

EUROPEAN GNSS AGENCY

ANNUAL ACCOUNTS FOR 2013



European
Global Navigation
Satellite Systems
Agency



European
Global Navigation
Satellite Systems
Agency



Accounting Officer's Certificate of the Annual Accounts for the year 2013

The annual accounts of the European GNSS Agency for the year 2013 have been prepared in accordance with the Title IX of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European GNSS Agency in accordance with art 92 of the GSA Financial Regulation.

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

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash flow of the European GNSS Agency.

Svetlana Benevska
Accounting Officer



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SUMMARY OVERVIEW

1. Overview of the Agency and principal events in 2013

By developing a new generation of Global Navigation Satellite Systems (GNSS), Europe is opening new doors for industry development, job creation and economic growth.

EGNOS (European Geostationary Navigation Overlay Service) is Europe's first concrete venture into satellite navigation. By augmenting and improving GPS signals and retransmitting them to users via geostationary satellites, EGNOS renders them suitable for safety-critical applications – such as guiding aircraft during approach or other safety-relevant procedures, or navigating ships through narrow channels – and increases the accuracy of existing satellite positioning services. It also provides a crucial 'integrity message', informing users in the event of problems with the satellite signals.

Galileo is the future of the European Global Navigation Satellite System. Galileo will open the door to a new era of higher positioning accuracy, better coverage and reliability, new services and increased resistance to interference.

Given the strategic nature of European satellite positioning and navigation programmes, the European GNSS Agency, a European Union Regulatory Agency, was established in 2004 to contribute to one of the most important and ambitious projects ever undertaken by the European Union by:

- ✓ Ensuring the security accreditation of the systems and the operation of the Galileo Security Monitoring Centres (GSMCs);
- ✓ Development of the commercial markets for EGNOS and Galileo services;
- ✓ Accomplishing other tasks entrusted to it by the European Commission.

Security Accreditation

The SAB is the European GNSS Security Accreditation Authority (SAA): all the security accreditation decisions related to the system established under the Galileo Programme are the sole responsibility of the SAB set up inside the Agency as a special body.

The GSA Accreditation Team acts as secretariat to the SAB and plays an important management and coordination role in the framework of the GNSS Security Accreditation Panel (GSAP) for European GNSS Systems and of the European GNSS Crypto Distribution Authority (CDA).

Market Development

The Agency plays a key role in the development of commercial markets for EGNOS and Galileo services. Today, the Agency's market development activities focus on:

- ✓ Marketing EGNOS to high-potential user sectors (for example, aviation, road and high-precision applications);
- ✓ Managing EU-funded research on innovative satellite navigation applications and technologies;
- ✓ Promoting the use of EGNOS;
- ✓ Supporting the EC in the preparation of the Galileo exploitation phase;
- ✓ Monitoring the GNSS market and forecasting future developments.



Delegated Tasks

The Agency performs a number of tasks under delegation from the European Commission. There are various delegation agreements in place to cater for specific activities. The list below shows which delegation agreements were in force in 2013:

- ✓ The Public Regulated Service (PRS) delegation agreement, signed in 2011;
- ✓ The Exploitation Delegation Agreement, signed in 2012;
- ✓ Tasks related to Programme Exploitation;
- ✓ Tasks related to the Application Action Plan;
- ✓ Tasks related to Communications Activities;
- ✓ The FP-7 delegation agreement, signed in 2011.

During the reporting period, the following major events took place:

✓ The system established under the Galileo programme is an autonomous global navigation satellite system infrastructure consisting of a constellation of satellites and a global network of earth stations. The global network of ground-based stations includes particularly six centres and one station. One of these six centres is the Galileo Security Monitoring Centre (GSMC) which serves to supervise the security of the systems and the services provided by the systems. It plays an important role especially in the management of the access to the public regulated services (PRS). The GSMC is hosted on two different sites – one master centre in France and a back-up centre in United Kingdom.

In 2013, the GSMC office in St-Germain-en-Laye was successfully deployed over the summer. All GSMC staff moved from Brussels over the summer period and started working as expected as of 1 September. In parallel, the negotiations and preparations of the centre in UK were progressing with full deployment expected in early 2014.

✓ The recent GNSS Regulation introduces the need to properly prepare the exploitation phase and brings the GSA back to the centre of the program, having main responsibilities for operation and service provision as of January 2014 for EGNOS and (January 2016) for Galileo. In that respect, 2013 was a transitional year in view of the key milestones that had to be met first for EGNOS and then for Galileo.

In 2013, the EGNOS Service provision contract was signed with the winner of the procurement procedure -ESSP. The kick-off meeting for the EGNOS hand-over from the Commission to the GSA was held on 17 May. The EGNOS Service provision kick-off meeting took place in July 2013 and in October the Service Provision Readiness Review confirmed ESSP's readiness to ensure service provision continuity on 1 January 2014. The related European Commission – GSA handover is currently in progress.

✓ During the year, the Agency continued to lead and coordinate the Galileo Early Services Task force.

✓ The third edition of the Market Monitoring Report was published in October 2013. It reflects the dynamic and complex nature of the GNSS market and presents analysis of key market segments, namely location based services, road, aviation, maritime, agriculture, surveying and rail.



✓ The European GNSS Service Centre (GSC) was successfully inaugurated in Madrid on 14 May. It provides the single interface with the Galileo Open Service, Safety-of-Life service and commercial service users. The centre is operated 24/7 and is also a web portal maintaining electronic library with reference documentation, user helpdesk and a dissemination platform of GNSS related products. The GSA supports the European Commission in the provision of the GSC services.

✓ Quality Certification Project was launched in 2013 with a view of having the GSA ISO 9001 certified by the end of 2014.

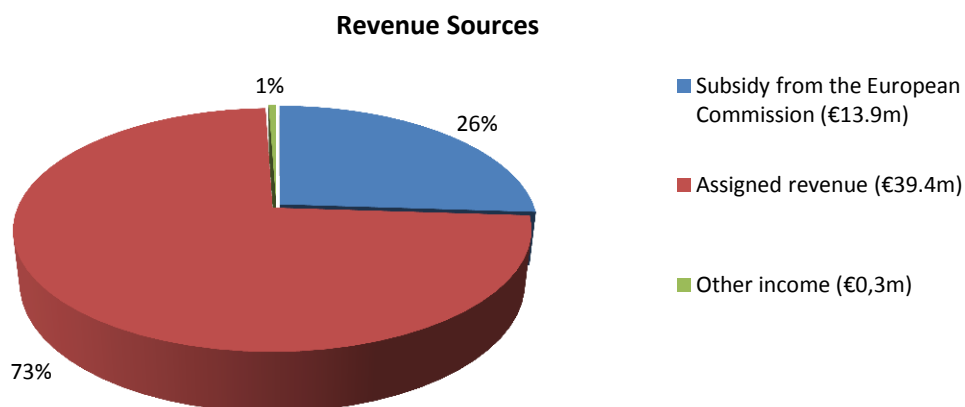
✓ The office of the GSA in Brussels was closed down at the end of the year.

2. Budgetary performance

✓ The initial approved budget of the GSA was €12,723,518. The final budget for both commitment and payment appropriations was €13,973,518. There was one amending budget approved during the year for €1,250,000 needed to allow the GSA to be prepared with the necessary resources to become responsible for EGNOS exploitation on 1 January 2014.

✓ The Budget Outturn for 2013 is €49,191.54. The Budget Outturn result represents the amount of unused budget appropriations carried forward from 2012 to 2013 (€71,952) and the effect of the exchange rate losses recognised during the period (€22,763). More details are provided in Part II – Budget Implementation Report.

✓ The revenue sources for 2013 from the budgetary perspective are shown in the chart below:





✓ The execution of commitment appropriations reached a global 100% execution rate in all titles and budget lines. The execution rates by titles and budget lines are provided in the table below.

Budget line	Heading	COMMITMENT APPROPRIATIONS		
		BUDGETED	COMMITTED	%
Title 1 - Staff expenditure				
1100	Staff expenditure	6.945.492,42	6.945.492,42	100%
1200	Recruitment costs	150.500,00	150.500,00	100%
1300	Missions and travel	745.792,49	745.792,49	100%
1400	Training expenditure	123.000,00	123.000,00	100%
1700	Representation expenditure	818,65	818,65	100%
1800	Tuition fees	530.012,44	530.012,44	100%
1900	Staff relocation	88.000,00	88.000,00	100%
	Total for title 1	8.583.616,00	8.583.616,00	100%
Title 2 - Administrative expenditure				
2000	Rental of buildings	1.179.079,92	1.179.079,92	100%
2100	Data processing	1.168.250,35	1.168.250,35	100%
2200	Movable property	238.390,30	238.388,36	100%
2300	Current administrative costs	740.431,43	740.431,43	100%
2400	Postage and telecommunication costs	22.000,00	22.000,00	100%
2500	Meetings	46.750,00	46.750,00	100%
	Total for title 2	3.394.902,00	3.394.900,06	100%
Title 3 - Operational expenditure				
3100	Expenditure on studies	1.380.000,00	1.379.991,40	100%
3300	SAB operational expenditure	615.000,00	615.000,00	100%
	Total for title 3	1.995.000,00	1.994.991,40	100%
	TOTAL BUDGET	13.973.518,00	13.973.507,46	100,00%

✓ The execution rate for the payment appropriations was also 100% including the non-automatic carry forward of payment appropriations of €520,099.49 adopted by the Administrative Board in order to maximise the use of the remaining payment credits in Title III. The execution rates by titles and budget lines are provided in the table below.



Budget line	Heading	PAYMENT APPROPRIATIONS		
		BUDGETED	PAID/CARRIED FORWARD	%
Title 1 - Staff expenditure				
1100	Staff expenditure	6.945.492,42	6.945.492,42	100%
1200	Recruitment costs	150.500,00	150.500,00	100%
1300	Missions and travel	745.792,49	745.792,49	100%
1400	Training expenditure	123.000,00	123.000,00	100%
1700	Representation expenditure	818,65	818,65	100%
1800	Tuition fees	530.012,44	530.012,44	100%
1900	Staff relocation	88.000,00	88.000,00	100%
	Total for title 1	8.583.616,00	8.583.616,00	100%
Title 2 - Administrative expenditure				
2000	Rental of buildings	1.179.079,92	1.179.079,92	100%
2100	Data processing	1.168.250,35	1.168.250,35	100%
2200	Movable property	238.390,30	238.390,30	100%
2300	Current administrative costs	740.431,43	740.431,43	100%
2400	Postage and telecommunication costs	22.000,00	22.000,00	100%
2500	Meetings	46.750,00	46.750,00	100%
	Total for title 2	3.394.902,00	3.394.902,00	100%
Title 3 - Operational expenditure				
3100	Expenditure on studies	1.380.000,00	1.245.000,00	90%
3300	SAB operational expenditure	615.000,00	750.000,00	122%
	Total for title 3	1.995.000,00	1.995.000,00	100%
	TOTAL BUDGET	13.973.518,00	13.973.518,00	100,00%

3. Financial performance

- ✓ The Agency's overall surplus of revenue over expenses in 2013 is €2,241,218.

This result is due to the difference between the accrual basis and the cash basis of accounting. The Budget Outturn Account is prepared on a modified cash basis and the revenue from the annual subsidy is derived from there. The revenue from the subsidy represents the total amount of the annual budget of the Agency considered "consumed" during the reporting period including the appropriations carried forward to the next year.

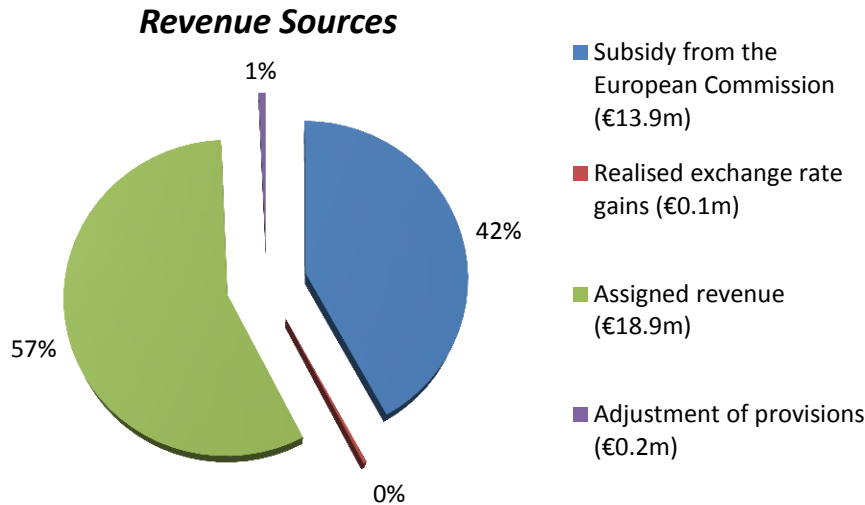
The financial statements of the GSA are prepared on the accrual basis and therefore only the expenditure incurred during the reporting period is recognised as expense. Part of the appropriations carried forward will be used to cover expenses related to the next financial year and therefore they are not recognised as expenses during the reporting period but are taken into account in the total revenue for the reporting period. The other major component of the economic result is the fixed assets acquired during the reporting period.



✓ *Revenue Analysis*

The total revenue for 2013 consisted of:

- Revenue from the 2013 subsidy - €13,924,327;
- Assigned revenue from delegated tasks - €18,857,520;
- Other Revenue - Adjustment of provisions - €235,582;
- Exchange rate gains - 114,731.



The table below compares 2013 and 2012 revenue. The increase in 2013 revenue was mainly due to the increase in the 2013 subsidy from the European Commission and the increase in the volume and the maturity of the delegated operating tasks. The increase in the realised exchange rate gains is due to the first full year of the GSA in Prague with significant number of transactions denominated in Czech korunas. The adjustment of the provision was a result from the retrospective increase in the salaries and the respective change in the applicable country coefficients for the Czech Republic and France as of July 2012. Notes 12 to 14 provide more details.

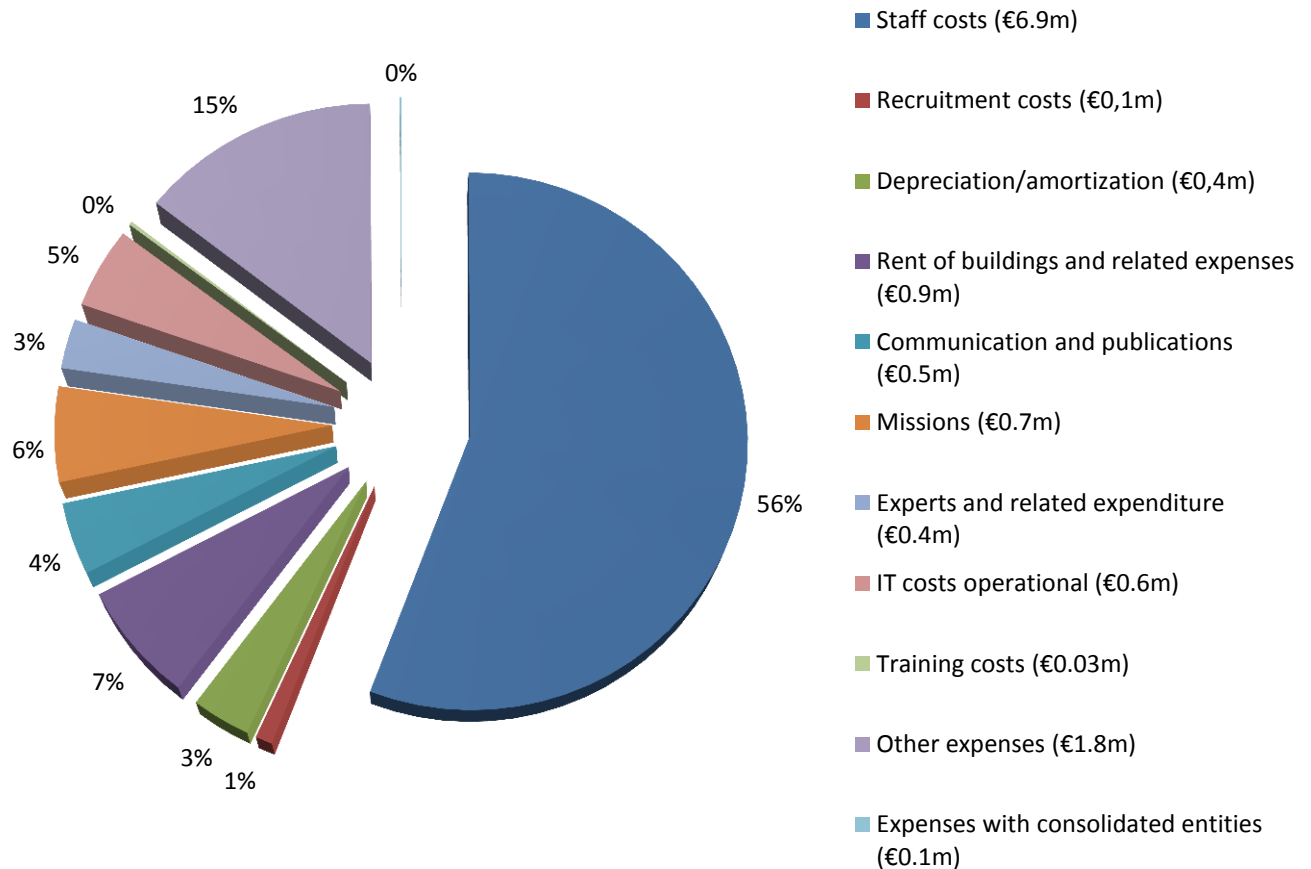
<i>Comparative Revenue Analysis</i>	2013	2012	Change %
REVENUE			
Subsidy from the European Commission	13.924.327,05	12.861.331,81	8,3%
Assigned revenue	18.857.520,14	16.554.245,08	13,9%
Realised exchange rate gains	114.731,17	9.308,46	1132,5%
Recovery of expenses	479,00	7.626,00	-
Adjustment of provisions	235.582,39	-	-
TOTAL REVENUE	33.132.639,75	29.415.576,89	



✓ *Expense Analysis*

In 2013, total expenses were €30,851,419, an increase of 13% over 2012. Operational expenses in 2013 are €18,156,960 marking an increase of 6% over 2012. Total administrative expenses were €12,694,458.59 and the breakdown per type of administrative expenditure is given in the chart below. As shown on the chart, 2013 staff costs of €6,977,807 represent 55% of total administrative expenses.

Expense Analysis





The table below compares 2013 expenses to 2012 and the following paragraphs describe the major changes year to year.

Comparative Expenses Analysis

EXPENSES	2013	2012	Change %
Staff costs	6.977.806,88	4.694.404,96	48,6%
Depreciation/amortization	420.826,35	194.264,53	116,6%
Rent of buildings and related expenses	886.955,38	645.727,20	37,4%
Communication and publications	541.113,30	938.927,70	-42,4%
Recruitment costs	122.621,63	101.385,45	20,9%
Training costs	27.780,74	8.382,70	231,4%
Missions	717.799,75	495.781,12	44,8%
Allowances for Seconded National Experts	75.518,08	26.068,62	189,7%
Experts and related expenditure	375.886,51	390.226,21	-3,7%
IT costs operational	614.667,57	1.107.187,98	-44,5%
Other expenses	1.801.002,37	1.346.144,45	33,8%
Expenses with consolidated entities	132.480,03	221.654,01	-40,2%
TOTAL EXPENSES	12.694.458,59	10.170.154,93	

- ✓ Staff costs increased in 2013 in line with the overall increase in the number of staff (68 staff members at the end of 2012 and 98 at the end of 2013);
- ✓ Depreciation and amortization expenses increased due to the significant acquisitions of IT equipment and furniture following the relocation of the Agency's headquarters to Prague and the establishment of the GSMCs in France and UK in 2013;
- ✓ The rental expenses increased due to the first full year of rent for the headquarters in Prague and the building expenses related to the GSMCs in France and UK.
- ✓ Mission expenses also increased due to the relocation of the GSA's headquarters to Prague and the increased number of operational staff.



4. Financial position

- ✓ The financial position of the Agency can be summarised as follows:

Summary Financial position as at 31 December 2013

	31.12.2013	31.12.2012	Change
Non-current assets	1.098.655,00	959.548,27	139.106,73
Current assets	51.517.724,84	28.190.144,98	23.327.579,86
Total Assets	52.616.379,84	29.149.693,25	23.466.686,59
Current liabilities	47.331.911,24	26.106.442,95	21.225.468,29
Total liabilities	47.331.911,24	26.106.442,95	21.225.468,29
Net assets/liabilities	5.284.468,60	3.043.250,30	2.241.218,30

- ✓ The significant areas of change in the GSA's financial position from 2012 to 2013 are the following:
- Non-current assets increased by €139,107 mostly due to the increase in intangible assets (€72,000) and computer hardware.
 - Current assets increased by €23,3 million mainly due to the increase in cash at the end of the year after two large instalments for the delegated tasks were received at the very end of December 2013.
 - Current liabilities increased by €21,2 million due to:
 - Increase in the pre-financing received from DG ENTR for the delegated tasks by €18,1 million; and
 - Payables and accrued charges increased by €3,1 million.
- ✓ Further details of these changes are provided in the specific sections in the Notes.



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PART I

FINANCIAL STATEMENTS 2013



Statement of Financial Position

	Note	31.12.2013	31.12.2012
I. NON CURRENT ASSETS		1,098,655.00	959,548.27
Intangible assets	4	101,440.71	45,166.33
Property, plant and equipment	5	997,214.29	914,381.94
II. CURRENT ASSETS		51,517,724.84	28,190,144.98
Short-term pre-financing	6	968,964.63	5,154,370.89
Short-term receivables	7	965,536.89	1,330,634.86
Cash and cash equivalents	8	49,583,223.32	21,705,139.23
TOTAL ASSETS		52,616,379.84	29,149,693.25
III. NET ASSETS/LIABILITIES		5,284,468.60	3,043,250.30
Accumulated result		3,043,250.30	- 120,616.70
Economic outturn for the year		2,241,218.30	3,163,867.00
IV. CURRENT LIABILITIES		47,331,911.24	26,106,442.95
Provisions for risks and charges	10	-	139,884.16
Accounts payable third parties	9	4,907,968.26	3,608,901.14
Pre-financing received	9	37,035,281.63	18,801,012.55
Accrued charges	9	5,388,661.35	3,556,645.10
TOTAL NET ASSETS AND LIABILITIES		52,616,379.84	29,149,693.25



Economic Outturn Account

	Note	2013	2012
OPERATING REVENUE			
Subsidy from the European Commission	12	13,924,327.05	12,861,331.81
Accrued income from earmarked revenue	13	18,857,520.14	16,554,245.08
Other operating revenue	14	350,792.56	994,252.01
TOTAL OPERATING REVENUE		33,132,639.75	30,426,763.36
OPERATING EXPENSES			
Operational expenses	15	-18,156,960.37	-17,118,928.50
Staff expenses	16	- 6,977,806.88	- 4,694,404.96
Fixed assets related expenses	4,5	- 420,826.35	- 194,264.53
Other administrative expenses	17	- 5,295,825.36	- 5,255,416.82
TOTAL OPERATING EXPENSES		-30,851,418.96	-27,263,014.81
SURPLUS/DEFICIT FROM OPERATING ACTIVITIES			
		2,281,220.79	3,163,748.55
Financial revenues		8,318.89	3,596.68
Financial expenses		- 48,321.38	- 3,478.23
SURPLUS/DEFICIT FROM NON-OPERATING ACTIVITIES			
		- 40,002.49	118.45
ECONOMIC RESULT FOR THE YEAR			
		2,241,218.30	3,163,867.00



Statement of Changes in Net Assets/Liabilities

Net assets/liabilities	31.12.2013	31.12.2012
Net assets at the beginning of the year	3,043,250.30	- 120,616.70
Economic outturn for the year	2,241,218.30	3,163,867.00
Net assets at the end of the year	5,284,468.60	3,043,250.30



Statement of Cash Flow

	2013	2012
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	2,241,218.30	3,163,867.00
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets)	16,141.62	10,585.53
Depreciation (tangible fixed assets)	353,222.73	183,030.00
Gains/losses on disposal of tangible assets	51,462.00	649.00
Increase/(decrease) in Provisions for risks and liabilities	-139,884.16	110,840.86
(Increase)/decrease in Short term Pre-financing	4,185,406.26	-3,958,714.01
(Increase)/decrease in Short term Receivables	434,133.90	-1,135,857.85
(Increase)/decrease in Receivables from consolidated EU entities	-69,035.93	-
Increase/(decrease) in Accounts payable	3,131,083.37	-1,355,191.76
Increase/(decrease) in Liabilities to consolidated EU entities	18,234,269.08	-9,518,098.31
Net cash Flow from operating activities	28,438,017.17	-12,498,889.54
Cash Flows from investing activities		
Investing activities		
<u>Adjustments</u>		
Increase of tangible and intangible fixed assets	-559,933.08	-949,419.80
Net cash flow from investing activities	-559,933.08	-949,419.80
Net increase/(decrease) in cash and cash equivalents	27,878,084.09	-13,448,309.34
Cash and cash equivalents at the beginning of the period	21,705,139.23	35,153,448.57
Cash and cash equivalents at the end of the period	49,583,223.32	21,705,139.23



Notes to the Financial Statements

Note 1: Reporting entity

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.

The Agency is responsible for a range of activities, including:

- ✓ Ensuring the security accreditation of the system and the operation of the Galileo Security Monitoring Centres (GSMCs);
- ✓ Development of the commercial markets for EGNOS and Galileo services;
- ✓ Accomplishing other tasks entrusted to it by the European Commission (EC), such as managing EU Framework Programme for research and development, promoting satellite navigation applications and services, preparing for the successful commercialisation and exploitation of the systems, aiming for smooth functioning, seamless service provision and high market penetration, and ensuring that the systems' components obtain certification.

Staffed by skilled professionals, who bring relevant experience from both the public and private sectors, the Agency is in a unique position to contribute to one of the most important and ambitious projects ever undertaken by the European Union. The Agency has the motivation and expertise to help ensure that Europe fully accomplishes its GNSS aims and truly reaps the benefits of the EGNOS and Galileo for its citizens.

Note 2: Basis of preparation

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 20 March 2014;
- Implementing rules of the financial regulation adopted by the Administrative Board on 20 March 2014;
- Financial Regulation (Council Regulation (EC, Euratom) No 966/2012 and Implementing rules applicable to the general budget of the European Communities (Commission Delegated Regulation (EC, Euratom) No 1268/2012);
- 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 IPSAS¹ 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 95, 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 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



Note 3: Significant accounting policies

✓ **Property, Plant and Equipment**

Measurement of costs at recognition

Property, plant and equipment (PP&E) items are stated at historical cost less accumulated depreciation and any recognized impairment loss. Tangible assets are capitalized in the financial statements if they have a cost equal to or greater than €420

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation method and useful life

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives for the different PP&E classes are as follows and are subject to annual review:

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

✓ **Intangible assets**

Measurement of costs at recognition

Intangible assets are carried at cost less accumulated amortization and any recognized impairment loss. Intangible assets are capitalized in the financial statements if they have a cost equal to or greater than €420, except for internally developed software for which the capitalization threshold has been set at €25 000.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Agency and the cost of the item can be measured reliably. Maintenance costs are charged to the Statement of Financial Performance during the financial period in which they are incurred.



Amortization methods used and useful life

Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will allocate the cost or value of the assets to their estimated residual values. The estimated useful lives of major classes of intangible assets are as follows and are subject to annual review:

- Software: 4 years

Verification and Impairment of Assets

Asset verification is an internal control measure that ensures the existence, location and condition of the assets and supports the on-going maintenance of assets within the Agency. The Agency has physical verification procedures that are followed to ensure that assets are accurately recorded in the asset register and reflected in the financial statements.

Assets that are subject to depreciation or amortization are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. Impairment occurs through complete loss, major damage or obsolescence. An impairment loss is recognized in the Statement of Financial Performance for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. This impairment loss can be reversed in the subsequent periods if the recoverable service amount increases, to the extent of such increase, subject to a maximum of the impairment loss recognized.

✓ **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.



Note 4: Intangible fixed assets

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

Description	Computer software
Gross carrying amounts at 01.01.2013	187,234.52
Additions during the period	72,533.00
Disposals during the period	-8,645.00
Gross carrying amounts at 31.12.2013	251,122.52
Accumulated amortization as 01.01.2013	- 142,068.19
Amortization for the period	-16,141.62
Disposals during the period	8,528.00
Accumulated amortization as 31.12.2013	-149,681.81
Net carrying amount at 31.12.2013	101,440.71

1. In 2013, the increase in the intangible assets is due to the subsequent costs related to improvements on the Paperless software which were added to its carrying value.
2. The disposals related to the write-off of software items related to the discontinued use of IT systems in the GSA's office in Brussels which was closed down at the end of December 2013. The net loss from the disposal recognised in the Economic Outturn Account is €117.



Note 5: Tangible fixed assets

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 01.01.2013	1,121,044.77	111,978.30	190,464.87	1,423,487.94
Additions during the period	347,083.14	94,486.59	45,830.35	487,400.08
Disposals during the period	-83,868.40	-2,063.00	-133,660.15	-219,591.55
Gross carrying amounts at 31.12.2013	1,384,259.51	204,401.89	102,635.07	1,691,296.47
Accumulated depreciation as 01.01.2013	- 380,812.18	-33,983.95	-94,309.87	-509,106.00
Depreciation for the period	-308,368.44	-17,035.94	-27,818.35	-353,222.73
Disposals during the period	83,868.40	1,957.00	82,421.15	168,246.55
Accumulated depreciation as 31.12.2013	-605,312.22	-498,062.89	-39,707.07	-694,082.18
Net carrying amounts at 31.12.2013	778,947.29	155,339.00	62,928.00	997,214.29

1. The major acquisitions in 2013 related to the purchase of servers and other IT equipment and furniture for the new headquarters of the GSA in Prague and the Galileo Security Monitoring Centres in France and United Kingdom.
2. The disposals related to the write-off of malfunctioning or unusable items. The net loss from the disposal of these assets recognised in the Economic Outturn Account is €51,345.



Note 6: Short-term pre-financing

Description	31.12.2013	31.12.2012
Gross amounts:		
Grant agreements - operational	19,340,548.33	31,166,981.00
Less accrued charges:		
Grant agreements - operational	-18,371,583.70	- 26,012,610.11
Total as at 31 December	968,964.63	5,154,370.89

1. Pre-financing is a payment intended to provide the grant beneficiary with a cash advance. Pre-financing is classified as short-term as the usual timeframe for grants is between 12 and 18 months.
2. Accrued charges represent the amount of eligible costs that were estimated to have been incurred by the beneficiaries at year-end but not yet reported to the GSA. These amounts are charged against the outstanding pre-financing amounts and any excess is taken as expense in the economic outturn account.

Note 7: Accounts receivable

Description	31.12.2013	31.12.2012
Current receivables	498,244.06	1,170,087.30
VAT from Member States	128,356.29	26,889.56
Receivables from staff	153,325.41	40,710.80
Accrued interest income	5,742.39	31,028.14
Deferred charges	179,868.74	61,919.06
Total as at 31 December	965,536.89	1,330,634.86



1. Current receivables represent amounts to be recovered from grant beneficiaries as follows:
 - ✓ Estimated amount for recovery of ineligible costs related to FP6 projects established as a result from ex-post audits carried out by independent external audit firm – €21,837.12
 - ✓ Estimated amount for recovery of ineligible costs related to FP7 1st and 2nd calls projects established as a result from ex-post audits carried out by independent external audit firm - €116,374
 - ✓ Recovery of ineligible costs related to FP7 1st and 2nd calls based on the findings of ex-post audits performed by independent audit firms - €290,997.01
 - ✓ Receivable from the European Commission in relation to the retrospective decrease in the pension contribution percentage - €69,035.93
2. Current receivables contain recoverable VAT from France of €15,529.42 and recoverable VAT from the Czech Republic of €112,826.87.
3. Receivables from staff include miscellaneous staff costs and salary advances to be claimed from other European Agencies, European Commission and staff in the amount of €57,627.18 and €95,698.23 to be recovered from staff in relation to the retrospective adjustment of the salaries and the change in the applicable country coefficients for the Czech Republic (decrease from 84,2% to 80%) and France (increase from 116,1% to 117,4%) as of July 2012.
4. Deferred charges consist of advance payments made during the year e.g. tuition fees for school year 2013/2014, subscriptions, maintenance fees related to 2014 and future years and a deposit in the total amount of €179,868.74.
5. Accrued interest income of €5,742.39 represents bank interests for the fourth quarter of the year 2013.

Note 8: Cash and cash equivalents

The cash held at bank as at 31 December 2013 amounts to €49,583,223.32. The significant amount is due to the receipts in December 2013 of large installments' related to the EGNOS/GALILEO preparatory activities Delegation Agreement and FP7 3d call Delegation Agreement in the amount of €25,330,579.10 and €2,233,491 respectively.

The interest received or accrued for 2013 - €352,384.92, which was generated on the pre-financing received, is due to the European Commission and will be paid back during the year 2014.

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



Note 9: Accounts payable and accrued charges

Description	31.12.2013	31.12.2012
Current Payables	4,906,572.32	3,608,876.01
Sundry payables	1,395.94	25.13
Accrued charges	5,376,822.33	3,536,082.71
Accrued charges with consolidated entities	11,839.02	20,562.39
Pre-financing received from the European Commission	36,682,896.71	18,588,218.38
Other payables with consolidated entities	352,384.92	212,794.17
Total as at 31 December	47,331,911.24	25,966,558.79

1. Current payables represent invoices received from suppliers but not yet settled or cost claims in relation to grants not yet paid, mainly for the operational activities. The split among different type of suppliers is as follows:

Description	31.12.2013	31.12.2012
Third parties	4,906,572.32	3,557,341.88
Member States	-	51,534.13
Total as at 31 December	4,906,572.32	3,608,876.01



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

Description	31.12.2013	31.12.2012
Community subsidy from DG ENTR	49,191.54	64,117.57
Operational subsidies from DG ENTR:		
<i>6th Framework Programme (DA)</i>	722,853.43	2,914,440.36
<i>7th Framework Programme (DA)</i>	2,086,464.63	6,157,429.20
<i>PRS receiver/GSMCs (DA)</i>	5,351,766.40	5,800,000.00
<i>GNSS Exploitation preparatory activities (DA)</i>	28,472,620.71	6,652,231.25
Total as at 31 December	36,682,896.71	18,588,218.38

3. The accrued charges consist of:

Description	31.12.2013	31.12.2012
Operational expenditure	4,676,074.17	2,942,561.20
Administrative expenditure	531,147.50	341,913.28
Unused annual leave	181,439.68	120,734.49
Accrual for assets acquired	-	151,436.13
Total as at 31 December	5,388,661.35	3,556,645.10

The accrued amounts for administrative expenditure represent goods and services received in 2013 but not yet booked as vendor payables as of 31 December 2013. 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 2013.



- ✓ Operational expenditure accruals relate to the following:

Description	31.12.2013	31.12.2012
7th Framework Programme	1,942,086.13	1,609,103.45
6th Framework Programme	548,001.00	570,363.32
GNSS preparatory activities	1,761,238.20	505,516.55
PRS (Public Regulated Services) activities	304,481.67	-
Market development, security and other activities	120,267.17	257,577.88
Total as at 31 December	4,676,074.17	2,942,561.20

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.

4. Other payables represent the interest received and accrued - €352,384.92, which was generated on the pre-financing received and which is due to the European Commission and will be paid back during the year 2014.

Note 10: Provisions for risks and charges

In 2013, the GSA recognised revenue in the amount of €235,582.39 arising from adjustment of the provision which relates to the estimated effect from the annual adjustment of 0,8 % of the staff remunerations and the respective change in the applicable country coefficients for the Czech Republic and France effective as of July 2012. The estimated provisions for 2011 and 2012 were reversed. The net estimated effect is revenue as the country coefficient for the Czech Republic decreased from 84,2% to 80% largely offsetting the increase of 0,8% in the salaries and thus resulting in amounts to be recovered from staff.



Note 11: Contingent liabilities

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 difference between total commitments not yet consumed (RAL) and the accrued charges. The total RAL as at the end of 2013 amount to €60,751,501.54 split to budgetary RAL of €4,381,180.12 and RAL on assigned revenue of €56,370,321.42.

At year end the contingent liabilities amount for €50,839,273.93.

The core part of the contingent liabilities consist of the future costs related to the following:

- ✓ GNSS exploitation preparatory activities – €27,898,890.47
- ✓ Public Regulated Services (PRS) – €10,519,433.40
- ✓ 7th Framework Programme - €7,968,346.95

The other components of the contingent liabilities are the 6th Framework Programme (€722,837.66), Titles I and II (administrative expenditure) (€1,818,190.17) and Title III Operational expenditure (€1,911,575.28).

Note 12: Accrued income from Community subsidy

The income from the Community subsidy is calculated on the basis of the budget outturn account and represents all payments made in the year 2013 plus the payment appropriations carried over to the year 2014 less unused payment appropriations of the year 2012 and the net effect of the exchange rate fluctuations.

Description	31.12.2013	31.12.2012
EC subsidy received	13,973,518.59	12,925,449.38
Budget outturn account for the year	-49,191.54	- 64,117.57
Total income recognised as revenue	13,924,327.05	12,861,331.81

Note 13: Accrued income from delegated tasks

The income recognised in relation to the operating activities under signed Delegation Agreements between the GSA and the European Commission (DG Enterprise and Industry) is equal to the expenses incurred and recognised in the Economic Outturn Account for these activities during the period.



The income is charged against the pre-financing received under the respective Delegation Agreements.

The total accrued income from the delegated tasks amounts to €18,857,520.14.

Note 14: Other operating revenues

Other operating revenue consists of the following items:

- ✓ Exchange rate gains - €114,731.17
- ✓ Other income from administrative operations - €479.00
- ✓ Revenue from adjustments of provisions - €235,582.39

Note 15: Operating expenditure

The operational expenditure consists of:

Description	31.12.2013	31.12.2012
Agencies Operational activities	18,019,464.18	16,964,826.61
Provisions for other liabilities and charges	-	110,840.86
Realised exchange rate losses	137,496.19	43,261.03
Total as at 31 December	18,156,960.37	17,118,928.50

1. The 7th Framework Programme constitutes the main part of the operating expenses (approximately 43%), which is normal given the size and the maturity of this programme. The other major parts are for the GNSS exploitation preparatory tasks (approximately 30%) and the Agency's core tasks (approximately 12%).

Note 16: Staff expenditure

The structure of the staff expenditure for the year 2013 is presented in the table below:



Description	31.12.2013	31.12.2012
Salaries	5,305,151.12	3,496,755.20
Pension & unemployment contributions	50,076.45	32,528.63
Employer's contribution for social security	148,166.30	95,551.40
Allowances	1,403,388.69	991,849.68
Staff expenses with other consolidated entities	71,024.32	51,561.43
Total as at 31 December	6,977,806.88	4,668,336.34

1. Staff costs include salaries, post adjustments and entitlements for Temporary and Contract category staff. Also included are staff travel expenses which form part of staff entitlements and are not related to duty travel e.g. home leave. The increase in staff costs is due to the increased number of staff members (98 at the end of 2013; 68 at the end of 2012).
2. Allowances are comprised mostly of one-off payments to staff members (e.g. installation allowance, removal allowance, daily subsistence allowances) and allowances for dependants, education and expatriation. The increase compared to 2012 is also due to the increase in the number of staff members.
3. Staff expenses with other consolidated entities consist of costs related to administrative services for personnel provided by the respective departments of the European Commission (trainings provided to staff members, medical services and administrative services).

Note 17: Other administrative expenditure

The structure of other administrative expenditure for the year 2013 is presented in the table below:



Description	31.12.2013	31.12.2012
Land & building expenses with consolidated entities	496,929.06	581,504.46
Rent of land and buildings	390,026.32	64,222.74
Communications & publications	541,113.30	938,927.70
Recruitment	122,621.63	101,385.45
Training Costs	27,780.74	8,382.70
Missions	717,799.75	495,781.12
Experts and related expenditure	375,886.51	390,226.21
Allowances for Seconded National Experts	75,518.08	26,068.62
IT costs operational	614,667.57	1,107,187.98
Other external service providers	1,801,002.37	1,346,144.45
Expenses with consolidated entities	132,480.03	221,654.01
Total as at 31 December	5,295,825.36	5,281,485.44

1. Land & building expenses with consolidated entities are the rent and related expenses for the office in Brussels. The office space rented was reduced in 2013 and the office was completely closed down at the end of the year.
2. Rent of land and buildings costs are the rents and related expenses for services for the headquarters' premises in Prague and the Galileo Security Monitoring Centres located in France and United Kingdom which became operational in 2013. Note 18 provides additional details.
3. Communications & publications comprise mainly sponsorship and prizes for the GALILEO Masters Competition, the organisation of the European Space Solutions event in Munich, participations of the GSA at important events, conferences and fairs and the European Space Expo Tour.
4. Mission expenses relate to duty travels of staff members. The increase in the mission costs compared to 2012 is due to the increased number of staff as well as the relocation of the GSA from Brussels to Prague in September 2012.



5. Experts and related expenditure consists of reimbursements of expenses to the members of the Administrative Board and the Security Accreditation Board for their participation in meeting held during the year and reimbursement of costs related to the Flight Key Cell activities to participating countries (Italy, France and Germany).
6. Allowances for seconded national experts represent the daily allowances paid to experts. Seconded national experts are not members of staff. In 2013, there were 2 seconded national experts within the Market Development department.
7. IT operational costs comprise mainly annual maintenance fees for IT systems hosted by external providers, hosting of the GSA's website, purchases of items that do not meet the criteria for fixed assets and consumables.
8. Other external services relate primarily to tuition fees for children of staff members, external temporary assistants, office supplies, postal, communication and legal services.
9. Expenses with consolidated entities are annual maintenance fees for the IT systems hosted by the European Commission.

Note 18: Operating lease

The lease agreements for: 1) the GSA office in Brussels, 2) the headquarters premises in Prague and 3) the Galileo Security Monitoring Centres (GSMC) located in France and UK are recognised as operating lease.

The expenses related to the Brussels office rental for 2013 amount to €496,929.06. The Brussels office was officially closed down as of 31 December 2013.

Operating lease expenses in 2013 amounting to €231,997.45 relate to the rental agreement of the GSA headquarters premises in Prague and consist of €1 symbolic rent and €230,997.45 other rental charges.

The expenses in the amount of €82,259.30 (occupier's charge) relate to the service provisions provided for the GSMC in UK.

The expenses in the amount of €18,333.00 relate to the service provisions provided for the GSMC in France.

Note 19: 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.

United Kingdom provides the GSMC facilities to host the GSMC. In 2013, the GSA signed a lease agreement with the UK Space Agency. According to the lease agreement "The rent will be a nominal peppercorn". The clause relates to the "peppercorn doctrine" of the common law system which results from the rule that every contract requires consideration (something in return) to be valid - even if it only has the value of a peppercorn.

France provides the GSMC facilities to host the GSMC. In 2013, the GSA signed a lease agreement with the Ministry of Defence. According to the lease agreement, no rent is due for the GSMC facilities.

The symbolic rents are non-exchange components of the lease agreements and are considered as being services in-kind in the sense of EAR 17. The lease of the GSA's headquarters' premises and the GSMCs sites are classified as operating lease and therefore no recognition of the non-exchange component is needed.

Note 20: 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 2013 is €22,765.02.

At the year end, the balances of foreign currency monetary items were translated to euro using the European Commission's closing rate - 1 EUR = 27.42700 CZK.

Note 21: Change in estimates

In the light of new information provided after an extensive examination on the legal basis of the GSA to claim amounts to be recovered related to the **FP6 projects** and **FP7 1st and 2nd calls projects**, the estimated amounts reported in 2012 financial statements were revised. The net effect of the change in the estimates in relation to FP6 projects in the amount of €364,998.25 was recognised in the Economic Outturn Account as an expense. The net effect of the change in the estimates in relation to FP7 1&2 calls projects in the amount of €63,129.80 was recognised in the Economic Outturn Account as an expense.

The carrying amount of the respective receivables was adjusted accordingly.



Note 22: Segment information

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 2014, the segment reporting will be gradually implemented given the multi-location structure of the GSA and the different nature of its activities.

Note 23: 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 24: Events after the balance sheet date

The ex-post audits carried out by independent audit firms on FP7 projects' beneficiaries were overall finalized in May 2014. The findings related to ineligible expenditure incurred in 2013 and prior years, established the total amount of €14,311.77 to be recovered for which recovery orders will be issued by the GSA in due course. Based on these findings, the representative error rate is 0,46%. There are two pending audit reports for which further checks and legal review are undergoing. No adjustments are made to the 2013 annual accounts in relation to the ex-post audit findings.



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PART II

BUDGET IMPLEMENTATION REPORT 2013



BUDGET OUTTURN ACCOUNT

			2013	2012
REVENUE	Balancing Commission subsidy	+	13,973,518.59	12,925,449.38
	Other subsidy from Commission – assigned revenue	+	39,420,417.91	30,523,402.00
	Other income	+	303,331.99	67,030.84
	Total revenue		53,697,268.49	20,848,718.32
EXPENDITURE	<i>Title I: Staff</i>			
	Payments	-	8,170,443.02	3,766,240.20
	Appropriations carried over	-	413,172.98	150,160.74
	<i>Title II: Administrative Expenses</i>			
	Payments	-	1,637,427.80	1,264,277.52
	Appropriations carried over	-	1,757,472.26	1,724,039.84
	<i>Title III: Operating Expenditure</i>			
	Payments	-	13,750,024.56	14,914,855.27
	Appropriations carried over	-	47,233,426.42	19,642,405.49
	Total expenditure		72,961,967.04	54,645,221.69
Outturn for the year		-19,264,698.55	-33,796,503.37	
Cancellation of unused payment appropriations carried over from previous year	+	71,952.03	18,305.75	
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	19,264,701.08	33,876,267.77	
Exchange differences for the year (gain +/-loss -)	+/-	-22,763.02	-33,952.58	
Budget Outturn		49,191.54	64,117.57	



NOTES TO THE BUDGET IMPLEMENTATION REPORT

I. General information about budget execution

Note 1: General remarks

An in-depth analysis of all aspects of the budgetary management and implementation in 2013 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:

Description	31.12.2013	31.12.2012
EC subsidy	13,973,518.59	12,925,449.38
Assigned revenue from DG ENTR	39,420,417.91	7,845,204.00
Other revenue	303,331.99	78,064.94
Total as at 31 December	53,697,268.49	20,848,718.32

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	6,945,492.42	-
1200	Recruitment costs	120,449.97	30,050.03
1300	Missions	665,989.68	79,802.81
1400	Training expenses	68,968.94	54,031.06
1700	Representation expenditure	818.65	-
1800	Tuition fees	300,474.57	229,537.87
1900	Relocation costs	68,248.79	19,751.21
	Total title I	8,170,443.02	413,172.98
Title 2 - Administrative expenditure			
2000	Rent (with related services)	667,947.53	511,132.39
2100	Data processing (IT equipment & software)	447,614.47	720,635.88
2200	Movable property (furniture, equipment)	116,339.13	122,051.17
2300	Current admin costs	354,860.75	385,570.68
2400	Postal / telecom	10,089.46	11,910.54
2500	Meeting expenses (ABM)	40,576.46	6,173.54
	Total title II	1,637,427.80	1,757,474.20
Title 3 - Operational expenditure			
3100	Expenditure on studies	762,101.35	482,898.65
3300	SAB costs	712,799.16	37,200.84
	Total title III	1,474,900.51	520,099.49



Delegated tasks

3900	6 th Framework Programme 3 rd call	99,344.34	495,358.66
3904	6 th Framework Programme 2 nd call	14,990.00	942,673.00
3913	7 th Framework Programme 1 st and 2 nd calls	3,760,471.57	1,698,162.19
3917	7 th Framework Programme 3 rd call	2,128,812.73	12,700,721.33
3918	PRS (Public Regulate Services)	143,751.93	10,823,915.07
3919	GNSS exploitation preparatory tasks	3,674,460.30	29,709,491.17

Total assigned revenue **9,821,830.87** **56,370,321.42**

Note 7: Budget execution

The initial budget decided by the European Parliament and the European Council during the budget adoption procedure was set at €12,723,518. The EU's 4th Amending Budget for 2013 was adopted in plenary session by the European Parliament on 11 September 2013 and included a GSA request for 20 additional AD posts and the corresponding budget in order to allow the Agency to become responsible for EGNOS exploitation on 1 January 2014 and of Galileo Early Services from late 2014. Following the adoption by the legislative authority, the Administrative Board of the GSA adopted its 1st amending budget for 2013 by written procedure on 17th September 2013. This amendment increased the GSA initial budget by €1,250,000, providing a total GSA budget of €13,973,518 for commitments and payments.



		Initial voted budget		Transfers / amendments		Final budget 31/12/2013	
Budget line	Heading	CA	PA	CA	PA	CA	PA
Title 1 - Staff expenditure							
1100	Staff expenditure	6,009,795.00	6,009,795.00	935,697.42	935,697.42	6,945,492.42	6,945,492.42
1200	Recruitment costs	70,000.00	70,000.00	80,500.00	80,500.00	150,500.00	150,500.00
1300	Missions and travel	820,000.00	820,000.00	- 74,207.51	- 74,207.51	745,792.49	745,792.49
1400	Training expenditure	100,000.00	100,000.00	23,000.00	23,000.00	123,000.00	123,000.00
1700	Representation expenditure	3,000.00	3,000.00	- 2,181.35	- 2,181.35	818.65	818.65
1800	Tuition fees	355,000.00	355,000.00	175,012.44	175,012.44	530,012.44	530,012.44
1900	Allowances and relocation costs	175,000.00	175,000.00	- 87,000.00	- 87,000.00	88,000.00	88,000.00
	Total for title 1	7,532,795.00	7,532,795.00	1,050,821.00	1,050,821.00	8,583,616.00	8,583,616.00
Title 2 - Administrative expenditure							
2000	Rental of buildings	940,000.00	940,000.00	239,079.92	239,079.92	1,179,079.92	1,179,079.92
2100	Data processing	525,000.00	525,000.00	643,250.35	643,250.35	1,168,250.35	1,168,250.35
2200	Movable property	150,000.00	150,000.00	88,390.30	88,390.30	238,390.30	238,390.30
2300	Current administrative costs	410,000.00	410,000.00	330,431.43	330,431.43	740,431.43	740,431.43
2400	Postage and telecommunication	50,000.00	50,000.00	- 28,000.00	- 28,000.00	22,000.00	22,000.00
2500	Meetings	55,000.00	55,000.00	- 8,250.00	- 8,250.00	46,750.00	46,750.00
	Total for title 2	2,130,000.00	2,130,000.00	1,264,902.00	1,264,902.00	3,394,902.00	3,394,902.00



		Initial voted budget		Transfers / amendments		Final budget 31/12/2013	
Budget line	Heading	CA	PA	CA	PA	CA	PA
Title 3 - Operational expenditure							
3100	Studies and operations	1,710,723.00	1,710,723.00	- 330,723.00	- 465,723.00	1,380,000.00	1,245,000.00
3300	SAB operational expenditure	1,350,000.00	1,350,000.00	- 735,000.00	- 600,000.00	615,000.00	750,000.00
	Total for title 3	3,060,723.00	3,060,723.00	- 1,065,723.00	- 1,065,723.00	1,995,000.00	1,995,000.00
TOTAL titles 1, 2 and 3		12,723,518.00	12,723,518.00	1,250,000.00	1,250,000.00	13,973,518.00	13,973,518.00



8 internal transfers were processed in 2013, all of them authorised by the Executive Director with the exception of one which was authorised by Written Procedure by the GSA Admin Board as this included both a transfer of funds from Title 3 to Title 1 but also the inscription of the additional funds provided for under the amending budget in September 2013. The GSA budgets with subsequent amendments were published in the Official Journal of the EU on 27/03/2012, 31/12/2012 and early 2014.

Table2: GSA register of transfers 2013

WFID	No.	From	To	Amount	Date of validation by AO	Comments
105880	01/2013	T3	T2	300,000	14/06/2013	Reinforcement of title 2 for GSMC expenses
108126	02/2013	T3	T1	1,145,723	27/09/2013	Implementation of Admin Board Decision – Written procedure
109041	3/2012	3100	3300	35,000	12/11/2013	Transfer of PAs only to cover expected payment requests on BL3300 until year end.
109514	4/2012	T1	T2 and T3	520,000	22/11/2013	Reinforcement of T2 to cover essential IT costs and additional activities proposed under T3
110144	5/2012	T1	T2	178,384	13/12/2012	Reinforcement of T2 to cover essential data processing and miscellaneous administrative costs until year end.
110485	6/2013	T1	T2 and T3	100,000	17/12/2013	Reinforcement of T2 to cover external legal assistance and preparations for move of staff to Prague following closure of Brussels office.
110705	7/2013	T2	T1	10,000	20/12/2013	End of year transfers to cover expected contractual needs, including accruals on provisional administrative commitments.
110735	8/2013	1100	1800	13,496	27/12/2013	Final year-end transfers to cover expected contractual needs, including accruals on provisional administrative commitments.



Execution of commitment appropriations (Table 3) remained high in all titles and budget lines, reaching a global 100% execution.

Table 3: Execution of commitment appropriations 2013, in EUR

Budget line	Heading	COMMITMENT APPROPRIATIONS BUDGETED 2013	Commitment Appropriations (CAs)			
			COMMITTED	%	UNCOMMITTED	%
Title 1 - Staff expenditure						
1100	Staff expenditure	6,945,492.42	6,945,492.42	100%	0.00	0%
1200	Recruitment costs	150,500.00	150,500.00	100%	0.00	0%
1300	Missions and travel	745,792.49	745,792.49	100%	0.00	0%
1400	Training expenditure	123,000.00	123,000.00	100%	0.00	0%
1700	Representation expenditure	818.65	818.65	100%	0.00	0%
1800	Tuition fees	530,012.44	530,012.44	100%	0.00	0%
1900	Staff relocation	88,000.00	88,000.00	100%	0.00	0%
	Total for title 1	8,583,616.00	8,583,616.00	100%	0.00	0%
Title 2 - Administrative expenditure						
2000	Rental of buildings	1,179,079.92	1,179,079.92	100%	0.00	0%
2100	Data processing	1,168,250.35	1,168,250.35	100%	0.00	0%
2200	Movable property	238,390.30	238,388.36	100%	1.94	0%
2300	Current administrative costs	740,431.43	740,431.43	100%	0.00	0%
2400	Postage and telecommunication costs	22,000.00	22,000.00	100%	0.00	0%
2500	Meetings	46,750.00	46,750.00	100%	0.00	0%
	Total for title 2	3,394,902.00	3,394,900.06	100%	1.94	0%
Title 3 - Operational expenditure						
3100	Expenditure on studies	1,380,000.00	1,379,991.40	100%	8.60	0%
3300	SAB operational expenditure	615,000.00	615,000.00	100%	0.00	0%
	Total for title 3	1,995,000.00	1,994,991.40	100%	8.60	0%
	TOTAL T1+T2+T3	13,973,518.00	13,973,507.46	100.00%	10.54	0.0%



For 2013 payment appropriations (Table 4), execution rate was also of 100%. This execution rate incorporates the non-automatic carry forward of payment appropriations (€520,099.49) adopted by the Administrative Board on 3 February 2014 in order to maximise the use of the remaining payment credits in Title 3.

Table 4: Execution of C1 payment appropriations 2013, in EUR

Budget line	Heading	PAYMENT APPROPRIATIONS BUDGETED 2013	Payment Appropriations (PAs)					
			PAID IN 2013	%	CARRIED FORWARD	%	TOTAL EXECUTED	%
Title 1 - Staff expenditure								
1100	Staff expenditure	6,945,492.42	6,945,492.42	100%	0.00	0%	6,945,492.42	100%
1200	Recruitment costs	150,500.00	120,449.97	80%	30,050.03	20%	150,500.00	100%
1300	Missions and travel	745,792.49	665,989.68	85%	79,802.81	15%	745,792.49	100%
1400	Training expenditure	123,000.00	68,968.94	56%	54,031.06	44%	123,000.00	100%
1700	Representation expenditure	818.65	818.65	100%	0.00	0%	818.65	100%
1800	Tuition fees	530,012.44	300,474.57	57%	229,537.87	43%	530,012.44	100%
1900	Staff relocation	88,000.00	68,248.79	78%	19,751.21	22%	88,000.00	100%
	Total for title 1	8,583,616.00	8,140,895.34	95%	413,172.98	5%	8,583,616.00	100%
Title 2 - Administrative expenditure								
2000	Rental of buildings	1,179,079.92	667,947.53	57%	511,132.39	43%	1,179,079.92	100%
2100	Data processing	1,168,250.35	447,614.47	38%	720,635.88	62%	1,168,250.35	100%
2200	Movable property	238,390.30	116,339.13	49%	122,051.17	51%	238,390.30	100%
2300	Current administrative costs	740,431.43	354,860.75	48%	385,570.68	52%	740,431.43	100%
2400	Postage and telecommunication costs	22,000.00	10,089.46	46%	11,910.54	54%	22,000.00	100%
2500	Meetings	46,750.00	40,576.46	87%	6,173.54	13%	46,750.00	100%
	Total for title 2	3,394,902.00	1,637,427.80	48%	1,757,474.20	52%	3,394,902.00	100%
Title 3 - Operational expenditure								
3100	Expenditure on studies	1,245,000.00	762,101.35	61%	482,898.65	39%	1,245,000.00	100%
3300	SAB operational expenditure	750,000.00	712,799.16	95%	37,200.84	5%	750,000.00	100%
	Total for title 3	1,995,000.00	1,474,900.51	74%	520,099.49	26%	1,995,000.00	100%
	TOTAL T1+T2+T3	13,973,518.00	11,253,223.65	81%	2,720,294.35	19%	13,973,518.00	100%

Payment appropriations for the amount of €377,734.41 were carried over (non-automatic carry over) from 2012 to 2013 and fully executed to maintain the GSA's payment capacity on existing legal obligations.



Payment appropriations for the amount of €520,099.49 were carried over (non-automatic carry over) from 2013 to 2014 to maintain the GSA's payment capacity on existing legal obligations.

This chapter summarises the evolution of outstanding commitment balances during 2013 by budget line and title (Table 6). Regarding budget lines 1200, 1300, 1400, 2000, 2100, 2200, 2400 and 2500, cancellations were related to C8 credits becoming automatically C9 in the following year on HR and administrative expenditure budget lines.

Table 5: GSA - Evolution of outstanding balances 2013, in EUR

Budget line	Description	(a) Outstanding balances as of 01/01/2013	(b) Payments on outstanding balances in 2013	(c) New 2013 commitments	(d) Payments on new 2013 commitments	(e) Cancellations in 2013	(f)=(a)-(b)+(c)-(d)-(e) Outstanding balances as of 31/12/2013
1100	Staff costs	0.00	0.00	6,945,492.42	6,945,492.42	0.00	0.00
1200	Recruitment	2,414.54	1,978.70	150,500.00	120,449.97	435.84	30,050.03
1300	Missions	51,819.40	51,550.48	745,792.49	636,442.00	268.92	73,522.37
1400	Training	15,888.06	11,906.01	123,000.00	68,968.94	3,982.05	54,031.06
1700	Representation	0.00	0.00	818.65	818.65	0.00	0.00
1800	Tuition fees	80,038.74	80,038.74	530,012.44	300,474.57	0.00	229,537.87
1900	Staff removals	0.00	0.00	88,000.00	68,248.79	0.00	19,751.21
	Total title 1	150,160.74	145,473.93	8,583,616.00	8,140,895.34	4,686.81	406,892.54
2000	Rent	193,922.81	182,517.38	1,179,079.92	667,947.53	11,405.43	511,132.39
2100	Data processing	1,047,057.73	1,005,948.61	1,168,250.35	447,614.47	41,109.12	720,635.88
2200	Movable property	86,946.14	86,428.08	238,388.36	116,339.13	518.06	122,049.23
2300	Current admin costs	348,304.12	348,304.12	740,431.43	354,860.75	0.00	385,570.68
2400	Post/telecom	44,302.15	32,331.74	22,000.00	10,089.46	11,970.41	11,910.54
2500	Meetings	3,506.89	1,244.69	46,750.00	40,576.46	2,262.20	6,173.54
	Total title 2	1,724,039.84	1,656,774.62	3,394,900.06	1,637,427.80	67,265.22	1,757,472.26
3100	Operations & studies	922,763.41	779,466.30	1,379,991.40	354,483.49		1,168,805.02
3300	SAB costs	1,142,608.56	591,494.31	615,000.00	121,304.85		1,044,809.40
	Total title 3	2,065,371.97	1,370,960.61	1,994,991.40	475,788.34	0.00	1,519,203.06
	Totals	3,939,572.55	3,173,209.16	13,973,507.46	10,254,111.48	71,952.03	3,683,567.86

Note 8: Appropriations arising from assigned revenue

The GSA continued to manage delegated appropriations by the Commission during 2013.

New payment appropriations were received by the GSA from the European Commission during the course of 2013, as stipulated in the delegation agreements. These were:

- For the FP7 1st and 2nd calls, (budget line 3913), €1,667,378
- For the FP7 grants, 3rd call (budget line 3917): €7,957,476
- For the PRS Delegation Agreement (budget line 3918): No further payment appropriations received;
- For the Exploitation delegation agreement signed in May 2012, the Agency had received €5,163,600 in pre-financing in 2012. An additional €4,454,984.76 was received following a formal cash request to the EC in June 2013 and a further €25,330,579.10 was received following a second cash request to the EC in November 2013. This large request was primarily due to an expected invoice for the EGNOS service provision contract at the very beginning of 2014 for 15.88 MEUR. A large volume of additional payments was also anticipated in the first quarter of 2014, hence the exceptionally high number of payments appropriations at year-end.

Table 5: Overview of assigned revenue during 2013 in EUR

BL	Activity	Commitment appropriations in budget line 01/01/2013	2013 open commitments	2013 total available payment appropriations	Payments made during 2013
3904	FP6 2 nd call	1,162,982.98	957,663.00	1 162 982.98	14,990.00
3900	FP6 3 rd call	594,703.00	594,703.00	594,703.00	99,344.34
3913	FP7 1&2 calls	6,192,564.09	6,160,071.09	5,396,219.92	3,760,471.57
3917	FP7 3 rd call	15,249,073.19	14,823,253.62	9,623,570.19	2,122,532.29
3918	PRS (Public Regulated Services)	11,600,000.00	10,967,667	5,800,000.00	143,751.93
3919	GNSS Exploitation	31,677,125.35	30,927,585.65	33,957,681.71	3,674,460.30

In 2013, the GSA paid back to the Commission €2,453,293.18 of unused funds in relation to the FP6 programme.



Note 9: Reconciliation between Budget Outturn Account and Economic result

Economic result	2,241,218.30
<i>Adjustment for accrual items (not in the budgetary result but included in the economic result)</i>	
Adjustments for Accruals (reversal 2012)	- 29,256,634.25
Unpaid invoices at year end but booked in charges (reversal 2012)	- 3,466,849.54
Prepaid expenses (reversal 2012)	61,060.66
Adjustments for Accruals (2013)	24,195,313.54
Unpaid invoices at year end but booked in charges (2013)	4,745,853.18
Prepaid expenses (2013)	- 177,478.67
Other receivables (salary advances, other receivables from staff)	- 39,629.49
Depreciation of intangible and tangible assets	420,826.35
Provisions	- 235,582.39
Pre-financing given in previous year and cleared in the year	11,826,432.67
Pre-financing received in previous year and cleared in the year	- 12,466,468.63
Payments made from carry-over of payment appropriations	2,179,952.96
<i>Adjustment for budgetary items (included in the budgetary result but not in the economic result)</i>	
Asset acquisitions (less unpaid amounts)	- 469,472.62
New pre-financing received in the year 2013 and remaining open as at 31.12.2013	30,559,085.34
Payment appropriations carried over to 2014	- 49,404,071.66
Cancellation of unused carried over payment appropriations from previous year	71,952.03
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	19,264,701.08
Other	- 1,017.32
Total	49,191.54
Budgetary result	49,191.54