A 004106 01.07.2020

From: ECSEL Office
Sent: 01 July 2020 17:15
To: SASSOLI David, President
Cc: VAN OVERTVELDT Johan ; DE COLVENAER Bert (ECSEL) ; Olivier LAMBINET ; SAN JOSE FERNANDEZ Soledad (ECSEL) ; DELGADO GARCIA Laura (ECSEL)
Subject: ECSEL Joint Undertaking - 2019 Final Annual Accounts - D2020 100247
Importance: High

Dear Mr. Sassoli,
Dear President,

On behalf of Mr. Bert De Colvenaer, ECSEL JU Executive Director, please kindly find attached the 2019 annual accounts of the ECSEL Joint Undertaking.

Best regards,
Laurence De Lessines

Laurence De Lessines
Assistant to the Executive Director
ECSEL Joint Undertaking
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Annual accounts of the Electronic Components and Systems for European Leadership

Joint Undertaking

Financial year 2019

CONTENTS

CERTIFICATION OF THE ACCOUNTS

I acknowledge my responsibility for the preparation and presentation of the annual accounts of ECSEL, the Electronic Components and Systems for European Leadership joint undertaking in accordance with Article 52 of the Model Financial Regulation ('MFR')[1] and I hereby certify that the annual accounts of ECSEL for the year 2019 have been prepared in accordance with Chapter 8 of the MFR and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions and Union bodies.

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

Rosa ALDEA BUSQUETS

Accounting Officer of the Electronic Components and Systems for European Leadership

[1] COMMISSION DELEGATED REGULATION (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.

BACKGROUND INFORMATION ON THE ECSEL JU

The Electronic Components and Systems for European Leadership Joint Undertaking (ECSEL JU) is the European public-private partnership (PPP) based in Brussels that funds Research, Development and Innovation projects for world-class expertise in these key enabling technologies, essential for Europe's competitive leadership in the era of the digital economy. Through the ECSEL JU, the European industry, Small and Medium-Sized Enterprises (SMEs) and Research and Technology Organisations are supported and co-financed by 30 ECSEL Participating States and the European Union.

ECSEL JU was created by Council Regulation (EU) N° 2014/561 of 06/05/2014 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[2].

The ECSEL Joint Undertaking replaced and succeed the ENIAC and ARTEMIS Joint Undertakings, established by Regulations (EC) No 2008/72 and (EC) No 2008/74. The rules governing ARTEMIS and ENIAC projects remain into force until the financial closure of their contracts. The members are:

(1) EU represented by the European Commission (‘the Commission’),

(2) Three associations (EPOSS, AENEAS and ARTEMIS Industry Association) representing the actors from the areas of micro- and nano-electronics, smart integrated systems and embedded/cyber-physical systems,

(3) Member States and Associated Countries to the Framework Programme Horizon 2020 on a voluntary basis.

The main objectives of ECSEL JU are, amongst others, to contribute to the development of a strong and globally competitive electronics components and systems industry in the European Union and to ensure the availability of electronic components and systems for key markets and for addressing societal challenges, keeping Europe at the forefront of technology development, bridging the gap between research and exploitation, strengthening innovation capabilities and creating economic and employment growth in the Union.

Annual accounts

Following Article 25 of the Model Financial Regulation (MFR)[3], the Governing Board of the joint undertaking appoints the Accounting Officer who is, amongst other tasks, responsible for preparation of the annual accounts.

In accordance with Article 47 of the MFR, the annual accounts are prepared in accordance with the rules adopted by the Accounting Officer of the Commission (EU Accounting Rules, EAR), which are based on internationally accepted accounting standards for the public sector (IPSAS). The annual accounts cover the period from 1 January to 31 December and comprise the financial statements and the reports on the implementation of the budget. While the financial statements and the complementary notes are based on principles of accrual accounting adapted to the specific environment of the European Union, the budget implementation reports are primarily based on movements of cash.

Following the decision of the ECSEL JU's Governing Board of 4 December 2017 (ECSEL GB 2017.97), the Accounting Officer of the Commission acts, as of 1 July 2018, as the Accounting Officer of ECSEL JU.

Highlights of the year

2019 was a year of continued commitment of the JU’s members and stakeholders to achieving the objectives of ECSEL Programme, and a year of further development of the JU’s activities as set out in its Annual Work Plan for 2019.

A study by Deloitte has analysed the impact of ECSEL JU funded projects and identified the increased levels of research and innovation cooperation (R&I) between organisations achieved as an outstanding

[2] The date of establishment is 27/06/2014, following the publication of the Council Regulation and of the Statutes annexed to it in the Official Journal of the European Union OJ L 169/153 of 07.06.2014.

[3] Commission Delegated Regulation (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council, OJEU L 142, 29.5.2019.

benefit realised by the ECSEL programme. The study also describes the ECSEL R&I ecosystem to be characterised by inclusivity, multi-sectorial approach, win-win relation between industry and research organisations, inclusion of SME's, openness and knowledge sharing, trust and risk taking and bridging to other funding programmes in Europe with ECSEL's lighthouse initiatives.

According to ECSEL JU Annual Work Plan for 2019, the key objectives were:

- Launching of calls 2019 and selection of projects.
- Launching of a study on the impact of ECSEL JU funded projects through public procurement.
- Grant Agreement signature cycle with the start of the projects selected for Call 2018.
- Monitoring of the ECSEL projects selected in the calls 2014, 2015, 2016 and 2017 and the management of the legacy projects launched under ENIAC and ARTEMIS.
- Further implementation of ECSEL's communication strategy involving key features such as events, dissemination actions and public communications.
- Sound administrative and operational budget execution.
- Smooth functioning of ECSEL JU office.

In 2019, total available appropriations were kEUR 203 966 for commitments and kEUR 232 545 for payments. The budget implementation reached 100% in terms of commitment appropriations and 80% in terms of payment appropriations.

In the financial statements, the impact of the above mentioned activities are most visible in the increase of kEUR 174 029 in cash contributions from Members, presented under net assets.

Thanks to the greater experience in using CORDA, the Common Research Data Warehouse for H2020 projects, ECSEL JU improved the estimation methodology for the accrued operational expenses related to in kind contributions. As of 2019 the pro-rata temporis method is applied to all projects that should receive contributions based on the last funding decision available in CORDA. This allows the taking into account also of ammendments of the funding decisions related both to the projects in scope and to the amount of the contribution. The improved calculation resulted in a decrease of operating costs (see note **3.2**) and lower movement of in kind contribution in the net assets (see note **2.6**). Despite the increased number of projects under the H2020 Programme, the estimated liabilities for the in kind contributions to be validated are compareable to the 2018 amounts.

In addition, ECSEL JU changed the calculation and the presentation of accrued expenses clearing pre-financing so as to improve the accuracy of the estimation by aligning it to the rules applicable for the clearing of pre-financing with cost claims. This resulted in a significant increase in pre-financing that was matched by a corresponding increase in payables and in accrued charges. This change thus has no impact on the overall net assets of ECSEL JU – see note **2.2**.

ELECTRONIC COMPONENTS AND SYSTEMS FOR EUROPEAN LEADERSHIP
JOINT UNDERTAKING
FINANCIAL YEAR 2019

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

It should be noted that due to the rounding of figures into thousands of euros (kEUR), some financial data in the tables below may appear not to add-up.

CONTENTS

BALANCE SHEET

EUR '000

	Note	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Intangible assets		*0*	*1*
Property, plant and equipment	*2.1*	*60*	*67*
Pre-financing	*2.2*	*96 105*	*3 231*
		96 165	**3 299**
CURRENT ASSETS			
Pre-financing	*2.2*	*93 012*	*57 204*
Exchange receivables and non-exchange recoverables	*2.3*	*154 666*	*171 896*
		247 678	**229 099**
TOTAL ASSETS		**343 843**	**232 399**
CURRENT LIABILITIES			
Payables and other liabilities	*2.4*	*(717 315)*	*(696 893)*
Accrued charges and deferred income	*2.5*	*(117 380)*	*(25 755)*
		(834 695)	**(722 648)**
TOTAL LIABILITIES		**(834 695)**	**(722 648)**
NET ASSETS		**(490 852)**	**(490 249)**
Contribution from Members	*2.6*	*1 468 112*	*1 191 524*
Accumulated deficit		*(1 681 773)*	*(1 261 951)*
Economic result of the year		*(277 190)*	*(419 822)*
NET ASSETS		**(490 852)**	**(490 249)**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2019	2018
REVENUE			
Revenue from non-exchange transactions			
Recovery of expenses	*3.1*	*167*	*51*
		167	**51**
Revenue from exchange transactions			
Financial revenue		*6*	*(3)*
Other		*0*	*70*
		6	**67**
Total revenue		**172**	**118**
EXPENSES			
Operational costs	*3.2*	*(271 690)*	*(415 087)*
Staff costs	*3.3*	*(3 297)*	*(2 971)*
Finance costs		*(12)*	*(0)*
Other expenses	*3.4*	*(2 364)*	*(1 881)*
Total expenses		**(277 363)**	**(419 940)**
ECONOMIC RESULT OF THE YEAR		**(277 190)**	**(419 822)**

CASHFLOW STATEMENT[4]

		EUR '000
	2019	2018
Economic result of the year	*(277 190)*	*(419 822)*
Operating activities		
Depreciation and amortization	*29*	*26*
(Increase)/decrease in pre-financing	*(128 681)*	*(5 661)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*17 229*	*(171 608)*
Increase/(decrease) in provisions	*–*	*(50)*
Increase/(decrease) in payables	*20 422*	*275 502*
Increase/(decrease) in accrued charges & deferred income	*91 625*	*(38 336)*
Increase/(decrease) in cash contributions	*174 029*	*222 446*
Increase/(decrease) in in-kind contributions	*102 559*	*–*
Investing activities		
(Increase)/decrease in intangible assets and property, plant and equipment	*(22)*	*(18)*
NET CASHFLOW	**(0)**	**(137 521)**
Net increase/(decrease) in cash and cash equivalents	*–*	*(137 521)*
Cash and cash equivalents at the beginning of the year	*–*	*137 521*
Cash and cash equivalents at year-end	*–*	*–*

[4] Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of ECSEL JU, the treasury of ECSEL JU was integrated into the Commission's treasury system. Because of this, ECSEL JU does not have any bank accounts of its own. All payments and receipts are processed via the Commission's treasury system and registered on intercompany accounts, which are presented under the heading exchange receivables.

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Contribution from Members	Accumulated Surplus/ (Deficit)	Economic result of the year	Net Assets
BALANCE AS AT 31.12.2017	**969 078**	**(875 349)**	**(386 602)**	**(292 873)**
Allocation 2017 economic result	*–*	*(386 602)*	*386 602*	*–*
Cash contribution	*222 446*	*–*	*–*	*222 446*
Economic result of the year	*–*	*–*	*(419 822)*	*(419 822)*
BALANCE AS AT 31.12.2018	**1 191 524**	**(1 261 951)**	**(419 822)**	**(490 249)**
Allocation 2018 economic result	*–*	*(419 822)*	*419 822*	*–*
Cash contribution	*174 029*	*–*	*–*	*174 029*
Contribution in-kind	*102 559*	*–*	*–*	*102 559*
Economic result of the year	*–*	*–*	*(277 190)*	*(277 190)*
BALANCE AS AT 31.12.2019	**1 468 112**	**(1 681 773)**	**(277 190)**	**(490 852)**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting Rule 1 'Financial Statements' and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

1.2. BASIS OF PREPARATION

1.2.1. Reporting period

Financial statements are presented annually. The accounting year begins on 1 January and ends on 31 December.

1.2.2. Currency and basis for conversion

The annual accounts are presented in thousands of euros, the euro being the EU's functional currency. Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December.

Euro exchange rates

Currency	31.12.2019	31.12.2018	Currency	31.12.2019	31.12.2018
BGN	**1.9558**	*1.9558*	**PLN**	**4.2568**	*4.3014*
CZK	**25.4080**	*25.7240*	**RON**	**4.783**	*4.6635*
DKK	**7.4715**	*7.4673*	**SEK**	**10.4468**	*10.2548*
GBP	**0.8508**	*0.8945*	**CHF**	**1.0854**	*1.1269*
HRK	**7.4395**	*7.4125*	**JPY**	**121.9400**	*125.8500*
HUF	**330.5300**	*320.9800*	**USD**	**1.1234**	*1.145*

1.2.3. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to: amounts for employee benefit liabilities, accrued and deferred revenue and charges, provisions, financial risk on accounts receivable, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are an essential part of the preparation of financial statements and do not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error. The effect of a change in accounting estimate shall be recognised in the surplus or deficit in the periods in which it becomes known.

1.3. BALANCE SHEET

1.3.1. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable (i.e. it is capable of being separated or divided from the entity, e.g. by being sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so), or arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations).

Acquired intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and the expenses relate solely to the development phase of the asset. The capitalisable costs include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 to 11 years). The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement.

1.3.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the entity and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Land is not depreciated, as it is deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
Buildings	*4 % to 10 %*
Plant and equipment	*10 % to 25 %*
Furniture and vehicles	*10 % to 25 %*
Computer hardware	*25 % to 33 %*
Other	*10 % to 33 %*

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

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee. When entering a finance lease as a lessee, the assets acquired under the finance lease are recognised as assets and the associated lease obligations as liabilities as from the commencement of the lease term. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Over the period of the lease term, the assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The minimum lease payments are apportioned between the finance charge (the interest element) and the reduction of the outstanding liability (the capital element). The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability, which is presented as current/non-current, as applicable. Contingent rents shall be charged as expenses in the period in which they are incurred.

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term with neither a leased asset nor a leasing liability presented in the statement of financial position.

1.3.3. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.3.4. Financial assets

Financial assets are classified in the following categories: 'financial assets at fair value through surplus or deficit', 'loans and receivables', 'held-to-maturity investments' and 'available for sale financial assets'. The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) Financial assets at fair value through surplus or deficit

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also presented in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the entity did not hold any investments in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date. Loans and receivables include term deposits with the original maturity above three months.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the positive intention and ability to hold to maturity. During this financial year, the entity did not hold any investments in this category.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the entity expects to hold them, which is usually the maturity date. During this financial year, the entity did not hold any investments in this category.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on their trade date, i.e. the date on which the entity commits to purchase or sell the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit, transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the entity has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

Financial assets at fair value through surplus or deficit are subsequently carried at fair value, with gains and losses arising from changes in the fair value being included in the statement of financial performance in the period in which they arise.

Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in the fair value reserve. Interest on available for sale financial assets, calculated using the effective interest method, is recognised in the statement of financial performance.

The entity assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and whether an impairment loss should be recorded in the statement of financial performance.

1.3.5. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditure, he has the obligation to return the pre-financing advance to the entity. Thus, as the entity retains control over the pre-financing and is entitled to a refund for the ineligible part, the amount is presented as an asset.

Pre-financing is initially recognised on the balance sheet when cash is transferred to the recipient. It is measured at the amount of the consideration given. In subsequent periods pre-financing is measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

1.3.6. Receivables and recoverables

The EU accounting rules require a separate presentation of exchange and non-exchange transactions. To distinguish between the two categories, the term ‘receivable’ is reserved for exchange transactions, whereas for non-exchange transactions, i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange, the term 'recoverables' is used (e.g. recoverables from Member States related to own resources).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see 1.3.4 above).

Recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) less write-down for impairment. A write-down for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the recoverables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

1.3.7. Cash and cash equivalents

Cash and cash equivalents are financial instruments and include cash at hand, deposits held at call or at short notice with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.3.8. Provisions

Provisions are recognised when the entity has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ('expected value' method).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.3.9. Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and to non-exchange transactions e.g. to cost claims from beneficiaries, grants or other EU funding, or pre-financing received (see note **1.4.1**).

Where grants or other funding are provided to the beneficiaries, the cost claims are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

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

1.3.10. Accrued and deferred revenue and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the entity or a contractual agreement exists (e.g. by reference to a contract), an accrued revenue will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Accounting Officer which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent. By analogy, if a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

1.4. STATEMENT OF FINANCIAL PERFORMANCE

1.4.1. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Depending on the nature of the underlying transactions in the statement of financial performance it is distinguished between:

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions are taxes and transfers because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. The entity shall recognise an asset in respect of transfers when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources, and when the fair value can be reliably measured. An inflow of resources from a non-exchange transaction recognised as an asset (i.e. cash) is also recognised as revenue, except to the extent that the entity has a present obligation in respect of that transfer (condition), which needs to be satisfied before the revenue can be recognised. Until the condition is met the revenue is deferred and recognised as a liability (pre-financing received).

(ii) Revenue from exchange transactions

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

1.4.2. Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity. They include both the expenses from exchange transactions and expenses from non-exchange transactions.

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the entity. They are valued at the original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are recognised in the statement of financial performance.

Expenses from non-exchange transactions relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations. Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expense.

1.5. CONTINGENT ASSETS AND LIABILITIES

1.5.1. Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.5.2. Contingent liabilities

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

1.6. CONTRIBUTIONS FROM MEMBERS

The contributions from the Members of the Joint Undertakings (JU) form the funding of the JU and are treated as contributions from owners. An owner in this context does not mean an owner in the sense of owning shares (no shares are issued) of the JU but rather in the sense of political interest and governance of the JU by exercising the voting rights linked to these contributions.

1.6.1. Financial contributions

Financial contributions are contributions of Members made in cash in order to provide funding of the operational or administrative needs of the JU. The financial contributions are recognised in the net assets in the period in which the right to receive the payment was established.

1.6.2. In-kind contributions

Members other than the EU (i.e. 'Private Members') can also contribute resources other than cash, e.g. laboratory equipment, specialised staff, etc. These in-kind contributions consist of the costs incurred by Private Members in implementing indirect actions.

The Regulation distinguishes between two types of in-kind contributions: (1) In-kind contributions to operational activities (IKOP) and (2) in-kind contributions to additional activities (IKAA).

The IKOP represents in-kind contributions made to the JU linked to its work plan and co-financed by the EU. The IKOP are recognised in the net assets of the JU in the period when the conditions for Members' contributions stipulated by the Regulation were met.

The expenses related to the IKOP incurred in the financial year are recognised in the statement of financial performance. At year-end, incurred IKOP not yet reported are estimated and recorded as other liabilities ('Contributions of Members to be validated').

The IKAA relate to contributions linked to implementing additional activities outside the work plan of the JU that contribute to the objectives of the JU. Because the outflow of resources related to those activities is outside of the control of the JU, these contributions are not recognised in the financial statements of the JU.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. PROPERTY, PLANT AND EQUIPMENT

EUR '000

	Furniture and vehicles	Computer hardware	TOTAL
Gross carrying amount at 31.12.2018	*91*	*214*	*304*
Additions	*–*	*22*	*22*
Disposals	*–*	*(19)*	*(19)*
Gross carrying amount at 31.12.2019	**91**	**216**	**307**
Accumulated depreciation at 31.12.2018	*(60)*	*(177)*	*(237)*
Depreciation charge for the year	*(9)*	*(18)*	*(27)*
Disposals	*–*	*18*	*18*
Accumulated depreciation at 31.12.2019	**(69)**	**(177)**	**(246)**
NET CARRYING AMOUNT AT 31.12.2019	**22**	**39**	**60**
NET CARRYING AMOUNT AT 31.12.2018	*31*	*37*	*67*

The additions and disposals of 2019 concern computer hardware that was replaced during the year.

2.2. PRE-FINANCING

EUR '000

	31.12.2019	31.12.2018
Non-current pre-financing	*96 105*	*3 231*
Current pre-financing	*93 012*	*57 204*
Total	**189 116**	**60 435**

For all pre-financing amounts open at 31 December 2019 a case-by-case assessment has been performed and all pre-financing that was considered unlikely to be cleared in the course of 2020 was classified as non-current pre-financing.

The high amount of the open pre-financing, which represents the pre-financing paid for H2020 2016, 2017 and 2018 calls (high value projects), can be explained by the fact that according to the Horizon 2020 rules the cost claims are cleared against pre-financing when the amounts paid to the beneficiary reach 90% of the grant agreement amount. In addition, only the amount exceeding this threshold is cleared.

The outstanding pre-financing, presented under this heading, is net of estimated (cut-off) expenses for on going projects without validated cost claims at 31 December 2019. The remaining portion of the cut-off expenses is recorded under accrued charges (see note **2.5**).

To improve the accuracy of its estimations, ECSEL JU changed the calculation and the presentation of accrued expense clearing pre-financing so as to align to the rules applicable for the clearing of pre-financing with the cost claims (see above). In 2018, the entire amount of cut-off expenses was cleared against pre-financing, thus decreasing its balance. In 2019, no such clearing was deducted, so the balance above is significantly higher. The increase of pre-financing related to this change has been matched by a corresponding increase in payables (see note **2.4**) and in accrued charges (see note **2.5**) where these liabilities are now recognised. The new presentation thus has no impact on the overall net assets of ECSEL JU.

An additional component of the pre-financing increase relates to kEUR 19 133 of additional pre-payments to the beneficiaries for the H2020-ECSEL-2018 and H2020-ECSEL-2019 calls.

2.3. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

At 31 December 2019 ECSEL JU does not have any long term receivables, all amounts included under this heading are current and are as follows:

EUR '000

	31.12.2019	31.12.2018
Recoverables from non-exchange transactions		
Public bodies	*–*	*35*
	–	**35**
Receivables from exchange transactions		
Central treasury liaison accounts	*153 968*	*170 566*
Other	*698*	*1 294*
	154 666	**171 860**
Total	**154 666**	**171 896**

Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of ECSEL JU, the treasury of ECSEL JU was integrated into the Commission's treasury system. Because of this, ECSEL JU does not have any bank accounts since 1 July 2018. All payments and receipts are processed via the Commission's treasury and registered on inter-company accounts, which are presented under central treasury liaision accounts. The ending balance of this heading is thus the result of the incoming and outgoing payments and represents the funds available for ECSEL JU.

The heading Other is mainly composed of the receivables from customers, namely related to the missing 2014 contribution to the administrative costs from the AENEAS association. Out of the kEUR 1 099 reported in this respect in 2018, kEUR 545 have been recovered during 2019.

LIABILITIES

2.4. PAYABLES AND OTHER LIABILITIES

EUR '000

	31.12.2019	31.12.2018
Contribution in kind to be validated	*705 410*	*694 131*
Vendors	*10 264*	*346*
Public bodies	*1 561*	*–*
Other	*79*	*2 416*
Total	**717 315**	**696 893**

Included under the sub-heading 'contribution in-kind to be validated' are the in-kind contributions from Members relating to on-going projects without a validated cost statement at 31 December 2019. The amount of in-kind contribution was estimated on a case-by-case basis using the the pro-rata method.

Thanks to the greater experience in using CORDA, the Common Research Data Warehouse for H2020 projects, ECSEL JU improved the estimation methodology for the accrued operational expenses related to in kind contributions. As of 2019 the prorata temporis method is applied to all projects that should receive contributions based on the last funding decision available in CORDA. This allows the taking into account also of ammendments of the funding decisions related both to the project in scope and to the amount of the contribution. The improved calculation resulted in a decrease of operational costs (see note **3.2**) and lower movement of in kind contribution in the net assets (see note **2.6**). Despite the increased number of projects under the H2020 Programme the liabilities for the in kind contributions to be validated are comparable to the 2018 amounts.

The estimated EU contributions related to those projects are included under accrued charges (see note **2.5**).

The payables to Vendors and to Public bodies comprise cost claims and invoices submitted but not yet validated and paid at 31 December 2019. The large increase of kEUR 9 918, also is due to the above explained change in presentation of the accruals clearing pre-financing (see note **2.2**), as in 2018 the payables related to cost claims received but not validated were fully cleared against open pre-financing.

In 2018, the heading Other comprised amounts retained from the beneficiaries of the Horizon 2020 pre-financing. For all H2020 grant agreements there is an automatic retention of 5% of the total grant in the pre-financing payment which is transferred to the Participant Guarantee Fund (accounted for in the sundry payables) and paid back to the beneficiary by the Participants Guarantee Fund when the project is successfully accomplished. Since the integration of ECSEL JU into Sygma, the EU IT tool for H2020 grant management, the retained amounts are collected automatically by the Commission who are in charge of the Participants Guarantee Fund. Unlike in the previous year, at 31 December 2019 all corresponding amounts were collected by the Commission.

2.5. ACCRUED CHARGES AND DEFERRED INCOME

EUR '000

	31.12.2019	31.12.2018
Accrued charges	*117 380*	*23 651*
Deferred income	*–*	*2 104*
Total	**117 380**	**25 755**

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2019 but not yet invoiced or processed by the end of the year. They are mainly composed of estimated operational expenses of kEUR 116 937 for on-going projects without a validated cost statement where the 2019 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2019. The portion of the estimated accrued charges which relates to pre-financing paid has been recorded as a reduction of the pre-financing amounts. The increase of the accruals compared to last year is due to a changing in clearing of the pre-financing process (see note **2.2**).

Included under this heading are also accrued administrative expenses of kEUR 393 relating mainly to services provided by third parties (kEUR 292), staff related costs (kEUR 38), experts related costs (kEUR 63). This heading also includes accrued charges for untaken leave (kEUR 50).

NET ASSETS

2.6. CONTRIBUTIONS FROM MEMBERS

The Council Regulation (EU) No. 2014/561 distinguishes the following members of the JU: the EU, represented by the Commission, a number of 26 Participating states and 3 Private Associations (AENEAS, ARTEMISIA and EPoSS) referred to as the 'private members'.

The Council Regulation establishes in Article 4.4 the obligation of the Participant States and the Private Members to report their contributions in order to monitor that they met the objectives fixed (EUR 1 170 million for the Participating States and EUR 1 657 million for the Private Members for the whole duration of the programme).

The Council Regulation Article 16.3.c establishes the in kind contributions as total costs incurred by the Private Members less the financial contribution of ECSEL JU and less the financial contribution of the Participating States. Until the projects are finalised, only estimations of the in kind contributions can be provided by the Private Members because no recognition of actual costs or payment is done during the duration of the project by the Participating States. Subsequently, the financial contributions of ECSEL JU can only be determined at the end of the project when the Private Members can establish their in kind contribution. In the meantime both the in kind and the financial contributions are estimate based on the pro-rata temporis methodology adopted by the Governing Board and recorded in the liabilities (see note **2.4** and **2.5**).

Following finalisation of some projects in 2019, the amounts for which the Certificate on the financial statements were received were transferred to net assets.

EUR '000

Programming period	2019			2018	
	Cash	in-Kind	Total	Cash	Total
FP7	*669 148*		*669 148*	*669 148*	*669 148*
H2020	*696 405*	*102 559*	*798 964*	*522 376*	*522 376*
Total	**1 365 553**	**102 559**	**1 468 112**	**1 191 524**	**1 191 524**

The contributions of members recognised in the net assets can be split by programming period as follows:

2.6.1. Research and Innovation funding programme for 2007-2013 (FP7)

EUR '000

Member	Commission Cash	Private members Cash	Total Cash
Running costs contributions at 31.12.2018	*17 931*	*13 617*	***31 548***
Current year contributions	–	–	**–**
Running costs contributions at 31.12.2019	**17 931**	**13 617**	**31 548**
Operating costs contributions at 31.12.2018	*637 600*	–	***637 600***
Current year contributions	–	–	**–**
Operating costs contributions at 31.12.2019	**637 600**	**–**	**637 600**
TOTAL contributions at 31.12.2018	*655 531*	*13 617*	*669 148*
TOTAL contributions at 31.12.2019	**655 531**	**13 617**	**669 148**

% of total contributions (by type)	*97.97%*	*2.03%*	*100.00%*
Total contribution in %	*97.97%*	*2.03%*	*100.00%*
Voting rights %	*97.97%*	*2.03%*	*100.00%*

2.6.2. Research and Innovation funding programme for 2014-2020 (Horizon 2020)

EUR '000

Member	Commission	Private members		Total	
	Cash	Cash	in-Kind	Cash	in-Kind
Running costs contributions at 31.12.2018	*5 136*	*10 681*	*–*	*15 817*	**–**
Current year contributions	*2 378*	*4 242*	*–*	*6 620*	**–**
Running costs contributions at 31.12.2019	**7 514**	**14 922**	**–**	**22 436**	**–**
Operating costs contributions at 31.12.2018	*506 560*	*–*	*–*	***506 560***	**–**
Current year contributions	*167 409*	*–*	*102 559*	***167 409***	***102 559***
Operating costs contributions at 31.12.2019	**673 969**	**–**	**102 559**	**673 969**	**102 559**
TOTAL contributions at 31.12.2018	*511 696*	*10 681*	*–*	*522 376*	*–*
TOTAL contributions at 31.12.2019	**681 483**	**14 922**	**102 559**	**696 405**	**102 559**

% of total contributions (by type)	*97.86%*	*2.14%*	*100.00%*	*100.00%*	*100.00%*
Total contribution in %	*85.30%*	*1.87%*	*12.84%*	*100.00%*	
Voting rights %	*85.30%*	*14.70%*		*100.00%*	

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

3.1. NON-EXCHANGE REVENUE

EUR '000

	2019	2018
Recovery of expenses	*167*	*51*

This heading is composed of the operational expenses recovered from beneficiaries during the year.

EXPENSES

3.2. OPERATIONAL COSTS

Included under this heading are operational expenses related to projects that were carried out in 2019. The part of the operational costs related to on-going projects without any validated cost claims (or equivalent) available at 31 December was estimated using the best information available at the time of the preparation of the provisional annual accounts. The estimation is based on the case-by-case assessment of completion which ensures that only costs that reflect the services or work performed by 31 December are included in the operational costs of the year. Depending on the availability of information at the time of the preparation of the annual acounts, the estimates are based on costs incurred to date as a proportion of the estimated total costs of the projects ("pro-rata temporis").

The break-down of the operational costs between operational costs incurred on the basis of validated cost claims (or equivalent) and estimated operational costs is given in the table below.

EUR '000

	2019	2018
Operational costs: validated in-kind contributions	*102 559*	–
Operational costs: estimated in-kind contributions	*11 279*	*272 955*
Total operational costs from in-kind contributions	**113 838**	**272 955**
Operational costs: validated EU contributions	*167 865*	*163 363*
Operational costs: estimated EU contributions	*(10 012)*	*(21 231)*
Total operational costs from EU contributions	**157 852**	**142 132**
Total	**271 690**	**415 087**

The operational costs under this heading relate to implementation of projects under the 7th Framework Programme (FP7), as well as under the Horizon 2020 Programme (H2020).

The overall decrease of the operational costs by kEUR 143 397 is largely related to the improvement of the estimation methodology for the accrued operational expenses related to in kind contributions that has been put in place for 2019. Thanks to the greater experience in using CORDA, the Common Research Data Warehouse for H2020 projects, the pro-rata temporis method is applied to all projects that should receive contributions based on the last funding decision available in CORDA. This allows the taking into account also of ammendments of the funding decisions related both to the projects in scope and to the amount of the contribution. Therefore, even though number of projects under the H2020 Programme for which an estimation was needed increased, the improved calculation resulted in a decrease of operating costs of current year, as the liability for the in-kind contributions has been reassessed for all the calls (see the note **2.4**).

3.3. STAFF COSTS

EUR '000

	2019	2018
Staff costs	*3 297*	*2 971*

Included under this heading are salary expenses and other employment-related allowances and benefits. Calculations related to staff costs are, based on the service level agreement, entrusted to the European Commission's Office for administration and payment of individual entitlements (also known as the Paymaster's Office-PMO).

The pensions of the ECSEL staff members are covered by the Pension Scheme of European Officials. This pension scheme is a defined benefit plan, i.e. the amount of benefit an employee will receive on retirement depends on factors such as age and years of service. Both ECSEL staff and the Commission contribute to the pension scheme and the contribution percentage is revised yearly to reflect the changes in the Staff Regulation. The cost to the Commission is not reflected in the ECSEL accounts. Similarly, the future benefits payable to the ECSEL staff are accounted for in the liabilities of the Commission, as it is the Commission who will pay out these benefits. No provisions related to the future pensions are made in these accounts.

3.4. OTHER EXPENSES

EUR '000

	2019	2018
Experts expenses	*523*	*491*
Operating leasing expenses	*506*	*475*
Communications & publications	*369*	*371*
External non IT services	*275*	*110*
IT costs developments external costs	*266*	*170*
Losses on realisation of trade debtors	*218*	*25*
Missions	*79*	*90*
Training costs	*22*	*36*
Recruitment costs	*2*	*20*
Other	*103*	*94*
Total	**2 364**	**1 881**

Similar to last year, the most important part of the administrative expenses are the expert-related expenses, building expenses, communication activities and IT services. Overall the other expenses increased by kEUR 483 compared to 2018, mainly due to increase in external non IT services (Deloitte study on the impact of ECSEL JU funded projects) and also in losses on realisation of trade debtors (ENIAC kEUR 196 and ARTEMIS kEUR 22).

The operating lease expenses relate to the ECSEL JU building 'White Atrium'. An overview of the amounts to be committed and paid during the remaining term of this lease contract including rent and related charges, is as follow:

EUR '000

	Future amounts to be paid			
	< 1 year	1- 5 years	> 5 years	Total
Buildings	*487*	*2 049*	*538*	*3 075*

4. OTHER SIGNIFICANT DISCLOSURES

4.1. OUTSTANDING COMMITMENTS NOT YET EXPENSED

EUR '000

	31.12.2019	31.12.2018
Outstanding commitments not yet expensed	*259 708*	*369 408*

The outstanding commitments not yet expensed comprise the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the 2019 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

4.2. RELATED PARTIES

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

4.3. KEY MANAGEMENT ENTITLMENTS

The highest ranked civil servant of ECSEL JU is the Executive Director, who executes the role of the Authorising Officer.

	31.12.2019	31.12.2018
Executive Director	*AD 14*	*AD 14*

The Executive Director is remunerated in accordance with the Staff Regulation of the European Union that is published on the Europa website and which is the official document describing the rights and the obligations of all officials of the EU.

4.4. EVENTS AFTER REPORTING DATE

During the first half of 2020, the coronavirus outbreak has had huge impacts on the EU economy. As a non-adjusting event, the outbreak of the coronavirus does not require any adjustments to the figures reported in these annual accounts. For subsequent reporting periods, COVID-19 may affect the recognition and measurement of some assets and liabilities on the balance sheet and also of some revenue and expenses recognised in the statement of financial performance. Based on the information available at the date of signature of these annual accounts, the financial effects of the coronavirus outbreak cannot be reliably estimated.

5. FINANCIAL RISK MANAGEMENT

5.1. TYPES OF RISK

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate, because of variations in market prices. Market risk embodies not only the potential for loss, but also the potential for gain. It comprises *currency risk*, *interest rate risk* and *other price risk* (the ECSEL JU has no significant other price risk).

(4) *Currency risk* is the risk that the ECSEL JU operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.

(5) *Interest rate risk* is the possibility of a reduction in the value of a security, especially a bond, resulting from an increase in interest rates. In general, higher interest rates will lead to lower prices of fixed rate bonds, and vice versa. ECSEL JU does not have any securities thus it is not exposed to the interest rate risk.

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

Liquidity risk is the risk that arises from the difficulty in selling an asset; for example, the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or meet an obligation.

5.2. CURRENCY RISKS

Exposure to currency risk at year-end

At 31 December 2019, the ending balances of financial assets and financial liabilities did not include any material amounts quoted in different currencies other than the euro.

5.3. CREDIT RISK

Financial assets that are neither past due nor impaired

At 31 December 2019, the financial assets are composed of receivables that are neither past due nor impaired, but it is noted that during the year some receivables have been written off (kEUR 218 see note **3.4**) and at the end of the period a bad debt provision amounting kEUR 6 for receivables has been recognised. The amounts of receivables presented under the note **2.3** are net of these amounts.

Financial assets by risk category

At 31 December 2019, the financial assets are composed of receivables against entities with a prime external credit rating (kEUR 153 968) but also without external credit rating (kEUR 698).

5.4. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

The financial liabilities entirely compose of current payables and financial liabilities relating to in-kind contributions to be validated. All the financial liabilities have a remaining contractual maturity of less than one year.

THE BUDGET IMPLEMENTATION REPORTS AND EXPLANATORY NOTES

It should be noted that due to the rounding of figures into thousands of euros (kEUR), some financial data in the tables below may appear not to add-up.

CONTENTS

1. BUDGETARY PRINCIPLES, STRUCTURE AND HIGHLIGHTS OF THE BUDGETARY IMPLEMENTATION

1.1. BUDGETARY PRINCIPLES

The establishment and implementation of the budget of ECSEL JU is governed by the following basic principles set out in the Chapter 2 of the Financial Rules of ECSEL JU:

Principles of unity and budget accuracy

This principle means that no revenue shall be collected and no expenditure effected unless booked to a line in the budget of ECSEL JU. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget. An appropriation may be entered in the budget only if it is for an item of expenditure which is considered necessary.

Principle of annuality

The appropriations entered in the budget shall be authorised for a financial year which shall run from 1 January to 31 December. As specified in its Financial Rules, ECSEL JU is subject to an exception to the annuality principle, specific only to the joint undertakings (the "N+3" rule), whereby any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years. These appropriations must be used first.

Principle of equilibrium

Revenue and payment appropriations shall be in balance.

Principle of unit of account

The budget shall be drawn up and implemented in euros and the accounts shall be presented in euros.

Principle of universality

Total revenue shall cover total payment appropriations and all revenue and expenditure shall be entered in full without any adjustment against each other.

Principle of specification

Appropriations shall be earmarked for specific purposes at least by title and chapter.

Principle of sound financial management

Appropriations shall be used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness.

Principle of transparency

The budget shall be established and implemented and the accounts presented in accordance with the principle of transparency. The budget and any amending budgets shall be published on ECSEL JU's internet site within four weeks of adoption and shall be transmitted to the Commission and the Court of Auditors.

1.2. STRUCTURE AND PRESENTATION OF THE BUDGET

ECSEL JU makes use of differentiated appropriations for its administrative expenditure and operational expenditure.

Following the provisions of the Financial rules of ECSEL JU, the budget accounts shall consist of a statement of revenue and a statement of expenditure. The budget is distributed in the following titles:

Title 1 budget lines are related to staff expenditure such as salaries and allowances for persons working with ECSEL2 JU. It also includes recruitment expenses, staff missions, expenses for the socio-medical infrastructure and representation costs.

Title 2 budget lines relate to all infrastructure, equipment, meetings, experts, studies, ex-post audits and miscellaneous administrative expenditure.

Title 3 budget lines provide for the implementation of the activities and tasks assigned to ECSEL JU in accordance with its establishing Council Regulation (EC) No 561/2014 (ECSEL JU).

1.3. HIGHLIGHTS OF THE BUDGETARY IMPLEMENTATION

ECSEL JU Governing Board approved the initial annual budget for year 2019 on 13 December 2018 by ECSEL GB Decision 2018.115.

On 1 July 2019, ECSEL JU's Governing Board adopted GB Decision 2019.124 amending for the first time the initially adopted budget in order to increase the appropriations for payments for running costs under Titles 1 and 2 by reactivating the unused appropriations deriving from the year 2018 which corresponded to payments due in 2019 under commitments entered in 2018. Moreover, the first amendment served for the adjustment of needs in payment appropriations regarding the execution of payments related to FP7 projects under Title 3 reducing EC contribution and at the same time increasing the amount of unused payment appropriations from previous years.

A second budget amendment was adopted by ECSEL JU's Governing Board (GB Decision 2019.130) on 31 October 2019. The second amending budget introduced the reactivation of unused commitment and payment appropriations from the previous budget exercise under Titles 1, 2 and 3 as foreseen in article 6.5 of ECSEL Financial Rules.

Overall, in 2019, total available appropriations were EUR 204 million for commitments and EUR 233 million for payments. The budget implementation reached 100% in terms of commitment appropriations and 80% in terms of payment appropriations. As of 2019, all ECSEL budget lines are dissociated, including administrative budget lines. In 2019 for the first time, ECSEL JU made use of the mechanism of reactivation of unused appropriations from previous budget exercises for the administrative budget as well as per article 6.5 of ECSEL Financial Rules.

Administrative expenditure (Title 1 – Staff and Title 2 – Running Costs)

Under Title 1 the ECSEL budget execution reached 100% in terms of commitment appropriations and 98% in terms of payment appropriations. This title was mainly used for salaries of the JU staff, as well as staff missions and trainings.

Under Title 2 the execution reached 100% in terms of commitment appropriations and 80% in terms of payment appropriations. Even if the execution rate in payment appropriations has increased compared to previous years, still an important number of administrative payments shall become due only in the coming years.

In addition to the budget amendments, the Executive Director, in accordance with Article 10 of the ECSEL Financial Rules, has transferred appropriations between Title 1 and 2, as well as between chapters within the same Title in the course of the year. These transfers had the objective to better allocate the resources needed for the running costs. Overall, budget transfers had no impact on the approved budget.

Operational expenditure (Title 3 – Selected projects after annual calls)

Under Title 3, the ECSEL JU budget covers the operational expenditure related to the implementation of projects under the 7th Framework Programme (FP7), as well as under the Horizon 2020 Programme (H2020).

Under H2020, the budget implementation in terms of commitment appropriations reached 100%, whereas the implementation in terms of payment appropriations reached 89%. The major part of the payment appropriations was used for the pre-financing of the grants resulting from the 2018 calls for proposals, while the minor part was used for interim and final payments for the grants resulting from previous ECSEL calls for proposals.

Under FP7, the budget implementation in payment appropriations reached 45% reflecting the important delays in receiving the end of project certificates from national authorities. Reminders are being sent to national authorities on a regular basis to urge them to provide the certificates overdue.

2. RESULT OF THE IMPLEMENTATION OF THE BUDGET

EUR '000

	Title	2019	2018
Revenue		**172 917**	**223 895**
of which:			
Subsidy from the Commission	2	169 467	220 360
Revenue from industry	2	3 012	3 086
Other financial contributions & revenue generated by ECSEL JU	2	439	449
Expenditure		**(187 109)**	**(193 541)**
of which:			
Staff expenditure	1	(3 436)	(3 196)
Administrative expenditure	2	(1 684)	(1 785)
Operational expenditure	3	(181 989)	(188 560)
Exchange rate differences		**0**	**-**
Budget result		**(14 192)**	**30 354**

3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

	2019	2018
ECONOMIC RESULT OF THE YEAR	**(277 190)**	**(419 822)**
Adjustment for accrual items (items not in the budgetary result but included in the economic result)	**195 232**	**317 952**
In-kind contributions validated in the year	*113 837*	*272 955*
Adjustments for accrual cut-off (net)	*(24 932)*	*(21 290)*
Unpaid invoices at year end but booked in expenses	*11 826*	*2 416*
Depreciation of intangible and tangible assets	*29*	*26*
Recovery orders issued in the year and not yet cashed	*(124)*	
Pre-financing given in previous year and cleared in the year	*94 292*	*63 556*
Payments made from carry-over of payments appropriations	*298*	*289*
Other individually immaterial	*6*	
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)	**67 766**	**132 224**
Members' cash contributions collected in the year	*172 479*	*220 360*
Asset acquisitions (less unpaid amounts)	*(13)*	*(19)*
New pre-financing paid in the year and remaining open as at 31 December	*(107 547)*	*(88 414)*
Entitlements established in previous year and cashed in the year	*157*	*-*
Entitlements established on balance sheet accounts and cashed in the year	*746*	*-*
Cancellation of unused carried over payment appropriations from previous year	*93*	*-*
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	*1 572*	*–*
Other individually immaterial	*280*	*296*
BUDGET RESULT OF THE YEAR	**(14 192)**	**30 354**

4. IMPLEMENTATION OF BUDGET REVENUE

4.1. Implementation of budget revenue – Title 2

EUR '000

Item		Income appropriations		Entitlements established			Revenue				Out-standing
		Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%	
		1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
200	Subsidy from the Commission	197 120	169 467	169 467	–	169 467	169 467	–	169 467	100 %	–
201	Revenue from industry	3 142	3 142	3 012	–	3 012	3 012	–	3 012	96 %	–
202	Other financial contributions & revenue generated by ECSEL JU	–	–	376	218	594	253	186	439	-	156
205	Unused administrative appropriations from previous years	–	109	–	–	–	–	–	–	0 %	–
206	Unused operational H2020 appropriations from previous years	–	19 000	–	–	–	–	–	–	0 %	–
207	Unused operational FP7 appropriations from previous years	17 682	17 682	–	–	–	–	–	–	0 %	–
Total Chapter 20		217 944	209 400	172 855	218	173 073	172 731	186	172 917	83 %	156
Total Title 2		217 944	209 400	172 855	218	173 073	172 731	186	172 917	83 %	156
GRAND TOTAL		**217 944**	**209 400**	**172 855**	**218**	**173 073**	**172 731**	**186**	**172 917**	**83 %**	**156**

5. IMPLEMENTATION OF BUDGET EXPENDITURE

5.1. Breakdown & changes in commitment appropriations

5.1.1. Breakdown & changes in commitment appropriations – Title 1

EUR '000

Item		Budget appropriations				Additional appropriations			Total
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carry-overs	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
1100	Salaries & allowances	3 200	–	20	3 220	35	–	35	3 255
Total Chapter 11		3 200	–	20	3 220	35	–	35	3 255
1200	Recruitment and transfer	10	–	(7)	4	–	–	–	4
Total Chapter 12		10	–	(7)	4	–	–	–	4
1300	Mission expenses	105	–	(16)	89	–	2	2	91
Total Chapter 13		105	–	(16)	89	–	2	2	91
1400	Socio-medical infrastructure & training	67	–	14	81	–	–	–	81
Total Chapter 14		67	–	14	81	–	–	–	81
Total Title 1		**3 382**	**–**	**11**	**3 393**	**35**	**2**	**37**	**3 430**

5.1.2. Breakdown & changes in commitment appropriations – Title 2

EUR '000

Item		Budget appropriations				Additional appropriations			Total appropr. available
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carry-overs	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
2000	Rental of buildings and associated costs	495	–	11	506	–	–	–	506
Total Chapter 20		495	–	11	506	–	–	–	506
2100	Information and communication technology	220	–	25	245	81	–	81	326
Total Chapter 21		220	–	25	245	81	–	81	326
2200	Movable property and associated costs	1	–	1	2	–	–	–	2
Total Chapter 22		1	–	1	2	–	–	–	2
2300	Current administrative expenditure	82	–	(12)	70	–	–	–	70
Total Chapter 23		82	–	(12)	70	–	–	–	70
2400	Postage / Telecommunications	15	–	–	15	–	–	–	15
Total Chapter 24		15	–	–	15	–	–	–	15
2500	Meetings and representation	60	–	(24)	36	–	–	–	36
Total Chapter 25		60	–	(24)	36	–	–	–	36
2600	Evaluations	240	–	25	265	2	–	2	267
2602	Reviews	240	–	17	257	–	–	–	257
Total Chapter 26		480	–	42	522	2	–	2	524
2800	Communication	425	–	(78)	347	7	–	7	354
Total Chapter 28		425	–	(78)	347	7	–	7	354
2900	Audits	40	–	25	65	–	–	–	65
Total Chapter 29		40	–	25	65	–	–	–	65
Total Title 2		**1 818**	**–**	**(11)**	**1 807**	**90**	**–**	**90**	**1 897**

5.1.3. Breakdown & changes in commitment appropriations – Title 3

EUR '000

Item		Budget appropriations				Additional appropriations			Total appropr. available
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carry-overs	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
3100	FP7 Projects	–	–	–	–	–	364	364	364
Total Chapter 31		–	–	–	–	–	364	364	364
3200	H2020 Projects	192 474	–	–	192 474	5 734	67	5 800	198 275
Total Chapter 32		192 474	–	–	192 474	5 734	67	5 800	198 275
Total Title 3		**192 474**	**–**	**–**	**192 474**	**5 734**	**431**	**6 164**	**198 638**
GRAND TOTAL		**197 674**	**–**	**(0)**	**197 674**	**5 859**	**433**	**6 291**	**203 966**

5.2. Breakdown & changes in payment appropriations

5.2.1. Breakdown & changes in payment appropriations – Title 1

EUR '000

Item		Budget appropriations				Additional appropriations			Total appropr. available
		Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
1100	Salaries & allowances	3 200	–	20	3 220	61	–	61	3 281
Total Chapter 11		3 200	–	20	3 220	61	–	61	3 281
1200	Recruitment and transfer	10	–	(5)	5	3	–	3	8
Total Chapter 12		10	–	(5)	5	3	–	3	8
1300	Mission expenses	105	–	(16)	89	13	2	16	105
Total Chapter 13		105	–	(16)	89	13	2	16	105
1400	Socio-medical infrastructure & training	67	–	14	81	26	–	26	107
Total Chapter 14		67	–	14	81	26	–	26	107
Total Title 1		**3 382**	**–**	**13**	**3 395**	**104**	**2**	**106**	**3 501**

5.2.2. Breakdown & changes in payment appropriations – Title 2

EUR '000

Item		Budget appropriations				Additional appropriations			Total appropr. available
		Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
2000	Rental of buildings and associated	495	–	11	506	7	–	7	513
Total Chapter 20		495	–	11	506	7	–	7	513
2100	Information and communication	220	–	30	250	157	–	157	407
Total Chapter 21		220	–	30	250	157	–	157	407
2200	Movable property and associated	1	–	1	2	1	–	1	3
Total Chapter 22		1	–	1	2	1	–	1	3
2300	Current administrative expenditure	82	–	(12)	70	–	–	–	70
Total Chapter 23		82	–	(12)	70	–	–	–	70
2400	Postage / Telecommunications	15	–	–	15	3	–	3	18
Total Chapter 24		15	–	–	15	3	–	3	18
2500	Meetings and representation	60	–	(24)	36	22	–	22	58
Total Chapter 25		60	–	(24)	36	22	–	22	58
2600	Evaluations	240	–	25	265	20	–	20	285
2602	Reviews	240	–	17	257	29	–	29	285
Total Chapter 26		480	–	41	521	49	–	49	571
2800	Communication	425	–	(85)	340	24	–	24	365
Total Chapter 28		425	–	(85)	340	24	–	24	365
2900	Audits	40	–	25	65	24	–	24	88
Total Chapter 29		40	–	25	65	24	–	24	88
Total Title 2		**1 818**	**–**	**(13)**	**1 805**	**287**	**–**	**287**	**2 093**

5.2.3. Breakdown & changes in payment appropriations – Title 3

EUR '000

Item		Budget appropriations				Additional appropriations			Total appropr. available
		Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
3100	FP7 Projects	31 982	(27 653)	–	4 329	40 112	364	40 476	44 805
Total Chapter 31		31 982	(27 653)	–	4 329	40 112	364	40 476	44 805
3200	H2020 Projects	163 080	(0)	–	163 080	19 000	67	19 067	182 147
Total Chapter 32		163 080	(0)	–	163 080	19 000	67	19 067	182 147
Total Title 3		**195 062**	**(27 653)**	**–**	**167 409**	**59 112**	**431**	**59 542**	**226 952**
GRAND TOTAL		**200 262**	**(27 653)**	**(0)**	**172 609**	**59 503**	**433**	**59 936**	**232 545**

5.3. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

5.3.1. Implementation of commitment appropriations - Title 1

EUR '000

Item		Total approp. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
			from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
1100	Salaries & allowances	3 255	3 220	35	–	3 255	100 %	–	–	–	–	–	–	–
Total Chapter 11		3 255	3 220	35	–	3 255	100 %	–	–	–	–	–	–	–
1200	Recruitment and transfer	4	4	–	–	4	100 %	–	–	–	–	–	–	–
Total Chapter 12		4	4	–	–	4	100 %	–	–	–	–	–	–	–
1300	Mission expenses	91	89	–	–	89	97 %	–	–	–	–	–	2	2
Total Chapter 13		91	89	–	–	89	97 %	–	–	–	–	–	2	2
1400	Socio-medical infrastructure & training	81	81	–	–	81	100 %	–	–	–	–	–	–	–
Total Chapter 14		81	81	–	–	81	100 %	–	–	–	–	–	–	–
Total Title 1		**3 430**	**3 393**	**35**	**–**	**3 428**	**100 %**	**–**	**–**	**–**	**–**	**–**	**2**	**2**

5.3.2. Implementation of commitment appropriations - Title 2

EUR '000

Item		Total approp. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
			from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
2000	Rental of buildings and associated costs	506	506	–	–	506	100 %	–	–	–	–	–	–	–
Total Chapter 20		506	506	–	–	506	100 %	–	–	–	–	–	–	–
2100	Information and communication technology	326	245	81	–	326	100 %	–	–	–	–	–	–	–
Total Chapter 21		326	245	81	–	326	100 %	–	–	–	–	–	–	–
2200	Movable property and associated costs	2	2	–	–	2	100 %	–	–	–	–	–	–	–
Total Chapter 22		2	2	–	–	2	100 %	–	–	–	–	–	–	–
2300	Current administrative expenditure	70	70	–	–	70	100 %	–	–	–	–	–	–	–
Total Chapter 23		70	70	–	–	70	100 %	–	–	–	–	–	–	–
2400	Postage / Telecommunications	15	15	–	–	15	100 %	–	–	–	–	–	–	–
Total Chapter 24		15	15	–	–	15	100 %	–	–	–	–	–	–	–
2500	Meetings and representation	36	36	–	–	36	100 %	–	–	–	–	–	–	–
Total Chapter 25		36	36	–	–	36	100 %	–	–	–	–	–	–	–
2600	Evaluations	267	265	2	–	267	100 %	–	–	–	–	–	–	–
2602	Reviews	257	257	–	–	257	100 %	–	–	–	–	–	–	–
Total Chapter 26		524	522	2	–	524	100 %	–	–	–	–	–	–	–
2800	Communication	354	347	7	–	354	100 %	–	–	–	–	–	–	–
Total Chapter 28		354	347	7	–	354	100 %	–	–	–	–	–	–	–
2900	Audits	65	65	–	–	65	100 %	–	–	–	–	–	–	–
Total Chapter 29		65	65	–	–	65	100 %	–	–	–	–	–	–	–
Total Title 2		**1 897**	**1 807**	**90**	**–**	**1 897**	**100 %**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

5.3.3. Implementation of commitment appropriations - Title 3

EUR '000

Item		Total approp. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
			from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
3100	FP7 Projects	364	–	–	–	–	0 %	–	–	–	–	–	364	364
Total Chapter 31		364	–	–	–	–	0 %	–	–	–	–	–	364	364
3200	H2020 Projects	198 275	192 474	5 734	–	198 208	100 %	–	–	–	–	–	67	67
Total Chapter 32		198 275	192 474	5 734	–	198 208	100 %	–	–	–	–	–	67	67
Total Title 3		**198 638**	**192 474**	**5 734**	**–**	**198 208**	**100 %**	**–**	**–**	**–**	**–**	**–**	**431**	**431**
GRAND TOTAL		**203 966**	**197 674**	**5 859**	**–**	**203 533**	**100 %**	**–**	**–**	**–**	**–**	**–**	**433**	**433**

5.4. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

5.4.1. Implementation of payment appropriations - Title 1

EUR '000

Item		Total approp. availab.	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
			from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget	from carry-overs	from assig. rev.	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
1100	Salaries & allowances	3 281	3 199	61	–	3 260	99 %	–	–	–	–	21	–	–	21
Total Chapter 11		3 281	3 199	61	–	3 260	99 %	–	–	–	–	21	–	–	21
1200	Recruitment and transfer	8	5	1	–	6	71 %	–	–	–	–	–	2	–	2
Total Chapter 12		8	5	1	–	6	71 %	–	–	–	–	–	2	–	2
1300	Mission expenses	105	83	13	–	96	92 %	–	–	–	–	6	–	2	9
Total Chapter 13		105	83	13	–	96	92 %	–	–	–	–	6	–	2	9
1400	Socio-medical infrastructure & training	107	58	16	–	75	70 %	–	–	–	–	22	10	–	32
Total Chapter 14		107	58	16	–	75	70 %	–	–	–	–	22	10	–	32
Total Title 1		**3 501**	**3 345**	**91**	**–**	**3 436**	**98 %**	**–**	**–**	**–**	**–**	**49**	**12**	**2**	**64**

5.4.2. Implementation of payment appropriations - Title 2

EUR '000

Item		Total approp. availab.	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
			from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget	from carry-overs	from assig. rev.	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
2000	Rental of buildings and associated costs	513	494	7	–	502	98 %	–	–	–	–	11	–	–	11
Total Chapter 20		513	494	7	–	502	98 %	–	–	–	–	11	–	–	11
2100	Information and communication technology	407	171	82	–	253	62 %	–	–	–	–	79	75	–	154
Total Chapter 21		407	171	82	–	253	62 %	–	–	–	–	79	75	–	154
2200	Movable property and associated costs	3	1	0	–	1	44 %	–	–	–	–	1	1	–	2
Total Chapter 22		3	1	0	–	1	44 %	–	–	–	–	1	1	–	2
2300	Current administrative expenditure	70	63	–	–	63	90 %	–	–	–	–	7	–	–	7
Total Chapter 23		70	63	–	–	63	90 %	–	–	–	–	7	–	–	7
2400	Postage / Telecommunications	18	9	3	–	12	68 %	–	–	–	–	6	–	–	6
Total Chapter 24		18	9	3	–	12	68 %	–	–	–	–	6	–	–	6
2500	Meetings and representation	58	33	17	–	50	86 %	–	–	–	–	4	5	–	8
Total Chapter 25		58	33	17	–	50	86 %	–	–	–	–	4	5	–	8
2600	Evaluations	285	265	20	–	285	100 %	–	–	–	–	0	–	–	0
2602	Reviews	285	193	29	–	222	78 %	–	–	–	–	64	0	–	64
Total Chapter 26		571	458	49	–	507	89 %	–	–	–	–	64	0	–	64
2800	Communication	365	232	24	–	256	70 %	–	–	–	–	109	–	–	109
Total Chapter 28		365	232	24	–	256	70 %	–	–	–	–	109	–	–	109
2900	Audits	88	16	24	–	40	45 %	–	–	–	–	49	–	–	49
Total Chapter 29		88	16	24	–	40	45 %	–	–	–	–	49	–	–	49
Total Title 2		**2 093**	**1 477**	**207**	**–**	**1 684**	**80 %**	**–**	**–**	**–**	**–**	**328**	**80**	**–**	**409**

5.4.3. Implementation of payment appropriations - Title 3

EUR '000

Item		Total approp. availab.	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
			from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget	from carry-overs	from assig. rev.	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
3100	FP7 Projects	44 805	69	20 192	44	20 306	45 %	–	–	–	–	4 260	19 919	320	24 499
Total Chapter 31		44 805	69	20 192	44	20 306	45 %	–	–	–	–	4 260	19 919	320	24 499
3200	H2020 Projects	182 147	161 537	146	–	161 683	89 %	–	–	–	–	1 543	18 854	67	20 464
Total Chapter 32		182 147	161 537	146	–	161 683	89 %	–	–	–	–	1 543	18 854	67	20 464
Total Title 3		**226 952**	**161 607**	**20 338**	**44**	**181 989**	**80 %**	**–**	**–**	**–**	**–**	**5 803**	**38 774**	**387**	**44 963**
GRAND TOTAL		**232 545**	**166 429**	**20 636**	**44**	**187 109**	**80 %**	**–**	**–**	**–**	**–**	**6 181**	**38 866**	**389**	**45 436**

6. OUTSTANDING COMMITMENTS

6.1. Outstanding Commitments – Title 1

EUR '000

Item		Commitments outstanding at the end of previous year				Commitments of the current year				
Item		Commitm. carried forward from previous year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payments	Cancellation of commit. which cannot be carried forward	Commit. outstanding at year-end	Total commitm. outstanding at year-end
		1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
1100	Salaries & allowances	61	(35)	21	5	3 255	3 240	–	15	21
Total chapter 11		61	(35)	21	5	3 255	3 240	–	15	21
1200	Recruitment and transfer	5	–	2	3	4	3	–	0	3
Total chapter 12		5	–	2	3	4	3	–	0	3
1300	Mission expenses	25	–	13	13	89	83	–	6	19
Total chapter 13		25	–	13	13	89	83	–	6	19
1400	Socio-medical infrastructure & training	26	–	12	14	81	63	–	18	32
Total chapter 14		26	–	12	14	81	63	–	18	32
Total Title 1		**118**	**(35)**	**48**	**35**	**3 428**	**3 389**	**–**	**39**	**75**

6.2. Outstanding commitments – Title 2

EUR '000

	Item	Commitments outstanding at the end of previous year				Commitments of the current year				
		Commitm. carried forward from previous year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payments	Cancellation of commit. which cannot be carried forward	Commit. outstanding at year-end	Total commitm. outstanding at year-end
		1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
2000	Rental of buildings and associated costs	37	–	10	27	506	492	–	14	41
Total chapter 20		37	–	10	27	506	492	–	14	41
2100	Information and communication technology	180	(65)	53	62	326	200	–	126	187
Total chapter 21		180	(65)	53	62	326	200	–	126	187
2200	Movable property and associated costs	19	–	1	18	2	0	–	2	20
Total chapter 22		19	–	1	18	2	0	–	2	20
2300	Current administrative expenditure	12	–	–	12	70	63	–	7	19
Total chapter 23		12	–	–	12	70	63	–	7	19
2400	Postage / Telecommunications	15	–	3	12	15	9	–	6	18
Total chapter 24		15	–	3	12	15	9	–	6	18
2500	Meetings and representation	64	–	16	48	36	33	–	3	51
Total chapter 25		64	–	16	48	36	33	–	3	51
2600	Evaluations	84	(10)	18	56	267	267	–	0	56
2602	Reviews	62	–	25	37	257	197	–	60	97
Total chapter 26		147	(10)	43	93	524	464	–	60	153
2800	Communication	127	(15)	11	102	354	246	–	108	210
Total chapter 28		127	(15)	11	102	354	246	–	108	210
2900	Audits	104	–	24	80	65	16	–	49	129
Total chapter 29		104	–	24	80	65	16	–	49	129
Total Title 2		**704**	**(90)**	**161**	**453**	**1 897**	**1 523**	**–**	**374**	**827**

6.3. Outstanding commitments – Title 3

EUR '000

Item		Commitments outstanding at the end of previous year				Commitments of the current year				
		Commitm. carried for-ward from pre-vious year	Decommit. Revaluation Cancel-lations	Pay-ments	Total	Commit-ments made during the year	Pay-ments	Cancel-lation of commit. which cannot be carried forward	Commit. outstand-ing at year-end	Total commitm. outstanding at year-end
		1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
3100	FP7 Projects	81 194	–	20 306	60 888	–	–	–	–	60 888
Total chapter 31		81 194	–	20 306	60 888	–	–	–	–	60 888
3200	H2020 Projects	307 986	(5 734)	127 233	175 020	198 208	34 450	–	163 758	338 778
Total chapter 32		307 986	(5 734)	127 233	175 020	198 208	34 450	–	163 758	338 778
Total Title 3		**389 180**	**(5 734)**	**147 539**	**235 908**	**198 208**	**34 450**	**–**	**163 758**	**399 666**
GRAND TOTAL		**390 002**	**(5 859)**	**147 747**	**236 396**	**203 533**	**39 362**	**–**	**164 171**	**400 568**

7. GLOSSARY

ABAC

This is the name given to the Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts which recognise revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.

Accounting

The act of recording and reporting financial transactions, including the creation of the transaction, its recognition, processing, and summarisation in the financial statements.

Accounting Officer

The role, powers and responsibilities of the accounting officer are set out in the Financial Regulation:

- proper implementation of payments,
- collection of revenue,
- recovery of amounts and offsetting,
- keeping, preparing and presenting the accounts,
- laying down the accounting rules and methods and the chart of accounts,
- laying down and validating the accounting systems and validating systems laid down by the authorising officer to supply or justify accounting information (local systems),
- treasury management,
- designation of the Imprest Administrators,
- opening and closing bank accounts in the name of the Institution.

Administrative appropriations

Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).

Adjustment

Amending budget or transfer of funds from one budget item to another.

Adopted budget

Draft budget becomes the adopted budget as soon as approved by the Budgetary Authority.

Cf. Budget

Agencies

EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.

Amending budget

Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.

Annuality

The budgetary principle according to which expenditure and revenue is programmed and authorised for one year, starting on 1 January and ending on 31 December.

Appropriations

Budget funding.

The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure and commitment appropriations equal payment appropriations.

Assigned revenue External/Internal

Dedicated revenue received to finance specific items of expenditure.

Main sources of external assigned revenue *are financial contributions from third countries to programmes financed by the Union.*

Main sources of internal assigned revenue are revenue from third parties in respect of goods, services or work supplied at their request, revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium.

The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21.

Authorising Officer by Delegation (AOD)

The AOD is responsible in each entity for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.

The AOD is responsible for taking all financial decision concerning actions under his/her responsibility. Particularly, he/she must take decisions to implement the budget based on his/her risk analysis.

Budget

Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.

Budget result

The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences.

For agencies, the resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for agencies.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

As far as the budget structure is concerned, revenue and expenditure are shown in the budget in accordance with a binding nomenclature, which reflects the nature and purpose of each item, as imposed by the budgetary authority. The individual headings (title, chapter, article or item) provide a formal description of the nomenclature.

Budgetary authority

Institutions with decisional powers on budgetary matters: for the EU institutions, the European Parliament and the Council of Ministers.

For the agencies and joint undertakings, their board is the budgetary authority.

Budgetary commitment

A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.

Cancellation of appropriations

Unused appropriations that may no longer be used.

Carryover of appropriations

Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under strict conditions, be exceptionally carried over for use during the following year.

Commitment appropriations

Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Financial Regulation Art. 7: *Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.*

De-commitment

Cancellation of a reservation of appropriations.

Differentiated appropriations

Differentiated appropriations are used to finance multiannual operations; they cover, for the current financial year, the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year. Financial Regulation Art. 7: *Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.*

Earmarked revenue

Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution.

Cf. Assigned revenue

Economic result

Impact on the balance sheet of expenditure and revenue based on accrual accounting rules.

Entitlements established

Entitlements are recovery orders that the European Union must establish for collecting income.

Exchange rate difference

The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area, or from the revaluation of assets and liabilities in foreign currency at the closure.

Expenditure

Term used to describe spending the budget from all types of funds sources.

Financial regulation (FR)

Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union.

For reference, Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

Funds Source

Type of appropriations

Grants

Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body, which pursues an aim of general European interest or has an objective forming part of an EU policy.

Implementation

Cf. Budget implementation

Income

Cf. Revenue

Joint Undertakings (JUs)

A legal EU-body established under the Treaty on the Functioning of the European Union. The term can be used to describe any collaborative structure proposed for the *"efficient execution of Union research, technological development and demonstration programmes".*

Lapsing appropriations

Unused appropriations to be cancelled at the end of the financial year. *Lapsing* means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities, which is represented by an appropriation.

Only for joint undertakings, as specified in theirs Financial Rules, any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years (the so-called "N+3" rule). Hence, lapsing appropriations for JUs could be re-activated until financial year "N+3".

Legal base (basic act)

The legal base or basis is, as a general rule, a law based on an article in the Treaty on the Functioning of the European Union giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain articles from the treaty authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.

Legal commitment

A legal commitment establishes a legal obligation towards third parties.

Non-differentiated appropriations

Non-differentiated appropriations are for operations of an annual nature. (Financial Regulation Art. 9). In the EU Budget, non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments.

Operational appropriations

Operational appropriations finance the different policies, mainly in the form of grants or procurement.

Outstanding commitment

Outstanding commitments (or RAL, from the French 'reste à liquider') are defined as the amount of appropriations committed that have not yet been paid or legal commitments having not fully given rise to liquidation by payments. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations.

Outturn

Cf. Budget result

Payment

A payment is a disbursement to honour legal obligations.

Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Financial Regulation Art. 7).

RAL

Sum of outstanding commitments. Cf. Outstanding commitments

Recovery

The recovery order is the procedure by which the Authorising officer by Delegation (AOD) registers an entitlement by the Commission in order to retrieve the amount, which is due. The entitlement is the right that the Commission has to claim the sum, which is due by a debtor, usually a beneficiary.

Result

Cf. Budget result

Revenue

Term used to describe income from all sources financing the budget.

Rules of application

Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.

Surplus

Positive difference between revenue and expenditure (Cf. Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.

Transfer

Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification. However, they are expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The Financial Regulation identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorisation.