



ECSEL Joint Undertaking

**Final Annual Accounts**  
**for the Financial Year 2016,**  
**Period January 1st – December 31st**  
Brussels June 2017

Financial Statements and Report on the implementation of the budget

Accompanied by Report on budgetary and financial management during the year

<b>Table of Contents</b>	<b>Pag.</b>
<b>1 Introduction</b> .....	<b>3</b>
<b>1.1 Creation of ECSEL Joint Undertaking</b> .....	<b>3</b>
<b>1.2 ARTEMIS and ENIAC Joint Undertaking</b> .....	<b>3</b>
<b>2 Financial Management</b> .....	<b>4</b>
<b>2.1 Financial Regulation</b> .....	<b>4</b>
<b>2.2 Currency</b> .....	<b>4</b>
<b>2.3 Management Information Systems</b> .....	<b>4</b>
<b>3 The Annual Accounts for the year 2016 at closing date 31/12/2016</b> .....	<b>5</b>
<b>3.1 The Accounting Officer’s Certification</b> .....	<b>5</b>
<b>3.2 General</b> .....	<b>6</b>
<b>3.3 Balance Sheet at 31.12.2016</b> .....	<b>7</b>
<b>3.4 Economic Outturn Account (EOA) in EUR</b> .....	<b>8</b>
<b>3.5 Cash Flow Statement in EUR</b> .....	<b>9</b>
<b>3.6 Statement of changes in net assets/liabilities in EUR</b> .....	<b>9</b>
<b>3.6.1 Contributions to the Operational Costs of members other than the Union (Art.4 Council Regulation.)</b> .....	<b>10</b>
<b>3.7 Notes to the Financial Statements</b> .....	<b>12</b>
<b>3.8 Accounting principles, rules and methods</b> .....	<b>16</b>
<b>3.9 Related Party Disclosure</b> .....	<b>17</b>
<b>4 Report on implementation of the budget</b> .....	<b>18</b>
<b>4.1 Amending Budgets / Budgetary Transfers</b> .....	<b>18</b>
<b>4.2 Statement of revenue</b> .....	<b>19</b>
<b>4.3 Statement of expenditure</b> .....	<b>20</b>
<b>4.4 Commitments to be settled 2016 EUR</b> .....	<b>22</b>
<b>4.5 Budgetary principles</b> .....	<b>23</b>
<b>5 Report on budgetary and financial management</b> .....	<b>23</b>
<b>5.1 Accounting and Finance functions</b> .....	<b>23</b>
<b>5.2 Budget details</b> .....	<b>23</b>
<b>5.3 Budgetary Outturn Account</b> .....	<b>26</b>
<b>5.4 Reconciliation between budgetary and accrual based accounts (EUR)</b> .....	<b>27</b>
<b>6. Human Resources</b> .....	<b>28</b>
<b>6.1 Establishment Plan</b> .....	<b>28</b>
<b>6.2 Organisational Chart</b> .....	<b>29</b>

## **1 Introduction**

### **1.1 Creation of ECSEL Joint Undertaking**

The ECSEL JU was created by Council Regulation (EC) No 561/2014 of 6 May 2014 under Article 187 of The Treaty of Lisbon as a legal entity responsible for the implementation of a *Joint Technology Initiative* on Electronic Components and Systems for European Leadership. Its date of establishment is 27 June 2014, following the publication of the Council Regulation and of the Statutes annexed to it in the Official Journal of the European Union on 7<sup>th</sup> June<sup>1</sup>. The ECSEL Joint Undertaking was created for a period up to 31 December 2024 and its seat is in Brussels.

### **1.2 ARTEMIS and ENIAC Joint Undertaking**

The Council Regulation (EU) N° 561/2014 published on June 7, 2014 establishes the ECSEL Joint Undertaking that shall replace and succeed the ENIAC and ARTEMIS Joint Undertakings.

Because ARTEMIS and ENIAC Joint Undertaking Council Regulations are repealed by the ECSEL Joint Undertaking Council Regulation a final accounts were submitted for audit, approval and discharge as these accounts were the basis for the opening balance of ECSEL Joint Undertaking in 2014.

The official closure of ARTEMIS and ENIAC Joint Undertakings took place the day before the entry into force of ECSEL Joint Undertaking (the twentieth day following the publication of ECSEL Council Regulation: OJ L 169/165 of 07.06.2014), i.e. on 26.06.2014.

Nevertheless, the rules governing ARTEMIS and ENIAC projects still into force until the financial closure of their contracts.

---

<sup>1</sup> OJ L 169 of 07.06.2014.

## **2 Financial Management**

### **2.1 Financial Regulation**

The Financial Rules of ECSEL were adopted by its Governing Board on 3/07/2014 (ECSEL-GB-2014.09) and amended the 7/10/2016 (ECSEL-GB-2016-67). This FR is in accordance with article 209 of Regulation (EU, Euratom) N° 966/2012.

Article 209 of the general Financial Regulation provides for the adoption of a delegated act pursuant to Article 290 of the Treaty on the Functioning of the European Union on a Model Financial Regulation<sup>2</sup> for those bodies which shall lay down the principles necessary to ensure sound financial management of Union funds and which shall be based on Article 60 of the general Financial Regulation.

### **2.2 Currency**

ECSEL keeps its accounts in Euros.

### **2.3 Management Information Systems**

For Management Information purposes, ECSEL JU uses ABAC Workflow for budgetary accounting and SAP for General Ledger accounting. Both systems are managed and maintained by the European Commission.

On October 2016 ECSEL JU Accounting Officer validates the accounting system. The underlying systems have been validated only for the part that is under the direct Joint Undertaking Control.

---

<sup>2</sup> Commission Delegated Regulation (EU) N° 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies.

### 3 The Annual Accounts for the year 2016 at closing date 31/12/2016

#### 3.1 The Accounting Officer's Certification

The annual accounts of ECSEL Joint Undertaking have been prepared in accordance with Chapter 8 of the ECSEL Financial Rules as well as the accounting rules as described in articles 40 and 41 of the Financial Rules<sup>3</sup>. I hereby certify that, based on the information provided by the Authorising Officer, I have reasonable assurance that the accounts present a true and fair view of the financial position of the ECSEL Joint Undertaking in all material aspects.

  
Juan Pablo Contreras Solís  
Accounting Officer ECSEL Joint Undertaking

27/06/2017

---

<sup>3</sup> These accounts are drafted following the Accounting Rule 1 (establishing the equity method) that presents different interpretation in view of the legal basis of ECSEL Joint Undertaking and in particular with the Council Regulation and the Financial Rules. In order to provide a full understanding of the ECSEL JU transactions a detailed explanation is given in the notes.

### **3.2 General**

The annual accounts of the ECSEL Joint Undertaking include the Financial Statements and the Budget Implementation Report. The Report on Budgetary and Financial Management is a separate set of information which accompanies the annual accounts but it does not form part of them. The Financial Statements comprise the Balance Sheet, the Economic Outturn Account, the Cash-Flow table and the Statement of Changes in Capital for the financial year 2016.

The objective of Financial Statements is to provide relevant information about the financial position, the performance and the cash flows of the entity to the users. For a public sector entity such as the ECSEL JU, there are also other, more specific objectives, such as to provide information for decision making and to demonstrate the accountability of the Joint Undertaking for the resources entrusted to it.

In order to present a true and fair view, the Financial Statements must supply relevant information to describe the nature and range of the activities; they must explain how it is financed and supply definitive information on its operations. In addition, the Financial Statements must do so in a clear and comprehensible manner, which allows comparisons between financial years. It is with these goals in mind that the Annual Accounts have been drawn up.

The accounting system of the ECSEL Joint Undertaking comprises budget accounts and general accounts. The budget accounts give a detailed picture of the implementation of the budget. The general accounts allow for the preparation of the Financial Statements as they show all revenues and expenses for the financial year irrespective of the time they are cashed. They are designed to establish the financial position of ECSEL in the form of a balance sheet and an Economic Outturn Account on 31 December of each year. The Joint Undertaking applies the accrual-based accounting; therefore, the Financial Statements show all the charges and income for the financial year, regardless of the date of payment or collection.



### 3.3 Balance Sheet at 31.12.2016

	Notes	31.12.2016	31.12.2015
<b>I. Non-Current Assets</b>	<b>1</b>	<b>82,166.16</b>	<b>69,231.55</b>
Intangible fixed assets		5,371.54	6,589.46
Tangible fixed assets		76,794.62	62,642.09
<b>II. Current Assets</b>		<b>113,718,222.63</b>	<b>63,766,600.53</b>
Short-term pre-financing	2	23,656,318.08	19,033,948.33
Short-term receivables	3	308,944.25	394,465.54
Cash and cash equivalents	4	89,752,960.30	44,338,186.66
<b>Total Assets</b>		<b>113,800,388.79</b>	<b>63,835,832.08</b>
<b>III. Non-Current Liabilities</b>			
<b>IV. Current Liabilities</b>	<b>5</b>	<b>307,043,393.77</b>	<b>215,838,128.88</b>
Accounts payable		105,269,592.19	156,318,550.23
<i>Accrual expenses Administrative</i>		195,699.94	292,210.50
<i>Accrual expenses Operational</i>		104,945,753.60	155,785,411.43
<i>Other debts</i>		128,138.65	240,928.30
Provisions for risks and charges		39,530.48	34,317.82
Deferred Incomes		295,000.00	805,000.00
Estimated "in-kind" contribution from members of the private members		201,439,271.10	58,680,260.83
<b>Total Liabilities</b>		<b>307,043,393.77</b>	<b>215,838,128.88</b>
<b>V. Net Assets (Total Asset less Total Liabilities)</b>	<b>6</b>	<b>-193,243,004.98</b>	<b>-152,002,296.80</b>
Contribution from Members		267,182,179.29	148,261,325.20
<i>EU Contribution</i>		263,579,179.29	144,642,325.20
<i>IA Contribution</i>		3,603,000.00	3,431,000.00
IA Contribution not cashed			188,000.00
Accumulated contribution from members used previous years	7	-152,002,296.80	-76,198,265.74
Contribution from members used during the year (EOA)	8	-308,422,887.47	-224,065,356.26
<b>Total Net Assets + Liabilities</b>		<b>113,800,388.79</b>	<b>63,835,832.08</b>

### 3.4 Economic Outturn Account (EOA) in EUR

		31.12.2016	31.12.2015
	Notes		
<b>Administrative Expenses</b>			
Staff Expenses	9	-2,981,660.05	-2,671,529.56
Fixed assets related expenses	10	-20,539.90	-34,508.40
Building cost	11	-498,814.79	-519,793.97
Other Administrative expenses	12	-1,032,077.29	-1,236,171.07
<i>Total Administrative:</i>		<i>-4,533,092.03</i>	<i>-4,462,003.00</i>
Operational expenses	13	-161,137,657.26	-160,950,485.43
Contribution in-kind		-142,759,010.27	-58,680,260.83
<b>Total Operating Expenses</b>		<b>-308,429,759.56</b>	<b>-224,092,749.26</b>
Financial operations revenues	14	6,872.09	27,393.00
Others			
<b>Contribution from members used during the year</b>		<b>-308,422,887.47</b>	<b>-224,065,356.26</b>



### 3.5 Cash Flow Statement in EUR

31.12.2016

*Operating Activities*

Surplus/(Deficit) from ordinary activities	(308,422,887.47)
Depreciation	20,539.90
Increase/(Decrease) in Payables	(209,300.21)
Increase/(Decrease) in Provision for Liabilities	5,212.66
Increase in Accrued charges operational	(50,839,657.83)
Increase/(Decrease) in deferred revenues	(510,000.00)
(Increase)/Decrease in Short term Receivables and pre-financing	(4,536,848.46)
Joint Undertaking contribution from members	267,182,179.29
Increase/(Decrease) estimated in-kind contribution	142,759,010.27
<b>Net Cash Flow from operating activities</b>	<b>45,448,248.15</b>

*Investment Activities:*

Purchase of tangible fixed assets	(2,131.21)
Purchase of intangible fixed assets	(31,343.30)
<b>Net Cash Flow from Investment activities</b>	<b>(33,474.51)</b>

Cash at the beginning of the period	44,338,186.66
Members contributions Aeneas (cashed by Eniac 27/07/2014)	
<b>Cash at the end of the period</b>	<b>89,752,960.30</b>

### 3.6 Statement of changes in net assets/liabilities in EUR

	2016	2015
Balance at beginning of accounting period	-152,002,296.80	-76,198,265.74
Contribution from members	267,182,179.29	148,261,325.20
<i>European Commission Operational</i>	261,982,227.29	143,232,325.20
<i>European Commission Running Costs</i>	1,596,952.00	1,410,000.00
<i>IA Running Costs</i>	3,093,000.00	3,377,000.00
<i>Anticipated Budget+Legacy used in year n</i>	805,000.00	1,047,000.00
<i>Anticipated Budget year n+1</i>		-
<i>Legacy cashed anticipated to be used until 2017</i>	-295,000.00	-805,000.00
<b>Contribution from members used during the year (EOA)</b>	<b>-308,422,887.47</b>	<b>-224,065,356.26</b>
<b>Balance at the end of accounting period</b>	<b>-193,243,004.98</b>	<b>-152,002,296.80</b>

The Net Assets of ECSEL Joint Undertakings includes the contributions from members in cash. At the end of 2015 all the legacy of ARTEMIS and ENIAC were cashed from

ARTEMIS-IA and AENEAS and have been recorded as contributions following the schedule foreseen in the proposal of the Council Regulation COM(2013)501. These 805,000€ are distributed as follows:

Legacy FP7	Y2016	Y2017	Total
AENEAS	300,000.00	130,000.00	430,000.00
Artemis-ia	210,000.00	165,000.00	375,000.00
Totals	510,000.00	295,000.00	805,000.00

The 805,000€ of legacy are split in 510,000€ for year 2016 and 295,000€ for year 2017.

From the 217MEur received in cash from the EC for the operational expenditures, 99MEur where from **Horizon 2020** and 118MEur from **FP7**.

### **3.6.1 Contributions to the Operational Costs of members other than the Union (Art.4 Council Regulation.)**

The Council Regulation establishes in article 4.4 the obligation of the Participating States and the private members to report their contributions in order to monitor that they meet the objectives fixed to them (Euro 1,170 Million for the Participating States and Euro 1,657.5 Million for the Private Members for the whole duration of the programme).

The Calls 2015 of ECSEL Joint Undertaking were launched in 2015 and the Grant Agreements signed in 2016.

For year 2016 15 Participant States declares contributions (in cash) that amounts 41M€ that added to previous one reach the total amount of 56.8M€.

The commitments of the Participant States in funding H2020 projects reach in total until 2016 371M€

Article 16.3 c) define the Private members contributions or their constituent entities and affiliated entities (in kind) as the total costs incurred by them less the contribution by ECSEL Joint Undertaking, the ECSEL Participating States and any other Union contribution to those costs.

At this stage, only estimations can be provided by the Private Members because no recognition of costs or payments (except pre-financings) has been done by ECSEL JU or by the Participating States.

The formula stated in article 16.3.c establishes the in kind contribution as Total Cost incurred by the private members or their constituent entities and affiliated entities less the financial contribution of ECSEL JU and less the financial contribution of the Participating States. In this context the concept of financial contribution to the projects only can be established at the

end of the project when the private members can establish their in kind contributions (i.e. many Participating States only recognize costs at the end of the project).

Following the instructions of the Accounting Officer of the European Commission, once certified, the in kind contribution should be recorded in the Net Assets. In the meantime it is recorded in the liabilities as an estimate.

It is important to clarify that the Regulation refers only to Private Members and excludes for this obligation the beneficiaries that are not members.

On June 28, 2016, the Governing Board adopt a methodology for reporting the in kind contributions in operational activities. ECSEL GB 2016-66.

On year 2016 the private members declare 142M€ as in kind contribution estimated and the accumulated amount reach 201M€.

### 3.7 Notes to the Financial Statements

#### 1. Fixed assets

Net fixed assets (82,166.16€) are composed of the IT equipment (laptops, desktops, printers, servers etc.), the necessary software and the furniture. Part of the assets is shared with the other four Joint Undertakings in the common IT infrastructure and furniture for common spaces. The assets were registered at acquisition value (285 109.06 €) and the accumulated depreciation reaches 202 942.90 €

#### 2. Short-Term pre-financing:

This amount represents the accrual pre-financing paid to beneficiaries of projects that still open at the end of year. The way of calculation follows the same model as the accrual expenditures in operational expenditures, and for that reason all the open pre-financing that reached 206,657,754.16€ at the closing date were technically cleared and only part of the pre-financing paid (concerning Call 2015) for an amount of 23,656,318.08€ remain open.

#### 3. Short-Term receivables:

This amount includes 276 305.76€ from recovery orders not yet cashed from beneficiaries and 791.82€ of bank interest generated by recovery orders issued to beneficiaries but not paid on time.

#### 4. Cash and cash equivalent

This figure shows the balance on the bank accounts at the end of the period. The balance should be considered in the perspective of how the Member States disburse their national budgets and the financial cycle of the Joint Undertaking.

This cash at the end of the year is needed to honour the payments for ECSEL projects that have, in ARTEMIS and ENIAC projects, significant delays due to administrative delays in the Member States.

In accordance with the cut-off exercise, ECSEL JU has 113M€ of operational invoices to be received (in short term payables) and the cash and cash equivalents represents 79% of this amount.

#### 5. Current Liabilities.

On this account with 307 043 393.77€, the most important part is the accrual expenses for operational activities involving invoices that ECSEL Joint Undertaking should receive in view of the progress of the different Calls. It's important to underline that at closing date six ARTEMIS calls (2008, 2009, 2010, 2011, 2012 and 2013) and eight ENIAC calls (2008, 2009, 2010, 2011-1, 2011-2, 2012-1, 2012-2 and 2013) are overlapped and that the projects from Calls 2008 and 2009 are in process to be closed from the financial point of view.

The calculations of these accruals are based on the Executive Director Decision (ED 2014-020) that in order to harmonise the different systems applied by ARTEMIS and ENIAC projects, decides to use a "*linear pro-rata temporis method relative to the average duration of the projects within each call for proposals taking into account the beneficiaries that submitted valid accession forms*"

For ECSEL Projects (H2020) the approach was the same (ED Decision 2016-090) and following this methodology the total amount consumed is the following:

<b>Accruals</b>	<b>Until 31/12/2016</b>	<b>Until 31/12/2015</b>	<b>Allocated to 2016</b>
<b>ENIAC</b>	367.301.326,08	305.091.717,26	62.209.608,82
<b>ART</b>	158.427.015,92	142.352.122,62	16.074.893,30
<b>Total:</b>	<b>525.728.342,00</b>	<b>447.443.839,88</b>	<b>78.286.518,12</b>
<b>ECSEL</b>			
<b>Call 2014</b>	84.391.644,17	36.656.952,73	47.734.691,43
<b>Call 2015</b>	35.027.643,88	0	35.027.643,88
<b>Total</b>	<b>119.419.288,05</b>	<b>36.656.952,73</b>	<b>82.762.335,32</b>
<b>Totals</b>	<b>645.147.630,05</b>	<b>484.100.792,61</b>	<b>161.048.853,43</b>

For the accrual administrative that includes invoices to be received for administrative expenditures the breakdown is the following:

<b>61001000</b> Rent of Land & Buildings	16,379.48
<b>61002000</b> Building Expenses	10,110.01
<b>61010000</b> Office supplies & maintenance	10,098.26
<b>61020000</b> Communication & publication	3,010.55
<b>61030000</b> Publicity & legal expenses	62,679.50
<b>61070000</b> Training Cost	3,448.55
<b>61080000</b> Missions	3,191.74
<b>61085000</b> Experts & related expenditure	48,201.90
<b>61094020</b> IT cost development external cost	15,217.82
<b>61095000</b> Other external services (non IT)	4,962.19
<b>62040000</b> Other personnel charges	3,573.50
<b>62090000</b> Staff expenses with other consolidated entitie	12,286.73
<b>65025000</b> Other financial expenses	268.64
<b>49275000</b> Fixed Asset to be regularised	2,271.07
<b>Total</b>	<b>195,699.94</b>

The 39 530.48€ included in provisions for risks and charges represents the reported balance of holidays not taken by the staff with the ceiling of 12 working days that can be extended in duly justified cases.

The deferred and accrual incomes were already explained above in point 3.6 Statement of changes in net assets/liabilities of this document

Estimated “in-kind” contribution (IKC) is based on beneficiaries’ members of the 3 industry associations (AENEAS, ARTEMISIA and EPOSS). This estimation is calculated on the basis of the Public Authorities Board awarding decision of Calls 2014 (projects started in 2015) that includes the maximum eligible costs following the H2020 cost model and using the pro-rata temporis method as approved by the Governing Board (decision ECSEL GB.2016.66).

	<b>Liabilities: estimated in kind contributions EUR</b>
Call 2014	Reported in 2015: 58,680,260.83
	Reported in 2016
Call 2014	86,396,978.41
Call 2015	56,362,031.86
Total 2016	142,759,010.27
Grand Total	201,439,271.10

#### 6. Net Assets:

On 31<sup>st</sup> December 2016 the total Net Assets of ECSEL JU reach (193 243 004.98€)

The negative Net Assets is a temporal accounting consequence with no impact in the solvency of the Joint Undertaking. (Please see the point dedicated to Net Assets in section 3.6)

#### 7. Accumulated Contribution from Members used in previous years:

Following the Accounting Rule 1 the members’ contributions are recorded as pseudo-equities instead of revenues. Therefore the EOA is always negative and should match the Members’ contributions at the end of the Joint Undertaking but as explained in point 3.2, the closure of ARTEMIS and ENIAC were transferred to ECSEL and constitute its opening balance at 27/06/2014.

#### 8. Contribution from members used during the year (EOA)

See Economic Outturn Account table 3.4 for details.

## 9. Staff expenses

The breakdown of the Staff expenses is:

	Year 2016	Year 2015
Basic Salary	1,614,452.16	1,500,964.59
School and Family Allowances	215,306.92	181,115.33
Pension Fund	203,708.68	186,584.67
Sickness	155,234.14	141,077.22
Unemployment	61,250.63	19,206.79
Taxes	194,143.02	192,067.37
Insurances and others	19,880.58	6,935.83
Expat	167,508.84	180,988.26
Sub-Total	2,631,484.97	2,408,940.06
Provisions/reversals others	3,212.66	-2,949.68
Total	2,634,697.63	2,405,990.38
Allowance END	53,336.12	51,595.77
Training	22,758.90	15,798.92
Staff expenses with other	136,797.18	90,869.01
Staff perquisites and social activities	46,050.26	-34,711.62
Other Allowances	9,705.05	7,284.50
Missions	75,760.61	97,665.34
Recruitment Costs	2,554.30	37,040.05
Rounding differences		-2.79
Total	346,962.42	265,539.18
Grand Total	2,981,660.05	2,671,529.56

## 10. Fixed assets related and other Administrative expenses

Fixed asset related expenses refer to the depreciation charges for the year.

## 11. Building cost

Includes the rent of the building and its associated costs during the period.

## 12. Other Administrative expenditures

The most important part of this group are composed by communication expenditures and studies 245k€, experts 564k€ and IT costs 131k€.

## 13. Operational expenses

As already explained in the note 5, the accrual calculation method is based on the ED decisions 2014-020 and 2016-090.



#### **14. Financial revenues**

The 6,872.09€ of bank interest and late pay interest from beneficiaries includes 791.82€ as explained in note 3.

### **3.8 Accounting principles, rules and methods**

Based on Article 38 of the Financial Rules of ECSEL adopted by the Governing Board on 3/07/2014, the financial statements are drawn up in accordance with the generally accepted accounting principles specified in the detailed rules of article 143 the general Financial Regulation, namely:

- a) on-going concern basis;
- b) prudence;
- c) consistent accounting methods;
- d) comparability of information;
- e) materiality;
- f) no netting;
- g) reality over appearance;
- h) accrual-based accounting

#### **Fixed assets**

Fixed assets are stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 associated with the item will flow to the JU and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the economic outturn account during the financial period in which they are incurred. Items recognised in the accounts with a value lower than EUR 420 are considered as expenses and they are included in the Economic Outturn Account.

Depreciation charge is calculated using the straight line method in order to allocate depreciation cost to the assets' residual values over their estimated useful life, as follows:

<b>Type of asset</b>	<b>Depreciation rate</b>
Intangible assets	25%
Plant, machinery and equipment	25%
Furniture	10%
Fixtures and fittings	25%
Computer hardware	25%
Vehicles	25%

#### **Cash & cash equivalents**

Cash and cash equivalents include only cash in bank.

### **Use of estimates**

In accordance with generally accepted accounting principles, the Financial Statements necessarily include amounts based on estimates and assumptions by management. Significant estimates include, but are not limited to, accrued income and charges, contingent assets and liabilities, provisions and impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

### **Net Assets**

The way in which the ECSEL JU operates, with the focus on budgetary rules and principles, has a major impact on the presentation of the financial statements and analysis of them.

Indeed, as a result of the application of the European Commission Accounting Rule N°1 point 9.2, that is mandatory as stated in ECSEL JU Financial Rules Article 38, the so called “pseudo-equity approach” has been implemented.

With particular regard to the Net Assets, the outturn cannot be measured by the same performance criteria as for a private enterprise. The ECSEL JU’s objective is not to have profit. These examples show that interpreting the financial statements calls for a certain measure of prudence, especially with solvency analysis.

### **Off balance sheet commitments**

No off balance sheet commitments are reported

### **Contingent Liabilities and Assets**

No contingent Liabilities and Assets are reported

### **Events after balance sheet date**

No material issues came to the attention of the Accounting Officer of ECSEL Joint Undertaking or were reported to him that would require separate disclosure under this section.

## **3.9 Related Party Disclosure**

The related parties of the ECSEL JU are the key management personnel. Transactions between the ECSEL JU and the key management personnel take place as part of the normal operations and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU Accounting rules.

	2016	2015
Number of Authorising Officers at the year-end		
Analysis by Grade:		
AD 14	1	1

The Authorising Officer is remunerated in accordance with the Staff Regulations of the European Communities.

## 4 Report on implementation of the budget

### 4.1 Amending Budgets / Budgetary Transfers

Budget line	Description	Initial Budget	Amendments	Transfers	Final
1 1	Staff salaries	3,000,000.00		-20,000.00	2,980,000.00
1 2	Staff recruitment & associated costs	30,000.00		0.00	30,000.00
1 3	Missions and representation	135,000.00		20,000.00	155,000.00
1 4	Socio-medical infrastructure & Training	35,000.00		0.00	35,000.00
2 0	Buildings and associated costs	600,000.00		0.00	600,000.00
2 1	IT equipment	110,000.00		100,000.00	210,000.00
2 2	Furniture	40,000.00		0.00	40,000.00
2 3	Others Administratives Expenditures	25,000.00		0.00	25,000.00
2 4	Telecommunications	80,000.00		-40,000.00	40,000.00
2 6	R&D support (experts)	570,000.00		99,314.80	669,314.80
2 7	Innovation activitie	40,000.00		20,000.00	60,000.00
2 8	communication	450,000.00		-150,000.00	300,000.00
2 9	Audit, Legal and external services	85,000.00		-29,314.80	55,685.20
Title 3	Selected projects after annual calls CSL	157,307,439.00	6,844,365.32	0.00	164,151,804.32
	Sum:	162,507,439.00	6,844,365.32	0.00	169,351,804.32

The initial budget voted by the Governing Board on December 2015 was amended on December 2016 to increase the Title 3 authorising the re-use of unused amounts from previous years. The table above also shows the transfers between budget lines decided by the Executive Director, always being within the same title in line with article 10.2 of the ECSEL Financial Rules.

#### 4.2 Statement of revenue

The Budget Data warehouse Annual Activity Report shows:

<b>TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2016</b>					
<b>Title</b>	<b>Description</b>	<b>Year of Origin</b>	<b>Revenue and Income recognized</b>	<b>Revenue and Income cashed</b>	<b>Outstanding Balance</b>
A0200	Subsidy from the Commission	2016	263,579,179.29	263,579,179.29	0.00
A0201	Revenue from INDUSTRY	2015	188,000.00	188,000.00	0.00
A0201	Revenue from INDUSTRY	2016	3,093,000.00	3,093,000.00	0.00
A0202	Other financ contribut & revenue gener by ECSEL JU	2014	25,513.84	0.00	25,513.84
A0202	Other financ contribut & revenue gener by ECSEL JU	2015	471,414.18	441,324.92	30,089.26
A0202	Other financ contribut & revenue gener by ECSEL JU	2016	674,938.31	454,235.65	220,702.66
<b>TOTAL ECSEL</b>			<b>268,032,045.62</b>	<b>267,755,739.86</b>	<b>276,305.76</b>

a) For the Running Costs: The amount cashed was 4 877 000€ including 188 000€ that remains open at the end of 2015.

b) For the operational expenditures 261 982 227.29€ were cashed from the European Commission and additional 895 560.57€ were cashed from beneficiaries that expend less than the pre-financing received. At the end of the year 276 305.76€ remain pending to be cashed.

## 4.3 Statement of expenditure

### 4.3.1 Commitment appropriations

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2016 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
<b>Title A-1 STAFF</b>				
A0110	Staff salaries	3.01	3.00	99.36 %
A0120	Staff recruitment & associated costs	0.03	0.03	100.00 %
A0130	Missions and representation	0.16	0.16	99.37 %
A0142	Socio-medical infrastructure & Training	0.04	0.04	100.00 %
<b>Total Title A-1</b>		<b>3.24</b>	<b>3.22</b>	<b>99.38%</b>
<b>Title A-2 RENTAL OF BUILDINGS AND ASSOCIATED COST</b>				
A0200	Buildings and associated costs	0.72	0.60	83.37 %
A0210	IT equipment	0.21	0.21	99.78 %
A0221	Furniture	0.04	0.04	100.00 %
A0230	Others Administratives Expenditures	0.03	0.03	95.61 %
A0241	Telecommunications	0.04	0.04	98.02 %
A0260	Evaluations	0.35	0.35	100.00 %
A0260	Reviews	0.32	0.32	99.86 %
A0270	Innovation activitie	0.06	0.06	100.00 %
A0280	communication	0.30	0.30	100.00 %
A0290	Audit, Legal and external services	0.06	0.06	100.00 %
<b>Total Title A-2</b>		<b>2.12</b>	<b>2.00</b>	<b>94.23%</b>
<b>Title B0-3 OPERATIONAL EXPENDITURE</b>				
B0310	Selected projects after annual calls ENI	0.96		
B0310	Selected projects after annual calls ART	0.61		
B0310	Selected projects after annual calls CSL	164.15	164.15	100.00 %
<b>Total Title B0-3</b>		<b>165.73</b>	<b>164.15</b>	<b>99.05%</b>
<b>TOTAL ECSEL</b>		<b>171.08</b>	<b>169.3671473</b>	<b>99.00 %</b>

\* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

Source: ABAC DWH

### 4.3.2 Payment appropriations:

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2016 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
<b>Title A-1 STAFF</b>				
A01100	Staff salaries	3.01	2.88	95.59 %
A01200	Staff recruitment & associated costs	0.06	0.01	19.24 %
A01300	Missions and representation	0.17	0.14	81.77 %
A01420	Socio-medical infrastructure & Training	0.05	0.03	63.48 %
<b>Total A-1</b>		<b>3.30</b>	<b>3.07</b>	<b>92.97%</b>
<b>Title A-2 RENTAL OF BUILDINGS AND ASSOCIATED COST</b>				
A02000	Buildings and associated costs	0.75	0.53	70.91 %
A02100	IT equipment	0.24	0.15	62.36 %
A02210	Furniture	0.05	0.01	17.45 %
A02300	Others Administratives Expenditures	0.04	0.01	32.35 %
A02410	Telecommunications	0.05	0.01	15.83 %
A02600	Evaluations	0.36	0.32	89.01 %
A02602	Reviews	0.35	0.26	73.14 %
A02700	Innovation activitie	0.08	0.06	71.45 %
A02800	communication	0.49	0.30	61.76 %
A02901	Audit, Legal and external services	0.12	0.00	0.00 %
<b>Total A-2</b>		<b>2.53</b>	<b>1.64</b>	<b>65.00%</b>
<b>Title B0-3 OPERATIONAL EXPENDITURE</b>				
B03100	Selected projects after annual calls ENI	106.01	100.93	95.21 %
B03101	Selected projects after annual calls ART	22.85	17.40	76.17 %
B03102	Selected projects after annual calls CSL	111.00	99.02	89.20 %
<b>Total B0-3</b>		<b>239.86</b>	<b>217.35</b>	<b>90.62%</b>
<b>TOTAL ECSEL</b>		<b>245.68</b>	<b>222.06</b>	<b>90.39 %</b>

\* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

Source: ABAC DWH

#### 4.4 Commitments to be settled 2016 EUR

<b>TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2016 (In Mio €)</b>					
Chapter		2016 Commitments to be settled			
		Commitments 2016	Payments 2016	RAL 2016	% to be settled
		1	2	3=1-2	4=3//1
<b>Title A-1 STAFF</b>					
A01100	Staff salaries	3.00	-2.88	0.11	3.80 %
A01200	Staff recruitment & associated costs	0.03	0.00	0.03	92.38 %
A01300	Missions and representation	0.16	-0.12	0.03	19.67 %
A01420	Socio-medical infrastructure & Training	0.04	-0.02	0.01	31.42 %
<b>Total A-1</b>		<b>3.22</b>	<b>-3.03</b>	<b>0.18</b>	<b>5.69%</b>
<b>Title A-2 RENTAL OF BUILDINGS AND ASSOCIATED COST</b>					
A02000	Buildings and associated costs	0.60	-0.53	0.07	11.78 %
A02100	IT equipment	0.21	-0.13	0.08	38.58 %
A02210	Furniture	0.04	-0.01	0.03	77.64 %
A02300	Others Administratives Expenditures	0.03	0.00	0.02	81.59 %
A02410	Telecommunications	0.04	0.00	0.04	88.39 %
A02600	Evaluations	0.35	-0.32	0.03	8.51 %
A02602	Reviews	0.32	-0.23	0.09	28.24 %
A02700	Innovation activitie	0.06	-0.06	0.00	4.73 %
A02800	communication	0.30	-0.14	0.16	54.85 %
A02901	Audit, Legal and external services	0.06	0.00	0.06	100.00 %
<b>Total A-2</b>		<b>2.00</b>	<b>-1.42</b>	<b>0.58</b>	<b>29.08%</b>
<b>Title B0-3 OPERATIONAL EXPENDITURE</b>					
B03102	Selected projects after annual calls CSL	157.31	-17.59	139.72	88.82 %
<b>Total B0-3</b>		<b>157.31</b>	<b>-17.59</b>	<b>139.72</b>	<b>88.82%</b>
<b>TOTAL</b>		<b>162.52</b>	<b>-22.04</b>	<b>140.48</b>	<b>86.44 %</b>

Source: ABAC DWH



## **4.5 Budgetary principles**

The establishment and implementation of the budget of the ARTEMIS Joint Undertaking are governed by the following basic principles according with the Financial Rules:

- (a) Unity and Budget Accuracy:
- (b) Annuality:
- (c) Equilibrium:
- (d) Unit of account:
- (e) Universality:
- (f) Specification;
- (g) Sound Financial Management:
- (h) Transparency:

## **5 Report on budgetary and financial management**

### **5.1 Accounting and Finance functions**

The key objectives in 2016 relating to Accounting and Finance were the following:

- Ensure that the Budgetary and Financial Reporting Management systems perform properly;
- Implement the budget and monitor its financial performance;
- Provide horizontal support to the other Departments of the Joint Undertaking regarding financial issues;
- Provide relevant and reliable information to the users of the Financial Statements.

### **5.2 Budget details**

The budget of the Joint Undertaking is distributed in three Titles. Title 1 covers staff expenditure such as salaries, training and costs associated to recruitment procedures and staff welfare. Title 2 covers the costs associated to the functioning of the Joint Undertaking such as infrastructure, equipment and IT needs. Title 3 corresponds to the JU's operational activities.

The evolution of the budget implementation in commitments and payments was the following:

Operational expenditures (per call and year):  
**FP7 Calls:**

Programme	CALL	Committed	INFSD (*)	2009	2010	2011	2012	2013	2014	2015	2016	Total Paid	RAL
ARTEMIS	CALL 2008	€30,540,468.34	€2,048,140.62	€1,348,099.67	€8,207,365.99	€4,993,008.51	€3,907,140.41	€4,736,549.65	€1,632,383.32	€1,081,126.07	€802,231.16	€28,756,045.40	€1,784,422.94
	CALL 2009	€34,626,709.15			€34,626,709.15		€5,566,516.87	€4,495,188.31	€2,495,700.46	€2,885,737.36	€1,686,419.02	€27,566,266.01	€7,060,441.14
	CALL 2010	€27,086,735.86			€27,086,735.86		€6,899,618.89	€5,118,487.09	€3,460,073.52	€2,976,491.18	€2,769,616.42	€21,224,287.10	€5,862,448.76
	CALL 2011	€23,442,531.50			€23,442,531.50		€5,883,752.27	€6,425,190.91	€3,713,553.03	€2,388,113.72	€2,289,962.63	€17,289,962.63	€6,152,568.87
	CALL 2012	€37,982,159.15			€37,982,159.15				€8,866,671.19	€6,982,947.67	€4,539,836.31	€21,389,455.17	€16,592,703.98
CALL 2013	€27,281,037.42			€27,281,037.42				€418,759.63	€10,034,566.17	€5,203,344.51	€15,666,670.31	€11,624,367.11	
<b>Total ARTEMIS</b>		€180,959,641.42	€2,048,140.62	€1,348,099.67	€8,600,375.42	€15,222,705.07	€16,559,028.44	€20,529,577.75	€22,288,779.03	€27,474,421.48	€17,407,561.14	€131,882,688.62	€49,076,952.80
		<b>Paid Accumulative</b>	€2,048,140.62	€3,396,240.29	€11,996,615.71	€27,219,320.78	€44,178,349.22	€64,707,926.97	€87,006,706.00	€114,481,127.48	€131,882,688.62		
ENIAC	CALL 2008	€31,872,883.28	€4,843,080.86		€4,310,301.71	€7,247,437.93	€2,626,728.83	€5,592,179.55	€4,414,523.95	€3,541,885.63	€1,145,703.58	€30,734,842.04	€1,138,041.24
	CALL 2009	€38,127,699.49			€524,999.33	€7,588,916.20	€8,013,453.53	€4,876,264.69	€2,938,000.35	€4,065,850.58	€2,616,185.43	€30,635,670.11	€7,492,029.38
	CALL 2010	€32,082,855.21				€337,627.55	€6,963,396.90	€7,798,169.33	€4,238,722.03	€3,439,780.42	€1,684,592.15	€24,462,266.38	€7,620,586.93
	CALL 2011-1	€19,688,432.00					€677,265.79	€4,998,277.66	€4,196,676.47	€3,188,075.11	€1,441,380.48	€14,501,668.51	€5,166,762.49
	CALL 2011-2	€28,104,444.00						€1,389,901.82	€6,504,179.99	€2,960,218.80	€3,987,357.02	€21,340,002.19	€6,764,441.81
CALL 2012-1	€17,287,653.00							€3,191,436.06	€3,759,561.38	€2,659,987.44	€10,801,286.86	€6,486,366.14	
CALL 2012-2	€105,921,530.00							€1,190,301.98	€17,931,029.27	€44,703,946.96	€72,409,327.16	€33,412,202.84	
CALL 2013	€170,005,349.79							€3,422,550.17	€6,351,800.76	€17,948,765.68	€42,695,264.98	€74,491,681.07	€95,513,668.72
<b>Total ENIAC</b>		€442,990,846.77	€4,843,080.86	€4,843,080.86	€4,835,301.04	€15,183,981.68	€19,870,746.87	€24,378,087.94	€34,682,984.02	€64,648,146.87	€100,334,418.04	€279,376,747.32	€163,614,099.45
		<b>Paid Accumulative</b>	€4,843,080.86	€9,678,381.90	€24,862,363.58	€44,733,110.45	€79,111,196.39	€113,784,182.41	€178,442,329.28	€279,376,747.32			
Total FP7		€623,950,488.19	€68,891,221.48	€1,348,099.67	€13,435,676.46	€30,406,696.75	€36,829,775.31	€54,907,665.69	€56,981,763.05	€92,122,568.35	€116,335,979.18	€411,259,435.94	€212,691,052.25
		<b>Paid Accumulative</b>	€68,891,221.48	€8,239,321.15	€21,674,597.61	€52,081,684.36	€88,911,459.67	€143,819,125.36	€200,800,888.41	€292,923,456.76	€411,259,435.94		

(\*) Payments done by DG CONNECT (formerly INFSD) before autonomy

**H2020 Calls:**

ECSEL					
Call	Commitment	Paid 2015	Paid 2016	Total Paid	At 2016 RAL
2014-1	47,733,577.49	15,894,187.28	15,669,544.95	31,563,732.23	16,169,845.26
2014-2	101,725,327.67	39,796,713.78	24,662,660.86	64,459,374.64	37,265,953.03
2015	141,742,960.44	-	58,683,961.96	58,683,961.96	83,058,998.48
2016	123,560,387.40	-	-	-	123,560,387.40
<b>Totals</b>	<b>414,762,253.00</b>	<b>55,690,901.06</b>	<b>99,016,167.77</b>	<b>154,707,068.83</b>	<b>260,055,184.17</b>

The call 2016 was divided in two different budget years for a total of 167MEur (see PAB Awarding Decision). In 2016 the amount committed was 123.5MEur and 44.5MEur will be committed with the budget of 2017 as announced in the Work Programme and in the adopted Budget.

**5.2.1 Revenue of the Joint Undertaking - Commitment and payment appropriations**

Following the FR, revenues are funds made available to the Joint Undertaking by different sources to cover administrative and operational expenditure for a year and compose the budget of payment appropriations. The budget revenue and payment appropriations of the JU should be in balance.

### 5.3 Budgetary Outturn Account

Revenue Item	2015	2016
EU R&D activities	143,232,325.20	261,982,227.29
EU Administrative operations	1,410,000.00	1,596,952.00
Industry Associations Administrative operations	3,431,000.00	3,603,000.00
Industry Associations debt 2008-2013	675,000.00	
Other revenues (IC4)	517,581.91	895,560.57
<b>Total Revenues:</b>	<b>149,265,907.11</b>	<b>268,077,739.86</b>

Expenditure Item	2015	2016
<b>Running Costs</b>		
<u>Staff</u>		
Salary payments	2,559,637.42	2,866,199.96
Other staff cost payments	206,363.83	201,725.32
<u>Other Running costs</u>		
Payments	1,881,633.50	1,642,307.27
Appropriations carry over	468,686.07	650,766.99
Payments on C4 of the year	269,073.10	810,017.31
Payments on C5 of the year	229,861.44	173,016.61
<b>Operating expenditure</b>		
Payments C1	147,314,534.35	216,369,113.03
<b>Total Expenditure :</b>	<b>152,929,789.71</b>	<b>222,713,146.49</b>
Assigned revenue carry over previous years	214,277.80	232,925.17
Cancellation of carry overs n-1 T1,T2	248,781.47	209,229.49
<b>Budget Result of N without BOA N-1</b>	<b>-3,200,823.33</b>	<b>45,806,748.03</b>
Budget result N-1	47,845,939.70	44,645,116.37
<b>Budget result N</b>	<b>44,645,116.37</b>	<b>90,451,864.40</b>

Note: the budgetary outturn has been restated following the guidelines of DG BUDG and in agreement with the Court of Auditors.

#### 5.3.1 Appropriations carry over 2015 for running costs

From the 468,686.07€ booked in 2015 the final consumption in 2016 was 259,456.58€.

## 5.4 Reconciliation between budgetary and accrual based accounts (EUR)

	sign +/-	
<b>Economic result (- for loss)</b>	<b>+/-</b>	<b>-308,422,887.47</b>
<i>Adjustment for accrual items (items not in the budgetary result but included in the economic result)</i>		
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-156,077,621.93
Adjustments for Accrual Cut-off (cut-off 31.12.N)	+	105,141,453.54
Estimated in-kind contribution	+	142,759,010.27
Adjustment for Accrual Pre-financings Cut-off (cut-off 31.12.N)	+	182,821,665.47
Adjustment for Accrual Pre-financings Cut-off (cut-off 31.12.N-1)	-	-134,486,664.57
Salaries advanced	-	-6,500.00
Short-term payables N	+	128,138.65
Depreciation of intangible and tangible fixed assets	+	20,539.90
Increase/(Decrease) in Provision for Liabilities	+/-	5,212.66
Bank Charges	+	482.19
RO not yet cashed contributions C1	-	0.00
RO not yet cashed (class 6) C4	-	276,305.76
RO cashed contributions (class 7) C1	+	3,093,000.00
RO cashed HB	+	11,120.59
Prefinancing given in previous year and cleared in the year	+	30,014,006.55
Bank Interest received	+/-	-4,712.39
Invoice to be regularized	+/-	
<i>Adjustment for budgetary items (item included in the budgetary result but not in the economic result)</i>		
RO N-1 Cashed N (class 7) C4		-40,125.31
Asset acquisitions (less unpaid amounts)	-	-33,474.51
New pre-financing paid in the year and remaining open	-	-82,971,377.20
Budgetary recovery orders issued in on balance sheet accounts (not 7 or 6 accounts) and cashed C1	+	263,579,179.29
Remaining Reconciliation difference between Budget and Financial Accounts	+/-	3.46
<b>Budgetary result (+ for surplus)</b>		<b>45,806,748.03</b>

## 6. Human Resources

### 6.1 Establishment Plan

The approved establishment plan for the year 2016 is the following:

Category and grade	Establishment plan 2016		Posts filled in by external publication in 2016		Departures 2016		Posts actually filled at 31.12.2016	
	<i>perm</i>	<i>temp</i>	<i>perm</i>	<i>temp</i>	<i>perm</i>	<i>temp</i>	<i>perm</i>	<i>temp</i>
AD 16								
AD 15								
AD 14		1		1				1
AD 13								
AD 12		1						0
AD 11		3						4
AD 10								
AD 9		3						3
AD 8		6						5
AD 7				1				1
AD 6								
AD 5								
<b>Total AD</b>		<b>14</b>		<b>2</b>				<b>14</b>

Number of Contractual Agents			
	<i>Authorised 2016</i>	<i>Posts actually filled at 31.12.2016</i>	<i>Envisaged 2017</i>
<b>GF IV</b>	4	1	3
<b>GF III</b>	7	8	7
<b>GF II</b>	5	6	6
<b>TOTAL</b>	<b>16</b>	<b>15</b>	<b>16</b>

ENDs			
	<i>Authorised 2016</i>	<i>Posts actually filled at 31.12.2016</i>	<i>Envisaged 2017</i>
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>

## 6.2 Organisational Chart

