



## → NOTES TO THE FINANCIAL STATEMENTS

ESA's Annual Accounts are summarised in four main financial statements presented herewith including comparative information for year 2006.

Among the assets, the €983 million balance of Cash and Banks does not include the funds managed for the Pension Scheme.

The latter represent the financed portion of the scheme, invested in the so-called Buffer Fund, and are presented as non-current assets. The total obligation of the Pension Scheme towards the active and retired staff and deferred pensions of ESA is revaluated at €1480 million in 2007 following the adoption of the recognised accounting standards on Employees Benefits IAS 19. The not yet financed portion is shown as a receivable amount.

One of the main current assets represents €70 million of advance payments to suppliers, made across the ongoing programmes of ESA. Until the relevant services are tested and accepted, these payments are considered as a claim towards the contractor companies.

Among the liabilities, the Prepaid Contributions and the funds available in the Regulation Fund represent balances due to Member States, whereas Accrued Payables are obligations towards suppliers for invoices received but not yet paid, or cost incurred in 2007 but not yet invoiced.

The ESA liability for Staff Untaken Leave represents the value of the number of days of leave accrued by staff members but not yet taken at year-end.

The net effect of provisions and accruals is reflected in the item 'Reserve for Accruals and Provisions'. The €93 million debit balance in 2007 can be considered as net accumulated excess of liabilities over assets recognised in the accounts.

Provisions and accruals are included in the Statement of Assets and Liabilities in order to provide a comprehensive picture of all claims, entitlements and obligations of ESA, but at this stage of the transition to Accrual Accounting they are not financed. Therefore, the net effect of reversed accruals of the previous year and new accruals is identified on a separate line of the Statement of Income and Expenditure which adjusts the expenditure of the year in order to show the total cost incurred. In 2007 this balance amounted to a €235 million net increase of restated prior-year accruals.

The statement of Changes in Net Assets/Liabilities illustrates the allocation of the Surplus in the following year, part of which is represented by the net effect of accruals and provisions. This part is consolidated in the Reserve for Accruals and Provisions.

The 2007 surplus amounts to €566 million, inclusive of €806 million of under-spending of the budget allocations, €5 million of shortfall actual income over the budget, with other minor balances, and €235 million net increase of restated prior-year accruals.

**STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2007 (in K€)**

	2007	2006	Increase/Decrease	
<b>OPERATING INCOME</b>				
Contributions	3,129,103	2,758,817		370,286
Other Income	229,484	427,434		-197,950
	<u>3,358,587</u>		3,186,251	<u>172,336</u>
Third Party Programmes Income	186,927	118,460		68,467
Plan for European Cooperating States	7,717	4,894		2,823
Management Outputs/Estrange Income	16,811	25,370		-8,559
Suspense Output	2,554	2,669		-115
Internal Tax Income	121,217	111,736		9,481
Extraordinary Accrued Income	0	362		-362
	<u>335,226</u>		263,491	<u>71,735</u>
<b>Total operating income</b>	<b><u>3,693,813</u></b>		<b><u>3,449,742</u></b>	<b><u>244,071</u></b>
<b>OPERATING EXPENDITURE</b>				
General Budget	200,938	197,616		3,322
Scientific Programme	386,123	381,256		4,867
Earth Observation	339,989	323,701		16,288
Telecom	187,013	165,242		21,771
Navigation	365,416	291,874		73,542
Manned Spaceflight	336,634	317,287		19,347
Microgravity	73,553	61,934		11,619
Launchers	575,094	523,189		51,905
Technology	84,890	88,719		-3,829
CSG Kourou and other activities	88,503	90,169		-1,666
Pensions	70,065	64,452		5,613
<b>Total financed by contributions</b>	<u>2,708,218</u>		2,505,439	<u>202,779</u>
Third Party Programmes	52,779	68,283		-15,504
Plan for European Cooperating States	4,002	1,474		2,528
Management Outputs Expenditure	5,647	8,519		-2,872
Suspense Output	1,105	1,633		-528
Estrange/Andøya special project	202	198		4
Internal Tax	121,217	111,736		9,481
Variation of accruals/provisions	234,828	244,783		-9,955
	<u>419,780</u>		436,626	<u>-16,846</u>
<b>Total operating expenditure</b>	<b><u>3,127,998</u></b>		<b><u>2,942,065</u></b>	<b><u>185,933</u></b>
<b>NON-OPERATING CHARGES</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>Net Surplus for the Period</b>	<b>565,815</b>		<b>507,677</b>	<b>58,138</b>

**REPRESENTED BY**

Bank and Cash	983,093	908,118
Other Assets	2,215,315	1,439,727
Prepaid Contributions, Other Liabilities	-2,674,669	-1,644,948
Reserves	42,076	-195,220
<b>Net Surplus for the Period</b>	<b>565,815</b>	<b>507,677</b>

## STATEMENT OF ASSETS AND LIABILITIES AT 31 DECEMBER 2007 (in K€)

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>	<b>Increase/Decrease</b>
<i>current assets:</i>			
BANKS AND CASH	983,093	908,118	74,975
<b>AMOUNTS RECEIVABLE:</b>			
Outstanding contributions	589,619	387,193	202,426
Other customers (net)	15,985	3,550	12,435
Other amounts receivable	59,302	51,423	7,879
PREPAYMENTS	69,942	226,561	-156,619
	<b>1,717,941</b>	<b>1,576,845</b>	<b>141,096</b>
<i>Non-current assets:</i>			
PENSION SCHEME to be financed	1,270,452	574,514	695,938
PENSION SCHEME Buffer Fund	210,015	196,486	13,529
	<b>1,480,467</b>	<b>771,000</b>	<b>709,467</b>
<b>Total assets</b>	<b>3,198,408</b>	<b>2,347,845</b>	<b>850,563</b>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Prepaid Contributions and other payables to			
Member States	483,653	296,685	186,968
Regulation Fund	39,072	50,590	-11,518
ACCRUED PAYABLES	570,851	459,524	111,327
OTHER AMOUNTS PAYABLE	43,610	11,018	32,592
UNTAKEN STAFF LEAVE	57,016	56,131	885
	<b>1,194,202</b>	<b>873,948</b>	<b>320,254</b>
<i>Non-current liabilities:</i>			
PENSION SCHEME	1,480,467	771,000	709,467
	<b>1,480,467</b>	<b>771,000</b>	<b>709,467</b>
<b>Total liabilities</b>	<b>2,674,669</b>	<b>1,644,948</b>	<b>1,029,721</b>
<b>NET ASSETS</b>	<b>523,739</b>	<b>702,897</b>	<b>-179,158</b>
<b>NET ASSETS/RESERVES</b>			
RESERVES GNSS2, ARTES, PPF Envisat,			
Financial Mgmt. Reform, Exchange gains	50,456	43,663	6,793
Reserve for Accruals and Provisions	-92,532	151,557	-244,089
SURPLUS	565,815	507,677	58,138
	<b>523,739</b>	<b>702,897</b>	<b>-179,158</b>

## MEMORANDUM ACCOUNTS

Property, plant and equipment	2,788,810	2,787,030	1,780
Fixed assets in progress	339,150	284,615	54,535
<b>INVENTORY OF FIXED ASSETS</b>	<b>3,127,960</b>	<b>3,071,645</b>	<b>56,315</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007 (in M€)****CASH FLOWS FROM OPERATING ACTIVITIES****Receipts of contributions**

2007 Called Contributions	2,683.2	
Increase in outstanding contributions	-202.4	
Increase in prepaid contributions	-24.3	
Decrease in Regulation Fund	-11.5	
	<u>          </u>	2,445.0

**Other receipts**

Other Income ESA financed programmes	229.5	
Third Party Programmes	136.7	
Plan for European Cooperating States	4.3	
Other receipts	1.8	
Increase in other customers	-12.4	
Increase in other amounts receivable	-7.9	
Increase in other reserves	-10.2	
	<u>          </u>	341.8
		<u>2,786.8</u>

**Payments**

Expenses for ESA Programmes	-2,943.0	
Expenses for Third Party Programmes	-52.8	
Expenses for Plan for European Cooperating States	-4.0	
Other expenses	-7.0	
Decrease in prepayments to suppliers	156.6	
Increase in untaken staff leave	0.9	
Increase in accrued payables	111.3	
Increase in other amounts payable	32.6	
Reimbursement of contributions	-5.4	
Transfer of 2006 surplus to pension		
Buffer Fund	-1.0	
	<u>          </u>	-2,711.8

**Net cash flow from operating activities** 75.0

**CASH AND BANKS 31 December 2006** 908.1

**CASH AND BANKS 31 December 2007** 983.1

## STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEARS 2006–07 (in M€)

	SURPLUS (A)	RESERVES (B)	RESERVE FOR ACCRUALS AND PROVISIONS (C)	TOTAL NET ASSETS (A+B+C)
<b>Balance at 31 December 2006 ESA/AF(2007)1</b>	507.7	43.6	151.6	702.9
Allocation of Surplus 2006 to income 2007:				
- Programmes funded by contributions	-657.2			
- Plan for European Cooperating States	-3.4			
- Programmes funded by Third Parties	-50.2			
- Management and Suspense Outputs	-17.6			
Reimbursement to Participants	-5.4			
Allocation to Financial Management Reform Reserve	-17.3			
Allocation to Pensions Buffer Fund	-1.0			
Allocation to exchange gains reserve	0.3			
Adjustments for accrued expenditure 2006	244.1		-244.1	-244.1
<b>Sub-total Allocation of Surplus 2006</b>	<b>-507.7</b>			<b>-507.7</b>
Surplus 2007	565.8			565.8
Net movements in reserves		6.8		6.8
<b>Balance 31 December 2007</b>	<b>565.8</b>	<b>50.4</b>	<b>-92.5</b>	<b>523.7</b>