GSA-AB-11-06-30-03 rev. 1

# ANNUAL ACCOUNTS

# FINANCIAL YEAR 2010

# OF THE EUROPEAN GNSS AGENCY

These accounts have been prepared by the Accounting Officer on 16 September 2011 and drawn up by the Director on 16 September 2011. The opinion of the Board was given on 29 September 2011.

The present annual accounts, together with the opinion of the Management Board, have been sent to the Commission's Accounting Officer, the Court of Auditors, the European parliament and the Council on the 30 September 2011.

The accounts will be published on the European GNSS Agency website: http://www.gsa.europa.eu/.

Brussels, 30 September 2011

The Executive Director of the European GNSS Agency

Acting Accounting Officer of the European GNSS Agency

GSA-AB-11-06-30-03 rev. 1

# Financial Statements of the European GNSS Agency


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# PRINCIPAL EVENTS AND KEY POINTS

The 2010 provisional annual accounts of the European GNSS Agency (GSA) are the fifth set of accounts since the establishment of the GSA.

The term of the Executive Director Mr. Pedro Pedreira has ended on 30 June 2010. Following his departure, the Administrative Board appointed the Head of Legal Department Ms. Heike Wieland as Acting Executive Director effective from 1 July 2010.

The process of transfer of activities and assets to the European Commission, which has started in 2009, has advanced substantially in 2010 and is almost fully accomplished. The few outstanding balances will be finalised in 2011. More details on this are provided in Note 4.

The new Regulation (EU) No. 912/2010 of the European Parliament and the Council setting up the European GNSS Agency came into force on 9 November 2010.

Regulation (EU) No. 912/2010 restructured the organisation of the European GNSS Agency by introducing the Security Accreditation Board as a new body, replacing the System Safety and Security Committee of the European GNSS Supervisory Authority. More details on this are provided in Note 1.

Regulation (EU) No. 912/2010 also established the tasks of the European GNSS Agency with reference to Article 16 of Regulation (EC) No. 683/2008 resulting in a substantial concentration of tasks in comparison to Article 2 of Council Regulation (EC) No 1321/2004. More details on this are provided in Note 1.

# FINANCIAL STATEMENTS 2010

# EUROPEAN GNSS AGENCY

# Statement of Financial Position

(EUR thousand)

| | | NOTE | 31.12.2010 | 31.12.2009 |
|---|---|---|---|---|
| **I.** | **NON CURRENT ASSETS:** | | **253** | **246** |
| | Intangible fixed assets | 5 | 27 | 54 |
| | Tangible fixed assets | 6 | 226 | 192 |
| **II.** | **CURRENT ASSETS:** | | **30,111** | **59,574** |
| | Short-term pre-financing | 7 | 8,465 | 4,306 |
| | Short-term receivables | 8 | 645 | 275 |
| | Cash and cash equivalents | 9 | 21,001 | 54,993 |
| | **TOTAL ASSETS** | | **30,364** | **59,820** |
| **III.** | **NON CURRENT LIABILITIES:** | | **0** | **22** |
| | Provisions for risks and charges | | 0 | 22 |
| **IV.** | **CURRENT LIABILITIES:** | | **27,002** | **46,370** |
| | Accounts payable | 10 | 27,002 | 46,370 |
| | **TOTAL LIABILITIES** | | **27,002** | **46,392** |
| | **NET ASSETS/LIABILITIES** | | **3,362** | **13,428** |
| **V.** | **NET ASSETS /LIABILITIES** | | **3,362** | **13,428** |
| | Reserves | | 13,428 | 15,842 |
| | Economic result of the year | | -10,066 | -2,414 |
| | **TOTAL NET ASSETS/LIABILITIES** | | **3,362** | **13,428** |

# Economic Outturn Account for the year

(EUR thousand)

| | NOTE | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| **OPERATING REVENUE** | | **28,940** | **24,357** |
| ***Own resources and contributions revenues:*** | | **28,940** | **24,315** |
| Subsidy from the European Commission | 11 | 8,126 | 6,605 |
| Accrued income from assigned revenue | 12 | 20,814 | 17,710 |
| ***Other operating revenue:*** | | **0** | **42** |
| Recovery of expenses | | 0 | 42 |
| Other | 13 | 0 | 0 |
| **OPERATING EXPENSES** | | **39,091** | **26,969** |
| ***Administrative expenses:*** | | **5,601** | **4,639** |
| Staff expenses | 14 | 3,116 | 2,382 |
| Fixed asset related expenses | 5,6 | 101 | 129 |
| Other administrative expenses | 15 | 2,384 | 2,128 |
| ***Operating expenses:*** | | **33,490** | **22,330** |
| Other operating expenses | 16 | 33,490 | 22,330 |
| **SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES** | | **-10,151** | **-2,612** |
| Financial revenues | | 85 | 198 |
| **SURPLUS/(DEFICIT) FROM NON-OPERATING ACTIVITIES** | | **85** | **198** |
| **SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES** | | **-10,066** | **-2,414** |
| **ECONOMIC RESULT FOR THE YEAR** | | **-10,066** | **-2,414** |

# Statement of Changes in Net Assets/Liabilities

(EUR thousand)

| | Reserves | Economic Outturn | Total Net Assets/ Liabilities |
|---|---|---|---|
| **Balance as of 31 December 2009** | **13,428** | **0** | **13,428** |
| Economic outturn of the year | 0 | -10,066 | -10,066 |
| **Balance as of 31 December 2010** | **13,428** | **-10,066** | **3,362** |

# Statement of Cash Flow for the year

(EUR thousand)

| | 2010 | 2009 |
|---|---|---|
| **CASH FLOWS FROM ORDINARY ACTIVITIES** | | |
| Surplus/(Deficit) from ordinary activities | -10,066 | -2,414 |
| **OPERATING ACTIVITIES** | | |
| Amortisation | 34 | 45 |
| Depreciation | 67 | 56 |
| Net loss on transfer of assets to the European Commission | 0 | 28 |
| (Increase)/decrease in long-term pre-financing | 0 | 0 |
| (Increase)/decrease in long-term receivables | 0 | 0 |
| (Increase)/decrease in stocks | 0 | 0 |
| (Increase)/decrease in short-term pre-financing | -4,159 | -1,456 |
| (Increase)/decrease in short-term receivables | -370 | 473 |
| Increase/(decrease) in provisions | -22 | 22 |
| Increase/(decrease) financial liabilities | 0 | 0 |
| Increase/(decrease) in other long-term liabilities | 0 | 0 |
| Increase/(decrease) in short-term provisions | 0 | 0 |
| Increase/(decrease) short-term financial liabilities | 0 | 0 |
| Increase/(decrease) in accounts payables | -19,367 | -97,171 |
| (Gains)/Losses on sales of fixed assets | 0 | 0 |
| **INVESTING ACTIVITIES** | | |
| Increase/(decrease) of intangible and tangible fixed assets | -109 | -66 |
| Increase/(decrease) of investments | 0 | 0 |
| Increase/(decrease) of cash investments | 0 | 0 |
| (Increase in tangible assets following inventory) | 0 | 0 |
| **NET CASH FLOW FROM ORDINARY ACTIVITIES** | **-23,926** | **-98,069** |
| **NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS** | **-33,992** | **-100,483** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 54,993 | 155,476 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 21,001 | 54,993 |

# Notes to the Financial Statements

## I. General information about the entity

Note 1: European GNSS Agency (GSA)

The European GNSS Supervisory Authority (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. Information in compliance with the applicable accounting regulation

Note 2: Accounting regulations and principles

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

- GSA Regulation;
- 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);
- Commission Regulation (EC) No. 2909/2000 on the accounting management of the European Communities' non-financial fixed assets;
- 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. Information on the 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 the value equal to or greater than €420.00 are registered in 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, i.e. a float. It may be split into a number of payments over a period defined in the particular 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 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 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.

## IV. Additional information on financial statement items

### Note 4: Accounting implications of the transfer of activities to the European Commission

During the 2010, following the entry into force of GNSS regulation in 2009, the transfer of activities to the European Commission continued.

In March the GSA followed up on the transfer of assets to the European Commission. Funds transferred amounted to €6,918 thousand (as detailed below). The funds related to GSA own income and are shown in economic outturn account as an expense (see note 16).

Payment appropriations transferred to the European Commission in the course of 2010

(EUR thousand)

| | **Amount** |
|---|---|
| Concession activities | 2,318.2 |
| IOV | 4,000.0 |
| EGNOS | 69.9 |
| Technical support ESA | 1.9 |
| Certification activities | 527.8 |
| | **6,917.8** |

Furthermore, in May 2010, the GSA transferred to €4,500 thousand relating to MEDA II (EUROMED GNSS II) activities. The income accrued in previous years was decreased by this amount.

In addition GSA will continue with the transfer to the European Commission of balances in relation to other activities in 2011, amounting to €143 thousand. The GSA will further implement the transfer of the outstanding balance relating to MATIMOP of €59 thousand, which correspond to the balance of €4,458 thousands of the MATIMOP agreement less €4,399 thousands for the payment to ESA for procured equipment according to existing

agreements ('Implementing Arrangement between the European Space Agency and the Galileo Joint Undertaking on Cooperation with MATIMOP' of August 2005, assigned to the GSA through 'Tri-Partite Assignment Agreement No 04' of December 2006). Moreover the GSA will also transfer the €2,000 thousand relating to technical support ESA following a final clarification of legal obligations for remaining payments under the respective agreements with ESA ('Agreement between the European Space Agency and Galileo Joint Undertaking on ESA Technical Support to GJU GNSS Activities' of June 2005 assigned to the GSA through 'Tri-Partite Assignment Agreement No 02' of December 2006).

## Note 5: Intangible fixed assets

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

(EUR thousand)

| | **Amount** |
|---|---|
| **Gross value** | |
| As at 01/01/2010 | 129.5 |
| Additions | 7.6 |
| Disposal | 0.0 |
| **As at 31/12/2010** | **137.1** |
| **Depreciation** | |
| As at 01/01/2010 | 76.0 |
| Additions | 34.1 |
| Disposal | 0.0 |
| **As at 31/12/2010** | **110.1** |
| **Net value** | |
| **As at 31/12/2010** | **27.0** |

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 6: Tangible fixed assets

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

(EUR thousand)

| **Gross value** | Plant & Equipment | Computer Hardware | Furniture & Vehicles | Fixtures & Fittings | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **As at 01/01/2010** | **0.0** | **193.2** | **46.4** | **154.0** | **0.0** | **393.6** |
| Additions | 0.0 | 96.1 | 4.8 | 0.5 | 0.0 | 101.4 |
| Disposal | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **As at 31/12/2010** | **0.0** | **289.3** | **51.2** | **154.5** | **0.0** | **495.0** |
| **Depreciation** | | | | | | |
| **As at 01/01/2010** | **0.0** | **138.9** | **14.5** | **47.9** | **0.0** | **201.3** |
| Additions | 0.0 | 45.8 | 5.9 | 15.6 | 0.0 | 67.3 |
| Disposal | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Impairment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **As at 31/12/2010** | **0.0** | **184.7** | **20.4** | **63.5** | **0.0** | **268.6** |
| **Net value** | | | | | | |
| **As at 31/12/2010** | **0.0** | **104.6** | **30.8** | **91.0** | **0.0** | **226.4** |

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.

The GSA did not recognise EDAS as assets on the following grounds:

1) The EDAS System (EGNOS Data Access System) was owned by the GSA in October 2007 as a result of the performance of a contract made with the GARMIS Consortium in 2006. During the years 2007, 2008 and 2009 the GSA was in the control of the assets however they were not recognised.

2) The GSA transferred the operational control and management of EDAS to the European Commission on 01 April 2010. Following, the European Commission entered into a contract with the ESSP (European Satellites Services Provider) for the control and maintenance of EDAS. On 31 December 2010 GSA consequently had relinquished all relevant factual aspects as requirements for ownership, even if this transfer was formally concluded on 12/01/2011. Given the initial value of EDAS (€500 thousand) and the applicable linear depreciation (€401 thousand), the net value of the assets on 31 December 2010 would have been €99 thousand.

In relation to the procurement of equipment under the MATIMOP agreement, the GSA requested from ESA information on the status of the procurement of specific infrastructure elements under the Implementing Arrangement pertaining to the MATIMOP Cooperation Agreement, specifically the Ground Rubidium Clocks and Satellite Magnetotorquers as well as the Satellite Propulsion Thrusters and Satellite Fuel Tanks. The GSA was informed by ESA that the items had been delivered by the respective contractors. However, at the end of the financial year 2010 the GSA had only received partial information on the award procedures and performance of the contract which did not fully comply with the condition for payments according to the 'Implementing Arrangement between the European Space Agency and the Galileo Joint Undertaking on Cooperation with MATIMOP' assigned to the GSA through 'Tri-Partite Assignment Agreement No 04'. The GSA requested the missing information from ESA and received it in 2011.

As the above mentioned items are part of the In-Orbit Validation (IOV) phase programme, which is still under research phase under the EU accounting rules, the money spent has been expensed and no assets have been recognised. Moreover the GSA in any case is and will continue missing control over the procured equipment, a requirement which is essential for recognition of an asset for accounting purposes. The assets were never (meant to be) physically delivered to the GSA, constituting a lack of direct control. The repeal of Council Regulation (EC) No 1321/2004 by Regulation (EU) No 912/2010 also repealed Council Regulation (EC) No 1942/2006. Accordingly, the specific rule of Article 2 (5) of Council Regulation (EC) No 1942/2006, under which ESA could exercise ownership on behalf of the GSA on assets created under tasks such as MATIMOP has been replaced by the general rule of

Article 8 of Regulation (EC) No 683/2008 according to which the Community shall be the owner of all tangible assets created or developed under the programmes. Lacking any superseding specification the Community is generally represented by the Commission. Therefore, the GSA, by statute, can not be considered the owner of the above mentioned items.

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 7: Short-term pre-financing

(EUR thousand)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Gross amounts: | | |
| Operational contracts | 24,724.2 | 49,638.8 |
| Less accrued charges: | | |
| Operational contracts | -16,259.3 | -45,333.0 |
| | **8,464.9** | **4,305.8** |

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.

Part of the accrued charges amounting to €6,918 thousand is represented by the GSA own funds relating to concession activities, IOV, EGNOS, technical support ESA and certification activities transferred to European Commission during the year (as described in Note 4) and is shown as expense in economic outturn account (Note 16).

## Note 8: Accounts receivable

(EUR thousand)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Current receivables | 4.3 | 4.3 |
| Sundry receivables | 4.5 | 0.3 |
| Advance payments | 586.1 | 0.0 |
| Accrued income | 50.4 | 269.9 |
| | **645.3** | **274.5** |

Current receivables contain recoverable French VAT of €4.3 thousand.

Sundry receivables include miscellaneous staff costs to be claimed from other European Agencies and European Commission.

Advanced payments made during the year to contractors in relation to the 7th Framework Programme projects.

Accrued income represents bank interests of the fourth quarter of the year 2010.

## Note 9: Cash and cash equivalents

Cash is held on an instant access interest-bearing bank account in euros, which yielded interest at a rate of 1.00%.

Part of the interest received - €220 thousand, namely the one which was generated on the pre-financing received, is property of the European Commission and will be paid back during the year 2011.

The remaining part of the bank interest - €85 thousand, which was generated on the GSA's income, is recognised as financial income in the economic outturn account.

The decrease in cash held by GSA is due to two factors: transfer of the activities to the European Commission of €11,418 thousand (as explained in note 4) and transfer of €22,154 thousand relating to the 7th Framework Programme pre-financing which took place in the last days of December 2009 and increased the balance at the end of 2009.

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

## Note 10: Accounts payable and accrued charges

(EUR thousand)

| | **31.12.2010** | **31.12.2009** |
|---|---|---|
| Current payables | 1,255.2 | 2,414.8 |
| Sundry payables | 16.8 | 10.4 |
| Pre-financing received from EC | 14,561.4 | 32,714.4 |
| Accrued charges | 8,424.4 | 8,706.1 |
| Other payables | 2,744.3 | 2,524.0 |
| | **27,002.1** | **46,369.7** |

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:

(EUR thousand)

| | **31.12.2010** | **31.12.2009** |
|---|---|---|
| Consolidated entities | 0.0 | 1,318.5 |
| Public bodies | 0.0 | 0.0 |
| Private companies | 1,255.2 | 1,096.3 |
| | **1,255.2** | **2,414.8** |

The aging analysis shows that 84% of current payables are less then 3 months old and 16% is older than 6 months.

2. Sundry payables comprise of the various premiums for health insurance, pension scheme, accident insurance, unemployment fund and taxes, which will be paid to the European Commission's services in the year 2011.

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

(EUR thousand)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Gross amounts:** | **129,055.7** | **185,304.5** |
| Community subsidy from DG ENTR | 653.6 | 655.4 |
| Operational subsidies DG ENTR | | |
| 6th Framework Programme | 57,057.0 | 57,057.0 |
| 7th Framework Programme | 58,693.4 | 51,530.5 |
| EGNOS | 10,000.0 | 15,759.9 |
| IOV Phase | 0.0 | 53,150.0 |
| Operational subsidies DG AIDCO | | |
| MEDA Programme | 2,651.7 | 7,151.7 |
| **Less accrued income:** | **114,494.3** | **152,590.1** |
| Operational subsidies DG ENTR | | |
| 6th Framework Programme | 54,092.7 | 53,898.3 |
| 7th Framework Programme | 47,769.2 | 27,968.1 |
| EGNOS | 10,000.0 | 15,240.0 |
| IOV Phase | 0.0 | 53,150.0 |
| Operational subsidies DG AIDCO | | |
| MEDA Programme | 2,632.4 | 2,333.7 |
| | **14,561.4** | **32,714.4** |

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

As described in Note 4, due to the transfer of activities to the European Commission the pre-financing received was reduced by €4,500 thousand relating to MEDA.

4. The accrued charges consist of:

| | 31.12.2010 | (EUR thousand) 31.12.2009 |
|---|---|---|
| Operational expenditures | 3,755.0 | 8,178.5 |
| MATIMOP | 4,399.1 | 0.0 |
| Communication | 88.6 | 235.7 |
| IT services | 64.8 | 189.9 |
| Missions | 21.2 | 17.0 |
| AB & 3SC members reimbursements | 29.1 | 9.0 |
| Annual leave not taken | 30.0 | 23.1 |
| Interim staff | 0.0 | 12.6 |
| Other | 36.6 | 40.3 |
| **TOTAL** | **8,424.4** | **8,706.1** |

Operational expenditure relates to the following expenditures:

| | 31.12.2010 | (EUR thousand) 31.12.2009 |
|---|---|---|
| 7th Framework Programme | 2,167.6 | 3,613.7 |
| 6th Framework Programme | 1,335.6 | 3,278.5 |
| Market development, security and other activities | 251.8 | 180.1 |
| MEDA | 0.0 | 785.3 |
| International activities | 0.0 | 220.9 |
| Concession activities | 0.0 | 100.0 |
| | **3,755.0** | **8,178.5** |

Full disclosure about MATIMOP related expense is shown in note 16.

5. Other payables represent the value of the bank interests earned on the pre-financing (this amount includes interest received in 2007 of €1,046 thousand, 2009 of €1.478 thousand and 2010 of €220 thousand), which was paid back to the European Commission on the 18 May 2011.

## Note 11: Community subsidy

The Community subsidy amounted to €8,125.9 thousand.

(EUR thousand)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| EC Subsidy received | 8,779.5 | 7,260.0 |
| Balance of the outturn account for the financial year | -653.6 | -655.4 |
| | **8,125.9** | **6,604.6** |

This income is calculated on the basis of the budget outturn account and represents all payments made in the year 2010 plus the payment appropriations carried over to the year 2010 less unused payment appropriations of the year 2009.

## 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 10, for pre-financing.

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

(EUR thousand)

| | | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| Cumulated accrued income 2010 | | 114,494.3 | 152,590.1 |
| Less: | | | |
| Cumulated accrued income 2009 | | -152,590.1 | -190,438.6 |
| Clearing of Pre-financing | | 58,909.9 | |
| *EGNOS* | *5,759.9* | | |
| *IOV* | *53,150.0* | | |
| Transfer of activities to EC | | | 55,558.6 |
| *EGNOS* | | | *16,476.2* |
| *IOV* | | | *39,082.4* |
| **Accrued income for 2010** | | **20,814.1** | **17,710.1** |

## Note 13: Other revenues

The other operating income consists of the exchange rate gains of €0.4 thousand.

## Note 14: Staff expenditure

The structure of the staff expenditure for the year 2010 is as follows:

| | | (EUR thousand) |
|---|---|---|
| | **31.12.2010** | **31.12.2009** |
| Basic salaries | 2,415.8 | 1,834.4 |
| Unemployment fund | 24.0 | 22.3 |
| Social Security | 75.4 | 70.4 |
| Allowances | 600.8 | 454.5 |
| Other | 0.0 | 0.0 |
| **TOTAL** | **3,116.0** | **2,381.6** |

The number of employees at the end of the year was 40 split into three different categories of personnel as follows:

| | | (EUR thousand) |
|---|---|---|
| | **31.12.2010** | **31.12.2009** |
| Temporary Agents | 26 | 23 |
| Contractual Agents | 12 | 11 |
| Seconded National Experts | 2 | 1 |

## Note 15: Other administrative expenditure

The structure of other administrative expenditure for the year 2010 is as follows:

| | | (EUR thousand) |
|---|---|---|
| | **31.12.2010** | **31.12.2009** |
| Rent | 557.6 | 545.4 |
| Other goods and services | 409.8 | 548.2 |
| Data processing | 426.9 | 355.6 |
| Missions | 247.7 | 178.5 |
| Communication | 581.7 | 394.6 |
| Recruitment costs | 29.0 | 19.6 |
| AB & 3SC members reimbursements | 95.7 | 43.9 |
| Training | 35.6 | 42.1 |
| **TOTAL** | **2,384.0** | **2,127.9** |

A significant part, around 33% of the other administrative expenses is consumed by the services that the Authority is acquiring from the European Commission (€792.7 thousand).

The GSA Administrative Board, the System Safety and Security Committee and the Security Accreditation Board had accordingly 5, 4 and 2 meetings in 2010.

## Note 16: Other operating expenditure

(EUR thousand)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| 7th Framework Programme | 18,710.5 | 8,036.7 |
| IOV - MATIMOP | 4,399.1 | 0.0 |
| IOV* | 4,000.0 | 0.0 |
| EGNOS | 750.0 | 2,100.0 |
| EGNOS* | 69.9 | 0.0 |
| Concession activities* | 2,318.2 | 34.6 |
| Market development, security and other activities | 1,601.3 | 3,471.0 |
| Technical support ESA* | 1.9 | 0.0 |
| 6th Framework Programme | 792.1 | 3,156.9 |
| Certification activities* | 527.8 | 58.8 |
| MEDA | 304.4 | 227.2 |
| International activities | 13.0 | 218.4 |
| Advances given (PF7) transferred back to European Commission | 0.0 | 4,806.1 |
| Other operational activities | 0.0 | 220.0 |
| Trade debtors loss | 0.3 | 0.0 |
| Exchange rate losses | 1.1 | 0.6 |
| | **33,489.6** | **22,330.3** |

* 2010 amounts relate to transfer back to the Commission as described in note 4.

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

The figure for the 6th Framework Programme registers the effect of the closure of a number of projects and the progress made on the rest of the contracts.

The figures for IOV Phase, Concession and Certification activities are represented by transfer of the GSA own funds to the European Commission (as described in Note 4).

Included as expenses in 2010 were research costs of €4,399.1 thousand (relating to MATIMOP as described in note 6).

## Note 17: Reconciliation of budgetary and net accounting results and proposed allocation of results

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

(EUR thousand)

| | |
|---|---|
| **Economic result** | **-10,066** |
| Adjustments for accrual items (not in the budgetary result but in the economic result) | |
| Adjustments for Accrual Cut-off (reversal 31.12.2009) | -8,680 |
| Adjustments for Accrual Cut-off (cut-off 31.12.2010) | 8,424 |
| Adjustments for advanced payments | -586 |
| Invoices unpaid at year-end but booked as expenses | -1,160 |
| Depreciation of intangible and tangible fixed assets | 101 |
| Payments made from the carry over | 264 |
| Pre-financing granted in previous years and cleared in the year | 4,306 |
| Pre-financing received in current and previous years and cleared in the year | -12,998 |
| Exchange difference | -1 |
| Adjustments for budgetary items (in the budgetary result but not in the economic result) | |
| Asset acquisitions | -109 |
| Payment appropriations carried over to 2011 | -17,628 |
| Cancellation of unused appropriations carried over from the previous year | 79 |
| Adjustment for carry-over of appropriations from the previous year available at 31.12 arising from assigned revenue | 47,174 |
| Net pre-financing granted | -8,465 |
| Other | -1 |
| **Total** | **10,720** |
| **Budgetary result** | **654** |

# V. Non-financial information

## Note 18: 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. Therefore there is no segment reporting for the year 2010.

## Note 19: Contingent assets and liabilities

The contingent liabilities consist of legal obligations of the Authority for the actions, which will be taken in the future. In 2010 the contingent liabilities amount for €18,347 thousand.

The core parts of the contingent liabilities consist of the future costs of 7th Framework Programme (€13,310 thousand), technical support provided by ESA (€2,000 thousand) and 6th Framework Programme (€650 thousand).

Included in 6th Framework Programme is the amount of €367 thousand which is uncertain to result in liability to the GSA due to liquidation of one of the sub-contractors. Te issue will be resolved in the course of 2011.

For the technical support by ESA the commitment for €2,000 thousand exists, however it is uncertain if this liability will result in the payment of the same amount.

## Note 20: 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.

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

# BUDGET IMPLEMENTATION

# EUROPEAN GNSS AGENCY

# Budget Execution for the year

(EUR thousand)

| INCOME | | | EXPENSES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Final budget credits of 2010 | | | | | Credits carried-over from the previous year | | | | |
| **Types of income** | Authorised Income | Collected | **Types of expenses** | | Entered | Committed | Paid | Carried-over | Cancelled | Entered | Committed | Paid | Carried-over | Cancelled |
| EC Subsidy | 8,690 | 8,779 | Title I | | 3,885 | 3,735 | 3,474 | 77 | 184 | | 62 | 36 | | 26 |
| Assigned revenue | 7,163 | 7,163 | Title II | | 1,605 | 1,585 | 1,249 | 336 | - | | 280 | 227 | | 53 |
| EC | | | Title III | C | 2,400 | 2,367 | | 2,120 | | | 2,644 | | 879 | 98 |
| GJU | | | Title III | P | 3,200 | | 247 | 1,262 | 25 | | | 1,666 | - | - |
| | | | Assigned revenue | C | | | | | | 77,153 | 59,401 | | 28,215 | 10,554 |
| Other revenue | | 108* | Assigned revenue | P | 7,163 | | 2,309 | 4,854 | - | 51,674 | | 36,076 | 11,099 | 4,500 |
| | | | | **C** | **7,890** | **7,687** | | **2,533** | **184** | **77,153** | **62,387** | | **29,094** | **10,731** |
| **TOTAL** | **15,853** | **16,050** | **TOTAL** | **P** | **15,853** | | **7,279** | **6,529** | **209** | **51,674** | | **38,005** | **11,098** | **4,579** |

C – Commitment appropriation; P – payment appropriation *The other revenue represents interest received on GSA's own funds.

# Budget Outturn Account for the year

(EUR thousand)

| | NOTE | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| **REVENUE FOR THE FINANCIAL YEAR** | | | |
| All revenue collected in respect of the financial year (art 9) | 2 | 16,050 | 41,133 |
| **TOTAL REVENUE** | | **16,050** | **41,133** |
| EXPENDITURE FOR THE FINANCIAL YEAR | | | |
| Title I : Staff | | | |
| Payments | 3 | 3,474 | 2,619 |
| Appropriations carried over | 3 | 77 | 62 |
| Title Ii : Administrative Expenses | | | |
| Payments | 3 | 1,249 | 1,001 |
| Appropriations carried over | 3 | 336 | 281 |
| Title III : Operating Expenses | 3 | 40,298 | 64,102 |
| Payments | 3 | 17,215 | 51,674 |
| Appropriations carried over | | | |
| **TOTAL EXPENDITURE (B)** | | **62,649** | **119,739** |
| **OUTTURN FOR THE FINANCIAL YEAR (A-B)** | | **-46,599** | **-78,606** |
| Cancellation of unused payment appropriations carried over from previous year (art 10.1) | | 79 | 176 |
| Adjustment (annulations) for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue | | 47,175 | 79,085 |
| Balance carried over from year N-1 | | 655 | 2,755 |
| Positive balance from year N-1 reimbursed in year N to the European Commission (art 16.1) | | -655 | -2,755 |
| Exchange differences for the year | | -1 | 0 |
| **BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR** | | **654** | **655** |
| Interest yielded on the EC subvention funds and to be reimbursed to the European Commission | | 220 | 1,478 |

# 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 2010 is provided in the attached report on budgetary and financial management of the Authority.

## II. Additional information on financial statement items

Note 2: Revenue

The budgetary revenue consists of:

(EUR thousand)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Transfers from GJU | | |
| Pre-financing from DG TREN | 0 | 0 |
| Pre-financing from DG AIDCO | 0 | 0 |
| Own revenue | 0 | 0 |
| Other EC subsidies | | |
| Pre-financing from DG TREN | 7,163 | 33,531 |
| Pre-financing from TEN-TEA | 0 | 0 |
| Pre-financing from DG AIDCO | 0 | 0 |
| EC subsidy | 8,779 | 7,260 |
| Bank interests | 108 | 342 |
| | **16,050** | **41,133** |

Note 3: Expenditure

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

(EUR thousand)

| Budget line | | Paid | Carried-over |
|---|---|---|---|
| | **Title 1 - Staff expenditure** | | |
| 1100 | Staff (salaries) | 3,159 | 0 |
| 1200 | Recruitment costs | 33 | 7 |
| 1300 | Missions | 224 | 46 |
| 1400 | Socio-medical/training | 57 | 22 |
| 1700 | Reception costs | 1 | 2 |
| | **Total title I** | **3,474** | **77** |
| | **Title 2 - Administrative expenditure** | | |
| 2000 | Rent (with related services) | 558 | 24 |
| 2100 | Data processing (IT equipment & software) | 450 | 79 |
| 2200 | Movable property (furniture, equipment) | 5 | 5 |
| 2300 | Current admin costs (stationery, etc) | 140 | 140 |
| 2400 | Postal / telecom | 20 | 0 |
| 2500 | Meeting expenses (ABM) | 76 | 88 |
| | **Total title II** | **1,249** | **336** |
| | **Total title I & II** | **4,723** | **413** |
| 3100 | Expenditure on studies | 1,888 | 1,262 |
| 3200 | Publication and translation costs | 26 | 1 |
| 3900 | 6th Framework Programme 3rd call | 759 | 1,144 |
| 3901 | Concession activities | 2,418 | 0 |
| 3902 | In-Orbit Validation | 4,000 | 0 |
| 3903 | EGNOS | 70 | 0 |
| 3904 | 6th Framework Programme 2nd call | 2,030 | 3,353 |
| 3905 | MEDA | 1,090 | 19 |
| 3906 | Galileo Security Monitoring Centre | 0 | 0 |
| 3907 | International activities | 234 | 56 |
| 3908 | Joint Research Centre | 0 | 32 |
| 3909 | Technical support provided by ESA | 2 | 2,000 |
| 3910 | Certification activities | 1,711 | 0 |
| 3911 | MATIMOP | 0 | 4,458 |
| 3912 | NRSCC | 0 | 36 |
| 3913 | 7th Framework Programme | 26,070 | 4,854 |
| 3914 | Deployment phase Galileo | 0 | 0 |
| 3915 | EGNOS second grant | 0 | 0 |
| 3916 | MEDA II | 0 | 0 |
| | **Total title III** | **40,298** | **17,215** |
| | **Total** | **45,021** | **17,628** |
| | **TOTAL EXPENDITURES** | | **62,649** |