European GNSS Agency

ADOPTED
by the GSA Administrative Board

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ANNUAL ACCOUNTS

2012

EUROPEAN GNSS AGENCY

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PRINCIPAL EVENTS AND KEY POINTS

The most significant event in 2012 was the relocation of the GSA's headquarters to Prague, Czech Republic, as of 1 September 2012. The official announcement of the move was made by the Executive Director on 16 December 2011. In practical terms, the relocation was prepared within eight months and unarguably was a success without causing any disruption to the daily operations of the GSA.
Part of the GSA staff remained located in Brussels awaiting relocation to other GSA sites in France and UK in 2013.

In 2012, a Delegation Agreement was signed between the European Commission and the GSA - Delegation Agreement on the Implementation of tasks related to the preparation of the exploitation phase of the European GNSS programmes and the support to the Commission application plan with total delegated funds amounting to 34,4 million euro.

In connection with the implementation of the 7th Framework programme for research, technological development and demonstration activities and the respective Delegation Agreement signed between the GSA and the European Commission, 39 grant agreements were signed and projects launched in 2012.

FINANCIAL STATEMENTS 2012

EUROPEAN GNSS AGENCY

Statement of Financial Position

	Note	31.12.2012	31.12.2011
I. NON CURRENT ASSETS		**959,548.27**	**204,393.00**
Intangible assets	4	45,166.33	13,234.00
Property, plant and equipment	5	914,381.94	191,159.00
II. CURRENT ASSETS		**28,190,144.98**	**36,543,882.46**
Short-term pre-financing	6	5,154,370.89	1,195,656.88
Short-term receivables	7	1,330,634.86	194,777.01
Cash and cash equivalents		21,705,139.23	35,153,448.57
TOTAL ASSETS		**29,149,693.25**	**36,748,275.46**
III. NON-CURRENT LIABILITIES		-	-
IV. CURRENT LIABILITIES		**26,106,442.95**	**36,868,892.16**
Provisions for risks and charges	9	139,884.16	29,043.30
Accounts payable third parties	8	3,608,901.14	1,380,936.93
Accounts payable with consolidated entities	8	18,801,012.55	28,319,110.86
Accrued charges	8	3,556,645.10	7,139,801.07
V. NET ASSETS/LIABILITIES		**3,043,250.30**	**- 120,616.70**
Accumulated result		- 120,616.70	7,761,498.07
Economic outturn for the year		3,163,867.00	- 7,882,114.77
TOTAL NET ASSETS AND LIABILITIES		**29,149,693.25**	**36,748,275.46**

Economic Outturn Account for the year

	Note	2012	2011
OPERATING REVENUE			
Subsidy from the European Commission	11	12,861,331.81	7,490,041.41
Accrued income from assigned revenue	12	16,554,245.08	17,178,709.22
Other operating revenue	13	994,252.01	251.08
TOTAL OPERATING REVENUE		**30,426,763.36**	**24,669,001.71**
OPERATING EXPENSES			
Operational expenses	14	17,118,928.50	22,059,365.90
Staff expenses	15	4,694,404.96	3,528,215.46
Depreciation/amortization		194,264.53	81,434.76
Other administrative expenses	16	5,255,416.82	2,533,102.69
TOTAL OPERATING EXPENSES		**27,263,014.81**	**28,202,118.81**
SURPLUS/DEFICIT FROM OPERATING ACTIVITIES		**3,163,748.55**	**-3,533,117.10**
Financial revenues	13	3,596.68	50,278.87
Financial expenses		- 3,478.23	-171.54
SURPLUS/DEFICIT FROM NON-OPERATING ACTIVITIES		**118.45**	**50,107.33**
ECONOMIC RESULT FOR THE YEAR		**3,163,867.00**	**-3,483,009.77**

Statement of Changes in Net Assets/Liabilities

Net assets	Accumulated Surplus/Deficit	Economic Outturn of the year	Total net assets/liabilities
Balance as of 31 December 2011	**7,761,498.07**	**-7,882,114.77**	**-120,616.70**
Changes in accounting policies			
Balance as of 31 December 2011 (if restated)	**7,761,498.07**	**- 7,882,114.77**	**- 120,616.70**
Allocation of economic result of previous year	-7,882,114.77	7,882,114.77	0.00
Economic outturn for the year		3,163,867.00	3,163,867.00
Balance as of 31 December 2012	**-120,616.70**	**3,163,867.00**	**3,043,250.30**

Statement of Cash Flow for the year

	2012	2011
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	**3,163,867.00**	**-3,483,009.77**
Operating activities		
Adjustments		
Amortization (intangible fixed assets)	10,585.53	21,423.00
Depreciation (tangible fixed assets)	183,030.00	60,011.76
Gains/losses on disposal of tangible assets	649.00	-
Increase/(decrease) in Provisions for risks and liabilities	110,840.86	29,043.30
(Increase)/decrease in Long term Pre-financing (Increase)/decrease in Short term Pre-financing	-3,958,714.01	7,269,288.10
(Increase)/decrease in Long term Receivables (Increase)/decrease in Short term Receivables	-1,135,857.85	450,537.60
(Increase)/decrease in Receivables related to consolidated EU entities		
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	-1,355,191.76	-1,175,647.43
Increase/(decrease) in Liabilities related to consolidated EU entities	-9,518,098.31	11,013,375.41
Net cash Flow from operating activities	**-12,498,889.54**	**14,185,021.97**
Cash Flows from investing activities		
Investing activities		
Adjustments		
Increase of tangible and intangible fixed assets	-949,419.80	-32,337.76
Proceeds from tangible and intangible fixed assets		
Net cash flow from investing activities	**-949,419.80**	**-32,337.76**
Net increase/(decrease) in cash and cash equivalents	-13,448,309.34	14,152,684.21
Cash and cash equivalents at the beginning of the period	35,153,448.57	21,000,764.36
Cash and cash equivalents at the end of the period	21,705,139.23	35,153,448.57

Notes to the Financial Statements

I. General information about the entity

Note 1: European GNSS Agency (GSA)

The European GNSS Agency (GSA) was established as a Community Agency on 12 July 2004, by Council Regulation (EC) No. 1321/2004, status amended in 2006 by Council Regulation (EC) No 1942/2006. With Regulation (EU) No. 912/2010, which entered into force on 9 November 2010, the Regulation (EC) No. 1321/2004 was repealed and references to it are to be construed as references to Regulation (EU) No. 912/2010. Following recital 5 of Regulation (EU) No. 912/2010 the GSA is no longer to be called European GNSS Supervisory Authority but European GNSS Agency. According to Article 25 of Regulation (EU) No. 912/2010 any measures adopted on the basis of Regulation (EC) No. 1321/2004 remain valid. Taking this into account, the GSA was restructured into the European GNSS Agency, ensuring the continuity of its activities.

As regards the tasks of the GSA, Article 2 of Regulation (EU) No. 912/2010 provides that they shall remain as set out in Article 16 of Regulation (EC) No. 683/2008:

"Subject to the provisions of Article 12 [GNSS Regulation] and the respect of the Commission's role as manager of the programmes, the [GSA] shall accomplish the following tasks within the programmes in accordance with guidelines to be issued by the Commission:

(a) with regard to the security of the programmes, and without prejudice to Articles 13 and 14 [GNSS Regulation], it shall ensure:

  (i) security accreditation; to that effect it shall initiate and monitor the implementation of security procedures and perform system security audits;

  (ii) the operation of the Galileo security centre, implemented in accordance with decisions taken pursuant to Article 13 [GNSS Regulation] and the instructions provided under Joint Action 2004/552/CFSP;

(b) it shall contribute to the preparation of the commercialisation of the systems, including the necessary market analysis;

(c) it shall also accomplish other tasks that may be entrusted to it by the Commission, in accordance with Article 54(2)(b) of the Financial Regulation, addressing specific issues linked to the programmes, such as:

  (i) promoting applications and services in the satellite navigation market;

  (i) ensuring that the components of the systems are certified by the appropriate, duly authorised, certification bodies."

II. Compliance with the applicable accounting regulations

Note 2: Accounting regulations and principles

These financial statements of the GSA have been prepared in accordance with:

- GSA Regulation (EU) No. 912/2010;
- Financial regulation of the GSA adopted by the Administrative Board on 11 October 2005 (GSA-AB-2005-042), as amended by the Administrative Board on 20 November 2008 (GSA-AB-08-11-18-02);
- Implementing rules of the financial regulation adopted by the Administrative Board on 27 October 2006 (GSA-AB-06-10-07-04);
- Financial Regulation (Council Regulation (EC,Euratom) No 1605/2002) and Implementing rules applicable to the general budget of the European Communities (Commission Regulation (EC,Euratom) No 2342/2002);
- General accounting rules and harmonised chart of accounts adopted by the Commission's accounting officer and communicated on 28 December 2004, amended by decisions communicated on 18 October 2006 and 17 December 2008;
- Relevant IPSAS[1] rules whenever the accounting rules of the European Commission were not sufficiently precise.

These financial statements have been prepared in accordance with the generally accepted accounting principles, as defined by the GSA Financial Regulation under the provision of Article 78, namely:

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

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 an agency of the European Union such as the GSA, there is the additional objective of demonstrating, to the budgetary authority, the sound management of the resources entrusted to it.

[1] International Public Sector Accounting Standards

III. Significant accounting policies and criteria applied

Note 3: Significant accounting policies

Fixed assets

Tangible and intangible fixed assets are shown at historical cost less accumulated depreciation and any recognised impairment losses. Only the assets controlled by the GSA and with value equal to or greater than €420.00 are registered in the fixed assets register. Costs associated with developing or maintaining computer software programs are recognised as incurred expenses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives using the straight-line method on the following basis:

Intangible fixed assets:

- Software: 4 years

Tangible fixed assets:

- Buildings: 25 years
- Plant and equipment: 4 – 8 years
- Fixtures and fittings: 4 – 10 years
- Computer hardware: 4 years
- Other fixed assets: 3 – 4 years

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable. As the GSA is a non-profit organisation, if any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the Economic Outturn Account in the year concerned.

Pre-financing

Pre-financing is a payment intended to provide the beneficiary with a cash advance. It may be split into a number of payments over a period defined in the respective pre-financing agreement. The float or advance is repaid or used for the purpose for which it was provided during the period defined in the agreement. If the beneficiary does not incur eligible expenditures, he has the obligation to return the pre-financing advance to the GSA. The amount of the pre-financing is reduced (wholly or partially) by the acceptance of the eligible costs and amounts returned.

At year-end, the outstanding pre-financing amounts are valued at the original amount(s) paid less: amounts returned, eligible amounts cleared, estimated eligible amounts not yet cleared at year-end and value reductions.

Guarantees related to pre-financing amounts are disclosed in the off-balance sheet as contingent assets.

Receivables

Receivables, i.e. transfers are recognised as an asset when the GSA controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources.

This control of transferred resources is obtained either when the resources have been transferred, or the GSA has an enforceable claim against the transferor.

Receivables are stated at their nominal value as reduced by appropriate allowances for the estimated irrecoverable amounts.

No allowance for loss is recorded with respect to receivables related to Member States, except for exceptional and agreed technical reasons.

For all other receivables, an allowance for loss is established based on a review of outstanding amounts at the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Provisions and accruals

According to the accounting rules, transactions and events are recorded in the accounting systems and recognised in the financial statements in the period to which they relate. Provisions and accruals are recognised when the GSA has a legal or constructive obligation as a result of a past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made. The GSA developed a procedure for establishing of the accruals, which is followed while doing cut-off exercise.

Payables

Payables are arising either from the purchase of goods and services or from the cost claims from beneficiaries of grants.

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

Payables arising from cost claims are recorded as liabilities for the requested amount when the cost claim is received and, after verification, accepted as eligible by the relevant operational agent. At this stage they are valued at the accepted and eligible amount.

Use of estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Significant estimates include, but are not limited to, fair value of financial risk on inventories and accounts receivables, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Assigned revenues

According to the accounting rule of matching principle, revenues and expenses are matched in the same accounting period. Therefore expenses are reported on the Economic Outturn Account during the same period as the revenues they generated.

Effects of changes in foreign exchange rates

The financial statements of the GSA are presented in euro, which is the European Union's functional and reporting currency.
Transactions in other currencies than in euro are converted into euro on the basis of the European Commission's official rate at the date of the transaction.
At the year end, the balances of foreign currency monetary items are translated to euro using the European Commission's closing rate at 31 December.

IV. Additional information on financial statements items

Note 4: Intangible fixed assets

Changes in intangible fixed assets and related depreciation for the year were as follows:

Description	Computer software
Gross carrying amounts at 01.01.2012	**144,716.66**
Additions	42,517.86
Disposals	
Transfers between headings	
Gross carrying amounts at 31.12.2012	**187,234.52**
Accumulated amortization as 01.01.2012	**- 131,482.66**
Amortization	- 10,585.53
Disposals	
Transfers between headings	
Accumulated amortization as 31.12.2012	**- 142,068.19**
Net carrying amount at 31.12.2012	**45,166.33**

Intangible fixed assets are identifiable non-monetary assets without physical substance.

In accordance with the provisions of EC accounting rule no. 7 the straight-line depreciation method is applied on a pro rata, monthly basis.

Note 5: Tangible fixed assets

To determine whether or not to recognise an asset, the GSA bases its analyses on EC accounting rule no. 7, and on IPSAS rule 17, which states that

"An item of property, plant and equipment should be recognized as an asset when:

(a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and

(b) The cost or fair value of the asset to the entity can be measured reliably."

and on "IASB Framework of the preparation of Financial Statements", which "(a) An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity." IPSAS17 essentially extends the concept of economic benefits to service potential.

In accordance with the provisions of EC accounting rule no. 7, the straight-line depreciation method is applied on a pro rata, monthly basis.

The major acquisitions in 2012 related to the purchase of servers and other IT equipment for the new headquarters of the GSA in Prague.

The disposals related to the write-off of stolen items.

Changes in fixed assets and related depreciation for the year were as follows:

Description	Computer hardware	Furniture	Other fixtures/fittings	Total
Gross carrying amounts at 01.01.2012	**308,292.26**	**53,408.62**	**158,012.88**	**519,713.76**
Additions	814,844.25	58,569.68	33,488.01	**906,901.94**
Disposals	- 2,091.74		-1,036.02	**- 3,127.76**
Transfers between headings				
Gross carrying amounts at 31.12.2012	**1,121,044.77**	**111,978.30**	**190,464.87**	**1,423,487.94**
Accumulated depreciation as 01.01.2012	**- 223,417.26**	**-26,321.62**	**-78,815.88**	**-328,554.76**
Depreciation	-159,075.66	-7,662.33	-16,292.01	**-183,030.00**
Disposals	1,680.74		798.02	**2,478.76**
Transfers between headings				
Accumulated depreciation as 31.12.2012	**- 380,812.18**	**-33,983.95**	**- 94,309.87**	**509,106.00**
Net carrying amounts at 31.12.2012	**740,232.59**	**77,994.35**	**96,155.00**	**914,381.94**

Note 6: Short-term pre-financing

Description	31.12.2012	31.12.2011
Gross amounts:		
Grant agreements - operational	31,166,981.00	22,862,547.00
Less accrued charges:		
Grant agreements - operational	- 26,012,610.11	- 21,666,890.12
Total as at 31 December	**5,154,370.89**	**1,195,656.88**

Accrued charges represent the amount of eligible costs that were estimated to have been incurred by the beneficiaries of the outstanding pre-financing amounts at year-end but not yet reported to the GSA. These amounts are taken as expenses in the economic outturn account.

Note 7: Accounts receivable

Description	31.12.2012	31.12.2011
Current receivables	1,170,087.30	215.77
VAT from Member States	26,889.56	4,299.71
Receivables from staff	40,710.80	4,719.70
Accrued interest income	31,028.14	107,735.69
Deferred charges	61,919.06	77,806.14
Total as at 31 December	**1,330,634.86**	**194,777.01**

Current receivables represent accrued receivables for the recovery of following expenses established as of 31 December 2012:

- ✓ Amount for recovery of expenses related to overstatement of costs related to FP6 projects established as a result from ex-post audits performed by independent external audit firm – €868,952.60
- ✓ Estimated amount for recovery of expenses related to ineligible costs related to FP7 1st and 2nd calls based on the findings of ex-post audits performed by independent audit firms - €233,437
- ✓ Overpayment of pre-financing related to two FP7 3d call projects - €67,450.00

Current receivables contain recoverable VAT from France of €4,299.71 and recoverable VAT from the Czech Republic of €22,589.85.

Receivables from staff include miscellaneous staff costs and salary advances to be claimed from other European Agencies, European Commission and staff.

Deferred charges consist of advance payments made during the year e.g. subscriptions, advertising, maintenance fees related to 2013 etc. in the amount of €61,919.06.

Accrued income represents bank interests for the fourth quarter of the year 2012.

Note 8: Cash and cash equivalents

The cash held at bank as at 31 December 2012 amounts to €21,705,139.23.

The interest received - €205,484.70, which was generated on the pre-financing received, is property of the European Commission and will be paid back during the year 2013.

The GSA has neither a credit line nor overdraft arrangements with its bank.

Note 8: Accounts payable and accrued charges

Description	31.12.2012	31.12.2011
Current payables	3,608,876.01	1,380,936.75
Sundry payables	25.13	0.18
Accrued charges	3,536,082.71	7,092,029.02
Accrued charges with consolidated entities	20,562.39	47,772.05
Pre-financing received from the European Commission	18,588,218.38	27,943,100.48
Other payables with consolidated entities	212,794.17	376,010.38
Total as at 31 December	**25,966,558.79**	**36,839,848.86**

1. Current payables represent invoices received from suppliers but not yet settled, mainly for the operational activities. The split among different type of suppliers is as follows:

Description	31.12.2012	31.12.2011
Private companies	3,557,341.88	1,380,936.75
Member States	51,534.13	-
Total as at 31 December	**3,608,876.01**	**1,380,936.75**

2. The pre-financing received is represented as follows:

Description	31.12.2012	31.12.2011
Gross amounts received:		
Community subsidy from DG ENTR	12,925,449.38	8,200,000.00
Operational subsidies from DG ENTR:		
MEDA Programme	-	2,651,655.00
EGNOS	-	10,000,000.00
6th Framework Programme (DA)	57,056,978.73	57,056,978.73
7th Framework Programme (DA)	86,098,413.83	83,416,809.83
PRS receiver/GSMCs (DA)	5,800,000.00	5,800,000.00
GNSS Exploitation preparatory activities (DA)	5,163,600.00	-
Total gross amount received	**167,044,441.94**	**167,125,443.56**
Less accrued income:		
Community subsidy from DG ENTR	12,861,331.81	7,490,041.41
Operational subsidies from DG ENTR:		
MEDA Programme	-	2,651,655.00
EGNOS	-	10,000,000.00
6th Framework Programme (DA)	54,142,538.37	54,129,028.95
7th Framework Programme (DA)	79,940,984.63	64,911,617.72
PRS receiver/GSMCs (DA)	-	-
GNSS Exploitation preparatory activities (DA)	1,511,368.75	-
Total accrued income	**148,456,223.56**	**139,182,343.08**
Total as at 31 December	**18,588,218.38**	**27,943,100.48**

Accrued income represents the amount of eligible costs that were taken as expenses in the economic outturn account.

3. The accrued charges consist of:

Description	31.12.2012	31.12.2011
Operational expenditure	2,942,561.20	6,923,642.00
Administrative expenditure	341,913.28	147,469.68
Unused annual leave	120,734.49	68,689.39
Accrual for assets acquired	151,436.13	
Total as at 31 December	**3,556,645.10**	**7,139,801.07**

The accrued amounts for administrative expenditure and assets acquired represent goods and services received in 2012 but not yet booked as vendor payables as of 31 December 2012. These expenses are of two types:

-Invoices to be received which correspond to the amounts accrued;

-Estimated amounts set aside to pay for goods and services delivered in 2012.

Operational expenditure accruals relate to the following:

Description	31.12.2012	31.12.2011
7th Framework Programme	1,609,103.45	5,328,939.90
6th Framework Programme	570,363.32	1,120,185.40
GNSS preparatory activities	505,516.55	-
Market development, security and other activities	257,577.88	474,516.70
Total as at 31 December	**2,942,561.20**	**6,923,642.00**

The method applied to determine the operational expenditure accruals is the percentage-of-completion method in compliance with the EC Accounting Rule #3 Expenses and payables. In particular, the estimates are based on the work performed to date as a percentage of the total services to be performed. Only costs that reflect work performed to date are included in the estimated costs incurred to date.

Note 9: Provisions for risks and charges

In 2012, the GSA also recognised as a provision the amount of **€110,840.86** which relate to the 2012 annual adjustment of 1,7% of the staff remuneration currently under debate.

Note 10: Contingent assets/ liabilities and other significant disclosures

Contingent assets usually arise from unplanned or other unexpected events that (a) are not wholly within the control of the entity, and (b) give rise to the possibility of an inflow of economic benefits or service potential to the entity. The contingent assets amounting to €122,000 represent a claim the GSA has over the pre-financing paid to a grant beneficiary which went bankrupt and did not deliver the work assigned as per the grant agreement.

The contingent liabilities consist of legal obligations of the GSA for the actions, which will be taken in the future. Contingent liabilities are calculated based on the total RAL - commitments not yet consumed – and the accrued charges. The total RAL as at the end of 2012 amount to €27,072,949.24 spilt to budgetary RAL of €4,125,075.16 and RAL on assigned revenue of €23,072,949.24.

At year end the contingent liabilities amount for €8,016,017.12.

The core part of the contingent liabilities consist of the future costs of 7th Framework Programme (€4,377,510.73).

The other components of the contingent liabilities are the 6th Framework Programme (€484,355.18), GNSS preparatory activities (€1,235,505.90) and Title III Operational expenditure (€1,928,655.31).

Note 11: Accrued income from Community subsidy

Description	31.12.2012	31.12.2011
EC subsidy received	12,925,449.38	8,200,000.00
Balance of the budget outturn account for the year	- 64,117.57	- 709,958.59
Total income recognised as revenue	**12,861,331.81**	**7,490,041.41**

This income is calculated on the basis of the budget outturn account and represents all payments made in the year 2012 plus the payment appropriations carried over to the year 2013 less unused payment appropriations of the year 2011.

Note 12: Accrued income from assigned revenue

Income from pre-financing for operating activities is equal to the expenses charged to the pre-financing received; see Note 8, for pre-financing.

The entrusted activities do not bring any income. The GSA is performing the activities on behalf of the European Community.

The total accrued income from assigned tasks amounts to **€16,554,245.08.**

Note 13: Other operating revenues and net financial revenues

Other operating revenue consists of the following items:

- ✓ Amount for recovery of expenses related to overstatement of costs related to FP6 projects established as a result from ex-post audits performed by independent external audit firm – €868,952.60
- ✓ Estimate of amounts for recovery of expenses related to overstatement of costs related to FP7 1st and 2nd call projects established as a result from ex-post audits performed by independent external audit firms – €51,294
- ✓ Recovery of expenses from the Guarantee Fund of €53,530 and liquidator of a bankrupt company of €20,475.40
- ✓ Recovery of administrative expenses from consolidated entities - €7,626
- ✓ Exchange rate gains - €9,308.46

The net financial revenues for 2012 amount to €118.46.

Note 14: Operating expenditure

The operational expenditure consists of:

Description	31.12.2012	31.12.2011
Agencies Operational activities	16,964,826.61	22,027,917.16
Provisions for other liabilities and charges	110,840.86	29,043.30
Realised exchange rate losses	43,261.03	2,405.44
Total as at 31 December	**17,118,928.50**	**22,059,365.90**

The 7th Framework Programme represents the main part of the operating expenses, which is normal given the size and the maturity of this programme.

Provision of other liabilities and charges is the provision for the salary increase in 2012 not yet approved.

Note 15: Staff expenditure

The structure of the staff expenditure for the year 2012 is as follows:

Description	31.12.2012	31.12.2011
Staff Costs (excluding ENDs and others experts)	3,496,755.20	2,724,474.01
Pensioners & unemployment	32,528.63	25,929.56
Employer's contribution for social security	95,551.40	80,468.24
Allowances (excluding ENDs and other Experts)	991,849.68	576,720.59
Allowances for ENDs and other Experts	26,068.62	61,573.63
Staff expenses with other consolidated entities	51,561.43	59,049.43
Total as at 31 December	**4,694,404.96**	**3,528,215.46**

Note 16: Other administrative expenditure

The structure of other administrative expenditure for the year 2012 is as follows:

Description	31.12.2012	31.12.2011
Land & building expenses with consolidated entities	581,504.46	572,714.19
Rent of land and buildings	64,222.74	-
Communications & publications	938,927.70	234,875.39
Recruitment costs	101,385.45	35,645.83
Training Costs	8,382.70	5,003.67
Missions	495,781.12	276,888.86
Experts and related expenditure	390,226.21	337,246.05
IT costs operational	1,107,187.98	317,679.53
Other external service providers	1,346,144.45	462,751.48
Expenses with consolidated entities	221,654.01	290,297.69
Total as at 31 December	**5,255,416.82**	**2,533,102.69**

Note 17: Operating lease

The lease agreements for the GSA premises in Brussels and, as of 1 September 2012, in Prague are recognised as operating lease.

The expenses related to the Brussels office rental for 2012 amount to €581,504.16.

Operating lease expenses in 2012 amounting to €64,222.74 relate to the rental agreement of the new GSA headquarters premises in Prague and consist of €1 symbolic rent and €64,221.74 other rental charges.

Note 18: Non-exchange transactions

In some transactions, an entity will receive resources/services and provide no or nominal consideration in return. These transactions are therefore non-exchange transactions and are dealt with by the EAR 17 Revenue from non-exchange transactions. According to EAR 17, services in-kind are services provided to public sector bodies in a non-exchange transaction.

According to the lease agreement for the GSA's headquarters premises in Prague, Czech Republic, a symbolic rent of €1 annually is due for the first 5 years and for the subsequent period a rent of 25% of the commercial rent. The symbolic rent is a non-exchange component of the lease agreement and is considered as being a service in-kind in the sense of EAR 17. The lease of the GSA's premises is classified as operating lease and therefore no recognition of the non-exchange component is needed.

Note 19: Effects of changes in foreign exchange rates

Due to the GSA's relocation to the Czech Republic as of 1 September 2012, the number of transactions denominated in Czech Koruna increased substantially. Foreign currency exchange rate gains or losses resulting from transactions in other currencies than euro were recognised in the economic outturn account. The net loss from exchange rate fluctuations recognised in the economic outturn for 2012 is €33,952.58.

At the year end, the balances of foreign currency monetary items were translated to euro using the European Commission's closing rate - 1 EUR = 25.151000 CZK.

V. Non-financial information

Note 20: Segment information

A working paper on the development of the activity-based budgeting and accounting was prepared in July 2007 and a request was sent to the European Commission for the implementation in 2008 of the Activity-Based Accounting system. However, since the activities of the GSA were significantly altered by the entry into force of the GNSS Regulation, this implementation was delayed. In 2011, the GSA made the first steps in the implementation of the activity-based budgeting by setting up the necessary system elements for monitoring and reporting on the expenditure related to the Security Accreditation Board activities which continued also in 2012.

As of 2013, the segment reporting will be implemented in full given the multi-location structure of the GSA and the different nature of its activities.

Note 21: Related party disclosure

Key management personnel hold positions of responsibility within the Agency. They are responsible for strategic direction and operational management of the entity and are entrusted with significant authority to execute their mandate.

The Agency is managed by the Executive Director (Authorising Officer). His remuneration, allowances and other entitlements are covered by the Conditions of Employment of Other Servants of the European Communities.

Highest grade description	**Grade**	**Number of persons of this grade**
Executive director	AD14	1

Note 22: Events after the balance sheet date

The ex-post audits performed by independent audit firms on FP7 1st and 2nd call beneficiaries reached their final stages in May 2013. The findings related to ineligible expenditure incurred in 2012 and prior years provided evidence of conditions that existed at the reporting date and therefore are considered as an adjusting event after the reporting date.
Based on the findings, a best estimate of the recoverable amounts has been recognized as receivable in the annual accounts in the amount of €233,437.

BUDGET IMPLEMENTATION REPORT

2012

EUROPEAN GNSS AGENCY

European GNSS Agency

Budget Outturn Account for 2012

		2012	2011
REVENUE			
Balancing Commission subsidy	+	12,925,449.38	8,200,000.00
Other subsidy from Commission – assigned revenue	+	7,845,204.00	30,523,402.00
Fee income	+		
Other income	+	78,064.94	67,030.84
Total revenue		**20,848,718.32**	**38,790,432.84**
EXPENDITURE			
Title I:Staff			
Payments	-	5,495,594.26	3,766,240.20
Appropriations carried over	-	150,160.74	55,618.74
Title II: Administrative Expenses			
Payments	-	2,861,791.15	1,264,277.52
Appropriations carried over	-	1,724,039.84	317,893.71
Title III: Operating Expenditure			
Payments	-	24,771,230.21	14,914,855.27
Appropriations carried over	-	19,642,405.49	33,876,267.77
Total expenditure		**54,645,221.69**	**54,195,153.21**
Outturn for the year		**-33,796,503.37**	**-15,404,720.37**
Cancellation of unused payment appropriations carried over from previous year	+	18,305.75	163,917.15
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	33,876,267.77	15,952,912.82
Exchange differences for the year (gain +/loss -)	+/-	-33,952.58	-2,151.01
Balance of the outturn		**64,117.57**	**709,958.59**

Annexes to the Budget Implementation

I. General information about budget execution

Note 1: General remarks

An in-depth analysis of all aspects of the budgetary management and implementation in 2012 is provided in the attached report on budgetary and financial management of the GSA.

Note 2: Budgetary principles

The establishment and implementation of the GSA's budget is governed by the principles set out in the GSA Financial Regulation as outlined below:

-Principle of unity and budget accuracy: the budget is the instrument which, for each financial year, forecasts and authorizes the revenue and expenditure considered necessary for the GSA.

-Principle of annuality: the appropriations entered in the budget are authorized for one financial year which shall run from 1 January to 31 December.

-Principle of equilibrium: the budget revenue and payment appropriations must be in balance.

-Principle of unit of account: the budget shall be drawn up in euro and implemented in euro and the accounts are presented in euro.

-Principle of universality: total revenue covers all expenditure where all revenue and expenditure are entered in full without any adjustment against each other.

-Principle of specification: the appropriations in their entirety shall be earmarked for specific purposes by title and chapter whereas the chapters are further sub-divided into articles and items. The Executive Director may make transfers from one chapter to another and from one article to another without limit and from one title to another up to a maximum of 10% of the appropriations for the financial year shown on the line from which the transfer is made. Beyond that limit, the Executive Director may propose to the Administrative Board transfer of appropriations from one title to another.

-Principle of sound financial management: budget appropriations shall be used in accordance with the principle of sound financial management namely in accordance with the principles of economy, efficiency and effectiveness.

-Principle of transparency: a summary of the budget and amending budgets, as finally adopted, shall be published in the Official Journal of the European Union within three months of their adoption.

Note 3: Types of appropriations

The GSA makes use of non-differentiated appropriations for its administrative expenditure and differentiated appropriations for its operational expenditure.

Note 4: Structure and presentation of the budget

Following the provisions of the GSA Financial regulation, its budget comprises a statement of revenue and a statement of expenditure. The budget accounts shall provide a detailed record of the budget implementation and shall record all budget revenue and expenditure. The statement of expenditure is set out on the basis of a nomenclature with a classification by purpose as justified by the nature of the GSA's activities defined in its constituent act. A clear distinction is made between administrative appropriations and operating appropriations as follows:

-Title 1 budget lines are related to staff expenditure: salaries and allowances of the staff members and all other entitlements. It also includes recruitment, interim, training and administrative mission costs.

-Title 2 budget lines relate to building rental, equipment and other miscellaneous operating administrative expenditure.

-Title 3 budget lines relate to the implementation of the activities and tasks assigned to the GSA by its establishing Regulation (EU) No 912/2010 of the European Parliament and of the Council of 22 September 2010.

-Assigned revenue budget lines relate to operating expenditure incurred in connection with the execution of programmes or performance of specific tasks delegated to the GSA by the Commission.

II. Additional information on the budget outturn account items

Note 5: Revenue

The budgetary revenue consists of:

	31.12.2012	31.12.2011
EC subsidy	12,925,449.38	8,200,000.00
Assigned revenue from DG ENTR	7,845,204.00	30,523,402.00
Other revenue	78,064.94	67,030.84
Total as at 31 December	**20,848,718.32**	**38,790,432.84**

Note 6: Expenditure

The table below presents the detailed explanation of the expenditure included in the budgetary outturn account:

Budget line	Description	Paid	Carried-over
	Title 1 - Staff expenditure		
1100	Staff (salaries)	4,446,122.41	0
1200	Recruitment costs	104,585.46	2,414.54
1300	Missions	467,432.11	51,819.40
1400	Training expenses	56,318.12	15,888.06
1700	Representation expenditure	2,106.36	0
1800	Tuition fees	130,461.26	80,038.74
1900	Relocation costs	288,568.54	0
	Total title I	**5,495,594.26**	**150,160.74**
	Title 2 - Administrative expenditure		
2000	Rent (with related services)	637,582.19	193,922.81
2100	Data processing (IT equipment & software)	1,559,742.81	1,047,057.73
2200	Movable property (furniture, equipment)	171,982.72	86,946.14
2300	Current admin costs	440,048.37	348,304.12
2400	Postal / telecom	5,697.85	44,302.15
2500	Meeting expenses (ABM)	46,737.21	3,506.89
	Total title II	**2,861,791.15**	**1,724,039.84**
	Title 3 - Operational expenditure		
3100	Expenditure on studies	1,749,610.36	377,704.41
3300	SAB costs	564,849.16	0
	Total title III	**2,314,459.52**	**377,704.41**
3900	6th Framework Programme 3rd call	36,559.80	1,108,111.79
3904	6th Framework Programme 2nd call	220,640.20	2,987,547.39
3911	Matimop	58,895.00	0
3913	7th Framework Programme 1st and 2nd calls	5,198,266.68	3,620,829.91
3917	7th Framework Programme 3rd call	15,950,926.81	1,666,094.19
3918	PRS	0	5,800,000.00
3919	GNSS exploitation preparatory tasks	991,482.20	4,172,117.80
	Total assigned revenue	**22,456,770.69**	**19,264,701.08**

Note 7: Budget execution

The initial budget decided by the European Parliament and the European Council during the budget adoption procedure was set at 10,749,472 EUR. In April 2012, the European Commission decided to allocate to the GSA additional appropriations to support the relocation project to Prague headquarters, which increased the initial budget level with 2,000,000 EUR (net of 1,989,176 EUR, after corrections in third countries contributions), providing a total GSA budget of 12,738,648 EUR for commitments and payments.

A second amendment to the budget was needed in order to accept additional payment appropriations from the European Commission in September 2012. 186,801 EUR of payments were granted to the GSA to help the Agency meet its payment needs for operational costs. As a result, the GSA final budget for commitments was set at 12,738,648 EUR, and for payments at 12,925,449 EUR.

Table 1: GSA initial and final budget structure, with consolidated view of amendments and transfers, in EUR

		Initial voted budget		Transfers / amendments		Final budget 31/12/2012	
Budget line	**Heading**	**CA**	**PA**	**CA**	**PA**	**CA**	**PA**
Title 1 - Staff expenditure							
1100	Staff expenditure	5,175,614	5,175,614	-729,492	-729,492	4,446,122	4,446,122
1200	Recruitment costs	70,000	70,000	37,000	37,000	107,000	107,000
1300	Missions and travel	400,000	400,000	119,252	119,252	519,252	519,252
1400	Training expenditure	65,000	65,000	7,206	7,206	72,206	72,206
1700	Representation expenditure	5,000	5,000	-2,894	-2,894	2,106	2,106
1800	Tuition fees	0	0	210,500	210,500	210,500	210,500
1900	Allowances and relocation costs	0	0	288,569	288,569	288,569	288,569
	Total for title 1	**5,715,614**	**5,715,614**	**-69,859**	**-69,859**	**5,645,755**	**5,645,755**
Title 2 - Administrative expenditure							
2000	Rental of buildings	700,000	700,000	131,505	131,505	831,505	831,505
2100	Data processing	1,400,000	1,400,000	1,208,500	1,208,500	2,608,500	2,608,500
2200	Movable property	270,000	270,000	-11,071	-11,071	258,929	258,929
2300	Current administrative costs	415,000	415,000	373,352	373,352	788,352	788,352
2400	Postage and telecommunication	70,000	70,000	-20,000	-20,000	50,000	50,000
2500	Meetings	80,000	80,000	-29,756	-29,756	50,244	50,244
	Total for title 2	**2,935,000**	**2,935,000**	**1,652,530**	**1,652,530**	**4,587,530**	**4,587,530**
	Total for titles 1 and 2	**8,650,614**	**8,650,614**	**1,582,671**	**1,582,671**	**10,233,285**	**10,233,285**
Title 3 - Operational expenditure							
3100	Studies and operations	728,858	728,858	426,505	1,392,601	1,155,363	2,121,459
3300	SAB operational expenditure	1,370,000	1,370,000	-20,000	-799,295	1,350,000	570,705
	Total for title 3	**2,098,858**	**2,098,858**	**406,505**	**593,306**	**2,505,363**	**2,692,164**
	TOTAL titles 1, 2 and 3	**10,749,472**	**10,749,472**	**1,989,176**	**2,175,977**	**12,738,648**	**12,925,449**

Execution of commitment appropriations (Table 3) remained high in all titles and budget lines, reaching a global 99.99% execution.

Table 3: Execution of commitment appropriations 2012, in EUR

Budget line	Heading	COMMITMENT APPROPRIATIONS BUDGETED 2012	Commitment Appropriations (CAs)			
			EXECUTED	%	UNSPENT	%
Title 1 - Staff expenditure						
1100	Staff expenditure	4,446,122.41	4,446,122.41	*100%*	0.00	*0%*
1200	Recruitment costs	107,000.00	107,000.00	*100%*	0.00	*0%*
1300	Missions and travel	519,251.51	519,251.51	*100%*	0.00	*0%*
1400	Training expenditure	72,206.18	72,206.18	*100%*	0.00	*0%*
1700	Representation expenditure	2,106.36	2,106.36	*100%*	0.00	*0%*
1800	Tuition fees	210,500.00	210,500.00	*100%*	0.00	*0%*
1900	Prague relocation staff allowances	288,568.54	288,568.54	*100%*	0.00	*0%*
	Total for title 1	**5,645,755.00**	**5,645,755.00**	*100%*	**0.00**	*0%*
Title 2 - Administrative expenditure						
2000	Rental of buildings	831,505.00	831,505.00	*100%*	0.00	*0%*
2100	Data processing	2,608,500.00	2,606,800.54	*100%*	1,699.46	*0%*
2200	Movable property	258,928.86	258,928.86	*100%*	0.00	*0%*
2300	Current administrative costs	788,352.49	788,352.49	*100%*	0.00	*0%*
2400	Postage and telecommunication	50,000.00	50,000.00	*100%*	0.00	*0%*
2500	Meetings	50,244.10	50,244.10	*100%*	0.00	*0%*
	Total for title 2	**4,587,530.45**	**4,585,830.99**	*100%*	**1,699.46**	*0%*
	Total for titles 1 and 2	**10,233,285.45**	**10,231,585.99**	*100%*	**1,699.46**	*0%*
Title 3 - Operational expenditure			1.00			
3100	Expenditure on studies	1,155,362.55	1,155,362.55		0.00	*0%*
3300	SAB operational expenditure	1,350,000.00	1,350,000.00		189.52	*0%*
	Total for title 3	**2,505,362.55**	**2,505,362.55**		**189.52**	*0%*
TOTAL GSA OWN BUDGET T1+T2+T3		**12,738,648.00**	**12,736,948.54**		**1,888.98**	*0.0%*

In relation to 2012 payment appropriations (Table 4), execution rate was also of 99.99%. This execution rate incorporates the non automatic carry forward of payment appropriations (377,704.41 EUR) adopted by the Administrative Board on 14 February 2013 for maximising the use of the remaining payment credits in title 3.

Table 4: Execution of C1 payment appropriations 2012, in EUR

Budget line	Heading	PAYMENT APPROPRIATIONS BUDGETED 2012	Payment Appropriations (PAs)			
			EXECUTED	%	UNSPENT	%
Title 1 - Staff expenditure						
1100	Staff expenditure	4,446,122.41	4,446,122.41	*100%*	0.00	*0%*
1200	Recruitment costs	107,000.00	107,000.00	*100%*	0.00	*0%*
1300	Missions and travel	519,251.51	519,251.51	*100%*	0.00	*0%*
1400	Training expenditure	72,206.18	72,206.18	*100%*	0.00	*0%*
1700	Representation expenditure	2,106.36	2,106.36	*100%*	0.00	*0%*
1800	Tuition fees	210,500.00	210,500.00	*100%*	0.00	*0%*
1900	Prague relocation staff allowances	288,568.54	288,568.54	*100%*	0.00	*0%*
	Total for title 1	**5,645,755.00**	**5,645,755.00**	*100%*	**0.00**	*0%*
Title 2 - Administrative expenditure						
2000	Rental of buildings	831,505.00	831,505.00	*100%*	0.00	*0%*
2100	Data processing	2,608,500.00	2,606,800.54	*100%*	1,699.46	*0%*
2200	Movable property	258,928.86	258,928.86	*100%*	0.00	*0%*
2300	Current administrative costs	788,352.49	788,352.49	*100%*	0.00	*0%*
2400	Postage and telecommunication	50,000.00	50,000.00	*100%*	0.00	*0%*
2500	Meetings	50,244.10	50,244.10	*100%*	0.00	*0%*
	Total for title 2	**4,587,530.45**	**4,585,830.99**	*100%*	**1,699.46**	*0%*
	Total for titles 1 and 2	**10,233,285.45**	**10,231,585.99**	*100%*	**1,699.46**	*0%*
Title 3 - Operational expenditure						
3100	Expenditure on studies	2,121,458.80	2,121,458.80		0.00	*0%*
3300	SAB operational expenditure	570,705.13	570,705.13		0.00	*0%*
	Total for title 3	**2,692,163.93**	**2,692,163.93**		**0.00**	*0%*
TOTAL GSA OWN BUDGET T1+T2+T3		**12,925,449.38**	**12,923,749.92**		**1,699.46**	*0%*

Note 8: Analysis on outstanding commitments

This chapter summarises the evolution of outstanding commitment balances during 2012 by budget line and title (Table 6). Regarding budget line 1100 (Staff costs), cancellations were related to the C1 credits becoming automatically C9 on that budget line in the following year. Regarding budget lines 1200, 1300, 1400, 1700, 1800, 1900, 2000, 2100, 2300 and 2500, cancellations were related to C8 credits becoming automatically C9 in the following year on HR and administrative expenditure budget lines.

Regarding budget lines 3100 and 3300, cancellations were related to de-commitments performed in 2012.

Table 6: Overview of outstanding balances at the end of 2012, in EUR

		(a)	(b)	(c)	(d)	(e)	(f)=(a)-(b)+(c)-(d)-(e)
Budget line	Description	Outstanding balances as of 01/01/2012	Payments on outstanding balances in 2012	New 2012 commitments	Payments on new 2012 commitments	Cancellations in 2012	Outstanding balances as of 31/12/2012
1100	Staff costs	0.00	0.00	4,446,122.41	4,446,122.41	0.00	0.00
1200	Recruitment	24,757.55	13,610.33	107,000.00	104,585.46	11,147.22	2,414.54
1300	Missions	21,109.43	21,109.43	519,251.51	467,432.11	0.00	51,819.40
1400	Training	9,751.76	8,515.50	72,206.18	56,318.12	1,236.26	15,888.06
1700	Representation	0.00	0.00	2,106.36	2,106.36	0.00	0.00
1800	Tuition fees	0.00	0.00	210,500.00	130,461.26	0.00	80,038.74
1900	Removal costs	0.00	0.00	288,568.54	288,568.54	0.00	0.00
	Total title 1	**55,618.74**	**43,235.26**	**5,146,686.46**	**5,076,564.46**	**12,383.48**	**150,160.74**
2000	Rent	0.00	0.00	831,505.00	637,582.19	0.00	193,922.81
2100	Data processing	186,358.24	185,002.58	2,606,800.54	1,559,742.81	1,355.66	1,047,057.73
2200	Movable property	4,980.00	4,980.00	258,928.86	171,982.72	0.00	86,946.14
2300	Current admin costs	106,068.21	106,068.21	788,352.49	440,048.37	0.00	348,304.12
2400	Post/telecom	7,200.12	7,200.12	50,000.00	5,697.85	0.00	44,302.15
2500	Meetings	8,720.53	8,720.53	50,244.10	46,737.21	0.00	3,506.89
	Total title 2	**313,327.10**	**311,971.44**	**4,585,830.99**	**2,861,791.15**	**1,355.66**	**1,724,039.84**
3100	Operations & studies	1,596,504.15	1,376,868.68	1,155,362.55	372,741.68	0.00	1,002,256.34
3300	SAB costs	449,917.78	330,998.39	1,349,810.48	233,850.77	0.00	1,234,879.10
	Total title 3	**1,596,504.15**	**1,376,868.68**	**2,505,173.03**	**606,592.45**	**0.00**	**2,237,135.44**
	Totals	**1,965,449.99**	**1,732,075.38**	**12,237,690.48**	**8,544,948.06**	**13,739.14**	**4,111,336.02**

Note 9: Reconciliation of budgetary and net accounting results

The table below reconciles budgetary results with the economic results for the period:

Economic result		**3,163,867.00**
Adjustment for accrual items (not in the budgetary result but included in the economic result)		
Adjustments for Accruals (reversal 2011)		- 28,806,691.19
Unpaid invoices at year end but booked in charges (reversal 2011)		- 1,408,320.01
Prepaid expenses (reversal 2011)		37,429.66
Adjustments for Accruals (2012)		29,358,405.08
Unpaid invoices at year end but booked in charges (2012)		3,583,422.67
Prepaid expenses (2012)		- 61,060.66
Other receivables (salary advances, other receivables from staff)		- 40,710.17
Depreciation of intangible and tangible assets		194,264.53
Provisions		110,840.86
Recovery Orders issued but not cashed/Revenue accrued in 2012		- 1,102,389.61
Pre-financing given in previous year and cleared in the year		7,579,688.00
Pre-financing received in previous year and cleared in the year		- 13,244,284.45
Payments made from carry-over of payment appropriations		355,206.70
Adjustment for budgetary items (included in the budgetary result but not in the economic result)		
Asset acquisitions (less unpaid amounts)		- 750,836.43
New pre-financing paid in the year 2012 and remaining open as at 31.12.2012		- 15,884,122.00
New pre-financing received in the year 2012 and remaining open as at 31.12.2012		4,599,360.94
Payment appropriations carried over to 2013		- 21,516,606.07
Cancellation of unused carried over payment appropriations from previous year		18,305.75
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue		33,876,267.77
Other		2,079.20
	Total	**64,117.57**
Budgetary result		**64,117.57**