

***European Aviation Safety Agency***

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## **Annex 2: Explanatory note on EASA 2009 Annual Accounts**



## 1. Legal background

### 1.1 Annual accounts

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

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

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 (2009 fiscal year).
- *Balance Sheet*: shows the financial position of the Agency at 31st December 2009 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.

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 carryovers are included). The budget outturn for the year is calculated on the basis of amounts actually disbursed and collected (including appropriations carryovers).



## 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 on 1 March 2010 to the Commission's accounting officer the provisional accounts of the Agency for 2009.

1.2.2 In accordance with Article 83 (1) of the EASA Financial Regulation, the Court of Auditors will make its observations on the provisional accounts of the Agency by 15 June 2010. (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 Court of Auditors, the European Parliament and the Council by 1st July 2010.

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 2010.

1.2.7 The Executive Director will send the Court of Auditors a reply to the observations made in its annual report by 30 September 2010.



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

The European Court of Auditors (ECA) visited the Agency one week in November 2009 (from 23 to 27 November) and one week in April 2010 (from 26 to 30 April). On the basis of these visits and subject to confirmation in the audit report, no reservation on the Agency annual account 2010 is expected.

Based on events that occurred since the establishment of the provisional accounts and on the opinion of the ECA, the following adjustments have been proposed for the establishment of the final annual accounts:

- 0.56M that relate to the provision for doubtful customers and that have been paid the 17 of March 2010.
- 0.24M that also relate to a calculation error in the provision for doubtful customers.

As a consequence, the provision for doubtful customers was decrease by  $0.56 + 0.24 = 0.79\text{M}$  in the balance sheet. The economic outturn is positively impacted (reduction of depreciation and write off amount).

The annual accounts annexed to this note take into account these adjustments.



## 2. 2009 Financial statements: economic outturn

<i>In million</i>	2009 EOA			2008 EOA
	CERTIFICATION	SUBSIDY	TOTAL EASA	TOTAL EASA
<b><u>OPERATING REVENUES</u></b>				
Fees and Charges	61.621	-	61.621	59.624
Contribution from EC entities	-	32.661	32.661	28.682
Recuperation of expenses	65	580	645	315
Contribution from German Ministry of Transport	-	-	-	-
Contribution from North Rhein Westfalia State	-	-	-	-
Grants received (CARDS )	-	-	-	273
Contribution from EFTA/3rd countries	-	1.729	1.729	1.377
				-
<b>Total operating revenues</b>	<b>61.687</b>	<b>34.970</b>	<b>96.657</b>	<b>90.271</b>
			-	-
<b><u>OPERATING EXPENSES</u></b>				
Staff expenses	(26.618)	(18.359)	(44.977)	(37.685)
Buildings and related expenses	(4.478)	(3.229)	(7.707)	(5.721)
Other expenses	(3.764)	(3.137)	(6.901)	(4.531)
Depreciation and write offs	(364)	(1.281)	(1.645)	(1.696)
Outsourcing and contracting activities	(24.395)	(9.298)	(33.693)	(25.467)
			-	-
<b>Total operating expenses</b>	<b>(59.618)</b>	<b>(35.304)</b>	<b>(94.922)</b>	<b>(75.100)</b>
				-
<b>Surplus(Deficit) from operating activities</b>	<b>2.068</b>	<b>(334)</b>	<b>1.735</b>	<b>15.171</b>
				-
<b><u>NON-OPERATING REVENUES(EXPENSES)</u></b>				
Financial operations revenues			-	2.050
Interest received from third parties	630		630	-
Financial operations expenses	(10)	(7)	(17)	(11)
Interest paid to third parties	(42)	(28)	(70)	(12)
				-
<b>Surplus(Deficit) from non-operating activities</b>	<b>578</b>	<b>(34)</b>	<b>544</b>	<b>2.028</b>
			-	-
<b>Surplus(Deficit) from ordinary activities</b>	<b>2.646</b>	<b>(368)</b>	<b>2.278</b>	<b>17.199</b>
			-	-
<b>Surplus(Deficit) from extraordinary activities</b>			-	-
			-	-
<b>Net surplus for the period</b>	<b>2.646</b>	<b>(368)</b>	<b>2.278</b>	<b>17.199</b>

Source of the figures: Total 2009, SAP – Total 2008: 2008 annual accounts - split between certification and subsidy, analytical accounting system



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 recognized 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.

In practical terms, this means that all advance 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 for which the related goods and services were delivered, have been recognised. Also, the portion of the cost related to the implementation of the ERP project up to the go-live date was capitalized and consequently reported on the balance sheet under intangible assets.

### ***A significant decrease in the economic outturn***

Overall the 2009 economic outturn for the year is 2.28M<sup>1</sup> positive albeit the net result is significantly less than last year (17.20M). This outturn results from a surplus in operating activities of 1.74M and a surplus in non operating activities of 0.54M. Nevertheless overall the Agency finances are still in equilibrium.

The table page 5 also presents a split between certification and subsidised activities. Support costs have been allocated to these two main categories in accordance with the methodology defined by the Agency in 2007. The net result is positive for certification activities (2.65M) and slightly negative for the subsidised ones (- 0.37M).

### ***Variance of the 2009 EOA compared to last year***

The main drivers behind the variance of the 2009 EOA compared to last year's result are as follows:

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<sup>1</sup> 2.3M = 2.3 Millions



## Revenues

Overall revenue is 4.97M higher (+5.4%) in 2009 compared to 2008 due to:

*F&C revenues:* 2.00M higher mainly explained as a result of 4.70M less invoiced compensated by a 2.30M higher provision for travel to be re-invoiced and 3.60M less deferred to next year.

*Subsidy revenues:* the 3.71M increase reflects for a large extend the use in 2009 of the positive budgetary outturn from previous years, 1.57M. The increase of the subsidy is 2.14M.

*Interest revenues:* 1.48M less as the result of the decrease in the average interest rates on the Agency bank funds from 4.23% in 2008 to 1.28% in 2009.

## Expenses

Overall expenses are 20.62M (+27.5%) higher in 2009 compared to 2008 due to:

*Staff and related expenses* are 7.2M (+19.3%) higher reflecting a 17% increase in FTE's and the salary increases. The Agency increased the number of hours spent on continuing airworthiness (as the level in 2008 was far below the level agreed on within the Enact Group). The Agency also recruited in order to reduce the significant amount of overtime noticed in the previous years.

*Building and related expenses:* the 1.99M (+34.7%) increase reflects the additional need for office space (about 1M additional cost for the rent) and related expenses to accommodate the increase in staff. It is also explained by the charges adjustment for the period 2006 to 2008 for an amount of 0.6M. Finally, contract on security increased by 0.2M.

*Outsourcing and contracting:* overall an 8.23M (+32.3%) increase as the result of:

- 2.90M (+18.4%) increase in NAA's related expenses due to the higher level of associated activities necessary to deal with the planned certification and surveillance workload.



- 2.10M (+70.5%) increase in other operating activities mainly due to the increase in research activities (1.1M), external evaluation and studies (0.73M).
- 1M (+28.1%) augmentation in missions reflects the increase in the number of staff and consequently the mission related travel.
- 3.10M (+184%) increase in ICT costs related to the SAP project.
- The above increases are partially compensated by lower cost for translation (66.5% less or 0.76M) and publications.
- Other expenses increase 2.37M (52%) are due mainly to the increase in the cost paid for fees and other equipment increases in ICT.

### 3. Report on the implementation on the 2009 budget

#### 2009 Provisional Budget Outturn

In million	<b>CERTIFICATION</b>	<b>SUBSIDY</b>	<b>TOTAL</b>
Revenue-Cash	56.322	35.145	91.466
Used revenue-Assigned from previous years	5.926	-	5.926
T1	27.476	19.411	<b>46.887</b>
T2	7.206	5.723	<b>12.929</b>
T3	25.814	9.776	<b>35.590</b>
<b>Total expense</b>	<b>60.495</b>	<b>34.911</b>	<b>95.406</b>
<b>Net</b>	<b>1.752</b>	<b>234</b>	<b>1.986</b>

#### 2009 C8 (cancelled)

T1	(47)	(42)	<b>(89)</b>
T2	(157)	(107)	<b>(264)</b>
T3	(1.596)	(700)	<b>(2.296)</b>
<b>Total expense</b>	<b>(1.800)</b>	<b>(849)</b>	<b>(2.649)</b>

#### 2009 Net

Revenue-Cash	<b>56.322</b>	<b>35.145</b>	<b>91.466</b>
Used revenue-Assigned from previous years	<b>5.926</b>	-	5.926
T1	27.429	19.369	46.798
T2	7.049	5.617	12.666
T3	24.218	9.076	33.293
<b>Total expense</b>	<b>58.696</b>	<b>34.062</b>	<b>92.757</b>
<b>Net</b>	<b>3.552</b>	<b>1.083</b>	<b>4.635</b>

Source of the figures: Total 2009, SAP - split between certification and subsidy, analytical accounting system





Overall the budget implementing rate is 98.89%.

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. This means that such revenues are carried over by the Agency as long as they have not been used. In 2009, the Agency used 5.93M euros from the assigned revenues carried over in 2008 (29.51M). As a consequence the budgetary outturn on the certification activities, 3.55M, plus the assigned revenues carried over from 2008, 29.51M, minus the amount used in 2009, 5.93M, constitute the new amount to be carried over on assigned revenue: 27.13M.

As regards the Commission subsidy for regulatory activities, the budgetary outturn is 1.08M. This surplus is mainly explained by the cancellation of the 2008 appropriations automatically carried over. It will be paid back to the Commission.

In 2009, the Agency carried over appropriation for an amount of 24.41M. Almost half of these appropriations relate to tasks allocated to NAAs (11.02M).