

EUROPEAN GNSS AGENCY

ANNUAL ACCOUNTS FOR 2014



European
Global Navigation
Satellite Systems
Agency



European
Global Navigation
Satellite Systems
Agency



Accounting Officer's Certificate of the Annual Accounts for the year 2014

The annual accounts of the European GNSS Agency for the year 2014 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.

Jordi Climent-Campins

Acting Accounting Officer ad interim

30 June 2015



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SUMMARY OVERVIEW

1. Overview of the Agency and principal events in 2014

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 through the Horizon 2020 programme 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 2014:

- The Public Regulated Service (PRS) delegation agreement, signed in 2011
- The FP-7 delegation agreement, signed in 2011
- The Exploitation Delegation Agreement, signed in 2012
- The EGNOS Exploitation delegation agreement, signed in 2014
- The Galileo Exploitation delegation agreement, signed in 2014
- The Horizon 2020 delegation agreement, signed in 2014



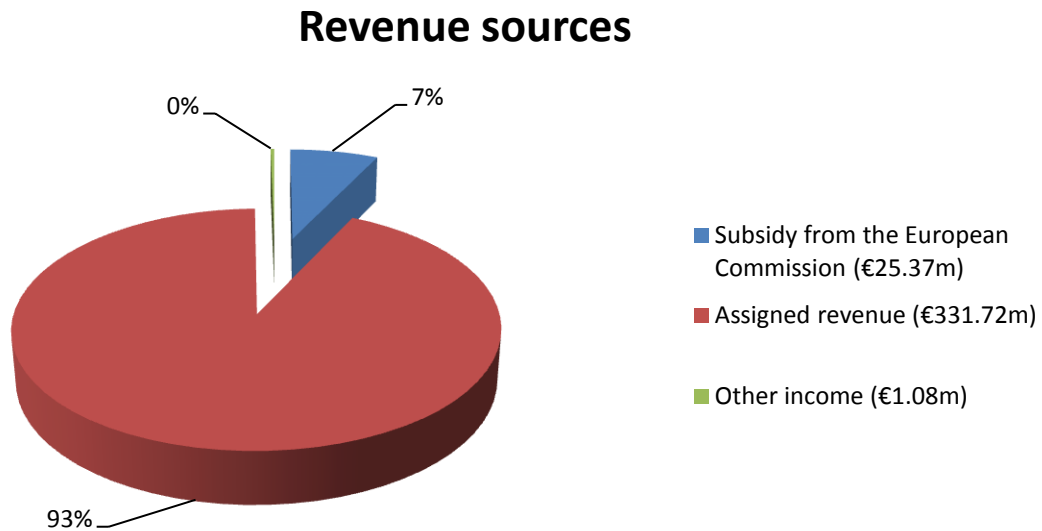
During the reporting period, the following major events took place:

1. A new GNSS regulation and a new GSA regulation entered into force during this reporting period, further enhancing the Agency's role within the programmes. One major change that the new regulations introduced is the need to have an autonomous Security Accreditation Board within the Agency. The Agency worked on a proper working arrangement to ensure that the Board is independent while not being isolated.
2. Three delegation agreements were signed during the reporting period; the first two delegated the EGNOS Exploitation tasks and the Galileo Exploitation tasks to the Agency. Considerable efforts had been made to prepare for these agreements, notably by recruiting the appropriate personnel, and the Agency is now delivering as per expectations. The third delegation agreement allows the Agency to manage projects funded by Horizon 2020 in the area of innovative satellite navigation applications and technologies;
3. The Agency was certified to ISO 9001 standard at the end of the year, following an intensive cross-department effort to ensure that this important milestone would not be missed.
4. For the Galileo Security Monitoring Centre (GSMC) Operations, the gradual deployment of the GSMC at its two sites in support of GSMC Operations continued. Full deployment is expected by the end of 2015.
5. Continued efforts to increase both EGNOS' and Galileo's market awareness and market share were deployed during the reporting period. The results show that actors within the markets highly rank the EU space programmes' value propositions, with increased attention from receiver manufacturers and downstream players.



2. Budgetary performance

- ✓ The initial approved budget of the GSA was €25,369,057.57. There was no amending budget during the year.
- ✓ The Budget Outturn for 2014 is €1,301,775.73. The Budget Outturn result represents the amount of unused budget appropriations carried forward from 2013 to 2014 (€228,504.76) and the recognised bank interest for 2014 (€1,057,075.41) as well as the effect of the exchange rate losses recognised during the period (€3,695.96). More details are provided in Part II – Budget Implementation Report.
- ✓ The revenue sources for 2014 from the budgetary perspective are shown in the chart below:





✓ The execution of commitment appropriations reached a 99.84% 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	8,872,454.28	8,872,454.28	100%
1200	Recruitment costs	110,400.00	110,400.00	100%
1300	Missions and travel	1,143,340.00	1,102,968.51	96%
1400	Training expenditure	322,499.43	322,499.43	100%
1700	Representation expenditure	259.49	259.49	100%
1800	Tuition fees	774,387.37	774,387.37	100%
	Total for title 1	11,223,340.57	11,182,969.08	99.64%
Title 2 - Administrative expenditure				
2000	Rental of buildings	2,187,626.93	2,187,626.93	100%
2100	Data processing	2,776,134.00	2,776,134.00	100%
2200	Movable property	245,416.98	245,416.98	100%
2300	Current administrative costs	856,493.55	856,493.55	100%
2400	Postage and telecommunication costs	242,121.91	242,121.91	100%
2500	Meetings	56,500.00	56,500.00	100%
	Total for title 2	6,364,293.37	6,364,293.37	100%
Title 3 - Operational expenditure				
3100	Expenditure on studies	6,731,423.63	6,731,423.63	100%
3300	SAB operational expenditure	1,050,000.00	1,050,000.00	100%
	Total for title 3	7,781,423.63	7,781,423.63	100%
	TOTAL BUDGET	25,369,057.57	25,328,686.08	99.84%



- ✓ The execution rate for the payment appropriations was also 99.84% including the non-automatic carry forward of payment appropriations of €5,340,257.12 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	8,872,454.28	8,872,454.28	100%
1200	Recruitment costs	110,400.00	110,400.00	100%
1300	Missions and travel	1,143,340.00	1,102,968.51	96%
1400	Training expenditure	322,499.43	322,499.43	100%
1700	Representation expenditure	259.49	259.49	100%
1800	Tuition fees	774,387.37	774,387.37	100%
	Total for title 1	11,223,340.57	11,182,969.08	99.64%
Title 2 - Administrative expenditure				
2000	Rental of buildings	2,187,626.93	2,187,626.93	100%
2100	Data processing	2,776,134.00	2,776,134.00	100%
2200	Movable property	245,416.98	245,416.98	100%
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2500	Meetings	56,500.00	56,500.00	100%
	Total for title 2	6,364,293.37	6,364,293.37	100%
Title 3 - Operational expenditure				
3100	Expenditure on studies	6,731,423.63	6,731,423.63	100%
3300	SAB operational expenditure	1,050,000.00	1,050,000.00	100%
	Total for title 3	7,781,423.63	7,781,423.63	100%
	TOTAL BUDGET	25,369,057.57	25,328,686.08	99.84%



3. Financial performance

- ✓ The Agency's overall surplus of revenue over expenses in 2014 is €3,869,711.47

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.

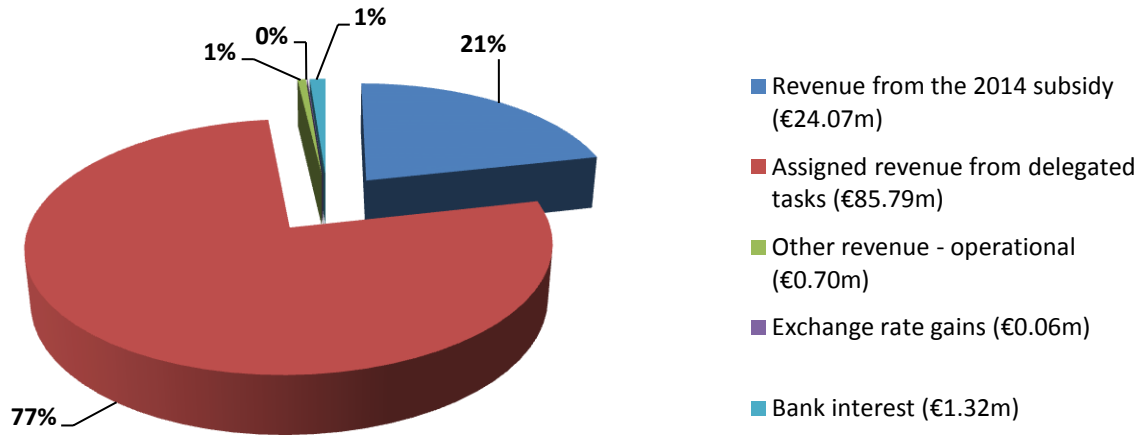
✓ *Revenue Analysis*

The total revenue for 2014 consisted of:

- Revenue from the 2014 subsidy - €24,067,281.84;
- Assigned revenue from delegated tasks - €85,796,160.98;
- Other Revenue – operational – €703,944.73;
- Exchange rate gains – €60,529.06;
- Bank interest - €1,322,997.82.



Revenue Analysis



The table below compares 2014 and 2013 revenue. The increase in 2014 revenue was mainly due to the increase in the 2014 subsidy from the European Commission and the increase in the volume and the maturity of the delegated operating tasks, especially the three newly signed delegation agreements for EGNOS, Galileo and Horizon2020. Notes 12 to 14 provide more details.

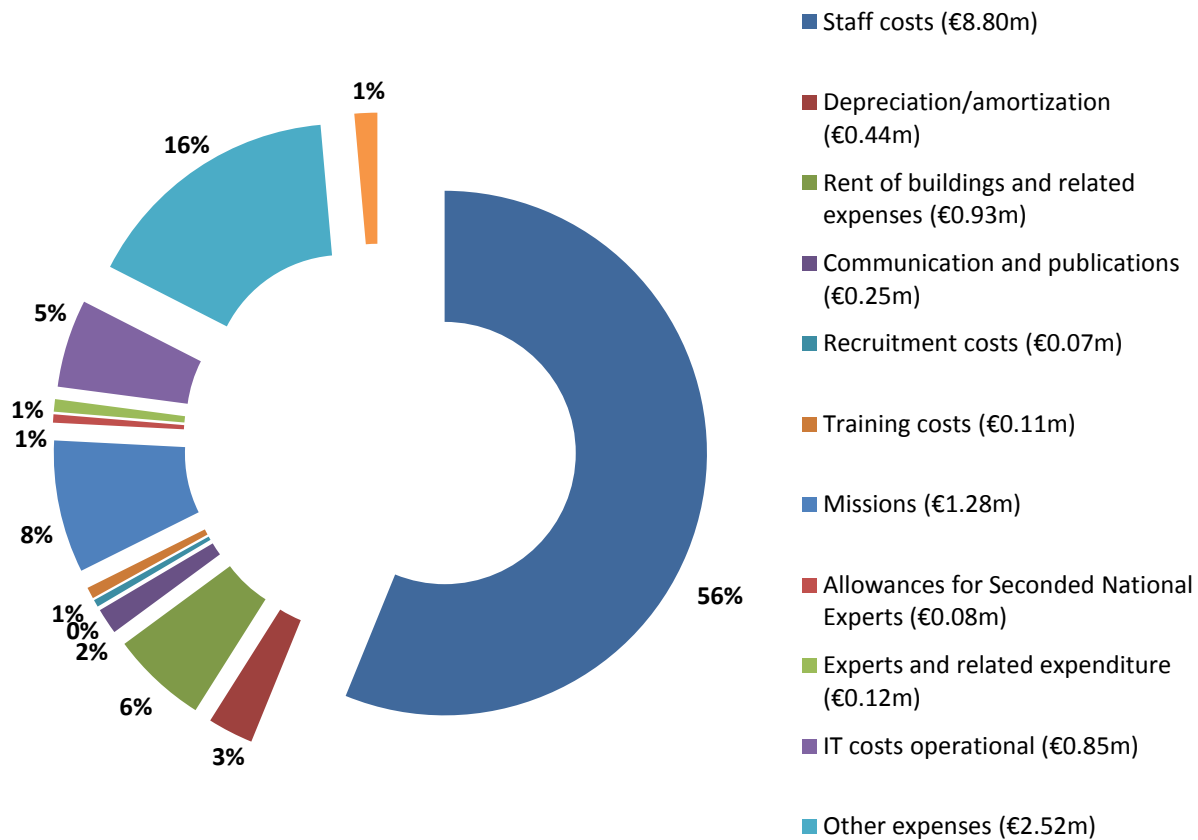
<i>Comparative Revenue Analysis</i> REVENUE	2014	2013	Change %
Subsidy from the European Commission	24,067,281.84	13,924,327.05	+72.8%
Assigned revenue	85,796,160.98	18,857,520.14	+354.9%
Realised exchange rate gains	(included in Fin. Revenue in 2014)	114,731.17	
Recovery of expenses	703,944.73	479.00	
Adjustment of provisions	-	235,582.39	-100%
TOTAL REVENUE	110,567,387.55	33,132,639.75	+233.7%



✓ *Expense Analysis*

In 2014, total expenses were €107,983,971.19, an increase of 250% over 2013. Operational expenses in 2014 are €92,300,075.87 marking an increase of 412.2% over 2013. Total administrative expenses were €15,683,895.32 and the breakdown per type of administrative expenditure is given in the chart below. As shown on the chart, 2014 staff costs represent the main administrative expenditure.

Expense Analysis





The table below compares 2014 expenses to 2013 and the following paragraphs describe the major changes year to year.

Comparative Expenses Analysis

EXPENSES	2014	2013	Change %
Staff costs	8,804,150.80	6,977,806.88	+26.2%
Depreciation/amortization	441,444.84	420,826.35	+4.9%
Rent of buildings and related expenses	927,831.87	886,955.38	+4.6%
Communication and publications	252,677.16	541,113.30	-53.3%
Recruitment costs	73,634.47	122,621.63	-39.9%
Training costs	108,040.84	27,780.74	+288.8%
Missions	1,281,316.04	717,799.75	+78.5%
Allowances for Seconded National Experts	83,739.72	75,518.08	+10.9%
Experts and related expenditure	119,953.43	375,886.51	-68.1%
IT costs operational	846,507.01	614,667.57	+37.7%
Other expenses	2,524,314.13	1,801,002.37	+40.16%
Expenses with consolidated entities	220,285.01	132,480.03	+66.3%
TOTAL EXPENSES	15,683,895.32	12,694,458.59	+23.5%

- ✓ Staff costs increased in 2014 in line with the overall increase in the number of staff (112 staff members at the end of 2013 and 131 at the end of 2014);
- ✓ Mission expenses also increased due to the relocation of the GSA's headquarters to Prague and the increased number of operational staff travelling.
- ✓ Training costs increased due to an active training management providing staff with training opportunities.



4. Financial position

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

Summary Financial position as at 31 December 2014

	31.12.2014	31.12.2013	Change
Non-current assets	56,268,611.53	1,098,655.00	55,169,956.53
Current assets	276,930,370.96	51,517,724.84	225,412,646.12
Total Assets	333,198,982.49	52,616,379.84	280,582,602.65
Current liabilities	324,044,802.43	47,331,911.24	276,712,891.19
Total liabilities	324,044,802.43	47,331,911.24	276,712,891.19
Net assets/liabilities	9,154,180.06	5,284,468.60	3,869,711.46

- ✓ The significant areas of change in the GSA's financial position from 2013 to 2014 are the following:
 - Non-current assets increased by €55,2 million due to new long-term pre-financing
 - Current assets increased by €225.4 million mainly due to the increase in cash at the end of the year after receiving the pre-financings for the delegation agreements for Horizon 2020, Galileo and EGNOS
 - Current liabilities increased by €276.7 million due to:
 - Increase in the pre-financing received from DG GROW for the delegated tasks; and
 - Accrued charges increased.
- ✓ Further details of these changes are provided in the specific sections in the Notes.



European
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PART I

FINANCIAL STATEMENTS 2014



Statement of Financial Position

	Note	31.12.2014	31.12.2013
I. NON CURRENT ASSETS		56,268,611.53	1,098,655.00
Intangible assets	4	62,996.71	101,440.71
Property, plant and equipment	5	1,024,560.29	997,214.29
Long-term pre-financing	6	55,181,054.53	0.00
II. CURRENT ASSETS		276,930,370.96	51,517,724.84
Short-term pre-financing	6	17,077,209.48	968,964.63
Short-term receivables	7	1,916,823.67	965,536.89
Cash and cash equivalents	8	257,936,337.81	49,583,223.32
TOTAL ASSETS		333,198,982.49	52,616,379.84
III. NET ASSETS/LIABILITIES		9,154,180.06	5,284,468.60
Accumulated result		5,284,468.59	3,043,250.30
Economic outturn for the year		3,869,711.47	2,241,218.30
IV. CURRENT LIABILITIES		324,044,802.43	47,331,911.24
Accounts payable third parties	9	4,428,429.71	4,907,968.26
Pre-financing received	9	295,621,116.31	37,035,281.63
Accrued charges	9	23,995,256.41	5,388,661.35
TOTAL NET ASSETS AND LIABILITIES		333,198,982.49	52,616,379.84



Statement of Financial Performance

	Note	2014	2013
OPERATING REVENUE			
Subsidy from the European Commission	12	24,067,281.84	13,924,327.05
Accrued income from earmarked revenue	13	85,796,160.98	18,857,520.14
Other operating revenue	14	703,944.73	350,792.56
TOTAL OPERATING REVENUE		110,567,387.55	33,132,639.75
OPERATING EXPENSES			
Operational expenses	15	-92,300,075.87	-18,156,960.37
Staff expenses	16,26	-8,887,890.52	-6,977,806.88
Fixed assets related expenses	4,5	-441,444.84	-420,826.35
Other administrative expenses	17	-6,354,559.96	-5,295,825.36
TOTAL OPERATING EXPENSES		107,983,971.19	-30,851,418.96
SURPLUS/DEFICIT FROM OPERATING ACTIVITIES		2,583,416.36	2,281,220.79
Financial revenues		1,383,526.88	8,318.89
Financial expenses		-97,231.77	-48,321.38
SURPLUS/DEFICIT FROM NON-OPERATING ACTIVITIES		1,286,295.11	-40,002.49
ECONOMIC RESULT FOR THE YEAR		3,869,711.47	2,241,218.30



Statement of Changes in Net Assets/Liabilities

Net assets/liabilities	31.12.2014	31.12.2013
Net assets at the beginning of the year	5,284,468.59	3,043,250.30
Economic outturn for the year	3,869,711.47	2,241,218.30
Net assets at the end of the year	9,154,180.06	5,284,468.60



Statement of Cash Flow

	2014	2013
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	3,869,711.47	2,241,218.30
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets)	38,444.00	16,141.62
Depreciation (tangible fixed assets)	403,115.59	353,222.73
Gains/losses on disposal of tangible assets	0.00	51,462.00
Increase/(decrease) in Provisions for risks and liabilities	0.00	-139,884.16
(Increase)/decrease in Pre-financing	-71,289,299.38	4,185,406.26
(Increase)/decrease in Short term Receivables	-951,286.78	434,133.90
(Increase)/decrease in Receivables from consolidated EU entities	0.00	-69,035.93
Increase/(decrease) in Accounts payable	-479,538.55	3,131,083.37
Increase/(decrease) in Liabilities to consolidated EU entities	277,192,429.73	18,234,269.08
Net cash Flow from operating activities	208,783,576.08	28,438,017.17
Cash Flows from investing activities		
Investing activities		
<u>Adjustments</u>		
Increase of tangible and intangible fixed assets	-430,461.59	-559,933.08
Net cash flow from investing activities	-430,461.59	-559,933.08
Net increase/(decrease) in cash and cash equivalents	208,353,114.49	27,878,084.09
Cash and cash equivalents at the beginning of the period	49,583,223.32	21,705,139.23
Cash and cash equivalents at the end of the period	257,936,337.81	49,583,223.32



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. Regulation (EU) No 512/2014 of the European Parliament and of the Council of 16 April 2014 amended Regulation (EU) No 912/2010 and entered into force on 23 May 2015.

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;
- Regulation (EU) No. 512/2014 amending Regulation 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 note 6 to the financial statements.



✓ **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 recognized in the financial statements in the period to which they relate. Provisions and accruals are recognized 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 recognized 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 amortization for the year were as follows:

Description	Computer software
Gross carrying amounts at 01.01.2014	251,122.52
Additions during the period	0.00
Disposals during the period	0.00
Gross carrying amounts at 31.12.2014	251,122.52
Accumulated amortization as 01.01.2014	-149,681.81
Amortization for the period	-38,444.00
Disposals during the period	0.00
Accumulated amortization as 31.12.2014	-188,125.81
Net carrying amount at 31.12.2014	62,996.71



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 01.01.2014	1,384,259.51	204,401.89	102,635.07	1,691,296.47
Additions during the period	179,928.77	42,492.39	208,040.43	430,461.59
Disposals during the period	0.00	0.00	0.00	0.00
Gross carrying amounts at 31.12.2014	1,564,188.28	246,894.28	310,675.50	2,121,758.06
Accumulated depreciation as 01.01.2014	-605,312.22	-49,062.89	-39,707.07	-694,082.18
Depreciation for the period	-367,772.77	-25,003.39	-83,126.47	-475,902.63
Disposals during the period	0	0.00	0.00	0.00
Write –back of depreciation	0	36,527.00	36,260.04	72,787.04
Accumulated depreciation as 31.12.2014	-973,084.99	-37,539.28	-86,573.50	-1,097,197.77
Net carrying amounts at 31.12.2014	591,103.29	209,355.00	224,102.00	1,024,560.29

✓ A physical inventory check was carried out in June/July 2014.



Note 6: Long and short-term pre-financing

Description	31.12.2014	31.12.2013
Gross amounts Short term:		
Grant agreements - operational	35,557,988.11	19,340,548.33
Less accrued charges:		
Grant agreements - operational	-15,602,400.37	-18,371,583.70
Total as at 31 December	17,077,209.48	968,964.63

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.
3. Long-term pre-financing is intended for a longer period that will not be cleared by 31 December 2015.
4. On 31 December 2014 GSA was in possession of 3 bank guarantees to cover pre-financings for a total amount of EUR 74,814,727.00. These guarantees shall be returned to the guarantor upon the end of the respective contract.



Note 7: Accounts receivable

Description	31.12.2014	31.12.2013
Current receivables	838,142.84	498,244.06
VAT from Member States	239,337.60	128,356.29
Receivables from staff	253,842.27	153,325.41
Accrued interest income	235,185.23	5,742.39
Deferred charges	350,315.73	179,868.74
Total as at 31 December	1,916,823.67	965,536.89

1. Current receivables represent amounts as follows:
 - ✓ Receivables from customers - €1,070,535.45
 - ✓ Other active accruals and deferrals - €-234,976.61
 - ✓ Other: A caution for a rental car - €2,584.00
2. Current receivables contain recoverable VAT from France of €104,905.28, from the United Kingdom of €30,723.31 and recoverable VAT from the Czech Republic of €103,709.01.
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 €158,144.04 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 80% to 75%).
4. Deferred charges consist of advance payments made during the year e.g. tuition fees for school year 2015/2016, subscriptions, maintenance fees related to 2015 and future years and a deposit in the total amount of €350,315.73.
5. Accrued interest income of €235,185.23 represents bank interests for the fourth quarter of the year 2014.



Note 8: Cash and cash equivalents

The cash held at bank as at 31 December 2014 amounts to € 257,936,337.81. The significant amount is due to the receipts at the end of 2014 of large installments related to the EGNOS and GALILEO Delegation Agreements and H2020 Delegation Agreement in the amount of € 221,029,581, €75,481,312.80 and €21,150,000 respectively.

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

Note 9: Accounts payable and accrued charges

Description	31.12.2014	31.12.2013
Current Payables	4,403,432.92	4,906,572.32
Sundry payables	24,996.79	1,395.94
Accrued charges	23,995,256.41	5,376,822.33
Accrued charges with consolidated entities	0.00	11,839.02
Pre-financing received from the European Commission	295,621,116.31	36,682,896.71
Other payables with consolidated entities	0.00	352,384.92
Total as at 31 December	324,044,802.43	47,331,911.24



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	31.12.2014	31.12.2013
Third parties	4,423,884.34	4,906,572.32
Member States	4,545.37	-
Total as at 31 December	4,428,429.71	4,906,572.32

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

Description	31.12.2014	31.12.2013
Community subsidy from DG GROW	1,301,775.73	49,191.54
Operational subsidies from DG GROW:		
6 th Framework Programme (DA)	318,435.37	722,853.43
7 th Framework Programme (DA)	-212,184.66	2,086,464.63
PRS receiver/GSMCs (DA)	1,571,533.00	5,351,766.40
GNSS Exploitation preparatory activities (DA)	5,326,734.75	28,472,620.71
EGNOS (DA)	190,215,603.34	
GALILEO (DA)	75,949,218.78	
Horizon2020 (DA)	21,150,000.00	
Total as at 31 December	295,621,116.31	36,682,896.71



3. The accrued charges consist of:

Description	31.12.2014	31.12.2013
Operational expenditure	23,210,597.48	4,676,074.17
Administrative expenditure	592,265.25	531,147.50
Unused annual leave	192,393.68	181,439.68
Accrual for assets acquired	-	-
Total as at 31 December	23,995,256.41	5,388,661.35

The accrued amounts for administrative expenditure represent goods and services received in 2014 but not yet booked as vendor payables as of 31 December 2014. 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 2014.

✓ Operational expenditure accruals relate to the following:

Description	31.12.2014	31.12.2013
7th Framework Programme	2,401,703.83	1,942,086.13
6th Framework Programme	595,027.20	548,001.00
H2020 Framework Programme	0.00	-
GNSS preparatory activities	558,648.05	1,761,238.20
PRS (Public Regulated Services) activities	1,555,545.00	304,481.67
EGNOS Exploitation	17,335,121.73	-
GALILEO Exploitation	206,479.20	-
Market development, security and other activities	558,072.47	120,267.17
Total as at 31 December	23,210,597.48	4,676,074.17



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

Note 10: Provisions for risks and charges

GSA has not made any provision for risks and charges in 2014.

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 2014 amount to €527,514,577.69 split to budgetary RAL of €9,758,630.63 and RAL on assigned revenue of €513,729,801.52.

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

- ✓ EGNOS Delegation Agreement – €494,243,881.51
- ✓ Horizon2020 Framework Program - €28,748,110.63
- ✓ GALILEO Delegation Agreement - €8,240,112.78
- ✓ 7th Framework Program - €2,339,410.13
- ✓ Public Regulated Services (PRS) - €4,665,600.00
- ✓ GNSS Exploitation Delegation Agreement - €4,294,894.00

The other components of the contingent liabilities are the 6th Framework Programme (€329,231.60), Titles I and II (administrative expenditure) (€3,359,436.20) and Title III Operational expenditure (€6,399,194.43).



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 2014 plus the payment appropriations carried over to the year 2015 less unused payment appropriations of the year 2013 and the net effect of the exchange rate fluctuations.

Description	31.12.2014	31.12.2013
EC subsidy received	25,369,057.57	13,973,518.59
Budget outturn account for the year	-1,301,775.73	-49,191.54
Total income recognised as revenue	24,067,281.84	13,924,327.05

Note 13: Accrued income from delegated tasks

The income recognized in relation to the operating activities under signed Delegation Agreements between the GSA and the European Commission (DG GROW) is equal to the expenses incurred and recognized 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 €85,796,160.98

Note 14: Other operating revenues

Other operating revenue consists of the following items:

- ✓ A cancellation of a FP7 recovery order from 2013 - €-63,129.80
- ✓ FP7 recovery order - €20,710.20
- ✓ Other income from administrative operations - €534.45
- ✓ Revenue from EGNOS DA - €767,667.00
- ✓ Estimated FP6 overpayment recoveries - €-21,837.12



Note 15: Operating expenditure

The operational expenditure consists of:

Description	31.12.2014	31.12.2013
Agencies Operational activities	92,300,075.87	18,019,464.18
Provisions for other liabilities and charges	-	-
Realised exchange rate losses	(included in Financial Expenses in 2014)	137,496.19
Total as at 31 December	92,300,075.87	18,156,960.37

1. In 2014 EGNOS and the GNSS Exploitation Delegation agreement constitute the main part of the operating expenses (over 77%). The other major parts are for the FP7 Programme (approximately 12%) and the PRS Delegation agreement (approximately 6%).



Note 16: Staff expenditure

The structure of the staff expenditure for the year 2014 is presented in the table below:

Description	31.12.2014	31.12.2013
Salaries	6,344,099.07	5,305,151.12
Pension & unemployment contributions	78,738.99	50,076.45
Employer's contribution for social security	236,782.02	148,166.30
Allowances	2,228,270.44	1,403,388.69
Staff expenses with other consolidated entities	0.00	71,024.32
Total as at 31 December	8,887,890.52	6,977,806.88

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 (131 at the end of 2014; 112 at the end of 2013).
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 2013 is also due to the increase in the number of staff members.



Note 17: Other administrative expenditure

The structure of other administrative expenditure for the year 2014 is presented in the table below:

Description	31.12.2014	31.12.2013
Land & building expenses with consolidated entities	0.00	496,929.06
Rent of land and buildings	927,831.87	390,026.32
Communications & publications	252,677.16	541,113.30
Recruitment	73,634.47	122,621.63
Training Costs	108,040.84	27,780.74
Missions	1,281,316.04	717,799.75
Experts and related expenditure	119,953.43	375,886.51
Allowances for Seconded National Experts	83,739.72	75,518.08
IT costs operational	846,507.01	614,667.57
Other external service providers	2,524,314.13	1,801,002.37
Expenses with consolidated entities	220,285.01	132,480.03
Total as at 31 December	6,438,299.68	5,295,825.36

1. 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.
2. Communications & publications comprise mainly the costs for the GSA website as well as cost for production of brochures and videos.



3. Mission expenses relate to duty travels of staff members. The increase in the mission costs compared to 2013 is due to the increased number of staff and the higher costs in relation to Galileo launches in 2014.
4. 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).
5. Allowances for seconded national experts represent the daily allowances paid to experts. Seconded national experts are not members of staff. In 2014, there were 2 seconded national experts within the Market Development department.
6. 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.
7. Other external services relate primarily to tuition fees for children of staff members, external temporary assistants, office supplies, postal, communication and legal services.
8. 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 headquarters premises in Prague and 3) the Galileo Security Monitoring Centres (GSMC) located in France and UK are recognised as operating lease.

Operating lease expenses in 2014 amounting to €220,747.05 relate to the rental agreement of the GSA headquarters premises in Prague and consist of €1 symbolic rent and €220,746.05 other rental charges.

The expenses in the amount of €343,922.40 (occupier's charge) relate to the service provisions provided for the GSMC in UK.

The expenses in the amount of €15,873.50 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

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 2014 is €3,695.96.

At the year end, the balances of foreign currency monetary items were translated to euro using the European Commission's closing rate - 1 EUR = 27.73500 CZK.

Note 21: Change in estimates

No changes in estimates were effected during 2014.



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 (Authorizing 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

No events after the balance sheet date affected the annual accounts for 2014.

Note 25: Financial Instruments

EU Accounting rule 11 requires GSA to disclose the treatment of financial instruments.



Note 26: Payroll charges

All salary calculations giving the total staff expenses included in the Statement of financial performance of the Agency are externalized to the Office for administration and payment of individual entitlements (also known as the Paymaster's Office-PMO) which is a central office of the European Commission.

The PMO's mission is to manage the financial rights of permanent, temporary and contractual staff working at the Commission, to calculate and to pay their salaries and other financial entitlements. The PMO provides these services to other EU institutions and agencies as well. The PMO is also responsible for managing the health insurance fund of the Institutions, together with processing and paying the claims of reimbursement from staff members. The PMO also manages the pension fund and pays the pensions of retired staff members.

PMO is being audited by the European Court of Auditors. The Agency is only responsible for the communication to the PMO of reliable information allowing the calculation of the staff costs. It is also responsible to check that this information has been correctly handled in the monthly payroll report used for accounting payroll costs.

It is not responsible for the calculation of the payroll costs performed by PMO.

Credit risk

Credit quality of financial assets that are neither past due nor impaired

	Available for sale financial assets (including accrued interest) ²	Loans (including short term deposits >3 months and <1 year)	Receivables with Member States ³	All receivables with third parties including accruals & deferrals (excluding receivables with MS and receivables with consol. entities)	Short-term deposits (< 3 months - including accrued interest) ⁴	Bank accounts
31 December 2014						
Counterparties <u>with</u> external credit rating:	0.00	0.00	239,337.60	0.00	0.00	257,936,337.81
Prime and high grade	0.00	0.00	135,628.59			212,141,753.26
Upper medium grade	0.00	0.00	103,709.01			168,214.43
Lower medium grade	0.00	0.00				45,626,370.12
Non-investment grade	0.00	0.00				

Counterparties <u>without</u> external credit rating:	0.00	0.00	0.00	1,677,486.07	0.00	0.00
Group 1 - Debtors who never defaulted				1,677,486.07		
Group 2 - Debtors who defaulted in the past				0.00		

The name of the banks
ING Belgium
Banca Popolare di Sondrio
Ceska Sporitelna



Analysis of the age of financial assets that are not impaired

	Neither past due nor impaired (1)	Past due but not impaired			EAR 11 §9.25 (a)
		< 1 year (2)	1-5 years (3)	> 5 years (4)	
Available for sale financial assets (including accrued interest)					
31 December 2014	0.00				
Loans					
31 December 2014	0.00				
Receivables with Member States					
31 December 2014	239,337.60				
Receivables with third parties					
31 December 2014	1,677,486.07				
Receivables with consolidated entities					
31 December 2014	0.00				

Liquidity risk - EAR 11 §9.27 (a and b)

GSA liabilities have remaining contractual maturities as summarised below:

31 December 2014	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	4,427,447.05			4,427,447.05
Payables with consolidated entities	295,621,116.31			295,621,116.31
Total liabilities	300,048,563.36	0.00	0.00	300,048,563.36



Market risk disclosure - EAR 11 - §9.28-30

Overview of the foreign currencies to which GSA is exposed (amounts in EUR)

	Currency exposure (amounts in EUR)			
	GBP EUR equivalent	EUR	CZK EUR equivalent	Total EUR
31 December 2014				
Monetary assets	30,723.31	259,550,514.73	271,923.44	259,853,161.48
Available for sale financial assets				0.00
Loans (including short term deposits >3 months and <1 year)				0.00
Receivables with Member States	30,723.31	104,905.28	103,709.01	239,337.60
All receivables with third parties including accruals & deferrals (excluding receivables with MS and receivables with consolidated entities)		1,677,486.07		1,677,486.07
Receivables with consolidated entities				0.00
Cash and cash equiv. (incl. ST deposits <3months)		257,768,123.38	168,214.43	257,936,337.81
Monetary liabilities	0.00	300,042,371.45	6,191.91	300,048,563.40
Provisions				0.00
Payables with third parties		4,421,255.14	6,191.91	4,427,447.05
Payables with consolidated entities		295,621,116.31		295,621,116.31
Net Position	30,723.31	-40,491,856.72	265,731.53	-40,195,401.92



European
Global Navigation
Satellite Systems
Agency

PART II

BUDGET IMPLEMENTATION REPORT 2014



BUDGET OUTTURN ACCOUNT

			2014	2013
REVENUE	Balancing Commission subsidy	+	25,369,057.57	13,973,518.59
	Other subsidy from Commission – assigned revenue	+	331,715,433.71	39,420,417.91
	Other income	+	1,080,715.88	303,331.99
	Total revenue		358,165,207.16	53,697,268.49
EXPENDITURE	<i>Title I: Staff</i>			
	Payments	-	10,634,723.44	8,170,443.02
	Appropriations carried over	-	571,886.11	413,172.98
	<i>Title II: Administrative Expenses</i>			
	Payments	-	2,946,193.92	1,637,427.80
	Appropriations carried over	-	3,418,099.45	1,757,472.26
	<i>Title III: Operating Expenditure</i>			
	Payments	-	133,541,436.92	13,750,024.56
	Appropriations carried over	-	252,689,227.32	47,233,426.42
	Total expenditure		403,801,567.16	72,961,967.04
Outturn for the year			-45,636,360.00	-19,264,698.55
Cancellation of unused payment appropriations carried over from previous year		+	228,504.76	71,952.03
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue		+	46,713,326.93	19,264,701.08
Exchange differences for the year (gain +/- loss -)		+/-	-3,695.96	-22,763.02
Budget Outturn			1,301,775.73	49,191.54



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 2014 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 programs 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	31.12.2014	31.12.2013
EC subsidy	25,369,057.57	13,973,518.59
Assigned revenue from DG GROW	331,715,433.71	39,420,417.91
Other revenue	1,080,715.88	303,331.99
Total as at 31 December	358,165,207.16	53,697,268.49

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	8,872,454.28	-
1200	Recruitment costs	85,011.47	25,922.98
1300	Missions	1,029,021.79	73,946.72
1400	Training expenses	192,060.00	130,439.43
1700	Representation expenditure	259.49	-
1800	Tuition fees	455,916.41	341,576.98
Total title I		10,634,723.44	571,886.11
Title 2 - Administrative expenditure			
2000	Rent (with related services)	1,576,689.64	610,937.29
2100	Data processing (IT equipment & software)	721,643.08	2,054,490.92
2200	Movable property (furniture, equipment)	51,678.79	193,738.19
2300	Current admin costs	422,092.02	434,401.53
2400	Postal / telecom	126,473.81	115,648.10
2500	Meeting expenses (ABM)	47,616.58	8,883.42
Total title II		2,946,193.92	3,418,099.45



Title 3 - Operational expenditure

3100	Expenditure on studies	1,899,197.02	4,832,226.61
3300	SAB costs	541,969.49	508,030.51

Total title III	2,441,166.51	5,340,257.12
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Delegated tasks

3900	6 th Framework Programme 3 rd call	167,193.86	328,164.80
3904	6 th Framework Programme 2 nd call	0.00	1,147,992.98
3913	7 th Framework Programme 1 st and 2 nd calls	1,076,038.62	923,966.26
3917	7 th Framework Programme 3 rd call	5,408,292.05	4,833,036.85
3918	PRS (Public Regulate Services)	2,529,170.07	3,127,078.00
3919	GNSS exploitation preparatory tasks	37,279,711.73	3,967,701.59
3920	EGNOS Exploitation	84,639,864.08	136,389,716.92
3921	Horizon2020 1 st call	0.00	21,150,000.00
3922	Galileo Exploitation	0.00	75,481,312.80

Total assigned revenue	131,100,270.41	247,348,970.20
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Note 7: Budget execution

The initial budget voted by the European Parliament and the European Council during the budget adoption procedure was set at 25,369,057.57 EUR. The budget was allocated between Titles as follows:

12,747,798.14 EUR to Title 1

5,879,999.43 EUR to Title 2

6,741,260.00 EUR to Title 3



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

		Initial voted budget		Transfers / amendments		Final budget 31/12/2014	
Budget line	Heading	CA	PA	CA	PA	CA	PA
Title 1 - Staff expenditure							
1100	Staff expenditure	10,325,798.14	10,325,798.14	-1,453,343.86	-1,453,343.86	8,872,454.28	8,872,454.28
1200	Recruitment costs	150,000.00	150,000.00	-39,600.00	-39,600.00	110,400.00	110,400.00
1300	Missions and travel	1,440,000.00	1,440,000.00	-296,660.00	-296,660.00	1,143,340.00	1,143,340.00
1400	Training expenditure	180,000.00	180,000.00	142,499.43	142,499.43	322,499.43	322,499.43
1700	Representation expenditure	2,000.00	2,000.00	-1,740.51	-1,740.51	259.49	259.49
1800	Tuition fees	650,000.00	650,000.00	124,387.37	124,387.37	774,387.37	774,387.37
	Total for title I	12,747,798.14	12,747,798.14	-1,524,457.57	-1,524,457.57	11,223,340.57	11,223,340.57
Title 2 - Administrative expenditure							
2000	Rental of buildings	2,999,999.00	2,999,999.00	-812,372.07	-812,372.07	2,187,626.93	2,187,626.93
2100	Data processing	1,630,000.00	1,630,000.00	1,146,134.00	1,146,134.00	2,776,134.00	2,776,134.00
2200	Movable property	200,000.00	200,000.00	45,416.98	45,416.98	245,416.98	245,416.98
2300	Current administrative costs	600,000.43	600,000.43	256,493.12	256,493.12	856,493.55	856,493.55
2400	Postage and telecommunication	385,000.00	385,000.00	-142,878.09	-142,878.09	242,121.91	242,121.91
2500	Meetings	65,000.00	65,000.00	-8,500.00	-8,500.00	56,500.00	56,500.00
	Total for title II	5,879,999.43	5,879,999.43	484,293.94	484,293.94	6,364,293.37	6,364,293.37



		Initial voted budget		Transfers / amendments		Final budget 31/12/2014	
Budget line	Heading	CA	PA	CA	PA	CA	PA
Title 3 - Operational expenditure							
3100	Studies and operations	5,341,260.00	5,341,260.00	1,390,163.63	1,390,163.63	6,731,423.63	6,731,423.63
3300	SAB operational expenditure	1,400,000.00	1,400,000.00	-350,000.00	-350,000.00	1,050,000.00	1,050,000.00
	Total for title III	6,741,260.00	6,741,260.00	1,040,163.63	1,040,163.63	7,781,423.63	7,781,423.63
TOTAL titles 1, 2 and 3		25,369,057.57	25,369,057.57	0.00	0.00	25,369,057.57	25,369,057.57



8 internal transfers were processed in 2014, all of them authorised by the Executive Director with the exception of one which was authorised by Written Procedure by the GSA Administrative Board as this included a transfer in excess of 10% from Title 1. The total amount transferred from Title 1 during the course of 2014 was 11.96%. Following the reduction in establishment plan posts for 2015, a temporary freeze was placed on recruitment, resulting in lower than originally budgeted costs for both salaries and other related staff budget lines such as missions and recruitment costs. The release of these appropriations enabled the Agency to fund additional IT projects (under BL2100) which originally had to be allocated lower priority. The initial 2014 GSA budget was published in the Official Journal of the EU on 28/03/2014, with an amended budget sent for publication in early 2015.

Table2: GSA register of transfers 2014

WFID	No.	From	To	Amount	Date of validation by AO	Comments
201529	1	2000	2300	130,000.00	12/05/2014	Budget needed for urgent consultancy work following reduction in establishment plan posts.
204068	2	T1	T2 & T3	918,457.00	07/08/2014	Reduced staff related needs transferred to cover pending GSMC needs.
		2000	2100	329,810.00		Freeing up of budget on 2000 due to Czech MoF covering certain building costs enables us to cover pending IT needs.
		2400	2100	11,869.00		
205557	3	T1	T2 & T3	356,000.57	03/10/2014	Reduced staff related needs transferred to cover reserve operational projects.
		2200	2500	86,501.00		AV tender delayed but additional security precautions due to ICG taking place on GSA premises.
		2400	2300	61,823.00		



206652	4	2500	2200	50,000.00	19/11/2014	Needs for ICG became obsolete; additional needs for furniture for 2015
		3300	3100	40,000.00		Reduced needs on FKC missions due to cancelled launch; reserve MKD project funded.
207163	5	1100	2100	250,000.00	05/12/2014	Reduced salaries needs; reserve data processing projects funded.
		1300	1400	75,000.00		Reduced missions as no second launch; reserve training requests met.
		2000	3100	86,240.00		Lower needs on building for preparation of new floors; additional needs on GSMC contract.
		2400	2100	50,000.00		Possibility to fund additional IT projects initially of lower priority.
		2500	2100	50,000.00		Lower needs for ICG conference; possibility to fund additional IT projects
		3300	3100	40,000.00		Delay in programme milestones; possibility to fund additional COMM/MKD project.
207503	6	1100	1200, 1300, 1400, 1800	255,000.00	17/12/2014	Reduced needs on salaries due to correction coefficient being applied already in Dec. Various recruitment costs, missions and training needs brought forward from 2015 to 2014.
		2000, 2200, 2300, 2500	2100	300,000.02		Min. of Fin. utilities invoice for Jan-Nov lower than anticipated. Lower than expected costs on movable property, current admin and meetings; possibility to bring forward IT projects from 2015 to 2014.



207629	7	1100, 1200, 1700, 1800	1400	33,499.43	19/12/2014	Optimal use made of remaining small amounts on budget lines in order to fund reserve training requests.
		2000, 2100, 2400	2300	7858.18		Optimal use made of remaining small amounts on budget lines in order to fund reserve current admin projects.
		3100	2300	61076.37		Lower than anticipated offer expected on final operational contract; reserve current admin projects covered.
207719	8	1300	1800	40,000.00	23/12/2014	Transfer of unused mission budget to tuition fees to cover expected costs in 2014-2015 school cycle.

Execution of commitment appropriations (Table 3) remained high in all titles and budget lines, reaching a global 99.84% execution.

Table 3: Execution of commitment appropriations 2014, in EUR

Budget line	Heading	COMMITMENT APPROPRIATIONS BUDGETED 2014	Commitment Appropriations (CAs)			
			COMMITTED	%	UNCOMMITTED	%
Title 1 - Staff expenditure						
1100	Staff expenditure	8,872,454.28	8,872,454.28	100%	0.00	0%
1200	Recruitment costs	110,400.00	110,400.00	100%	0.00	0%
1300	Missions and travel	1,143,340.00	1,102,968.51	96%	40,371.49	4%
1400	Training expenditure	322,499.43	322,499.43	100%	0.00	0%
1700	Representation expenditure	259.49	259.49	100%	0.00	0%
1800	Tuition fees	774,387.37	774,387.37	100%	0.00	0%
	Total for title 1	11,223,340.57	11,182,969.08	100%	40,371.49	0%
Title 2 - Administrative expenditure						
2000	Rental of buildings	2,187,626.93	2,187,626.93	100%	0.00	0%
2100	Data processing	2,776,134.00	2,776,134.00	100%	0.00	0%
2200	Movable property	245,416.98	245,416.98	100%	0.00	0%
2300	Current administrative costs	856,493.55	856,493.55	100%	0.00	0%
2400	Postage and telecommunication costs	242,121.91	242,121.91	100%	0.00	0%
2500	Meetings	56,500.00	56,500.00	100%	0.00	0%
	Total for title 2	6,364,293.37	6,364,293.37	100%	0.00	0%
Title 3 - Operational expenditure						
3100	Expenditure on studies	6,731,423.63	6,731,423.63	100%	0.00	0%
3300	SAB operational expenditure	1,050,000.00	1,050,000.00	100%	0.00	0%
	Total for title 3	7,781,423.63	7,781,423.63	100%	0.00	0%
	TOTAL T1+T2+T3	25,369,057.57	25,328,686.08	99.84%	40,371.49	0.16%

For 2014 payment appropriations (Table 4), execution rate was also of 99.84%. This execution rate incorporates the non-automatic carry forward of payment appropriations to the amount of 5,340,257.12 EUR adopted by the Administrative Board on 10 February 2015 in order to maximise the use of the remaining payment credits in Title 3.

Table 4: Execution of C1 payment appropriations 2014, in EUR

Budget line	Heading	PAYMENT APPROPRIATIONS BUDGETED 2014	Payment Appropriations (PAs)					
			PAID IN 2014	%	CARRIED FORWARD	%	TOTAL EXECUTED	%
Title 1 - Staff expenditure								
1100	Staff expenditure	8,872,454.28	8,872,454.28	100%	-	0%	8,872,454.28	100%
1200	Recruitment costs	110,400.00	85,011.47	77%	25,388.53	23%	110,400.00	100%
1300	Missions and travel	1,143,340.00	1,029,021.79	90%	73,522.37	6%	1,102,544.16	96%
1400	Training expenditure	322,499.43	192,060.00	60%	130,439.43	40%	322,499.43	100%
1700	Representation expenditure	259.49	259.49	100%	-	0%	259.49	100%
1800	Tuition fees	774,387.37	455,916.41	59%	318,470.96	41%	774,387.37	100%
	Total for title I	11,223,340.57	10,634,723.44	95%	547,821.29	5%	11,182,544.73	100%
Title 2 - Administrative expenditure								
2000	Rental of buildings	2,187,626.93	1,576,689.64	72%	610,937.29	28%	2,187,626.93	100%
2100	Data processing	2,776,134.00	721,643.08	26%	2,054,490.92	74%	2,776,134.00	100%
2200	Movable property	245,416.98	51,678.79	21%	193,738.19	79%	856,493.55	100%
2300	Current administrative costs	856,493.55	422,092.02	49%	434,401.53	51%	245,121.91	100%
2400	Postage and telecommunication costs	242,121.91	126,473.81	52%	115,648.10	48%	56,500.00	100%
2500	Meetings	56,500.00	47,616.58	84%	8,883.42	16%	6,364,293.37	100%
	Total for title II	6,364,293.37	2,946,193.92	46%	3,418,099.45	54%	6,364,293.37	100%
Title 3 - Operational expenditure								
3100	Expenditure on studies	6,731,423.63	1,899,197.02	28%	4,832,226.61	72%	6,731,423.63	100%
3300	SAB operational expenditure	1,050,000.00	541,969.49	52%	508,030.51	48%	1,050,000.00	100%
	Total for title III	7,781,423.63	2,441,166.51	31%	5,340,257.12	69%	7,781,423.63	100%
	TOTAL T1+T2+T3	25,369,057.57	16,022,083.87	63%	9,306,177.86	37%	25,328,261.73	100%



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

Payment appropriations for the amount of 5,340,257.12 EUR were carried over (non-automatic carry over) from 2014 to 2015 to maintain the GSA's payment capacity on existing legal obligations. Carry-overs of payment appropriations are possible under Title 3 expenditure given that these are differentiated appropriations and therefore there is no time limit in which to execute payments.



Table 5: GSA - Evolution of outstanding balances 2014, in EUR

		(a)	(b)	(c)	(d)	(e)	(f)=(a)-(b)+(c)- (d)-(e)
Budget line	Description	Outstanding balances as of 01/01/2014	Payments on outstanding balances in 2014	New 2014 commitments	Payments on new 2014 commitments	Cancellations in 2014	Outstanding balances as of 31/12/2014
1100	Staff costs	0.00	0.00	8,872,454.28	8,872,454.28	0.00	0.00
1200	Recruitment	30,050.03	14,118.49	110,400.00	85,011.47	15,931.54	25,388.53
1300	Missions	73,522.37	43,074.59	1,102,968.51	1,029,021.79	30,447.78	73,946.72
1400	Training	54,031.06	49,274.98	322,499.43	192,060.00	4,756.08	130,439.43
1700	Representation	0.00	0.00	259.49	259.49	0.00	0.00
1800	Tuition fees	229,537.87	229,537.87	530,012.44	300,474.57	0.00	229,537.87
	Total title 1	387,141.33	336,005.93	10,938,594.15	10,479,281.60	51,135.40	459,312.55
2000	Rent	511,132.39	418,666.08	2,187,626.93	1,576,689.64	92,466.31	610,937.29
2100	Data processing	720,635.88	654,000.63	2,776,134.00	721,643.08	66,635.25	2,054,490.82
2200	Movable property	122,049.23	121,867.63	245,416.98	51,678.79	181.60	193,738.19
2300	Current admin costs	385,570.68	374,684.57	856,493.55	422,092.02	10,886.11	434,401.53
2400	Post/telecom	11,910.54	11,190.54	242,121.91	126,473.81	720.00	115,648.10
2500	Meetings	6,173.54	6,173.54	56,500.00	47,616.58	0.00	8,883.42
	Total title 2	1,757,472.26	1,586,582.99	6,364,293.37	2,946,193.92	170,889.27	3,418,099.45
3100	Operations & studies	1,158,202.59	1,024,902.59	6,731,423.63	1,357,082.49	0.00	5,507,641.14
3300	SAB costs	978,720.29	438,842.07	1,050,000.00	140,252.46	0.00	1,449,625.76
	Total title 3	2,136,922.88	1,463,744.66	7,781,423.63	1,497,334.95	0.00	6,284,088.68
	Totals	4,281,536.47	3,386,333.58	25,084,311.15	14,922,810.47	222,024.67	10,161,500.68

Note 8: Appropriations arising from assigned revenue

The GSA continued to manage delegated appropriations by the Commission during 2014.

New payment appropriations were received by the GSA from the European Commission during the course of 2014, as stipulated in the delegation agreements. These were:

- For the FP7 1st and 2nd calls (budget line 3913): 350,057 EUR.
- For the FP7 grants, 3rd call (budget line 3917): 2,740,291 EUR.
- For the PRS Delegation Agreement (budget line 3918): No further payment appropriations received.
- For the Exploitation Preparation Delegation Agreement (budget line 3919) an additional 10,964,191.91 in payment appropriations was received.
- For the EGNOS Exploitation Delegation Agreement, 110 million EUR in pre-financing was received upon signature of the delegation agreement and a further 107,711,248 EUR was requested and received in payment appropriations. At the end of 2014, an additional 3,318,333 EUR in payment appropriations was transferred to the GSA from the EC in line with the transfer of the GEO 1 and GEO 2 contracts.
- For the Horizon 2020 Delegation Agreement, 21,150,000 EUR in pre-financing was received.
- For the Galileo Exploitation Delegation Agreement, 70 million EUR was received in pre-financing upon signature of the delegation agreement and a further 5,481,312.80 EUR in payment appropriations was transferred to the GSA from the EC in line with the transfer of the GSC contracts.

Table 6: Overview of assigned revenue during 2014 in EUR

Budget Line	Activity	Appropriations in budget line 01/01/2014	2014 commitments 31/12/2014	2014 total available payment appropriations	Payments made during 2014
3900	FP6 – 3 rd call	495,358.66	328,148.80	328,164.80	167,193.86
3904	FP6 – 2 nd call	1,147,992.98	953,501.00	1,147,992.98	0.00
3913	FP7 – 1 st &2 nd call	2,446,292.05	2,273,869.03	2,000,004.88	1,076,038.62
3917	FP7 – 3 rd call	13,126,540.90	12,666,656.96	10,241,328.90	5,408,292.05
3918	PRS Delegation Agreement	11,456,248.07	10,823,915.07	5,656,248.07	2,529,170.07
3919	GNSS Exploitation Delegation Agreement	41,313,250.50	41,218,797.58	41,247,413.32	37,279,711.73
3920	EGNOS Delegation Agreement	1,450,000,000.00	589,561,812.67	221,029,581.00	84,639,864.08
3921	H2020 Delegation Agreement	60,000,000.00	28,748,110.63	21,150,000.00	0.00
3922	Galileo Delegation Agreement	490,000,000.00	7,772,206.80	75,481,312.80	0.00

Note 9: Reconciliation between Budget Outturn Account and Economic result

Economic result	3,869,711.47
<i>Adjustment for accrual items (not in the budgetary result but included in the economic result)</i>	
Adjustments for Accruals (reversal 2013)	-24,256,634.25
Adjustments for Accruals (2014)	38,346,273.75
Unpaid invoices at year end but booked in charges	5,081,275.63
Depreciation of intangible and tangible assets	441,444.84
Recovery Orders issued in 2014 and not yet cashed	-767,667.00
Pre-financing given in previous year and cleared in the year	20,464,698.64
Pre-financing received in previous year and cleared in the year	-29,728,470.15
Payments made from carry-over of payment appropriations	2,462,239.97
Other	-317,907.61
<i>Adjustment for budgetary items (included in the budgetary result but not in the economic result)</i>	
Asset acquisitions (less unpaid amounts)	-402,866.36
New pre-financing paid in the year and remaining open as at 31.12.2014	-64,930,254.00
New pre-financing received in the year 2014 and remaining open as at 31.12.2014	260,685,347.63
Budgetary recovery orders issued before 2014 and cashed in the year	91,964.36
Payment appropriations carried over to 2015	-256,679,212.88
Cancellation of unused carried over payment appropriations from previous year	228,504.76
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	46,713,326.93
Other	0.00
Total	1,301,775.73
Budgetary result	1,301,775.73