

European Aviation Safety Agency

ANNEX 2: Explanatory Note on 2011 Annual Accounts

1. Legal background

1.1 Annual accounts

1.1.1 The 2011 annual accounts have been established in accordance with articles 76 to 83 of the Agency's Financial Regulation (last version amended by the Management Board on 9 June 2009).

1.1.2 As stipulated in article 76, the annual accounts comprise the financial statements and the report on implementation of the budget.

1.1.3 The financial statements (accrual basis) show the charges and income for the financial year, regardless of the date of payment or collection and are composed of:

- *Economic Outturn of the Agency (EOA)*: is the financial performance of the Agency for the period (2011 fiscal year).
- *Balance Sheet*: shows the financial position of the Agency at 31st December 2011 and provides detailed information about the Agency's assets and liabilities.
- *Cash Flows table*: shows the Agency's inflows and outflows of cash.
- *Statement of Changes in Net Assets/Liabilities*: shows the movement of what the Agency has accumulated as net worth since its inception.
- *Notes to the Financial Statements*: provide further details and explanations of the various items in the financial statements.

1.1.4 The report on implementation of the budget is composed of the budget outturn account, which sets out all budget operations for the year in terms of revenue and expenditure (modified cash basis). The budget accounts give a detailed picture of implementation of the annual budget. They are based on a modified form of cash accounting (appropriations carried over from 2011 to 2012 are included). The budget outturn for the year is calculated on the basis of amounts actually disbursed and collected (including appropriations carried over).

1.2 Procedure for establishing the annual accounts

1.2.1 In accordance with Article 82 of the EASA Financial Regulation as amended by the Management Board decision 06-2009 of 09 June 2009, the Accounting Officer has sent the provisional accounts of the Agency for 2011

to the Commission's Accounting Officer, DG Move and the European Court of Auditors on the 1st of March 2012.

1.2.2 In accordance with Article 83 (1) of the EASA Financial Regulation, the European Court of Auditors makes its observations on the provisional accounts by 15 June 2012 at the latest (see also paragraph 1.3).

1.2.3 In accordance with Article 61 of the General Financial Regulation amended by Council Regulation (EC, Euratom) N° 1995/2006 of 13 December 2006, the Accounting Officer, before the adoption of the accounts by the Agency signs them off, thereby certifying that he has a reasonable assurance that the accounts present a true and fair view of the financial situation of the Agency.

1.2.4 In accordance with Article 83 (2) of the EASA Financial Regulation, on receiving the Court of Auditors' observations on the provisional accounts, the Executive Director, under his own responsibility, draws up the final accounts of the Agency and sends them to the Management Board, which gives an opinion on these accounts.

1.2.5 The Executive Director sends the final accounts, together with the opinion of the Management Board, to the Commission's Accounting Officer and to the European Court of Auditors, the European Parliament and the Council by 1st July 2012.

1.2.6 The final accounts of the Agency, consolidated with those of the Commission, shall be published in the Official Journal of the European Union by 15 November 2012.

1.2.7 The Executive Director will send the Court of Auditors and the European Commission a reply to the observations made in its annual report by 30 September 2012.

1.3 Audit of the annual accounts by the European Court of Auditors

1.3.1 The European Court of Auditors (ECA) visited the Agency one week in October 2010 (from 14 to 18 November 2011) and one week in March 2012 (from 26 to 30 March 2012). On the basis of these visits and subject to confirmation in the audit report, no reservation on the Agency's annual accounts for 2011 is expected. All adjustments proposed by the ECA have been taken into account.

1.3.2 The European Court of Auditors sent its preliminary findings to the Agency on the 4th May 2012. The final report of the European Court of Auditors is expected to be received in June.

1.3.3 Based on events that occurred since the establishment of the provisional accounts and on the preliminary findings of the ECA, some adjustments have been made on the provisional annual accounts sent the 1st of March to the Commission's Accounting Officer, DG Move and the European Court of Auditors. As a consequence the annual accounts annexed to this note can be considered as the final annual accounts.

2. 2011 Financial statements: economic outturn

(thousands of euros)

	2011 EOA			2010 EOA			Variance 2011-2010		
	F&C	SUBS	EASA	F&C	SUBSIDY	TOTAL EASA	F&C	SUBSIDY	TOTAL EASA
<u>OPERATING REVENUES</u>									
Fees and Charges	68.779		68.779	77.374		77.374	(8.595)	-	(8.595)
Contribution from EC entities		34.552	34.552		33.725	33.725	-	827	827
Recuperation of expenses	242	331	573	252	165	417	(11)	166	156
Contribution from German Ministry of Transport			-	-	399	399	-	399	399
Contribution from EFTA/3rd countries		980	980		962	962	-	17	17
			-			-			
Total operating revenues	69.020	35.863	104.884	77.626	34.453	112.079	(8.606)	1.411	(7.195)
			-			-			
<u>OPERATING EXPENSES</u>									
Staff expenses	(33.950)	(21.797)	(55.747)	(32.264)	(20.759)	(53.023)	(1.686)	(1.039)	(2.724)
Buildings and related expenses	(5.469)	(3.391)	(8.859)	(5.091)	(3.097)	(8.187)	(378)	(294)	(672)
Other expenses	(3.511)	(2.258)	(5.769)	(4.347)	(2.741)	(7.088)	836	483	1.319
Depreciation and write offs	(2.051)	(1.101)	(3.152)	(2.949)	(720)	(3.670)	899	(380)	518
Outsourcing and contracting activities	(24.103)	(7.373)	(31.476)	(27.145)	(8.871)	(36.016)	3.042	1.498	4.540
			-			-			
Total operating expenses	(69.084)	(35.920)	(105.003)	(71.796)	(36.188)	(107.984)	2.712	269	2.981
			-			-			
Surplus(Deficit) from operating activities	(62)	(57)	(119)	5.830	(1.736)	4.094	(5.892)	1.679	(4.213)
			-			-			
<u>NON-OPERATING REVENUES(EXPENSES)</u>									
Financial operations revenues			-			-			
Interest received from third parties	598		598	413		413	185	0	185
Financial operations expenses	(25)	(17)	(42)	(18)	(5)	(23)	-	7	19
Interest paid to third parties	(18)	(10)	(28)	(46)	(27)	(73)	29	16	45
			-			-			
Surplus(Deficit) from non-operating activities	556	-	28	349	-	317	207	4	211
			-			-			
Surplus(Deficit) from ordinary activities	493	(84)	409	6.179	(1.768)	4.411	(5.686)	1.683	(4.003)
			-			-			
Surplus(Deficit) from extraordinary activities			-			-			
			-			-			
Net surplus for the period	493	(84)	409	6.179	(1.768)	4.411	(5.686)	1.683	(4.003)

Source of the figures: SAP - split between certification and subsidy, analytical accounting system

2.1 The financial statements are prepared based on an accrual basis in accordance with European Commission Accounting Rules which are based on the International Public Sector Accounting Standards. The main principle of accrual accounting is that the effect of transactions and other events are recognised when they occur and not when invoiced or cashed giving rise to various items on the balance sheet such as deferred and accrued revenue as well as payables and accrued liabilities.

2.2 In practical terms, this means that all payments for which the Agency has not performed the related work in the current fiscal year have been deferred and at the same time all costs which have not been invoiced to EASA or paid by the Agency by year-end but the related goods and services were delivered, have been recognised. Also, the portion of the cost related to the implementation of some ICT projects up to the go-live date was capitalised and consequently reported on the balance sheet under intangible assets and depreciated yearly.

2.3 Overall the 2011 economic outturn for the year is +0.4M¹, lower than last year (+4.4M), -91%. The economic outturn of the Agency is balanced.

2.4 This outturn results from 3 main aspects:

- First, a **decrease in the revenues** of -7.2M (-6%). This is due to the decrease in Fees and charges revenues, -8.6M (-11%). Subsidy revenues on the opposite increased by 1.4M (+4%).
- Secondly, the decrease in Fees and charges revenues has been compensated with a **control over operating and administrative expenses** which decreased overall by 2.9M (a decrease of 3%).
- Thirdly, an increase of the net result of non-operating activities of 0.2M, mainly linked to the interest received.

2.5 Support costs have been allocated to these two main categories in accordance with the methodology defined by the Agency in 2007, validated by Deloitte consulting firm end of 2009 and revised by the Agency in 2010 based on the Deloitte conclusions.

3. Report on the implementation of the 2011 budget

¹ 0.4M = 0.4 Millions

EASA Management Board Decision 06-2012
Adopting the Opinion of the Management Board on the 2011 Annual Accounts

ANNEX 2

BUDGET OUTTURN ACCOUNT FOR THE FINANCIAL YEAR 2011

All figures are in thousands of Euros		2011	2010
REVENUE			
Balancing Commission subsidy	+	35,192	35,026
Other subsidy from Commission (Phare, IPA,...)	+	946	515
Other Donors		1,525	962
Fee income	+	71,978	68,260
Other income	+	1,308	801
TOTAL REVENUE (a)		110,949	105,564
EXPENDITURE			
<i>Title I: Staff</i>			
Payments	-	57,212	55,429
Appropriations carried over	-	699	786
<i>Title II: Administrative Expenses</i>			
Payments	-	9,931	10,357
Appropriations carried over	-	3,940	3,563
<i>Title III: Operating Expenditure</i>			
Payments	-	26,774	30,098
Appropriations carried over	-	49,894	43,786
TOTAL EXPENDITURE (b)		148,450	144,018
OUTTURN FOR THE FINANCIAL YEAR (a-b)		-37,501	-38,454
Cancellation of unused payment appropriations carried over from previous year	+	2,526	1,101
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	36,349	38,934
Exchange differences for the year (gain +/-loss -)	+/-	-13	-16
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR		1,361	1,565
Balance year N-1	+/-	1,565	1,083
Positive balance from year N-1 reimbursed in year N to the Commission	-	-1,565	-1,083
Result used for determining amounts in general accounting		1,361	1,565
Commission subsidy - agency registers accrued revenue and Commission accrued expense		33,830	
Pre-financing remaining open to be reimbursed by agency to Commission in year N+1		1,361	

Source of the figures: SAP

Cancelled C8 appropriations in relation to the subsidy cannot be re-used are included within the calculation of the budget outturn which is paid back to the EC. Those relating to Fees and Charges are made available again and can be re-used.

3.1 Overall the budget implementation rate is 98,8% for 2011 appropriations (C1).

3.2 In accordance with the article 3 of the Commission regulation N°593/2007 on the fees and charges levied by the Agency, revenues from fees constitute assigned revenues (R0). This means that such revenues are carried over by the Agency as long as they have not been used. The positive budget result for the year is put into a reserve that can be used during the following years. The evolution of the reserve since 2007 is shown in the table below: the amount of the reserve decreased over the last three years from 29M at the end of 2008 to 25M at the end of 2011. Negative adjustments to the budget (for instance 3.513 K€ and 2.25 K€) are amounts that have been identified as "Working budget facility". These amounts are financed by the reserve. As explained in the concerned budget proposals, the aim of this facility is to guarantee sufficient flexibility in the allocation of tasks to NAA during the year and as such are temporary transfers.

(thousands of euros)		2007	2008	2009	2010	2011
Amending Budget 2008	Income		14,865			
	Expenditure		-2,157			
1st Amending Budget 2009	Income			29,509		
	Expenditure			-510		
2nd Amending Budget 2009	Expenditure			-5,416		
1st Amending Budget 2010	Income				27,135	21,230
	Expenditure				-3,513	
2nd Amending Budget 2010	Expenditure					
Initial Budget 2011	Expenditure					-2,255
1st Amending Budget 2011	N/A					
Net Result year		14,865	16,801	3,552	-2,392	6,251
Outturn		14,865	29,509	27,135	21,230	25,226

3.3 As regards the Commission subsidy for regulatory activities, the budgetary outturn is +1.361 K€. This surplus is partly explained by the cancellation of the 2010 appropriations carried over to 2011 and finally not used. The budget outturn on the Subsidy part will be paid to the European Commission in 2012.