

DECISION 12/2017
OF THE GOVERNING BOARD OF
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE OPINION OF THE GOVERNING BOARD ON THE FINAL ACCOUNTS 2016

THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

Having regard to Regulation (EC) No 294/2008 establishing the European Institute of Innovation and Technology¹, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013², (hereinafter the EIT Regulation) and in particular, Article 21 (3) and Section 2(a) and 4.3 (j) to the Statutes annexed thereto (hereinafter the ‘Statutes’);

Having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council, in particular Article 99.2³;

Having regard to Decision⁴ of the Governing Board of the EIT of 27 December 2013 on adopting the Financial Regulation of the European Institute of Innovation and Technology (hereinafter the ‘Financial Regulation of the EIT’) as amended by Decision 6/2015⁵ of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 20 April 2016,⁶

Having regard to the preliminary observations of the European Court of Auditors on the provisional annual accounts 2016 of the EIT, forwarded to the EIT Interim Director by the President of the Court of Auditors on 23 May 2017;

Having regard to the final accounts drawn up by the Accounting Officer on 29 May 2017 and submitted by the EIT Interim Director to the EIT Governing Board on 8 June 2017;

WHEREAS

- (1) The final accounts of the EIT shall be sent by 1 July 2017 together with the opinion of the Governing Board, to the account officer of the Commission, the Court of Auditors, the European Parliament and the Council,
- (2) The EIT’s final accounts are attached as Annex I to this decision;
- (3) An excerpt from the final accounts shows the following information:

¹ OJ L97 of 09.04.2008, p. 1.

² OJ L347 of 20.12.2013, p. 174.

³ OJ L 328, 7.12.2013, p. 42–68

⁴ 01364.EIT.2014.I

⁵ 00101.EIT.2015.I.GB34

⁶ 00673.EIT.GB.2016.WP

STATEMENTS OF FINANCIAL PERFORMANCE
31.12.2016

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Subsidy of the Commission	264.437.708,42	220.602.473,77
Host state contribution	0,00	1.560.000,00
Revenues from admin operations - fixed asset income	6.849,73	0,00
Other operating revenue	617.558,17	456.339,37
TOTAL OPERATING REVENUE	265.062.116,32	222.618.813,14
Staff expenses	3.530.404,56	3.197.247,44
Fixed asset related expenses	169.484,25	72.975,50
Other administrative expenses	1.409.426,22	1.130.139,76
Operational expenses	244.876.808,06	226.902.884,34
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	249.986.123,09	231.303.247,04
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	15.075.993,23	(8.684.433,90)
Financial operations revenues	0,00	214,48
Financial operations expenses	3.060,87	20.194,96
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	(3.060,87)	(19.980,48)
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	15.072.932,36	(8.704.414,38)
Extraordinary gains	0,00	0,00
Extraordinary losses	0,00	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0,00	0,00
ECONOMIC RESULT OF THE YEAR	15.072.932,36	(8.704.414,38)

HAS DECIDED AS FOLLOWS:

On the basis of the examination of the final accounts, presented by the EIT Interim Director to the Governing Board of the European Institute of Innovation & Technology ('EIT'), and on the basis of the preliminary observations of the European Court of Auditors on the provisional annual accounts 2015 of the EIT, the Governing Board of the EIT gives a favourable opinion on the final accounts drawn up by the EIT Accounting Officer for 2016.

Done in Berlin on 15 June 2017

Signed

Peter Olesen

Chairman of the EIT Governing Board

Annex 1: Final Accounts 2016 of the European Institute of Innovation and Technology



**FINAL ACCOUNTS OF THE
EUROPEAN INSTITUTE
OF
INNOVATION AND TECHNOLOGY
(EIT)**

and

REPORT ON THE IMPLEMENTATION OF THE BUDGET

01.01.2016 – 31.12.2016

European Institute of Innovation and Technology (EIT)

www.eit.europa.eu



The EIT is a body of the European Union

Budapest | 29 May 2017

Contents

INTRODUCTION	4
PART I: - FINANCIAL STATEMENTS	6
STATEMENTS OF FINANCIAL PERFORMANCE	7
BALANCE SHEET	8
CAPITAL AND LIABILITIES	9
CASH FLOW STATEMENT	10
STATEMENT OF CHANGES IN CAPITAL.....	11
NOTES TO THE GENERAL ACCOUNTS	12
STATEMENTS OF FINANCIAL PERFORMANCES	16
BALANCE SHEET	19
EQUITY AND LIABILITIES.....	23
CONTINGENT LIABILITIES	26
CONTINGENT ASSETS	28
CHANGES IN ACCOUNTING POLICIES.....	28
1. Budget result.....	30
2. Reconciliation of the budget and economic result	31
3. Revenue.....	32
4. Expenditure	33
5. Explanatory notes to the report on the implementation of the budget	41
ANNEX TO THE ANNUAL ACCOUNTS	45

CERTIFICATE

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

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

I have obtained from the authorising officer, who certified its reliability, all the information necessary for the production of the accounts that show the EIT's assets and liabilities and the budgetary implementation.

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

signed

Davide Mola

Accounting Officer

PART I – Financial statements

Financial year: 2016

INTRODUCTION

LEGAL BASIS

The following accounts, together with a report on budgetary and financial management were drawn up in accordance with Article 21 (3) of Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 amended with Regulation No 1292/2013 of 11 December 2013 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 98 of the EIT Financial Regulation.

BACKGROUND INFORMATION

This report and financial statements have been drawn up for the EIT, a European Union body established by Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008.

The mission of the EIT is to increase European sustainable growth and competitiveness by reinforcing the innovation capacity of the EU (Article 3, EIT Regulation). The seat of EIT is in Budapest.

The EIT's expenditures are financed by an annual subsidy from the general budget of the European Union and by a EFTA and third countries contributions.

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is composed of high-level members experienced in higher education, research, innovation and business. It shall be responsible for steering the activities of the EIT, for the selection, designation and evaluation of the KICs, and for all other strategic decisions. It consists of 12 Appointed Members.

The Chairman of the Governing Board for 2016 was Mr Peter Olesen.

The Institute is managed by the EIT Interim Director, Mr. Martin Kern. In accordance with Article 1(c) of the EIT Regulation and Article 39 of the EIT Financial Regulation, the Director is the authorising officer for the EIT budget.

In accordance with Article 50 (1) of the EIT Financial Regulation the Governing Board appointed Davide Mola as accounting officer for the EIT on 28 June 2012 following a recruitment procedure.

PART I: - FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL PERFORMANCE

01.01.2016 - 31.12.2016

STATEMENTS OF FINANCIAL PERFORMANCE
31.12.2016

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
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Extraordinary gains	0,00	0,00
Extraordinary losses	0,00	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0,00	0,00
ECONOMIC RESULT OF THE YEAR	15.072.932,36	(8.704.414,38)

BALANCE SHEET

31.12.2016

ASSETS

	31.12.2016	31.12.2015
A. NON CURRENT ASSETS		
Intangible fixed assets	333.830,65	250.022,28
Tangible fixed assets	231.233,00	177.999,00
Land and buildings	0,00	0,00
Plant and equipment	0,00	0,00
Computer hardware	165.385,00	133.492,00
Furniture and vehicles	40.869,00	43.411,00
Other fixtures and fittings	24.979,00	1.096,00
Tangible fixed assets under construction	0,00	0,00
Long-term receivables	1.135,14	1.135,14
Long-term pre-financing	1.135,14	1.135,14
Long-term receivables with consolidated EC entities	0,00	0,00
TOTAL NON CURRENT ASSETS	566.198,79	429.156,42
B. CURRENT ASSETS		
Stock	0,00	0,00
Short-term receivables	731.834,67	527.442,07
Short term prefinancing	0,00	0,00
Current receivables	746.970,27	556.767,75
Long term receivables falling due within a year	0,00	0,00
Sundry receivables	(15.135,60)	(35.993,46)
Prepaid expenses and accrued income	0,00	6.667,78
Cash and cash equivalents	7.071.921,26	7.756.960,45
TOTAL CURRENT ASSETS	7.803.755,93	8.284.402,52
TOTAL	8.369.954,72	8.713.558,94

CAPITAL AND LIABILITIES

31.12.2016

	31.12.2016	31.12.2015
A. CAPITAL		
Accumulated surplus/deficit	(89.207.253,89)	(80.502.839,51)
Economic result of the year	15.072.932,36	(8.704.414,38)
TOTAL CAPITAL	(74.134.321,53)	(89.207.253,89)
B. NON CURRENT LIABILITIES		
Provisions for risks and liabilities	0,00	0,00
Long-term liabilities with consolidated entities	0,00	0,00
TOTAL NON CURRENT LIABILITIES	0,00	0,00
C. CURRENT LIABILITIES		
Provisions for risks and liabilities	50.000,00	50.000,00
Accounts payable	82.454.276,25	97.870.812,83
Current payables	(28.028,47)	(3.437,31)
Long-term liabilities falling due within the year	0,00	0,00
Sundry payables	22.190,38	25.781,62
Accrued expenses and deferred income	75.355.734,13	89.866.676,05
Accounts payable with consolidated EC entities	7.104.380,21	7.981.792,47
TOTAL CURRENT LIABILITIES	82.504.276,25	97.920.812,83
TOTAL	8.369.954,72	8.713.558,94

CASH FLOW STATEMENT

31.12.2016

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	15.072.932,36	-8.704.414,38
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	82.731,97	5.494,00
Depreciation (tangible fixed assets) +	78.587,91	67.481,50
Increase/(decrease) in Provisions for risks and liabilities	0,00	0,00
Increase/(decrease) in Value reduction for doubtful debts	0,00	0,00
(Increase)/decrease in Stock	0,00	0,00
(Increase)/decrease in Long term Pre-financing	0,00	0,00
(Increase)/decrease in Short term Pre-financing	0,00	0,00
(Increase)/decrease in Long term Receivables	0,00	0,00
(Increase)/decrease in Short term Receivables	-204.392,60	-163.270,95
(Increase)/decrease in Receivables related to consolidated EU entities	0,00	0,00
Increase/(decrease) in Other Long term liabilities	0,00	0,00
Increase/(decrease) in Accounts payable	-14.539.124,32	11.560.915,97
Increase/(decrease) in Liabilities related to consolidated EU entities	-877.412,26	0,00
Other non-cash movements	0,00	0,00
Net cash Flow from operating activities	-386.676,94	2.766.206,14
Cash Flows from investing activities		
Increase of tangible and intangible fixed assets (-)	-298.362,25	-182.229,50
Proceeds from tangible and intangible fixed assets (+)		
Net cash flow from investing activities	-298.362,25	-182.229,50
Net increase/(decrease) in cash and cash equivalents	-685.039,19	2.583.976,64
Cash and cash equivalents at the beginning of the period	7.756.960,45	5.172.983,81
Cash and cash equivalents at the end of the period	7.071.921,26	7.756.960,45

STATEMENT OF CHANGES IN CAPITAL

Capital	Reserves	Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
Balance as of 31 December 2015	0,00	(80.502.839,51)	(8.704.414,38)	(89.207.253,89)
Changes in accounting policies				0,00
Balance as of 1 January 2016	0,00	(80.502.839,51)	(8.704.414,38)	(89.207.253,89)
Allocation of the Economic Result of Previous Year		(8.704.414,38)	8.704.414,38	0,00
Economic result of the year			15.072.932,36	15.072.932,36
Balance as of 31 December 2016	0,00	(89.207.253,89)	15.072.932,36	(74.134.321,53)

NOTES TO THE GENERAL ACCOUNTS

01.01.2016 – 31.12.2016

ACCOUNTING POLICIES AND PRINCIPLES

In accordance with Article 21 (3) of Regulation (EC) No 1292/2013 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 92 of the EIT Financial Regulation of 27 December 2013, the following final accounts together with a report on budgetary and financial management have been drawn up. These financial statements for the financial year 2016 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the European Union, while the reports on implementation of the budget continue to be primarily based on movements of cash. They also follow Commission Regulation No 1268/2012 (hereinafter referred to as the Implementing Rules).

The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For a public sector entity such as the EIT, the objective is more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

The accounting system of the EIT comprises general accounts and budgetary accounts. The accounts are kept in EUR and are accounted on the basis of a financial year equal to the calendar year. The budgetary accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.¹ The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

The EIT financial statements have been drawn up using the methods of preparation set out in the accounting rules laid down by the European Commission's accounting officer.

Article 95 of the EIT Financial Regulation sets out the accounting principles to be applied in drawing up the financial statements:

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

Going concern basis

The financial statements have been made in accordance with the going concern principle, which means that the EIT is deemed to have been established for an indefinite duration (IPSAS 1; Financial Regulation, Article 143).

Prudence

Assets and income in these financial statements have not been overstated, and liabilities and expenses have not been understated. No hidden reserves have been created (IPSAS 1; Financial Regulation, Article 143).

Consistent accounting method

According to this principle the accounting methods and valuation rules may not be changed from one year to the next (IPSAS 1; Financial Regulation, Article 143).

Comparability of information

In accordance with this principle, the financial statements shall show for each item the amount of the corresponding item for the previous year. Where the presentation or the classification of one of the components of the financial statements has been changed, the corresponding amounts for the previous year shall be made comparable and reclassified (IPSAS 1; Financial Regulation, Article 143).

Materiality

According to this principle, items that are material by virtue of their nature should be presented separately in the financial statements. Items that are material by virtue of their size but which have the same nature may be aggregated. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately (IPSAS 1; Financial Regulation, Article 143).

No netting

The principle of no netting means that assets and liabilities may not be offset against each other, nor may revenues and expenses, save where the revenues and expenses derive from the same transaction, from similar transactions or from hedging operations and provided that they are not individually material (IPSAS 1; Financial Regulation, Article 143).

Reality over appearance (Substance Over Form)

This principle states that if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form (IPSAS 1; Financial Regulation, Article 143).

Accrual-based accounting

Accrual based accounting is an accounting method that measures the performance and position of the entity by recognizing economic events regardless of when cash transactions occur. (Income and expense items are recognized and recorded when income is earned and expense is incurred, regardless of when cash is actually received or paid.) (IPSAS 1; EIT Financial Rules, Article 79 (1.); Financial Regulation, Article 143).

Reporting period

The EIT reporting period is from 1 January to 31 December 2016.

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 EIT (EIT Financial Regulation, Article 96).

Transactions

Foreign currency transactions were translated into Euros using the official exchange rates of the European Commission of the day on which the payment order was drawn up (Implementing Rules, Article 5).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised in the economic outturn account.

CHART OF ACCOUNTS

The chart of accounts used by EIT follows the structure of the chart of accounts of the European Commission (PCUE).

STATEMENTS OF FINANCIAL PERFORMANCES

Non-Exchange Revenue

Non-exchange revenues for 2016 consist of the subsidy and other operational revenue received from the European Commission.

	2016	2015
EC subsidy	264 437 708,42	220 602 473,77
Host state contribution	0,00	1 560 000,00
Recoveries of GA	600 688,48	431 827,42
Miscellaneous income	7 197,30	11 261,60
Exchange rate gains	16 540,12	13 250,35
Total	265 062 116,32	222 618 813,14

The Institute make pre financing (transactions) for grants during the financial year and final payments in the following year. The Institute makes accrual on the grant amount based on KICs' final settlement and payment requests. After the final payment by EIT, an ex-post audit on sample transactions take place.

Service in-kind - Host state contribution to the EIT premises

According to Article 3(3) of the Host Agreement the Hungarian Government covers the rental fee of the EIT premises for 20 years. For such in-kind services the EIT follows the non-recognition approach therefore the contribution was not recognised as revenue (and asset) in the EIT books.

The Hungarian Government contribution to the rental fee constitutes EUR 547 524,48 in kind revenue per calendar year.

Expenses

According to the principle of the accrual-based accounting, financial statements take account of expenses relating to the reporting period; without taking into consideration the payment date.

Administrative and operational expenses

Staff expenses comprise different categories of personnel related expenses: salaries, allowances, mission costs and other welfare expenses. Fixed asset related expenses comprise the charged amortisation/depreciation. Other administrative expenses comprise building associated costs, maintenance and service fees, office running costs, the honoraria for the Governing Board and meeting expenses. Operational expenses comprise the KIC grants, studies, expert fees, operational meeting and other operative expenses. The amount includes the pre-financing already paid of 170 449 255,34 EUR.

Article 14 (6) of Regulation (EC) No 1292/2013 amending Regulation (EC) No 294/2008 establishing the European Institute of Innovation and Technology stipulates that the EIT financial contribution shall not, on average, exceed 25% of a KIC's overall funding over the EU budget period, from 1 January 2014 to December 2020. The rule shall apply as an average at the end of the period, therefore the fulfilment cannot be measured reliably before 2021. As a consequence, the proportion of the EIT funding in the KICs' overall budget for 2016 is not known at the date of the accounts and no financial impact was recorded for the financial year.

	2016	2015
Staff expenses	3 530 404,56	3 197 274,44
Fixed asset related expenses	169 484,25	72 975,50
Other administrative expenses	1 409 426,22	1 130 139,76
Operational expenses	244 876 808,06	226 902 884,34
Total	249 986 123,09	231 303 247,04

Average number of employees

	2016	2015
Temporary agents	33	30
Contract agents	19	19
Total	52	49

Note related to Payroll charges

All salary calculations giving the total staff expenses included in the Statement of financial performance of EIT are externalized 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.

The PMO's mission is to manage the financial rights of permanent, temporary and contractual staff working at the Commission, to calculate and to pay their salaries and other financial entitlements. The PMO provides these services to other EU institutions and agencies as well. The PMO is also responsible for managing the health insurance fund of the Institutions, together with processing and paying the claims of reimbursement from staff members. The PMO also manages the pension fund and pays the pensions of retired staff members. PMO is being audited by the European Court of Auditors.

EIT is only responsible for the communication to the PMO of reliable information allowing the calculation of the staff costs. It is also responsible to check that this information has been correctly handled in the monthly payroll report used for accounting payroll costs. It is not responsible for the calculation of the payroll costs performed by PMO.

Financial operations revenues (exchange revenue)

The EIT Financial Regulation provide the EIT with derogation; the funds paid to the EIT by the Commission by way of the subsidy shall bear interest for the benefit of its budget. (EIT FR, Art. 58). No interest were collected in 2016.

	2016	2015
Bank interest	0,00	214,48

BALANCE SHEET

ASSETS

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

EIT uses ABAC Assets, which is an integrated part of the ABAC platform, as inventory application.

Fixed assets

Fixed assets are assets that are expected to be used during more than one reporting period. The fixed assets in these financial statements are valued at their acquisition price or production cost. The book value of a fixed asset is equal to its acquisition price or production cost, plus or minus revaluations, depreciation and other amounts written off.

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets without any physical form. In the EIT's case these consist of computer software.

Tangible fixed assets

Tangible fixed assets are assets of physical nature, consisting of technical equipments, furniture, computer hardware, telecommunication and audiovisual equipment.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life (IPSAS 17). The depreciation on fixed assets is calculated using the straight-line method with the following rates:

Depreciation rates

Type of asset	Straight line depreciation rate
Computer software	25%
Technical equipment	12.5%
Vehicles	25%
Furniture	10%
Kitchen, cafeteria equipment	12.5%
Computer hardware	25%
Telecommunication and audiovisual equipment	25%

Details of the fixed assets' depreciation can be found in the following table.

		Internally generated Computer Software	Computer software	Plant and Equipment	Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	Total
Gross carrying amounts 01.01.2016	+	36.197,00	270.209,43	1.235,76	359.933,70	93.181,79	50.093,60	810.851,28
Additions	+		166.540,34		92.585,90	7.683,90	31.552,11	298.362,25
Gross carrying amounts 31.12.2016		36.197,00	436.749,77	1.235,76	452.519,60	100.865,69	81.645,71	1.109.213,53
								0,00
Accumulated amortization and impairment 01.01.2016	-		-56.384,15	-1.235,76	-226.441,70	-49.770,79	-48.997,60	-382.830,00
Depreciation	-		-82.732,34	0,00	-60.692,90	-10.225,90	-7.669,11	-161.320,25
Accumulated amortization and impairment 31.12.2016		0,00	-139.116,49	-1.235,76	-287.134,60	-59.996,69	-56.666,71	-544.150,25
Net carrying amounts 31.12.2016		36.197,00	297.633,28	0,00	165.385,00	40.869,00	24.979,00	565.063,28

Receivables

Receivables are carried at original invoice amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the EIT will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is recognised in the economic outturn account statement.

Short term and long term receivables

Long term:

	2016	2015
Fee paid to supplier	<u>1 135,44</u>	<u>1 135,44</u>
Total	1 135,44	1 135,44

Short-term:

	2016	2015
Receivable from customers	0,00	5 250,74
Recoveries grant	600 688,48	431 827,42
Receivables from consolidated entities	0,00	85,84
Recoverable VAT from host state	146 281,79	119 603,75
Accrued income/deferred charges	0,00	6 667,78
Sundry receivables	-15 135,60	-35 993,46
Total	<u>731 834,67</u>	<u>527 442,07</u>

The prepayments consist of prepaid maintenance fees.

Cash and cash equivalents

	2016	2015
Bank accounts	7 071 921,26	7 756 960,45
Total	7 071 921,26	7 756 960,45

The bank accounts are held with BNP Paribas Fortis (Fortis Bank nv/sa) in Belgium for the EUR currency and in Hungary for the HUF account.

EQUITY AND LIABILITIES

Provisions for risks and liabilities

Provisions for risks and liabilities are recognised when EIT has a present legal or constructive obligation as a result of past events; an outflow of resources might be required to settle the obligation, and the amount can be reliably estimated.

The amount of 50 000,00 EUR is intended to cover the legal expenses related to a procurement procedure.

Short term provisions

	2016	2015
Provision	50 000,00	50 000,00

Current payables

The accounts payable as at 31 December 2016 comprise outstanding unpaid invoices and claims from the suppliers, beneficiaries and other public bodies.

	2016	2015
Accounts payable	139 642,33	14 149,25
Total	139 642,33	14 149,25

Accrued expenses and deferred income

	2016	2015
Accrued expenses	75 355 734,13	89 866 676,05
Deferred income	0,00	0,00
Total	75 355 734,13	89 866 676,05

Accrued expenses are expenses that have been incurred but not yet paid. The majority of the booked accruals are related to KIC grant agreements (EUR 74 003 442,52). The other expenses are related to operational and, for a residual part, administrative/staff expenses.

The calculated amount of holiday compensation is recognised as accrued expense (according to the Staff regulation - Annex V: Leave, Article 4 - if the person at the time of leaving the service has not used up his/her annual leave, he/she shall be paid compensation equal to one thirtieth of his monthly remuneration for each day of leave due to him/her).

Accounts payable with consolidated EU entities

	2016	2015
Open pre-financing 2016	1 661 743,46	-
Open pre-financing 2015	4 539 755,39	7 979 629,89
Other payables to consolidated EU entities	902 881,36	2 162,58
Total	7 104 380,21	7 981 792,47

Article 14 of the EIT Financial Regulation, derogations allow for the possibility to re-enter unused appropriations, appropriations carried over and decommitted appropriations in the estimate of revenue and expenditure up to the following three financial years.

Article 58 of the EIT Financial Rules grants derogation as regards the interest earned on the subsidy payments: the funds paid to the EIT by the Commission by way of the subsidy bears interest for the benefit of its budget.

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; or a present obligation that arises from past events but is not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Operational leases

Operational leases are classified as such where the lessor retains a significant portion of the risks and rewards of ownership. Lease payments under an operating lease are recognised as an expense in the economic outturn account on a straight-line basis over the lease term. Assets subject to an operating lease are treated as rentals.

EIT has no operational lease contracts.

Carryovers

The EIT recognises the difference between the amount of the automatic carryover of commitment appropriations (the budgetary commitment is the operation reserving the appropriation necessary to cover subsequent payments to honour a legal commitment) and the accrued expenses as a contingent liability.

	2016	2015
Automatic carryovers (C8)	1 020 677,89	759 478,94
Accrued expenses	(75 355 734,13)	(89 866 676,05)
Contingent liabilities for carryovers	(74 335 056,24)	(89 107 197,11)

Amounts relating to legal cases

EIT has a provision of EUR 50 000,00 related to a procurement procedure launched in 2015.

Long term/Multi-annual contractual commitments

A commitment for future funding is a possible future outflow of resources that could arise due to a legal or contractual commitment existing at year end. Significant long-term service contracts fall under this category.

The EIT has no existing multi-annual contracts without budgetary commitments.

	2016	2015
Operational leases	-	-
Carryovers	1 020 677,89	759 478,94
Legal case	-	-
Multi-annual contractual commitments	-	-
Contingent liabilities	1 020 677,89	759 478,94

CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events but which are not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Guarantees received for pre-financing

Articles 124 of the EU Financial Regulation and Article 182 of the Implementing Rules allow the Authorising Officers, if appropriate and proportionate, to require an advance guarantee for pre-financing.

EIT is part of the H2020 Guarantee Fund, set up under Regulation (EC) No 1906/2006 of the European Parliament and of the Council, to cover the risk associated with non-recovery of sums due to EIT under actions financed through grants.

RELATED PARTIES

The table below shows the highest staff grade of the entity, the number of persons in this grade and the loans at preferential rates received by these persons from your entity or any other EU consolidated entity. This doesn't include advances on salaries or the repayment of sickness fund overpayments.

Highest grade description	Grade	Number of persons of this grade	Nominal amount	Remaining open amount as of 31/12
Interim Director	AD11	1	-	-

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the financial year 2016.

PART II - Report on the implementation of the budget

Financial year: 2016

1. Budget result

EUR

		2016	2015
Revenue for the financial year	+	263,990,494.08	228,848,153.12
Payments against current year appropriations (C1, C4, C5, R0)	-	261,615,260.93	223,016,442.62
Payment appropriations carried over to year N+1	-	1,020,677.89	759,478.94
Cancellation of unused payment appropriations carried over from year N-1 (C2,C8)	+	54,223.16	635,963.98
Adjustment for carry-over from previous year of appropriations available at 31.12 arising from assigned revenue (C5)	+	263,239.16	725,281.44
Exchange differences for the year (gain+/loss-)	+/-	-10,274.12	-18,369.75
<i>Budget result</i>		<i>1,661,743.46</i>	<i>6,415,107.23</i>

Balance year N-1	+	7,979,629.89	4,291,706.65
Positive balance from year N-1 reimbursed in year N to the Commission	-		2,727,183.99
Positive balance from year N-1 reimbursed in year N+1 to the Commission	-	894,505.58	
Payments on re-entered appropriations cancelled in year N-1 and N-2	-	2,545,368.92	
<i>Balance year N</i>		<i>6,201,498.85</i>	<i>7,979,629.89</i>

Interest generated on the Commission's subsidy	+	0	214.68
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2. Reconciliation of the budget and economic result

EUR

Table 2 - Reconciliation of the budgetary and economic outturn	2016	2015
ECONOMIC RESULT	15.072.932,36	-8.704.414,38
Adjustments for accrual cut off reversal 31.12.N-1	-89.866.676,05	-82.016.338,73
Adjustments for accrual cut off reversal 31.12.N	75.355.734,13	89.866.676,05
Unpaid invoices at year end but booked in charges	0,00	0,00
Depreciation of intangible and tangible assets	161.320,25	72.975,50
Provisions	0,00	0,00
Payments made from carry over of payment appropriations	442.016,62	525.642,64
Other revenue	0,00	-214,48
Asset acquisitions	-298.362,25	-182.229,50
Recovery orders (grants) not yet cashed	-600.688,48	-431.827,42
Recovery orders (grants) from previous years cashed in 2016	4.583,70	263.239,16
Recovery orders (others) not yet cashed	0,00	0,00
Pre-financing open at the end of 2015 and paid in 2016	0,00	0,00
Payment appropriations carried over	-588.850,47	-759.478,94
Cancellation of unused carried over payment appropriations from previous year	54.223,16	635.963,98
Carry-over from previous year of appropriations available at 31.12 arising from assigned revenue	263.239,16	725.281,44
Accrued income/ Deferred Charges	0,00	6.667,78
Release of provision against unrealized gain/losses	0,00	0,00
Pre-financing open with the Commission	1.661.743,46	6.415.107,23
Others	527,87	-1.943,10
Total	1.661.743,46	6.415.107,23
BUDGETARY RESULT	1.661.743,46	6.415.107,23

3. Revenue

Income line	Income line header	Income appropriation, EUR	Entitlements established in 2015, EUR (1)	Entitlements established in 2016, EUR (2)	Revenue carried over from 2015, EUR (3)	Revenue received, EUR (4)	Outstanding amounts, EUR (1+2-3-4)
200	European Union subsidy	252,158,953.03		252,158,953.03		252,158,953.03	0.00
300	Contributions by the EFTA member states	6,875,046.93		6,875,046.93		6,875,046.93	0.00
310	Contributions by third countries	4,520,083.00		4,520,083.00		4,520,083.00	0.00
570	Revenue arising from repayment of amounts wrongly paid	4,583.70	4,583.70			4,583.70	0.00
590	Other revenue from administrative operations	0.00		329.57		0.00	329.57
600	Surplus, balances	7,065,708.31					0.00
701	Repayment of KICs grants incurred as a result of an ex-post audit (assigned revenue)	695,066.58	263,239.16	431,827.42	263,239.16	431,827.42	0.00
	TOTAL	271,319,441.55	267,822.86	263,986,239.95	263,239.16	263,990,494.08	329.57

4. Expenditure

a. Breakdown and changes in commitment and payment appropriations per chapter

Chapter		COMMITMENT APPROPRIATIONS				Total, EUR
		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	
11	Staff in active employment	3,843,060.00	-428,000.00			3,415,060.00
12	Recruitment expenses	45,000.00	0.00			45,000.00
13	Mission	250,000.00	-52,000.00			198,000.00
14	Socio-medical infrastructure	102,800.00	-16,000.00			86,800.00
15	Training	90,000.00	-20,000.00			70,000.00
16	External staff and linguistic support	777,302.00	-273,500.00			503,802.00
17	Representation	4,000.00	-2,000.00			2,000.00
Title 1 - Total		5,112,162.00	-791,500.00	0.00	0.00	4,320,662.00
20	Building and associated costs	128,000.00	-79,065.00			48,935.00
21	Information and communication technology	465,000.00	-67,450.00			397,550.00
22	Moveable property and associated costs	62,750.00	-36,050.00			26,700.00
23	Current administrative expenditure	356,750.00	-69,850.00			286,900.00
24	Publications, information, studies and surveys	44,000.00	-29,000.00			15,000.00
25	Meeting expenses	431,780.00	-113,000.00			318,780.00
Title 2 - Total		1,488,280.00	-394,415.00	0.00	0.00	1,093,865.00
30	Grants	253,634,936.00	532,248.70	21,101,824.84	695,066.58	275,964,076.12
31	Knowledge and Innovation Communities	1,375,000.00	433,010.00			1,808,010.00
32	EIT's impact	1,660,000.00	-498,560.00			1,161,440.00
33	Simplification, monitoring and evaluation	397,000.00	38,600.00			435,600.00
Title 3 - Total		257,066,936.00	505,298.70	21,101,824.84	695,066.58	279,369,126.12
TOTAL		263,667,378.00	-680,616.30	21,101,824.84	695,066.58	284,783,653.12
40	Cancelled appropriations not used in year n	0.00	9,012,879.42			9,012,879.42
Title 4 - Total		0.00	9,012,879.42	0.00	0.00	9,012,879.42
GRAND TOTAL		263,667,378.00	8,332,263.12	21,101,824.84	695,066.58	293,796,532.54

		PAYMENT APPROPRIATIONS				
Chapter		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR
11	Staff in active employment	3,843,060.00	-428,000.00			3,415,060.00
12	Recruitment expenses	45,000.00	0.00			45,000.00
13	Mission	250,000.00	-52,000.00			198,000.00
14	Socio-medical infrastructure	102,800.00	-16,000.00			86,800.00
15	Training	90,000.00	-20,000.00			70,000.00
16	External staff and linguistic support	777,302.00	-273,500.00			503,802.00
17	Representation	4,000.00	-2,000.00			2,000.00
Title 1 - Total		5,112,162.00	-791,500.00	0.00	0.00	4,320,662.00
20	Building and associated costs	128,000.00	-79,065.00			48,935.00
21	Information and communication technology	465,000.00	-67,450.00			397,550.00
22	Moveable property and associated costs	62,750.00	-36,050.00			26,700.00
23	Current administrative expenditure	356,750.00	-69,850.00			286,900.00
24	Publications, information, studies and surveys	44,000.00	-29,000.00			15,000.00
25	Meeting expenses	431,780.00	-113,000.00			318,780.00
Title 2 - Total		1,488,280.00	-394,415.00	0.00	0.00	1,093,865.00
30	Grants	271,019,742.92	-16,090,203.26	2,545,368.92	695,066.58	258,169,975.16
31	Knowledge and Innovation Communities	999,000.00	421,500.00			1,420,500.00
32	EIT's impact	1,092,500.00	513,000.00			1,605,500.00
33	Simplification, monitoring and evaluation	587,000.00	-398,400.00			188,600.00
Title 3 - Total		273,698,242.92	-15,554,103.26	2,545,368.92	695,066.58	261,384,575.16
TOTAL		280,298,684.92	-16,740,018.26	2,545,368.92	695,066.58	266,799,102.16
40	Cancelled appropriations not used in year n	0.00	4,520,339.39			4,520,339.39
Title 4 - Total		0.00	4,520,339.39	0.00	0.00	4,520,339.39
GRAND TOTAL		280,298,684.92	-12,219,678.87	2,545,368.92	695,066.58	271,319,441.55

4.2. Implementation of voted commitment and payment appropriations per Title (C1 and C4)

Budget Title	Fund Source	Commitment			Payment		
		Appropriations, EUR	Commitments made, EUR	%	Appropriations, EUR	Payments made, EUR	%
1 Staff expenditure	C1	4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%
		4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%
2 Infrastructure and operating expenditure	C1	1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%
		1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%
3 Operational expenditure	C1	257,572,234.70	244,774,789.20	95.03%	258,144,139.66	256,803,096.75	99.48%
	C4	431,827.42		0.00%	431,827.42		0.00%
		258,004,062.12	244,774,789.20	94.87%	258,575,967.08	256,803,096.75	99.31%
TOTAL		263,418,589.12	249,912,564.69	94.87%	263,990,494.08	261,352,021.77	99.00%

4.3. Implementation of carried-over and re-entered commitment and payment appropriations per Title (C3, C5 and C8)

Budget Title	Fund Source	Commitment			Payment		
		Appropriations, EUR	Commitments made, EUR	%	Appropriations, EUR	Payments made, EUR	%
1 Staff expenditure	C8	142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%
		142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%
2 Infrastructure and operating expenditure	C8	353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%
		353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%
3 Operational expenditure	C2				2,545,368.92	2,545,368.92	100.00%
	C3	21,101,824.84	21,101,824.84	100.00%			
	C5	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%
	C8	106,207,327.81	92,552,449.98	87.14%			
		127,572,391.81	113,917,513.98	89.30%	2,808,608.08	2,808,608.08	100.00%
TOTAL		128,068,631.59	114,359,530.60	89.30%	3,304,847.86	3,250,624.70	98.36%

4.4 Implementation of the commitment and payment appropriations per budget item (C1)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	1,659,038.00	1,642,937.24	99.03%	1,659,038.00	1,642,937.24	99.03%	-
A-1101	Allowances	587,425.00	582,045.70	99.08%	587,425.00	582,045.70	99.08%	-
A-1102	Employers charges	130,597.00	127,165.19	97.37%	130,597.00	127,165.19	97.37%	-
A-1110	Remuneration and allowances of contract agents	728,000.00	722,723.18	99.28%	728,000.00	722,723.18	99.28%	-
A-1120	Termination of service	20,000.00	-	0.00%	20,000.00	-	0.00%	-
A-1121	Entitlements related to entering the service	100,000.00	81,661.87	81.66%	100,000.00	81,661.87	81.66%	-
A-1130	Schooling	190,000.00	188,671.75	99.30%	190,000.00	188,661.94	99.30%	9.81
	Total	3,415,060.00	3,345,204.93	97.95%	3,415,060.00	3,345,195.12	97.95%	9.81
A-1200	Recruitment expenses	45,000.00	37,960.50	84.36%	45,000.00	37,960.50	84.36%	-
	Total	45,000.00	37,960.50	84.36%	45,000.00	37,960.50	84.36%	-
A-1300	Mission expenses	198,000.00	198,000.00	100.00%	198,000.00	177,216.87	89.50%	20,783.13
	Total	198,000.00	198,000.00	100.00%	198,000.00	177,216.87	89.50%	20,783.13
A-1400	Restaurants and canteens	500.00	418.48	83.70%	500.00	418.48	83.70%	-
A-1410	Medical expenses	5,000.00	2,564.72	51.29%	5,000.00	2,564.72	51.29%	-
A-1420	Early childhood centre and approved day nurseries	75,000.00	75,000.00	100.00%	75,000.00	69,027.72	92.04%	5,972.28
A-1430	Social contacts among staff members	6,300.00	5,266.06	83.59%	6,300.00	2,537.06	40.27%	2,729.00
	Total	86,800.00	83,249.26	95.91%	86,800.00	74,547.98	85.88%	8,701.28
A-1500	Training	70,000.00	31,033.39	44.33%	70,000.00	10,517.99	15.03%	20,515.40
	Total	70,000.00	31,033.39	44.33%	70,000.00	10,517.99	15.03%	20,515.40
A-1600	Agency staff	81,802.00	73,854.54	90.28%	81,802.00	5,960.08	7.29%	67,894.46
A-1601	Seconded National Expert	55,000.00	51,697.98	94.00%	55,000.00	51,697.98	94.00%	-
A-1602	Trainees	39,000.00	33,564.12	86.06%	39,000.00	33,564.12	86.06%	-
A-1603	IT support	171,000.00	160,269.00	93.72%	171,000.00	99,900.00	58.42%	60,369.00
A-1604	Administrative assistance	70,000.00	64,520.00	92.17%	70,000.00	47,048.30	67.21%	17,471.70
A-1611	Translation	87,000.00	84,585.65	97.22%	87,000.00	84,585.65	97.22%	-
	Total	503,802.00	468,491.29	92.99%	503,802.00	322,756.13	64.06%	145,735.16
A-1700	Representation expenses	2,000.00	377.25	18.86%	2,000.00	377.25	18.86%	-
	Total	2,000.00	377.25	18.86%	2,000.00	377.25	18.86%	-
	TOTAL - Title 1	4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%	195,744.78

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2000	Renting	6,000.00	6,000.00	100.00%	6,000.00	5,700.00	95.00%	300.00
A-2003	Water gas electricity and heating	20,000.00	20,000.00	100.00%	20,000.00		0.00%	20,000.00
A-2004	Cleaning and maintenance	16,400.00	13,833.34	84.35%	16,400.00	8,113.34	49.47%	5,720.00
A-2005	Security and surveillance	4,535.00	4,376.18	96.50%	4,535.00	806.18	17.78%	3,570.00
A-2006	Fitting out of premises	2,000.00	709.97	35.50%	2,000.00	709.97	35.50%	-
	Total	48,935.00	44,919.49	91.79%	48,935.00	15,329.49	31.33%	29,590.00
A-2100	Acquisition renting of equipments and software	221,500.00	218,572.35	98.68%	221,500.00	115,497.45	52.14%	103,074.90
A-2101	Maintenance and repair of equipments	176,050.00	175,671.62	99.79%	176,050.00	116,937.62	66.42%	58,734.00
	Total	397,550.00	394,243.97	99.17%	397,550.00	232,435.07	58.47%	161,808.90
A-2200	Acquisition general, technical equipment	3,700.00	3,568.90	96.46%	3,700.00	472.90	12.78%	3,096.00
A-2212	Transport cost	1,000.00	4.50	0.45%	1,000.00	4.50	0.45%	-
A-2220	Acquisition of furniture	22,000.00	21,878.08	99.45%	22,000.00	21,878.08	99.45%	-
	Total	26,700.00	25,451.48	95.32%	26,700.00	22,355.48	83.73%	3,096.00
A-2300	Stationery and office supplies	9,900.00	9,887.77	99.88%	9,900.00	239.87	2.42%	9,647.90
A-2301	Postage and delivery charges	2,500.00	2,500.00	100.00%	2,500.00	2,376.05	95.04%	123.95
A-2302	Telecommunication charges	41,000.00	41,000.00	100.00%	41,000.00	22,847.67	55.73%	18,152.33
A-2303	Legal expenses and damages	25,000.00	24,020.00	96.08%	25,000.00	17,772.13	71.09%	6,247.87
A-2305	Bank charges	3,000.00	2,000.00	66.67%	3,000.00	924.17	30.81%	1,075.83
A-2306	Honoraria for Governing Board Members	200,500.00	161,500.00	80.55%	200,500.00	157,500.00	78.55%	4,000.00
A-2309	Other administrative expenses	5,000.00	930.80	18.62%	5,000.00	930.80	18.62%	-
	Total	286,900.00	241,838.57	84.29%	286,900.00	202,590.69	70.61%	39,247.88
A-2400	Official Journal	2,000.00	908.40	45.42%	2,000.00	388.40	19.42%	520.00
A-2401	EIT publications	3,000.00	257.63	8.59%	3,000.00	257.63	8.59%	-
A-2403	Studies and surveys	10,000.00	8,905.00	89.05%	10,000.00		0.00%	8,905.00
	Total	15,000.00	10,071.03	67.14%	15,000.00	646.03	4.31%	9,425.00
A-2500	Organisation and travel expenses of Governing Board meetings	310,780.00	254,147.04	81.78%	310,780.00	104,209.13	33.53%	149,937.91
A-2520	Internal meetings	8,000.00	2,787.29	34.84%	8,000.00	2,787.29	34.84%	-
	Total	318,780.00	256,934.33	80.60%	318,780.00	106,996.42	33.56%	149,937.91
	TOTAL - Title 2	1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%	393,105.69
	TOTAL - Title 1 and Title 2	5,414,527.00	5,137,775.49	94.89%	5,414,527.00	4,548,925.02	84.01%	588,850.47

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	254,167,184.70	241,878,980.43	95.17%	254,929,539.66	254,145,577.62	99.69%	
	Total	254,167,184.70	241,878,980.43	95.17%	254,929,539.66	254,145,577.62	99.69%	
B3-111	Planning, reporting and audits	1,537,010.00	1,482,631.68	96.46%	1,013,000.00	867,559.48	85.64%	
B3-112	Knowledge Triangle Integration	71,000.00	70,188.28	98.86%	71,000.00	48,939.29	68.93%	
B3-114	New KICs	200,000.00	98,273.05	49.14%	336,500.00	226,080.07	67.19%	
	Total	1,808,010.00	1,651,093.01	91.32%	1,420,500.00	1,142,578.84	80.43%	
B3-202	Communications and Dissemination	811,000.00	782,618.34	96.50%	803,500.00	757,938.15	94.33%	
B3-203	Alumni	250,000.00	101,939.48	40.78%	150,000.00	99,689.83	66.46%	
B3-204	Stakeholder relations	85,440.00	3,315.00	3.88%	591,000.00	475,037.03	80.38%	
B3-205	Awards	15,000.00	15,000.00	100.00%	61,000.00	59,889.69	98.18%	
	Total	1,161,440.00	902,872.82	77.74%	1,605,500.00	1,392,554.70	86.74%	
B3-301	EIT-KIC relations	100,000.00	37,989.00	37.99%	89,600.00	51,923.65	57.95%	
B3-303	Monitoring and evaluation	335,600.00	303,853.94	90.54%	99,000.00	70,461.94	71.17%	
	Total	435,600.00	341,842.94	78.48%	188,600.00	122,385.59	64.89%	
	Total - Title 3	257,572,234.70	244,774,789.20	95.03%	258,144,139.66	256,803,096.75	99.48%	
	TOTAL	262,986,761.70	249,912,564.69	95.03%	263,558,666.66	261,352,021.77	99.16%	588,850.47

4.5. Implementation of the commitment appropriations (C3) and payment appropriations per budget item (C2)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC grants	21,101,824.84	21,101,824.84	100.00%	2,545,368.92	2,545,368.92	100.00%
	Total	21,101,824.84	21,101,824.84	100.00%	2,545,368.92	2,545,368.92	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	9,012,879.42	-	0.00%	4,520,339.39	-	0.00%
	Total	9,012,879.42	-	0.00%	4,520,339.39	-	0.00%
	GRAND TOTAL	30,114,704.26	21,101,824.84	70.07%	7,065,708.31	2,545,368.92	36.02%

4.6. Implementation of the commitment and payment appropriations per budget item (C4)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC Grants	431,827.42		0,00 %	431,827.42		0,00 %
	Total	431,827.42	-	0,00 %	431,827.42	-	0,00 %

4.7. Implementation of the commitment and payment appropriations per budget item (C5)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC Grants	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%
	Total	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%

4.8. Implementation of the commitment and payment appropriations per budget item (C8)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1300	Mission expenses	9,128.55	9,128.55	100.00%	9,128.55	9,128.55	100.00%	-
	Total	9,128.55	9,128.55	100.00%	9,128.55	9,128.55	100.00%	-
A-1401	Medical expenses	564.32	564.32	100.00%	564.32	564.32	100.00%	-
A-1402	Childhood centre	11,008.34	11,008.34	100.00%	11,008.34	11,008.34	100.00%	-
A-1403	Social contacts	394.26	394.26	100.00%	394.26	394.26	100.00%	-
	Total	11,966.92	11,966.92	100.00%	11,966.92	11,966.92	100.00%	-
A-1500	Training	33,117.81	15,227.44	45.98%	33,117.81	15,227.44	45.98%	-
	Total	33,117.81	15,227.44	45.98%	33,117.81	15,227.44	45.98%	-
A-1603	IT support	14,604.00	14,285.00	97.82%	14,604.00	14,285.00	97.82%	-
A-1604	Administrative assistance	59,263.00	59,082.37	99.70%	59,263.00	59,082.37	99.70%	-
A-1611	Translation	14,440.85	14,126.60	97.82%	14,440.85	14,126.60	97.82%	-
	Total	88,307.85	87,493.97	99.08%	88,307.85	87,493.97	99.08%	-
	TOTAL - Title 1	142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%	-
A-2020	Water gas electricity and heating	20,000.00	18,520.83	92.60%	20,000.00	18,520.83	92.60%	-
A-2030	Cleaning and maintenance	6,061.60	5,520.00	91.07%	6,061.60	5,520.00	91.07%	-
A-2040	Security and surveillance	500.00	180.00	36.00%	500.00	180.00	36.00%	-
A-2006	Fitting out of premises	2,260.40	2,036.34	90.09%	2,260.40	2,036.34	90.09%	-
	Total	28,822.00	26,257.17	91.10%	28,822.00	26,257.17	91.10%	-
A-2100	Acquisition renting of equipments and software	206,423.95	197,092.39	95.48%	206,423.95	197,092.39	95.48%	-
A-2101	Maintenance and repair of equipments	28,817.23	28,817.23	100.00%	28,817.23	28,817.23	100.00%	-
	Total	235,241.18	225,909.62	96.03%	235,241.18	225,909.62	96.03%	-
A-2300	Stationery	591.58	205.00	34.65%	591.58	205.00	34.65%	-
A-2301	Postage and delivery charges	465.21	212.31	45.64%	465.21	212.31	45.64%	-
A-2302	Telecommunication charges	13,985.48	9,464.50	67.67%	13,985.48	9,464.50	67.67%	-
A-2303	Legal expenses and damages	15,180.00	9,900.00	65.22%	15,180.00	9,900.00	65.22%	-
A-2305	Bank charges	294.87	294.87	100.00%	294.87	294.87	100.00%	-
A-2309	Other administrative expense	281.13	33.57	11.94%	281.13	33.57	11.94%	-
	Total	30,798.27	20,110.25	65.30%	30,798.27	20,110.25	65.30%	-
A-2400	Official Journal	500.00	499.18	99.84%	500.00	499.18	99.84%	-
	Total	500.00	499.18	99.84%	500.00	499.18	99.84%	-
A-2500	Organisation and travel expense of Governing Board meetings	58,357.20	45,423.52	77.84%	58,357.20	45,423.52	77.84%	-
	Total	58,357.20	45,423.52	77.84%	58,357.20	45,423.52	77.84%	-
	Total - Title 2	353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%	-
	TOTAL - Title 1 and Title 2	496,239.78	442,016.62	89.07%	496,239.78	442,016.62	89.07%	-

5. Explanatory notes to the report on the implementation of the budget

5.1. Budgetary principles, structure and appropriations

Legal basis

Article 92(b) of the EIT Financial Regulation² stipulates that “the accounts of the EIT shall comprise the financial statements of the EIT and the reports on the implementation of the budget of the EIT.

Budgetary principles

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

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

² EIT Governing Board Decision of 27 December 2013

Budget structure

The budget consists of a statement of revenue and expenditure.

The items of revenue and expenditure are classified according to their type or the use to which they are assigned under titles, chapters, articles and items.

Structure of the budgetary accounts

General overview

The EIT budget contains administrative appropriations and operating appropriations. Furthermore, the budget distinguishes between two types of appropriation: non-differentiated appropriations (NDA) and differentiated appropriations (DA).

Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). They cover all the administrative items of the budget. In the case of non-differentiated appropriations, the amount of commitment appropriations is the same as that of payment appropriations.

Differentiated appropriations were introduced in order to reconcile the principle of annuality with the need to manage multi-annual operations. They are intended to cover multi-annual operations and comprise all appropriations in Title 3.

Differentiated appropriations are split into commitment and payment appropriations:

- **commitment appropriations:** cover the total cost of the legal obligations entered into for the current financial year for operations extending over a number of years. However, budgetary commitments for actions extending over more than one financial year may, in accordance with Article 69(4) of the EIT Financial Regulation, be broken down over several years into annual instalments where the basic act so provides or where they relate to administrative expenditure.
- **payment appropriations:** cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years.

Origin of the appropriations

The main source of appropriations is the Union's budget for the current year. However, there are other types of appropriations resulting from the provisions of the EIT Financial Regulation. They come from previous financial years or outside sources:

- **Initial budget appropriations** adopted for the current year can be supplemented with **transfers** between lines in accordance with the rules laid down in Articles 27 of the EIT Financial Regulation and by amending budgets (covered by Article 34 of the EIT Financial Regulation).
 - **EIT transfers:** transfers decided by the EIT Director on its own authority in accordance with Article 27(1) of EIT Financial Regulation
 - **GB transfers:** transfers decided by the Governing Board in accordance with Article 27(2) of EIT Financial Regulation
- **Appropriations carried over** from previous year or made available again also supplement the current budget. These are
 - non-differentiated appropriations which may be carried over automatically for one financial year only in accordance with Article 14(5) of the EIT Financial Regulation;

- appropriations carried over by decision of the EIT Governing Board in accordance with Article 14(3) and (4) of the EIT Financial Regulation;
- appropriations not used and available at 31 December of the financial year arising from assigned revenue in accordance with Article 15 of the EIT Financial Regulation.
- **Appropriations re-entered** from previous years also supplement the current budget. These are
 - Differentiated commitment appropriations not used and available at 31 December of the financial year and re-entered by decision of the EIT Governing Board
 - Payment appropriations not used and available at 31 December of the financial year and re-entered by decision of the EIT Governing Board
- **Assigned revenue** which is made up of
 - appropriations made available again as a result of repayment of payments on account: These are mainly EIT grants which have been repaid by the Knowledge and Innovation Communities (KICs).

Outstanding commitments (RAL)

With the introduction of differentiated appropriations, a gap developed between commitments entered into and payments made: this gap, corresponding to outstanding commitments, represents the time-lag between when the commitments are entered into and when the corresponding payments are made.

5.2. Explanation of the budget result (Table 1)

The amounts of EU subsidy and Host Member State contribution entered in the accounts are those credited in the course of the year to the EIT accounts. The other revenue entered in the accounts is the amount actually received in the course of the year.

For the purposes of calculating the budget outturn for the year, expenditure comprises payments made against the year's appropriations for payments plus any of the appropriations for that year that are carried over to the following year. Payments made against the year's appropriations for payments mean payments that are made by the accounting officer by 31 December of the financial year.

The budget result consists the difference between:

- all the revenue collected in respect of that financial year
- the amount of payments made against appropriations for that financial year increased by the amount of the appropriations for the same financial year carried over and/or re-entered.

The difference referred to above is increased or decreased

- by the net amount of appropriations carried over and re-entered from previous financial years which have been cancelled and,
- by the balance resulting from exchange gains and losses during the financial year, both realised and non-realised.

The payment appropriations carried over and re-entered include: automatic carryovers and carryovers and/or re-entering by decision. The cancellation of unused payment appropriations carried over from the previous year shows the cancellations on appropriations carried over automatically and by decision as well as the re-entered by decision. It also includes the assigned revenue appropriations carried over.

5.3. Explanation of the reconciliation of the budget and economic result (Table 2)

The economic result of the year is calculated on the basis of accrual accounting principles. The budget result is however based on modified cash accounting rules, in accordance with the EIT Financial Regulation. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconcilable.

Reconciling items - Revenue

The actual budgetary revenue for a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years. Therefore the entitlements established in the current year but not yet collected are to be deducted from the economic result for reconciliation purposes as they do not form part of budgetary revenue. On the contrary the entitlements established in previous years and collected in current year must be added to the economic result for reconciliation purposes.

The net accrued revenue mainly consists of accrued revenue for XX and interests. Only the net-effect, i.e. accrued revenue for current year minus reversal accrued revenue from previous year, is taken into consideration.

Reconciling items - Expenditure

The net accrued expenses mainly consist of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by KICs but not yet reported to the EIT. While accrued expenses are not considered as budgetary expenditure, payments made in the current year relating to invoices registered in prior years are part of current year's budgetary expenditure.

The net effect of pre-financing is the combination of (1) the new pre-financing amounts paid in the current year and recognised as budgetary expenditure of the year and (2) the clearing of the prefinancing paid in current year or previous years through the acceptance of eligible costs. The latter represent an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

Besides the payments made against the year's appropriations, the appropriations for that year that are carried to the next year also need to be taken into account in calculating the budget result for the year. The same applies for the budgetary payments made in the current year from carry-overs and the cancellation of unused payment appropriations.

The movement in provisions relates to year-end estimates made in the accrual accounts (employee benefits mainly) that do not impact the budgetary accounts. Other reconciling amounts comprise different elements such as asset depreciation, asset acquisitions, capital lease payments and financial participations for which the budgetary and accrual accounting treatments differ.

ANNEX TO THE ANNUAL ACCOUNTS

LIST OF THE EIT GOVERNING BOARD MEMBERS 2016

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is independent and autonomous in its decision-making and is responsible for the selection, evaluation and support of the Knowledge and Innovation Communities (KICs).

The Governing Board brings together 12 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields.

Name	Function
NAGEL Rolf P.	Appointed GB Member
VAN DEN BERG Dirk Jan	Appointed GB Member
GARANA María	Appointed GB Member
TRBOVIĆ Ana S.	Appointed GB Member
KERAVNOU-PAPAILIOU Elpida	Appointed GB Member, Executive Committee Member
KOLAR Jana	Appointed GB Member, Executive Committee Member
MAKAROW Marja	Appointed GB Member
OLESEN Peter	Appointed GB Member, Chairman of GB
PRENDERGAST Patrick	Appointed GB Member
REVELLIN-FALCOZ Bruno	Appointed GB Member, Executive Committee Member
LAKATOS Péter	Appointed GB Member
NILSSON Björn O.	Appointed GB Member

EIT INTERIM DIRECTOR: Martin Kern

ESTABLISHMENT PLAN 2016

Function group and grade	2016				2015			
	Authorised under the Community Budget		Filled as of 31/12/2016		Authorised under the Community Budget		Filled as of 31/12/2015	
	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts
AD 16								
AD 15								
AD 14		1				1		
AD 13								
AD 12								
AD 11		1		1		1		1
AD 10								
AD 9		7		5		5		4
AD 8		6		5		8		5
AD 7		9		8		5		5
AD 6		10		13		14		11
AD 5								
AD total		34		32		34		26
AST 11								
AST 10								
AST 9								
AST 8								
AST 7								
AST 6								
AST 5		1		1		1		1
AST 4		3		2		2		
AST 3		1		1		2		3
AST 2								
AST 1								
AST total		5		4		5		4
GRAND TOTAL		39		36		39		30