forward from 2017 to 2018
R0	Refunds	Other external assigned revenue

2.1.1. Revenue 2018

The Europol budget 2018, amounting to € 122.2M (including € 1.8M for the European School), was adopted by the Management Board in December 2017. One budget amendment amounting to € 8M was made under fund source C1 with a view to ensuring the continuation of security checks at hotspots (€ 3M) and to build up a decryption platform (€ 5M). This decryption platform will be created in close cooperation with the Joint Research Centre (DG JRC, the Commission’s science and knowledge service).

The budget under fund source R0 for external assigned revenue was amended as a result of four different agreements. This concerned a total amount of € 6.5M of which € 4.9M was cashed in 2018:

1. WB: grant agreement with the European Commission (DG NEAR³⁷) to implement a pilot project to deploy Europol Liaison Officers in the Western Balkans in order to improve the security in the EU and the Western Balkans by reinforcing cooperation against organised crime and terrorism. The total grant agreement amounts to € 2M, out of which € 983K was cashed in 2018.
2. SIRIUS: grant agreement with the European Commission (FPI³⁸) for an action entitled: international digital cooperation – cross border access to electronic evidence. The total grant agreement amounts to € 1M, out of which € 366K was cashed in 2018.
3. EUIPO: A new grant agreement between EUIPO³⁹ and Europol was signed in December 2018 to ensure the continuation of financing actions carried out under the Agreement on Strategic Co-operation between the two entities. The European Serious Organised Crime Centre, Intellectual Property Crime Coordinated Coalition (IPC3) uses the new grant amounting to € 1M to implement the activities related to online infringements of intellectual property rights and online financial payment systems.

³⁷ Directorate-General Neighbourhood and Enlargement Negotiations

³⁸ Service for Foreign Policy Instruments

³⁹ European Union Intellectual Property Office

4. DK: The Kingdom of Denmark⁴⁰ and Europol signed an agreement in April 2017 following the new Europol Regulation, which Denmark did not ratify. The Danish financial contribution to Europol for the budget year 2018 came to € 2.5M.

In addition, € 1.2M previously paid out as pre-financing to Member States was reimbursed to Europol as part of external assigned revenue related to a delegation agreement for EMPACT⁴¹.

During the year 2018, an amount of € 733K was cashed as internal assigned revenue (fund source IC4/IC41). This revenue was linked to expenditure budget items where it will be used for future expenditure in the budgetary year 2019. Outstanding recovery orders amounting to € 427K were carried forward to 2019 for future cashing.

The outstanding amount for subsidies and grants established in 2018 (IR1) of € 497K, relates to open recovery orders issued to the Member States for the final recovery of the not-used grants under the delegation agreement.

2.1.2. Budget implementation 2018 (fund source C1)

In order to measure the budget performance, several key performance indicators (KPIs) directly linked to the Europol Work Plan 2018 were set at the beginning of the year, following recommendations from the European Commission and the European Court of Auditors (ECA).

Budget performance was measured based on implementation (commitments and payments) against budget. The target set for the commitment implementation rate was at least 95% and for the payment implementation rate at least 90% in order to secure a reasonable carry forward to the following year. In addition, the cancellation of the carry forward commitments from 2017 should not exceed 5%.

The final outcome of the KPIs for 2018 is as follows:

- The implementation of commitment appropriations was 99.9% (Table 2). This includes the carry-over of uncommitted appropriations for the Decryption Platform approved by the Management Board in accordance with Article 14.3(a) of the Financial Regulation.
- The overall payment rate was 87%. The target was not met largely due to the late adoption, and consequently implementation, of the amending budget for the decryption platform. Despite preparatory work done, it was not possible to conclude the SLA with DG JRC; therefore, the Management Board approved the carry-over of the full amount of commitment appropriations (€ 5M).
- The cancelled carry forward commitments amounted to 8%. A total of € 1M was not used and was incorporated in the final budget result, this was largely due to de-committing remaining amounts for provisional commitments, and, in addition, 35% of the unspent amount (€ 355K)

⁴⁰ Following the application of the Europol Regulation on 1 May 2017, Denmark is regarded as a third country with respect to Europol. This is a consequence of the application of the Protocol (no 22) annexed to the TFEU on the position of Denmark, under which the Kingdom of Denmark does not take part in the adoption of measures pursuant to Title V of Part Three of the TFEU and such measures are not binding upon nor applicable in Denmark. The Agreement on Operational and Strategic Cooperation between the Kingdom of Denmark and Europol ("Denmark agreement") was signed on 29 April 2017 with the purpose to establish cooperative relations.

⁴¹ European multidisciplinary platform against criminal threats

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relates to unused funds for EMPACT (returned pre-financing by Member States).

Title 1 – Staff-related expenditure

The Final Budget under Title 1 amounted to € 81M with an implementation rate for commitments of 100% and for payments of 99%. A large part of the amending budget, resulting from the agreement with Denmark under fund source R0 (external assigned revenue € 1.3M), was used to cover salary expenditure.

A number of transfers from other budget items (amounting to € 2.2M) were made to Title 1 to cover the higher costs due to the retroactive salary increase (+1.7%) and the increase of the weighting coefficient for The Netherlands from 108.3% to 109.9%.

The budget was fully committed and 1% of the budget under Title 1 was carried forward to 2019, mainly for staff related expenditure (e.g. recruitments, medical and training expenses) and expenditure relating to facilities (e.g. catering, removal services, audio-visual support and consultancy services).

Title 2 – Other administrative expenditure

The Final Budget under Title 2 amounted to € 10.8M with an implementation rate for commitments of 99.9% and for payments of 72.4%.

The payment implementation for building-related expenditure is normally slower as it requires involvement of (sub-) contractors before the Host State can issue invoices.

Commitments carried forward relate to on-going running expenditure (facilities, network and telecommunication, software maintenance and consultancy services, governance and statutory expenditure) for which final payments will be executed in 2019.

During the year, the budget under Title 2 decreased by € 2M, mainly due to delays in the implementation of the Strategic Housing Roadmap activities for unexpected developments that negatively impacted planned activities.

The budget was almost fully committed (€ 8K remained unused), while € 3M were carried forward to 2019, representing 27.5% of the budget under Title 2.

Title 3 – Operational activities

The Final Budget under Title 3 amounted to € 38.4M with a 99.9% commitment rate, excluding the amending budget of € 5M for the decryption platform. Considering this amending budget, the overall commitment implementation rate under Title 3 came to 86.9% and to 65.6% for payments.

The budget under Title 3 was also amended by € 3M for the continuation of secondary security checks at hotspots. In addition, the budget under Title 3 was re-enforced during the year with € 425K by transfers from Title 2.

An overall amount of € 13.2M was carried forward to 2019, including € 5M relating to the decryption platform for which commitments can be taken until 31 March 2019, while the remainder of € 8.2M is automatically carried forward. Overall, the amount carried forward represented 34.3% of the budget under Title 3. Out of the carried forward amount 38% relates to the Decryption Platform, 47.2% to the operational information and telecommunication costs and the remaining 14.8% to other operational activities.

2.1.3. Budget implementation of assigned revenue (fund sources C4, C5, R0)

With regard to the implementation of internal assigned revenue, there is a distinction between funds established in 2018 (fund source C4) and funds carried forward from 2017 (fund source C5):

C4: During the year 2018, an overall amount of € 733K was established and cashed. An amount of € 4.4K was implemented and the remaining € 728K carried forward (to fund source C5) and will be implemented in 2019.

C5: Appropriations carried forward from 2017 amounted to € 294K. An amount of € 40.8K was committed but not paid. This was carried forward (to fund source C8) and will be implemented in 2019.

R0: External assigned revenue (R0) included in the budgetary accounts came to € 12.2M. A total amount of € 8.4M was carried forward to 2019. Of this amount, € 2.2M was already committed.

With regard to the implementation of external assigned revenue (R0), there is a distinction between the funds that were established in 2018 (e.g. new agreements) and the funds from before 2018 for which the implementation continued into the year.

- Following the agreement between Europol and Denmark, a contribution amounting to € 2.5M was received in 2018. The full amount was used under budget item 1100 – Basic salaries (€ 1.3M) and budget item 3100 – Operational purchase and maintenance of hardware and software (€ 1.2M).
- € 3.3M was carried forward from 2017 for the further implementation of the Europol Pension Fund surplus after the Fund's closure. € 148K was paid and the remainder amounting to € 3.1M was carried forward to 2019 (budget item 1184).
- Under budget item 3600 – Operational expenditure related to subsidies and grants, two agreements were implemented:
 - € 1.9M was carried forward from 2017 for a delegation agreement that entrusted Europol with support tasks during a part of the EMPACT policy cycle 2015-2018. An amount of € 1.2M previously paid out as pre-financing to Member States was reimbursed to Europol. By the end of 2018, € 208K was paid and € 2.9M was carried forward to 2019 for the final closure of the delegation agreement. Overall implementation of the delegation agreement for EMPACT was as follows:

	Total delegation agreement	Expenditure	Impl. rate
Grants	8,240,000	5,260,317	64%
Procurement	229,000	40,347	18%
Remuneration	531,000	332,348	63%
Total	9,000,000	5,633,012	63%

Europol expects to receive a recovery order for € 3.4M from the European Commission to return the unspent balance of the pre-financing.

- An amount of € 23K for the grant for security checks at hotspots was carried forward from 2017 to 2018 and fully implemented.

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- Under budget item 3700 – Operational expenditure related to research and development projects, grant agreements were implemented for three different purposes:
 - EUIPO: € 954K was carried forward from previous grant agreements and € 1M was cashed for a new grant agreement signed in 2018. An amount of € 1.2M was carried forward for implementation in 2019.
 - WB: In 2018 a new grant to implement a pilot project to deploy Europol Liaison Officers in the Western Balkans was awarded and € 983K cashed, out of which € 934K was carried forward for implementation in 2019.
 - SIRIUS: an amount of € 366K was cashed for the new grant agreement to support an action on international digital cooperation – cross border access to electronic evidence. An amount of € 245K was carried forward for implementation in 2019.

2.1.4. Appropriations carried over from 2018 to 2019

2.1.4.1. Article 14.3(a) of the Financial Regulation applicable to Europol - Carry-over of commitments appropriations (fund source C1 to C3)

The appropriations not committed under budget item 3800 – Decryption platform, amounting to € 5M, were carried over after approval of the Management Board.

2.1.4.2. Article 14.5 of the Financial Regulation applicable to Europol - Carry-over of appropriations duly contracted (fund sources C1 to C8)

An amount of € 12M of payment appropriations covering existing commitments was carried forward. This represented 9.2% of the overall budget (€ 130.2M). Out of the € 12M carried forward:

- € 807K concerned Title 1 (Staff), which was 1% of the total Title 1 budget (€ 81M).
- € 3M concerned Title 2 (Administrative Expenditure), which was 27.5% of the total Title 2 budget (€ 10.8M).
- € 8.2M concerned Title 3 (Operational Expenditure), which was 21.2% of the total Title 3 budget (€ 38.4M).

2.1.4.3. Article 15(b) of the Financial Regulation applicable to Europol - Carry-over of internal assigned revenue (fund sources C4 to C5 and C5 to C8)

The commitment appropriations available at 31 December 2018 arising from assigned revenue shall be carried over automatically for one year. A total amount of € 728.2K under fund source C4 was carried forward to 2019 as fund source C5. In addition, the outstanding payment appropriations to cover existing commitments of € 40.5K was carried forward to C8.

2.1.4.4. Article 15(a) of the Financial Regulation applicable to Europol - Carry-over of external assigned revenue (R0 to R0)

The unspent appropriations for external assigned revenue (amounting to €8.4M) shall be carried over automatically. Out of the total, € 6.2M was carried over of commitment appropriations and € 2.2M of payment appropriations.

- € 3.1M concerned the assigned revenue related to the Europol Pension Fund under Budget item 1184.
- € 2.9M concerned the implementation of the Delegation Agreement for the EMPACT activities under Budget item 3600.
- € 1.2M related to the grant agreement for EUIPO under Budget item 3700.
- € 934K related to the grant agreement for WB in Budget item 3700.
- € 245K related to the grant agreement to SIRIUS in Budget item 3700.

2.1.5. Implementation of appropriations carried forward from 2017 to 2018 (fund source C8)

The carry forward to 2018 came to a total of € 12.3M to cover existing commitments. The final implementation rate of the carry forward was 91.6%, about 1% higher than in 2017. A total of € 1M was not used and is thus incorporated in the final budget result.

- € 204K relates to Title 1, which is 27% of the carried forward under Title 1 (€ 763K);
- € 110K relates to Title 2, which is 4% of the carried forward under Title 2 (€ 2.7M);
- € 715K relates to Title 3, which is 8% of the carried forward under Title 3 (€ 8.8M).

2.1.6. Budget transfers 2018

Throughout the year, a total number of 39 transfers (25 less than in 2017) were made for a total amount of almost € 5.7M (or 4.6% of the budget).

Overall the budgets under Title 1 (+€ 1.6M) and Title 3 (+€ 425K) were increased by transfers from Title 2 (-€ 2M).

The budget for 2018 was provided without margins. However, towards the end of the year a salary adjustment (+1.7%) and an increase in the weighting coefficient for The Netherlands from 8.3% to 9.9% materialised. It was then possible to transfer funds to Title 1 (Staff) from Title 2 (Other administrative expenditure) due to the unexpected developments with the current headquarters that had an impact on the implementation of the Strategic Housing Roadmap activities.

For Title 3 (Operational activities), in particular in the area of ICT, the budget was increased to carry out activities that were de-prioritised during the year due the budget unavailability.

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All transfers were decided by the Executive Director in accordance with Article 27(1) of the FR except one approved by the Management Board in November in accordance with Article 27(2) of the FR. This was specifically to cover for the salary and weighting increase under Title 1 (transfer from Title 2) which went above the threshold of the Executive Director (maximum 10% between Titles).

2.1.7. Budget result 2018

The overall budget result for the financial year 2018 comes to € 1.1M. This includes the following:

- An amount of € 78K of the 2018 budget was not committed and lapsed;
- An amount of € 1M of appropriations carried forward from 2017 to 2018 was not used.

The exchange rate difference was -€ 1.6K (loss).

2.2. Budget Implementation Tables

Table 1: Revenue 2018

Item	Fund source	Heading	Published budget	Established revenue	Cashed revenue	Outstanding amount
A-9000	IC1	Regular subsidy from the Community	128,448,520	128,448,520	128,448,520	-
A-9001	IC1	Subsidy for European School	1,797,000	1,797,000	1,797,000	-
A-9200	IC41	Other internally-generated revenue carried over from previous year	-	241,601	241,601	-
A-9200	IC4	Other internally-generated revenue established in the current year	-	917,917	491,010	426,908
A-9010	IR11	Other subsidies and grants carried over from previous year	-	246	246	-
A-9010	IR1	Other subsidies and grants established in the current year	4,015,000	4,017,630	3,520,924	496,706
A-9101	IR1	Contribution Denmark	2,491,501	2,491,501	2,491,501	-
A-9200	IR1	Other revenue established in the current year	-	1,474	1,474	-
Total revenue			136,752,021	137,915,889	136,992,275	923,614

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Table 2: Budget implementation 2018

Chapter	Description	Final budget (1)	Committed (2)	Rate committed =(2)/(1)	CA not used =(1)-(2)	Paid (3)	Rate paid =(3)/(1)	CA carried over to 2019 =(1)-(2)	PA carried over to 2019 =(2)-(3)	Rate carried over
A-11	Staff in active employment	75,210,554	75,210,554	100%	-	75,111,434	100%	-	99,119	0%
A-13	Sociomedical infrastructure	1,045,698	1,027,258	98%	18,440	795,944	79%	-	231,314	22%
A-14	Training	353,781	353,149	100%	632	222,107	63%	-	131,042	37%
A-15	Other staff-related expenditure	4,286,581	4,286,547	100%	34	3,958,574	92%	-	327,973	8%
A-16	Entertainment and representation expenses	77,842	76,368	98%	1,474	59,171	76%	-	17,197	22%
Total Title 1		80,974,455	80,953,876	100%	20,580	80,147,231	99%	-	806,645	1%
A-20	Rental of buildings and associated costs	7,047,680	7,045,367	100%	2,313	5,039,158	72%	-	2,006,209	28%
A-21	Administrative information technology	1,503,735	1,503,241	100%	494	1,190,729	79%	-	312,511	21%
A-22	Movable property and associated costs	794,381	792,953	100%	1,428	486,241	61%	-	306,712	39%
A-23	Current administrative expenditure	210,472	209,835	100%	637	159,802	76%	-	50,033	24%
A-24	Postal charges and telecommunications	703,256	703,256	100%	-	560,389	80%	-	142,867	20%
A-25	Statutory expenditure	567,400	564,349	99%	3,051	403,993	71%	-	160,357	28%
Total Title 2		10,826,923	10,819,001	100%	7,922	7,840,312	72%	-	2,978,688	28%
B3-0	Operations	12,824,786	12,779,084	100%	45,702	10,935,811	85%	-	1,843,273	14%
B3-1	Operational information technology	15,486,662	15,485,783	100%	879	9,295,829	60%	-	6,189,953	40%
B3-2	Telecommunication costs for operational activities	918,693	918,693	100%	-	891,238	97%	-	27,455	3%
B3-3	Seconded National Experts (Operational)	3,855,000	3,855,000	100%	-	3,852,228	100%	-	2,772	0%
B3-4	EPCC	269,000	265,596	99%	3,404	161,270	60%	-	104,326	39%
B3-5	Heads of Europol National Units	90,000	90,000	100%	-	89,775	100%	-	225	0%
B3-8	Decryption Platform	5,000,000	-	0%	5,000,000	-	0%	5,000,000	-	100%
Total Title 3		38,444,142	33,394,156	87%	5,049,986	25,226,151	66%	5,000,000	8,168,005	34%
Total		130,245,520	125,167,032	96%	5,078,488	113,213,694	87%	5,000,000	11,953,338	13%

Table 3: Budget implementation of assigned revenue**Fund source C4 - Internal assigned revenue**

Item	Description	Revenue cashed (1)	Committed (2)	Rate committed =(2)/(1)	Paid (3)	Rate paid =(3)/(1)	CA carried over to 2018 =(1)-(2)	PA carried over to 2018 =(2)-(3)
1100	Basic salaries	4,972	1,119	23%	1,119	23%	3,853	-
	Total Title 1	4,972	1,119	23%	1,119	23%	3,853	-
2050	Other building related expenditure	223,316	-	0%	-	0%	223,316	-
2100	Administrative purchase and maintenance of HW & SW	110,632	-	0%	-	0%	110,632	-
2336	Other expenditure	1,769	-	0%	-	0%	1,769	-
2210	Furniture and other acquisitions	4,038	-	0%	-	0%	4,038	-
2500	Management Board Meetings	280	-	0%	-	0%	280	-
	Total Title 2	340,035	-	0%	-	0%	340,035	-
3000	Meetings	7,037	-	0%	-	0%	7,037	-
3003	Missions	26,194	-	0%	-	0%	26,194	-
3020	EMPACT grants	172,528	-	0%	-	0%	172,528	-
3030	Other grants	45,984	3,275	7%	3,275	7%	42,709	-
3100	Operational purchase and maintenance of HW and SW	130,337	-	0%	-	0%	130,337	-
3200	Operational telecommunications costs	2,243	-	0%	-	0%	2,243	-
340	EPCC	3,280	-	0%	-	0%	3,280	-
	Total Title 3	387,603	3,275	1%	3,275	1%	384,328	-
	Total	732,610	4,394	1%	4,394	1%	728,216	-

Fund source C5 - Assigned revenue appropriations carried forward from 2017

Item	Description	Carried forward (1)	Committed (2)	Rate committed = (2)/(1)	Paid (3)	Rate paid = (3)/(1)	CA carried over to 2018 = (1)-(2)	PA carried over to 2018 = (2)-(3)
1100	Basic salaries	18,990	18,990	100%	18,990	100%	-	-
	Total Title 1	18,990	18,990	100%	18,990	100%	-	-
2050	Other building related expenditure	3,000	3,000	100%	-	0%	-	3,000
2100	Administrative purchase and maintenance of HW and SW	78,823	78,823	100%	78,823	100%	-	-
2210	Furniture and other acquisitions	42,558	42,558	100%	6,169	14%	-	36,389
	Total Title 2	124,381	124,381	100%	84,992	68%	-	39,389
3000	Meetings	25,179	25,179	100%	23,740	94%	-	1,438
3003	Missions	28,537	28,537	100%	28,537	100%	-	-
3100	Operational purchase and maintenance of HW and SW	42,560	42,560	100%	42,560	100%	-	-
3200	Operational telecommunications costs	54,464	54,464	100%	54,464	100%	-	-
	Total Title 3	150,740	150,740	100%	149,302	99%	-	1,438
	Total	294,111	294,111	100%	253,284	86%	-	40,827

Europol Public Information

Fund source R0 – External assigned revenue

Item	Description	Revenue cashed (1)	Committed (2)	Rate committed = (2)/(1)	Paid (3)	Rate paid = (3)/(1)	CA carried over to 2018 = (1)-(2)	PA carried over to 2018 = (2)-(3)
1100	Basic salaries	1,296,672	1,296,672	100%	1,296,672	100%	-	-
1184	Pensions under Europol convention	3,278,291	270,992	8%	147,531	5%	3,007,298	123,461
	Total Title 1	4,574,963	1,567,664	34%	1,444,203	32%	3,007,298	123,461
3100	Operational purchase and maintenance of HW and SW	1,200,000	1,200,000	100%	1,200,000	100%	-	-
3600	Operational expenditure related to subsidies and grants	3,107,484	242,933	8%	231,240	7%	2,864,550	11,694
3700	Operational expenditure related to research and development projects	3,317,812	3,038,536	92%	944,074	28%	279,275	2,094,462
	Total Title 3	7,625,295	4,481,470	59%	2,375,314	31%	3,143,826	2,106,156
	Total	12,200,258	6,049,134	50%	3,819,517	31%	6,151,124	2,229,617

Published in 2018

Item	Description	Revenue cashed (1)	Committed (2)	Rate committed = (2)/(1)	Paid (3)	Rate paid = (3)/(1)	CA carried over to 2018 = (1)-(2)	PA carried over to 2018 = (2)-(3)
1100	Basic salaries	1,291,501	1,291,501	100%	1,291,501	100%	-	-
	Total Title 1	1,291,501	1,291,501	100%	1,291,501	100%	-	-
3100	Operational purchase and maintenance of HW and SW	1,200,000	1,200,000	100%	1,200,000	100%	-	-
3700	Operational expenditure related to research and development projects	2,363,431	2,206,529	93%	199,263	8%	156,903	2,007,265
	Total Title 3	3,563,431	3,406,529	96%	1,399,263	39%	156,903	2,007,265
	Total	4,854,932	4,698,030	97%	2,690,764	55%	156,903	2,007,265

Table 4: Appropriations carried forward from 2018 to 2019

Description	Fund source sender	Fund source receiver	CA Carried over to 2019	PA Carried over to 2019	Total
Payment appropriations current budget	C1	C8	5,000,000	11,953,338	16,953,338
Commitment appropriations arising from internal assigned revenue	C5	C8	-	40,827	40,827
Commitment appropriations arising from internal assigned revenue	C4	C5	728,216	-	728,216
Payment appropriations arising from external assigned revenue	R0	R0	6,151,124	2,229,617	8,380,741
Total			11,879,340	14,223,782	26,103,122

Table 5: Implementation of appropriations carried forward from 2017 to 2018 (Fund source C8)

Chapter	Description	Carried forward (1)	Paid (2)	Rate paid = (2)/(1)	PA not used = (1)-(2)	Rate PA not used (3)
11	Staff in active employment	31,244	31,244	100%	-	0%
13	Sociomedical infrastructure	225,724	200,731	89%	24,993	11%
14	Training	121,600	87,948	72%	33,653	28%
15	Other staff-related expenditure	365,137	231,301	63%	133,837	37%
16	Entertainment and representation expenses	19,227	7,259	38%	11,968	62%
	Total Title 1	762,933	558,483	73%	204,450	27%
20	Rental of buildings and associated costs	1,882,710	1,827,218	97%	55,492	3%
21	Administrative information technology	267,027	236,956	89%	30,071	11%
22	Movable property and associated costs	209,965	204,696	97%	5,269	3%
23	Current administrative expenditure	94,746	91,067	96%	3,679	4%
24	Postal charges and telecommunications	126,108	125,875	100%	233	0%
25	Statutory expenditure	99,912	84,371	84%	15,541	16%
	Total Title 2	2,680,469	2,570,184	96%	110,285	4%
30	Operations	1,279,472	813,812	64%	465,659	36%
31	Operational information technology	7,381,159	7,183,100	97%	198,059	3%
32	Telecommunication costs for operational activities	169,714	120,101	71%	49,613	29%
33	Seconded National Experts (Operational)	-	-	0%	-	0%
34	EPCC	1,000	-	0%	1,000	100%
35	Heads of Europol National Units	1,320	435	33%	885	67%
	Total Title 3	8,832,664	8,117,449	92%	715,215	8%
	Total	12,276,066	11,246,115	92%	1,029,950	8%

Table 6: List of Transfers 2018

Chapter	Description	Initial budget	Amending budget	Transfers	Final budget	Actual Committed
A-11	Staff in active employment	73,054,520	-	2,156,034	75,210,554	75,210,554
A-13	Sociomedical infrastructure	1,003,000	-	42,698	1,045,698	1,027,258
A-14	Training	400,000	-	-46,219	353,781	353,149
A-15	Other staff-related expenditure	4,881,000	-	-594,419	4,286,581	4,286,547
A-16	Entertainment and representation expenses	83,000	-	-5,158	77,842	76,368
	Total Title 1	79,421,520	-	1,552,935	80,974,455	80,953,876
A-20	Rental of buildings and associated costs	8,456,000	-	-1,408,320	7,047,680	7,045,367
A-21	Administrative information technology	1,776,000	-	-272,265	1,503,735	1,503,241
A-22	Movable property and associated costs	919,000	-	-124,619	794,381	792,953
A-23	Current administrative expenditure	384,100	-	-173,628	210,472	209,835
A-24	Postal charges and telecommunications	680,000	-	23,256	703,256	703,256
A-25	Statutory expenditure	590,000	-	-22,600	567,400	564,349
	Total Title 2	12,805,100	-	-1,978,177	10,826,923	10,819,001
B3-0	Operations	9,667,900	3,000,000	156,886	12,824,786	12,779,084
B3-1	Operational information technology	14,744,000	-	742,662	15,486,662	15,485,783
B3-2	Telecommunication costs for operational activities	1,385,000	-	-466,307	918,693	918,693
B3-3	Seconded National Experts (Operational)	3,903,000	-	-48,000	3,855,000	3,855,000
B3-4	EPCC	229,000	-	40,000	269,000	265,596
B3-5	Heads of Europol National Units	90,000	-	-	90,000	90,000
B3-8	Decryption Platform	-	5,000,000	-	5,000,000	-
	Total Title 3	30,018,900	8,000,000	425,242	38,444,142	33,394,156
	Total	122,245,520	8,000,000	-	130,245,520	125,167,032

Table 7: Budget result 2018

	2018	2017
REVENUE		
Union contribution, cashed	130,245,520	114,623,613
Other revenue, cashed	6,746,755	5,072,599
TOTAL REVENUE (a)	136,992,275	119,696,212
EXPENDITURE		
Budget Title 1: Staff		
Payments current year	81,611,543	74,525,051
Appropriations carried over to next year	3,941,257	4,063,911
Budget Title 2: Administrative		
Payments current year	7,925,304	7,182,780
Appropriations carried over to next year	3,358,112	2,804,849
Budget Title 3: Operational		
Payments current year	27,754,042	28,694,930
Appropriations carried over to next year	18,803,753	11,887,530
TOTAL EXPENDITURE (b)	143,394,012	129,159,052
RESULT FOR THE FINANCIAL YEAR BEFORE SPECIAL ITEMS (a-b)	-6,401,736	-9,462,840
Cancellation of unused payment appropriations carried over from the previous year	1,029,950	834,972
Adjustment for carry-over from the previous year – assigned revenue	6,480,224	9,783,165
Exchange rate differences	-1,631	3,595
BUDGET RESULT 2018	1,106,807	1,158,893