

Final Annual Accounts

Financial Year 2012

**Financial statements and
Reports on the implementation of the budget**

**Accompanied by
Report on budgetary and financial management during the year**

Helsinki, 06 June 2013

Certification by the Accounting Officer of the Final Annual Accounts 2012 of the European Chemicals Agency

The annual accounts of the European Chemicals Agency for the year 2012 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Chemicals Agency in accordance with art 68 of the Financial Regulation.

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

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the European Chemicals Agency for the year ended 31st December 2012.



John Wickham
Accounting Officer
European Chemicals Agency
06th June 2013

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INTRODUCTION

Basis for preparation

The provisional annual accounts of the European Chemicals Agency include the financial statements and the budgetary implementation reports. They are accompanied by the report on budget and financial management during the year drawn up under the responsibility of the Executive Director with the technical assistance by the Accounting Officer.

The financial statements comprise the balance sheet, the economic outturn account, the cash flow table and the statement of changes in capital. The notes to the financial statements supplement and comment on the information presented in the statements.

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 European Chemicals Agency, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

The financial statements have been prepared in accordance with the Financial Regulation of the European Chemicals Agency and with the European Union accounting rules and methods adopted by the European Commission's Accounting Officer following the principles of accrual based accounting. The budgetary implementation reports are prepared on the basis of the modified cash accounting principle.

Reporting entity

The European Chemicals Agency is a public sector entity established by the Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

The Agency is established for the purposes of managing and in some cases carrying out the technical, scientific and administrative aspects of the REACH Regulation and to ensure consistency at Community level in relation to these aspects (art. 75 of the REACH Regulation).

The Agency shall also provide the Member States and the institutions of the Community with the best possible scientific and technical advice on questions relating to chemicals which fall within its remit and which are referred to it in accordance with the provisions of the REACH Regulation.

The Agency also has tasks related to the classification and labelling of chemical substances deriving from the CLP Regulation (EC) 1278/2008. In particular, the Agency shall provide Member States and the Institutions of the Community with the best possible scientific advice and provide industry and Member State authorities with technical and scientific guidance.

The Agency commenced preparations in 2012 for the implementation of the new Biocide Product Regulation, pursuant to Regulation (EU) No 528/2012 of the European Parliament and of the Council concerning the making available on the market and use of biocide products, which is to be effective from 01st September 2013.

The Agency is a consolidated entity in accordance with article 185 of the general Financial Regulation. The Agency's 2012 expenditure, in respect of the Biocide and PIC

regulation were financed from a subsidy from the general budget of the European Communities. The REACH and CLP regulations were financed solely through fee-generated income.

1. FINANCIAL STATEMENTS

1.1. Balance Sheet

ASSETS	Note	31/12/2012	31/12/2011
NON CURRENT ASSETS			
Intangible fixed assets	2.1.1		
Computer software		10 900 818	3 888 672
Intangible fixed assets under construction		3 044 330	4 209 738
Tangible fixed assets	2.1.1		
Computer hardware		2 767 775	1 865 131
Furniture and vehicles		375 906	366 971
Other fixtures and fittings		10 775 452	12 383 122
Long-term investments	2.1.6		
Other investments		52 425 340	0
TOTAL NON CURRENT ASSETS		80 289 620	22 713 633
CURRENT ASSETS			
Short-term receivables			
Current receivables	2.1.3	1 462 651	1 532 486
Sundry receivables	2.1.4	1 259 688	807 609
Deferrals and accruals	2.1.5	1 057 437	1 583 207
Short-term receivables with consolidated EC entities		1 780	2 659
Short term investments	2.1.6	68 799 126	151 359 331
Cash and cash equivalents	2.1.7	64 305 734	95 623 994
TOTAL CURRENT ASSETS		136 886 416	250 909 286
TOTAL ASSETS		217 176 036	273 622 920

LIABILITIES	Note	2012	2011
CAPITAL			
Reserves AFS (Available-for-sale-financial assets)		550 993	1 508 730
Accumulated result		264 483 873	314 739 336
Economic result of the year: - loss / + profit		-62 468 478	-50 255 463
TOTAL CAPITAL		202 566 388	265 992 603
NON CURRENT LIABILITIES			
Provisions for risks and charges	2.1.8	92 000	613 370
TOTAL NON CURRENT LIABILITIES		92 000	613 370
CURRENT LIABILITIES			
Provisions for risks and charges	2.1.8	5 614 458	712 122
Current payables	2.1.9	1 977 250	1 808 456
Sundry payables	2.1.10	137 887	161 943
Deferrals and accruals	2.1.11	5 910 310	3 936 006
Deferrals and accruals with consolidated entities	2.1.11	577 771	276 952
Pre-financing received from consolidated entities	2.1.12	241 009	105 036
Other accounts payable against consolidated entities	2.1.12	58 963	16 433
TOTAL CURRENT LIABILITIES		14 517 648	7 016 947
TOTAL LIABILITIES		217 176 036	273 622 920

1.2. Economic Outturn Account

	Note	2012	2011
Fee income		25 750 731	30 028 024
Operating revenue		5 260 867	649 712
TOTAL OPERATING REVENUE	2.2.1	31 011 598	30 677 736
Administrative expenses			
Staff expenses		-53 218 874	-51 187 992
Fixed asset related expenses		-5 232 037	-4 092 278
Other administrative expenses		-16 467 948	-11 377 118
Operating expenses			
Other operating expenses		-21 477 248	-17 614 829
TOTAL OPERATING EXPENSES	2.2.2	-96 396 107	-84 272 216
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		-65 384 509	-53 594 480
Financial revenues	2.2.3	4 514 472	3 452 809
Financial expenses	2.2.3	-1 598 441	-113 791
SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES		2 916 030	3 339 017
ECONOMIC RESULT OF THE YEAR		-62 468 479	-50 255 463

1.3. Cash Flow Statement (Indirect method)**Cash flow statement (Indirect method)**

	2012	2011
Cash flows from ordinary activities		
Surplus/(deficit) from ordinary activities	-62 468 479	-50 255 463
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	2 233 284	1 391 579
Depreciation (tangible fixed assets) +	2 997 379	2 699 504
Increase/(decrease) in Provisions for risks and liabilities	4 380 966	1 130 992
Increase/(decrease) in Value reduction for doubtful debts	154 434	106 768
(Increase)/decrease in Stock		0
(Increase)/decrease in Long term Pre-financing		0
(Increase)/decrease in Short term Pre-financing		24 326
(Increase)/decrease in Long term Receivables		0
(Increase)/decrease in Short term Receivables	-12 687	42 386 747
(Increase)/decrease in Receivables related to consolidated EC entities	2 659	3 761
Increase/(decrease) in Other Long term liabilities		0
Increase/(decrease) in Accounts payable	2 422 584	-43 251
Increase/(decrease) in Liabilities related to consolidated EC entities	175 782	-36 303 800
(Gains)/losses on sale of Property, plant and equipment		0
Net cash flow from operating activities	-50 114 077	-38 858 837
Cash flows from investing activities		
Increase of tangible and intangible fixed assets (-)	-10 381 397	-6 666 152
Proceeds from tangible and intangible fixed assets (+)	86	548
(Increase)/decrease in Short and Long term Investments	29 177 127	-149 850 600
Net cash flow from investing activities	18 795 816	-156 516 204
Net increase/(decrease) in cash and cash equivalents	-31 318 261	-195 375 041
Cash and cash equivalents at the beginning of the period	95 623 994	290 999 035
Cash and cash equivalents at the end of the period	64 305 733	95 623 994

1.4. Statement of Changes in Capital

Capital	Reserves		Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
	Fair value reserve	Other reserves			
Balance as of 1 January 2012	1 508 730	0	314 739 336	-50 255 463	265 992 603
Allocation of the economic result of previous year			-50 255 463	50 255 463	0
Economic result of the year				-62 468 478	-62 468 478
Change in fair value of AFS* assets	-957 737				-957 737
Balance as of 31 December 2012	550 993	0	264 483 873	-62 468 478	202 566 388

* Available-for-sale-financial assets (AFS) is an accounting term used to describe assets purchased with expressed intention of holding onto them for a limited period of time before offering them for resale. It is often utilized with different types of stock and bonds.

2. NOTES TO THE FINANCIAL STATEMENTS

2.1. Notes to the balance sheet

2.1.1. Intangible and tangible fixed assets

General

Items acquired whose purchase price is € 420 or above, with a period of use greater than one year, are recorded in the fixed assets accounts. Items with an acquisition price value below € 420 have been reflected in the accounts as running expenses.

Tangible fixed assets are stated at historical cost (purchase cost less amortisation and depreciation and impairment losses). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the economic outturn account during the financial period in which they are incurred.

None of the fixed assets recorded as at 31.12.2012 are subject to finance lease agreements.

The assets are valued at their acquisition price, less depreciation and impairment. The depreciation method chosen is the monthly straight-line method. The annual depreciation rates per asset type are as follows:

Intangible fixed assets:

Computer software (including licences)	25%
Internally developed IT software	25%

Tangible fixed assets:

Furniture and vehicles	10% to 25%
Computer hardware	25%
Other fixtures and fittings	10% to 33%

Intangible fixed assets

Intangible fixed assets are mainly computer software, acquired licences and activated costs for internally developed software.

From 1 January 2010 internally developed intangible assets must be capitalized in accordance with the principles laid out in the EC Accounting Rule n° 6 on intangible fixed assets.

All projects related to internally developed IT software that were either on-going or put into operation in year 2012 were therefore analysed.

During 2012 eight internal IT projects fulfilled the criteria. The development costs relating to four of these projects are recognised as assets under construction as at 31.12.2012. The remaining four internally developed IT projects were taken into use during 2012. As these are all high value projects there was no need to analyse whether to set a lower threshold than the maximum threshold of € 500.000,00 set by the Accounting Officer of the European Commission. Four projects were taken into use during year 2012. The development cost includes mainly external consulting cost and ECHA employee salary costs.

Assets Under Construction

Project name	Cumulative development cost 31.12.2011	Opening Development Costs Capitalised in 2012	Development cost 2012	Cumulative development cost 31.12.2012
QSAR Toolbox	518 656	-518 656		
Documentum DEP	1 495 097	-1 495 097		
REACH IT	1 142 963	-1 142 963		
Dissemination tool	1 053 021	0	684 063	1 737 084
Odyssey	0	0	889 131	889 131
R4BP Biocides	0	0	367 627	367 627
RIPE	0	0	50 488	50 488
TOTAL	4 209 738	-3 156 716	1 991 308	3 044 330

During 2012, 4 projects were finalised and transferred to Intangible assets. 3 of these projects (Qsar Toolbox, REACH IT and Documentum DEP) had development costs of €3,156,716 recognised as at the 31.12.2011. Additional Development costs of €617,955, 2,108,886 and €996,365 respectively was incurred on these projects in 2012, prior to being transferred to Intangible assets. The CHESAR project was initiated and completed within 2012 for a total cost of €1,604,011.

Internally Developed Assets Completed in 2012

Project name	Capitalised amount at year end
CHESAR	1 604 011
Qsar Toolbox	1 136 611
Documentum DEP	2 491 462
REACH IT	3 251 850
TOTAL	8 483 933

Intangible fixed assets		Internally generated Computer Software	Computer Software	Intangible fixed assets under construction	Total
Gross carrying amounts 1.1.2012	+	2 540 747	4 619 593	4 209 738	11 370 077
Additions	+	5 327 217	761 497	1 991 308	8 080 022
Disposals	-				
Transfer between headings	+/-	3 156 716		-3 156 716	0
Other changes	+/-				
Gross carrying amounts 31.12.2012		11 024 680	5 381 090	3 044 330	19 450 099
Accumulated depreciation/amortization and impairment 1.1.2012	-	-477 384	-2 794 284		-3 271 668
Depreciation/Amortization	-	-1 248 211	-985 073		-2 233 284
Write-back of depreciation/amortization	+				
Disposals	+				
Impairment	-				
Write-back of impairment	+				
Transfer between headings	+/-				
Other changes	+/-				
Accumulated depreciation/amortization and impairment 31.12.2012		-1 725 595	-3 779 357		-5 504 952
Net carrying amounts 31.12.2012		9 299 085	1 601 732	3 044 330	13 945 147

The aggregate amounts of research and development expenditure related to internally developed IT projects recognised as an expense during the period were € 1,021,539.90 (previous year € 56,714.34) and €501,234 (€455,043) respectively. The main reason for the increase in research expenditure year on year is due to research undertaken in preparation for the implementation of the Biocide Products legislation. The table below summarises the Research Expenditure for 2012.

Description	€
Biocide/PIC	747 059
IUCLID 6 prestudy	102 930
Feasibility Study new HR Management System	60 113
Other	111 437
Total	1 021 540

Tangible fixed assets

The tangible assets are mainly computer hardware, furniture and other fixtures and fittings.

The gross value of other fixtures and fittings is € 16.4 million consisting mainly of the conference centre and two new parts of the rented building, second floor and lobby that have been renovated and taken into use (€ 15 million) and other fixtures/fittings such as security doors and scanning machines (€ 1.4 million).

Tangible fixed assets		Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	Total
Gross carrying amounts 1.1.2012	+	6 235 538	466 064	16 240 204	22 941 806
Additions	+	2 107 999	64 198	129 178	2 301 375
Disposals	-			-86	-86
Transfer between headings	+/-				0
Other changes	+/-				0
Gross carrying amounts 31.12.2012		8 343 537	530 262	16 369 295	25 243 095
Accumulated depreciation/amortization and impairment 1.1.2012	-	-4 370 407	-99 094	-3 857 082	-8 326 583
Depreciation/Amortization	-	-1 205 355	-55 263	-1 736 762	-2 997 379
Write-back of depreciation/amortization	+				0
Disposals	+				0
Impairment	-				0
Write-back of impairment	+				0
Transfer between headings	+/-				0
Other changes	+/-				0
Accumulated depreciation/amortization and impairment 31.12.2012		-5 575 762	-154 356	-5 593 843	-11 323 962
Net carrying amounts 31.12.2012		2 767 775	375 906	10 775 452	13 919 133

2.1.2. Short-term pre-financing (given)

	31.12.2012	31.12.2011
Contracts	102 167	104 532
Total	102 167	104 532
<i>Less accrued charges</i>	<i>-102 167</i>	<i>-104 532</i>
Total pre-financing	0	0

€81,946 of this pre-financing relates to Member state substance evaluation contract.

2.1.3. Current receivables

	31/12/2012	31/12/2011
REACH Fee income receivables	1 462 651	1 532 100
Other receivables	0	386
Total	1 462 651	1 532 486

2.1.4. Sundry receivables

	31/12/2012	31/12/2011
VAT receivable from Finnish Authorities	1 183 307	743 800
Bank interest receivable	364	0
Staff	70 720	63 810
Miscellaneous	5 297	0
Total	1 259 688	807 609

Sundry receivables comprise mainly of recoverable value added tax (VAT) from the Finnish Authorities. According to the Seat Agreement signed between the Government of Finland and the Agency, the latter can file an application of reimbursement of VAT

paid on purchases in Finland if the invoice is greater than €80 including VAT. €391.500 of this balance was received in early January 2013 and related to Vat recoverable for Quarter 3 2012. The balance of this relates to Quarter 4 2012 and the reimbursement request to the Finnish tax authorities will take place in early 2013.

Furthermore sundry receivables consist of advances paid to staff and of amounts put on hold during the monthly salary payment procedure. It is to be noted that salary advances and mission advances have been taken into account as appropriate also in accrued expenses.

2.1.5. Deferrals and accruals (asset)

	31/12/2012	31/12/2011
Accrued income		
Bank interest to be received	5 268	171 847
Total	5 268	171 847
Deferred charges		
Rent January 2012	0	490 554
Prepaid software maintenance fees and subscriptions	1 052 169	920 807
Total	1 052 169	1 411 360
TOTAL deferrals and accruals (asset)	1 057 437	1 583 207

2.1.6. Short term and long term investments

In order to seek for the best market conditions available while minimising the risk, ECHA entered into an Asset Management Agreement with the European Investment Bank (EIB) in May 2011 to serve the Agency's investment and risk diversification needs.

The substantial cash funds of the Agency will be used for the financing of the Agency's budget for the years 2011-2014.

From 2012 the Commissions Accounting Officer has requested that these investments be categorised between long-term and short term holdings. In 2011 the EIB investments were recorded in Short-term current assets only.

Risk management policies

The ECHA portfolio is managed in a conservative manner, in line with best practices of asset management industry and based on prudential rules of diversification and risk mitigation.

The primary objectives are the preservation of capital and the maintenance of a sufficient degree of asset liquidity. A supplementary objective is the provision of revenue.

The risk management guidelines and policies for the ECHA Portfolio are set out in the Investment guidelines annexed to the Asset Management Agreement of 1st April 2011, which specify the spectrum of permitted investments and contain provisions aimed at mitigating various kinds of risks arising from investment activity, like credit risk, market risk, liquidity risk and settlement risk.

The credit risk is being mitigated by limiting the scope of eligible investments to securities carrying a long term rating of at least Aa1 by Moody's, equivalent to AA+ by Standard and Poor's and to AA+ by Fitch. Moreover, high creditworthiness of the investment is ensured by the nature of eligible investments, which include cash balance

in the books of the EIB; bonds issued or guaranteed by European Union, European Commission and other supranational issuers; bonds issued or guaranteed by EU sovereigns and equivalent EU-sovereign agencies, public enterprises and institutions belonging to an EU government or controlled by it; or bonds issued or guaranteed by EU sub-sovereigns (local and regional governments).

The portfolio is not exposed to currency risk, as it is being invested only in euro denominated assets. The market risk is being reduced by setting the maximum allowed maturity of investments at 740 days from the value date of investment.

Liquidity risk has been addressed by selection of only very liquid issuers, with tight bid offer spreads, sizable outstanding amount (no private placements) and maturity structure of investments set in line with the time horizon in which the portfolio funds will be utilized.

The settlement risk is eliminated to all possible extent due to the introduction of "delivery versus payment" principle and due to the use of reputable custodian as well as trading counterparties.

Accounting Policies

Extent and nature of the financial instruments

The bond portfolio, seen as a short-term investment portfolio, is made up of euro-denominated securities as government bonds.

The Available for Sale portfolio is entirely composed of quoted bonds. The following table shows the movements in the AFS¹ portfolio split between short term and long term showing a total asset value of €121,224,466:

	2012	2011
Short-term Investments	€	€
Balance at 01st January	60 104 948	0
Acquisitions	51 972 425	59 756 811
Disposal and withdrawals (original acquisition cost)	-80 458 910	0
Reclassification to short-term	36 612 069	0
Change in carrying amount - actuarial difference	-246 367	-647 228
Change in accrued interest	850 575	685 693
Change in Fair Value	-35 614	309 672
Balance at 31st December	68 799 126	60 104 948

The table has been adjusted to reflect the split of AFS assets between long-term and short-term assets.

¹ Available-for-sale-financial assets (AFS) is an accounting term used to describe assets purchased with expressed intention of holding onto them for a limited period of time before offering them for resale. It is often utilized with different types of stock and bonds.

Long-term Investments	2012 €	2011 €
Balance at 01st January	91 254 383	0
Acquisitions		88 584 512
Disposal and withdrawals (original acquisition cost)		0
Reclassification to short-term	-36 612 069	0
Change in carrying amount - actuarial difference	-47 379	-587 121
Change in accrued interest	-1 247 472	2 057 934
Change in Fair Value	-922 123	1 199 058
Balance at 31st December	52 425 340	91 254 383

Trade date

The governmental bonds were traded 6th of May 2011 amounting to an initial book value of €148,341,323 and accumulated interest purchased of €1,658,249 for a maximum maturity of 740 days. During 2012, 5 bonds with an initial value of €51,885,800 were disposed of early on 05th March 2012. The rationale behind the disposal was to take advantage of the anticipated liquidity provisions by the European Central Bank and its impact on bond prices. The proceeds from the disposal were all reinvested except for €42,578 which was returned to the Agency. The net effect of the early disposal is illustrated below:

	€
Original Cost of Bonds Purchased (including premium)	51 885 800
Amortised Premium to date of disposal	-1 046 386
Proceeds achieved on disposal	-51 438 650
Realised Gain on Disposal	599 236

In addition 2 bonds matured during 2012. The proceeds received from these bonds amounted to € 28,469,000.

The gross interest earned on investments (including accrued interest) for the year amounts to € 3,749,539 (€ 3,131,594 in 2011). The premium amortised for the year amounts to €1,444,242 (€1,234,349 in 2011) giving a net income of €2,305,297 (€1,897,245 in 2011).

Fair value adjustment

The fair value adjustment is the difference between initial book value with adjustments of discount/premium amortisations and the portfolio's clean value at 31.12.2012. In 2012 the fair value of the bond portfolio was adjusted from € 1,508,730 to € 550,993. This figure represents the portfolio's value booked against net equity reserve change in fair value of AFS assets.

Interest rate risk position

The following table shows the sensitivity of the ECHA portfolio ("ECHA-L" - AFS bond portfolio) to interest rate variations as of 31 December 2012. The bonds are at fixed interest rate

ECHA subportfolios	Nominal value in €	Clean Market value in €	Modified Duration (Years)	IR Exposure (+/-bp) in €	IR Exposure (100bp) in €	IR Exposure (-100bp) in €
ECHA Long Term	117,370,000	118,877,735	0.4	-/+ 4,828	-478,649	487,088
Total ECHA	117,370,000	118,877,735	0.4	-/+ 4,828	-478,649	487,088

Credit risk

The clean market value per profile of issuers excluding accrued interest as at 31 December 2012 was as follows:

Issuer - Rating	31.12.2012	
MEMBER STATE-Aaa	37,646,393	32%
PUBLIC INSTITUTION-Aaa	81,231,735	68%
Total	118,877,735	100%

Available-for-sale financial (AFS) asset portfolio – EU sovereign exposure

The following table shows the exposure against EU sovereign risk per underlying country:

At 31.12.2012	Purchase Price*	Value at Final maturity	Book Value**
EU Sovereigns			
Austria	15 888 500	15 000 000	15 661 468
Denmark	14 985 000	15 000 000	15 046 500
France	10 223 000	10 000 000	10 094 500
Germany	7 093 412	6 870 000	6 938 425
Netherlands	25 995 500	25 000 000	25 502 892
Total EU Sovereigns	74 185 412	71 870 000	73 243 785
Other Public Institution Bonds	45 669 425	45 500 000	45 633 950
Total Bonds	119 854 837	117 370 000	118 877 735

* Purchase price excludes the purchased interest

** The book value represents the clean market value of the assets

The bonds are all considered to be sovereign risk and although some are issued by the public sector in general. They are ultimately covered by each country's government and government agencies as presented above.

Accounting policies and methods adopted

These securities are classified as Available-for-sale financial assets (AFS) according to the accounting rules adopted by the Accounting Officer of the European Commission and consequently, are carried out at their fair value through contributors' resources. Unrealised gains or losses are reported in reserves until such security is sold, collected or otherwise disposed of, or until such security is determined to be impaired. Impairment losses identified are recognised in the economic outturn account for the year.

On disposal of an available for sale security, the accumulated unrealised gain or loss included in contributors' resources is transferred to the economic outturn account for the year. Interest income on available-for-sale securities is included in "interest income".

The determination of fair values of available-for-sale investments is generally based on quoted market rates in active markets.

These securities are initially measured at their acquisition cost, being their fair value at this moment. The difference between the purchase price and the redemption value, i.e. the premium/discount spread, is amortised over the remaining life of each of the securities using the effective interest rate method as specified under Accounting Rule 11.

Securities are considered impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the security (a "loss event") and that loss event has an impact on the estimated future cash flows of the security that can be reliably estimated.

Evidence of impairment is mainly about significant financial difficulties of the issuer, a breach of contract, a restructuring of the debt of the issuer, a high probability of bankruptcy, etc. It is important to stress that the disappearance of an active market because the entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, in itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortised cost is not necessarily evidence of impairment.

If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the economic outturn account, the impairment loss shall be reversed, with the amount of the reversal recognised in the economic outturn account.

2.1.7. Cash and cash equivalents

At the end of the year 2012 the Agency held eight bank accounts. The balances were as follows:

	31/12/2012	31/12/2011
Central Bank of Finland	42 199 092	80 923 855
Pohjola Bank 1	17 993 017	8 402 826
Pohjola Bank 2	1 237 161	4 221 489
Pohjola Bank 3	57 473	22 159
Pohjola Bank 4	44 795	2 053 664
Pohjola Bank 5	1 326 968	0
Pohjola Bank 6	1 272 062	0
Pohjola Bank 7	175 164	0
Total	64 305 734	95 623 994

After considering various options for managing its funds and having a special focus on minimising the credit risk, ECHA negotiated in 2010 a contract with the Central Bank of Finland which entered into force on 1 December 2010 with the support of the Management Board. The money can be withdrawn by ECHA according to the cash flow needs.

The bank interest is received monthly from Pohjola Bank and quarterly from the Central Bank of Finland. The return on investments in Assets-available-for-sale at EIB is received according to a predetermined pay out plan.

2.1.8. Long-term and short-term provisions for risks and liabilities

	31/12/2012	31/12/2011
Long-term provisions	92 000	613 370
Short-term provisions	5 614 458	712 122
Total	5 706 458	1 325 492

The decrease in long-term provisions is largely explained by the settlement of a dispute related to the rental costs for the office building. The substantial increase in short-term provisions relates to the salary increases due from 01/07/2011 which is currently subject to a European Court of Justice ruling and the Agency's employer pension contributions from August to December 2012.

2.1.9. Current payables

The current payables consist of suppliers € 1,977,250 (€ 1,808,456 in 2011)

	31/12/2012	31/12/2011
Supplier invoices received	2 612 795	2 297 934
Supplier invoices under verification	-635 545	-489 478
Total	1 977 250	1 808 456

2.1.10. Sundry payables

	31/12/2012	31/12/2011
Sundry payables to staff	562	808
Fixed assets received waiting for supplier's invoice	2 425	0
REACH fees to be refunded	86 501	122 805
Received fees awaiting clarification	0	25 130
Appeal fees received	48 400	13 200
Total	137 887	161 943

Included in sundry payables is €86,501 of REACH fee receipts to be refunded. The majority of this money is due to double payments issued in error by the registrants. The appeal fees of €48,400 are recognised as Accounts payable until a decision is taken

by the Board of Appeal as the Agency will have to refund the appeal fee in cases where the appeal is decided in the applicants favour.

2.1.11. Deferrals and accruals (liability)

The accrued charges is the amount estimated by the authorising officers of the cost incurred for services and goods delivered in year 2012 but not yet invoiced or processed by the end of the year. Financial and Fixed Asset accruals were included in Operational and Administrative expenses in 2011 but are disclosed separately in 2012.

	2012	2012 with consolidated entities	2011	2011 with consolidated entities
Administrative expenses				
Staff related expenses	179 616		81 341	
Untaken leave by staff	1 198 709		1 099 756	
Recruitment related expenses	34 700		51 130	
Interim staff - adm	35 000		62 000	
Missions	1 647		37 150	
Training	238 292	26 517	126 370	201 128
Building costs	80 932		134 565	
Other	144 595		90 830	13 553
Total - Administrative expense	1 913 491	26 517	1 683 142	214 681
Operational expenses				
Management Board meetings	7 200		11 500	
Committee meetings and workshop	4 354		32 000	
Operational missions	66 000		33 000	
Translations		529 165	0	40 361
IT expenses	1 824 719		1 454 509	21 910
Interim staff - REACH registration	89 158		91 000	
Other	1 856 759	22 090	630 855	0
Total - Operational expenses	3 848 191	551 255	2 252 864	62 271
Other				
Financial Expenses	37 105			
Accruals relating to Fixed Assets	111 522			
Total - Other	148 628		0	
Total All	5 910 310	577 771	3 936 006	276 952

2.1.12. Pre-financing liability and other payables against consolidated entities

In 2012 the Agency received an EU subsidy of €4,184,040 for the implementation of the Biocides and PIC regulations. €52,431 of this subsidy is repayable to the Commission in 2013. In addition the Agency received pre-financing of €500,000 (€500,000 in 2011) from the Commission (DG Environment) as contractual compensation for undertaking certain preparatory activities for the upcoming regulation on Biocide Products. All of this pre-financing was expended by the Agency as at 31.12.2012.

The IPA (Instrument for pre-accession assistance) funds € 136,410.00 received in December 2009 from the European Commission are also registered as a pre-financing

liability and accrued income of € 114,707.31 is shown against it. The balance of this money is due to be repaid to the Commission. A further €185,676 pre-financing was received in 2012 upon which expenditure of €18,867 has been accrued at the 31.12.2012.

	31/12/2012	31/12/2011
EU Subsidy 2012	4 184 040	0
EU Subsidy expended in 2012	-4 131 609	0
IPA - Pre-financing received	136 410	136 410
<i>Accrued income on IPA Pre-financing</i>	<i>-114 707</i>	<i>-114 707</i>
IPA 2012 - Pre-financing received	185 676	0
<i>Accrued income on IPA Pre-financing</i>	<i>-18 801</i>	<i>0</i>
Biocide - Pre-financing received	1 000 000	500 000
<i>Accrued income on Biocide Pre-financing</i>	<i>-1 000 000</i>	<i>-416 667</i>
Pre-financing received from consolidated Entities	241 009	105 036
Bank interest - to be paid to the EU	4 251	0
Other payables to EU institutions and agencies	54 712	16 433
Other accounts payable consolidated entities	58 963	16 433
Total	299 972	121 469

2.2. Notes to the economic outturn account

2.2.1. Operating revenue

The Agency executes its fee income in accordance with the Regulation (EC) No 1907/2006 (the "REACH Regulation") and the Commission Regulation No 340/2008 on the fees and charges payable to the European Chemicals Agency (the "Fee Regulation").

Fee income is entered as revenue in the accounts when the service is rendered. The service is considered to be rendered by ECHA when the company submits a request for registration or submits a notification. An invoice is created and sent to the company normally within 2 days. Every submission undergoes a technical and financial completeness check during a period set by the REACH Regulation. If needed, a second deadline both for the technical and financial completeness check is given. These two deadlines are decoupled, the financial second deadline being substantially shorter.

This year there was relatively low number of registrations since next deadline will occur in May 2013.

If a submission is not technically or financially complete (paid) by the relevant second deadline communicated to the registrant the submission is rejected. If the rejection stems from the absence of the payment, the related open invoice is set to the final status 'unpaid'. Consequently the rejection reduces the accrued revenue. In preparation of the provisional accounts 2012 all rejections known were taken into account.

	31/12/2012	31/12/2011
REACH Fee income	25 750 731	30 028 024
European Union subsidy	4 184 040	0
Revenue with consolidated entities	549 703	506 416
Reversal of provisions related to legal cases	514 961	132 125
Miscellaneous administrative revenue	9 128	10 967
Exchange rate gains	3 036	205
Total	31 011 598	30 677 736

The operating revenue for 2012 mainly consists of revenue from REACH Fee income including SME verification administrative charges which the agency commenced collecting in 2011.

2.2.2. Operating expenses

Administrative expenses	2012	2011	Increase/Decrease
Staff related expenses	52 837 427	51 187 992	3%
Expenses related to Seconded National	381 447	330 348	15%
Recruitment related expenses	302 449	600 692	-50%
Interim staff - adm	849 566	671 425	27%
Missions	205 465	268 064	-23%
Training	1 050 102	847 387	24%
Rent	6 050 234	5 367 224	13%
Building costs	1 508 512	1 817 609	-17%
Depreciation/Amortization	5 232 037	4 092 278	28%
Operating lease	19 448	22 154	-12%
Provisions (salary related)	4 902 322	1 147 307	327%
Other	1 579 850	1 452 215	9%
Total - Administrative expenses	74 918 859	67 804 694	10%
Operational expenses	2012	2011	Increase/Decrease
Management Board meetings	143 822	275 643	-48%
Committee meetings and workshops	1 560 842	1 581 642	-1%
Operational missions	676 866	463 479	46%
Translations	4 985 358	3 462 915	44%
REACH IT and other IT expenses	8 979 416	7 897 408	14%
Interims in REACH registration	992 359	491 043	102%
Other	4 138 586	2 295 392	80%
Total - Operational expenses	21 477 248	16 467 522	30%
TOTAL	96 396 107	84 272 216	14%

The rent increased 13% in 2012. The main reason for this increase was due to the rental of extra office space for staff.

The development and maintenance of the REACH IT systems and other IT systems constituted the largest operational cost with an increase of 14% from previous year.

The main reason for the increase of Interims in operational expenditure was due to the impending takeover by the Agency of the Biocidal Product Registration process.

2.2.3. Financial revenue and expenses

	31/12/2012	31/12/2011
Revenue		
Bank interest	165 696	1 555 564
EIB interest	3 749 539	1 897 245
Realised gains AFS assets	599 236	
Total revenue	4 514 472	3 452 809
Expenses		
Bank charges	153 247	113 776
Interest on late payments	953	15
AFS actuarial adjustment	1 444 242	
Total expenses	1 598 441	113 791

In 2011 the actuarial difference (€1,243,349) on bonds was netted in the EIB Interest income. In 2012 the actuarial difference is disclosed as a Financial expense. Bank interest has fallen significantly during the year. In 2012 exceptionally low interest rates were offered compared to 2011.

2.3. Off balance sheet items

Contingent assets and liabilities are off balance sheet items. It is uncertain whether they may occur in the future depending on the outcome of past events.

The Agency had contingent assets totalling €334,510 as at 31.12.2012. This relates to guarantees for performance provided by suppliers.

The contingent liabilities consist of 6 (previous year 5) on-going legal cases estimated at a total amount of € 720,000 (previous year € 640,000) covering the costs of the complainant.

Commitments for future funding are also off balance sheet items. They are specified as follows:

Commitments for future funding	31/12/2012	31/12/2011
Commitments against appropriations not yet consumed	9 366 419	10 637 088
Operating lease (building and copy machines)	56 439 255	54 272 786
Contractual commitments for which budget commitments have not yet been made (maintenance, cleaning, security)	2 336 503	802 008
Total	68 142 177	65 711 883

Commitments against appropriations not yet consumed is the remaining net amount to be paid (RAL) after deducting eligible expenses (cut-off postings) that have already been booked in the economic outturn account.

The main reason for the significant increase in contractual commitments relates to IT hosting and Intersite connectivity contracts entered into in 2012.

2.4. Related party disclosures

The highest staff grade (Executive Director-Authorising officer) of the Agency in 2012 was AD15 (*AD15 in 2011*).

2.5. Events after the balance sheet date

No material issues came to the attention of the accounting officer of the Agency or were reported to him that would require separate disclosure under this section.

2.6. Accounting principles, rules and methods

Accounting principles

The provisional annual accounts of the Agency have been prepared according to Article 78 of the Agency's Financial Regulation which sets out the following accounting principles to be applied in drawing up the financial statements:

- going concern basis;
- prudence;
- consistent accounting methods;
- comparability of information;
- materiality;
- no netting;
- reality over appearance;
- accrual-based accounting

and according to the accounting rules and methods adopted by the Commissions' Accounting Officer (Article 43.1 of the Financial Regulation).

The accounting system of ECHA comprises general accounts and budget accounts. These are kept in euro on the basis of the calendar year.

Transactions and balances in foreign currency

Foreign currency transactions are converted 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 translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the economic outturn account.

Use of estimates

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

Receivables

Receivables are carried at original invoice amounts less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to the original terms of receivables. A provision has been provided on a case by case basis where applicable.

3. REPORTS ON THE IMPLEMENTATION OF THE BUDGET

3.1. Budget outturn account

		2012	2011
REVENUE			
Commission subsidy	+	4 184 040	0
IPA funds from Commission	+	185 676	0
Biocide funds	+	500 000	500 000
Fee income	+	26 611 825	33 522 365
Other revenue	+	3 912 675	3 621 253
TOTAL REVENUE (a)		35 394 216	37 643 617
EXPENDITURE			
<i>Title I: Staff</i>			
Payments	-	58 077 187	55 058 642
Appropriations carried over	-	1 249 274	1 112 522
<i>Title II: Administrative Expenses</i>			
Payments	-	11 362 586	10 366 223
Appropriations carried over	-	1 801 186	2 228 893
<i>Title III: Operating Expenditure</i>			
Payments	-	12 513 069	9 552 095
Appropriations carried over	-	11 615 330	11 574 295
TOTAL EXPENDITURE (b)		96 618 634	89 892 671
OUTTURN FOR THE FINANCIAL YEAR (a-b)		-61 224 418	-52 249 054
Cancellation of unused payment appropriations carried over from previous year	+	2 475 313	1 758 061
Adjustment for carry-over from the previous year of appropriation available at 31.12. arising from assigned revenue	+	494 396	125 922
Exchange differences for the year (gain +/-loss -)	+/-	-165	-2 370
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR		-58 254 874	-50 367 441
Balance year N-1	+/-	230 198 367	280 565 807
Subsidy from year N-1 reimbursed in year N to the Commission (for information)	-	0	36 000 000
BUDGET OUTTURN		171 943 493	230 198 367
EC subsidy - agency registers accrued revenue and EC accrued expense	-	4 131 609	0
EC pre-financing to be reimbursed to the Commission in year N+1		52 431	0

The detailed budget execution is set out in:

- Appendix 1 Budget Execution / Fund source C1 – Current year appropriations
- Appendix 2 Budget Execution / Fund sources C4, C5 and R0 – Assigned revenue
- Appendix 3 Differentiated appropriations (Budget line 3801)
- Appendix 4 Budget Execution / Fund source C8 – Appropriations carried over
- Appendix 5 Summary of transfers of appropriations among the various budget lines

3.2. Reconciliation of economic outturn and budgetary outturn

The Agency's financial statements are prepared on an accrual basis by which transactions are recorded in the period to which they relate. The result for the year using this basis is indicated in the economic outturn account. However, the Agency uses a modified cash accounting system for preparing the budget outturn account. In this system, only the payments made and the revenues received in the period as well as the carry-over of appropriations are recorded. The difference between the budgetary outturn and the economic outturn is explained as follows:

Economic result (- for loss)	+/-	-62 468 478
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-2 734 282
Adjustments for Accrual Cut-off (cut- off 31.12.N)	+	5 435 912
Amount from liaison account with Commission booked in the Economic Outturn Account	-	0
Unpaid invoices at year end but booked in charges (class 6)	+	107 113
Depreciation of intangible and tangible fixed assets (1)	+	5 230 749
Provisions (1)	+	4 479 375
Value reductions (1)	+	1 444 242
Recovery Orders issued in in class 7 and not yet cashed	-	69 449
Prefinancing given in previous year and cleared in the year	+	104 532
Prefinancing received in previous year and cleared in the year	-	-83 333
Payments made from carry over of payment appropriations	+	11 952 169
Other (2)	+/-	-693 074
Exchange rate differences	+/-	0
Asset acquisitions	-	-10 381 397
New pre-financing paid in the year and remaining open as at 31.12.	-	-102 167
New pre-financing received in the year and remaining open as at 31.12	+	166 875
Budgetary recovery orders issued before and cashed in the year	+	861 093
Budgetary recovery orders issued in on balance sheet accounts (not 7 or 6 accounts) and cashed	+	0
Capital payments on financial leasing (they are budgetary payments but not in the economic result)	-	0
Payment appropriations carried over to 2013	-	-14 665 791
Cancellation of unused carried over payment appropriations from previous year	+	2 475 313
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	494 396
Other (3)	+/-	52 431
Total		-58 254 874
Budgetary result (+ for surplus) (4)		-58 254 874

3.3. BUDGET AND FINANCIAL MANAGEMENT 2012

As stated in Article 76 of the Financial Regulation applicable to the budget of ECHA, the annual accounts of the Agency are accompanied by a report on budgetary and financial management during the year. This report is drawn up under the responsibility of the Executive Director and the relevant part will be part of his Annual Activity Report.

3.3.1. Budget

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by industry for registrations of chemical substances and by a possible Community subsidy as referred to in Article 185 of the general Financial Regulation. The Agency received Union subsidies of €4,184,040 from the Commission and was supported with pre-financing of € 500,000.00 by the Commission (DG Environment) as

contractual compensation for undertaking certain preparatory activities for the upcoming Regulation on Biocide Products and IPA pre-financing of €185,676.

The initial budgetary payment appropriations for 2012, as concluded by the Management Board in December 2011, amounted to €102,666,000 (€99,800,000 in 2011). During the year 2012 the Management Board adopted three amending budgets. Details of the amendments are illustrated in Sections 3.3.2 and 3.3.3 below.

3.3.2. Budget revenue

The funding of the budget of ECHA in 2012 was as follows:

Heading	Initial Budget 2012	Amending budgets 1/2012, 2/2012 and 3/2012	Final budget	Entitlements Established	Revenue received
Fees and charges from registrations	14 265 800	9 734 200	24 000 000	24 752 825	24 752 825
Fees and charges from authorisations	2 700 000	(2 520 000)	180 000	0	0
Fees SME Administration	0	2 000 000	2 000 000	1 815 500	1 815 500
Fees and charges from Appeals	90 000	(40 000)	50 000	0	0
Fees and charges from CLP	152 000	(84 000)	68 000	43 500	43 500
Biocide Community Contribution (ear-marked)	500 000	0	500 000	500 000	500 000
Biocide Subsidy	0	2 728 440	2 728 440	2 728 440	2 728 440
PIC Subsidy	0	1 455 600	1 455 600	1 455 600	1 455 600
IPA Programme	0	185 676	185 676	185 676	185 676
Revenue from Bank Interest on Fee income	1 695 000	0	1 695 000	3 902 357	3 902 357
Other	50 000	0	50 000	10 810	10 317
Reserve	215 725 807	14 472 559	230 198 367	230 198 367	230 198 367
		0			
	235 178 607	27 932 475	263 111 083	265 593 075	265 592 582

Fee income and charges

The fees and charges collected by ECHA are determined by the REACH Regulation, the Fee Regulation and by the decisions of the Management Board. Due to the once-off nature of the REACH fees, there is high uncertainty as to their amount and timing. The budgetary revenue from fees/charges income in 2012 in terms of the cash received amounted to € 26,611,825 (€33,522,365 in 2011) which was higher than initially estimated due to the earlier than expected registrations submitted by industry for the May 2013 deadline. All of the fee income derived from registrations and, contrary to the initial budget estimations, no authorisation applications were received in 2012. No income was recorded in relation to Appeal fees for 2012. The money lodged for appeals during the year is recorded as both an asset (bank account) and a liability (amounts returnable) in ECHAs accounts until a final decision of the Board of Appeal. Once a decision is made the appeal fee is either refunded or recognised as income depending upon the final decision of the Board of Appeal. In 2012 one appeal fee was refunded based on one decision.

Breakdown of fee and bank income	Budgetary Income 2012
Fees and charges from registrations	22 431 810
Fees and charges from appeals	0
Total revenue from fees and charges from registrations and appeals	22 431 810
Fees from SME re-identified Entity sizes	2 364 515
Revenue from SME Administrative charges	1 815 500
Total revenue from SME reidentified size fee/charges	4 180 015
Total budgetary income from fees and charges	26 611 825
Bank interest on current accounts	57 039
Trustees	
Central Bank of Finland - Deposit account	275 236
European Investment Bank - Investment Portfolio	3 570 082
Cashed (budgetary income) Interest return from Trustees	3 902 357

In accordance with article 59 of the Agency's Financial Regulation, the number of the debit notes issued and their global amount shall be provided in the Agency's report on budgetary and financial management. In year 2012, ECHA issued 4,419 debit notes (3,747 in 2011) for a total amount of € 30,655,839 (€37,452,506 in year 2011). Altogether 485 credit notes (724 credit notes in year 2011) for a total amount of € 4,440,088 were issued (€7,134,965 in 2011). In addition, there were 65 cases (182 cases in year 2011) for a total amount of €451,019 (€1,946,206 in 2011) where the registration was rejected in accordance with the REACH Fee Regulation as no payment was received from the registrant by the set payment deadline.

It is noted that out of the credit invoices mentioned above, 380 (630 in 2011) were issued to cancel the original invoices following the verification of the SME status of enterprises claiming to be entitled to fee reductions. A corresponding revised total amount of €1,944,882 (€4,022,602 in 2011) was invoiced and €2,364,515 of the outstanding invoices was cashed (€3,205,803 in 2011). In addition ECHA issued 97 (131 in 2011) administrative charges invoices for the amount of € 1,914,900 (€2,649,700 in 2011) of which € 1,815,500 was cashed (€1,887,900 in 2011).

In accordance with article 58a of the Agency's Financial Regulation, the accounting officer shall indicate decisions by the Authorising Officer to waive or partially waive recovery of established amounts. The list is added to the Agency's report on budgetary and financial management. In the year 2012, bank charges were deducted by the senders' banks for 10 invoices (16 invoices in 2011) related to fee income. For management efficiency reasons these invoices were considered paid and therefore a total amount of € 115 (€ 198 in 2011) was waived.

In accordance with article 59 of the Agency's Financial Regulation, where fees and charges are entirely determined by legislation or decisions of the Management Board, the Authorising Officer may abstain from issuing recovery orders and directly draw up debit notes after having established the amount receivable. Where the Agency uses a separate invoicing system, the accounting officer shall regularly, and at least on a monthly basis, enter the accumulated sum of fees and charges received into the accounts.

The Agency uses a separate invoicing and debtors system for daily transactions related to fee income which is implemented in the REACH IT invoicing module. In the year 2012, ECHA registered the sent debit notes in the central accounting system

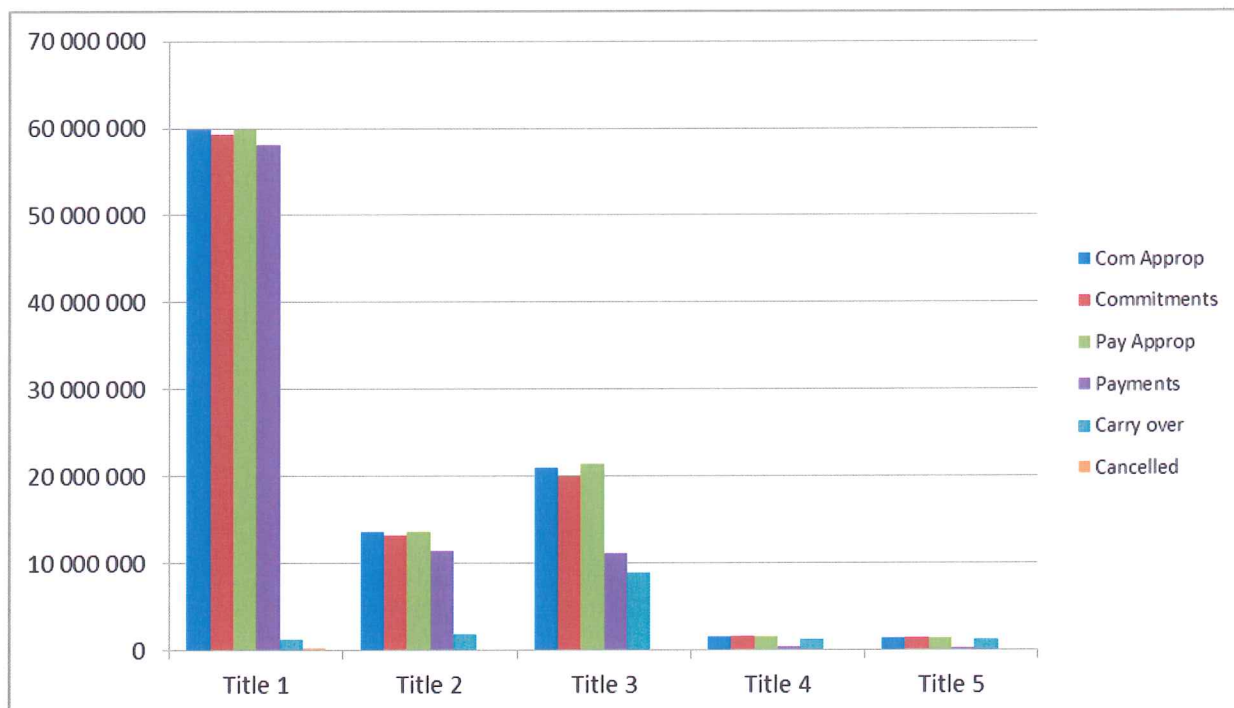
SAP/ABAC. It also registered received payments along with a summary recovery order in the budgetary accounts (ABAC system) on a monthly basis.

3.3.3. Budget expenditure

Budget expenditure includes payments made during the year plus any carry-over of budgetary appropriations. The following table and chart present a summary of the budget expenditure execution in 2012 (C1 Credits):

2012	Commitment Appropriation (voted budget + amending budgets + internal transfers)	Executed Commitment	Com%	Payment Appropriation (voted budget + amending budgets + internal transfers)	Payment Executed	Pay%	Carry over	Carry over %	Cancelled	Cancelled %
Title 1	59 802 429	59 310 062	99.18%	59 802 429	58 061 788	97.09%	1 246 976	2.10%	1 298	0.002%
Title 2	13 637 639	13 158 236	96.48%	13 637 639	11 357 049	83.28%	1 801 186	13.69%	0	0.00%
Title 3	20 976 760	19 945 168	95.08%	21 389 200	11 156 481	52.16%	8 879 050	44.52%	0	0.00%
Title 4	1 563 543	1 555 513	99.49%	1 563 543	355 549	22.74%	1 195 960	76.89%	0	0.00%
Title 5	1 374 458	1 374 453	100.00%	1 374 458	118 374	8.61%	1 256 080	91.39%	0	0.00%
Total	97 354 830	95 343 431	97.93%	97 767 270	81 049 240	82.90%	14 379 252	15.08%	1 298	0.001%

Budget execution 2012



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2012	Description	Voted Budget Payment Appropriations	Amending budgets Payment Appropriations	Transfers	Commitment Appropriation (voted budget + amending budgets + internal transfers)	Executed Commitment	Com%	Payment Appropriation + amending budgets + internal transfers)	Payment Executed	Pay%	Carry over	Carry over %	Cancelled	Cancelled %
REACH														
B03003	Registration, dattaharing and dissemination	950 000	-135 000	0	815 000	795 988	97.67%	815 000	458 134	56.21%	337 864	42.44%	19 012	2.33%
B03004	Evaluation	2 547 950	-308 000	0	2 239 950	2 221 061	99.16%	2 239 950	369 876	16.51%	1 851 185	83.35%	18 889	0.84%
B03005	Authorisations and restrictions	916 500	-454 000	0	462 500	459 992	99.46%	462 500	126 737	27.40%	333 254	72.45%	2 508	0.54%
B03006	Classification and labelling	171 500	-9 000	0	162 500	155 429	95.65%	162 500	88 208	54.28%	0	0.00%	7 071	4.35%
B03007	Advice, assistance through guidance and helpdesk	403 360	-169 000	0	234 360	144 740	61.76%	234 360	144 740	61.76%	0	0.00%	89 620	38.24%
B03008	Scientific IT tools	11 476 450	-2 897 000	0	8 579 450	8 318 228	96.96%	8 579 450	4 614 386	53.78%	3 703 842	44.53%	261 222	3.04%
B03009	Scientific and technical advice to EU institutions	556 500	-226 000	0	330 500	327 456	99.08%	330 500	93 283	28.22%	234 174	71.51%	3 044	0.92%
B03011	Committees and Forum	1 836 920	-466 000	0	1 370 920	1 096 868	80.01%	1 370 920	801 470	58.46%	295 398	26.95%	274 052	19.99%
B03012	Board of appeal	80 000	0	0	80 000	55 977	69.97%	80 000	27 484	34.35%	28 493	50.90%	24 023	30.03%
B03013	Communications including translations	5 984 080	-1 035 000	0	4 959 080	4 940 867	99.63%	4 959 080	3 319 816	66.94%	1 621 051	32.81%	18 213	0.37%
B03022	Management Board and management of the Agency	1 489 500	-607 000	0	882 500	781 917	88.60%	882 500	463 929	52.57%	317 988	40.67%	100 583	11.40%
B03030	Missions	650 000	0	0	650 000	436 817	67.20%	650 000	348 227	53.57%	88 590	20.26%	213 183	32.80%
B03801	Cooperation with international organisations for I	622 440	0	0	210 000	209 828	99.92%	622 440	300 191	48.23%	0	0.00%	172	0.03%
		27 695 200	-6 306 000	0	20 976 760	19 945 168	95.08%	21 389 200	11 156 481	52.16%	8 811 829	44.18%	1 031 692	4.82%
BIOCODE														
B04000	Substances, products and technical equivalence	0	6 000	-6 000	0	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
B04007	Advice and assistance through guidance and helpdesk	0	2 500	-2 500	0	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
B04008	Scientific IT tools	0	1 032 660	393 676	1 426 336	1 421 025	99.63%	1 426 336	304 239	21.33%	1 116 786	78.59%	5 311	0.37%
B04009	Scientific and technical advice to EU institutions	0	10 000	0	10 000	10 000	100.00%	10 000	10 000	100.00%	0	0.00%	0	0.00%
B04013	Communications including Translations	0	91 000	-28 596	62 404	62 132	99.56%	62 404	22 732	36.43%	39 400	63.41%	272	0.44%
B04022	Management Board and management of the Agency	0	44 300	-19 347	24 953	24 224	97.08%	24 953	3 893	15.60%	20 331	83.93%	729	2.92%
B04030	Missions	0	38 150	-10 200	28 950	28 950	100.00%	28 950	9 507	32.84%	19 443	67.16%	0	0.00%
B04801	Cooperation with international organisations for I	0	10 900	0	10 900	9 183	84.24%	10 900	5 178	47.50%	0	0.00%	1 717	15.76%
		0	1 236 510	327 033	1 563 543	1 555 513	99.49%	1 563 543	355 549	22.74%	1 195 960	76.89%	8 030	0.51%
PIC														
B05000	Studies and consultants	0	100 000	-100 000	0	0	0.00%	0	0	0.00%	0	0.00%	0	0.00%
B05008	Scientific IT tools	0	961 686	367 396	1 349 082	1 349 077	100.00%	1 349 082	111 330	8.25%	1 237 747	91.75%	5	0.00%
B05011	Meetings with the DNAs and expert groups on PIC in	0	5 700	0	5 700	5 700	100.00%	5 700	5 700	100.00%	0	0.00%	0	0.00%
B05013	Communications including Translations	0	10 000	8 333	18 333	18 333	100.00%	18 333	0	0.00%	18 333	100.00%	0	0.00%
B05030	Missions	0	13 000	-11 657	1 343	1 343	100.00%	1 343	1 343	100.00%	0	0.00%	0	0.00%
		0	1 110 386	264 072	1 374 458	1 374 453	100.00%	1 374 458	118 374	8.61%	1 256 080	91.39%	5	0.00%

BL	Budget Line Description	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-11	STAFF IN ACTIVE EMPLOYMENT	54 878 402	54 597 729	99.49%	54 878 402	54 596 431	99.49%	0	280 673
A-12	MISCELL EXPEND ON STAFF RECRUITMENT AND TRANSFER	1 338 867	1 257 995	93.96%	1 338 867	1 102 780	82.37%	155 215	80 871
A-13	MISSIONS AND DUTY TRAVEL	60 000	45 000	75.00%	60 000	36 053	60.09%	8 947	15 000
A-14	SOCIO-MEDICAL INFRASTRUCTURE AND SOCIAL WELFARE	613 500	584 722	95.31%	613 500	420 704	68.57%	164 018	28 778
A-15	TRAINING	1 546 785	1 465 596	94.75%	1 546 785	914 210	59.10%	551 386	81 189
A-16	EXTERNAL SERVICES	1 354 876	1 354 284	99.96%	1 354 876	987 362	72.87%	366 922	592
A-17	ENTERTAINMENT AND REPRESENTATION EXPENSES	10 000	4 735	47.35%	10 000	4 249	42.49%	487	5 265
	total Title 1	59 802 429	59 310 062	99.18%	59 802 429	58 061 788	97.09%	1 246 976	492 368
A-20	RENTAL OF BUILDINGS AND ASSOCIATED COSTS	8 099 436	7 998 554	98.75%	8 099 436	7 754 711	95.74%	243 842	100 882
A-21	INFORMATION AND COMMUNICATION TECHNOLOGY	4 607 179	4 343 191	94.27%	4 607 179	2 911 616	63.20%	1 431 575	263 989
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	265 769	222 249	83.62%	265 769	201 332	75.75%	20 916	43 521
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	657 855	588 743	89.49%	657 855	485 002	73.72%	103 741	69 112
A-25	MEETINGS EXPENDITURE	7 400	5 500	74.32%	7 400	4 387	59.29%	1 113	1 900
	total Title 2	13 637 639	13 158 236	96.48%	13 637 639	11 357 049	83.28%	1 801 186	479 404
B3-0	REACH	20 766 760	19 735 340	95.03%	20 766 760	10 856 290	52.28%	8 879 050	1 031 420
B3-8	INTERNATIONAL ACTIVITIES	210 000	209 828	99.92%	622 440	300 191	48.23%	0	172
	total Title 3	20 976 760	19 945 168	95.08%	21 389 200	11 156 481	52.16%	8 879 050	1 031 592
B4-0	BIOCIDES	1 552 643	1 546 331	99.59%	1 552 643	350 371	22.57%	1 195 960	6 312
B4-8	INTERNATIONAL ACTIVITIES	10 900	9 183	84.24%	10 900	5 178	47.50%	0	1 717
	total Title 4	1 563 543	1 555 513	99.49%	1 563 543	355 549	22.74%	1 195 960	8 030
B5-0	PIC	1 374 458	1 374 453	100.00%	1 374 458	118 374	8.61%	1 256 080	5
	total Title 5	1 374 458	1 374 453	100.00%	1 374 458	118 374	8.61%	1 256 080	5
	total C1	97 354 830	95 343 431	97.93%	97 767 270	81 049 240	82.90%	14 379 252	2 011 399

The following table presents a summary of the entry in the budget and the execution of the internally assigned credits (C4 and C5) as well as the externally assigned credits (R0):

BL	FS	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-15	TRAINING	150	0	0.00%	150	0	0.00%	150	150
B-30	REACH	9 252	2 342	25.31%	9 252	2 018	21.81%	6 910	7 235
	Total C4	9 402	2 342	24.91%	9 402	2 018	21.46%	7 060	7 385
BL	FS	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-22	MOVABLE PROPERTY AND ASSOCIATED	5 537	5 537	100.00%	5 537	5 537	100.00%	0	0
	Total C5	5 537	5 537	100.00%	5 537	5 537	100.00%	0	0
BL	FS	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-11	STAFF IN ACTIVE EMPLOYMENT	16 250	15 399	94.77%	16 250	15 399	94.77%	850	850
B-39	EARMARKED OPERATIONS - REACH	194 759	50 164	25.76%	194 759	3 564	1.83%	144 595	191 195
B-49	EARMARKED OPERATIONS - BIOCIDES	962 896	928 013	96.38%	962 896	877 085	91.09%	34 882	85 811
B-90	RESERVE	164 658 137	0	0.00%	164 658 137	0	0.00%	164 658 137	164 658 137
	Total R0	165 832 041	993 577	0.60%	165 832 041	896 048	0.54%	164 838 464	164 935 993

Title 1: staff expenditure

The initially adopted budget for Title 1 in 2012 (€ 59,950,700) was increased via the first amending budget for Biocides and PIC by 1,498,745 and via the second amending budget by € 16,249.89 for REACH. The REACH part was reduced by €1,153,770 via the third amending budget while the Biocides and PIC parts were reduced by €493,245.67 via transfers to the operational Titles 4 and 5.

For REACH/CLP, the main reasons for the difference between the estimated and actual budget needs in Title 1 derive from the fact that the pending Court case between the Council and the European Commission on the proposed salary adjustments was not concluded in 2012, whereas these increases had been budgeted for. Concerning the Biocides and PIC, the first year of operations came along with uncertainties in the recruitment rate, the decreased number of payroll months due to the adoption of the Regulations only in the second half of the year and due to recruitment in lower grades than initially foreseen.

As a result, the execution rate for Title 1 reached 99.2%.

Title 2: infrastructure expenditure

When comparing the actual committed vs. budgeted expenditure, the expenditure of Title 2 was 96.5% of the amended budget (€ 13,637,639.49 vs. € 15,020,100).

The decrease by around 11% of the initially adopted budget of €15,020,100 results from the revision of several IT software projects plans and contracts and several maintenance contracts for hardware and software for a better alignment with the principle of annuality; this resulted into the allocation of projects deliverables and tasks to specific years and to the consequent realignment of the budgetary needs. Additionally, several telecommunications and building related purchases and services have been implemented at a lower cost than estimated beforehand. In addition, the legal expenses have been adjusted in line with the actual number of legal cases presented with.

The biggest expenditure areas, apart from the rent of the building, were the IT hosting services, the costs of security, cleaning and electricity of the building, purchases of IT hardware, software and consultancy for administrative infrastructure.

Title 3: operational expenditure REACH and CLP

When comparing the actual committed expenditure against the budgeted expenditure, the expenditure of Title 3 amounted to 95.1% of the amended budget (€ 19,945,167.89 vs. € 20,976,760). The decrease by 22.8% of the initially adopted budget (€ 27,695,200) was due to several factors that occurred in the area of REACH operations as follows:

For Authorisation and Restrictions (Activity 3), a big proportion of the procurement planning was related to the expected number of Annex XV proposals (SVHC's and restrictions) by the Member States or requests for ECHA from the Commission. The real number of these proposals and requests was smaller than expected, or they will be submitted later than planned, which has reduced the budgetary needs in 2012.

In the area of IT support to the operations (Activity 6), the impact of the above mentioned revision to align with the annuality principle was significant.

For Committees and Forum (Activity 8), one RAC (Risk Assessment Committee) meeting was cancelled and the final travel and accommodation costs to the meeting participants were less than initially budgeted.

For Communications including translations (Activity 10), significant part of the planned projects was postponed to 2013, mainly in order to comply with the principle of annuality.

For the Management and Management Board of the Agency (Activity 12), the annual subscriptions to the scientific literature were postponed to 2013 in order to align the subscription periods to the calendar year. In addition to this, several projects related to quality management were either postponed or implemented at lower costs than foreseen.

Other minor budget reductions took place in the areas of Registration, Evaluation, Classification and labelling and Advice and assistance through guidance and helpdesk.

Title 4: operational expenditure Biocides

When comparing the actual committed against the budgeted expenditure, the expenditure of Title 4 amounted to 99.5% of the amended budget after the transfers made (€ 1,563,543 vs. € 1,236,510). The increase by 20.9% of the initially adopted budget via transfers from the administrative Titles was due to significant investment needs in the area of the IT development. These transfers from the administrative part of the budget to the operational part were approved by the Agency's Management Board.

Title 5: operational expenditure PIC

When comparing the actual committed against the budgeted expenditure, the expenditure of Title 5 amounted to 100% of the amended budget after the transfer made (€ 1,374,458.18 vs. € 1,110,386). The increase by 19.2% of the initially adopted budget via transfers from the administrative Titles was due to significant investment needs in the area of the IT development as well as for minor translation cost that were not foreseen for the first year of operations. These transfers from the administrative part of the budget to the operational part were approved by the Agency's Management Board.

Carry over to budget year 2013

Commitments are entered in the accounts on the basis of the legal commitments signed before 31 December and payments on the basis of the payments made by the accounting officer by 31 December of that year.

Non-differentiated commitment and payment appropriations, corresponding to obligations duly contracted at the close of the financial year, are carried over automatically to the following financial year.

For the REACH budget line 3801 "Cooperation with international organisations for IT programs" which has differentiated appropriations, the amount of commitments made, and for which future payment appropriations are necessary, amounted to €209,827.67 as of 31.12.2012 (€117,130.80 as of 31.12.2011). Equivalently, for the Biocides budget line 4801 "Cooperation with international organisations for IT programs" the amount of commitments made and for which future payment appropriations are necessary amounted to €9,182.55 as of 31.12.2012.

The carry-over of commitment and payment appropriations (€14,379,251.94) mainly relates to IT costs for support to REACH operations (€3,703,841.81 covering REACH-IT, Odyssey, Oracle, Chesar, IUCLID and Documentum applications), IT costs for support of Biocides operations (€ 1,116,785.94), IT costs for support of PIC operations (€1,237,746.50) as well as to the general administration of the Agency (€1,361,186.11 covering hosting services, general hardware and consultancy). A significant amount is carried over to cover the costs for the rapporteurs Member States for the substance

evaluation (€ 1,807,579.25) for which the work was still on-going at the year-end and will only be paid for at the end of these assignments with the competent authorities. Communication costs carried over include translations ordered, the development for ECHA's new website and other costs such as media monitoring, ECHA terminology database (€1,621,051.37 for REACH, € 39,400 for Biocides and € 18,333 for PIC).

Furthermore, it was necessary to carry over the committed reimbursement costs for participants to meetings which were to take place in early 2013 for which invitations had to be sent out before the end of the 2012 (€214,999.90). Some carry-over (€ 79,012) resulted also from the outstanding reimbursements to the committee rapporteurs on restriction dossiers. Finally, staff related costs, such as outstanding reimbursements to candidates invited to recruitment interviews, medical examinations, administrative assistance from other institutions, training and interim staff, were also carried over (€1,246,489).

The carry-over percentage ended at the level of 15.1% of the established commitments combined for the REACH/CLP, Biocides and PIC Regulation implementation. The year 2012 was the first year for Biocides and PIC operations and as such there is no basis for comparison with the previous year. However, to allow comparison in the area of REACH/CLP, it is highlighted that for these more established operations, the carry-over rate improved significantly to 12.9% from 16.2% in 2011. For Biocides and PIC where the subsidies were made available to the Agency only in the second half of 2012 and where a significant amount had to be contracted for the IT developments, the carry over rates of their first year were 47.9% and 87.3%, respectively.

Cancellations of carried over appropriations (C8)

A total amount of €2,475,313.34 was cancelled from the total amount of €14,421,945.04 of commitment and payment appropriations that were carried over from the budget of 2011. This arises mainly from the surpluses of 174 commitments that were not paid in full for several reasons, such as earlier finalisation of the projects, decreased volume of man-days used, lower number of participants than invited or more economic prices obtained. In fact, 45% of the total cancelled carried over appropriations results from the cancellation of only one commitment related to the ceased project on the further development and maintenance of REACH-IT with the previous contractor. The cancelled amount of only this single commitment is €1,122,921.74.

4. FINANCIAL MANAGEMENT

In year 2012, the main achievements in financial management were:

- Rigorous budget and liquidity management.
- Managing and investing the Agency's cash reserves;
- Intensified verification of the SME status of companies;
- Validation of the local REACH Fee Income system.
- Further development of the cost accounting system that commenced in 2011;
- Regular reporting to the management and Governing Board;
- A correct closure of the 2011 accounts.