



# European Defence Agency

Building Capabilities for a Secure Europe



## EUROPEAN DEFENCE AGENCY 2005 FINANCIAL REPORT

July 2006

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

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# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 MANAGEMENT REPORT

The European Defence Agency ('EDA' or 'The Agency') was established under the Council Joint Action 2004/551/CFSP on 12 July 2004, "to support the Council and the Member States in their effort to improve the European Union's defence capabilities in the field of crisis management and to sustain the European Security and Defence Policy as it stands now and develops in the future". The Agency's overall objective is:

## Building Capabilities for a Secure Europe

### RESULT OF THE YEAR

#### Financial highlights

- 2005 was EDA's first full year of operation
- In the course of the year, the Agency's Staff increased by a factor of 10, from 8 to 79
- The Agency moved into its permanent offices in Brussels
- Including capital expenditure, EDA spent € 16.2 million (roughly 77% of the available budget)
- 14 operational projects and studies were engaged for a total amount of € 2.5 million

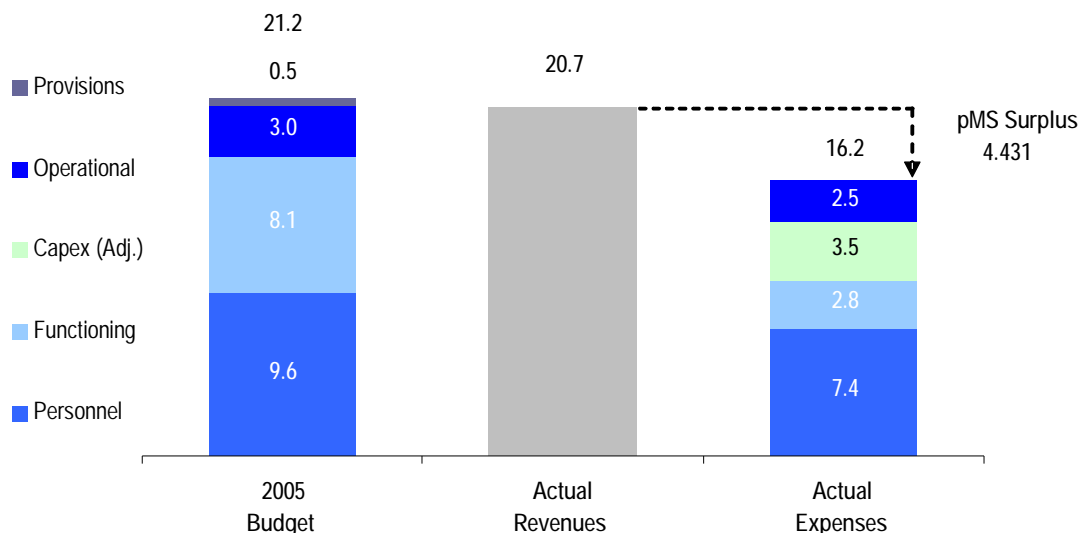
<i>Figures in € k</i>	2005 Budget	2005 Actual	2004 Actual
EXPENSES			
TITLE I : PERSONNEL EXPENSES	9,642	7,453	299
TITLE II : FUNCTIONING EXPENSES	8,058	2,829	114
TITLE III : OPERATIONAL BUDGET	3,000	2,495	0
TITLE X : PROVISIONAL APPROPRIATIONS	500	0	0
TOTAL EXPENSES	21,200	12,777	413
REVENUES			
TITLE IV : DEDUCTIONS FROM STAFF REMUNERATION	1,202	612	39
TITLE V : INCOME FROM OPERATING ACTIVITIES	88	148	11
TITLE VI : MEMBER STATE CONTRIBUTIONS	19,910	19,910	1,786
TOTAL REVENUES	21,200	20,670	1,836
ACCOUNTING SURPLUS		7,893	1,422
NET CAPITAL EXPENDITURE		(3,462)	0
BUDGETARY SURPLUS REPAYABLE TO pMS		4,431	1,422

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 Budget vs. Actual

Figures in € million



### Expenses

2005 budget amounts to €21.2 million.

Actual expenditures amount to €16.2 million and consist of:

- Personnel expenses (46% of expenses)
- Functioning expenses (17% of expenses)
- Net capital expenditure (22 % of expenses)
- Operational projects and studies (15% of expenses).

### Revenues

2005 budget amounts to €21.2 million.

Actual revenues amount to €20.7 million and consist of:

- pMS contributions (96% of revenues),
- Miscellaneous Community taxes, levies and duties (3% of revenues),
- Financial income (1% of revenues).

### Budgetary surplus repayable to pMS

In 2005, the Agency received revenues of €20.7 million, of which pMS contributed €19.9 million. EDA used these funds to purchase assets for its installation and pay expenses for both its functioning and operational activities. At the end of the year, a surplus of € 4.4 million remained and will be returned to pMS.

Nick Witney  
EDA Chief Executive

12 July 2006

EDA STRUCTURE AND FUNCTIONS

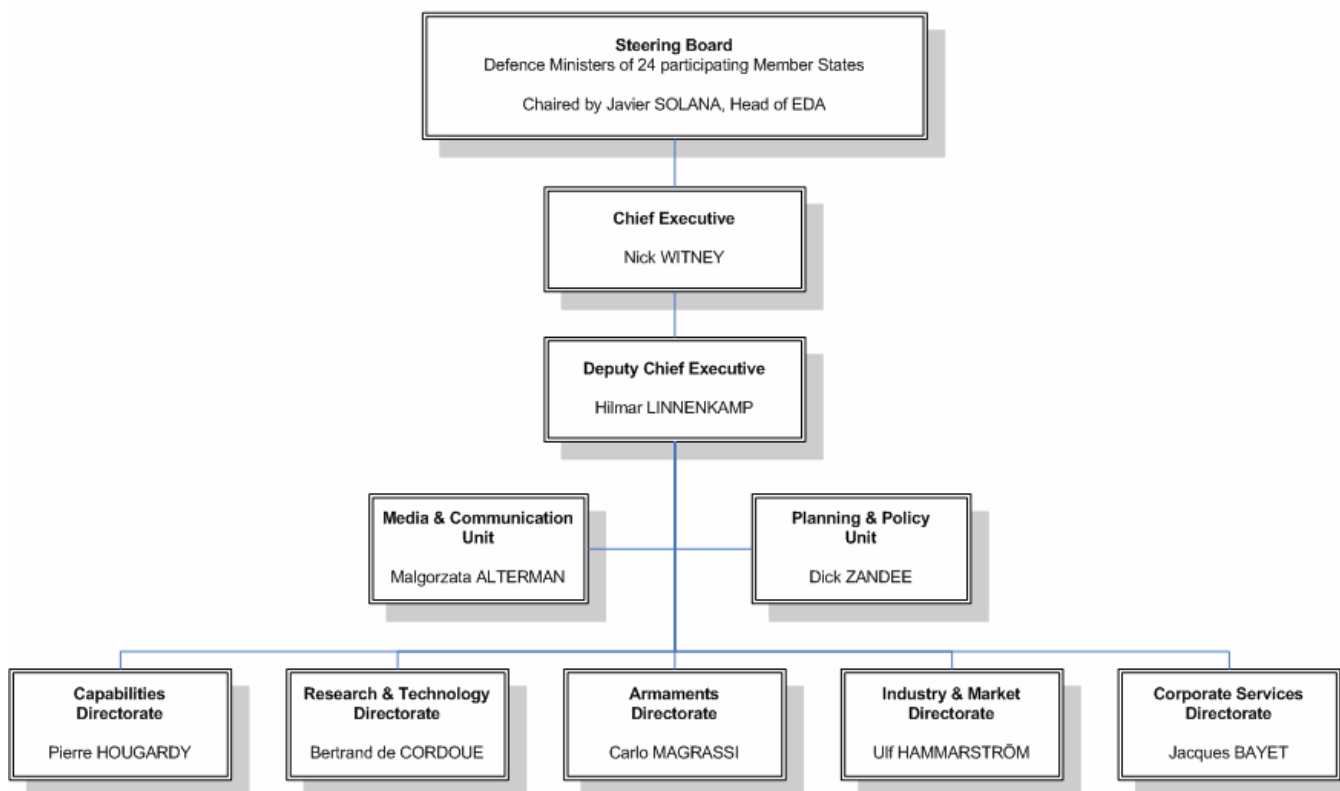
*EDA'S STRUCTURE*

The European Defence Agency is an agency of the European Union and therefore falls under the direction and authority of the Council, which issues guidelines to and receives reports from High Representative Javier Solana as Head of the Agency. Detailed control and guidance, however, is the job of the Steering Board.

Javier Solana chairs the Steering Board, the principal decision-making body of the Agency, made up of Defence Ministers from 24 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 Chief Executive, his Deputy and the five Directors together form the Agency Management Board (AMB), supported by the Planning & Policy and Media & Communication Units.

## European Defence Agency



# EUROPEAN DEFENCE AGENCY

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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 ESDP 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

### *EDA'S DIRECTORATES AND OPERATING UNITS*

#### **Capabilities Directorate**

- Leads the Agency's work, with Member States, to meet the defence capability needs of ESDP
- Works with Member States to maximise the collective output achieved from defence resources
- Strives to expand and deepen the interoperability of EU forces

#### **Research & Technology Directorate**

- Seeks to catalyse more European R&T collaborations, focussed on improving Europe's defence capabilities
- Develops policies and strategies to strengthen defence technology in Europe
- Manages joint R&T projects

#### **Armaments Directorate**

- Promotes and enhances European armaments cooperation
- Works with Member States on new multilateral collaborative projects
- Develops common standards and procedures

#### **Industry and Market Directorate**

- Works to create an internationally competitive European Defence Equipment Market
- Supports the restructuring and strengthening of the European Defence Industrial and Technological Base
- Maintains dialogue with Industry, Commission and other key stakeholders on European defence industrial and defence market related activities

#### **Corporate Services Directorate**

- Responsible for Finance, Human Resources, IT, Security and Logistics
- Provides expertise for procurement and contracts through its Legal & Contracting Unit
- Supports the activities of the Agency and its functional directorates

#### **Media & Communications Unit**

- Responsible for external communication with key stakeholders
- Manages contacts with media, think tanks and public affairs institutions
- Produces print, online and other information material

#### **Policy & Planning Unit**

- Acts as Secretariat to the AMB, coordinates plans and policies;
- Prepares Steering Board meetings
- Liaises with EU bodies and external parties

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 ACTIVITY REPORT <sup>1</sup>

From initial functioning with a skeleton staff in January 2005, EDA has come a long way in its first full year of existence. An effective and credible instrument is now in place, with some important advances already achieved – perhaps most notably by the re-addressing of Europe's capability shortfall in air-to-air refuelling, and a potentially historic initiative to open up the defence procurement market within Europe. The challenge now is to exploit the Agency's full potential (and meet growing expectations), particularly in relation to generating new collaborative investment projects.

Good progress has been made on most aspects of the Work Programme adopted by the Steering Board in November 2004, and most aims set in the Guidelines issued by the Council (ref. doc. 14856/04) at that date have been achieved.

#### Getting established

EDA is now properly established. 79 staff have been in place since summer 2005, and the Agency settled last June in its own offices.

The necessary business management processes have been put in place. The Agency Management Board has laid particular stress on integrated team working, to ensure that the Agency's four main functions properly inter-connect and to exploit the potential of multi-disciplinary approaches. The initial Operational Concepts for the four functional Directorates, discussed by the relevant formations of the Steering Board, reflect this concept of integrated working.

Particular attention has been paid to implementing promptly the Agency's role in capability development. To ensure a systematic but also innovative approach to addressing ESDP capability shortfalls, the Agency has established six Integrated Development Teams (covering the entire spectrum of capability areas) and a growing number of associated Projects Teams. Most ECAP Project Groups are being migrated into this process. Active participation of Member States in these Teams is, of course, not only encouraged but essential. Establishment of these processes, as a complement or sequel to the "up-stream" processes of Headline Goal setting and identification of shortfalls via the catalogues, effectively completes the end-to-end process for capability development which ESDP requires.

The Agency's capability development process is also carefully integrated with its R&T processes: 12 Capability Technology Areas (CapTechs), populated with experts from pMS and elsewhere have been designed to map onto the main capabilities domains. These R&T networks will provide a bottom-up view of European priorities, to be complemented by capability-driven priorities.

The Agency has supported the Headline Goal 2010 process, in particular by contracting for operational analysis (by NC3A) in support of the Requirements Catalogue.

#### Stakeholder Relations

The Agency has worked hard to establish effective relations with its many stakeholders, starting with the pMS. Overall, a good start has been made - though, in keeping with its outward-facing culture, the Agency will need to work for continuous improvement in this area. Close relations have been established with relevant Council bodies (in particular with working parties such as PSC and EUMC), with the General Secretariat of the Council, and with the Commission. WEAG

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<sup>1</sup> Based on the 'Report to the Council' by Javier Solana, Head of the Agency. Document 14421/05, 16 Nov. 2005.

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### 2005 FINANCIAL REPORT

has been closed and the transfer of responsibilities from WEAO for R&T should be completed by the end of August 2006, subject to Council approval of Administrative Arrangements with the non-EU WEAG members. Increased use has been made of the EU/NATO Capabilities Group for coordination with NATO.

Particular attention has been paid to relations with the participating Member States, with whom intensive interaction has been ensured by eight Steering Board meetings in the course of the year (three at Ministerial level, five at sub-ministerial level: Armaments, R&T, Capabilities). I am particularly grateful for the efforts of those who chair these three “subordinate formations” on my behalf. Extensive networks with national experts in various disciplines have been created, allowing for direct interaction between the Agency and capitals on a day-to-day basis.

The Agency is also building an effective external communication strategy, supported by good media and other contacts, a web-site and appropriate information materials. The level of public affairs and media interest in the Agency is now consistently high.

#### The Substantive Agenda

As proposed in the Guidelines, the Agency has engaged on some carefully selected, focussed initiatives in each of its four main areas of activity, with a specific “flagship” project designated for each.

On 21 November 2005 the Steering Board took an important and potentially historic decision on opening up the European Defence Equipment Market (EDEM) within Europe. The approach proposed is a voluntary, non-binding, intergovernmental regime based on a Code of Conduct on Defence Procurement. If the Steering Board decides to proceed, the effects will in time be far-reaching, in terms both of getting better value from defence investment and of supporting the elaboration of a globally competitive European Defence Technological Industrial Base.

Two of the other flag-ships, on Unmanned Air Vehicles and Armoured Fighting Vehicles, have focussed primarily on identifying “communities of interest” amongst pMS, with a view to consolidation of demand and joint investment – initially in key technology areas, and perhaps subsequently in whole-system procurement. Good progress has been made though success will obviously ultimately depend on pMS readiness to follow through the logic of pooling their resources.

The final flagship, on Command, Control and Communication, has identified a number of important strands to pursue, with proposals now emerging for effective collaborations on Satellite Communications and Software Defined Radio in particular.

Beyond these four “flag-ships”, Agency has also done much else and led initiatives in the following areas.

Air to Air Refuelling: eleven pMS agreed – at the 13 October 2005 Steering Board - to work together in an EDA-supported ad hoc group to monitor current developments and consider possible new approaches to filling the air-tanking capability gap.

Defence Test and Evaluation Base (DTEB): the 13 October Steering Board tasked the Agency to work with pMS to provide the next meeting of the NADs Steering Board with a progress report and roadmap for work on rationalising Electro-Magnetic Effects facilities, and proposals for further “target areas” for rationalisation work.

Commercial/Military Off-the-Shelf (COTS-MOTS Procurement): in the light of the work on the EDEM and the Code of Conduct on Defence Procurement, the scope of the envisaged “electronic market place” has been expanded beyond COTS-MOTS (starting with facilitation of mutual awareness and information exchange between customers and suppliers). A feasibility



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study is about to be launched. This initiative has particular potential value for small and medium sized enterprises.

Chemical Biological Radiological and Nuclear (CBRN): two studies have been launched and three possible areas of work have been identified: "Detection, Identification and Monitoring", "Improvised Explosive Devices with CBRN payload", and possibility of creating a "CBRN Defence Coordination Center".

Maritime surveillance: the Agency is data-gathering to evaluate interests and willingness to participate in future action. A key axis of effort will be the interface between defence capabilities and assets, and European security and border control agendas.

Naval Defence Technological and Industrial Base (DTIB): on the basis of ongoing data gathering, the Agency has identified potential for dialogue in 2006 amongst the key stakeholders of possible future synergies at European level, to complement national restructuring efforts.

"Long-Term Vision": the Steering Board has considered on 21 November 2005 the Agency's proposals - co-ordinated with the EUMC - for method, participation, time-lines and co-ordination for developing a "Long-Term Vision" for Europe's future capability and capacity needs.

Indicators and Strategic Targets: the Agency submitted to the Steering Board on 21 November 2005 an initial set of proposed key Indicators and potential Strategic Targets, as well as a methodology and timelines for further work.

As noted above on UAVs and AFVs, real success will not come without joint investment. The lack of concrete proposals for ad hoc collaborative projects represents the main area of disappointment to date. The Agency will continue to work with pMS to incubate and implement such joint endeavours, especially in R&T. As recognised at the Hampton Court Summit, both levels of defence R&T spend in Europe and the amount spent collaboratively are priority areas for next year.

### The Future

The Steering Board has recommended to the Council to defer by one year, till autumn 2006, the adoption of a three-year Financial Framework for the Agency. A key issue is the appropriate size of budget the Agency should have for R&T projects. It should be easier to decide this in a year's time, when the Hampton Court initiative has been followed through and the Agency can propose a more substantial "business case" to the pMS.

### Conclusion

The Agency has been successful in meeting many, but not all, of the substantial ambitions contained in its first year's work programme. Some of the lower-priority work strands are still in their initial stages, through either lack of available capacity to pursue them, or a change of heart on the part of pMS. But, overall, EDA's first year represents significant achievement. A valuable and credible instrument is in place – it needs now the collective will to use it to the full in order to achieve our joint declared ambitions.

*As per end-2005*

Javier Solana  
High Representative and Head of European Defence Agency

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 FINANCIAL STATEMENTS

#### AUDIT OPINION

#### AUDIT REPORT AND OPINION OF THE INDEPENDENT EXTERNAL AUDIT TEAM FOR THE EUROPEAN DEFENCE AGENCY TO THE STEERING BOARD FOR THE EUROPEAN DEFENCE AGENCY

##### Report on the Financial Statements

We have audited the financial statements of the European Defence Agency for the year ended 31 December 2005. These comprise the income and expenditure account ("Management Accounts"), Balance Sheet, and Cash Flow Statement, and include a summary of significant accounting policies under which they have been prepared and other explanatory notes. The financial statements have been prepared in accordance with the provisions and regulations set out in note 1 to the financial statements.

##### The Accounting Officer's Responsibility for the Financial Statements and Financial Report

The Steering Board, on a proposal from the Head of the Agency, appointed an Accounting Officer, who is also the Chief Executive, responsible for the preparation and fair presentation of the financial statements. This responsibility includes: proper implementation of payments, collection of revenue and recovery of amounts established as being receivable, preparing and presenting the accounts, keeping the accounts, laying down the accounting rules and methods and the chart of accounts, laying down and validating the accounting systems and where appropriate validating systems laid down by the authorising officer to supply or justify accounting information, and treasury management. The Accounting Officer is also responsible for providing a report on the financial aspects of the operation conducted and forwarding the financial statements and the Financial Report to the independent external audit team for the European Defence Agency.

##### Independent External Audit Team'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 and plan and perform the audit 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 as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

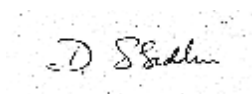
We have also read the Financial Report on the activities of the Agency and the implementation of the budget, to identify any material inconsistencies with the audited financial statements.

##### Unqualified opinion

In our opinion the financial statements present fairly, in accordance with the provisions and regulations set out in note 1 to the financial statements, and in all material aspects, the financial position of the European Defence Agency as at 31 December 2005 and the financial results of operations for the year then ended.

In our long form report we cover the scope of the audit: whether the financial statements are presented fairly, whether the financial statements are fully supported and comply with Financial Regulations, and key issues to follow up.

Signed on behalf of the Independent External Audit Team by the Chairman, Dabinderjit Singh Sidhu:



Dabinderjit Singh Sidhu  
Anders Hjertstrand

24 August 2006

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 MANAGEMENT ACCOUNTS (1/3)

#### MANAGEMENT ACCOUNTS

	Notes	2005	2005	2004
<i>Figures in €</i>	<i>1</i>	Budget	Actual	Actual
<b>EXPENSES</b>				
Title I : PERSONNEL EXPENSES	2			
<b>Chapter 11: OFFICIALS &amp; TEMPORARY STAFF</b>				
BASIC SALARIES		4,537,754	3,947,043	131,535
STAFF STATUTORY ALLOWANCES		1,130,000	875,975	29,647
STAFF SOCIAL PROTECTION		721,603	1,029,039	43,324
COEF. CORRECTEUR		0	308	0
OVERTIME		0	7,424	0
STAFF ALLOW. ON ENTERING & LEAVING SCE		887,000	571,296	79,391
PROVISIONAL APPROPRIATIONS		112,250	0	0
Subtotal		7,388,607	6,431,085	283,896
<b>Chapter 12: SNE, CONTRACT STAFF &amp; TRAINEES</b>				
CONTRACT STAFF		126,166	62,621	0
SECONDED NATIONAL EXPERTS		1,675,000	650,328	0
TRAINEES		0	11,486	0
Subtotal		1,801,166	724,435	0
<b>Chapter 13: STAFF RELATED</b>				
RECRUITING EXPENSES		212,000	38,113	9,677
STAFF TRAINING & CONFERENCE FEES		0	16,708	0
MEDICAL EXPENSES		0	5,599	0
MISSION EXPENSES		240,000	237,536	5,236
Subtotal		452,000	297,956	14,912
<b>TOTAL PERSONNEL EXPENSES</b>		<b>9,641,773</b>	<b>7,453,476</b>	<b>298,809</b>
Title II : FUNCTIONING EXPENSES	3			
<b>Chapter 20: BUILDING &amp; BUILDING RELATED</b>				
FITTING-OUT OF PREMISES		1,400,000	113,319	0
EXP. FITTING-OUT OF PREMISES			1,544	0
DPR. FITTING-OUT OF PREMISES			111,775	0
SECURITY EQUIPM.		250,000	9,784	0
EXP. SECURITY EQUIPMENT			3,979	0
DPR. SECURITY EQUIPMENT			5,805	0
OFFICE RENT		1,400,000	911,459	69,995
CLEANING & MAINTENANCE		300,000	119,760	0
UTILITY SERVICES		25,000	30,118	0
BUILDING SURVEILLANCE SERVICES		50,000	404,488	0
INSURANCES		0	7,507	0
OTHER BUILDING RELATED EXPENSES		350,000	20,377	40,404
Subtotal		3,775,000	1,616,812	110,399

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 MANAGEMENT ACCOUNTS (2/3)

#### MANAGEMENT ACCOUNTS (CONT'D)

	Notes	2005	2005	2004
<i>Figures in €</i>		Budget	Actual	Actual
<b>Chapter 21: IT EQUIPMENT, FURNITURE &amp; OTHER</b>				
IT EQUIPMENT		110,000	237,588	0
EXP. IT EQUIPMENT			214,898	0
DPR. IT EQUIPMENT			22,690	0
OFFICE FURNITURE		700,000	357,247	0
EXP. OFFICE FURNITURE			351,706	0
DPR. OFFICE FURNITURE			5,541	0
IT PROJECTS & DEVELOP. OF SYSTEMS		0	46,148	0
IT SUPPORT & MAINTNANCE OF COPIERS		0	72,762	0
TELECOM EXPENSES		70,000	126,991	0
OFFICE TECHNICAL SUPPLIES		1,872,500	10,389	0
OUTSIDE ASSIST. FOR OPER. OF TECHN. INSTALL.		1,100,000	3,361	0
MAINT. & REPAIR OF TECHN. INSTALL.		0	69,598	0
OFFICE VEHICLES		40,000	5,421	0
<b>Subtotal</b>		<b>3,892,500</b>	<b>929,505</b>	<b>0</b>
<b>Chapter 22: OTHER FUNCTIONING</b>				
RECEPTION & REPRESENTATION EXPENSES		10,000	26,132	0
INTERNAL MEETINGS		36,000	16,834	0
ORGANISATION OF CONFERENCES & SEMINARS		120,000	10,387	0
INFORM., SUBSCRIPTIONS & DOCUMENTATION EXP.		0	120,483	0
OFFICIAL JOURNAL		0	1,605	0
PUBLIC RELATIONS		0	8,760	0
OFFICE SUPPLIES		25,000	82,639	0
POSTAL & DELIVERY EXPENSES		0	3,127	0
AUDIT EXPENSES		0	10,000	4,000
FINANCIAL CHARGES		0	2,259	63
PROVISIONAL APPROPRIATIONS		200,000	0	0
FOREIGN EXCHANGE DIFFERENCE		0	19	0
<b>Subtotal</b>		<b>391,000</b>	<b>282,245</b>	<b>4,063</b>
<b>TOTAL FUNCTIONING EXPENSES</b>		<b>8,058,500</b>	<b>2,828,562</b>	<b>114,462</b>
<b>Title III : OPERATIONAL BUDGET</b>				
OPERATIONAL PROJECTS & STUDIES	4	3,000,000	2,494,941	0
<b>TOTAL OPERATIONAL BUDGET</b>		<b>3,000,000</b>	<b>2,494,941</b>	<b>0</b>
<b>Title X : PROVISIONAL APPROPRIATIONS</b>				
PROVISIONAL APPROPRIATIONS		500,000	0	0
<b>TOTAL PROVISIONAL APPROPRIATIONS</b>		<b>500,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENSES</b>		<b>21,200,273</b>	<b>12,776,979</b>	<b>413,270</b>

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 MANAGEMENT ACCOUNTS (3/3)

#### MANAGEMENT ACCOUNTS (CONT'D)

	Notes	2005	2005	2004
<i>Figures in €</i>		Budget	Actual	Actual
REVENUES	5			
Title IV: MISC. COMMUNITY TAXES, LEVIES & DUES				
Chapter 40: DEDUCTIONS FROM STAFF REMUNERATION				
TAXATION ON STAFF SALARIES & ALLOWANCES (8IM)		658,927	563,812	24,874
EU SPECIAL LEVY (PSP/CTC)		55,000	49,022	1,395
NAP CLOSING ADJUSTMENT		0	(390)	0
Subtotal		713,927	612,444	26,270
Chapter 41: PENSION CONTRIBUTIONS				
STAFF PENSION CONTRIBUTIONS <sup>2</sup>		488,286	0	12,409
Title V: INCOME FROM OPERATING ACTIVITIES				
Chapter 52: FINANCIAL INCOME				
INTEREST INCOME		88,267	148,216	10,523
Title VI: MEMBER STATE CONTRIBUTIONS				
Chaptre 61 : MEMBER STATE CONTRIBUTIONS				
PMS CONTRIBUTIONS		19,909,793	19,909,793	1,786,483
TOTAL REVENUES		21,200,273	20,670,453	1,835,684
ACCOUNTING SURPLUS			7,893,474	1,422,414
NET CAPITAL EXPENDITURE	7		(3,462,429)	0
BUDGETARY SURPLUS REPAYABLE TO pMS	6		4,431,045	1,422,414

<sup>2</sup> In compliance with the auditors' recommendations, Staff pension contributions are recorded as off-budget items and accrued on the Agency's balance sheet.

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 BALANCE SHEET

#### BALANCE SHEET

	Notes	For the year ending	
<i>Figures in €</i>		31.12.2005	31.12.2004
<b>ASSETS</b>			
NET FITTING-OUT OF PREMISES		2,912,856	0
ACQ. FITTING-OUT OF PREMISES		3,024,631	0
ACCUMUL. DPR. FITTING-OUT OF PREMISES		(111,775)	0
NET SECURITY EQUIPMENT		116,818	0
ACQ. SECURITY EQUIPMENT		122,623	0
ACCUMUL. DPR. / SECURITY EQUIPMENT		(5,805)	0
NET IT EQUIPMENT		360,763	0
ACQ. IT EQUIPMENT		383,453	0
ACCUMUL. DPR. IT EQUIPMENT		(22,690)	0
NET OFFICE FURNITURE		71,992	0
ACQ. OFFICE FURNITURE		77,533	0
ACCUMUL. DPR. OFFICE FURNITURE		(5,541)	0
NET FIXED ASSETS	7	3,462,429	0
DEBTORS		11,744	11,747
CASH	8	10,389,816	1,545,583
INTERESTS RECEIVABLE		49,517	10,523
ADVANCE PAYMENTS		203,790	30,781
PREPAYMENTS & ACCRUED INCOME	9	253,307	41,303
<b>TOTAL ASSETS</b>		<b>14,117,296</b>	<b>1,598,633</b>
<b>LIABILITIES</b>			
ADVANCES ON pMS CONTRIBUTIONS		1,677,000	0
OUTSTANDING pMS CONTRIBUTIONS		(241,501)	0
ACCOUNTING SURPLUS		7,893,474	1,422,414
STAKEHOLDERS		9,328,973	1,422,414
PENDING INVOICES & CARRY-OVERS		2,699,841	0
SUPPLIER ACCRUALS		799,134	124,890
SUPPLIERS	10	3,498,975	124,890
STAFF PENSION ACCRUAL		1,199,964	37,226
STAFF STATUTORY INSURANCE CONTRIBUTIONS		(1,117)	3,243
STAFF PAYABLES		90,501	10,860
STAFF	11	1,289,348	51,329
<b>TOTAL LIABILITIES</b>		<b>14,117,296</b>	<b>1,598,633</b>



Nick Witney, Chief Executive

12 July 2006

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### 2005 CASH FLOW STATEMENT

#### CASH FLOW STATEMENT

	Notes	For the year ending	
<i>Figures in €</i>		31.12.2005	31.12.2004
ACCOUNTING SURPLUS		7,893,474	1,422,414
ADVANCES ON PMS CONTRIBUTIONS		1,677,000	0
OUTSTANDING PMS CONTRIBUTIONS		(241,501)	0
NET FIXED ASSETS	7	(3,462,429)	0
<b>ADD AMOUNTS PAYABLE</b>			
PENDING INVOICES & CARRY-OVERS		2,699,841	0
SUPPLIER ACCRUALS		799,134	124,890
SUPPLIERS	10	3,498,975	124,890
STAFF PENSION ACCRUAL		1,199,964	37,226
STAFF STATUTORY INSURANCE CONTRIBUTIONS		(1,117)	3,243
STAFF PAYABLES		90,501	10,860
STAFF	11	1,289,348	51,329
<b>TOTAL PAYABLE</b>		<b>4,788,323</b>	<b>176,219</b>
<b>LESS AMOUNTS RECEIVABLE</b>			
DEBTORS		(11,744)	(11,747)
INTEREST RECEIVABLE		(49,517)	(10,523)
ADVANCE PAYMENTS		(203,790)	(30,781)
PREPAYMENTS & ACCRUED INCOME	9	(253,307)	(41,303)
<b>TOTAL RECEIVABLE</b>		<b>(265,051)</b>	<b>(53,050)</b>
<b>BANK ACCOUNT</b>	<b>8</b>	<b>10,389,816</b>	<b>1,545,583</b>

NOTES TO THE 2005 FINANCIAL STATEMENTS

**Note 1 : Basis of Presentation and Specific Accounting Policies**

*BASIS OF PRESENTATION*

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

- Council Joint Action 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency and
- Council Decision 2004/658/CFSP of 13 September 2004 on the Financial Provisions applicable to the general budget of the European Defence Agency ('the EDA Financial Provisions' or 'FP'), 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".

*SPECIFIC ACCOUNTING POLICIES*

**pMS contributions**

Contributions from participating Member States ('pMS') are calculated in accordance with the same principles as income for the EU budget from the Member States based on GNI share (proportional to the share of the Member State's GNI in the total GNI aggregate). Contributions are requested in three instalments, by 15 February, 15 June and 15 October (Art. 16, Council Joint Action 2004/551/CFSP).

**2005 Budget and commitments**

The budget for 2005 was established by the European Council in November 2004. Due to high uncertainties on the Agency's installation and building expenses in its first year of activity and due to the late approval of the 2004 accounts (end September), the Agency did not publish a revised budget for 2005. For this reason, comparisons between the original budget and actual expenses are not relevant on a line-by-line basis. Similarly, for practical reasons, the 2005 budget was fully committed on the first day of the financial year.

**Carry-Overs**

Commitments can be carried over to the next financial year if most of the preparatory stages of the commitment procedure have been completed by 31 December, i.e. if the programme or project has reached an advanced stage of preparation of the contracts or agreements. These amounts may then be committed up to 31 March of the following year (Art. 2 (2) (a), FP).

Commitments related to personnel expenses cannot be carried over (Art. 2 (4), FP).

Payments are carried over in respect of amounts needed to cover commitments linked to commitment appropriations carried over (Art. 2 (3), FP).

**Budgetary surplus repayable to pMS**

The budgetary surplus repayable to pMS is the difference between revenues and expenditures of the financial year, including capital expenditure and depreciation adjustment. The Surplus is returned to pMS as deduction of their third contribution in the financial year 'n+1'.



# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### Fixed assets policy

All items acquired whose purchase price is € 420 or more, with a period of use greater than one year, and which are not consumables are entered in the inventory and recorded in the fixed assets accounts (Art. 222, 'EU Implementing Provisions').

Depreciation is computed on a straight-line basis over the estimated useful life of an asset:

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

Routine maintenance and repairs are not capitalised but charged to expenses as incurred.

In line with the Council's accounting practice, all invoices are booked as expenses during the year; at the year end, fixed assets are transferred to the balance sheet and the annual depreciation charge is added to expenses. In budgetary terms, the actual cost of fixed assets is charged 100% to PMS in the year the assets are purchased and depreciation is adjusted.

### 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. 13 of FP). Provisional appropriations of Title X can only be released after a Steering Board decision. As in 2004, provisional appropriations remained unused in 2005.

### Note 2 : Personnel expenses

#### *REGULATORY BASIS*

All human resources parameters<sup>3</sup> and calculations are based on:

- Staff Regulations applicable to Officials and other Servants of the European Communities<sup>4</sup>;
- Council Decision 2003/479/EC concerning the rules applicable to national experts and military staff on secondment to the General Secretariat of the Council<sup>5</sup>, as well as
- Council Decision 2004/676/EC of 24 September 2004 concerning the Staff Regulations of the European Defence Agency ('EDA Staff Regulations') and
- 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.

#### *PERSONNEL EXPENSES*

Personnel expenses amount to € 7.5 million. The increase in personnel expenses reflects the growth of EDA Staff (from 8 to 79) and a full year of operation.

62 % of personnel are employed as Temporary Staff, 27 % as Seconded National Experts, 5 % as Contract Staff and 5 % as Officials on Secondment, and 1 % as Trainee.

### 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 comprises twelve grades, corresponding to administrative,

<sup>3</sup> Acronyms in the brackets refer to Paymasters Office of the European Institutions ('PMO') definitions.

<sup>4</sup> As last amended by Council Regulation (EC, EURATOM) No 2104/2005 of 20 December 2005.

<sup>5</sup> As last amended by Council Decision 2005/442/EC of 30 May 2005.

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

advisory, linguistic and scientific duties. Function group AST comprises eleven grades, corresponding to executive, technical and clerical duties.

### Officials on Secondment (SCO)

Established Officials who, by decision of the appointing authority, have been directed in the interests of the service, or have been engaged at their own request, to fill temporarily a post included in the list of posts appended to the budget of the Agency. They are classified and graded as temporary Staff.

### Contract Staff

Staff not assigned to a post included in the list of posts appended to the budget of the Agency 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.

### Seconded National Experts (SNE)

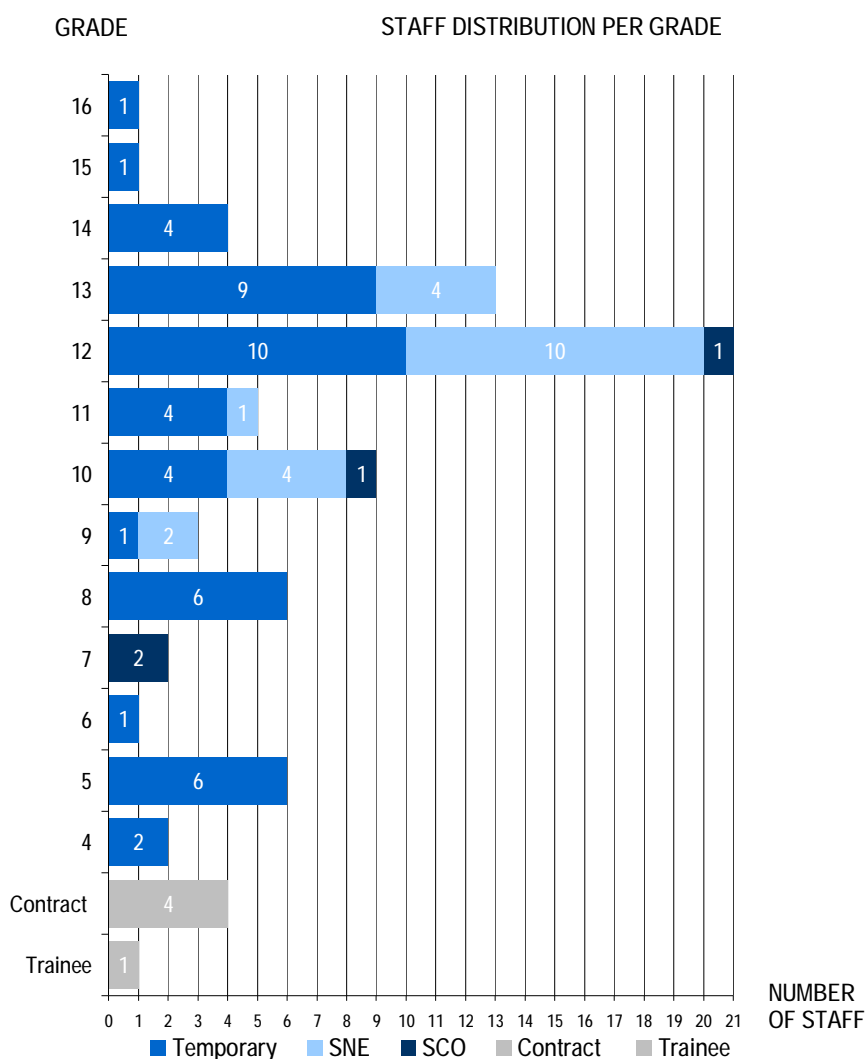
Temporarily assigned experts from the Member States' administrations in accordance with EDA's requirements and budgetary possibilities.

### Trainees

Temporarily assigned experts from the Member States' administrations in accordance with EDA's requirements and budgetary possibilities for a period not longer than 6 months.

Data as per 31/12/2005

STAFF LIST	TOTAL	FEMALE	MALE
AD16	1		
AD15	1		
AD14	4		
AD13	9		
AD12	10		
AD11	4		
AD10	2		
AD9	1		
Temporary Staff - AD	32	19%	81%
AST10	2		
AST8	6		
AST6	1		
AST5	6		
AST4	2		
Temporary Staff - AST	17	65%	35%
Temporary Staff	49	35%	65%
AD12	1		
AST10	1		
AST7	2		
SCO	4	75%	25%
AD13	4		
AD12	10		
AD11	1		
AD10	4		
AD9	2		
SNE	21	14%	86%
4	0		
3	0		
2	0		
Contract Staff	4	25%	75%
Trainees	1	0%	100%
TOTAL EDA STAFF	79	30%	70%



# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### Basic salaries

Staff basic salaries (TBA) are processed through the PMO system of the European institutions (NAP). Grades and salary parameters are updated by the Council.

### Staff statutory allowances

Staff statutory allowances<sup>6</sup> relate to:

- Expatriation status (IDE),
- Dependent child allowances (AEA and AEN),
- Household allowance (AFO),
- School allowance (APF),
- Education allowances (ISF and ISN),
- Birth grant (ANA).

### Staff social protection

Staff social protection is financed both from the Agency (budgetary expenditure) and from Staff <sup>7</sup> (off-budget). The following statutory contributions are paid:

Social contribution (as % of TBA)	Jan-Jun 2005		Jul-Dec 2005	
	Institution (budget)	Staff (off-budget)	Institution (budget)	Staff (off-budget)
Sickness	3.40 %	1.70 %	3.40 %	1.70 %
Accident	0.87 %	0.10 %	0.87 %	0.10 %
Unemployment <sup>8</sup>	1.62 %	0.81 %	1.62 %	0.81 %
Pension	19.5 %	9.75 %	20.5 %	10.25 %

Source: Council Regulation (EC, EURATOM) No 2104/2005 of 20 December 2005.

### Overtime

Overtime expenses (HSU) are paid to Staff <sup>7</sup> members of grade 4 and below.

### Staff allowances on entering & leaving service

Staff allowances on entering & leaving service related to:

- Travel expenses on termination (FVC),
- Transfer (FVS),
- Appointment (FVY),
- Installation allowances (INS and IPP),
- Removal expenses (FDE),
- Removal costs on transfer (FDF),
- Termination (FDG) and
- Daily subsistence allowance (IJO).

### Severance grants

Severance grants were paid to 2 Staff members who left the Agency in September and October 2005.

### Contract Staff

All expenses related to the Agency's Contract Staff members.

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<sup>6</sup> For details on allowance calculations, please refer to Council Regulation (EC, EURATOM) No 2104/2005 of 20 December 2005).

<sup>7</sup> SCO, Temporary and Contract Staff.

<sup>8</sup> After deduction of a standard allowance (€ 1,072.48 from January to June; € 1,096.07 from July to December).

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### Seconded National Experts

In 2005, allowances were paid to 21 SNEs:

- Daily allowance (€ 111.83 per calendar day for the period January – June 2005, € 112.61 per calendar day for the period July - December),
- Distance allowance (adjusted in July),
- Salary adjustment (adjusted in July),
- SNEs who have re-located to Brussels are also entitled to the reimbursement of the annual travel expenses to their place of origin.

SNE allowances are paid on a monthly basis, together with Staff salaries.

Source: *Council Decision 2005/442/EC of 30 May 2005.*

### Trainees

Internships are paid based on SNE daily allowances. In 2005, one trainee 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: languages classes, security training and EDA participants fees for seminars or conferences.

### Medical expenses

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

### Mission expenses

Expenses related to Staff missions: travel expenses, meals and accommodation (according to the GSC Mission Guide). In 2005, around 400 missions were accomplished for an average mission cost below €600 per mission.

### Note 3 : Functioning expenses

2005 functioning expenses were characterised by the Agency's move to its permanent premises at Rue des Drapiers. In this context, the Agency had to meet various one-off installation expenses related to: building, equipment, IT and furniture.

### Fitting-out of premises

Investments related to the fitting-out of office premises, notably: building equipment and transformation and initial installation investments. Expenses include annual depreciation charge (also see note on Fixed assets and depreciation).

### Security equipment

X-ray scanners, surveillance cameras 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 nine year lease for the office building in Rue des Drapiers in Brussels. Rent is settled on a quarterly basis and includes related taxation. The contract does not stipulate the transfer of risk and rewards incidental to ownership of the leased property and therefore accounted as an operating lease.

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### **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**

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, including GSC Services contract.

### **Telecom expenses**

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

### **Office technical supplies**

Technical supplies for electrical systems and other technical installations.

### **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.

### **Office vehicles**

Rental fee for two office vehicles (contract signed in July 2005).

### **Reception & representation expenses**

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

### **Internal meetings**

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

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### Organisation of conferences & seminars

Organisation expenses for EDA conferences and seminars, including the payment of hotel accommodation for selected conference speakers.

### Information, subscriptions & documentation expenses

Expenses related to specialised information sources and press subscriptions.

### Official Journal

Publication expenses for EDA's Financial Provisions and Annual Accounts in *the Official Journal of the European Union*.

### Public relations

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

### Office supplies

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

### Postal & delivery expenses

Postage, express mail, P.O. Box.

### Audit expenses

Provision to cover expenses related to the financial audit: travel expenses, meals and accommodation for auditors.

### Financial charges

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

### Provisional appropriations

As in 2004, provisional appropriations remained unused in 2005.

### Foreign exchange difference

Net expenses on foreign exchange transactions amount to € 19.00 (€ 49.00 realised losses and € 30.00 realised gains).

# EUROPEAN DEFENCE AGENCY

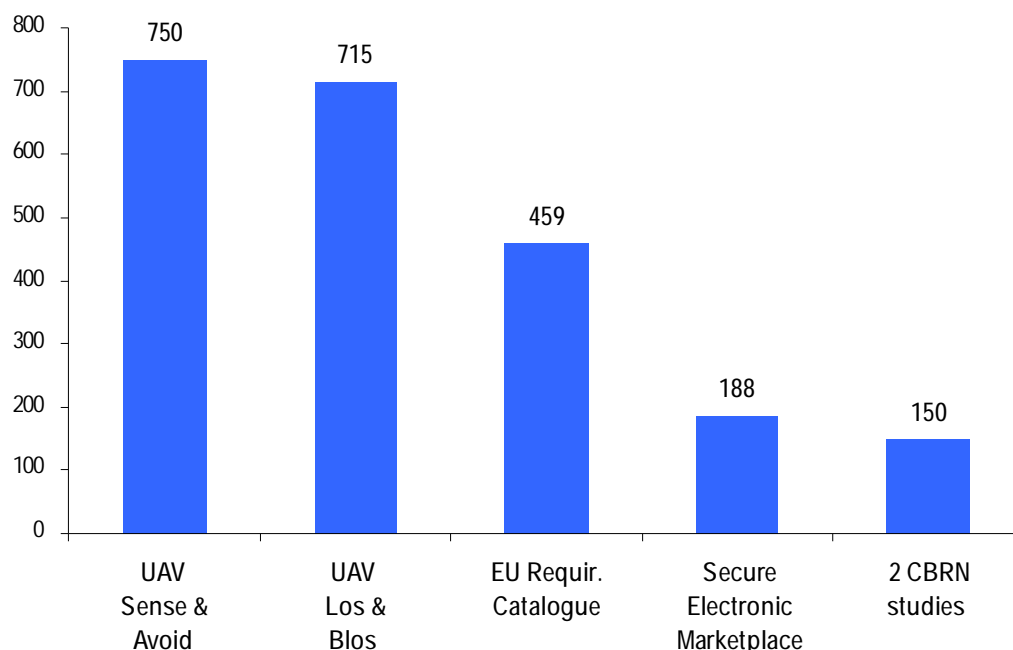
## 2005 FINANCIAL REPORT

### Note 4 : Operational projects and studies

Expenses related to EDA's operational studies and projects: 14 projects for € 2.5 million

### Major Operational Projects and Studies in 2005

Figures in € k



Figures in €

2005 Operational Contracts	Signature	Amount (€)
EU Requirements Catalogue 2005	20/04/2005	458,587
SATCOM - I	27/05/2005	26,400
SATCOM - II	27/05/2005	49,966
Test & Evaluation database	31/08/2005	48,000
Common Imagery Ground Station	11/10/2005	5,000
Improving Intelligence Understanding (Islamist Perspective)	26/10/2005	3,250
Improving Intelligence Understanding (Military Perspective)	27/10/2005	3,750
AFV Study <sup>9</sup>	22/11/2005	46,950
Digital LOS & BLOS datalinks for LE UAVs <sup>9</sup>	14/12/2005	715,126
Global Context study <sup>9</sup>	14/12/2005	49,990
CBRN - Improvised Explosive Devices <sup>10</sup>	20/03/2006	75,000
Sense & Avoid technologies for LE UAVs <sup>10</sup>	22/03/2006	750,000
Secure Electronic Marketplace <sup>10</sup>	23/03/2006	188,000
CBRN - Electromagnetic Countermeasures <sup>10</sup>	30/03/2006	74,922
<b>TOTAL Operational Projects and Studies</b>		<b>2,494,941</b>

<sup>9</sup> Included in 2005 pending invoices, also see Note 10.

<sup>10</sup> Included in 2005 adjusted Carry-Overs, also see Note 10.

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### Note 5 : Revenues

#### EU taxation

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

#### NAP closing adjustment

Corresponds to the difference between advance payments on December 2004 salaries and actual salaries computed by the PMO in January and February 2005.

#### Staff pension contributions

In the current context, EDA Staff are not included in the EU institutions general pension scheme. Therefore, Staff pension rights are capitalised on the Agency's balance sheet in order to accrue for future pension obligations.

In 2005, Staff pension contributions were treated as follows:

- 2/3 Agency contribution booked as expenses and capitalised on the balance sheet
- 1/3 Staff contribution (deducted from salaries), booked as off-budget item and capitalised on the balance sheet.

In 2004, pension rights were also capitalised, although, technically, entries were recorded in a slightly different way:

- 3/3 of pension expenses were booked under personnel expenses and
- 1/3 Staff contribution was recognised as "revenue", i.e. in effect deducted from expenses so that, in the end, 2/3 of pension cost was also born by the Agency (also see notes on Staff social protection and Staff pension accrual).

#### Interest income

The bank paid € 148,216 interests over the year on EDA's account balance. These revenues are included in the year-end surplus, which flows back to pMS.



# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### pMS contributions

In 2005, pMS contributions amounted to € 19.9 million; taking into account the surplus reimbursement, the actual cost to pMS was € 15.5 million.

Figures in €

2005 Contributions	% GNI <sup>11</sup>	Budgetary Contribution	Actual Cost to pMS	Budgetary Surplus <sup>12</sup>
Germany (DE)	21.459	4,272,348	3,321,511	950,837
United Kingdom (UK)	18.065	3,596,804	2,796,313	800,490
France (FR)	16.130	3,211,403	2,496,686	714,717
Italy (IT)	13.364	2,660,815	2,068,635	592,181
Spain (ES)	8.051	1,602,863	1,246,136	356,727
Netherlands (NL)	4.528	901,529	700,889	200,641
Belgium (BE)	2.833	564,114	438,567	125,547
Sweden (SE)	2.760	549,545	427,241	122,305
Austria (AT)	2.287	455,368	354,023	101,345
Poland (PL)	1.862	370,673	288,177	82,495
Greece (EL)	1.694	337,339	262,262	75,077
Finland (FI)	1.476	293,781	228,398	65,383
Portugal (PT)	1.326	263,970	205,222	58,748
Ireland (IE)	1.212	241,310	187,605	53,705
Hungary (HU)	0.802	159,694	124,153	35,541
Czech Republic (CZ)	0.798	158,838	123,488	35,350
Slovakia (SK)	0.334	66,514	51,711	14,803
Slovenia (SI)	0.261	52,035	40,455	11,581
Luxembourg (LU)	0.225	44,884	34,895	9,989
Lithuania (LT)	0.180	35,771	27,810	7,961
Cyprus (CY)	0.124	24,601	19,126	5,475
Latvia (LV)	0.103	20,499	15,937	4,562
Estonia (EE)	0.082	16,235	12,622	3,613
Malta (MT)	0.044	8,859	6,887	1,972
<b>Total 24 pMS</b>	<b>100.000</b>	<b>19,909,793</b>	<b>15,478,748</b>	<b>4,431,045</b>

### Note 6 : Budgetary Surplus repayable to pMS

The Budgetary Surplus repayable to pMS is the difference between revenues received and expenses incurred during the financial year, including capital expenditure and depreciation adjustment. The surplus is returned to pMS as a deduction from contributions on 15 October of the following year (also see table in note 5).

<sup>11</sup> Based on 2005 GNI "Own Resources, excl. Reserves", OJ n° L 60 of 08/03/2005; percentages rounded to 3 decimals.

<sup>12</sup> The Budgetary Surplus will be returned to pMS, i.e. deducted from the 3rd contribution 2006 (15 October).

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### Note 7 : Fixed assets and depreciation

*Figures in €*

Assets classes	Acquisitions	Disposals	Accumulated depreciation	Net assets value
Fitting-out of premises	3,024,631	0	111,775	2,912,856
Security equipment	122,623	0	5,805	116,818
IT equipment	383,453	0	22,690	360,763
Office furniture	77,533	0	5,541	71,992
Total	3,608,240	0	145,811	3,462,429

### Note 8 : Cash

As at 31/12/2005, the Agency had a bank account balance of € 10,389,816.

*Figures in €*

EDA Bank account	2004	2005
Opening balance	0	1,545,583
Closing balance	1,545,583	10,389,816

### Note 9 : Prepayments and accrued income

Includes advance payments for January and February office rent and interest receivable from the bank.

### Note 10 : Supplier accruals

#### Suppliers

Supplier creditor for goods delivered or services rendered in 2005 but paid by EDA in 2006.

#### Pending invoices and Carry-Overs

€ 2,699,841 provision for 2005 pending invoices (€ 812,066 for operational projects and € 4,000 audit expenses) and 2005 Carry-Overs (€ 1,883,775).

Carry-Overs of 2005 commitments were made for both functioning and operational expenses (see table below) :

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

Figures in €

FUNCTIONING BUDGET	2005 Budget	2005 Commitments	2005 Actual <sup>13</sup>	Adjusted Carry-Overs <sup>14</sup>	Carry-Overs <sup>15</sup>
PERSONNEL EXPENSES	9,641,773	9,641,773	7,453,476	0	0
FUNCTIONING EXPENSES					
2-2003 FITTING-OUT OF PREMISES	1,400,000	1,400,000	3,026,175	626,341	1,106,409
2-2004 SECURITY EQUIPMENT	250,000	250,000	126,601	22,027	21,800
2-21000 IT EQUIPMENT	110,000	110,000	598,351	137,485	181,058
2-2211 OFFICIAL JOURNAL	0	0	1,605	0	1,605
2-2232 AUDIT	0	0	0	10,000	0
FUNCTIONING - OTHER	6,298,500	6,298,500	2,538,259	0	0
TOTAL FUNCTIONING	8,058,500	8,058,500	6,290,991	795,853	1,310,872
OPERATIONAL BUDGET					
3-3321 OPERATIONAL PROJECTS & STUDIES	3,000,000	3,000,000	2,494,941	1,087,922	1,150,000
TOTAL OPERATIONAL	3,000,000	3,000,000	2,494,941	1,087,922	1,150,000
10-100 PROVISIONAL APPROPRIATIONS	500,000	0	0	0	0
<b>TOTAL</b>	<b>21,200,273</b>	<b>20,700,273</b>	<b>16,239,408</b>	<b>1,883,775</b>	<b>2,460,872</b>

### Note 11 : Staff accruals

#### Staff pension accrual

Accumulated pension rights amount to € 1,199,964

2005 pension accruals amount to € 1,162,738:

- € 804,770: 2/3 Agency contribution (booked under “personnel expenses”) and
- € 402,385: 1/3 Staff contribution (CPP; recorded as off-budget item).
- Less € 44,417 payments made for 2005 severance grants and maintenance of pension rights

#### Staff statutory insurance contributions

Staff statutory insurance contributions relate to social contributions for sickness (CAM), unemployment (CCA) and accident (CAA).

#### Staff payables

Staff creditors include expenses on salaries, daily allowances, advances, installation allowances, recruitment, missions and other expenses booked in 2005 but paid at the beginning of 2006.

<sup>13</sup> Includes booked expenses, capital expenditure and adjusted Carry-Overs.

<sup>14</sup> Adjusted Carry-Overs are based on exact invoiced amount when established.

<sup>15</sup> Authorised Carry-Overs, as per Steering Board Decision of February 2006 (No 2006/04).

# EUROPEAN DEFENCE AGENCY

## 2005 FINANCIAL REPORT

### APPENDIX

#### SELECTED EDA ACRONYMS

<b>AFV</b>	Armoured Fighting Vehicle
<b>AMB</b>	Agency Management Board
<b>ArmSec</b>	Armaments Secretariat (WEAG)
<b>CapTechs</b>	Capability Technology Areas
<b>CBRN</b>	Chemical, Biological, Radiological and Nuclear
<b>CEUMC</b>	Chairman of the EU Military Committee
<b>COTS</b>	Commercial Off-the-Shelf products
<b>DTEB</b>	Defence Test and Evaluation Base
<b>DTIB</b>	Defence Technological and Industrial Base
<b>ECAP</b>	European Capability Action Plan
<b>EDEM</b>	European Defence Equipment Market
<b>EMP</b>	Electronic Market Place
<b>ESDP</b>	European Security and Defence Policy
<b>EUMC</b>	European Union Military Committee
<b>FP</b>	EDA Financial Provisions
<b>GSC</b>	General Secretariat of the Council
<b>IDT</b>	Integrated Development Teams
<b>LoI/FA</b>	Letter of Intent/Framework Agreement
<b>MOTS</b>	Military Off-the-Shelf products
<b>MSHT</b>	Material Standardization Harmonization Team (WEAG)
<b>NAD</b>	National Armaments Directors
<b>NAP</b>	“Nouvelle Application de Paie” - salary payment software used by PMO.
<b>NC3A</b>	NATO Command, Control, Communication Agency
<b>OCCAR</b>	Organisme Conjoint de Coopération en matière d’Armement
<b>pMS</b>	Participating Member States
<b>PMO</b>	Paymasters Office of the European Institutions
<b>PoC</b>	pMS Point of Contact
<b>PrepCom</b>	Preparatory Committee
<b>PSC</b>	Political and Security Committee
<b>R&amp;T</b>	Research and Technology
<b>RTC</b>	Research & Technology Committee (WEAO)
<b>SB</b>	Steering Board
<b>SNE</b>	Seconded National Experts
<b>UAV</b>	Unmanned Aerial Vehicle
<b>WEAG</b>	Western European Armaments Group
<b>WEAO</b>	Western European Armaments Organisation