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

08.06.2011 – 31.12.2011

and

REPORT ON BUDGETARY AND FINANCIAL MANAGEMENT

01.01.2011 – 31.12.2011

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European Institute of Innovation & Technology

CERTIFICATE

The final annual accounts of EIT for the year 2011 have been prepared in accordance with Title VII of the EIT Financial Rules as well as the accounting rules and methods adopted by the Commission's Accounting Officer.

The EIT was granted financial autonomy on 8 June 2011, the reporting period for the first annual accounts is 8 June 2011 – 31 December 2011.

I hereby certify that based on the information provided by the Authorising Officer, I am reasonably assured that the accounts present a true and fair view of the financial position of EIT in all material aspects.

SIGNED

Andrea Tóth
Accounting Officer

INTRODUCTION

LEGAL BASIS

The following accounts, together with a report on budgetary and financial management were drawn up in accordance with Article 21 (3) of Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 76 of the EIT Financial Rules[1].

BACKGROUND INFORMATION

This report and financial statements have been drawn up for the EIT, a European Union body established by Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008.
The mission of the EIT is to increase European sustainable growth and competitiveness by reinforcing the innovation capacity of the EU (Article 3, EIT Regulation). The seat of EIT is in Budapest.

The EIT gained its financial autonomy on 8 June 2011 therefore the reporting period of these statements is 08 June 2011 – 31 December 2011.

The EIT's expenditures are financed by an annual subsidy from the general budget of the European Union and by a contribution from the host state.

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is independent and autonomous in its decision-making and is responsible for the selection, evaluation and support of the Knowledge and Innovation Communities (KICs). The Governing Board brings together 22 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields. It consists of 18 Appointed Members and 4 Representative Members.

The Chairman of the Governing Board for 2011 was Dr. Martin Schuurmans (until 15 September 2011) succeeded by Dr. Alexander Ullrich von Gabain (from 16 September 2011).

The Institute is managed by the EIT Director, Mr. Jose Manuel Leceta. In accordance with Article 1(c) of the EIT Regulation and Article 33 of the EIT Financial Rules, the Director is the authorising officer for the EIT budget.

In accordance with Article 43 (1) of the EIT Financial Rules, the Governing Board appointed Andrea Tóth as the accountant for the EIT on 17 December 2009 following a recruitment procedure.

[1] Decision of the Governing Board of the European Institute of Innovation and Technology of 20 April 2009 adopting the Financial Rules of the European Institute of Innovation and Technology (EIT);

PART I: - FINANCIAL STATEMENTS

ECONOMIC OUTTURN ACCOUNT

08.06.2011 - 31.12.2011

	2011
Subsidy of the Commission	8 234 873,70
Host state contribution	1 193 772,62
Revenues from admin operations - fixed asset income	164 623,27
Other operating revenue	41 745 480,08
TOTAL NON-EXCHANGE OPERATING REVENUE	**51 338 749,67**
Staff expenses	1 414 489,43
Fixed asset related expenses	20 547,95
Other administrative expenses	1 154 407,84
Operational expenses	51 724 786,35
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	**54 314 231,57**
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	**(2 975 481,90)**
Financial operations revenues	22 013,24
Financial operations expenses	99,19
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	**21 914,05**
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	**(2 953 567,85)**
Extraordinary gains	0,00
Extraordinary losses	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	**0,00**
ECONOMIC RESULT OF THE YEAR	**(2 953 567,85)**

BALANCE SHEET

31.12.2011

ASSETS

	31.12.2011
A. NON CURRENT ASSETS	
Intangible fixed assets	**43 953,00**
Tangible fixed assets	**162 908,00**
Land and buildings	0,00
Plant and equipment	651,00
Computer hardware	76 240,00
Furniture and vehicles	59 891,00
Other fixtures and fittings	26 126,00
Tangible fixed assets under construction	0,00
Long-term receivables	**50 000,00**
Long-term pre-financing	50 000,00
Long-term receivables with consolidated EC entities	0,00
TOTAL NON CURRENT ASSETS	**256 861,00**
B. CURRENT ASSETS	
Stock	**0,00**
Short-term receivables	**6 518 937,16**
Short term prefinancing	6 480 930,34
Current receivables	23 022,40
Long term receivables falling due within a year	0,00
Sundry receivables	4 817,85
Prepaid expenses and accrued income	10 166,57
Cash and cash equivalents	3 011 418,01
TOTAL CURRENT ASSETS	**9 530 355,17**
TOTAL	**9 787 216,17**

CAPITAL AND LIABILITIES

	31.12.2011
A. CAPITAL	
Accumulated surplus/deficit	**0,00**
Economic result of the year	**(2 953 567,85)**
TOTAL CAPITAL	**(2 953 567,85)**
B. NON CURRENT LIABILITIES	
Provisions for risks and liabilities	**0,00**
Long-term liabilities with consolidated entities	**0,00**
TOTAL NON CURRENT LIABILITIES	**0,00**
C. CURRENT LIABILITIES	
Provisions for risks and liabilities	**66 946,55**
Accounts payable	**12 673 837,47**
Current payables	440 255,43
Long-term liabilities falling due within the year	0,00
Sundry payables	36 018,23
Accrued expenses and deferred income	12 197 563,81
Accounts payable with consolidated EC entities	0,00
TOTAL CURRENT LIABILITIES	**12 740 784,02**
TOTAL	**9 787 216,17**

CASH FLOW STATEMENT

31.12.2011

Cash Flows from operating activities	
Surplus/(deficit) from operating activities	**(2 975 481,90)**
Adjustments	
Accumulated amortization of the transferred intangible fixed assets	6 713,48
Amortization (intangible fixed assets)	5 717,67
Accumulated depreciation of the transferred tangible fixed assets	70 017,66
Depreciation (tangible fixed assets)	14 830,28
Increase/(decrease) in Provisions for risks and liabilities	66 946,55
(Increase)/decrease in Stock	0,00
(Increase)/decrease in Long term Receivables	(50 000,00)
(Increase)/decrease in Short term Receivables	(6 518 937,16)
Increase/(decrease) in Other Long term liabilities	0,00
Increase/(decrease) in Current payables	440 255,43
Increase / (decrease) in Other liabilities	12 233 582,04
Increase/(decrease) in Liabilities related to consolidated EC entities	0,00
(Gains)/losses on sale of Property, plant and equipment	0,00
Extraordinary items	0,00
Net Cash Flow from operating activities	**3 293 644,05**

Cash Flows from investing activities	
Asset transfer of tangible and intangible fixed assets from DG EAC	(241 354,41)
Purchase of tangible and intangible fixed assets	(62 785,68)
Proceeds from tangible and intangible fixed assets	0,00
Granting of loans	0,00
Repayments of loans	0,00
Extraordinary items	0,00
Net Cash Flow from investing activities	**(304 140,09)**

Financing activities	
Financial operations revenues/expenses	21 914,05
Extraordinary items	0,00
Net Cash Flow from financing activities	**21 914,05**

Net increase/(decrease) in cash and cash equivalents	3 011 418,01
Cash and cash equivalents at the beginning of the period	0,00
Cash and cash equivalents at the end of the period	**3 011 418,01**

STATEMENT OF CHANGES IN CAPITAL

Capital	Reserves	Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
Balance as of 31 December 2010	0,00	0,00	0,00	0,00
Changes in accounting policies				0,00
Balance as of 1 January 2011	**0,00**	**0,00**	**0,00**	**0,00**
Basic errors				0,00
Allocation of the Economic Result of Previous Year		0,00	0,00	0,00
Economic result of the year			(2 953 567,85)	(2 953 567,85)
Balance as of 31 December 2011	**0,00**	**0,00**	**(2 953 567,85)**	**(2 953 567,85)**

NOTES TO THE GENERAL ACCOUNTS

08.06.2011 – 31.12.2011

ACCOUNTING POLICIES AND PRINCIPLES

In accordance with Article 21 (3) of Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 76 of the EIT Financial Rules of 3 April 2009, the following final accounts together with a report on budgetary and financial management have been drawn up. These financial statements for the financial year 2011 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the European Union, while the reports on implementation of the budget continue to be primarily based on movements of cash. They also follow Commission Regulation No 2342/2002 (hereinafter referred to as the Implementing Rules).

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

The accounting system of the EIT comprises general accounts and budgetary accounts. The accounts are kept in EUR and are accounted on the basis of a financial year equal to the calendar year. The budgetary accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.[2] The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.
The EIT financial statements have been drawn up using the methods of preparation set out in the accounting rules laid down by the European Commission's accounting officer.

Article 78 of the EIT Financial Rules sets out the accounting principles to be applied in drawing up the financial statements:

Going concern basis

The financial statements have been made in accordance with the going concern principle, which means that the EIT is deemed to have been established for an indefinite duration (IPSAS 1; Implementing Rules, Article 187).

Prudence

Assets and income in these financial statements have not been overstated, and liabilities and expenses have not been understated. No hidden reserves have been created (IPSAS 1; Implementing Rules, Article 188).

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

Consistent accounting method

According to this principle the accounting methods and valuation rules may not be changed from one year to the next (IPSAS 1; Implementing Rules, Article 189).

Comparability of information

In accordance with this principle, the financial statements shall show for each item the amount of the corresponding item for the previous year. Where the presentation or the classification of one of the components of the financial statements has been changed, the corresponding amounts for the previous year shall be made comparable and reclassified (IPSAS 1; Implementing Rules, Article 190).
The EIT gained its financial autonomy on 8 June 2011 therefore the statements do not present comparative information for 2010.

Materiality

According to this principle, items that are material by virtue of their nature should be presented separately in the financial statements. Items that are material by virtue of their size but which have the same nature may be aggregated. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately (IPSAS 1; Implementing Rules, Article 191).

No netting

The principle of no netting means that assets and liabilities may not be offset against each other, nor may revenues and expenses, save where the revenues and expenses derive from the same transaction, from similar transactions or from hedging operations and provided that they are not individually material (IPSAS 1; Implementing Rules, Article 192).

Reality over appearance (Substance Over Form*)*

This principle states that if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form (IPSAS 1; Implementing Rules, Article 193).

Accrual-based accounting

Accrual based accounting is an accounting method that measures the performance and position of the entity by recognizing economic events regardless of when cash transactions occur. (Income and expense items are recognized and recorded when income is earned and expense is incurred, regardless of when cash is actually received or paid.) (IPSAS 1; EIT Financial Rules, Article 79 (1.); Implementing Rules, Article 194).

Reporting period

The EIT gained its financial autonomy on 8 June 2011 therefore the reporting period of these statements is from 8 June to 31 December 2011.
The EIT opening balance consists of the transferred pre-financings (paid prior to the EIT autonomy in 2010 and 2011) recognised as other operating revenue, and the expenses accrued by the European Commission related to the 2010 grant agreements, these elements of the economic outturn account relates to previous period.

CURRENCY AND BASIS FOR CONVERSION

Functional and reporting currency

The financial statements are presented in Euro, which is the functional and reporting currency of the EIT (EIT Financial Rules, Article 80).

Transactions

Foreign currency transactions were translated into Euros using the official exchange rates of the European Commission of the day on which the payment order was drawn up (Implementing Rules, Article 8).

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

CHART OF ACCOUNTS

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

ECONOMIC OUTTURN STATEMENT

Non-Exchange Revenue

Non-exchange revenues for 2011 consist of the subsidy and other operational revenue received from the European Commission and the Hungarian contribution.

In accordance with point 3 of Annex A of the Host Agreement between the European Institute of Innovation and Technology (EIT) and the Government of Hungary, the Hungarian Government agreed to make a contribution towards the staff costs of the EIT representing the wage costs of 20 employees of the EIT for five years. The paid contribution for 2011 was EUR 1 560 000. Out of this amount EUR 1 193 772,62 was utilised and recognised as revenue in 2011 (due to the fact that the EIT gained the autonomy only June 2011), EUR 366 227,38 was booked as deferred income and will be used in 2012.

The pre-financings related to the KIC grant agreements which were paid prior to the financial autonomy were taken over by the EIT and were recognised as other operating revenue. The operating revenue deriving from the pre-financings related to the 2010 grant agreements was reduced by the accrued (expensed) amount by the European Commission. The pre-financings related to the 2011 grant agreements were transferred on the paid (open) amounts.

The ownership of the fixed assets (mainly computer equipments and furniture) purchased by the European Commission for the EIT prior to the financial autonomy were transferred to the EIT, the net value thereof has been recognised as fixed assets related income.

	2011
EC subsidy	8 234 873,70
Host state contribution	1 193 772,62
Transferred pre-financings	41 701 323,78
Fixed assets income	164 623,27
Exchange rate gains	44 156,30
Total	**51 338 749,67**

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

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

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

Financial operations revenues (exchange revenue)

The EIT Financial Rules provide the EIT with derogation; the funds paid to the EIT by the Commission by way of the subsidy shall bear interest for the benefit of its budget. (EIT FR, Art. 51). (The interest collected in 2011 will be incorporated into the 2012 EIT budget.)

	2011
Bank interest	22 013,24

Expenses

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

Administrative and operational expenses

	2011
Staff expenses	1 414 489,43
Fixed asset related expenses	20 547,95
Other administrative expenses	1 154 407,84
Operational expenses	51 724 786,35
Total	54 314 231,57

Staff expenses comprise different categories of personnel related expenses: salaries, allowances, mission costs and other welfare expenses. Fixed asset related expenses comprise the charged amortisation/depreciation. Other administrative expenses comprise building associated costs, maintenance and service fees, office running costs, the honoraria for the Governing Board and meeting expenses. Operational expenses comprise the KIC grants, studies, expert fees, operational meeting and other operative expenses.

Average number of employees

	2011	**2010**
Temporary agents	22	10
Contract agents	14	6
Total	**36**	**16**

The recruitment of the EIT staff started in 2010, before the financial autonomy the staff expenses were covered by DG EAC.

BALANCE SHEET

ASSETS

Assets are resources controlled by the EIT as a result of past events and from which future economic benefits or service potential are expected to flow.
EIT uses ABAC Assets, which is an integrated part of the ABAC platform, as inventory application.

Fixed assets

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

The ownership of the fixed assets (mainly computer equipments and furniture) purchased by the European Commission for the EIT prior to its financial autonomy were transferred to the EIT following the brut method: the EIT took over the acquisition values and the cumulated depreciation from the Commission. The figures are presented in a separate column in the summary table on the next page.

Intangible fixed assets

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

Tangible fixed assets

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

Depreciation

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

Depreciation rates

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

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

FIXED ASSETS
08.06.2011 - 31.12.2011

Account number	Asset category	Opening balance	Asset transfer from DG EAC	Acquisition price: Additions	Disposals	Closing Balance	Depreciation Rate and Method	Depreciation: Opening Balance	Accumulated depreciation of transferred assets	Depreciation Charge for Year 2011	Accumulated Depr. on Disposal	Closing Balance	**Closing book value**
21001000	Computer software	0,00	17 912,38	38 471,77		56 384,15	L 25%	0,00	6 713,48	5 717,67		12 431,15	**43 953,00**
23001001	Tangible asset under construction	0,00	0,00			0,00	N/A	0,00				0,00	**0,00**
23001000	Plant, machinery and equipment	0,00	1 235,76			1 235,76	L 12,5%	0,00	514,90	69,86		584,76	**651,00**
24001000	Furniture and rolling stock	0,00	72 088,56	0,00		72 088,56	L 10%	0,00	8 040,56	4 157,00		12 197,56	**59 891,00**
24101000	Computer hardware	0,00	114 172,93	17 016,93		131 189,86	L 25%	0,00	47 059,73	7 890,13		54 949,86	**76 240,00**
24201000	Other fixtures and fittings	0,00	35 944,78	7 296,98		43 241,76	L 25%	0,00	14 402,47	2 713,29		17 115,76	**26 126,00**
	Totals	**0,00**	**241 354,41**	**62 785,68**	**0,00**	**304 140,09**		**0,00**	**76 731,14**	**20 547,95**	**0,00**	**97 279,09**	**206 861,00**

Receivables

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

Non-current receivables

Article 5(2) of the EIT Regulation powered the EIT to establish a Foundation (EIT Foundation, EITF) with the specific objective of promoting and supporting the activities of the EIT. The EITF was established in September 2010 as a philanthropic foundation registered in the Netherlands.
The EIT provided the EITF with an initial loan to support its establishment and preliminary activities. The deadline to reimburse the loan is 15 December 2013. EUR 50 000 have been transferred to EITF until 31 December 2011.
The loan was provided at no interest (0%) however subject to the condition to pay back the yielded interest on the provided loan. For this purpose the EITF is obliged to open an interest bearing account and to keep the disbursed funds on it. Consequently, the accounting treatment of the open instalments is the same in the EIT books as for the other pre-financings given: booked as receivable with the amount paid.

	2011
EITF loan	50 000,00
Total non-current receivables	**50 000,00**

Short term receivables

	2011
Short-term pre-financing (KIC grants)	6 480 930,34
Recoverable VAT from host state	23 022,40
Accrued income/deferred charges	10 166,57
Sundry receivables	4 817,85
Total	**6 518 937,16**

Breakdown of accrued income/deferred charges:

	2011
Accrued interest	8 651,52
Prepayments	1 515,05
Total	**10 166,57**

The prepayments consist of prepaid maintenance fees.

Cash and cash equivalents

	2011
Bank accounts	3 011 418,01
Cash and imprest account	0,00
Total	**3 011 418,01**

The bank accounts are held with BNP Paribas Fortis (Fortis Bank nv/sa) in Belgium, denominated in EUR and in HUF. No cash or imprest accounts are operational yet.

EQUITY AND LIABILITIES

Provisions for risks and liabilities

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

The Commission adopted on 24 November 2011 a proposal for a Council Regulation adjusting the remuneration and pensions of EU civil servants by 1.7% for Brussels and Luxembourg. This adjustment is calculated according to the method enshrined in the Staff Regulations. On 19 December, the Council formally took a decision not to adopt the Commission proposal. The Commission decided on 11 January 2012 to bring an action against the Council in the Court of Justice for not adopting the annual adjustment to remuneration and pensions of EU staff. It appears that the chances of the Council's decision being annulled are at least as high as for the refused salary increase of 2009. Therefore, in compliance with the EU accounting rules, the EIT booked a short term provision for these outstanding salary payments relating to July-December 2011 as it is expected that the payment would be paid during 2012.

Short term provisions

	2011
Provision for salary increases	66 946,55

Current payables

The accounts payable as at 31 December 2011 comprise outstanding unpaid invoices and claims from the suppliers, beneficiaries and other public bodies.

	2011
Amounts payable – suppliers and public bodies	440 255,43
Total	**440 255,43**

Accrued expenses and deferred income

	2011
Deferred income	366 227,38
Accrued expenses	11 831 336,43
Total	**12 197 563,81**

Deferred income is a liability, such as cash received from a counterpart for goods or services that are to be delivered in a latter accounting period. EIT recognises as deferred income the amount carried forward from the 2011 host state contribution.

Accrued expenses are expenses that have been incurred but not yet paid. The majority of the booked accruals are related to KIC grant agreements (EUR 11 522 216,92; this amount is the total of the costs not covered by the paid pre-financings).

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

Accounts payable with consolidated EU entities

	2011
Repayable positive budgetary outturn	-
Repayable interest earned on EU subsidy	-
Other payables to consolidated EU entities	-
Total	**-**

Article 16 of the EIT Financial Rules grants derogation to the EIT by providing that the balance of the budgetary outturn account is entered into the EIT budget for the following financial year. Consequently, even in the case of positive budgetary outturn, it is not reimbursed to the benefit of the general EU budget.

Article 51 of the EIT Financial Rules grants derogation as regards the interest earned on the subsidy payments: the funds paid to the EIT by the Commission by way of the subsidy bears interest for the benefit of its budget.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or a present obligation that arises from past events but is not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Operational leases

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

EIT has no operational lease contracts.

Carryovers

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

	2011
Automatic carryovers (C1 → C8)	21 415 864,84
Automatic carryovers (C8 → C8)	367 577,01
Accrued expenses	(11 831 336,43)
Contingent liabilities for carryovers	**9 952 105,42**

Amounts relating to legal cases

EIT has no legal case.

Long term/Multi-annual contractual commitments

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

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

	2011
Operational leases	**-**
Carryovers	**9 952 105,42**
Legal case	**-**
Multi-annual contractual commitments	**-**
Contingent liabilities	**9 952 105,42**

CONTINGENT ASSETS

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

Guarantees received for pre-financing

Articles 118 of the EU Financial Regulation and Article 182 of the Implementing Rules allow the Authorising Officers, if appropriate and proportionate, to require a advance guarantee for pre-financing.

The EIT paid 75% pre-financing on the 2010 annual grants and requested a 50% guarantee of the paid pre-financing. While on the 2011 annual grants the EIT paid 70% pre-financing and requested a 40% guarantee of the paid pre-financing.

At the end of 2011 the guarantees linked to open grant agreement constituted EUR 19 164 372,30.

Negative budgetary outturn

The negative outturn occurs when the cashed subsidy during the reporting period is less than the paid amounts plus the carry forwards/carryovers. To limit the cash kept with the institute the EIT did not call in the all the cash to cover the carry forwards/carryovers, the additional subsidy payment will be requested from the parent DG in 2012.

According to the guidelines issued by the accounting services of the European Commission the negative budgetary outturn should not be booked as receivable against the Commission since the amounts carried forward are usually partially cancelled. The 2011 budgetary outturn is EUR -1 824 955,81 EUR, the EIT recognises this as contingent asset.

	2011
Negative budgetary outturn	1 824 955,81
Guarantees received	19 164 372,30
Contingent assets	**20 989 328,11**

RELATED PARTIES

			Loans to related parties	
Highest grade description	Grade	Number of persons of this grade	Nominal amount	Remaining open amount as of 31/12
Director	AD14	1	-	-

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for the financial year 2011.