



1 July 2009

Annual Accounts 2008

The Annual Accounts 2008 are drafted in accordance with the SESAR Joint Undertaking Financial Regulations, which are established in accordance with Council Regulation (EC) No 219/2007 governing financial year 2007/2008¹.

This report is distributed to the European Commission (DG TREN and DG BUDG), the Court of Auditors, and for information purposes to the budgetary authorities, the Council and the European Parliament.

STRUCTURE OF THE REPORT

This report consists of three parts:

Part I: Annual General Accounts

Under the Financial Regulations of the SESAR Joint Undertaking, the accounts consist of general accounts and budget accounts, each following different principles.

The general accounts are accrual accounts, meaning that the effects of transactions and other events are recognised when those transactions or events take place. They draw on the generally accepted accounting principles established by Belgian Law, which are in compliance with the European Directives on the subjects.

Part I concerns only the general accounts.

Part II: Annual Budgetary Accounts

The budget accounts (Part II) are modified cash accounts. As in any cash accounting system, payments made and revenue received are recorded in the period in which the cash transaction occurs. These accounts are termed 'modified' because payment appropriations carried over are also recorded. Their purpose is for drawing up the budgetary outturn account and reports on budget implementation.

Part III: Report on budgetary and financial management

This part is dedicated to report on the budgetary and financial management during the period of the annual accounts.

¹ See section 1.1 for further information.

Table of Contents

PREAMBLE	3
1 ANNUAL GENERAL ACCOUNTS	5
1.1 CERTIFICATION BY THE ACCOUNTING OFFICER.....	5
1.2 ACCOUNTING POLICIES	6
1.2.1 <i>Legal provisions</i>	6
1.2.2 <i>Accounting principles</i>	6
1.2.3 <i>Currency and basis for conversion</i>	7
1.2.4 <i>Accounting policies related to the economic outturn account</i>	7
1.2.5 <i>Accounting policies related to the balance sheet</i>	8
1.2.6 <i>Accounting policies related to the cash-flow table</i>	10
1.2.7 <i>Use of estimates</i>	10
1.2.8 <i>Voting rights</i>	10
1.3 FINANCIAL STATEMENTS	11
1.3.1 <i>Balance sheet</i>	11
1.3.2 <i>Economic outturn account</i>	12
1.3.3 <i>Cash-flow table</i>	13
1.3.4 <i>Statement of changes in net assets/liabilities</i>	14
1.3.5 <i>Notes to the financial statements</i>	15
2 REPORTS ON IMPLEMENTATION OF THE BUDGET OF THE JOINT UNDERTAKING	21
2.1 GENERAL REMARKS.....	21
2.1.1 <i>Establishing the budget</i>	21
2.1.2 <i>Principle of equilibrium</i>	21
2.1.3 <i>Staff establishment plan</i>	21
2.2 BUDGETARY OUTTURN ACCOUNT	22
2.2.1 <i>Revenue</i>	23
2.2.2 <i>Expenditure</i>	24
2.2.3 <i>Notes to the budgetary outturn account</i>	25
2.3 RECONCILIATION BETWEEN BUDGETARY AND FINANCIAL ACCOUNTS.....	30
3 REPORT ON THE BUDGETARY AND FINANCIAL MANAGEMENT DURING THE YEAR	31
3.1 MAIN ASPECTS.....	31
3.2 FINANCIAL SITUATION AND EVENTS WHICH HAD A SIGNIFICANT INFLUENCE ON ACTIVITIES DURING THE YEAR	31
3.2.1 <i>Financial situation</i>	31
3.2.2 <i>Change of Statutes</i>	31
3.2.3 <i>Protocol on the Privileges and Immunities of the European Communities</i>	32
3.2.4 <i>Staff provisions</i>	32
3.2.5 <i>Membership process</i>	32
3.3 SUMMARY INFORMATION ON THE TRANSFERS OF APPROPRIATIONS.....	33
3.3.1 <i>Transfers of revenue appropriations</i>	33
3.3.2 <i>Transfers of expenditure appropriations</i>	34

Preamble

The European Council decision of 8 June 2007 signalled the start of SJU activities. At the end of December 2008 the SJU had recruited 14 staff working alongside the EUROCONTROL Programme Support Office (PSO, a seconded unit of EUROCONTROL staff) consisting of a further 8 staff at the same date. During 2008, most of the activities have been dedicated to the recruitment of the staff and the set up of the organisation whilst at the same time organising the membership accession process to build the public-private partnership.

A process to amend the SJU Statutes started in 2008 and was completed on 31 December 2008 with the publication on the Official Journal of Council Regulation (EC) No 1361/2008 modifying the SJU Regulation and Statutes and recognising the SJU as a full European Community body aligned to the European Community's Joint Technology Initiatives. This change will bring significant savings in VAT and employment social costs enabling a greater share of financial resources to be concentrated on the Work Programme. It also requires the SJU to align the current staffing to ensure that the European Community requirements for internal control and accountability are met.

On 27th June 2007 a process was launched on behalf of the SJU by the European Commission Services, with the publication of a "call for expression of interest to become member of the SJU". Out of twenty six expressions of interest submitted by the deadline of 15th September 2007, a pre-selection panel recommended a list of fifteen applicants to the SJU Administrative Board. The SJU Administrative Board endorsed this list to constitute the core group of candidate members. On 12th October 2007, the SJU Administrative Board gave a mandate to the SJU Executive Director to carry out initial exploratory talks with each candidate member.

The results of the exploratory talks were presented on 21st February 2008 to the SJU Administrative Board which authorised the Executive Director to launch the discussions with the fifteen pre-selected candidate members and EUROCONTROL.

As set out by the SJU Administrative Board, discussions between the SJU and the candidate members, with the participation of EUROCONTROL as appropriate, were ensured through both bilateral and multilateral forums. The discussions aimed, on the one hand, at fine tuning the description of work to ensure the achievement of the ATM Master Plan objectives, based on the Work Programme for 2008-2013 delivered under the SESAR Definition Phase, and, on the other hand, at refining the legal and financial terms and conditions of membership. The discussions resulted in

- a description of the work (the final version being DOW 4.0) to be realised during the Development Phase,
- a draft model Membership Agreement to be signed bilaterally by the SJU and each selected member as the result of the Selection phase and a draft model Multilateral Framework Agreement to be signed by all the selected members, EUROCONTROL and the SJU as the result of the Selection phase.

The outcome of these discussions was endorsed by the SJU Administrative Board on 1st December 2008. On the same date, the Board also adopted the principles for accession and participation of members to the SJU and gave mandate to the SJU Executive Director to officially close the discussion phase and to launch the last phase of membership accession: Selection of the SJU members and of their contributions.

The Executive Director launched the final phase of the membership process consisting in inviting the candidates to submit their best and final binding offers (IBAFo) on 17 December 2008. The invitation was sent exclusively to the pre-selected candidate members and EUROCONTROL and contained all the necessary information for preparing and submitting the offers as well as the exclusion, selection and award criteria. The deadline for submission of the offers was 16 February 2009. An information notice was published on the Official Journal of the European Community (OJ C/16 of 21.1.2009) as well as on the SJU, European Commission and EUROCONTROL web sites.

The IBAFo included 257 projects covering 11 work packages of DOW 4.0.

The IBAFo was closed on 16 February 2009 and the selection process was completed in the first quarter of 2009. The SJU Administrative Board endorsed the recommendation for membership accession at its meeting of 26 March 2009. The European Commission had previously (23 March

2009) received the position of EU Member States, following a comitology procedure as foreseen under Article 5.4 of the SJU Regulation (EC) 219/2007.

Technical work started as soon as the membership agreements were signed (12 June 2009); the first activities performed have consisted in an "initiation phase", which provides the detailed planning of deliverables and dependences between projects, taking into account results of the selection process.

During 2008, the following operational activities were also performed:

- in order to ensure the overall consistency of the SESAR Programme and to align individual projects with the SESAR Programme objectives, an engineering methodology framework, establishing procedures, processes and tools will be deployed and uniformly applied. An "Industrial Support" (IS) contract supports the definition and implementation of these methodologies. The IS contract was awarded to AIRBUS in July 2008 after a public procurement procedure (CFT N° SJU-6-2007) and signed on the 16 October 2008;
- the Atlantic Interoperability Initiative to Reduce Emissions (AIRE) agreement between the European Commission and the United States is an activity which aims to reduce CO2 emissions. By taking advantage of air traffic management best practices and using existing technologies, it aims to accelerate the implementation of environmentally friendly procedures for all phases of flight and to validate the benefits of these improvements. Under this initiative, airlines, air navigation service providers (ANSP), the manufacturing industry and airports are invited to capitalise on present avionics technology and work collaboratively in order to perform integrated flight trials and demonstrations validating solutions for the reduction of CO2 emissions. During 2008, the SESAR Joint Undertaking became responsible for the management of AIRE from a European perspective. A call to support forthcoming AIRE activities was launched and resulted in contracts with seventeen partners to perform over one hundred "green flight" trials during 2009.

Further information on the SJU activities during the period can be found in the 2007-2008 Annual Report, published on the SJU website.

1 Annual General Accounts

1.1 Certification by the Accounting Officer

The annual general accounts 2008 of the SESAR Joint Undertaking (here after the "SJU"), showing an Economic Outturn at break-even and Total Assets of EUR 116.500.415, are prepared in accordance with the SJU Statutes (annexed to Council Regulation (EC) No 219/2007) governing the SJU until 31.12.2008 and the SJU Financial Regulations².

In particular,

- as provided for in Council Regulation (EC) No 219/2007, the SJU's Financial Regulations are established respecting the broad principles laid down in Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities;
- in accordance with the SJU Statutes in force until 31.12.2008 and the SJU Financial Regulations, the SJU's annual general accounts 2008 are prepared on the basis of "*the accounting rules and plan of account provisions applicable under Belgian law*" (Article 34 of the SJU Financial Regulations), nevertheless ensuring an adequate presentation of the SJU financial position ("*reality over appearance*"). In fact, until 31.12.2008, the SJU was submitted to the Belgian law for all the matters not covered by Council Regulation (EC) No 219/2007;
- the Financial Regulations of the SJU in Article 5 – Principle of Annuality – provides for that "*the first exercise will start as soon as the Joint Undertaking is operational in 2007 and will end on 31 December 2008*". As a result, the annual accounts 2008 cover the period 10 August 2007 – 31 December 2008.

Considering that the Accounting Officer of the SJU was appointed by the Administrative Board on 26 March 2009, I acknowledge my responsibility for the preparation and presentation of the annual general accounts of the SJU in accordance with Art. 13 of the SJU's Financial Regulations.

I hereby certify that, based on the information provided by the authorising officer, who guaranteed its reliability, and on a number of checks within acceptable limits, I have a reasonable assurance that the annual general accounts present a true and fair view of the financial position of the SJU in all material aspects.

Brussels, 1 July 2009

(signed)

carlo maria borghini

Director Administration and Finance and
Accounting Officer

² Approved by the SJU's Administrative Board on 3 July 2007, ref. SJU(FR)1.04 – 03.07.2007

1.2 Accounting Policies

In this Part, the SJU provides a description of the policies, principles, methods and assumptions underlying the annual general accounts.

1.2.1 Legal provisions

The main source of principles are the accounting provisions applicable under the SJU's Financial Regulations and Belgian law³. This is due to the fact that until 31 December 2008, the SJU was considered

- subject to Belgian law in all aspects not covered by Council Regulation (EC) No 219/2007;
- by the Belgian authorities a "*personne morale*", with obligations stemming from the Belgian Law legal framework, including paying VAT and taxes.

It should be noted that the Belgian accounting principles are based on accrual accounting and are considered compliant with the European Directives on the subject.

1.2.2 Accounting principles

The objectives of financial statements are to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. In the particular case of the SJU, considering its nature and activities, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

The annual general accounts shall present a true and fair view of the financial position of the SJU and supply clear and comprehensible information to describe the nature and range of an entity's activities, explain how it is financed and supply definitive information on its operations, in such a manner to allow comparisons between financial years.

The accounting system of the European Institutions and bodies comprises general accounts and budget accounts. These accounts are kept in euro on the basis of the calendar year. Nevertheless, in accordance with Article 5.2 of the SJU Financial Regulations, the first financial year for the SJU exceptionally comprises all transactions from August 2007⁴ until end of December 2008.

The budget accounts (Part 2 of this report) give a detailed picture of the implementation of the budget. As already mentioned, they are based on the modified cash accounting principle. The annual general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

The accounting policies listed and described in this document are the basis of the general accounts (accrual accounting). They apply to all SJU transactions but the list is not necessarily exhaustive. The fact that a principle is not mentioned does not mean that it is considered inapplicable.

Article 34 of the SJU Financial Regulations sets out the accounting principles to be applied in drawing up the financial statements:

- going concern basis;
- prudence;
- consistent accounting methods;
- comparability of information;
- materiality;
- no netting;
- reality over appearance.

³ Belgian "*Code des sociétés*" of 7 May 1999 as further amended.

⁴ Date of the financial autonomy of the SJU.

1.2.3 Currency and basis for conversion

The financial statements are presented in euro, which is the SJU's functional and reporting currency.

Foreign currency transactions are translated into euro using the exchange rates prevailing at the dates of the transactions.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euro on the basis of the exchange rates applicable on 31 December 2008.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the economic outturn account.

1.2.4 Accounting policies related to the economic outturn account

1.2.4.1 Revenues

1.2.4.1.1 Members' contributions

In accordance with Article 12 of SJU Statutes annexed to Council Regulation (EC) No 219/2007, the "revenue of the Joint Undertaking shall come from the sources identified in Article 4 of this Regulation", ie "from contributions from its members, including private undertakings, in accordance with Articles 1 and 12 of the Statutes". These revenues resulting from the members' contributions are considered revenues from "non-exchange transactions" in accordance with accounting standard IPSAS 23⁵. The cash contributions received for which no direct expenses have yet occurred are deferred until future periods to be matched against the programme costs.

In fact the aim of the SJU is "... the management of the funds assigned to the SESAR project during its development phase" (recital 12 of Council Regulation (EC) 219/2007), "to manage the research, development and validation activities of the Sesar project by combining public and private sector funding provided by its members and using external technical resources and in particular by using EUROCONTROL's experience and expertise" (recital 14 of Council Regulation (EC) 219/2007) and "ensuring the necessary funding for the activities of the development phase of the SESAR project in accordance with the ATM Master Plan" (Article 1(5) of the SJU Statutes. In this respect, considering that cash contributions are received by the SJU in advance to meet its future expenses, the deferred revenue approach allows the SJU to record these resources as Deferred Members' Contributions available for future operations and to show the ability of the SJU to realize the programme activities. These cash contributions, as well as the in-kind contributions referred to below, are governed by specific provisions contained in the agreements signed by the SJU with its founding members and other members.

In-kind contributions are recognized as revenues in the year in which the members perform the activities to be realized to achieve the deliverables and adjusted based on the certified financial statements submitted by the members and accepted by the SJU in accordance with the provisions of the underlying contractual agreements (the Membership Agreement (MA) and the Multilateral Framework Agreement (MFA)).

In front of the revenues produced by the in-kind contributions, the SJU recognizes the programme expenses sustained for the realization of the programme, valued in accordance with the provisions of the MFA, in particular those provisions governing the acceptance of deliverables and reports and those governing the principle of eligibility.

1.2.4.1.2 Other revenues

The other revenues are interests yielded on the cash contributions and are therefore classified as financial revenues.

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser.

⁵ In this respect it should be noted that the contributions received by the SJU's members are not considered "contributions from owners" in accordance with the definitions of IPSAS 1, considering that there is no reference in the SJU basic act of "ownership" and considering the nature of the SJU as community body.

Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

1.2.4.2 Expenditure

Exchange expenses arising from the purchase of goods are recognised when the supplies are delivered and accepted by the SJU. They are valued according to the historic cost convention.

When any request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses already due to the beneficiaries but not yet reported are estimated and recorded as accrued expenses.

1.2.5 Accounting policies related to the balance sheet

1.2.5.1 Net Assets

The way in which the SJU operates, with the focus on budgetary rules and principles, has a major impact on the presentation of the financial statements and analysis of them.

With particular regard to the equity, there is no initial capital, primarily because Council Regulation (EC) No 219/2007, as last modified by Council Regulation (EC) No 1361/2008, does not contain provisions obliging the Founding Members and the other Members to endow the SJU with capital, as would be the case for a private enterprise. Similarly, the outturn cannot be measured by the same performance criteria as for a private enterprise. The SJU's objective is not to maximise profit. These examples show that interpreting the financial statements calls for a certain measure of prudence, especially with solvency analysis.

1.2.5.2 Deferred Members' Contributions

The SJU basic act provides for the Members to contribute to the SJU in cash or through in-kind contributions. These contributions constitute the resources of the SJU to realize its Work Programme over the period of the existence of the SJU.

In this respect, the Deferred Members' Contributions include the balances of the members' cash contribution received during the financial year or in previous years for which the revenue recognition has been deferred to future periods to match the programme costs. In this respect, it should be noted that the cash contributions referred to are received from the founding members to allow the SJU to partly co-finance the operational activities realized by its other members, in order to achieve together the SESAR Programme.

1.2.5.3 Intangible fixed assets

Intangible fixed assets are valued at their acquisition price, with the exception of assets acquired free of charge that are valued at their market value. Tangible and intangible fixed assets are valued at their historic cost converted into euro at the rate applying when they were purchased. The book value of a fixed asset is equal to its acquisition price or production cost, plus or minus revaluations, depreciation and other amounts written off. See depreciation rates below.

1.2.5.4 Tangible fixed assets

All property and equipment are stated at historical cost less depreciation, and impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the SJU and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the economic outturn account during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

1.2.5.5 Depreciation rates

Type of asset	Straight line depreciation rate
Intangible assets	33.3%
Buildings	4%
Plant, machinery and equipment	12.5% to 25%
Furniture	10% to 25%
Fixtures and fittings	12.5% to 25%
Computer hardware	33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the economic outturn account.

1.2.5.6 Leases

Leases of tangible assets, where the SJU has substantially all the risks and rewards of ownership, are classified as financial leases. Financial leases are classified at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the economic outturn account over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets acquired under financial leases are depreciated over the shorter of the assets' useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the economic outturn account on a straight-line basis over the period of the lease.

1.2.5.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.2.5.8 Receivables

Receivables are carried at original invoice amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the SJU will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is recognised in the economic outturn account statement.

1.2.5.9 Cash & cash equivalents

Cash and cash equivalents are carried in the balance sheet at their equivalent euro value. They include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

1.2.6 Accounting policies related to the cash-flow table

Cash flow information is used to provide a basis for assessing the ability of the Joint Undertaking to generate cash and cash equivalents, and its needs to utilise those cash flows.

The cash flow statement is prepared using the indirect method. This means that the net surplus or deficit for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals and accruals of past or future operating cash receipts or payments, and items of revenue or expenses associated with investing cash flows.

1.2.7 Use of estimates

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management. Significant estimates include, but are not limited to, amounts for employment benefits, provisions for future charges, financial risk on accounts receivables, accrued income and charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

1.2.8 Voting rights

In accordance with the SJU Statutes, Members of the SJU shall have a number of votes, in the Administrative Board, in proportion to their contribution to the SJU.

The voting rights allocated to each member in the Administrative Board shall be in proportion to the value of each member's total net contribution in respect of the total SJU received contributions.

The members' total net contribution corresponds to the total value of its contributions to SJU in one or both of the following forms:

- cash contribution paid to the Joint Undertaking;
- in kind contribution, in line with Article 12(5) of the Statutes, net of non-eligible costs and net of any co-financing received directly or indirectly from the SJU.

In any event, the minimum percentage of votes allocated to the Founding Members of the SESAR SJU and to the civil users of airspace as per the SJU Statutes shall be guaranteed.

With regard to the European Community and EUROCONTROL, the initial number of votes shall be in proportion to the committed contribution to the Joint Undertaking.

The calculation of the number of votes pertaining to a contribution shall be based on the contribution that has the lowest par value, which shall have at least one vote.

The initial voting rights allocated to each member shall be adjusted annually at the first Administrative Board meeting held after a period of one hundred and twenty (120) calendar days following the end of the Financial Year. For each financial year, the voting rights shall be adjusted to take into account the effective contribution of each member, in terms of commitment or execution, for the financial year into question compared to the initial stated contribution which originated the allocation of the initial voting rights.

At the end of 2008, the European Community committed EUR 700 million, of which EUR 110.863.211 paid by the end of 31.12.2008, and EUROCONTROL paid the initial contribution of EUR 10 Mio. Based on this, the voting rights at year end are estimated as follows:

European Community	65%
EUROCONTROL	25%
Airspace Users	10%.

1.3 Financial Statements

1.3.1 Balance sheet

<i>all figures in EUR</i>	Note	31/12/2008
ASSETS		
<u>I. NON-CURRENT ASSETS</u>		<u>12.569</u>
Intangible fixed assets	1	1.572
Tangible fixed assets		10.997
<i>Furniture and Vehicles</i>	2	7.323
<i>Computer Hardware</i>	3	3.674
<u>II. CURRENT ASSETS</u>		<u>116.487.846</u>
Short-term receivables		480.277
<i>Current receivables</i>	4	294.522
<i>Sundry receivables</i>	5	1.085
<i>Accrued income</i>	6	96.557
<i>Deferred charges</i>	7	88.113
Cash & cash equivalents	8	116.007.569
TOTAL ASSETS		<u>116.500.415</u>
LIABILITIES AND DEFERRED CONTRIBUTIONS		
<u>III. CURRENT LIABILITIES</u>		<u>3.757.157</u>
Accounts payable		3.757.157
<i>Current payables</i>	9	1.102.312
<i>Accrued charges</i>	10	2.220.271
<i>Other accounts payable</i>	11	434.574
<u>IV. DEFERRED MEMBERS' CONTRIBUTIONS</u>	12	<u>112.743.258</u>
TOTAL LIABILITIES AND DEFERRED CONTRIBUTIONS		<u>116.500.415</u>
NET ASSETS (accumulated surpluses/(deficits))		<u>0</u>

Contingent liabilities

13

1.3.2 Economic outturn account

<i>all figures in EUR</i>	Note	2007-2008
<u>OPERATING REVENUE</u>		
Contributions from Members	12	8.119.953
Total operating revenue		8.119.953
<u>OPERATING EXPENSES</u>		
Administrative expenses		(5.253.648)
Staff expenses	14	(2.868.710)
Fixed assets related expenses	1,2,3	(4.363)
Other administrative expenses	15	(2.380.575)
Operational expenses		(2.990.250)
Other operational expenses	16	(2.990.250)
Total operating expenses		(8.243.898)
<u>DEFICIT FROM OPERATING ACTIVITIES</u>		(123.945)
<u>NON-OPERATING ACTIVITIES</u>		
Financial operations revenues	17	148.370
Financial operations expenses	17	(24.425)
Total non-operating activities		123.945
<u>ECONOMIC OUTTURN FOR THE YEAR</u>		0

1.3.3 Cash-flow table

<i>all figures in EUR</i>	Note	2007-2008
Economic outturn for the year		0
<u>Operating activities</u>		
Amortisation		978
Depreciation		3.385
(Increase)/decrease in short-term receivables		(480.277)
Increase/(decrease) in accounts payable		3.757.157
		3.281.243
<u>Investing activities</u>		
(Increase)/decrease of intangible and tangible assets		(16.932)
<u>Members' Contributions</u>		
Members' Contributions deferred to next years	12	112.743.258
NET CASHFLOW		116.007.569
Net increase/(decrease) in cash and cash equivalents		116.007.569
Cash and cash equivalents at the beginning of the year		0
Cash and cash equivalents at year-end		116.007.569

1.3.4 Statement of changes in net assets/liabilities

<i>all figures in EUR</i>	TOTAL Net Assets
Balance at beginning of accounting period	0
Economic outturn	0
Balance as of 31 December 2008	0

1.3.5 Notes to the financial statements

Note 1: Intangible assets: Computer Software

<i>all figures in EUR</i>	2007-2008
<u>Computer Software</u>	
Gross carrying amount at beginning of period	0
Additions	2.550
Other changes	0
Gross carrying amount at 31.12.2008	<u>2.550</u>
Accumulated amortisation at beginning of period	0
Amortisation of the period	(978)
Other changes	0
Accumulated amortisation at 31.12.2008	<u>(978)</u>
Net carrying amount at 31.12.2008	<u><u>1.572</u></u>

Note 2: Tangible fixed assets: Furniture and Vehicles

<i>all figures in EUR</i>	2007-2008
<u>Furniture</u>	
Gross carrying amount at beginning of period	0
Additions	8.250
Other changes	0
Gross carrying amount at 31.12.2008	<u>8.250</u>
Accumulated amortisation at beginning of period	0
Amortisation of the period	(927)
Other changes	0
Accumulated amortisation at 31.12.2008	<u>(927)</u>
Net carrying amount at 31.12.2008	<u><u>7.323</u></u>

Note 3: Tangible fixed assets: Computer Hardware

<i>all figures in EUR</i>	2007-2008
<u>Computer Hardware</u>	
Gross carrying amount at beginning of period	0
Additions	6.132
Other changes	0
Gross carrying amount at 31.12.2008	<u>6.132</u>
Accumulated amortisation at beginning of period	0
Amortisation of the period	(2.458)
Other changes	0
Accumulated amortisation at 31.12.2008	<u>(2.458)</u>
Net carrying amount at 31.12.2008	<u><u>3.674</u></u>

Note 4: Current receivables

Item	EUR
VAT to be recovered from suppliers	156.913
Credit notes from Groupe S to be received	80.823
Credit notes from ONSS to be received	56.786
TOTAL	294.522

The VAT to be recovered from suppliers is due to the fact that as from 15 October 2008 the "Protocol on the Privileges and Immunities of the European Community" shall apply to the SJU (see also Section 3.2.3).

The Credit notes to be received (Groupe S and ONSS) were established in relation to the Belgian social security system to which the SJU was subject to during the years 2007- 2008 (see also Section 3.2.4).

Note 5: Sundry receivables

Item	EUR
Deposit Groupe S	936
Bottle deposit	149
TOTAL	1.085

Note 6: Accrued income

This position is made up entirely of interests on cash contributions from the Commission and EUROCONTROL received after the 31.12.2008.

Note 7: Deferred charges

The predominant part of this position (EUR 82.571, 94%) is made up of prepaid rents and rental charges for the SJU's offices for the first quarter of 2009.

Note 8: Cash & Cash equivalents

Balances of SJU Bank accounts, deposits and cash in hand at 31.12.2008:

Account	Classification	EUR
Bank account No 363-xxxxxxx-13	Current account	30.142.774
Bank account No 363-xxxxxxx-18	Current account	85.863.211
Petty Cash	Cash at hand	1.584
TOTAL		116.007.569

Note 9: Current payables

Payables in this position include commercial suppliers only. No payables with other European or International Institutions are contained.

Note 10: Accrued charges

Item	EUR
Untaken annual leave	190.871
Other accrued charges	2.029.400
<i>of which:</i>	
<i>EUROCONTROL services (IT and administrative support)</i>	696.692
<i>EUROCONTROL services (Programme Support Office)</i>	230.644
<i>Industrial support contract</i>	582.666
<i>Legal, financial & management support contract</i>	303.186
<i>Other accrued charges</i>	216.212
TOTAL	2.220.271

Other accrued charges include charges for services performed or goods delivered by various suppliers before 31.12.2008 for which no invoices had been received at year end.

As for EUROCONTROL accrued charges see also Notes 12 and B.2.

Note 11: Other accounts payable

This position is made up entirely of interest on cash contributions from the Commission (generated on funds received until 31.12.2008). In accordance with the grant agreements with the Commission, these interests have to be reimbursed and thus cannot be accounted for as (financial) revenues of the SJU.

Note 12: Contributions from Members

The amount in the Economic outturn account (EUR 8.119.953) represents the members' contributions received and recognized as revenue during the financial period of these annual accounts, and consequently not transferred to Deferred Members' Contributions. The amount in Deferred Members' Contributions (EUR 112.743.258) represents the remaining Members' Contributions to be recognised as revenue in future years (see also sections 1.2.4.1.1 and 1.2.5.2).

The revenues recognized during the period come exclusively from the European Community – FP7 initial contribution of EUR 10 million. This is mostly due to the fact that the initial contribution of EUROCONTROL was received only in August 2008 and the further European Community's contributions – from FP7 and TEN-T funds – were received only at the end of the year.

all figures in EUR	European Community			EURO- CONTROL	Other Members	TOTAL
	FP7	TEN-T	Total EC			
Initial Cash Contributions	10.000.000		10.000.000	10.000.000		20.000.000
Further Cash Contributions	15.000.000	85.863.211	100.863.211			100.863.211
Total Contributions	25.000.000	85.863.211	110.863.211	10.000.000		120.863.211
Contributions recognised as revenue during the year	8.119.953		8.119.953			8.119.953
Deferred Members' Contributions	16.880.047	85.863.211	102.743.258	10.000.000		112.743.258

In the future, the SJU is considering using in a more balanced manner the cash contributions received, nevertheless taking into account the reporting requirements of each member.

Note 13: Contingent liabilities

Item	EUR
RAL – Commitments against appropriations not yet consumed	5.829.591
<i>of which:</i>	
<i>Industrial support contract</i>	4.417.334
<i>AIRE contract</i>	636.834
<i>Other legal, financial and technical support contracts</i>	775.423
Operating lease	531.721
TOTAL	6.361.312

The “Contingent liabilities” are off-balance sheet items. The RAL contingent liabilities result from open contract obligations not yet identified and booked in the Economic Outturn account, as charges resulting from these obligations do not belong to the accounting period of 2007-2008.

The operating lease contains rentals due after 31.12.2008 such as the rental contract for the SJU's offices (EUR 520.220 until November 2010) and a rental contract with a supplier of office equipment (EUR 11.501 until October 2012).

Note 14: Staff expenses

These expenses include all staff related costs such as salaries, social security, taxes, insurances, recruitment, legal expertises and temporary support:

Item	EUR
Net salaries	755.506
Wage taxes	704.739
Social security	710.539
Insurances, provisions and other staff costs	697.926
TOTAL	2.868.710

At the end of 2008, there were 14 staff members employed by the SJU with an average monthly net salary of 5.626 EUR.

It should be noted that the staff of the SJU was under Belgian law contracts during all the period. In fact, Article 8 of the SJU's Statutes before being modified established that the “*members of the staff of the Joint Undertaking shall have a fixed-term contract based on the conditions of employment of servants of the European Communities*”. The staff levels have been approved by the SJU's Administrative Board in the Staff Establishment Plan included in the 2007/2008 Budget, taking into consideration the highly technical experience and qualifications required by most of the SJU's positions.

Note 15: Other administrative expenses

These expenses include running costs of the SJU such as Rents, interim and administrative related external support, IT expenses, PR, mission costs and non-recoverable VAT (see also Note 4 and section 3.2.3):

Item	EUR
VAT (definite non-recoverable and expected non-recoverable)	681.770
IT related expenses	499.248
Office rental and related services	431.988
Interim and external support	277.637
PR & Marketing expenses	231.526
Mission expenses	125.247
Other	133.159
TOTAL	2.380.575

Note 16: Other Operational expenses

These expenses comprise all programme related activities that were performed in 2007-2008 deriving from contracts for Technical support, Industrial support, Legal, Financial & Management support (in connection with the Programme and the related Membership process), Experts, launch of specific technical activities and the Programme Support Office (PSO) from EUROCONTROL:

Item	EUR
Legal, financial & management support contract	2.077.703
Industrial support contract	582.666
Experts, PSO and other technical support contracts	329.881
TOTAL	2.990.250

Note 17: Financial operations revenues and expenses

Revenues

This amount comprises all non reimbursable interests received (gross amount) on cash and cash equivalents in 2007-2008 by the SJU.

Expenses

This amount comprises taxes on non-reimbursable interest received as well as bank charges.

2 Reports on implementation of the budget of the Joint Undertaking

2.1 General remarks

2.1.1 Establishing the budget

The first financial year 2007-2008⁶ was characterised on the one hand by the Initial Contributions of the two SJU Founding Members (European Communities and EUROCONTROL) in terms of revenue, and on the other hand by expenditure on administrative and preparatory costs in order to prepare for the start of the actual Programme, planned for the first half of 2009.

The budget for revenue amounted to EUR 1.560 million, of which EUR 270 million revenue (17.3%) were established as commitments and EUR 121 million (7.8%) were actually received as revenue. The reason for this low turnout is due to the fact that the budget assumed the launch of the actual SESAR Programme during 2008 with corresponding commitments for the whole lifetime of the SESAR Development phase already being established in the first year.⁷ In fact, the set up of the legal, financial and operational framework for the launch and execution of the Programme required different steps that were completed only at the beginning of 2009, with a substantial change in the overall use of resources during 2007-2008.

For the same reason, the outturn in terms of budget expenditures was equally low, with a final budget of EUR 1.467 million against actual commitments of EUR 14 million (1.0%). The actual payments made in 2007-2008 amounted to EUR 5.4 million (17.2%).

2.1.2 Principle of equilibrium

The SJU is responsible for the development phase of the SESAR Programme which it is expected to last until 2016. The programme is an integer multi-annual programme. In this respect, the programme will be characterized during its life by an expected unbalance between revenues and expenditure. Furthermore, the resources available at the end of 2008 in the SJU are needed for the launch of the approximately 250 projects in the late spring 2009.

Considering the nature of the SJU Work Programme, the Administrative Board adopted the 2007-2008 Budget introducing the following interpretation with regard to the principle of equilibrium:

“For the SJU the principle of equilibrium shall apply for the totality of the foreseen period for the development phase. That means that the total budget revenue of the foreseen lifetime of the SJU shall be in balance with the total budget expenditure of the same period. However, at no point of the existence of the SJU must cumulative commitment appropriations exceed the cumulative amount of revenue appropriations.”

2.1.3 Staff establishment plan

Of the 23 posts established and approved by the Administrative Board on 3 July 2007 (final adoption after amendments 24 April 2008) in the 2007-2008 Staff establishment plan, 14 posts were covered by the end of 2008.

In addition, a unit of EUROCONTROL - the Programme Support Office - has been seconded to the SJU to support the Joint Undertaking in the performance of its activities. At the end of 2008, this unit included 8 EUROCONTROL staff members (see note B.2).

⁶ In accordance with Article 5.2 of the SJU Financial Regulations, “the first exercise will start as soon as the Joint Undertaking is operational in 2007 and will end on the 31st December 2008”.

⁷ Commitments mainly for in kind contributions from the SJU's Members (see also section 1.2.5.2).

2.2 Budgetary outturn account

Summary Budget Outturn Account for 2007-2008:

<i>all figures in EUR</i>	2007-2008
<u>REVENUE RECEIVED FOR THE YEAR</u>	
Contribution from the European Community	110.863.211
Contribution from EUROCONTROL	10.000.000
Contributions from other Members	0
Other sources of contribution and revenue	148.370
TOTAL REVENUE	<u>121.011.581</u>
<u>PAYMENTS MADE FOR THE YEAR</u>	
Staff	(2.641.741)
Running Expenditure	(996.772)
Technical Facilities, Capital Expenditure	(42.522)
Studies and development conducted by the JU	(1.697.046)
Studies and development conducted by the	(0)
TOTAL EXPENDITURE	<u>(5.378.081)</u>
<u>PAYMENT APPROPRIATIONS CARRIED OVER (RAL)</u>	<u>(608.142)</u>
TOTAL BUDGET OUTTURN	<u>115.025.358</u>

2.2.1 Revenue

		Note	1	2	3=2/1	4	5=4/1	6=2-4
<u>Type of revenue</u>			<u>Budget appropriations</u>	<u>Entitlements established</u>	<u>% of budget</u>	<u>Revenue received</u>	<u>% of budget</u>	<u>Outstanding</u>
Contribution from the European Community	B.1		160.000.000	260.000.000	162,5%	110.863.211	69,3%	149.136.789
Contribution from Eurocontrol	B.2		700.000.000	10.000.000	1,4%	10.000.000	1,4%	0
Contributions from other Members	B.3		700.000.000	0	0,0%	0	0,0%	0
Other sources of contribution and revenue	B.4		212.638	148.370	69,8%	148.370	69,8%	0
TOTAL REVENUE			<u>1.560.212.638</u>	<u>270.148.370</u>	17,3%	<u>121.011.581</u>	7,8%	<u>149.136.789</u>

Annual Accounts 2008

2.2.2 Expenditure

all figures in EUR		1	2	3=2/1	4	5	6=5/4	7	8
Note		1	2	3=2/1	4	5	6=5/4	7	8
Type of expenditure		<u>Commitment appropriations (final budget)</u>	<u>Commitments made</u>	<u>% of budget</u>	<u>Payment appropriations (final budget)</u>	<u>Payments made</u>	<u>% of budget</u>	<u>Commitment appropriations carried over</u>	<u>Payment appropriations carried over (RAL)</u>
Staff	B.5	4.796.313	3.085.643	64,3%	4.796.313	2.641.741	55,1%	0	0
Running Expenditure	B.6	6.256.948	1.125.960	18,0%	2.224.489	996.772	44,8%	5.130.988	129.188
Technical Facilities, Capital Expenditure	B.7	831.405	521.476	62,7%	831.405	42.522	5,1%	309.929	478.954
Studies and development conducted by the JU	B.8	79.994.116	9.044.262	11,3%	21.376.667	1.697.046	7,9%	70.949.854	0
Studies and development conducted by the Members	B.9	1.375.260.000	340.955	0,0%	2.000.000	0	0,0%	0	0
TOTAL EXPENDITURE		<u>1.467.138.782</u>	<u>14.118.296</u>	1,0%	<u>31.228.874</u>	<u>5.378.081</u>	17,2%	<u>76.390.771</u>	<u>608.142</u>
BUDGET SURPLUS			256.030.074			115.633.500			
TOTAL EXPENDITURE AFTER SURPLUS			<u>270.148.370</u>						

2.2.3 Notes to the budgetary outturn account

Note B.1: Contribution from the European Community

In 2007-2008, in accordance with Article 12.2 of the Statutes, the EC committed and paid EUR 10 million as initial contribution. The contribution agreements related to the initial TEN-T funding⁸ and the further FP7 funding⁹ were signed at the end of 2008. In this respect, the EC further committed EUR 50 million as FP7 funds and EUR 200 million as TEN-T funds, while in terms of payments EUR 15 million from FP7 funds and EUR 85.9 million from TEN-T were received:

	Budget appropriations	Entitlements established	Revenue received	Outstanding
Initial Contribution (FP7)	10.000.000	10.000.000	10.000.000	0
FP7 funds	50.000.000	50.000.000	15.000.000	35.000.000
Subtotal FP7	60.000.000	60.000.000	25.000.000	35.000.000
TEN-T funds	100.000.000	200.000.000	85.863.211	114.136.789
TOTAL EC	160.000.000	260.000.000	110.863.211	149.136.789

Note B.2: Contribution from EUROCONTROL

In accordance with Article 12.2 of the Statutes, EUROCONTROL has paid EUR 10 million as initial contribution in 2008 and, in addition to that, the following different services were provided to the SJU:

- the secondment of the Programme Management Support (PSO) Unit, which included at year end 8 staff members. In fact in 2008, EUROCONTROL seconded the PSO to the SJU in order to provide the necessary support in the management of the SESAR Programme. The PSO is in charge of the overall technical management of the programme including definition, planning, and organisation of the R&D Programme, monitoring of its execution and of the technical quality of the deliverables. This work will be strictly coordinated with the other technical, support and financial functions of the SJU.

The PSO staff is covered by a EUROCONTROL/SJU Interim Agreement. The PSO staff assigned to the SJU for the execution of this Agreement shall remain subject to the EUROCONTROL's staff regulations and rules. Furthermore, the PSO Manager is placed under the hierarchical authority of Director ATM Strategies at EUROCONTROL but reports functionally to the SJU Executive Director. The PSO staff is placed under the sole authority of the PSO Manager. The PSO Manager determines, in coordination with the SJU Executive Director, the tasks the PSO Staff carries out.

- IT and administrative support necessary to set up the operational structure of the Joint Undertaking¹⁰.

Initially, these services were expected to be considered an in-kind contribution to the SJU under the EUROCONTROL/SJU Agreement to be signed in compliance with Article 9.2 of the SJU's Statutes. However, in the absence of a final agreement between EUROCONTROL and the SJU in 2008, these services were recognised as a debt of the SJU against EUROCONTROL (see Note 10 to the financial statements).

⁸ In total EUR 350 million for the period 2007-2013.

⁹ In total EUR 350 million for the period 2007-2013.

¹⁰ These services are listed in the Interim Support Agreement between the SJU and EUROCONTROL.

Note B.3: Contribution from other Members

The total contribution of the SJU's new Members was estimated at EUR 700 million. Considering that the pre-selected candidate members' binding offers resulting from the membership process were received after the year end 2008 and that the membership agreements were signed in June 2009, there were no other contributions apart those received from the Founding Members.

Note B.4: Other sources of contribution and revenue

The revenues include interests yielded on the cash contributions paid to the SJU, net of the amount of EUR 434.574 of interests matured on the EC contributions that shall be paid back to the Commission (see also Note 11 to the financial statements).

Note B.5: Staff expenditure

This Article of the budget includes all staff related costs such as salaries, social security, taxes, insurances, recruitment, legal expertises and temporary support:

<i>all figures in EUR</i>	1	2	3=2/1	4	5	6=5/4
	<u>Commitment appropri. (final budget)</u>	<u>Commitments made</u>	<u>% of budget</u>	<u>Payment appropri. (final budget)</u>	<u>Payments made</u>	<u>% of budget</u>
Staff expenditure						
Net Salaries & other staff costs	2.775.009	1.670.365	60,2%	2.775.009	1.326.003	47,8%
Wage Taxes	966.933	704.739	72,9%	966.933	654.037	67,6%
Social security	1.054.371	710.539	67,4%	1.054.371	661.701	62,8%
TOTAL	4.796.313	3.085.643	64,3%	4.796.313	2.641.741	55,1%

The actual 2007-2008 staff costs are of EUR 3.1 million (-36% compared to the Final Budget); these savings are mostly the result of a different time schedule in the recruitment process. It should be noted that the staff of the SJU was under Belgian law contracts during all the period.

Note B.6: Running expenditure

Running expenditures include mission costs, the administrative costs and office supplies (printing, copiers, translation, publications, consumable office material), utilities (water, electricity, telecommunications costs), office rental and associated charges, legal, financial and fiscal expertise for administrative needs, technical consultants for administrative needs, bank guarantee for the offices, all insurances and taxes not related to staff as well as expenses incurred for the activities of the Administrative Board¹¹.

On 3 July 2008, the Administrative Board approved the move of the SJU into new premises¹². The overall envelope related to the new premises initially estimated for a period of 6 years, EUR 3.8 million, has been budgeted in 2008 while the payments will start in 2009 (the 2007/2008 Budget has been adjusted accordingly).

<i>all figures in EUR</i>	1	2	3=2/1	4	5	6=5/4
	<u>Commitment</u>	<u>Commitments</u>	<u>% of</u>	<u>Payment</u>	<u>Payments</u>	<u>% of</u>
<u>Running expenditure</u>	<u>approp.</u>	<u>made</u>	<u>budget</u>	<u>approp.</u>	<u>made</u>	<u>budget</u>
	<u>(final budget)</u>			<u>(final budget)</u>		
Mission costs	211.175	125.328	59,3%	211.175	130.087	61,6%
Administrative services and supplies	338.130	315.362	93,3%	338.130	158.676	46,9%
Utilities	58.703	52.335	89,2%	58.703	44.555	75,9%
Office rental & related services	4.851.033	461.005	9,5%	905.530	509.631	56,3%
Insurances, legal and financial support	177.799	97.632	54,9%	177.799	82.838	46,6%
Office Hospitality	36.203	23.183	64,0%	36.203	22.858	63,1%
Packaging and Transport	10.000	4.820	48,2%	10.000	2.408	24,1%
Financial charges	217.659	24.578	11,3%	217.659	24.578	11,3%
Contingency funds	318.708	4.078	1,3%	231.752	3.828	1,7%
Administrative Board Expend.	37.538	17.639	47,0%	37.538	17.313	46,1%
TOTAL	6.256.948	1.125.960	18,0%	2.224.489	996.772	44,8%

¹¹ Expenses referred to in Article 14 of the Administrative Board's rule of procedure and other costs directly linked to the activities of the Board.

¹² Administrative Board meeting of 3 July 2008, reference document SJU-AB-07-08-DOC-02.

Note B.7: Technical Facilities, Capital expenditure

This post includes the procurement, rental and maintenance of IT equipment, furniture and other technical facilities.

The IT infrastructure including on-site and remote support is provided mainly by EUROCONTROL as part of its services to the SJU, which explains the low turnout of payments made:

<i>all figures in EUR</i>	1	2	3=2/1	4	5	6=5/4
<u>Technical Facilities, Capital Expenditure</u>	<u>Commitment approp. (final budget)</u>	<u>Commitments made</u>	<u>% of budget</u>	<u>Payment approp. (final budget)</u>	<u>Payments made</u>	<u>% of budget</u>
IT related expenditure	630.217	502.318	79,7%	630.217	23.364	3,7%
Other Technical facilities	63.403	10.908	17,2%	63.403	10.908	17,2%
Furniture	65.000	8.250	12,7%	65.000	8.250	12,7%
Other Capital Expenditure	72.785	0	0,0%	72.785	0	0,0%
TOTAL	831.405	521.476	62,7%	831.405	42.522	5,1%

Note B.8: Studies and development conducted by the Joint Undertaking

This article of the budget contains programme related activities directly managed by the SJU as specified in the Annual Work Programme.

<i>all figures in EUR</i>	1	2	3=2/1	4	5	6=5/4
<u>Technical Facilities, Capital Expenditure</u>	<u>Commitment approp. (final budget)</u>	<u>Commitments made</u>	<u>% of budget</u>	<u>Payment approp. (final budget)</u>	<u>Payments made</u>	<u>% of budget</u>
Industrial support	72.600.000	5.000.000	6,9%	18.150.000	0	0,0%
AIRE	2.420.000	636.834	26,3%	1.210.000	0	0,0%
Programme assistance & other	4.974.116	3.407.428	68,5%	2.016.667	1.697.046	84,2%
TOTAL	79.994.116	9.044.262	11,3%	21.376.667	1.697.046	7,9%

Note B.9: Studies and development conducted by the Members

Considering that the membership process was not yet finalized by the end of 2008, this article of the budget contains only EUR 340.955 of services provided by EUROCONTROL and only to the extent that they were programme related (i.e. Programme Support Office).

2.3 Reconciliation between budgetary and financial accounts

	2007-2008
ECONOMIC RESULT OF THE YEAR	0
<u>1. Adjustment for items not included in the budgetary result but included in the economic result</u>	
Unpaid invoices at year end but booked in charges	+ 1.102.312
Depreciation of intangible and tangible fixed assets	+ 4.363
Provisions	+ 2.220.271
Value reductions	+ 156.913
Recovery orders issued in 2008 not yet cashed	- (234.167)
Interest received by and to be reimbursed to European Community	- (434.574)
Subtotal 1	2.815.118
<u>2. Adjustment for items included in the budgetary result but not included in the economic result</u>	
Asset acquisitions (less unpaid amounts)	- (18.016)
Deferred Members' Contributions	+ 112.743.258
Payment appropriations carried over to 2009	- (608.142)
Deferred charges (Prepaid expenses of next year)	+ 88.113
Subtotal 2	112.205.213
<i>Reconciliation difference</i>	<i>5.027</i>
BUDGETARY RESULT OF THE YEAR	115.025.358

3 Report on the budgetary and financial management during the year

3.1 Main aspects

As a result of the European Council decision of 8 June 2007, the SJU started its activities and reached a staff level of 14 persons at the end of December 2008, while the PSO consisted of 8 persons at the same date. During 2008, most of the activities have been successfully dedicated, on the one hand, to the recruitment of the staff and the set up of the organisation, and, on the other hand, to the membership process that was concluded on 12 June 2009 with the signature of the membership agreements.

However, the SJU has been in a start up phase and its structure is still incomplete. The internal control system, the implementing rules and the overall governance processes need substantial developments and are mostly based on manual controls. Furthermore, the change of the SJU's Regulation and Statutes which took place on 1 January 2009 requires that the organisation changes the current set up in terms of Financial Regulations, staff contracts, accounting principles, etc. to align to those in force for the communities bodies referred to in Article 185 of the Financial Regulation (EC, Euratom) n°1605/2002 of the Council of 25 June 2002, amended by Council Regulation (EC, Euratom) n° 1995/2006 of 13 December 2006 and (EC) n° 1525/2007 of 17 December 2007.

The SJU does not dispose of a unique IT system supporting the general ledger and the budget accounting. In order to ensure proper accounting, reconciliations between the two systems were performed in the final part of 2008 and, where necessary, adjustments documented and made (see also Section 2.3).

3.2 Financial situation and events which had a significant influence on activities during the year

3.2.1 Financial situation

As detailed in Part 1 and 2, the SJU disposed of EUR 116 million total assets at the 31.12.2008 (financial accounts), with a budget turnout of EUR 115 million after its first financial year (budget accounts).

The Running Costs of the SJU - in terms of commitments - were financed by the FP7 funds for an amount of EUR 14.1 million and the financing provided by the TEN-T Agency was not used and did not give rise to any eligible costs. Likewise – in terms of payments – EUR 5.4 million were paid from the FP7 funds.

3.2.2 Change of Statutes

The process to change the SJU Statutes started in 2008 and was achieved on 31 December 2008 with the publication on the Official Journal of Council Regulation (EC) 1361/2008 modifying the SJU basic act and Statutes and giving recognition to the SJU of the status of full community body in line with the other Community's JTIs. Furthermore, this change, that will bring significant savings allowing more financial resources to be concentrated on the Work Programme. Consequently, all 2008 accounts have still been prepared under the original SJU Statutes and Regulations (see Part 1 of this document).

3.2.3 Protocol on the Privileges and Immunities of the European Communities

With the entry into force on 1 January 2009 of Council Regulation (EC) 1361/2008 modifying Council Regulation (EC) 219/2007, the "Protocol on the Privileges and Immunities of the European Communities" shall apply to the SJU. Insofar as taxes and customs duties are concerned, that Protocol shall apply to the Joint Undertaking as from 15 October 2008". The SJU finalised with the Belgian authorities an Administrative Agreement which implements this provision. The annual accounts include in the Receivables the amount of the VAT to be recovered and in the charges a provision against this receivable (full amount) considering the risk related to the recovery process. The 2008 budgetary accounts, on the other hand, include VAT in each budget line where VAT was due in the underlying transactions.

3.2.4 Staff provisions

The staff costs for 2008 with regard to annual leave have been corrected to be aligned with the Belgian Law provisions on the matter which diverge from the SJU staff contracts. In this respect, a receivable for annual leave anticipated during 2008 to the staff members has been included in the annual accounts. This amount will be recovered from the staff members against the amounts for annual leave accrued by the staff member during 2008 to be used in 2009.

3.2.5 Membership process

The launch of the implementation phase of the SESAR programme was initially planned by the end of 2008, with the signature of the membership agreements on 8 December 2008. Nevertheless, the need to complete different administrative and legal steps on the SESAR Programme, on the contractual framework and the establishment of an appropriate selection process required the postponement of the final phase of the membership process to the first half of 2009. Consequently the research activities of the programme started in June 2009.

3.3 Summary information on the transfers of appropriations

3.3.1 Transfers of revenue appropriations

<u>Type of revenue</u>	<i>all figures in EUR</i>			COMMITMENTS			PAYMENTS		
	<u>Initial appropriations</u>	<u>Transfers/ Modifications</u>	<u>FINAL appropriations</u>	<u>Initial appropriations</u>	<u>Transfers/ Modifications</u>	<u>FINAL appropriations</u>	<u>Initial appropriations</u>	<u>Transfers/ Modifications</u>	<u>FINAL appropriations</u>
Contribution from the European Commission	10.000.000	150.000.000	160.000.000	10.000.000	100.000.000	110.000.000			
Contribution from Eurocontrol		700.000.000	700.000.000		12.000.000	12.000.000			
Contributions from other Members		700.000.000	700.000.000		2.000.000	2.000.000			
Other sources of contribution and revenue		212.638	212.638		212.638	212.638			
TOTAL REVENUE	10.000.000	1.550.212.638	1.560.212.638	10.000.000	114.212.638	124.212.638			

Initial appropriations as approved by SJU Administrative Board on 3 July 2007.

Final appropriations as approved by SJU Administrative Board on 3 July 2008 (finally adopted 26 March 2009).

3.3.2 Transfers of expenditure appropriations

<u>Type of expenditure</u>	COMMITMENTS			PAYMENTS		
	<u>Initial appropriations</u>	<u>Transfers/ Modifications</u>	<u>FINAL appropriations</u>	<u>Initial appropriations</u>	<u>Transfers/ Modifications</u>	<u>FINAL appropriations</u>
Staff	520.000	4.276.313	4.796.313	520.000	4.276.313	4.796.313
Running Expenditure	88.000	6.168.948	6.256.948	88.000	2.136.489	2.224.489
Technical Facilities, Capital Expenditure	467.000	364.405	831.405	467.000	364.405	831.405
Studies and development conducted by the JU	p.m.	79.994.116	79.994.116	p.m.	21.376.667	21.376.667
Studies and development conducted by the Members	p.m.	1.375.260.000	1.375.260.000	p.m.	2.000.000	2.000.000
TOTAL EXPENDITURE	1.075.000	1.466.063.782	1.467.138.782	1.075.000	30.153.874	31.228.874

Initial appropriations as approved by SJU Administrative Board on 3 July 2007.

Final appropriations as approved by SJU Administrative Board on 3 July 2008 (finally adopted 26 March 2009).