



EUROPEAN DEFENCE AGENCY 2014 FINANCIAL REPORT

30 June 2015

EUROPEAN DEFENCE AGENCY

2014 FINANCIAL REPORT

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MANAGEMENT REPORT

Building Capabilities for a Secure Europe

The European Defence Agency ('EDA' or 'The Agency') has been created to help EU Member States to develop their defence capabilities for crisis-management operations under the European Security and Defence Policy. The Agency will achieve its goal by encouraging EU Governments to spend defence budgets on meeting tomorrow's challenges, not yesterday's threats, and by increasingly pooling their efforts and resources. The Agency's success will mean:

- Better military capabilities,
- Stronger European defence industry,
- Better value for European taxpayers.

RESULT OF THE YEAR

In its tenth year of operation, the Agency has continued to pursue more effective and output capabilities. The Capability Development Plan (CDP) has guided these efforts, including through R&T collaboration and armaments cooperation. The Agency has continued its work on establishing a competitive European Defence Technological and Industrial Base and an open and transparent European Defence Equipment Market, which are fundamental for underpinning CFSP military capabilities.

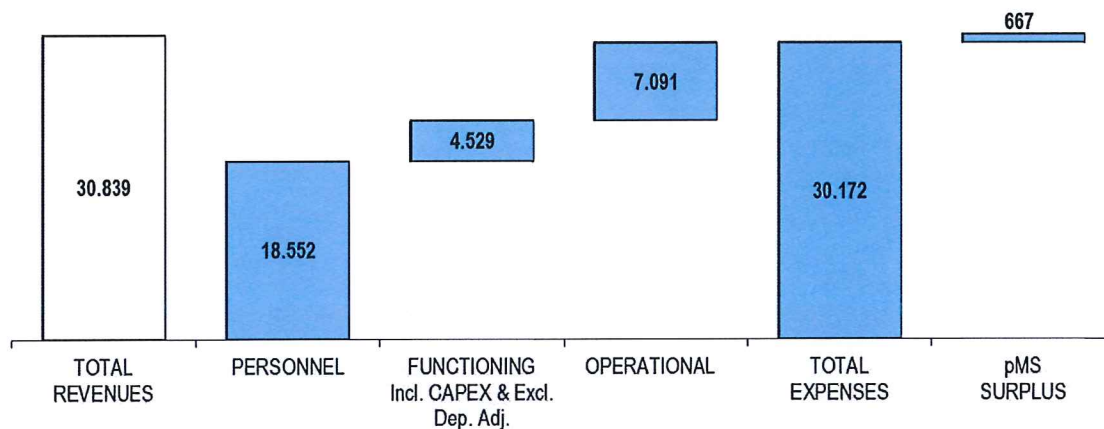
2014 financial achievements include:

- the launch of 87 operational projects for a combined value of 7,1 M €,
- approximately 98,8% of overall budget consumption

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2014 Financial Highlights

Figures in k €



Budgetary Consumption for 2014 Figures in k€			
Title	Budget	Expenditure	% of Budget Consumed
Title I Personnel Expenses	18.850	18.552	98,42%
Title II Functioning Expenses	4.531	4.529	99,98%
Title III Operational Expenses	7.150	7.091	99,17%
Total	30.531	30.172	98,82%

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SUMMARY OF REVENUE AND EXPENDITURE FOR 2014

Figures in k €	2014*	2014**	2013*	2013**
REVENUES				
MEMBER STATE CONTRIBUTIONS	29.151	29.151	29.057	29.057
DEDUCTIONS FROM STAFF REMUNERATION	1.423	1.423	1.155	1.155
FINANCIAL INCOME	50	50	95	95
OTHER REVENUES	215	215	37	37
TOTAL REVENUES	30.839	30.839	30.344	30.344
EXPENSES				
PERSONNEL EXPENSES	18.552	18.552	17.775	17.775
FUNCTIONING EXPENSES	4.529	5.113	4.058	4.228
OPERATIONAL PROJECTS & STUDIES	7.091	7.068	7.680	7.680
TOTAL EXPENSES	30.172	30.733	29.513	29.683
SURPLUS REVENUE OVER EXPENDITURE	667	106	831	661
Add depreciation		618		578
Deduct Capital Expenditure		(57)		(408)
BUDGETARY SURPLUS REPAYABLE TO pMS	667	667	831	831

*Expenses includes capital expenditure and excludes depreciation

**Expenses excludes capital expenditure and includes depreciation

Figures subject to rounding to nearest '000 Euro

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EDA STRUCTURE AND FUNCTIONS

The European Defence Agency is an Agency of the European Union ⁽¹⁾, falling under the direction and authority of the Council, which issues guidelines to and receives reports from the Head of the Agency, High Representative and Vice President of the European Commission. Detailed control and guidance, however, is the job of the Steering Board.

The Head of the Agency chairs the Steering Board, the decision-making body of the Agency, made up of Defence Ministers from 27 participating Member States (all EU members except Denmark) and a member of the European Commission. In addition to ministerial meetings at least twice a year, the Steering Board also meets at the sub-ministerial level: National Armaments Directors, Research and Technology Directors and in Capabilities formation.

The Agency is designed "to support the Member States in their effort to improve European defence capabilities in the field of crisis management and to sustain the Common Foreign and Security Policy as it stands now and develops in the future". More specifically, the Agency is ascribed four functions, relating to:

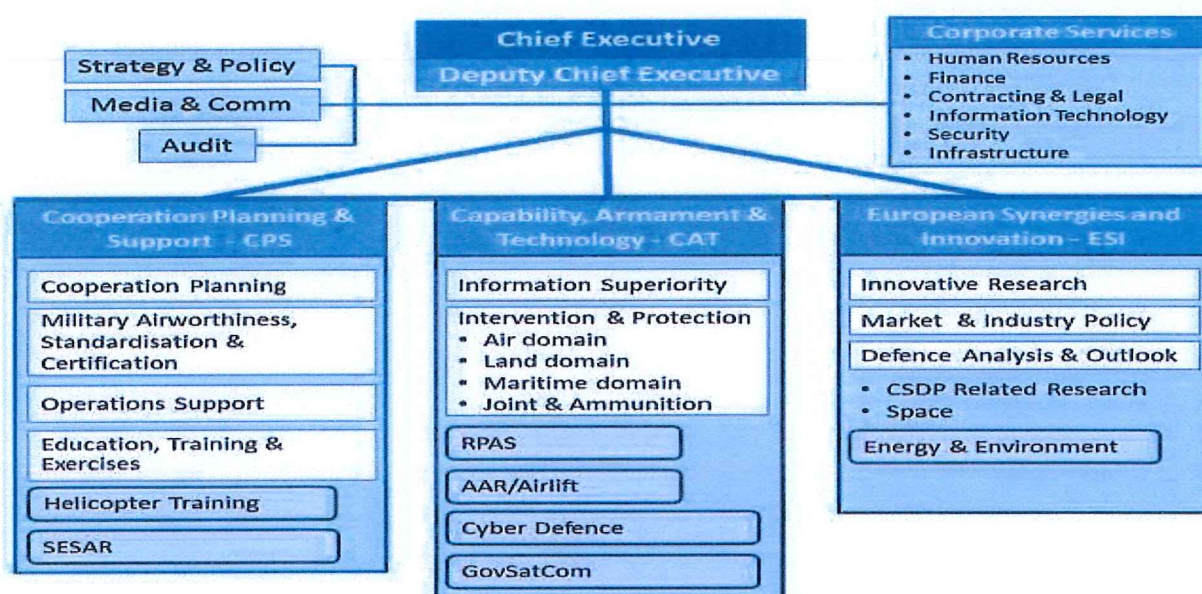
- Defence capabilities development;
- Armaments co-operation;
- The European defence, technological and industrial base and defence equipment market;
- Research and technology .

As of 1 January 2014, the European Defence Agency (EDA) has a new structure in order to better support Member States in a rapidly evolving environment. From this date the Agency is organised in four Directorates, the Corporate Services Directorate and three operational Directorates: Cooperation Planning & Support; Capability, Armaments & Technology; and European Synergies & Innovation. This new structure aims to facilitate the prioritisation of tasks and improve operational output, in particular on key activities such as Air-to-Air Refuelling, Remotely Piloted Aircraft Systems, Satellite Communications, Airworthiness, Certification, SESAR, and Energy & Environment.

The defence and security environment is evolving rapidly. Defence cuts are leading to greater cooperation on programmes. In addition, many wider EU policies such as Single European Sky or Radio Spectrum have major implications for the defence community.

The overall objective of the restructuring has been to ensure that the Agency is properly equipped to: anticipate and react to developments; improve its operational output; facilitate the prioritisation of tasks; and serve the needs, expectations and interests of Member States effectively and efficiently.

⁽¹⁾ Council Decision 2011/411/CFSP of 12 July 2011 defining the statute, seat and operational rules of the European Defence Agency and repealing Joint Action 2004/551/CFSP.



COOPERATION PLANNING & SUPPORT (CPS)

The Cooperation Planning & Support directorate focuses on the early identification of requirements at European level and the through-life aspect of capabilities. It is responsible for capability planning through the Capability Development Plan and the Cooperative Programme Database; and Pooling & Sharing including the Code of Conduct. It deals with Defence & Industry analysis to complement the identification and development of capability demands. The directorate is also responsible for key enablers to support defence cooperation and enhance interoperability: military airworthiness, standardisation and certification, and education and training. In addition, it supports CSDP operations and EU Battle groups at the request of Member States.

CAPABILITY, ARMAMENTS & TECHNOLOGY (CAT)

The Capability, Armaments & Technology directorate prepares the programmes of tomorrow by maximising synergies between capabilities, armaments and Research & Technology. The directorate brings together the Agency's work in the areas of: Information Superiority (Communication & Information Systems, Surveillance & Reconnaissance, Space, Cyber Defence; Air (Remotely Piloted Aircraft Systems, Air-to-Air Refuelling, airlift and aerial systems technologies); Land (Counter-IED, armoured systems, camp protection and land systems technologies); Maritime (Maritime Surveillance, Mine Counter Measures and naval systems technologies); and the Joint domain (mobility, transport, medical and Ammunition). Particular attention will be given to identifying future Critical Defence Technologies needed to support military capabilities.

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EUROPEAN SYNERGIES & INNOVATION (ESI)

This directorate acts as an interface between defence ministries and wider EU policies that have implications for defence. Its main tasks are to promote and support innovation through innovative research in the areas such as: Components, Radio-Frequency & Optical Sensors, Materials and Structures, Energy, and CBRN protection. It develops synergies and greater complementarity with EU programmes such as Horizon 2020 and European Structural Funds. The directorate is also the Agency's focal point on Space Policy, on which it has a close dialogue with the European Commission and the European Space Agency. It is responsible for Market & Industry policy, including SMEs, Security of Supply, the REACH regulation, market efficiency and global aspects of the defence market. As of 1 January 2015, the military dimension of the Single European Sky, with a particular emphasis on the SESAR deployment phase moved from ESI to CPS. ESI is in charge of the Agency's activities in the areas of Green Energy.

CORPORATE SERVICES DIRECTORATE (CSD)

The Corporate Services Directorate provides the horizontal services that ensure the functioning of the Agency. It consists of 6 Units providing financial, contracting, ICT, HR, security and administrative services to ensure that the Agency perform in accordance with the principles of sound financial management.

**Report by the Head of the European Defence Agency
to the Council on 18 November 2014.**

Introduction

1. The European Defence Agency (EDA) continues to pursue effective and output-oriented European cooperation in order to improve the defence capabilities of participating Member States. It does so through: identifying and supporting cooperative projects and programmes; addressing civil-military synergies; promoting best practice; and working with a wide range of stakeholders. The 2015 Work Programme sets out the Agency's activities for next year.

I Capabilities

2. On 8 October 2014, the Steering Board endorsed the revised CDP as a key driver for capability prioritisation, to be taken into account on a national basis and in cooperative projects; and agreed the list of priority actions from the revised CDP and to implement them with support from EDA, in cooperation with the EUMC, EUMS and CMPD. It tasked EDA, in cooperation with Member States, to take measures for CDP follow-on work, including Lessons Learned.
3. The Agency has submitted to Defence Ministers the second annual assessment of the national implementation of the Code of Conduct on Pooling & Sharing; and, together with the EEAS, prepared a Policy Framework for more systematic long-term defence cooperation in line with the European Council mandate of December 2013. Furthermore, the Agency has tabled proposals on incentives to boost defence cooperation; and is examining ways in which Member States could cooperate more effectively and efficiently in pooled procurement projects.

4. Considerable progress has been achieved in a number of Pooling & Sharing projects:

Air to Air Refuelling (AAR): Work is on-track for the establishment of a European strategic tanker capability by 2020, under the lead of The Netherlands. The identification of the industrial solution allows for further fine-tuning of the best-value option, leading to contract award by the end of 2015 and to Initial Operating Capability (IOC) by mid-2020. Also, in 2014 a major milestone was reached with the signature of the Technical Assistance Agreement between the European Defence Agency, industry and the Italian Ministry of Defence as regards Certification Trials, which will allow the Agency to exchange technical data for the benefit of Member States.

Remotely Piloted Aircraft Systems (RPAS). Following agreement of the Common Staff Target for a Medium Altitude Long Endurance Remotely Piloted Aircraft Systems (MALE RPAS) capability, work is on track to produce common requirements and the associated business cases, through a Category B project under the lead of France. For 2015 and 2016, the objective is the production of technical documents to prepare the decision of interested Member States to launch the development of a European MALE System with an expected in-service date between 2020 and 2025.

Information and best practice are being exchanged within the "European MALE RPAS Community" on systems that are either already in service or will achieve Initial Operating Capability within the next five years. The current focus is on sharing operational experience and assessing the added-value of cooperative training. Next steps will be the establishment of cooperative activities of interest to the Member States concerned, including in the areas of maintenance and logistics support.

Concerning the insertion of MALE RPAS in non-segregated air space, good progress was made in 2014 on EDA R&T projects regarding the design of an interface between EDA, Eurocontrol and SESAR Joint Undertaking to ensure coordination of activities. In order to exploit civil-military synergies, EDA is investigating with the Commission possible funding for RPAS payload technologies within Horizon 2020.

Governmental Satellite Communications. The Common Staff Target for the next generation of Governmental Satellite Communications was endorsed by the Steering Board on 4 November 2014. This will lead to the Programme Preparation Phase of a potential future cooperative programme, to be completed by the end of 2016 under the lead of Spain. The objective is to assess the benefits of various cooperation models and satellite architectures and demonstrate the added-value of a cooperative approach for Member States' consideration. To support this, a call for tender has been launched for a feasibility study, with the participation of and co-funding from the European Space Agency. Cooperation is also being pursued with the Commission, in order to assess potential future synergies.

The "EU SatCom Market" project, through which commercial satellite communications is being procured for the ten contributing Member States, has been operational since 2012. The Project Arrangement is currently being renewed in order to streamline requirements resulting from this work, including support to CSDP operations and missions.

Cyber Defence. Activities are ongoing in the areas of education, training and exercises, human factors, and technologies. In 2014 EDA supported the EU OHQ for Operation EUFOR RCA through training and increased awareness. EDA also delivered a pilot course for senior decision-makers on the operational planning aspects of cyber defence, as well as a pilot exercise on cyber strategic decision-making. EDA participated in the Cyber work strands of the Multinational Capability Development Campaign 2013/14 in order to improve the operational planning aspects of cyber defence. The Preparation Phase for ad hoc projects is under way on Cyber Ranges and deployable Cyber Defence Situational Awareness Kits for headquarters, planned to be concluded by 2015. Initiatives for the pooling of Member States' demand for cyber defence services provided by the private sector, such as training, are also in hand. EDA has been closely involved in the EU Cyber Defence Policy Framework to be adopted by the end of 2014.

The Counter-IED laboratory deployed in Afghanistan within ISAF was a major success. Building on this, a follow-on project for a Joint Deployable Exploitation Analysis Laboratory (JDEAL) has been established to provide a permanent technical exploitation training facility as well as deployable capabilities to support countering-IEDs.

Helicopter Availability: Covers equipment and training including a simulator based helicopter tactics course, with 30 courses delivered so far; a helicopter tactics instructor training course; an operational English training course; basic helicopter training harmonisation; NH90 technical interoperability; and NH90 operational test & evaluation. To date 174 helicopters, 329 crews, and over 12000 personnel have participated in the seven live exercises of the Helicopter Exercise Programme. Since its launch in 2009, over 1500 aircrew from 18 Member States (plus Brazil and Canada) have taken part in one or more EDA helicopter training activities.

Medical Support attracts growing participation: the Programme Arrangement for the deployable Field Hospitals initiative (Multinational Modular Medical Units) is expected to be signed by the sixteen contributing Member States in 2015. On Aero Medical Evacuation (MEDEVAC), EDA is working on the identification of common requirements for the establishment of a shared capability to meet shortfalls in operations.

Maritime Surveillance (MARSUR): The full operational capability of MARSUR has been achieved; and the intended technical developments completed. The next step is support to Common Information Sharing Environment led by the Commission. The Agency has also been closely involved in the development of the EU Maritime Security Strategy Action Plan to be adopted by Council in December 2014.

II Preparing the Future

5. The Preparatory Action on CSDP-Related Research mandated by the European Council will test the relevance and viability of CSDP-related research at EU level. The initiative lies with the Commission. EDA is supporting the Commission and Member States to define the content of and modalities for the Preparatory Action, building on its experience in defining and managing cooperative defence research projects and setting Strategic Research Agendas. A Pilot Project, adopted by the European Parliament on 22 October 2014, aims at starting a defence research project in an earlier timescale and developing cooperation between the Commission and the EDA. Moreover, EDA's capability process provides the contextual background and can help Member States to define the broader policy objectives to frame the CSDP-related research. Further to the adoption of a Concept Paper on the Preparatory Action, a series of workshop will be co-organised by the Commission and EDA in 2014-2015 bringing together Member States, the Commission, EDA and industry.

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6. The European Council invited the Commission and EDA to work closely with Member States to develop proposals to further stimulate research for dual-use technologies. Work is progressing well, with a focus on: Key Enabling Technologies, the development of micro- and nano- electronics technologies, and dual-use technologies eligible for funding through Structural and Investment Funds.
7. EDA is developing the concept for Critical Defence Technologies. This builds on previous work on European non-dependence, and links with Commission work on Key Enabling Technologies, and that of the European Space Agency on Critical Space Technologies. The Steering Board endorsed the list of Critical Defence Technologies on 26 June 2014. The Critical Defence Technologies analysis will provide an input for updating the Strategic Research Agendas and guidance for future investment.
8. In 2014, the Agency developed activities to improve energy efficiency, explore the deployment of renewable energy resources within defence, and reduce the environmental impact of CSDP operations. The Go Green Category B project is in the contracting phase. An Energy and Environmental Working Group has been established, reflecting revised CDP priorities and covering a wide range of activities. It will allow Member States to respond to energy and environmental challenges; work closely with other EU institutions, notably the Commission; and monitor the activities of other national and international institutions in order to avoid duplication and maximise potential synergies.
9. Member States' military airworthiness authorities (MAWA) are harmonising their requirements for aircraft maintenance and certification through the MAWA Forum within EDA. This will pave the way for cross-recognition, time- and cost-reduction of the certification process and, potentially, pooling multinational maintenance and operation of aircraft. Building on activities on European Military Airworthiness Requirements, work has also been launched to develop the airworthiness requirements necessary for military RPAS to operate in non-segregated airspace.
10. The European Military Airworthiness Requirements that Member States have agreed await transposition into national regulations: they should be used for the support of the A400M and expected to yield financial and operational benefits. The Agency is pursuing further standardisation in the areas of ammunition qualification (for which a roadmap is being implemented), diplomatic clearances for military transport aircraft, and clearances of tankers/receivers.

11. Single European Sky Air Traffic Management Research (SESAR). The Agency facilitates the coordination of the military views on SESAR, currently focused on the deployment phase, with a view to ensuring that military interests are taken into account. As military coordinator, EDA would interact with the Deployment Manager in line with a set of high level principles developed with Member States. The Agency also sponsors the SES/SESAR Military Implementation Forum that brings together Member States, NATO, EUROCONTROL, the Commission, and the SESAR Joint Undertaking. It promotes a wider understanding of the financial and operational implications for the military community of the forthcoming deployment of SESAR; and is yielding significant results.
12. At the request of Member States, EDA provided a shared understanding of the military views on the SES II+ regulation (which aims to recast the institutional framework of the Single European Sky) to the Italian Presidency.

III Industrial Base and Technology non-Dependence

13. The EDA has submitted to Ministers an assessment of the key trends of the European Defence Technological and Industrial Base (EDTIB), in order to tailor instruments and policies in support of defence industry. EDA has also launched work on the notion of balance in the EDTIB.
14. The Action Plan on support to Small and Medium-sized Enterprises (SMEs) is being implemented in the light of possible synergies with the Commission, focusing on the areas identified by the European Council.
15. The Agency has developed dedicated tools to: foster compatibility and harmonisation of defence procurement procedures; support the correct implementation of the Defence and Security Procurement Directive 2009/81/EC; and improve market access across the wider supply chain. EDA has developed in cooperation with Member States a Vademecum for Cooperative Defence Procurement and an Information Sharing Document on Directive Exclusions.

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16. To facilitate increased cross-border contracting and Pooling & Sharing among Member States, the Agency is supporting and monitoring the implementation of the Framework Arrangement for Security of Supply. A Code of Conduct on Prioritisation was established in 2014 to involve industry. Further potential actions related to Security of Supply have been identified as a basis for contributing to the Commission-led roadmap for a comprehensive EU-wide Security of Supply regime, in line with the European Council tasking.
17. The Agency also focuses on European Technology non-Dependence. The Commission and EDA are developing strategies respectively for *Key Enabling Technologies* and *critical technologies for European non-dependence*.
18. In line with the European Council tasking, EDA and the Commission prepared a roadmap for the development of defence standards, which was noted by Council in July 2014. NATO STANAGs will be utilised to the maximum extent possible to avoid duplication. A new process for the development of European security and defence standards was initiated in EDA in line with the Council Conclusion from 2013 and has progressed quickly. It will be approved in November by Member States and will conclude the EDA Council Tasking on Standardisation in advance of the original required timelines.

IV Interaction with key stakeholders

19. The Agency continues to act as a platform between the Commission and the Ministries of Defence in order to promote defence interests in a number of EU policy areas that have potential implications for defence: Research & Innovation (HORIZON 2020), Technology non-Dependence, defence market and industry, SMEs/clusters, Maritime Surveillance, Single European Sky, Radio Spectrum, Cyber Defence, and Space.

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20. In 2013 the Agency launched an initiative on the use of European Structural and Investment Funds to support dual-use research and innovation projects. In 2014 a pilot case in Portugal attracted a positive decision to be co-funded by 60% in a total project-budget of €1.3m. Moreover, EDA delivered a methodology in support of industry on how to access European Structural and Investment Funds, as well as guidance to defence ministries on the Operational Programmes development-process. In 2015 EDA support will continue, and be extended to transnational and inter-regional cooperative projects. In addition, EDA will explore other potential tools, such as COSME and the combination of EU funding instruments, in support of dual-use research and innovation.
21. The Agency is reinforcing its relations with third parties. Cooperation with Norway, through its Administrative Arrangement, continues to be mutually beneficial. The Framework for Cooperation with Switzerland and the Administrative Arrangement with the Republic of Serbia, concluded in 2012 and 2013 respectively, are facilitating participation in the Agency's projects and programmes. In 2014 Switzerland and Republic of Serbia joined EDA's Collaborative Database, and the Defence Test and Evaluation Base. The Administrative Arrangement with the European Space Agency, which was signed in June 2011, has helped improve synergies regarding space-related technologies and will be further called upon namely in the domain of governmental satellite communications capabilities. Beyond the coordination of studies in areas such as satellite communication or Earth observation, a first Implementing Arrangement was signed in December 2011 on a jointly funded demonstrator on UAS; while the first phase has been successfully concluded in December 2013, the second phase has been launched in 2014 and testing flights are expected to take place in 2015. ESA will further contribute to efforts in the domain of ISR and cyber security in space. And the Arrangement with OCCAR, also concluded in 2012, is supporting Member States' collaborative programmes through their life-cycle. In the priority area of Air-to-Air Refuelling, OCCAR is supporting the contributing States as the management organisation for acquisition of multi-role tanker transport aircraft. To facilitate direct exchange of classified information, in 2014 a Security Arrangement between EDA and OCCAR has been concluded.

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22. The Agency continues to ensure complementary and mutually-reinforcing capability development with NATO, in particular with Allied Command Transformation (ACT), in a spirit of transparency and reciprocity. Further progress has been achieved in coordinating activities in a number of areas of common interest. Contacts with the NATO International Staff are also taking place, including on NATO's interest in wider EU policy areas such as Single European Sky. The Agency continues to contribute to the work of the EU-NATO Capability Group. Contacts with NATO remain important, notably on Pooling & Sharing and NATO activities within the framework of "Smart Defence".
23. The informal dialogue with the United States continued to develop, with a focus on synergies between Pooling & Sharing and related initiatives, and policy issues.

FINANCIAL STATEMENTS

AUDIT OPINION

INDEPENDENT AUDITOR'S REPORT
TO THE STEERING BOARD
OF THE EUROPEAN DEFENCE AGENCY

In accordance with Article 43 of the Financial Rules the College of Auditors have audited the accompanying financial statements of the European Defence Agency ("Agency") for the year ended 31 December 2014, which comprise the 2014 Management Accounts, the 2014 Balance Sheet, the 2014 Cash Flow Statement, and Notes to the 2014 Financial Statements. We report to you on the performance of our mandate of Independent Auditor and present our opinion on the financial statements.

Management's Responsibility for the Financial Statements

Following Article 10 (1) of the Financial Rules the financial statements shall be drawn up in accordance with the generally accepted accounting principles of the European Union. The Steering Board, on a proposal from the Head of the Agency, appointed an Accounting Officer, responsible for the preparation and fair presentation of the financial statements. According to Article 20 (1) of the Financial Rules this responsibility includes:

- a) proper implementation of payments, collection of revenue and recovery of amounts established as being receivable including interest on late payments;
- b) preparing and presenting the accounts;
- c) maintaining the accounts;
- d) establishing the accounting rules and methods and the chart of accounts;
- e) establishing and validating the accounting systems and, where appropriate, validating systems laid down by the Authorising Officer to supply or justify accounting information;
- f) treasury management.

In connection with the financial statements of the Agency the Chief Executive provided us with a Management Representation Letter dated 31 March 2015, which formed part of the audit procedure and is stored in the audit documentation.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit in order to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates, if any, made by the Accounting Officer, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have also examined the Financial Report on the activities of the Agency and the implementation of the budget, to identify any material inconsistencies with the audited financial statements.

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Opinion

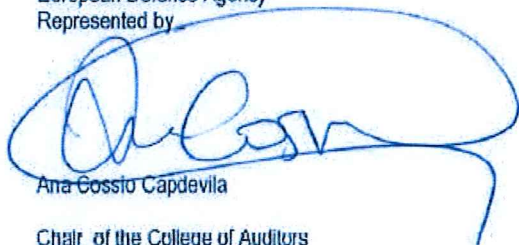
In our opinion the financial statements present fairly, give a true and fair view of the financial position of the European Defence Agency as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with

- Council Decision 2011/411/CFSP of 12 July 2011 defining the statute, seat and operational rules of the European Defence Agency and repealing Joint Action 2004/551/CFSP and
- EDA Steering Board Decision No. 2007/29 (Cor.) on the Financial Regulation applicable to the general budget of the European Defence Agency ("EDA Financial Rules"), as well as with respect to:
 - Council Regulation No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ("EU Financial Regulation"),
 - Commission Regulation No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation ("EU Implementing Provisions"),
 - "Final rules adopted by the Accountant of the European Communities after formal consultation of accountants of institutions and agencies based on the Article 133 of the EU Financial Regulation" and
 - applicable International Public Sector Accounting Standards (IPSAS).

Audit findings and comments of the auditor without impact on the audit opinion are included in the associated audit report.

Brussels, 30 June 2015.

College of Auditors of the
European Defence Agency
Represented by



Ana Cossio Capdevila

Chair of the College of Auditors

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2014 MANAGEMENT ACCOUNTS (1/3)

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2014 FINANCIALS							
MANAGEMENT ACCOUNTS							
	Notes	2014	2014	2014	2013	2013	2013
Figures in €	1	Budget ^(REV)	Actual	Actual	Budget ^(REV)	Actual	Actual
EXPENSES			Cash Based	Accrual Based		Cash Based	Accrual Based
Title I : PERSONNEL EXPENSES	2						
Chapter 11: OFFICIALS & TEMPORARY STAFF							
BASIC SALARIES (TBA)		9.731.501	9.730.115	9.730.115	9.307.376	9.236.133	9.236.133
STAFF STATUTORY ALLOWANCES		2.674.553	2.675.702	2.675.702	2.715.200	2.623.842	2.623.842
STAFF SOCIAL PROTECTION		2.494.000	2.306.413	2.306.413	2.916.150	2.679.087	2.679.087
STAFF ALLOWANCES ON ENTERING & LEAVING SERVICE		959.412	895.179	895.179	729.000	461.878	461.878
Subtotal		15.859.466	15.607.409	15.607.409	15.667.726	15.000.940	15.000.940
Chapter 12: SNE, CONTRACT STAFF & TRAINEES							
CONTRACT STAFF		1.206.946	1.199.830	1.199.830	1.290.000	1.200.596	1.200.596
SECONDED NATIONAL EXPERTS		1.025.000	1.019.645	1.019.645	1.018.000	882.325	882.325
TRAINEES		115.588	115.568	115.568	34.000	31.789	31.789
Subtotal		2.347.534	2.335.043	2.335.043	2.342.000	2.114.710	2.114.710
Chapter 13: STAFF RELATED							
RECRUITING EXPENSES		53.000	35.485	35.485	63.000	39.316	39.316
STAFF TRAINING		65.000	64.971	64.971	140.000	117.888	117.888
STAFF COMMITTEE		15.000	12.780	12.780	13.274	12.894	12.894
MEDICAL EXPENSES		10.000	3.281	3.281	10.000	7.064	7.064
MISSION EXPENSES		500.000	493.238	493.238	509.000	482.279	482.279
Subtotal		643.000	609.755	609.755	735.274	659.441	659.441
TOTAL PERSONNEL EXPENSES		18.850.000	18.552.207	18.552.207	18.745.000	17.775.091	17.775.091
Title II : FUNCTIONING EXPENSES	3						
Chapter 20: BUILDING & BUILDING RELATED							
FITTING-OUT OF PREMISES		0	0	325.603	0	0	325.603
SECURITY EQUIPMENT		271.082	271.082	276.934	7.167	7.167	2.098
OFFICE RENT		1.420.259	1.420.259	1.420.259	1.317.737	1.317.737	1.317.737
CLEANING & MAINTENANCE		279.102	279.101	279.101	258.168	258.167	258.167
UTILITY SERVICES		144.712	144.712	144.712	162.299	162.299	162.299
BUILDING SURVEILLANCE SERVICES		1.035.446	1.035.446	1.035.446	1.028.000	1.010.331	1.010.331
INSURANCES		7.988	7.988	7.988	7.533	7.501	7.501
OTHER BUILDING RELATED EXPENSES		2.600	2.600	2.600	6.100	6.100	6.100
Subtotal		3.161.189	3.161.188	3.492.643	2.787.004	2.769.302	3.089.836

EUROPEAN DEFENCE AGENCY
2014 FINANCIAL REPORT

2014 MANAGEMENT ACCOUNTS (2/3)

MANAGEMENT ACCOUNTS (CONT'D)							
	Notes	2014	2014	2014	2013	2013	2013
Figures in €	1	Budget ^(REV)	Actual	Actual	Budget ^(REV)	Actual	Actual
			Cash Based	Accrual based		Cash Based	Accrual based
Chapter 21: IT EQUIPMENT, FURNITURE & OTHER							
IT EQUIPMENT & SOFTWARE		272.329	272.129	511.911	244.160	244.049	218.233
OFFICE FURNITURE		4.462	4.462	7.122	9.751	9.751	8.562
OFFICE TECHNICAL EQUIPM. & SUPPLIES		29.155	29.155	55.346	12.732	12.732	28.344
IT PROJECTS & DEVELOPMENT OF SYSTEMS		43.561	43.561	43.561	11.549	11.139	(67)
IT SUPPORT & MAINTENANCE OF COPIERS		154.688	154.688	138.498	221.428	221.426	221.426
TELECOM EXPENSES		212.422	212.420	212.420	170.000	170.000	170.000
OUTSIDE ASSIST. FOR OPERATION OF TECHN. INSTALLATIONS		9.936	9.936	9.936	8.654	8.654	8.654
MAINTENANCE & REPAIR OF TECHNICAL INSTALLATIONS		153.932	153.932	153.932	163.153	163.153	35.041
OFFICE VEHICLES AND TAXI EXPENSES		18.401	18.353	18.353	10.139	9.230	9.230
Subtotal		898.886	898.636	1.151.078	851.566	850.134	699.423
Chapter 22: OTHER FUNCTIONING							
TRANSLATION SERVICES		10.291	10.291	10.291	3.200	3.056	3.056
RECEPTION & REPRESENTATION EXPENSES		8.604	8.504	8.504	13.500	8.414	8.414
INTERNAL MEETINGS		64.707	63.674	63.674	63.500	55.438	55.438
CONFERENCES & SEMINARS		90.482	90.482	90.482	95.603	95.603	95.603
INFORMATION, SUBSCRIPTIONS & DOCUMENTATION EXPENSES		79.116	79.116	79.116	105.354	105.132	105.132
OFFICIAL JOURNAL		1.470	1.470	1.470	700	637	637
PUBLIC RELATIONS		110.379	110.379	110.379	51.953	51.432	51.432
OFFICE SUPPLIES		68.913	68.793	68.793	88.306	88.168	88.168
POSTAL & DELIVERY EXPENSES		26.000	26.000	26.000	23.614	23.613	23.613
AUDIT EXPENSES		10.013	10.013	10.013	7.410	7.406	7.406
FINANCIAL CHARGES, INCL. FOREIGN EXCHANGE DIFF.		800	714	714	790	(621)	(621)
Subtotal		470.775	469.436	469.436	453.930	438.278	438.278
TOTAL FUNCTIONING EXPENSES		4.530.850	4.529.260	5.113.158	4.092.500	4.057.714	4.227.537
TOTAL PERSONNEL & FUNCTIONING EXPENSES		23.380.850	23.081.467	23.665.365	22.837.500	21.832.805	22.002.628
Title III : OPERATIONAL BUDGET & EARMARKED REVENUE							
OPERATIONAL PROJECTS & STUDIES	4	7.150.000	7.091.120	7.067.966	7.693.350	7.680.289	7.680.289
TOTAL OPERATIONAL BUDGET		7.150.000	7.091.120	7.067.966	7.693.350	7.680.289	7.680.289
TOTAL EXPENSES		30.530.850	30.172.587	30.733.331	30.530.850	29.513.094 ⁶	29.682.917

EUROPEAN DEFENCE AGENCY
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2014 MANAGEMENT ACCOUNTS (3/3)

MANAGEMENT ACCOUNTS (CONT'D)							
	Notes	2014	2014	2014	2013	2013	2013
Figures in €	1	Budget ^(REV)	Actual	Actual	Budget ^(REV)	Actual	Actual
			Cash Based	Accrual Based		Cash Based	Accrual Based
REVENUES	5						
Title IV: MISC. COMMUNITY TAXES, LEVIES & DUES							
Chapter 40: DEDUCTIONS FROM STAFF REMUNERATION							
TAXATION ON STAFF SALARIES & ALLOWANCES		1.180.000	1.184.764	1.184.764	1.204.000	1.152.429	1.152.429
TEMPORARY CONTRIBUTION		0	329	329	0	504	504
EU SPECIAL LEVY (PSP)		150.000	237.831	237.831	219.000	1.581	1.581
Subtotal		1.330.000	1.422.924	1.422.924	1.423.000	1.154.514	1.154.514
Title V: INCOME FROM OPERATING ACTIVITIES							
Chapter 52: FINANCIAL INCOME							
INTERESTS - BANK		50.000	37.462	37.462	51.000	89.179	89.179
INTERESTS - PMS		0	12.636	12.636	0	5.925	5.925
Subtotal		50.000	50.098	50.098	51.000	95.104	95.104
Title VI: pMS CONTRIBUTIONS							
Chapter 61 : MEMBER STATE CONTRIBUTIONS							
PMS CONTRIBUTIONS	6	29.150.850	29.150.850	29.150.850	29.056.850	29.056.850	29.056.850
Subtotal		29.150.850	29.150.850	29.150.850	29.056.850	29.056.850	29.056.850
OTHER REVENUES		0	30.218	30.218	0	10.928	10.928
CARRYFORWARD CANCELLATION		0	185.577	185.577	0	26.612	26.612
TOTAL REVENUES		30.530.850	30.839.667	30.839.667	30.530.850	30.344.008 ⁷	30.344.008
ACCOUNTING SURPLUS/LOSS			667.080	106.336		830.914 ⁸	661.091
CAPITAL EXPENDITURE				(57.258)			(408.696)
DEPRECIATION ADJUSTMENT				618.002			578.519
BUDGETARY SURPLUS REPAYABLE TO pMS	7		667.080	667.080		830.914	830.914

EUROPEAN DEFENCE AGENCY

2014 FINANCIAL REPORT

Summary :

Total Revenues for 2014	: 30.839.667 € (a)
Total Expenses for 2014 (Including Depreciation excluding CAPEX)	: <u>30.733.331 €</u> (b)
Accounting Surplus for 2014 (a – b)	: 106.336 € (c)
Add back Depreciation Charged for 2014	: 618.002 € (d)
Deduct CAPEX chargeable for 2014	: <u>57.258 €</u> (e)
Resultant Budgetary Surplus Repayable to Member States (c + d - e)	: 667.080 €

EUROPEAN DEFENCE AGENCY
2014 FINANCIAL REPORT

2014 BALANCE SHEET (1/2)

EUROPEAN DEFENCE AGENCY				
2014 FINANCIALS				
BALANCE SHEET				
	<i>Notes</i>	For the year ending	For the year ending	For the year ending
<i>Figures in €</i>		31.12.2014	31.12.2013	31.12.2012
ASSETS				
FIXED ASSETS				
ACQ. FITTING-OUT OF PREMISES		3.039.935	3.039.935	3.039.935
			0	0
ACCUML. DPR. FITTING-OUT OF PREMISES		(2.982.604)	(2.657.002)	(2.331.400)
FITTING-OUT OF PREMISES		57.330	382.933	708.535
ACQ. SECURITY EQUIPMENT		158.174	158.174	148.520
ACCUML. DPR. SECURITY EQUIPMENT		(153.038)	(147.186)	(142.602)
SECURITY EQUIPMENT		5.135	10.988	5.918
ACQ. IT EQUIPMENT & SOFTWARE		1.509.359	1.462.952	1.205.140
ACCUML. DPR. IT EQUIPMENT & SOFTWARE		(1.284.851)	(1.038.005)	(817.215)
IT EQUIPMENT		224.508	424.947	387.925
ACQ. OFFICE FURNITURE		158.092	153.683	146.110
ACCUML. DPR. OFFICE FURNITURE		(145.967)	(138.898)	(132.514)
OFFICE FURNITURE		12.126	14.785	13.596
ACQ. OFFICE TECHN. EQUIPMENT		209.583	203.141	69.485
ACCUML. DPR. OFFICE TECHN. EQUIPM.		(107.764)	(75.132)	(53.974)
OFFICE TECHNICAL EQUIPMENT		101.819	128.010	15.511
NET FIXED ASSETS	8	400.918	961.663	1.131.485
SUPPLIER RECEIVABLES				
INTERESTS RECEIVABLE		20.427	26.159	32.875
SUPPLIER RECEIVABLES		20.427	26.159	32.875
STAFF & CUSTOMER RECEIVABLES				
STAFF RECEIVABLES		141.669	28.169	17.091
RECEIVABLES		141.669	28.169	17.091
CASH				
EDA BANK ACCOUNTS		25.950.557	25.076.158	26.792.939
PETTY CASH		1.445	1.151	784
CASH	9	25.952.002	25.077.309	26.793.723
TOTAL ASSETS		26.515.016	26.093.300	27.975.174

EUROPEAN DEFENCE AGENCY
2014 FINANCIAL REPORT

2014 BALANCE SHEET (2/2)

BALANCE SHEET (CONT'D)				
	<i>Notes</i>	For the year ending	For the year ending	For the year ending
<i>Figures in €</i>		31.12.2014	31.12.2013	31.12.2012
LIABILITIES				
STAKEHOLDERS				
ADVANCE ON PMS CONTRIBUTIONS		2.150.313	1.447.387	1.757.303
OUTSTANDING RECEIVABLES		17.228	17.228	129
CAPEX & DEPRECIATION ADJ. (YEAR N-1)		961.659	1.131.482	1.303.872
ACCOUNTING SURPLUS/LOSS		106.336	661.091	495.602
STAKEHOLDERS	10	3.235.536	3.257.188	3.556.906
SUPPLIER PAYABLES				
ACCRUED EXPENSES		10.831.719	9.392.058	9.780.851
- THEREOF FUNCTIONING		1.631.442	582.346	1.015.945
- THEREOF OPERATIONAL		9.200.278	8.809.711	8.764.906
PENDING INVOICES		440.866	2.080.797	3.454.981
SUPPLIER PAYABLES	11	11.272.586	11.472.855	13.235.832
STAFF PAYABLES				
STAFF PENSION ACCRUALS (RCN)		12.001.032	11.267.824	11.173.290
EMPLOYEES / PENDING INVOICES		5.865	95.660	9.374
STAFF PAYABLES (9TK)		(3)	(227)	(228)
STAFF PAYABLES	12	12.006.894	11.363.257	11.182.436
TOTAL LIABILITIES		26.515.016	26.093.300	27.975.174



Jorge DOMEcq
Chief Executive

30 June 2015

EUROPEAN DEFENCE AGENCY
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2014 CASH FLOW

EUROPEAN DEFENCE AGENCY		
2014 FINANCIALS		
CASH FLOW		
	For the year ending	For the year ending
<i>Figures in €</i>	31.12.2014	31.12.2013
OPENING BANK ACCOUNT BALANCE	25.076.157,79	26.792.938,89
CASH RECEIVED FROM PMS		
PMS CONTRIBUTIONS	29.150.850,00	29.056.850,00
REIMBURSEMENT OF YEAR N-1 SURPLUS	(667.080,18)	(667.991,91)
DEFERRED PAYMENTS OF CONTRIBUTIONS & ADJUSTMENTS	4.617.540,08	2.301.235,37
Subtotal	33.101.309,90	30.690.093,46
CASH RECEIVED FROM BANK		
INTERESTS CREDITED DURING THE YEAR	37.462,02	105.970,92
Subtotal	37.462,02	105.970,92
TOTAL CASH INFLOWS	33.138.771,92	30.796.064,38
CASH SPENT FOR FUNCTIONING & OPERATIONAL EXPENSES		
FUNCTIONING EXPENSES		
PAYMENTS FOR YEAR N-2 EXPENSES	108.589,98	38.589,19
PAYMENTS FOR YEAR N-1 EXPENSES	501.793,04	880.742,84
PAYMENTS FOR CURRENT YEAR EXPENSES	23.828.883,11	25.428.344,26
PAYMENTS FOR FUNCTIONING EXPENSES	24.439.266,13	26.347.676,29
PAYMENTS FOR OPERATIONAL EXPENSES	7.825.107,03	6.165.169,19
TOTAL CASH OUTFLOWS	32.264.373,16	32.512.845,48
CLOSING BANK ACCOUNT BALANCE	25.950.556,55	25.076.157,79

Note 1: Basis of Presentation and Specific Accounting Policies

BASIS OF PRESENTATION

With the aim of providing better clarity and traceability and in consultation with the College of Auditors, an additional column was inserted in the Management Accounts for 2013 showing expenditure on a cash basis in addition to the accruals basis. This format has been continued for the 2014 Management Accounts.

EDA's financial accounts have been established in full conformity with:

- Council Decision 2011/411/CFSP of 12 July 2011 defining the statute, seat and operational rules of the European Defence Agency and repealing Joint Action 2004/551/CFSP and
- EDA Steering Board Decision No. 2007/29 (Cor.) on the Financial Rules of the European Defence Agency ('the EDA Financial Rules' or 'FR'), as well as with respect to :
 - Council Regulation N° 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ('EU Financial Regulation'),
 - Commission Regulation N° 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation ('EU Implementing Provisions') and
 - "Final rules adopted by the Accountant of the European Communities after formal consultation of accountants of institutions and agencies based on the Art. 133 of the EU Financial Regulation".
- applicable International Public Sector Accounting Standards (IPSAS)
- in certain tables figures have been rounded to the nearest '000 € for ease of reference

SPECIFIC ACCOUNTING POLICIES

pMS Contributions

Contributions, initially from 27 participating Member States⁽²⁾ ('pMS') are calculated in accordance with the principles of the EU budget proportional share of the pMS's GNI in the total GNI aggregate. Contributions are requested in three instalments, by 15 February, 15 June and 15 October (Art. 16, Council Decision 2011/411/CFSP of 12 July 2011 defining the statute, seat and operational rules of the European Defence Agency).

2014 Budget

The Council in Defence Ministers formation agreed the EDA Budget for 2014 on 18 December 2013. At the end of 2014, in accordance with the Financial Rules, to properly reflect its financial situation, the Agency reviewed its budget, adjusting intra-titles and intra-chapter budget lines based on forecasted expenses and revenues.

⁽²⁾ 28 EU Member States excluding Denmark

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Budgetary Surplus repayable to pMS

The budgetary surplus repayable to pMS is the difference between revenues and expenses of the financial year, including capital expenditure and depreciation adjustment. The surplus is returned to pMS as a deduction of the third contribution in the following financial year (for details, please see Note 7).

Fixed Asset Policy

Items acquired by the Agency whose purchase price is 420 € or more, with a period of use greater than one year, and which are not consumables are recorded in the fixed assets accounts (Art. 222, 'EU Implementing Provisions'). The Agency performs an annual inventory of its fixed assets, where all qualifying assets are individually monitored and recorded in the fixed asset database.

The cost of fixed assets comprises the purchase price, including any directly attributable costs of bringing the asset into working condition for its intended use. Routine maintenance and repairs, however, are not capitalised but charged to expenses as incurred.

In line with the Council's policy, asset-invoices are booked as expenses during the year and transferred to the balance sheet at year-end. The annual depreciation charge is then also added to expenses. In budgetary terms, however, assets and depreciation are budget neutral, as the acquisition cost is charged 100% to the current year's budget and depreciation charge is adjusted.

Depreciation

Depreciation is computed on a straight-line basis, from the date of the purchase, over the estimated useful life of the assets:

- 9 years for fitting-out of premises (building related investments),
- 5 years for office furniture (desks, chairs, filing cabinets, etc.) and office technical equipment (projectors, bicycles etc.),
- 3 years for IT equipment and software (computers, telecommunications, audio-visual, other equipment and software) and security equipment (scanner, surveillance equipment, etc.).

Provisional Appropriations

Each budgetary title may include a chapter entitled 'provisional appropriations'. These appropriations are entered where there is uncertainty, based on serious grounds, about the amount of appropriations needed or the scope for implementing the appropriations entered (Art. 4 of FR).

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Note 2: Personnel Expenses

REGULATORY BASIS

Human resources parameters ⁽³⁾ and calculations are based on:

- Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities laid down by Regulation (EEC, Euratom, ECSC) No 259/68 as last amended adjusting with effect from 1 July 2014 the remuneration and pensions of officials and other servants of the European Union,
- Council Decision 2003/479/EC and Decision 2007/829/EC concerning the rules applicable to National Experts and Military Staff on secondment to the General Secretariat of the Council and the last amendment, Council Decision 2011/248/EU of 26 April 2011 adjusting the allowances,
- Council Decision 2004/676/EC of 24 September 2004 concerning the Staff Regulations of the European Defence Agency ('EDA Staff Regulations') and the last amendment, Council Decision 2007/215/EC of 29 January 2007,
- Council Decision 2004/677/EC of 24 September 2004 concerning the Rules applicable to national experts and military staff on secondment to the European Defence Agency and the last amendment, Council Decision 2007/216/EC of 29 January 2007 with regard to a minimum period of secondment of national experts and military staff seconded to the European Defence Agency.

PERSONNEL EXPENSES

Personnel expenses amount to 18,5 M €.

The remuneration of the members of the temporary and contract Staff is determined according to the same rules as those set out in the EU Staff Regulations (Art. 59 and Art. 111 of EDA Staff Regulations).

STAFF CATEGORIES AT THE AGENCY

EDA employs four different categories of personnel:

1. Temporary Staff

Staff engaged to fill temporarily a post included in the list of posts appended to the budget of the Agency. They are classified in an administrators' function group (AD) and assistants' function group (AST). Function group AD is graded AD6-AD16, corresponding to administrative, advisory, linguistic and scientific duties. Function group AST is graded AST5-AST8, corresponding to executive, technical and clerical duties.

⁽³⁾ Acronyms in the brackets refer to *EU Paymasters Office* ('PMO') definitions.

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2. Contract Staff

Staff not included in the Staff Establishment Plan and engaged for the performance of full-time or part-time duties. Contract Staff are subdivided into four function groups corresponding to the duties performed. Each function group is subdivided into grades and steps.

3. Seconded National Experts

Temporarily assigned experts from the Member States' administrations in accordance with EDA's requirements and budgetary possibilities. Seconded National Experts are defined in Article 6 of Council Regulation of 29 January 2007 amending Decision 2004/677/EC with regard to a minimum period of secondment of national experts and military staff seconded to the European Defence Agency. In addition, EDA may under the same conditions hire *Short Term SNEs* for specific projects (not included in the Staff Establishment Plan).

4. Trainees

Temporarily assigned experts from the Member States' administrations in accordance with EDA's requirements and budget availability.

Basic Salaries

Staff basic salaries (TBA) are processed through the *EU Paymasters Office's (PMO)*, using the NAP system. Grades and salary parameters are updated annually.

Staff Statutory Allowances

Staff statutory allowances ⁽⁴⁾ relate to:

- Expatriation status (IDE), as per Article 69 and Article 4 (1) of Annex VII
- Dependent child allowances (AEA and AEN), as per Article 2 of Annex VII
- Household allowance (AFO), as per Article 1 (1) of Annex VII
- Education allowance (APF), as per Article 3 (2) of Annex VII
- Education allowances (ISF and ISN), as per Article 3 (1) of Annex VII
- Birth grant (ANA), as per Article 74

Staff Social Protection

Staff social protection is financed both from the Agency (*Staff Social Protection*) and from Staff (*Deductions from Staff Remuneration*). The relevant rates are outlined in the Staff Regulations. Contributions are deducted at source from staff remuneration by PMO.

Other Staff Expenses

Orphans Pension: With reference to Art. 80 of the EU Staff Regulations and Art. 81 of EDA Staff Regulations, EDA has an obligation to pay orphans' pension to the children of a deceased Staff Member, until each orphan reaches the age of 18 or, subject to confirmation, up to the age of 26 if full-time studies are pursued by the child.

Invalidity Pension: On termination of employment with the EDA due to invalidity and according to Articles 96 and 120 of the EU Staff Regulations, the staff member is entitled to the payment of a one-off termination allowance and a monthly Invalidity Allowance until the age of 65 years is

(4)

For additional detail please refer to the *Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities laid down by Regulation (EEC, Euratom, ECSC) No 259/68 and the last amendment : Regulation (EU) 423/2014 of the European Parliament and of the Council of 16 April 2014 adjusting with effect from 1 July 2012 the remuneration and pensions of officials and other servants of the European Union (Official Journal L129/12 dated 30 April 2014).*

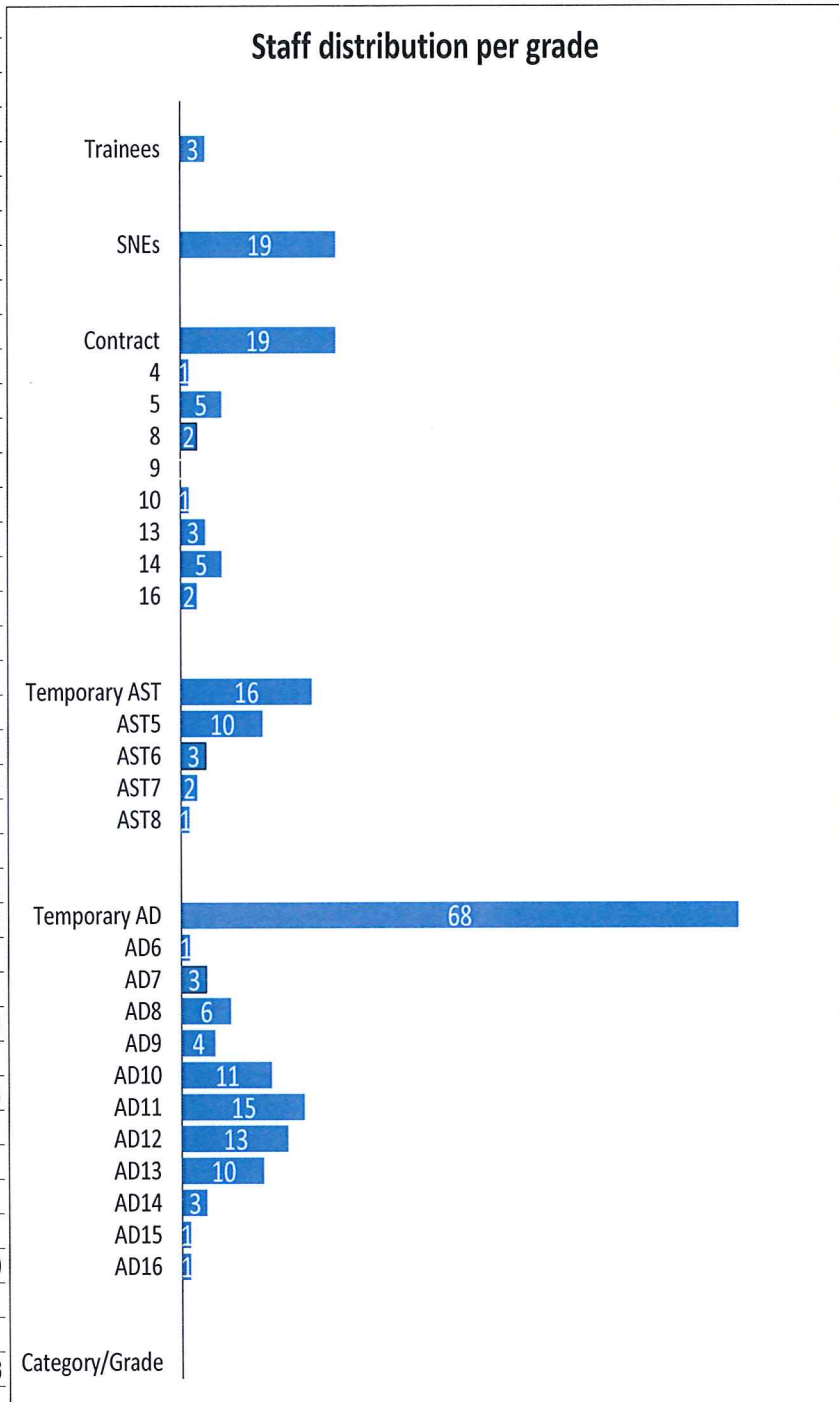
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reached. The amount payable is outlined in the EU Staff Regulations. One former Contract Staff member is currently in receipt of Invalidity Allowance.

Staff present on 31/12/2014

Staff present 31/12/2014

Category/Grade	Total	Female	Male
AD16	1	1	0
AD15	1	0	1
AD14	3	0	3
AD13	10	2	8
AD12	13	2	11
AD11	15	0	15
AD10	11	1	10
AD9	4	2	2
AD8	6	3	3
AD7	3	2	1
AD6	1	0	1
Temporary AD	68	13	55
		19%	81%
AST8	1	0	1
AST7	2	2	0
AST6	3	2	1
AST5	10	8	2
Temporary AST	16	12	4
		75%	25%
16	2	0	2
14	5	3	2
13	3	2	1
10	1	0	1
9	0	0	0
8	2	1	1
5	5	2	3
4	1	0	1
Contract	19	8	11
		42%	58%
SNEs	19	0	19
		0%	100%
Trainees	3	0	3
		0%	100%



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Staff Allowances on Entering & Leaving Service

Staff allowances on entering & leaving service related to:

- Installation allowance (INS), as per Article 5 of Annex VII
- Resettlement allowance (IRI), as per Article 6 of Annex VII
- Travel expenses on termination (FVC), as per Article 7 of Annex VII
- Travel expenses on taking up appointment (FVY), as per Article 7 of Annex VII
- Removal expenses on termination (FDG), as per Article 9 of Annex VII
- Removal expenses on taking up appointment (FDE), as per Article 9 of Annex VII
- Daily subsistence allowance (IJO), as per Article 10 of Annex VII

Contract Staff

19 Contract Staff were present in the Agency on 31/12/2014.

The following expenses and revenues are booked under the Contract Staff account:

- Staff basic salaries (TBA),
- Staff statutory allowances: Household allowance (AFO), Dependent child allowances (AEN and AEA), School allowance (APF), Education allowances (ISF and ISN),
- Social protection EDA contribution: Sickness (CAI), Accident (CAB), Unemployment (CCI), Pension;
- Social protection Staff contribution: Sickness (CAM), Accident (CAA), Unemployment (CCA), Pension (CPP);

Seconded National Experts (SNEs)

On 31/12/2014, 19 SNEs were present at the Agency. The allowances paid were:

- Daily allowance,
- Distance allowance
- Salary adjustment
- SNEs who re-located to Brussels are entitled to reimbursement of annual travel expenses to the place of origin. SNE allowances are paid on a monthly basis, together with Staff salaries.

Source: Council Decision 2003/479/EC concerning the rules applicable to National Experts and Military Staff on secondment to the General Secretariat of the Council and the last amendment, Council Decision 2011/248/EU of 26 April 2011 adjusting the allowances.

Trainees

On 31/12/2014, 3 trainees worked at the Agency.

Recruiting Expenses

Miscellaneous recruiting expenses related to candidates' interviews, travel and accommodation of recruiting experts, organisation of selection process.

Staff Training & Conference Fees

Staff training expenses: language classes, security training and EDA participant fees for seminars or conferences.

Medical Expenses

Relate to recruiting expenses, annual health examinations and the purchase of standard medical supplies for the infirmary.

Mission Expenses

Expenses related to Staff business missions: travel expenses, meals and accommodation.

Note 3: Functioning Expenses

Fitting-out of Premises

Investments related to the fitting-out of office premises, notably: set-up of new meeting rooms, office partitioning to accommodate new Staff members, external lighting, building air-conditioning and other building transformation expenses. Expenses include annual depreciation charge (also see note on Fixed Assets and Depreciation).

Security Equipment

Surveillance cameras, surveillance locks, cabinets, secure doors and other equipment to ensure security of EDA premises. Expenses include annual depreciation charge (also see note on Fixed Assets and Depreciation).

Office Rent

The Agency signed a standard Belgian lease for the office building at Rue des Drapiers in Brussels. Rent is settled on a quarterly basis and includes related taxation.

Cleaning and Maintenance

Building cleaning and maintenance contracts, including cleaning supplies.

Utility Services

Building utility expenses related to water, electricity and heating.

Building Surveillance Services

Expenses related to 24-hour building surveillance, notably security services and guards.

Insurances

Selected insurance policies related to EDA premises and Staff.

Other Building related Expenses

Expenses related to waste removal, recycling services, office plants and fire protection.

IT Equipment and Software

All expenses related to the Agency's IT systems: servers, desktops, laptops and other IT equipment and software. Expenses include annual depreciation charge (also see note on Fixed Assets and Depreciation).

Office Furniture

Desks, tables, chairs, conference room equipment, filing cabinets, cupboards and all miscellaneous office furniture. Expenses include annual depreciation charge (also see note on Fixed assets and depreciation).

IT Projects & Development of Systems

Expenses related to installation of software, banking software, accounting information system.

IT Support & Maintenance of Copiers

Rental and maintenance of photocopiers.

Telecom Expenses

Telecommunication expenses: PSTN, mobile, internet and dedicated lines.

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Office Technical Equipment

Technical supplies for electrical systems and other technical installations (also see note on Fixed Assets and Depreciation).

Outside Assistance for Operation of Technical Installation

Outside assistance for the operation of electrical systems and other building related technical installations.

Maintenance & Repair of Technical Installations

Services for maintenance and repair of technical equipment and installations: electrical systems, air conditioning, elevators and other technical installations, plumbing, heating.

Office Vehicles

Rental fee for office vehicles and maintenance costs.

Reception & Representation Expenses

Expenses related to official receptions held in EDA premises: catering, event organisation.

Internal Meetings

Meeting supplies such as: water, coffee, and sandwiches.

Organisation of Conferences & Seminars

Expenses related to EDA conferences and seminars, including the payment for selected conference speakers.

Information, Subscriptions & Documentation Expenses

Expenses related to specialised information sources and press subscriptions.

Official Journal

Publication expenses for EDA's regulatory documents in *the Official Journal of the European Union*.

Public Relations

Expenses related to EDA's image, Public Relations campaigns, media coaching, conference posters and other communication materials.

Office Supplies

Standard office supplies, including: paper, stationary and office consumables.

Postal & Delivery Expenses

Postage, express mail, P.O. Box.

Financial Charges, including Foreign Exchange Rate Differences

Expenses for bank transfers outside the EU and bank services subject to specific charges.

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Note 4: 2014 Operational Projects and Studies

In 2014, the EDA launched 87 procedures (with a monetary value) under the Operational Budget that amounted to 7,1 M €, including IT software and hardware for 23.153,30 € accounted for under the IT budget line.

Number	Contract Reference	Contract title	Contract value (in €)
1	14.CAT.SC.854	Radio Spectrum Management	51.307,18
2	14.CAT.SC.855	Radio Spectrum Management	52.505,82
3	14.CAT.NP1.010	EDA contribution to EART 2014 - Services	1.925,00
4	14.CAT.NP1.024	EDA contribution to EART 2014 - Transport Services	486,00
5	14.CAT.NP1.025	EDA contribution to EART 2014 - Patches	510,00
6	14.CAT.NP1.037	EDA contribution to EART 2014 - Services	547,80
7	14.CAT.NP1.133	MILSATCOM Purchases	4.500,00
8	14.CAT.NP1.191	CBRNe Search Course Development	5.000,00
9	14.CAT.NP3.023	Pilot Exercise for Strategic Decision Making in Cyber Defence	24.750,00
10	14.CAT.NP3.187	Strategic Decision Making in Cyber Exercise Proof of Concept	60.000,00
11	14.CAT.NP5.027	Requirements and Landscaping Study on Space Cooperation Opportunities for the Arctic Region	100.000,00
12	14.CAT.NP5.075	Crypto Landscaping	66.000,00
13	14.CAT.OP.028	Personnel Management Functional Area Service (J1 FAS)	55.000,00
14	14.CAT.OP.029	E-Learning Standard Operating Procedures Application Demonstrator (eSOPAD)	95.000,00
15	14.CAT.OP.034	CAP MARSUR Extension with MSR (Maritime Security Regimes)	250.000,00
16	14.CAT.OP.050	Research Agenda - SATCOM	137.500,00
17	14.CAT.OP.051	Future Information Sharing Solutions	93.855,23
18	14.CAT.OP.053	Follow on Study to LAVOSAR (Land Vehicles with Open System Architecture)	345.000,00
19	14.CAT.OP.054	ONSIM (Intelligent Online Simulation Support for Op Battle Mgt)	150.000,00
20	14.CAT.OP.065	Liability for Operations in Unmanned Maritime Vehicles with Different Levels of Autonomy	149.305,00
21	14.CAT.OP.067	Concept Study on Non-Lethal Optical and Acoustic Systems	198.050,00
22	14.CAT.OP.070	Industry Support To Cat B Project - Cyber Situational Awareness Package	60.000,00
23	14.CAT.OP.076	Technology Watch Pilot Study	148.096,17
24	14.CAT.OT.041	Homemade Explosives (HME) Pilot Course - Experts	12.000,00
25	14.CAT.OT.045	Homemade Explosives (HME) Pilot Course - Logistics	8.061,38
26	14.CAT.OT.061	Medical Symposium	5.000,00
27	14.CAT.OT.062	Display and Data Management for a Cooperative Recognised Space Picture	100.000,00
28	14.CAT.OT.092	Support to Biological Workshop	2.000,00
29	14.CAT.OT.098	Home Made Explosives (HME) Course	25.000,00
30	14.CAT.OT.146	C-IED Prediction Tool	60.000,00

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Number	Contract Reference	Contract title	Contract value (in €)
31	14.CAT.OT.242	DESIRE II- (RPAS) Applications	280.000,00
32	14.CAT.RE.036	Finabel High Level Seminar support	1.831,00
33	14.CAT.RE.093	Legal support to OHQ Larissa Cyber Security Awareness Seminar	1.166,62
34	14.CAT.RE.147	Medical Support Symposium- Expert Travel	3.526,59
35	14.CAT.SC.017	Personnel Recovery Functional Area Service Demonstrator: Training/Documentation	8.000,00
36	14.CAT.SC.052	Operational C2 Interoperability Project - P2	50.552,00
37	14.CAT.SC.068	Personnel Recovery Functional Area Services	17.300,00
38	14.CAT.SC.121	Pooling and Sharing - Permanent Monitoring & Analysis of Defence Sector Trends	71.500,00
39	14.CAT.SC.145	Business Process Study	49.855,00
40	14.CAT.SC.176	Advanced Persistent Threat Technology	400.000,00
41	14.CAT.SC.183	PR FAS Advanced Technology Demonstrator	299.980,00
42	14.CAT.SC.212	Radio Spectrum	32.487,11
43	14.CAT.SC.236	Radio Spectrum Management	66.438,57
44	14.CAT.SC.239	Train the Trainer Course for Naval Operations Room Personnel	127.182,50
45	14.CAT.SC.883	Radio Spectrum	12.563,44
		Total for CAT	3.683.782,41
46	14.CPS.FC.069	EDSTAR Maintenance and Update	135.000,00
47	14.CPS.NP1.004	European Air Transport Training 2014	15.667,00
48	14.CPS.NP1.007	European Air Transport Training 2014 - Transport Services	424,00
49	14.CPS.NP1.008	European Air Transport Training 2014 - Services	1.353,50
50	14.CPS.NP1.011	CODABA/CAD IT Improvement Phase 1	4.995,00
51	14.CPS.NP1.046	EEAT 2014 - Services	25.496,52
52	14.CPS.NP1.047	EEAT 2014 - Patches	2.579,50
53	14.CPS.NP1.059	CDP Tool Penetration Test	4.995,00
54	14.CPS.NP1.102	Capability Development Plan (CDP) Tool	40.000,00
55	14.CPS.NP1.128	EACC Course- Services	1.080,00
56	14.CPS.NP1.130	Supplementary Work for the EMARM Development Support	35.000,00
57	14.CPS.NP1.141	EACC Course- Services	898,00
58	14.CPS.NP3.043	European Air Transport Symposium 2014	6.690,00
59	14.CPS.NP3.044	European Advanced Airlift Tactics Training Course	15.232,63
60	14.CPS.NP5.189	Defence Policies Database	80.000,00
61	14.CPS.OP.030	Key Skills and Competences for Defence Sector	148.406,80
62	14.CPS.OP.040	EMACC Update Phase 1	139.892,73
63	14.CPS.OP.042	Defence Industry Data Figures	40.000,00

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Number	Contract Reference	Contract title	Contract value (in €)
64	14.CPS.OP.090	Study on Industrial & Technological Competences in the Naval Sector	100.000,00
65	14.CPS.OP.095	Identification of P&S Solutions	200.000,00
66	14.CPS.OP.108	Benchmark of Financial Incentives in the Civilian and Defence Sector	139.775,00
67	14.CPS.OP.131	Command, Control & Communication Tool for EATF Events	180.000,00
68	14.CPS.OT.073	Military Airworthiness Conference 2014	14.000,00
69	14.CPS.OT.097	EACM Course- Support to the CZ Part of the Event	20.000,00
70	14.CPS.OT.109	Arranging the T&E Conference 2014	26.000,00
71	14.CPS.OT.250	European Advanced Tactical Instructors Course (EATIC)	18.000,00
72	14.CPS.RE.106	EACM Course - Reimbursement of Experts	4.000,00
73	14.CPS.SC.074	Maintenance of the T&E Database 2014	49.670,00
74	14.CPS.SC.100	IT improvement Phase I for CODABA	49.780,00
75	14.CPS.SC.180	Capability Development Plan (CDP) Tool - WP3	90.000,00
		Total for CPS	1.588.935,68
76	14.ESI.NP3.132	SESAR - Support to the Identification and Definition of Future SESAR Common Project	50.000,00
77	14.ESI.OP.035	Strategic Research Agenda Energy Technologies	189.870,00
78	14.ESI.OP.038	Resource Management for Multifunction RF Sensors	295.000,00
79	14.ESI.OP.039	High Resolution Imaging - Passive and Active	190.000,00
80	14.ESI.OP.160	Raw Material for Defence Technologies	200.000,00
81	14.ESI.RE.018	Reimbursement of Speaker - Raw Materials for Defence Technologies Workshop	269,00
82	14.ESI.RE.190	Reimbursement of Experts Smart Energy Camps	1.000,00
83	14.ESI.SC.016	ESF Seminar	27.400,00
84	14.ESI.SC.048	ESF Defence Sector	158.500,00
85	14.ESI.SC.234	Smart Energy Camp	449.829,13
86	14.ESI.SC.238	Technology Live Demonstrator Energy Efficient Camps	251.558,48
87	14.TT.NP1.020	Advice to EDA on Fiscal Matters	4.975,00
		Total for ESI	1.818.401,61
TOTAL		Global Total	7.091.119,70

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Note 5: Revenues

EU Taxation

Taxation on Staff salaries (temporary and contractual) and allowances collected by the Agency for income tax (8IM), temporary contribution (CTC) and EU special levy (PSP).

Financial Income

In 2014, the Agency's bank accounts generated interests of 37 k €.

According the Article 29 of the Financial Rules, interests for late payments of contributions were charged where applicable. Total pMS payments for late interests amounted to 12k € in 2014.

Bank interests and interests for the late payments of contributions are included in the year-end surplus, which flows back to pMS.

Other revenues

Other revenues include reimbursements received and cancelled unused accrued expenses of previous years.

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Note 6: pMS Contributions

In 2014, pMS contributions amounted to 29,1 M € excluding the 2014 surplus reimbursement of 667k €.

EUROPEAN DEFENCE AGENCY				
pMS CONTRIBUTIONS				
In €				
2014	% GNI ⁽⁵⁾	2014 Annual Contribution	Actual Cost to pMS	Budgetary Surplus 2014 ⁽⁶⁾
Austria (AT)	2,4909	726.111	709.495	16.616,14
Belgium (BE)	3,0186	879.955	859.818	20.136,64
Bulgaria (BG)	0,3133	91.329	89.239	2.089,95
Cyprus (CY)	0,1169	34.077	33.298	779,82
Croatia (HK)	0,3316	96.652	94.440	2.211,76
Czech Republic (CZ)	1,0790	314.526	307.328	7.197,52
Estonia (EE)	0,1392	40.578	39.649	928,57
Finland (FI)	1,5616	455.222	444.804	10.417,17
France (FR)	16,3221	4.758.042	4.649.161	108.881,75
Germany (DE)	21,4881	6.263.975	6.120.632	143.343,11
Greece (EL)	1,370507	399.514	390.372	9.142,38
Hungary (HU)	0,7382	215.194	210.270	4.924,45
Ireland (IE)	1,0463	305.007	298.027	6.979,69
Italy (IT)	12,1042	3.528.468	3.447.723	80.744,50
Latvia (LV)	0,1884	54.908	53.652	1.256,50
Lithuania (LT)	0,2667	77.758	75.979	1.779,40
Luxembourg (LU)	0,2576	75.096	73.378	1.718,48
Malta (MT)	0,0515	15.004	14.660	343,34
Netherlands (NL)	4,7407	1.381.943	1.350.319	31.624,00
Poland (PL)	2,9761	867.566	847.713	19.853,15
Portugal (PT)	1,2209	355.898	347.754	8.144,28
Romania (RO)	1,1394	332.140	324.539	7.600,59
Slovakia (SK)	0,5740	167.331	163.501	3.829,15
Slovenia (SI)	0,2642	77.008	75.246	1.762,24
Spain (ES)	7,9450	2.316.041	2.263.042	52.999,66
Sweden (SE)	3,4371	1.001.953	979.024	22.928,42
United Kingdom (UK)	14,8179	4.319.554	4.220.707	98.847,52
Total 27 pMS	100	29.150.850,00	28.483.770	667.080,18

⁽⁵⁾* Based on EU General Budget 2014 OJ L51 dated 20.2.2014 , percentages rounded to 4 decimals.

⁽⁶⁾The Budgetary Surplus is returned to pMS as a deduction from the 3rd contribution in year N+1 (15 October 2015).

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Note 7: Budgetary Surplus repayable to pMS

The 2014 budgetary surplus (667.080,18€) repayable to pMS is the difference between revenues received and expenses incurred (payments and accruals) during the financial year, including capital expenditure and corresponding depreciation adjustment. The 2014 surplus is returned to pMS as a deduction from the third budgetary contribution on 15 October 2015 (also see Note 6 above).

Note 8: Fixed Assets and Depreciation

Figures in €

EUROPEAN DEFENCE AGENCY				
Fixed Assets				
<i>In €</i>				
Fixed Asset Classes	2014 Net Asset Value	2014 Accumulated Depreciation	2014 Asset Acquisitions	2013 Net Asset Value
Fitting-Out of Premises	57.330	325.603	-	382.933
Security Equipment	5.135	5.852	-	10.987
IT Equipment	224.508	246.847	46.407	424.947
Office Furniture	12.126	7.069	4.409	14.785
Office Technical Equipment	101.819	32.632	6.442	128.010
Total	400.918	618.002	57.258	961.662

In accordance with EDA Policy Decision 11/17, of 29 July 2011, unserviceable items with a net book value of 0,00 € were disposed of in 2014. Disposal was arranged through an approved service provider.

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Note 9: Cash

EDA Bank Accounts

As at 31/12/2014, the global balance on the Agency's bank accounts totalled 25.950.557 €.

EUROPEAN DEFENCE AGENCY				
Bank Accounts				
<i>In €</i>				
EDA Bank Accounts	2014	2013	2012	2011
Opening balance	25.076.158	26.792.939	24.053.672	22.374.445
Closing balance	25.950.557	25.076.158	26.792.939	24.053.672

In order to optimize the return on financial assets, the Agency placed its funds in term accounts to achieve a higher remuneration. Employee pension rights are managed in a separate interest bearing bank account.

EDA Petty Cash

As at 31 December 2014, the Agency had a petty cash balance of 1.445€.

Note 10: Stakeholders

The Stakeholders liabilities include the following items:

Deferred pMS contributions

- First and second contributions of 2015 were invoiced at the end of 2014 and some pMS paid in 2014.

Capital expenditure Year N-1

- In accounting terms, the capital expenditure and the corresponding depreciation charges are shown under liabilities. In budgetary terms, 100% of the acquisition cost of fixed assets is expensed in the year of acquisition.

Accounting Surplus/Loss

- For the year 2014, the accounting result amounts to 667k €.

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Note 11: Supplier Payables

- Supplier payables include accrued expenses and pending invoices (2014 expenses paid in early 2015). The underneath table shows the variation of the Agency's balance sheet provisions for accrued expenses:

EUROPEAN DEFENCE AGENCY			
Accrued expenses			
	2014 Balance Sheet	2013 Balance Sheet	2012 Balance Sheet
Supplier Payables (in €)	Accrued Expenses	Accrued Expenses	Accrued Expenses
FUNCTIONING			
Payables related to 2012	0	0	1.015.945
Payables related to 2013	0	582.346	0
Payables related to 2014	1.631.442	0	
FUNCTIONING	1.631.442	582.346	1.015.945
OPERATIONAL			
Payables related to 2012		1.716.212	7.301.248
Payables related to 2013	2.407.609	7.093.500	0
Payables related to 2014	6.792.669		
OPERATIONAL	9.200.278	8.809.712	7.301.248
TOTAL			
Payables related to 2012		1.716.212	8.317.193
Payables related to 2013	2.407.609	7.675.846	0
Payables related to 2014	8.424.111		
TOTAL	10.831.719	9.392.058	8.317.193

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Note 12: Staff Payables

Pensions

Staff (Temporary and Contract) pension rights, including corresponding interests, are capitalised on the Agency's balance sheet to cover future pension obligations.

Staff pension rights are composed of:

- 2/3 Agency contribution, booked as expenses and capitalised on the balance sheet;
- 1/3 Staff contribution, deducted from Staff remuneration and capitalised on the balance sheet.

Total Statutory Staff pension rights accumulated on the Agency's balance sheet as per 31/12/2014 amount to 12,0 M €.

Pension provision for 2014 amounts to 746k € and is composed of the following items:

Figures in € k

EUROPEAN DEFENCE AGENCY					
Pension Provision					
In k €					
EDA Staff Pension Accruals ⁽⁷⁾	2014	2013	2012	2011	2010
EDA Contribution for Temporary Agents	1.752	2.197	2.213	2.046	2.002
EDA Contribution for Contract Staff	136	174	173	138	107
Staff Contribution for Temporary Agents	876	1.098	1.107	1.023	1.001
Staff Contribution for Contract Staff	68	87	86	69	54
Payments for Severance Grants	(2.062)	(3.126)	(1.725)	(3.711)	(1.746)
Payments for Maintenance of Pension Rights	(56)	(61)	(70)	(72)	(97)
Financial Interest	30	71	79	140	90
Total	746	440	1.862	(366)	1.411

Note: During 2014 accumulated pension rights and corresponding interests were transferred to the pension bank account.

Miscellaneous Staff Payables

Miscellaneous Staff Payables include 2014 expenses paid in early 2015, such as, School and Child allowances, severance grants, salary adjustments, mission expenses, etc.

⁽⁷⁾ Staff pension rights (Temporary and Contract) are capitalised on the balance sheet account "Staff Pension Accruals". Maintenance of pension rights in accordance with Article 90 of the EDA Staff Regulations.

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APPENDIX - SELECTED EDA ACRONYMS

AA	Administrative Arrangement
AFV	Armoured Fighting Vehicle
AMB	Agency Management Board
C3	Command, Control & Communication
CapTechs	Capability Technology Areas
CDP	Capability Development Plan
CoC	Code of Conduct
COTS	Commercial Off-the-Shelf products
DTEB	Defence Test and Evaluation Base
DTIB	Defence Technological and Industrial Base
EBB	Electronic Bulletin Board
EDEM	European Defence Equipment Market
EDRT	European Defence Research Technology
EMP	Electronic Market Place
CFSP	European Security and Defence Policy
EUMC	European Union Military Committee
EUSC	European Union Satellite Center
FR	EDA Financial Rules
GAERC	General Affairs & External Relations Council
GSC	General Secretariat of the Council
IDT	Integrated Development Teams
IPR	Intellectual Property Rights
JIP-FP	Joint Investment Programme Force Protection
LoI	Letter of Intent
LTV	Long Term Vision
MOTS	Military Off-the-Shelf products
NAD	National Armaments Directors
NAP	Salary payment system used by PMO - " <i>Nouvelle Application de Paie</i> "
NEC	Network Enabled Capabilities
OCCAR	Organisme Conjoint de Coopération en matière d'Armement
pMS	Participating Member States
PMO	EU Paymasters Office
PoC	pMS Central Point of Contact
PrepCom	Preparatory Committee
PSC	Political and Security Committee
R&T	Research and Technology
SB	Steering Board
SDR	Software Defined Radio
SNE	Seconded National Experts
Sol / SoS	Security of Information / Security of Supply

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TIES Tactical Imagery Exploitation Station
UAV Unmanned Aerial Vehicle