

ANNUAL ACCOUNTS
OF
THE INNOVATIVE MEDICINE INITIATIVE
JOINT UNDERTAKING
FOR THE YEAR 2009

CONTENTS

1. ACCOUNTING RULES	3
2. FINANCIAL STATEMENTS	5
2.1. Balance sheet	5
2.2. Economic Outturn	9
3. REPORT ON BUDGETARY AND FINANCIAL MANAGEMENT	11

" The Innovative Medicines Initiative is a unique Public-Private Partnership (PPP) between the pharmaceutical industry represented by the European Federation of Pharmaceutical Industries and Associations (EFPIA) and the European Union represented by the European Commission. "

It was set up by Council Regulation (EC) N° 73/2008 of December 2007, for a period up to 31 December 2017.

On the 16 November 2009 the IMI JU had the operational capacity to implement its budget and therefore became autonomous. Until this date, the European Commission (EC) was responsible for the establishment and the initial operations of the IMI JU in collaboration with the other Founding Member and in accordance with Article 16 of the Council regulation establishing the IMI JU.

As the Joint Undertaking is in its first year of activity, the cash flow table and the statement of changes in net assets are not relevant.

1. ACCOUNTING RULES

The financial statements comply with the accountancy provisions adopted by the Accountant of the European Commission in accordance with the General Financial Regulation art. 133 and 185, and the draft Financial Rules of the Innovative Medicines Initiative joint Undertaking, especially section 3, article 44.

➤ **Tangible and intangible fixed assets.**

Tangible and intangible fixed assets are evaluated at their purchased costs in euro (or, if necessary, in foreign currency converted into euro with exchange rate in force at the time of the purchase). The booking value of an asset equals to its purchase price or production costs, including negative or positive revaluation amounts.

According to article 210 of the Implementation rules-and article 90 of the Financial regulation, "All items acquired whose purchase price or production cost is EUR 420 or more, with a period of use greater than one year, and which are not consumables shall be entered in the inventory and recorded in the fixed assets accounts."

The ancillary costs are included in the asset value or recognized as a distinct asset if they will generate a future economic advantage. Any repair or maintenance is entered in charge in the book year when it occurs.

The depreciation is calculated according to the straight-line method on a monthly basis in order to distribute the cost during the lifetime of the asset.

The assets might be subject to adjustment at the annual accounts closure date.

➤ **Receivables.**

Receivables are evaluated at their liquidated value.

No provision for doubtful account is established for transactions between European institutions and bodies (consolidated entities).

➤ **Provision**

The agency makes provisions when there is a legal and justified obligation which results from a past transaction and if there is a probability that its own resources have to be consumed to settle this transaction. However, the provision amount should be estimated in a reasonable and reliable way.

➤ **Capital**

According to the note of the Accounting Officer of the Commission, subsidies and contributions that the Joint Undertaking receives from the European Union and other members are considered as investments. They will be consolidated in the books of European Union by using "Equity method". This view is also evidenced by the Commission decision SEC (2007) 607/2 and confirmed by EC accounting rule nr 1.

➤ **Revenues and expenses**

Revenues and expenses are entered in accordance with the definition of accrual basis accounting.

➤ **Financial revenues and expenses.**

According to Article 11 of the statutes of IMI Joint Undertaking, "any financial interests yielded by the contributions paid by its Members shall be considered to be revenue of the IMI Joint Undertaking.

➤ **Contingent liabilities and contingent assets**

A contingent asset is a possible right that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency.

A contingent liability is:

- A possible obligation, that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency or
- A present obligation that arises from past events but is not recognized either because it is unlikely that the Agency will use its own resources to settle the obligation or because the value of the obligation cannot be measured with sufficient reliability.

2. FINANCIAL STATEMENTS

2.1. Balance sheet

BALANCE SHEET - ASSETS		31/12/2009
A. NON CURRENT ASSETS		0,00
Intangible fixed assets		0,00
Tangible fixed assets		0,00
Land and buildings		
Plant and equipment		
Computer hardware		
Furniture and vehicles		
Other fixtures and fittings		
Leasing		
Tangible fixed assets under construction		
Long-term pre-financing		0,00
Long-term pre-financing		
LT pre-financing with EC entities		
Long-term receivables		0,00
Long-term receivables		
Long-term receivables with EC entities		
B. CURRENT ASSETS		81.701.843,37
Stocks		0,00
Short-term pre-financing		0,00
Short-term pre-financing		0,00
Short-term pre-financing with consolidated EC entities		0,00
Short-term receivables		0,00
Current receivables		0,00
Long-term receivables falling due within a year		
Sundry receivables		0,00
Other		51.067,35
Accrued income		51.067,35
Deferred charges		
Deferrals and accruals with consolidated EC entities		
Short term receivables with consolidated EC entities		0,00
Cash and cash equivalents		81.650.776,02
TOTAL		81.701.843,37

Some fixed assets bought in 2009 related to "Computer, Hardware", amounted to 10.589,90 EUR are booked in year 2010.

2.1.1. Current assets

➤ Short term pre-financing

An amount of 71.596,19 EUR relates to two pre-financings done in the benefice of two suppliers by mother DG before the autonomy's date of the Joint Undertaking. They are settled in year at end 2009 and are included in the contribution's amount from Joint Undertaking's owner.

➤ Accrued Income

Contributions come from co-founders (European Union and EFPIA) amount to more than 81 millions, and generate during year 2009 a bank interest for 51.067,35 EUR received in IMI's bank account at beginning of year 2010

➤ Cash and cash equivalents

An amount of 81.650.776,02 EUR represents the total of:

- 80.943.877,92 EUR as liquidity IMI had at ING bank as of 31 December 2009
- -4.269,80 EUR as funds in transfer for payment
- 711.167,90 EUR as funds in transfer that IMI will receive.

BALANCE SHEET - LIABILITIES		31/12/2009
A. NET ASSETS		81.195.990,70
Contribution from members		81.817.897,40
Accumulated contribution from members used in previous years		0,00
Contribution from members used during the year (EOA)		-621.906,70
C. NON CURRENT LIABILITIES		3.547,19
Employee benefits		
Provisions for risks and charges		3.547,19
Other Long term liabilities		
Other Long term liabilities		
Other LT liabilities with consolidated EC entities		
Pre-financing received from consolidated EC entities		
Other LT liabilities from consolidated EC entities		
D. CURRENT LIABILITIES		502.305,48
Provisions for risks and charges		0,00
Accounts payable		43.720,42
Current payables		11.603,23
Long term liabilities falling due within the year		
Sundry payables		32.117,19
Other		458.585,06
Accrued charges		455.503,06
Deferred income		
Deferrals and accruals with consolidated EC entities		
Accounts payable with consolidated EC entities		3.082,00
Pre-financing received from consolidated EC entities		
Other accounts payable against consolidated EC entities		3.082,00
TOTAL		81.701.843,37

2.1.2. Contributions from members.

A net equity of 81.195.990,70 EUR is booked in year 2009, as the total of contributions from Joint Undertaking members (81.817.897,40 EUR) and result of the year (- 621.906,70 EUR).

The Capital-contribution of IMI Joint Undertaking can be splitted as follow:

81.035.133,31 EUR: contribution of European commission (2.391.933,31EUR as running costs and 78.643.200,00 EUR as operational costs to cover grants in 2010).

711.167,90 EUR: contribution of EFPIA to cover IMI running costs during years 2008-2009.

71.596,19 EUR was pre-financed by DG RTD to suppliers.

A long-term provision of 1,85% increase for salary is taken account as it is probable that this part of salary increase will have to be paid to staff, after decision of the European Court of Justice.

2.1.3. Short-term liabilities

➤ Accounts payables.

A total amount of 43.720,42 EUR is booked as Accounts payable in which 11.603,22 EUR represents debts against suppliers and 32.117,19 EUR social debts (insurance against sickness, pension...)

➤ Other current liabilities

According to accrual accounting principles, an amount of 455.503,06 EUR is booked as accrual charges which relate to "invoices to be received (charges of year 2009, but invoices received in 2010), accrual for expert costs in 2009, and for holidays 2009 that staff members have not yet taken during the same year.

2.2. Economic outturn account

ECONOMIC OUTTURN ACCOUNT	31/12/2009
Revenues from administrative operations	0,00
Subsidy received	
Title 1	
Title 2	
Title 3	
To be reimbursed (Budget outturn)	
TOTAL OPERATING REVENUE	0,00
Administrative expenses	672.958,13
Staff expenses	147.116,19
Fixed assets related expenses	
Other administrative expenses	525.841,94
Operational expenses	
Other operational expenses	
TOTAL OPERATING & ADMINISTRATIVE EXPENSES	672.958,13
SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES	-672.958,13
Financial revenues	51.067,35
Financial expenses	15,92
Movement in pensions (-expense; + revenue)	
SURPLUS (DEFICIT) FROM NON-OPERATING ACTIVITIES	51.051,43
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	
Extraordinary gains (+)	
Extraordinary losses (-)	
SURPLUS (DEFICIT) FROM EXTRAORDINARY ITEMS	
CONTRIBUTION FROM MEMBERS USED DURING THIS YEAR (EOA)	-621.906,70

2.2.1. Operating and administrative expenses

➤ Administrative expenses

Administrative expenses amount to 672.958,13 EUR can be divided in Staff expenses (salary and other related costs) and administrative costs which consist of renting fees, accrual charges....

➤ Financial revenues and expenses

Cash of IMI Joint Undertaking, entrusted to ING Bank has generated an interest of 51.067,35 EUR with a fee of 15,92 EUR.

3. REPORT ON BUDGETARY AND FINANCIAL MANAGEMENT FINANCIAL YEAR 2009, ACCOMPANYING THE INNOVATIVE MEDICINES INITIATIVE JOINT UNDERTAKING'S ACCOUNTS

3.1. Introduction

3.1.1. Budgetary principles

The budget of IMI JU has been established in compliance with the principles of unity, budget accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency as set out in the IMI JU Financial Rules.

3.1.2. Management information systems

The IMI JU used the following software during 2009:

- ABAC – budgetary accounting system
- SAP R/3– Accounting system and execution of payments
- BUSINESS OBJECT – financial reporting
- ALTRAN – Submission tool for applicants to IMI JU's grants

These information systems allow for the efficient management of the appropriations allocated to the IMI JU while respecting the principles of the financial rules.

The workflow system in ABAC allows the Authorising Officer to ensure that the “four eyes” principle has been observed for each transaction.

3.1.3. Budget

The budget of the IMI JU is divided in three titles.

Title I covers staff expenditure such as salaries, training and costs associated to recruitment procedures and staff wellbeing.

Title II covers the costs associated to the functioning of the IMI JU such as infrastructure, equipment and IT needs.

Title III covers the IMI JU's operational activities.

3.1.4. Procurement

The IMI JU is developing specific "IMI Guidelines for Procurement" that are foreseen to be adopted by Q2 2010.

3.2. Revenue

The Budgetary Authority (European Parliament and Council) approved the budget of the IMI JU of 81.920.000 € for 2009. IMI JU's revenue was set to 81.574.354 € after transfer from DG RTD and payment from EFPIA to IMI JU as autonomous body (16 November 2009).

The IMI JU asked and received 81.035.133 € from the Commission.

The difference of 539.221 € is coming from:

- 334.471 € of cash received cover the running costs for IMI JU Jan-Nov from EFPIA;
- 204.750 € was the 50% of the estimated payments December 2009 to be paid by EFPIA.

The IMI JU has set a close follow-up of the cash needs in order to make proper use of the credits granted by the European Parliament and Council and EFPIA.

3.3. Expenditure

3.3.1. TITLE I

3.3.1.1. *Chapter 11 and Chapter 12 – Staff in active employment and expenditures to Staff recruitments*

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
1 420 000	299 146	288 368	N/A	N/A	N/A
	22%	21%			

On 2009, the IMI JU employed 12 Temporary Agents. In January 2010 3 additional Temporary Agents and 1 Contract Agents will take up their duties. During 2010, other staff members (mainly Temporary agents) will be recruited. The recruitments will take place mainly in Q3 and Q4, due to limited office space in the temporary premises (Covent Garden). The IMI Staff Establishment Plan foresees that the IMI JU will have a total of 29 Temporary agents recruited by the end of 2010.

3.3.1.2. Chapter 13 – Missions and travel

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
50 000	803	803	10 000	10 000	0
	0.016%	0.016%		100%	0%

This chapter covers the costs incurred by the IMI staff during its missions (daily allowances and travel costs). During 2009, 6 administrative missions (by the Executive Director) took place and have been forward to the PMO services.

3.3.1.3. Chapter 14 – Socio-medical infrastructure

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
20 000	0	0	N/A	N/A	N/A
	0%	%			

This chapter covers the annual medical service costs and the staff training costs. No expenditures with the medical service have been charged to IMI JU as all medical checks necessary for recruitments were the responsibility of the European Commission under Art 16 the Council Regulation (n 73/2008 of 21/12/2007, OJ L30/38) setting up the IMI JU. In 2009, an SLA (Service Level Agreement) for training was concluded with DG ADMIN and charged under Chapter 26 to an amount of 3 082€

3.3.1.4. Chapter 17 – Entertainment and representation expenses

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
10 000	0	0	N/A	N/A	N/A
	0%	0 %			

This chapter covers IMI's expenditure related to obligations in respect to entertainment and representation.

3.3.2. TITLE II

3.3.2.1. Chapter 20 – Rental of buildings and associated costs

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
250 000	140 900	0	N/A	N/A	N/A
	56 %	0 %			

This chapter covers the renting cost of the IMI JU's premises and all associated expenditure (heating, cleaning, security and other expenditure on buildings). The IMI JU concluded an SLA (Service Level Agreement) with REA (Research Executive Agency) to benefit from a temporary office, Covent Garden COV2. The IMI JU together with the other Joint Undertakings, are in the midst of a public procurement procedure ("Kallas Procedures") to select a new office location. It is foreseen that the moving will take place on end Q3 2010.

3.3.2.2. Chapter 21 – Data processing

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
100 000	25 603	27 619	N/A	31 654	0
	26%	27 %		N/A	0%

This chapter covers the expenses related to the purchase and maintenance of data processing equipment and software. ABAC is accessible to IMI JU as a result of an SLA with DG BUDG. The total annual amount was signed and fully paid (25 000€) by DG RTD and subsequently charged as running costs of IMI JU.

3.3.2.3. Chapter 22 – Movable property and associated costs

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
20 000	25 000	0	N/A	N/A	N/A
	125%	0%			

This chapter covers equipment for documentation storage, archiving and mail handling, hiring of fax machines, photocopiers, rental of office furniture. The increased appropriation was needed to cover rental of office furniture's but the overall appropriation for running costs 3 276 800€ were never exhausted.

3.3.2.4. Chapter 23 – Current administrative expenditures

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
20 000	470	470	N/A	N/A	N/A
	2%	2%			

This chapter covers stationery and office supplies, bank expenses, legal expenses, damages, miscellaneous insurance, departmental removals and associated handlings and miscellaneous expenditures on internal meetings. Commitments for running costs were initiated by DGRTD and presented under Chapter 27 for the financial year 2009.

3.3.2.5. Chapter 24 – Postal expenses and Telecommunications

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
30 000	0	0	N/A	N/A	N/A
	0%	0%			

This chapter is related to expenditure on postal and delivery expenses, subscription expenses, cost of communication (telephone, internet, videoconferencing, data transmission,...) and all related equipment (purchase, maintenance, cabling of building,...). Commitments for running costs were initiated by DG RTD and presented under Chapter 27 for the financial year 2009.

3.3.2.6. Chapter 25 – Expenditures on formal meetings and other meetings with associated costs

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
30 000	90 000	0	60 000	60 000	8247
	100%	0%		100%	13.7%

This chapter covers formal meetings and expenses for experts invited (if entitled to reimbursement) to formal meetings organised by IMI JU. Formal meetings are with Governing Board, Scientific Committee and State Representative Group (SRG) as well as working groups created by IMI Governing Board. See further explanation under budget transfer 3.4.2

3.3.2.7. Chapter 26 – Running costs in connection with operational activities

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
600 000	252 677	71 596	N/A	N/A	N/A
	42%	12%			

This chapter covers running costs of functioning and set-up of the IMI JU, including costs of evaluations of projects related to the research activities.

3.3.2.8. Chapter 27 – Information, Communication and Publishing

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
650 000	29 281	29 281	N/A	N/A	N/A
	100%	100%			

This chapter covers the communication and information activities: here with the initial appropriation in Budget 2009 for Chapter 27 which was - other procurements see also 3.4.2 below.

Chapter 28 – Studies

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
0	0	0	N/A	N/A	N/A

This chapter is intended to cover the studies.

Chapter 29 – Experts contracts and meeting

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
0	316 048	377 841	N/A	1 210 948	335 701
	49%	58%		N/A	28%

This chapter covers the expert contracts and evaluation costs, see budget transfer 3.4.2

3.3.3. TITLE III

3.3.3.1. Chapter 30 – Operational activities

2009			2008		
Appropriations	Commitments	Payments	Appropriations	Commitments	Payments
78 643 200*	78 643 200	0	125 632 530	125 632 530	0
	100%			100%	

*) Including EFTA contribution 2.4%

This chapter covers all the expenses linked to the Research Agenda of IMI JU. The Global Commitment from 2008 covers Call 1 and Global Commitment 2009 covers Call 2.

3.4. TABLES

3.4.1. Budget outturn account

	2009
Revenue	
Commission subsidy DG RTD	81.035.133
EFPIA subsidy for running costs	539.221
Total revenue (a)	81.574.354
Expenditure	
Personnel expenses – Budget Title I	
Payments	289.171
Automatic carry-overs	0
Administrative expenses – Budget Title II	
Payments	506.808
Automatic carry-overs	0
Operational expenses – Budget Title III	
Payments	0
Automatic carry-overs	0
Total expenditure (b)	795.979
Outturn for the financial year (a-b)	80.778.375
Cancellation of unused carry-overs	838.935
Exchange differences for the year	0
Balance carried over from year N-1	0

Positive balance from year N-1 reimbursed in year N	0
Balance of the outturn account for the financial year	80.778.375

3.4.2. Budgetary transfers

During 2009, no budget transfer has been done between the Titles. However at the transfer from DG RTD 16 November 2009 existing commitments were charged to the different chapters in IMI JU's budget structure. In the DB 2009, Chapter 26 'running costs for setting up IMI JU' and Chapter 27 'Other Procurements' has been merged to only one Chapter – Chapter 26. Chapter 27 has been allocated to Communication and Information Activities. One additional Chapter was added, Chapter 29 to clearly define the costs for evaluation costs, experts' contracts and meetings. In the presentation of the budgetary execution in AAP 2009 this structure has been used and also in the DB 2010 and PDB 2011.

Chapter 25 had a commitment appropriation of 30 000€; RTD had only one budget line for running costs and overall appropriation for running costs 3 276 800€ were never exhausted. The commitment done by RTD for formal meetings (SRG and Press Event 14 September 2009) was - at time of transfer to IMI - booked to the appropriate budget line.

3.4.2.1. 2009-C1*

	Appropriations	Commitments	Not used (RAL)	Paid	To be carry-forwarded
Title I	1 536 000,00	299 949,00	1 236 051,00	289 171,00	1 236 051,00
Title II	1 740 800,00	879 979,00	860 821,00	506 808,00	860 821,00
Title III	78 643 200,00	78 643 200,00	0	0	78 643 200,00
TOTAL	81 920 000,00	79 823 128,00	2 096 872,00	795 979,00	80 740 072,00

*) Including EFTA contribution 2.4%

3.4.2.2. 2009-C8

	Carry-forward	Paid	To be cancelled
Title I	0	0	0
Title II	838 935,90	0	838 935,90
Title III	125 632 530,00	0	0
TOTAL	126 471 465,90	0	838 935,90

Title 1 and Title 2

The existing RAL from these titles 2 096 872 € may be moved to Title 3 due to IMIs Financial Rules. This issue will be submitted to the IMI JU founding members, the European Commission and EFPIA, at the first Governing Board meeting of 2010.

Title 3

Budget lines under Title 3 are differentiated budget lines. The differentiated budget lines are linked to funds source C1 for payment appropriations (PA) which are cancelled in the end of the current financial year.

On 15 December 2009, the IMI JU's Governing Board was informed and agreed to transfer unused payment appropriations (PA) from 2009 to 2010. The IMI JU has in the Draft Budget 2010 taken this transfer of PA into account and decreased the request for PA from initial 77.000.000 € to 20.000.000€ for Title 3 in 2010.