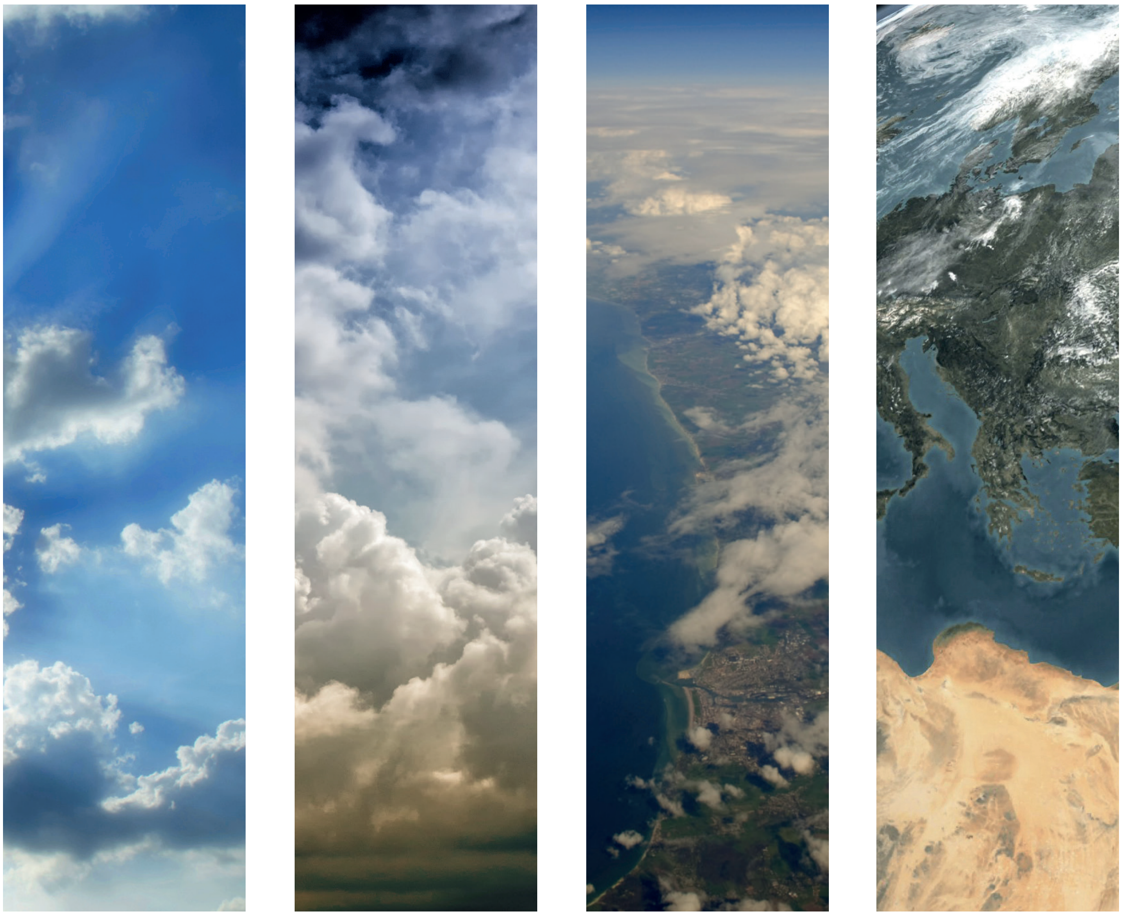
FINANCIAL STATEMENTS OF ACCOUNT 2016



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Introduction

The European Centre for Medium-Range Weather Forecasts

The European Centre for Medium-Range Weather Forecasts (ECMWF) is an independent intergovernmental organisation supported by 22 Member States and 12 Co-operating States. It was created by a Convention that came into force on 1 November 1975 and was amended on 6 June 2010. The governing bodies are the Council, the Director-General, and the Council's advisory committees, whose functions are defined in the Convention.

ECMWF is both a research institute and a 24/7 operational service, producing and disseminating numerical weather predictions to its Member States. This data is fully available to the national meteorological services in the Member States. The Centre also offers a catalogue of forecast data that can be purchased by businesses worldwide and other commercial customers. Other strategic activities include maintaining a data archive, assistance in advanced education and assistance to the World Meteorological organization (WMO) in implementing its programmes. The supercomputer facility (and associated data archive) at ECMWF is one of the largest of its type in Europe

ECMWF was established as a major initiative in European scientific and technical co-operation in meteorology, based on a high-performance computing facility (HPCF), a scientific and technical workforce, the production of medium-range weather forecasts, and related research and development. The collaborative aspect of ECMWF remains to this date a key to its success; our staff of 340 are from over 30 countries, and developing effective partnerships with meteorological services, universities and other organisations that help ECMWF to achieve its targets is a key priority. Establishing closer and more effective collaborations with leading institutions is helping the Centre to continue to develop its models and satisfy its users' increasing requirements

ECMWF's key duty to its Member and Co-operating States is to deliver timely, reliable and accurate global numerical weather predictions that meet each country's requirement

The audit of ECMWF's FSA

Audit Opinion of the External Auditor

We have audited the Financial Statements of ECMWF for the financial year ended 31 December 2016, consisting of the Statement of Financial Position; the Statement of Financial Performance; the Statement of Cash Flow; the Statement of Changes in Net Assets & Equity; and Notes and schedules to the Financial Statements.

The management of ECMWF is responsible for preparing Financial Statements in accordance with introduced IPSAS standards and ECMWF Financial Regulations. Management is also responsible for establishing adequate and functioning internal control systems to ensure that the Financial Statements are free of material misstatement due to fraud or error.

Our responsibility is to express an opinion on these Financial Statements. We conducted our audit based on internationally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. It also includes assessing the accounting principles used and significant estimates, as well as evaluating the overall Financial Statements presentation.

We consider that our audit provides a reasonable basis for concluding that, in our opinion, the Financial Statements give a true and fair view of the financial position of ECMWF as at 31 December 2016; its financial performance as disclosed and specified in the 2016 accounts and principal notes; its cash flow for the financial year ended 31 December 2016; and comply with the Financial Regulations of ECMWF.

Transactions recorded in the ECMWF accounts have in all material respect been made in accordance with budget provisions, the Financial Regulations, and the legislative authorities of the Centre.

Specific observations and recommendations are set out below in our Annual Report for 2016, which we issue in accordance with Article 2 (1.b) of the External Audit Agreement.

Signed at the Office of the Auditor General of Norway, Oslo, 31 March 2017

Tora Jarlsby
Director General

Johannes Heltne
Assistant Director General

Arild Anstensrud
Senior Audit Adviser

Bjørn Langerud
Assistant Director General

Director-General's Statement

The European Centre for Medium-Range Weather Forecasts (ECMWF) is an intergovernmental organisation whose primary purposes are the development of a capability for medium-range weather forecasting and the provision of medium-range weather forecasts to its Member and Co-operating States. ECMWF is supported by 34 States.

An amended Convention was entered into force on 6 June 2010, allowing new Member States to join ECMWF. Several Co-operating States have started the procedure to become a Member State, including Croatia whose conversion came into effect from 1 January 2016.

ECMWF's Council of Member States met on 28 February and 1 March 2017 in an extraordinary session to consider proposals to host ECMWF's future data centre which will be needed in 2019. It was agreed to open negotiations with the Italian Government to host the data centre in the 'Tecnopolo di Bologna' in Italy. A high level agreement will be considered for approval by Council at its next session.

This document contains the financial statements of ECMWF for the year ending 31 December 2016. It details the 2016 financial results, reconciliation of results between IPSAS and cash accounting and the auditors' opinion.

During 2016, there was a high degree of volatility in foreign exchange rates compared to sterling and in particular, the exchange rate of the euro. This was managed closely by the Centre and resulted in an overall surplus in the year. This will continue to be closely monitored during future years.

In order to comply with IPSAS 39, the Statement of Financial Position includes as a liability, the present value of £246.2m (2015: £187.5m) of any future pension and post-employment medical costs as calculated by the Centre's actuaries. This liability is partly offset by the Pension Investment Accounts of £39.9m and the whole of the liability is guaranteed by the Member and Co-operating States of the Centre.

In 2016, under IPSAS, the Centre produced an operating deficit of £1.67m. However, when the net finance costs are excluded, the Centre had a net accounting surplus for the period of £0.85m.

ECMWF's budget is still set on a cash basis and the Financial Statements include a reconciliation of the results under IPSAS and in cash terms. Under cash accounting, I am pleased to say that the Centre generated a surplus of £3.9m in 2016, which is available either for future investment or distribution to Member States according to a decision to be made by the Council in 2017.

Florence Rabier
Director-General

31 March 2017

Statement on Internal Financial Control

This Statement represents my assurance to Council that, as Director-General, I am satisfied that the Centre's finances are adequately controlled.

The Senior Management Team ensures an appropriate control environment is in place by clearly defining management responsibilities and powers, evaluating the systems in place to ensure compliance with those policies, plans, procedures, laws and regulations which could have significant impact on the organisation, formally monitoring progress against objectives and risk exposure relating to achievement of objectives and making informed decisions if necessary to steer performance back on track, keeping proper records, and safeguarding the assets of the organisation.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. It includes a comprehensive zero-based, bottom-up annual budget which is reviewed and agreed by the Council, and regular reviews by the Senior Management Team of quarterly Management Information Reports and annual financial reports which indicate performance against key financial and non-financial objectives.

ECMWF has a co-sourced internal audit function, which reports directly to the Audit Committee. This committee meets on a biannual basis to review reports prepared by Internal Audit and other departments. The head of Internal Audit in turn keeps the Centre's Management Team informed of the matters that have been considered, and day-to-day operations are reported to the Director-General.

The internal audit function operates in accordance with the "International Standards for the Professional Practice of Internal Auditing". An Internal Audit plan is approved by the Audit Committee. The work plan takes account of areas of potential risk identified.

The Internal Auditor provides the Audit Committee with biannual reports on assignments carried out. These reports highlight deficiencies or weaknesses, if any, in the system of internal financial control and the recommended corrective measures to be taken where necessary. They also include an overview of all audit recommendations and the progress in their implementation.

During 2016 the Centre procured external audit services for auditing the Financial Statements of Account from 2016 onwards amongst the Supreme Audit Institutions of its Member and Co-operating States in line with ISSAI 5000. The Council appointed the Office of the Auditor General of Norway as the Centre's external auditors for the financial years 2016-2019. This appointment of a supreme audit institution concludes the introduction of the "new model of control" as previously approved by the Council.

The Senior Management Team's monitoring and evaluating the effectiveness of the system of internal financial control is informed by the Internal Audit function and by the work of the Audit Committee.

Florence Rabier
Director-General

31 March 2017

Statement of Financial Performance for the year ended 31 December 2016

	Notes	2016	2015
		£	£
Revenue			
Member & Co-operating States' contributions		43,346,573	42,401,431
Taxes		8,148,974	7,455,124
Externally funded revenue		28,967,211	12,770,863
Sales of forecasts and data		6,141,908	4,721,544
Other operating revenue		30,840	30,257
Total Operating revenue		**86,635,506**	**67,379,219**
Expenditure			
Personnel costs[1,3]	15	27,318,559	25,986,915
Pension and post-employment benefits	12 & 15	7,153,421	6,834,382
Buildings expenditure	15	3,651,898	3,370,137
Computer expenditure	15	18,965,093	18,411,390
Other operating expenditure	15	4,453,047	3,632,830
Externally funded expenditure[1, 2]	15	24,242,444	10,094,819
Total operating expenditure		**85,784,462**	**68,330,473**
Operating surplus for the year from continuing operations		**851,044**	**(951,254)**
Finance income	16	725,827	137,849
Finance costs	16	(3,241,333)	(6,582,578)
Net deficits for the year from continuing operations		**(1,664,462)**	**(7,395,983)**
Net deficit for the year		**(1,664,462)**	**(7,395,983)**

[1] *These items of expenditure are inclusive of tax*
[2] *Externally funded expenditure includes optional programmes*
[3] *Personnel costs exclude staff whose posts are fully or partially directly externally funded. These costs are included in externally funded expenditure*

Statement of Financial Position as at 31 December 2016

	Notes	2016	2015
		£	£
ASSETS			
Current assets			
Cash and cash equivalents	4	37,088,743	20,998,862
Receivables	5	6,297,120	6,706,811
Prepayments and accrued revenue	6	6,784,282	7,405,645
Inventory	7	419,925	240,445
Total current assets		**50,590,070**	**35,351,763**
Non current assets			
Property, plant and equipment	8	16,011,136	17,307,419
Pension investment accounts	12	39,809,202	31,671,085
Total non current assets		**55,820,338**	**48,978,504**
TOTAL ASSETS		106,410,408	84,330,267
LIABILITIES			
Current Liabilities			
Payables	9	12,614,141	7,475,891
Pre financing	10	21,846,567	15,100,737
Deferred revenue	11	1,315,784	919,358
Total current liabilities		**35,776,492**	**23,495,986**
Non current liabilities			
Employee benefits	12	246,173,540	187,466,564
Total non current liabilities		**246,173,540**	**187,466,564**
TOTAL LIABILITIES		281,950,032	210,962,550
NET LIABILITIES		**(175,539,624)**	**(126,632,283)**
NET ASSETS / (EQUITY)			
General Reserve	13	2,394,996	2,394,996
Retained surpluses		(11,282,333)	(3,886,350)
Net surplus/(deficit) for the year		(1,664,462)	(7,395,983)
Actuarial adjustments		(73,638,970)	(26,396,091)
IPSAS adjustment reserve	14	(91,348,855)	(91,348,855)
TOTAL NET LIABILITIES		**(175,539,624)**	**(126,632,283)**

Statement of Cash Flow for the year ended 31 December 2016

	2016	2015
	£	£
Cash flow from operating activities		
Surplus/(deficit) from ordinary activities	(1,664,462)	(7,395,983)
Depreciation	3,416,984	2,835,175
Profit/(loss) on disposal of fixed assets	26,654	2,309
Finance costs for post-employment benefit (note 12)	3,220,407	6,311,896
Post-employment benefit	105,573	228,937
Decrease in receivables	409,691	1,169,954
Increase in inventories	(179,480)	56,821
Decrease in prepayments and accrued income	621,363	1,245,167
Increase in payables	5,138,250	2,647,004
Increase in pre-financing	6,745,830	5,318,770
Increase in deferred revenue	396,426	264,259
Net cash flow from operating activities	**18,237,236**	**12,684,309**
Cash flow from investing activities		
Purchase of fixed assets	(2,149,155)	(2,302,407)
Proceeds from sale of fixed assets	1,800	
Net cash flow from investing activities	**(2,147,355)**	**(2,302,407)**
Net increase/(decrease) in cash and cash equivalents	**16,089,881**	**10,381,902**
Cash and cash equivalents at the beginning of the year	20,998,862	10,616,960
Cash and cash equivalents at the end of the year	**37,088,743**	**20,998,862**

Statement of Changes in Net Assets/Equity for the year ended 31 December 2016

	General reserve	Retained surplus	Actuarial adjustments	Reserves arising on IPSAS adjustments	Total
	£	**£**	**£**	**£**	**£**
Balance At 1 January 2016	**2,394,996**	**(11,282,333)**	**(26,396,091)**	**(91,348,855)**	**(126,632,283)**
Deficit arising on recognition of employee benefit obligation for 2016			(47,242,879)		(47,242,879)
Net surplus/(deficit) for the year		(1,664,462)			(1,664,462)
Balance At 31 December 2016	**2,394,996**	**(12,946,795)**	**(73,638,970)**	**(91,348,855)**	**(175,539,624)**

Notes to the financial statements for the year ended 31 December 2016

1. Statement of Compliance and Basis of Preparation

ECMWF elected to adopt International Public Sector Accounting Standards (IPSAS) from 1 January 2012. On 11th November 2014, ECMWF signed a Delegation Agreement with the European Commission for provision of Copernicus services. Consequently, ECMWF introduced segmental accounts in 2014, in line with IPSAS 18 in order to separately identify the various streams of income and expenditure relating to Copernicus Services, as this is regarded as a significant segment of activity. For consistency purposes all externally funded streams of revenue and corresponding costs have also been separated by segment.

2. Accounting judgements and estimates

In the application of ECMWF's significant accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The key judgements management has made in preparing these financial statements are as follows:-

a) Estimated useful lives and depreciation rates of property, plant and equipment.
b) Actuarial assumptions in respect of the defined benefit pension and post- employment medical care schemes; and
c) Assessment of contract progression at the year-end date.

Basis of Accounting

The financial statements are prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

When the IPSASB does not prescribe any specific standard, IFRS and IAS are applied.

The financial statements have been prepared on a historical-cost and going-concern basis and accounting policies have been applied consistently throughout the period. The financial statements have been prepared on an accruals basis.

3. Significant Accounting Policies

The significant accounting policies are set out below:

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into the functional currency, sterling, at the exchange rates prevailing at the date of the Statement of Financial Position. Foreign currency transactions within the Sterling ledgers are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The addition of Copernicus services has led to the implementation of a Euro ledger in order to minimise unnecessary impact of foreign currency transactions. For reporting purposes, the transactions within the Euro ledger are translated at the average foreign exchange rate per month. Exchange gains and losses resulting from settlement of such transactions and from retranslation at the reporting date of assets and liabilities denominated in foreign currencies, are recognised in the Statement of Financial Performance.

Member and Co-operating States' contributions and contributions to optional programmes are payable in sterling. Revenue from Externally Funded Projects, Third Party Activities (including Copernicus), Sales of Forecasts and Data and other operating revenue is received in a number of currencies, principally euro.

Tangible Assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Where an asset (other than land and buildings) is acquired in a non-exchange transaction for a nil or nominal consideration the asset is initially recognised at fair value, where fair value can be reliably determined and as income in the Statement of Financial Performance.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to ECMWF and the cost of the item can be reliably measured. The carrying amount of a replaced item is derecognised. All repair and maintenance expenditure is charged to the Statement of Financial Performance during the financial period in which it is incurred.

Depreciation on assets is charged so as to write off the cost of assets less their residual value, other than land, over their estimated useful economic lives, using the straight line method on the following basis:

- Building improvements 15 – 50 years
- Infrastructure, Plant & Machinery
  - Fixtures and fittings 5 – 10 years
  - Technical equipment 5 – 10 years
  - Mechanical equipment 5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying values of tangible assets are reviewed for impairment if events or changes in circumstances indicate that they may be impaired. If any such indication exists, the recoverable amount of the asset will be estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged to the Statement of Financial Performance.

ECMWF occupies land and buildings provided by the Government of the United Kingdom (UK Government) at no cost under a Headquarters Agreement dated 11 October 1973 and amended 11 July 1997. In June 1999 the terms of the agreement were extended for a further 20 years.

The UK Government has sole title to the original land and buildings and under the terms of the agreement has responsibility for the maintenance of the exterior of the buildings with ECMWF responsible for the maintenance of the interior of the buildings. ECMWF has therefore, not recognised any value of these buildings in the Statement of Financial Position.

Notes to the financial statements for the year ended 31 December 2016 (continued)

ECMWF have built extensions to the existing buildings, financed by Member States' and Co-operating States' contributions. The Headquarters Agreement provides for the payment of a sum equivalent to the difference between the value of the premises with any new additions and new buildings and the value of the premises without the same at the end of the term of occupation. Therefore, depreciation on building improvements is based upon residual (estimated) values when the current Headquarters Agreement expires in 2019.

Inventories

Inventories are stated at the lower of cost and net realisable value on a first in first out (FIFO) basis. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution for those asset items that may be sold to third parties. These inventories relate to the stock of unused tapes which will form part of the Centre's data archive and which, once used, are expensed in the Statement of Financial performance.

Receivables

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. No allowances are made for loss with regard to contributions receivable from Member and Co-operating States, except for exceptional and/or technical reasons sanctioned by the Council. For all other receivables, an allowance for irrecoverable amounts will be based on a review of outstanding amounts at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank and term deposits.

Provisions

Provisions exist when a liability arising from a past event exists, for which it is probable that an economic outflow will occur. Provisions are calculated using the management's best estimation of the expenditure required to settle the obligation at the reporting date.

Employee benefits/pension obligations

ECMWF operates two defined-benefit pension schemes and a post-employment medical care scheme. The International Service for Remunerations and Pensions (ISRP), in its capacity as the Centre's actuary, performs annual calculations of liabilities for the defined benefit and post-employment medical care schemes, which are recognised in the financial statements.

The annual actuarial valuations are carried out using the Projected Unit Credit Method, which attributes an additional unit of benefit entitlement for each period of service. Each unit is measured separately until the final obligation is constituted.

ECMWF's employee benefit obligations are partially funded by assets held separately and are distinct from all other assets of ECMWF. Historically, the cost of pensions was provided for each year on a pay-as-you-go basis, in common with many public sector bodies across Europe. However, since 2011, the Centre has set aside funds each year to cover the full cost of its pension obligations for that year as determined by its actuaries, as well as some additional funds to reduce its overall long-term liability. The remainder of benefit is supported by Member States' obligations under the ECMWF convention.

Actuarial gains and losses are accounted for in compliance with IPSAS 39 and are recognised in the period during which they occur. They are recognised as a separate item directly in the Net Assets/Equity as per IPSAS 39.

Notes to the financial statements for the year ended 31 December 2016 (continued)

Revenue recognition

ECMWF has several sources of revenue, which are accounted for as follows:

(a) Member and Co-operating States' contributions:
Member and Co-operating States' contributions are recognised in the period to which they relate.

(b) Other income from Member and Co-operating States:
Other income from Member and Co-operating States is recognised in the period to which it relates. This includes income from Optional Programmes.

(c) Income from Sales of Forecast and Data:
Income from the sales of forecasts and data is recognised in the period to which the revenues relate.

(d) Income from Externally Funded Projects (EFP) and Third Party Activities (TPA) excluding Copernicus (COP):
Income from Externally Funded Projects is recognised in line with contractual arrangements. For contracts spanning more than one accounting/reporting period, income is recognised on the basis of costs incurred in the period plus associated contracted mark-up.

(e) Income from Third Party Activities: Copernicus (COP):
Income from Copernicus Third Party Activity is recognised in line with the signed Delegation Agreement. Income related to industrial activities is recognised on the basis of associated direct costs incurred in the period, and fee income in line with that agreed in the Delegation Agreement.

Leases

Assets acquired under finance leases are included in fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. Lease payments are apportioned between the finance element, which is charged in the Statement of Financial Performance, and the capital element, which reduces the lease creditor. ECMWF did not have any finance leases in the period.

Leases in which a significant proportion of the risks and rewards are retained by the lessor are classified as operating leases. Operating lease rentals are recognised as an expense in the Statement of Financial Performance on the basis at which value is received by the organisation.

Should ECMWF invoke a liquidated damages clause in a contract, the costs of the lease for the period are reduced by the amount receivable/received.

Notes to the financial statements for the year ended 31 December 2016 (continued)

Financial risk management

ECMWF seeks to minimise its exposure to financial risk and has developed risk-management strategies in accordance with its Financial Regulations. ECMWF is exposed to a variety of financial risks, including foreign exchange, interest rate, liquidity and credit risks. ECMWF does not make use of financial derivatives to hedge foreign exchange risk exposures.

(a) *Foreign exchange risk*

ECMWF receives income from Externally Funded Projects, Sales of Forecast and Data and third party activities in currencies other than sterling and is, therefore, exposed to foreign exchange risks arising from fluctuations in currency rates.

Foreign exchange gains and losses resulting from settlement, or translation of year end monetary balances denominated in foreign currencies are recognised in the Statement of Financial Performance.

Foreign exchange gains and losses are presented within other finance costs in the Statement of Financial performance.

The delegation agreement signed with the European Commission for the provision of Copernicus Services is agreed in Euro. In order to minimise foreign exchange risk, all third party procurements agreed with be denoted in Euro and this will account for just over 70% of the total project income over the seven year period. Furthermore costs incurred by ECMWF are reimbursed on a regular basis to minimise large fluctuations on foreign exchange rates between the date incurred and the date reimbursed.

(b) *Interest rate risk*

Interest rate risk arises from the impact of changes in the interest rates on the value of financial assets and obligations. ECMWF's exposure to interest rate risk is limited to the interest receivable on its bank deposits, pension assets and Member and Co-operating States' contributions.

(c) *Liquidity risk*

ECMWF's Financial Regulations permit it to utilise bank credit facilities in case of liquidity requirements.

(d) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge on obligations and cause the other party to incur a financial loss. ECMWF is exposed to credit risk in its accounts receivable.

ECMWF has limited credit risk as its exposure is principally to sovereign states, the European Union and other international organisations.

Notes to the financial statements for the year ended 31 December 2016 (continued)

4. Cash and cash equivalents	2016	2015
	£	£
Cash in hand	5,984	10,257
Current accounts	4,143,283	1,135,368
Deposit accounts	2,868,662	5,401,273
Project bank accounts	55,338	1,618,601
Third Party activity bank account*	30,015,476	12,833,363
	37,088,743	20,998,862

*Cash received in advance from the European Commission for Copernicus Services

5. Receivables*	2016	2015
Member States' debtors; contributions	367,307	68,867
Co-operating States' debtors; contributions	18,466	193,363
Member States' debtors; other items	835,481	878,014
Co-operating States' debtors; other items	3,177	13,852
Sales of forecast and data debtors	905,991	464,088
VAT and other taxes	2,814,533	3,391,334
External project funding receivables	1,331,745	1,677,377
Miscellaneous receivables	20,420	19,916
	6,297,120	6,706,811

*Receivables shown are net of debt provision

6. Prepayments and accrued revenue	2016	2015
HPC prepaid expense	3,596,250	5,651,250
Other prepaid expenses	3,186,633	1,754,395
Accrued revenue; forecasts and data	1,399	-
	6,784,282	7,405,645

7. Inventories	2016	2015
Archive data media	419,925	240,445
	419,925	240,445

Notes to the financial statements for the year ended 31 December 2016 (continued)

8. Property Plant & Equipment

	Land	Building Improvements	Infrastructure, Plant & Machinery	2016
	£	£	£	£
Cost				
At 1 January 2016	750,000	7,685,173	27,149,440	35,584,613
Additions		184,000	1,965,155	2,149,155
Disposals			(1,553,653)	(1,553,653)
At 31 December 2016	750,000	7,869,173	27,560,942	36,180,115
Accumulated Depreciation				
At 1 January 2016	-	1,805,315	16,471,879	18,277,194
Disposals			(1,525,199)	(1,525,199)
Charge for the period		225,860	3,191,124	3,416,984
At 31 December 2016	-	2,031,175	18,137,804	20,168,979
Net book value				
At 1 January 2016	750,000	5,879,858	10,677,561	17,307,419
At 31 December 2016	750,000	5,837,998	9,423,138	16,011,136

Should ECMWF'S data centre re-locate in 2020, this may result in some assets requiring write off at this time. When a contract has been signed for the re-location of the data centre, ECMWF will account for any accelerated depreciation on these assets.

9. Payables

9. Payables	2016	2015
	£	£
Suppliers and accrued charges	8,266,015	2,907,560
Co-operating States' debtors	-	-
Members States' Fund	3,394,950	3,976,479
Provisions	664,333	440,864
Other payables	288,843	150,988
	12,614,141	7,475,891

10. Pre financing

10. Pre financing	2016	2015
External project funding received in advance	2,906,125	3,338,230
Externally funded projects - coordinator account	55,337	1,619,139
Third Party Copernicus funding received in advance*	18,885,105	10,143,368
	21,846,567	15,100,737

*relates to pre-finance monies received from European Commission for provision of Copernicus Services, net of costs incurred

11. Deferred revenue

11. Deferred revenue	2016	2015
Deferred revenue; sales of forecasts and data	1,315,784	919,358
	1,315,784	919,358

Notes to the financial statements for the year ended 31 December 2016 (continued)

12. Employee benefits

Defined-benefit schemes

At 31 December 2016, the main actuarial assumptions used to calculate the defined-benefit liability (expressed as weighted averages) were:

	Pension benefits	Post-employment medical care
	%	%
Discount rates	2.70	2.76
Future salary increases	1.96	0.00
Future pension scheme increases	1.96	0.00
Medical costs inflation	0.00	3.69

	Pension benefits	Post-employment medical care	Total
	£	£	£
Present value of obligation at 01/01/2016	174,112,076	13,354,488	187,466,564
Interest cost	6,645,229	511,468	7,156,697
Current service cost	9,392,008	522,167	9,914,175
Benefits paid	(5,084,146)	(522,629)	(5,606,775)
Actuarial (gains)/ losses on obligation	42,392,768	4,850,111	47,242,879
Net liability recognised in Statement of Financial Position	**227,457,935**	**18,715,605**	**246,173,540**

Movement in Pension Investment Accounts	**2016**
Opening value of investment account at 01/01/2016	31,671,085
Return on investment during the period	3,936,290
Contributions by employer during the period	6,858,576
Contributions by staff & validation of pension rights during the period	2,427,397
Benefits paid during the period	(5,084,146)
Net asset recognised in Statement of Financial Position at 31/12/2016	**39,809,202**

12. Employee benefits (continued)

Amounts recognised in the Statement of Financial Performance are as follows:

	Pension benefits	Post-employment medical care	Total
Pension and post-employment benefits	**£**	**£**	**£**
Current service cost	9,392,008	522,167	9,914,175
Staff contributions	(2,256,219)		(2,256,219)
Validation of pension rights	(171,178)		(171,178)
Benefits paid		(522,629)	(522,629)
Insurance premium paid		189,272	189,272
	6,964,611	188,810	7,153,421
Finance costs for post-employment benefit			
Interest on obligation	6,645,229	511,468	7,156,697
Increase in value of scheme assets in the year	(3,936,290)		(3,936,290)
	2,708,939	511,468	3,220,407

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee services in the current period.

Interest on obligation is the increase during the period in the present value of the defined-benefit obligation which arises because the benefits are one period closer to settlement.

13. General Reserve

	Opening Balance	Closing Balance
	£	**£**
General Reserve	2,394,996	2,394,996

14. IPSAS adjustment reserve

	2012
The surplus arising from IPSAS adjustments are analysed as follows:	**£**
Net book value of infrastructure, plant and machinery at 1 January 2012	9,497,464
Net book value of land and buildings at 1 January 2012	7,439,160
	16,936,624
Net book value of inventories at 1 January 2012	530,430
Provision for leave not taken at 1 January 2012	(355,612)
Net employee benefits at 1 January 2012	(108,460,297)
	(91,348,855)

Notes to the financial statements for the year ended 31 December 2016 (continued)

15. Expenditure	2016	2015
	£	£
Personnel costs		
Salaries and benefits	19,785,729	19,111,170
Other personnel costs (incl. training)	1,680,736	1,165,259
Taxes	5,852,094	5,710,486
Total personnel costs	**27,318,559**	**25,986,915**
Total pension and post-employment benefits	**7,153,421**	**6,834,382**
Buildings expenditure		
Installations and alterations	32,999	40,839
Rental and local taxes	347,333	26,599
Water, gas and electricity	2,761,727	2,749,869
Maintenance, cleaning and security	509,839	552,830
Total buildings expenditure	**3,651,898**	**3,370,137**
Computer expenditure		
Purchases	2,835	6,383
Hiring and leasing	13,006,991	12,436,064
Maintenance and repair	4,100,161	4,089,209
Delivery and installation	14,930	15,840
Supplies - computer and associated equipment	812,788	766,644
Telecommunications network	1,027,388	1,097,250
Total computer expenditure	**18,965,093**	**18,411,390**
Other operating expenditure		
Furniture and equipment	32,342	41,149
Stationery, supplies, etc.	86,963	63,671
Postal, delivery, comms, etc.	55,805	57,503
Miscellaneous insurances	167,067	161,898
Publications and training	411,968	279,698
Governing bodies	141,341	46,100
Expert fees	50,811	23,706
Depreciation	3,416,984	2,835,175
Bad debt provision	19,610	77,625
Other expenditure	70,156	46,305
Total other operating expenditure	**4,453,047**	**3,632,830**
Externally Funded Projects	3,347,219	3,139,493
Externally Funded Projects tax	982,931	846,872
Optional Programmes	176,584	107,522
Optional Programmes tax	71,334	55,607
Third Party Activities	732,493	565,182
Third Party Activities tax	137,402	149,006
Copernicus	17,689,268	4,537,983
Copernicus tax	1,105,213	693,154
Total externally funded expenditure	**24,242,444**	**10,094,819**
Total expenditure	**85,784,462**	**68,330,473**

Notes to the financial statements for the year ended 31 December 2016 (continued)

15. Expenditure (continued)

Internal tax:

Article 15 of the protocol states "…….the staff members of the Centre shall, within the limits provided for in this Protocol, be subject to a tax for the benefit of the Centre on salaries, wages and emoluments paid by the Centre". The Centre, therefore, deducts an "internal" tax from all salaries paid to staff. This "internal" tax deducted is treated as income by the Centre.

Staff salaries are quoted net of tax and grossed up prior to payment where upon Centre tax is then deducted. This grossed-up amount is shown in personnel costs (including personnel costs within Externally Funded Projects, Optional Programmes and Third Party Activities).

15. Expenditure (continued)	2016	2015
	£	£
Revenue		
Internal tax	8,148,974	7,455,124
Total tax included in revenue	8,148,974	7,455,124
Expenditure		
Tax included in personnel	5,852,094	5,710,486
Tax included in externally funded projects	982,931	846,872
Tax included in Optional Programmes	71,334	55,607
Tax included in Third Party Activities	137,402	149,006
Tax included in Copernicus	1,105,213	693,153
Total tax included in expenditure	**8,148,974**	**7,455,124**

16. Finance Costs	2016	2015
	£	£
Interest income from overdue contributions	6,962	63,907
Interest income from bank	85,193	73,942
Net foreign exchange income	633,672	
Total finance income	**725,827**	**137,849**
Net foreign exchange cost		251,479
Pension and post-employment benefit costs (note 12)	3,220,407	6,311,896
Bank charges	20,926	19,203
Total finance costs	**3,241,333**	**6,582,578**

Notes to the financial statements for the year ended 31 December 2016 (continued)

17. Segment reporting – Statement of Financial Performance

IPSAS 18 'Segment Reporting' requires entities to report on segments on a basis appropriate for assessing the entity's past performance in achieving the objectives and for making decisions about the future allocation of resources.

The Centre has a clear objective to provide the best possible forecast products to its Member States.

The following activities have been separated by segment:

- Core Activities
- Externally Funded Projects
- Optional Programme
- Third Party Activities – excluding Copernicus
- Third Party Activities – Copernicus only

Additional information is available in Notes 25 & 26.

18. Reconciliation of IPSAS financial reporting to cash results.

The following table combines IPSAS and cash financial reporting. The significant aspect of the financial reporting under IPSAS is the application of the accrual accounting principle with regard to expenses and revenues, pension benefits and other personnel costs, fixed assets and related depreciation. Cash accounting is based on recognition of transactions when there are cash movements.

In order to reconcile this to the cash results, differences between accrual and cash accounting need to be taken into account. These differences can be attributable to timing, or they can constitute permanent differences. The most significant of these differences are the following:

(a) In cash accounting, revenue is required to cover all committed expenditures. In accrual accounting, revenue and expenses include amounts accruing for the reporting period, other committed expenses or revenue are treated as deferred.

(b) In cash accounting, capital expenditures are recorded as current-year expenses. In accrual accounting, the expense is capitalised and depreciated over the useful lives of the assets. The capital expenditure and associated depreciation are recorded at their net value as assets in the Statement of Financial Position. Depreciation expense in the year is recorded in the Statement of Financial Performance.

(c) In accrual accounting, the expense for both pensions and post-employment health cover is estimated by an actuary in accordance with a methodology set out in accounting standard IPSAS 25. The pension and post-employment medical care benefits obligation is reported in the Statement of Financial Position as detailed in note 12.
In cash accounting, pension and post-employment medical care scheme expenditure is accounted for on a pay-as-you-go basis. For pension benefits, the budgetary contributions are estimated on an actuarial basis to represent the long-term cost of the benefits provided.

Notes to the financial statements for the year ended 31 December 2016 (continued)

The following table shows the reconciliation of IPSAS financial reporting to cash results:

	2016	2015
	£	£
Net deficit for the year from continuing operations as per the Statement of Financial Performance	(1,664,462)	(7,395,983)
Adjustment for assets capitalised in the year	(2,149,155)	(2,302,407)
Adjustment for depreciation in the year	3,416,984	2,835,175
Adjustment for spend against commitments brought forward from 2015	2,131,058	2,092,318
Adjustment for commitments carried forward to 2017	(2,741,923)	(2,131,058)
Adjustment for finance costs for post-employment benefit (note 12)	3,220,407	6,311,896
Adjustment for post-employment benefit	105,824	228,937
Adjustment for accruals	363,209	(83,472)
Adjustment for prepayments	(385,625)	(277,562)
Adjustment for HPC prepayment	1,046,000	1,046,000
Adjustment for change in inventory	(179,480)	56,821
Other IPSAS timing differences	725,360	250,538
Revenue and expenditure account surplus per cash accounts	**3,888,197**	**631,203**

19. Contingencies and capital commitments

ECMWF has no contingent assets and no quantifiable contingent liabilities at 31 December 2016

ECMWF has contracted capital expenditure of £1,352,761 in 2016 (2015: £956,154) but not yet incurred as at 31 December 2016.

Notes to the financial statements for the year ended 31 December 2016 (continued)

20. Operating lease commitments	2016	2015
	£	£
Within 1 year		
HPC service contract[1]	11,098,915	11,172,915
Reading Enterprise Centre[2]	324,000	243,000
Konica Minolta Business Solutions[3]	11,558	
Konica Minolta Business Solutions[3]	4,805	
Interoute Communications - One Video Connect[4]	6,180	
Interoute Communications - SmartPoint Screen[4]	4,680	
In 2 to 5 years inclusive		
HPC service contract[1]	31,281,860	42,380,775
Reading Enterprise Centre[2]	1,012,500	1,336,500
Konica Minolta Business Solutions[3]	19,264	
Konica Minolta Business Solutions[3]	8,008	
Interoute Communications - One Video Connect[4]	9,785	
Interoute Communications - SmartPoint Single[4]	5,070	
	43,786,625	55,133,190

1. A contract was entered into during 2013 with Cray UK Ltd and this covers the operational period of the High Performance Computer from 1 October 2014 to 30 September 2018 (initially agreed as 1 July 2014 - 30 June 2018 and subsequently moved by 3 months). In 2015, this lease was extended until 30 September 2020.
2. A rental agreement was entered into during 2015 with The University of Reading to provide accommodation at Reading Enterprise Centre for 5 years from 1 January 2016 to 30 December 2020, with break clauses after 1 and 3 years.
3. 2 lease agreements were entered into during 2016 with Konica Minolta Business Solutions Ltd for 36 months, from 5th September 2016 to 18th September 2019, one for photocopier rental and the other for cards readers and print management software.
4. 2 lease agreements were entered into during 2016 with Interoute Communications Ltd for 2 Video Conferencing Smartpoint Screens; 1 from February 2016 and 1 from July 2016.

21. Personnel

The average number of personnel employed by the Centre in 2016 was 315 (2015: 283).

22. Key management personnel

ECMWF was established by a Convention that entered into force on 1 November 1975 (amended June 2010). The organisational structure of ECMWF comprises the Council and the Director-General with six committees assisting this structure.

In accordance with IPSAS 20 'Related Party Disclosures' key management personnel have been identified as follows:

- Director-General and other directors
- Senior managers

The aggregate remuneration for those key management personnel was as follows:

	Number of individuals 2016	Aggregate 2016	Number of individuals 2015	Aggregate 2015
		£		£
The Director-General and other directors	6	995,418	6	963,342
Senior managers	6	1,069,776	6	1,055,328
Total key management personnel	12	**2,065,194**	12	**2,018,670**

There was no other remuneration or compensation to key management personnel or their close family members.

23. Related party transactions

There were no material transactions with related parties during the year 2016.

There were no loans to key management personnel or their close family members that were not available to other categories of staff.

Due to its status as an international organisation and the rules of its Convention, the Centre does not consider its Member States to be related parties.

24. Statement of Financial Performance by Segment

	Notes	Core Activities		Externally Funded Projects		Optional
		2016 £	2015 £	2016 £	2015 £	2016 £
Revenue						
Member & Co-operating States' Contributions		43,346,573	42,401,431			
Externally funded revenue		-	-	4,620,011	3,502,358	215,237
Management fee for Copernicus Services**						
Sales of forecasts and data		6,141,908	4,721,544			
Other operating revenue		30,840	30,257			
Total operating revenue excluding taxes		**49,519,321**	**47,153,232**	**4,620,011**	**3,502,358**	**215,237**
Taxes						
Total operating revenue including Taxes						
Expenditure						
Personnel costs	15	21,466,465	20,276,429	3,199,444	2,783,630	176.584
Pension and post-employment benefits	12 & 15	7,153,421	6,834,382			
Buildings expenditure	15	3,651,898	3,370,137			
Computer expenditure	15	16,275,203	16,824,803	127,770	37,900	
Other operating expenditure	15	44,53,047	3,632,830	20,003	317,963	
Procured Industrial Activities						
Total expenditure excluding taxes		**53,000,034**	**50,938,582**	**3,347,217**	**3,139,493**	**176.584**
Taxes						
Total operating expenditure including taxes						
Operating surplus for the period from continuing operations						
Finance income						
Finance costs	16					
Net deficits for the period from continuing operations						
Net deficit for the period						

Notes: Costs which are directly attributable to these activities are allocated to Segments. Support costs are allocated to Core, however the rev
** Costs are classified according to segment and in some cases may vary in classification to that on the Statement of Financial Performance*
*** Management fee for Copernicus Services received by ECMWF, to cover support costs in line with the Copernicus Delegation Agreement.*

Programme	Third Party Activities (excluding Copernicus)		Third Party Activities (Copernicus only)		ECMWF Consolidated*	
2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
					43,346,573	42,401,431
133,440	960,832	734,934	20,894,819	6,434,789	26,690,899	10,805,521
			2,276,312	1,965,342	2,276,312	1,965,342
					6,141,908	4,721,544
					30,840	30,257
133,440	**960,832**	**734,934**	**23,171,131**	**8,400,131**	**78,486,532**	**59,924,095**
					8,148,974	7,455,124
					86,635,506	**67,379,219**
107,522	536,218	499,115	3,914,294	2,648,691	29,293,005	26,315,387
					7,153,421	6,834,382
					3,651,898	3,370,137
	37,144		2,708,158	1,685,817	19,148,274	18,548,521
	159,131	66,067	28,818	51,135	4,660,999	4,067,995
			13,727,891	1,738,927	13,727,891	1,738,927
107,522	**732,493**	**565,182**	**20,379,161**	**6,124,570**	**77,635,488**	**60,875,349**
					8,148,974	7,455,124
					85,784,462	**68,330,473**
					851,044	**(951,254)**
					725,827	137,849
					(3,241,333)	(6,582,578)
					(1,664,462)	**(7,395,983)**
					(1,664,462)	**(7,395,983)**

enue received is still shown in the relevant segment.

25. Statement of Financial Position by Segment as at 31 December 2016

		Core Activities		Externally Funded Projects		Optional
	Notes	2016	2015	2016	2015	2016
		£	£	£	£	£
Assets						
Current Assets						
Cash & cash equivalents	5	6,999,346	6,529,548	55,338	1,618,601	
Receivables	6	4,961,965	5,021,467	1,331,745	1,677,378	
Prepayments and accrued revenue	7	5,558,914	7,142,112			
Inventory	8	419,925	240,445			
Total current assets		**17,940,150**	**18,933,572**	**1,387,083**	**3,295,979**	**-**
Non-current assets						
Property, plant and equipment	9	16,011,136	17,307,419			
Pension investment accounts		39,809,202	31,671,085			
Total non-current assets		**55,820,338**	**48,978,504**		**-**	**-**
TOTAL ASSETS		**73,760,488**	**67,912,076**	**1,387,083**	**3,295,979**	**-**
LIABILITIES						
Current liabilities						
Payables	10	6,715,799	5,577,648			
Prefinancing		55,336	1,619,139	2,906,126	3,026,507	
Deferred revenue	11	1,315,784	919,358			
Total current liabilities		**8,086,919**	**8,116,145**	**2,906,126**	**3,026,507**	**-**
Non-current liabilities						
Employee benefits		246,173,540	187,466,564			
Total non-current liabilities		**246,173,540**	**187,466,564**		**-**	**-**
TOTAL LIABILITIES		**254,260,549**	**195,582,709**	**2,906,126**	**3,026,507**	
NET LIABILITIES		**(180,499,971)**	**(127,670,634)**	**(1,519,043)**	**269,472**	**-**
General reserve	13					
Retained surpluses						
Net surplus/(deficit) for the period						
Actuarial adjustments						
IPSAS adjustment reserve	14					
TOTAL NET LIABILITIES						

	Programme	Third Party Activities (excluding Copernicus)		Third Party Activities (Copernicus only)		ECMWF Consolidated	
	2015	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	£	**£**	**£**	**£**	**£**	**£**	**£**
				30,034,059	12,850,713	37,088,743	20,998,862
				3,410	7,966	6,297,120	6,706,811
				1,225,368	263,533	6,784,282	7,405,645
						419,925	240,445
	-	**-**	**-**	**31,262,837**	**13,122,212**	**50,590,070**	**35,351,763**
						16,011,136	17,307,419
						39,809,202	31,671,085
	-	**-**	**-**	**-**	**-**	**55,820,338**	**48,978,504**
	-	**-**	**-**	**31,262,836**	**13,122,212**	**106,410,408**	**84,330,267**
				5,898,342	1,898,243	12,614,141	7,475,891
	209,286		102,437	18,885,105	10,143,368	21,846,567	15,100,737
						1,315,784	919,358
	209,286	**-**	**102,437**	**24,783,447**	**12,041,611**	**35,776,492**	**23,495,986**
						246,173,540	187,466,564
	-	**-**	**-**	**-**	**-**	**246,173,540**	**187,466,564**
	209,286		**102,437**	**35,919,462**	**12,041,611**	**281,950,032**	**210,962,550**
	(209,286)	**-**	**(102,437)**	**6,479,220**	**1,080,601**	**(175,539,624)**	**(126,632,283)**
						2,394,996	2,394,996
						(11,282,333)	(3,886,350)
						(1,664,462)	(7,395,983)
						(73,638,970)	(26,396,091)
						(91,348,855)	(91,348,855)
						(175,539,624)	**(126,632,283)**

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