

EUROCONTROL Agency Annual Accounts

As at 31 December 2018



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1. FOREWORD AND CORPORATE GOVERNANCE

FOREWORD TO THE AGENCY'S 2018 ANNUAL ACCOUNTS

The EUROCONTROL 2018 Annual Accounts paint a picture of stability and firm discipline on cost control.

Over the period 2014-2018, the annual outturn for the key budget parts (I General Budget, III Maastricht Upper Area Control Centre, IV Special Annexes, and IX Network Manager) has remained stable, ranging between € 628.8 million and € 651.9 million. The 2018 outturn of € 651.9 million represents a modest 1.1% increase compared with 2017 (€ 644.4 million).

In detail, the 2018 Annual Accounts present a balanced picture, with decreases in most categories of expenditure offsetting an increase in staff costs.

Pension costs in Parts I, III, IV and IX declined considerably from € 104.9 million in 2017 to € 91.2 million in 2018.

Operating costs for these Parts also declined from € 126.9 million in 2017 to € 121.7 million in 2018. These structural savings were largely attributable to keeping infrastructure and external support expenditure under control, with improved exploitation of synergies and efficiencies following an initial reorganisation of the Agency in April 2018.

A similar picture was recorded with depreciation and cost of capital (interest paid to banks), which declined slightly from € 19.0 million in 2017 to € 18.9 million in 2018. This follows an established trend over the years, which has seen this category of expenditure drop markedly since 2012, when it stood at € 30.4 million, reflecting a continuing reduction in investment and cheaper financing costs.

These decreases helped counterbalance the staff cost increase in Parts I, III, IV and IX owing to salary adjustments, as this category rose from € 354.9 million in 2017 to € 380.8 million in 2018. After recording major decreases earlier in the decade, the Agency kept its overall staffing level (officials, servants and contract staff) constant in 2018 at 1,898 for the third year in succession (compared with 1,892 in 2017, and 1,894 in 2016).

For the coming years, a new investment plan will take place with the agreement of the EUROCONTROL Member States to replace the infrastructure of the Network Manager (NM) (Part IX) following the reappointment of EUROCONTROL as the NM by the European Commission, which was confirmed in 2019.

Following the change in the recognition of pension fund receivables from last year's audited Annual Accounts for reimbursement rights, future contributions to be received from Member States are no longer recognised as an asset. This change has led to a negative equity of € 5,666.3 million for the year ending 2018.



Adriaan Heerbaart

Director Central Route Charges Office, Finance and central IT

Directors

Eamonn Brennan

Director General

Adriaan Heerbaart

Director Central Route Charge Office and Director Pan-European Single Sky up to 20 April 2018

Director Central Route Charges Office, Finance and Central IT since 20 April 2018

John Santurbano

Director Maastricht Upper Area Control Centre

Philippe Merlo

Director Air Traffic Management up to 20 April 2018

Director European Civil-Military Aviation as from 20 April 2018

Joe Sultana

Director Network Management

Alberto Varano

Principal Director Resources up to 20 April 2018

Sabrina Depicker

Head of Human Resources and Services since 20 April 2018

Registered Office

Rue de la Fusée 96, 1130 Brussels

CORPORATE GOVERNANCE

EUROCONTROL is an international organisation established under the EUROCONTROL Convention of 13 December 1960, subsequently amended on 12 February 1981 (Amended Convention). The EUROCONTROL Convention was further revised on 27 June 1997 (Revised Convention). Pending the entry into force of the 1997 Revised Convention, the EUROCONTROL Member States agreed on the early implementation of specific provisions thereof.

Governance Structure

EUROCONTROL comprises three organs: two governing bodies (the Permanent Commission and the Provisional Council) and one executive body (the Agency).

EUROCONTROL Permanent Commission

In the EUROCONTROL Permanent Commission, Member States are represented at ministerial level. The Permanent Commission formulates the Organisation's general policy and is the ultimate decision-making body of the Organisation.

It also approves the Agency's annual work programme, the five-year programme, the Agency's budget, the Contract Regulations, Financial regulations and Staff Regulations, and is responsible for appointing the Director General and Directors. It gives a final ruling on the Agency's annual accounts.

EUROCONTROL Provisional Council

Member States are represented in the Provisional Council at the level of Directors General of Civil Aviation. The European Union participates in the work of the Provisional Council.

The Provisional Council is responsible for preparing the work of the Permanent Commission, implementing EUROCONTROL's general policy, as established by the Permanent Commission, and for supervising the Agency's work.

EUROCONTROL's institutional structure includes a number of advisory bodies to the Provisional Council and/or to the Permanent Commission that monitor the transparency of the Agency's work, supervise operations in specific areas, facilitate dialogue and coordinate work programmes in certain domains.

The Agency

The EUROCONTROL Agency is responsible for performing tasks prescribed by the Convention or entrusted to it by the Permanent Commission. The Director General enjoys wide independence with regard to the management of the Agency.

Stakeholder involvement

EUROCONTROL is an intergovernmental Organisation, driven by its member States (civil and military authorities). However, it also aims to ensure that the interests of all aviation stakeholders are represented in its decision-making process. Consequently, stakeholders such as airspace users, air navigation service providers and airports are now fully involved in steering the Agency's efforts to help create the Single European Sky at a pan-European level.

In essence, the governance arrangements break down into three different levels:

- At Organisation level, an Air Navigation Services Board (ANSB) is in place to advise on the Agency's Business Plan, including associated financial commitments, before their submission to the Provisional Council for approval.
- At project and programme level, various advisory and consultative bodies composed of stakeholders (e.g. the Military ATM Board - MAB) provide advice to the Director General and where appropriate to the Provisional Council.

Strong coordination between these groups contributes to the Agency's full alignment with the strategic priorities and objectives agreed with the Member States and stakeholders.

The route charges system continues to be assisted, supported and monitored by the enlarged Committee for Route Charges, and MUAC by the Maastricht Coordination Group.

INTERNAL CONTROL

Executive responsibility for internal control is vested in the Director General. The system exists to ensure that Agency's objectives are achieved efficiently and economically, and in compliance with EUROCONTROL's regulations. It is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Agency's internal control system comprises the following elements:

- Financial, Contract and Staff Regulations
- Annual Budget and Five-Year Programme
- Agency Business Plan
- Performance measurement systems and activity reports
- Decisions of the Director General or Directors, organising the Agency, allocating specific responsibilities and delegating powers
- An accounting system
- Segregation of duties between the functions of fund managers, authorising officers, accountants and treasurers
- Corporate risk management
- An internal audit function
- Annual Accounts
- External Audit
- A "whistle-blowing" procedure as specified in the Staff Regulations for staff to report any potential financial wrongdoing.

Some of the key features are described below.

Corporate risk management

EUROCONTROL has designed risk management systems to identify, assess and where necessary take action to counteract or mitigate any risks associated with its activities. Corporate-wide guidance on risk management has been developed. Risk management is an integral part of management activity, and is integrated into the business planning process.

Internal Audit

EUROCONTROL's Internal Audit Service provides an objective and independent assurance and consultancy function. Its functions include recommending to Agency Management effective internal controls designed to help meet the Agency's objectives, assisting the Agency in improving the effectiveness of its risk management, and promoting sound corporate governance and corporate ethics in the Agency.

These activities support Agency management in overseeing an effective system of internal controls designed to help the Agency meet its objectives.

In determining its work programme and exercising its functions, the Internal Audit Service evaluates risk exposures relating to the Agency's governance, operations, assets, and information systems, including the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets;
- compliance with laws, regulations policies, procedures and contracts.

The Head of Internal Audit, whose appointment by the Director General is approved by the Provisional Council and the Enlarged Committee for Route Charges, reports directly to the Director General. She may bring matters that in her view are significant to the attention of the Audit Board, the Provisional Council and the enlarged Committee for Route Charges.

External Audit

The Audit Board examines and reports annually on the Agency accounts, the Route Charges system accounts, and the Pension Fund Accounts and reports to the Permanent Commission, via the Provisional Council. With regard to the financial management of the Route Charges System, it reports also via the Enlarged Committee. The Audit Board also reviews the level of transparency of the Agency's procedures and decisions.

The Board is independent from the Agency and has financial resources specifically dedicated to its work, provided through the Agency Budget and approved by the Commission. It is composed of six members designated by six Contracting States, on a rotating basis, for a period of four years. The Rules of Procedure of the Audit Board stipulate that its members shall be professional auditors. Board members are not paid by the Agency, but are refunded in full for their travel expenses.

Annual accounts

EUROCONTROL produces budgetary accounts presenting the execution of the budget and financial accounts showing the financial position and the financial performance of the Agency. The financial accounts are produced in accordance with International Financial Reporting Standards and the budgetary accounts according to the Financial Regulations.

The accounts of the Agency, Pension Fund and of the Route Charges System are audited by the Audit Board, assisted by an auditing company, selected through an open call for tenders' procedure. The annual accounts, including the audit opinion, are submitted to the Permanent Commission via the Provisional Council.

The Commission gives a final ruling on the accounts and decides on the discharge to be given to the Director General in respect of his financial and accounting management.

Appointment of staff and remuneration

EUROCONTROL officials/servants/contract staff members are appointed by the Director General following a rigorous recruitment and selection procedure involving selection boards, which are made up of management and staff representatives.

In accordance with the EUROCONTROL Staff Regulations, any officials/servants/contract staff wishing to engage in an outside activity must obtain the prior approval of the Director General, and further measures are in place to manage potential conflicts of interests.

The system of staff remuneration, including that of the Director General and the Directors, is approved by the Permanent Commission and is linked to the method used in the European Union.

Prepared by the Head of Accounting & Treasury, in accordance with the provisions of the Financial Regulations of the Agency, their Rules of Application, the Director General's Decisions and the Director of Resources' Decisions,



Mr Ross WALTON,

Head of Accounting and Treasury



Approved by **Mr Adriaan HEERBAART,**
Director Central Route Charges Office,
Finance and Central IT

2. FINANCIAL ACCOUNTS

2. FINANCIAL ACCOUNTS

2.1 Income Statement

for the year ended 31 December

Income Statement as at 31 December 2018	Notes	2018 €000	2017 €000
Member States contributions	2.6.3	543,027	536,250
Rendering of services	2.6.3	54,938	52,431
Revenue		597,965	588,681
Other income	2.6.4	12	56
Employee benefit expenses	2.6.5	-531,064	-512,991
Depreciation expense on Property, Plant & Equipment	2.6.9	-12,295	-12,020
Depreciation expense on Intangible Assets	2.6.10	-6,571	-6,489
Other expenses	2.6.6	-158,554	-155,037
Finance revenue	2.6.7	26,540	135,266
Finance costs	2.6.8	-96,026	-7,813
Profit/ (loss) of the year		-179,994	29,654

2.2 Statement of Comprehensive Income

for the year ended 31 December

	2018 €000	2017 €000
Profit/ (loss) of the year	-179,994	29,654
Other comprehensive income to be reclassified to profit and loss in subsequent periods	6	-20
Net (loss) gain on Available-For-Sale financial assets	6	-20
Other comprehensive income not to be reclassified to profit and loss in subsequent periods	-265,855	-256,550
Re-measurement employee benefits	-265,855	-256,550
Other comprehensive income	-265,849	-256,570
Total comprehensive income for the year	-445,843	-226,916

2.3 Statement of Financial Position

as at 31 December

Assets	Notes	2018 €000	2017 €000
Non-current assets			
Property, plant and equipment	2.6.9	124,518	124,928
Intangible assets	2.6.10	17,870	20,402
Available for sale investments	2.6.11	302	296
Other receivables	2.6.13	4,586	5,223
		147,276	150,849
Current assets			
Receivables from Member States	2.6.12	126,241	127,476
Other receivables	2.6.13	42,301	38,326
Accrued income	2.6.14	470	1,239
Marketable securities	2.6.15	1,456,673	1,496,856
Cash and short term deposits	2.6.16	186,180	171,746
		1,811,865	1,835,643
Total Assets		1,959,141	1,986,492

FINANCIAL ACCOUNTS

2.3 Statement of Financial Position (continued)

as at 31 December

Equity and Liabilities	Notes	2018 €000	2017 €000
Equity	2.4	-5,666,382	-5,220,538
Non-current liabilities			
Employee benefit liability	2.6.17	7,212,428	6,785,863
Provisions	2.6.18	18,452	17,776
Financial liabilities	2.6.19	85,000	108,750
		7,315,880	6,912,389
Current liabilities			
Amounts to be reimbursed to Member States		37,819	43,231
Trade and other payables	2.6.20	104,347	87,112
Provisions	2.6.18	0	18
Financial liabilities	2.6.19	23,750	23,780
Accrued charges and deferred income	2.6.21	143,727	140,499
		309,643	294,641
Total liabilities		7,625,523	7,207,031
Total Equity and Liabilities		1,959,141	1,986,492

Amounts to be reimbursed to Member States represent the liability of the Agency which reflects the unused budget received from the Member States.

2.4 Statement of Changes in Equity

for the year ended 31 December

	2018 €000	2017 €000
At beginning of the year	-5,220,537	-4,993,621
Profit/ loss for the year	-179,994	29,654
Other Comprehensive Income	-265,849	-256,570
At end of the year	-5,666,380	-5,220,537

Amounts to be called from Member States represent the part of Employee Benefit Liability and provisions that must be funded by future Member States contributions. In accordance with article 18 of the Financial Regulations, article 83 of the Staff Regulations and article 30 of the Convention, Member States shall fund the payment for post employment benefits through the annual budget and shall jointly guarantee the liability for these benefits.

FINANCIAL ACCOUNTS

2.5 Cash Flow Statement

for the year ended 31 December

	Notes	2018 €000	2017 €000
I. CASH & CASH EQUIVALENTS OPENING BALANCE	2.6.16	171,750	132,651
Profit/ (loss) of the year		-179,994	29,654
Income tax paid		0	0
Non cash adjustment to reconcile profit/ (loss) of the year to net cash flows			
Operating activities		249,348	42,193
Depreciation and amortisation	2.6.9 & 2.6.10	18,537	18,308
Impairment losses		330	201
Change in provisions		160,995	151,138
Finance revenue	2.6.7	-26,540	-135,266
Finance costs	2.6.8	96,026	7,813
Change in working capital		13,319	6,456
Trade & other receivables		-2,740	-3,744
Trade & other payables		16,059	10,200
NET CASH FLOWS FROM OPERATING ACTIVITIES		82,673	78,303
Investing activities		-62,816	-87,483
Purchase of property, plant and equipment	2.6.9	-11,885	-11,900
Purchase of intangibles	2.6.10	-4,039	-1,811
Purchase of securities & short term deposits		-46,892	-73,772
Proceeds of securities		0	0
Interests received		25,417	17,391
NET CASH FLOWS FROM INVESTING ACTIVITIES		-37,399	-70,092
Financing activities			
Interest paid		-7,090	-6,587
Repayment of borrowings	2.6.19	-93,750	-32,525
Proceeds from borrowings	2.6.19	70,000	70,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		-30,840	30,888
II. NET CHANGE IN CASH & CASH EQUIVALENTS		14,434	39,099
Net foreign exchange difference		0	0
III. CASH & CASH EQUIVALENTS, CLOSING BALANCE	2.6.16	186,184	171,750
Cash and cash equivalents		186,184	171,750
Short-term deposits > 3 months < one year		0	0
Cash and short term deposits		186,184	171,750

2.6 Notes to the Financial Statements

2.6.1. Corporate information

EUROCONTROL is an intergovernmental organisation with 41 Member States as at 31 December 2018 and has as its primary objective the development of a seamless, pan-European air traffic management (ATM) system.

Originally established in 1960 as an international organisation dealing with air traffic control for civil and military users in the upper airspace of its founding European Member States (Belgium, Germany, France, Luxembourg, the Netherlands and the United Kingdom), EUROCONTROL now pioneers advances in air traffic management technology, operational procedures and system interoperability.

Working closely with Member States, air navigation service providers, civil and military airspace users, airports, the aerospace industry, professional organisations and European institutions, EUROCONTROL is committed to ensuring that airspace users and passengers can continue to benefit from a safe, expeditious and efficient European air transport system.

Its roles and responsibilities are:

- Network manager and network management functions
- Delivering the SESAR commitments
- Collecting route charges
- Providing regional ATC services
- Providing essential oversight and support to regulations and
- Delivering the specific services requested by the ATM industry.

EUROCONTROL financial regulation defines the general financial and budgetary principles, in particular regarding the respect of the budgetary equilibrium (see Article 1, paragraph 4).

The financial statements of EUROCONTROL Agency ('the Organisation') for the year ended 31 December 2018 were authorised by the Director General on 5 June 2019.

2.6.2 Significant accounting policies

2.6.2.1 Basis of preparation

The financial statements are presented in euros and all values are rounded to the nearest thousand (€ 000) except when otherwise indicated.

The financial statements have been prepared on a historical cost basis, except for

- Available-for-sale investments and marketable securities that have been measured at fair value.
- Held to maturity investments that have been measured at amortised cost using the effective interest method.

Statement of compliance

The financial statements of EUROCONTROL Agency (the 'Organisation') have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As there is currently no specific IFRS guidelines for non-profit Organisations concerning the accounting treatment and the presentation of the financial statements, the Organisation based its accounting policies on the general principles of IFRS, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

FINANCIAL ACCOUNTS

2.6.2.2. Change in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC Interpretations effective as of 1 January 2018:

- IFRS 9, 'Financial instruments' (effective 1 January 2018). This standard, which covers financial instruments on both the asset as well as the liability side, describes the criteria for recognition, classification and de-recognition of such instruments, in addition to the allowed measurement methods.

The provision for doubtful debts is an estimate of the outstanding amounts which in future years could become irrecoverable.

The application of the expected credit loss model has been applied prospectively as of 1 January 2018.

The provision has to be established by applying to each bill outstanding at 31 December 2018 an expected credit loss depending on the ageing category of the receivable. The expected credit loss have been calculated based on the historical losses over a five year period for the different ageing categories of receivables. As result of the budgetary mechanism under which EUROCONTROL Agency operates, no historic losses have been identified and hence no provision recognised.

- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018). The IASB and FASB have jointly published a standard regarding revenue from contracts with customers. The standard will result in better financial reporting and will improve the comparability of the top line in financial statements globally. Companies using IFRS are required to apply the revenue standard for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 15, 'Revenue from contracts with customers' - Clarifications (effective 1 January 2018). These amendments comprise clarification guidance on identifying performance obligations, accounting for licenses of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018): 'This IFRIC addresses foreign currency transactions or parts of transactions where there is an advance consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.'

- Annual improvements 2014-2016 applicable to three standards of which changes on IFRS 1 and IAS 28 are applicable as of 1 January 2018 and changes to IFRS 12 are applicable as of 1 January 2017. The improvements that are applicable as of 1 January 2017 concern IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (these amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017).

- IFRS 16: In 2018, there were no leases.

The changes on the above IFRS and IFRIC do not have a significant impact on the financial statements of the Organisation.

2.6.2.3 Significant accounting judgement, estimates and assumptions

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Pension and Other Post Employment Benefits

The cost of defined benefit pension plans and other post-employment benefits (sickness scheme, early termination services allowances, and resettlement and removal allowances, post-employment family allowances) is determined using actuarial valuations. The actuarial valuation involves making

assumptions about discount rates, future salary increases, mortality rates, medical cost and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

In accordance with IAS19 paragraph 130, possible future invalidity benefits are only recognised when an event causing invalidity occurs if, as it is the case in EUROCONTROL, the benefits are not dependant on a vesting period. Therefore, future invalidity benefits are not included in the Defined Benefit Obligations.

The employee liability at 31 December 2018 is K€ 7,212,428. Further details are given in Note 2.6.17.

Fair Value of Unquoted Equity Instruments

According to IAS 39-46c, unquoted equity instruments have been valued at cost in USD and converted to EUR using the exchange rate as at 31 December 2018. The fair value of the unquoted equity instruments at 31 December 2018 was € 301,735 (see Note 2.6.11).

Provision for sickness allowances

The provision for sickness claims incurred but not yet reported has been estimated based on the pattern of the expenditure of the previous years and on the payments made during the first two months of the next year which relate to sickness of the year. The provision for sickness allowances amounts to € 3,155,414 at 31 December 2018.

Provision for litigious cases

The provision for litigious cases relates to litigious cases with Staff which were brought to the International Labor Organisation Administrative Tribunal (ILOAT). The provision for litigious case amounts to €1.000.000 at 31 December 2018. Further details are given in Note 2.6.18.

Provision for the closure of the CEATS project

The closure of the sites in Budapest and Prague was decided in 2010 and resulted in staff being redeployed or whose budgetary post was subject to become non active in accordance with Article 41 of the Staff Regulations.

The provision for the closure of the sites of Budapest and Prague is equal to zero at 31 December 2018. Further details are given in Note 2.6.18.

Dismantling provision

The Organisation has an obligation to restate the physical land in Maastricht, Bretigny and Luxemburg in their original shape. Therefore, a provision for dismantling costs has been constituted. This provision is based on an external valuation report of physical assets as of 27 March 2017. This valuation also requires the Organisation to make estimates about the discount rate and hence it is subject to uncertainty. The provision for dismantling costs amounts to € 17,451,670 at 31 December 2018. Further information is given in Note 2.6.18.

2.6.2.4 Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in euro, which is the functional and presentation currency of the Organisation. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are taken to profit or loss with the exception of foreign exchange differences on Available-for-sale financial investments which are recognised directly in equity.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Organisation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised:

FINANCIAL ACCOUNTS

Member States contributions

The annual financial contributions of the Member States are based on their Gross National Product (GNP) and Air Traffic Control costs (ATC). They are decided during the budget approval process relative to the following financial year. Member State contributions constitute the primary source of funds for the Organisation. Those contributions, excluding reimbursements of pension obligations, are recognised in revenues in the year to which they relate.

Rendering of service

Revenues from the rendering of services comprise (i) the "Special Annexes", (ii) the revenues generated by the Central Route Charges Office (CRCO) for providing billing and collecting services to member or non-Member States, and (iii) the revenues from sale of services (e.g. aeronautical charts, ATC training and courses). They are recognised by reference to the stage of completion. Stage of completion is measured by reference to the expenditure incurred to date as a percentage of the total cost to be incurred. Usually, all the costs are covered by the party having requested the service. The outcome of the contract can therefore usually be measured reliably. Revenue is recognised over time.

Interest income

Revenue is recognised as interest accrues using the effective interest method that is the rate that exactly discounts future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Such cost includes the present value of the expected cost of dismantling some buildings, the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

The threshold from which an asset is considered as Property, Plant & Equipment (PP&E) is set at € 1.500 per unit.

Depreciation is calculated on a straight line basis over the useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Useful Lives

The useful lives of the assets are estimated as follows:

Constructions	50 years
Fitting out	20 years
Technical installations	20 years
Electrical installations	15 years
ATC Equipment	15 years
Equipment	From 3 to 8 years
Vehicles	5 years
IT equipment under finance leases	From 3 to 5 years

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets is reviewed at least at each financial year end.

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Research costs are expensed as incurred. Development costs are also expensed since the Organisation cannot demonstrate that the related asset will generate future economic benefits.

Useful Lives

The useful lives of the assets are estimated as follows:

Computer Software	From 8 to 12 years
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Impairment of non-financial assets

The Organisation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Organisation makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Organisation makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount

since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Leases

Finance leases, which transfer to the Organisation substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Organisation will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Investments and other financial assets

The Organisation determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Organisation commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are classified as held for trading if they are acquired for the purpose of selling in the near term. Gain or losses on investments held for trading are recognised in profit or loss.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in equity in the net unrealised gains reserve. When the investment is disposed off, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as 'Dividends received' when the right of payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Organisation assesses at each financial position date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial investments

If an available-for-sale asset is impaired (significant or prolonged decline), an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement. Reversals in respect of equity instruments classified as available for sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Cash and short term deposits

Cash and short term deposits in the financial position comprise cash at banks and on hand and short term deposits with an original maturity of one year or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short term deposits of less than 3 months, net of outstanding bank overdrafts.

Financial liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Organisation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

Provisions are recognised when the Organisation has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pension and other post-employment benefits

The Organisation operates a Defined Benefit pension plan that requires contributions to be paid to a separately administrated bank account within the Organisation. However, as this bank account is not legally separated from the Agency, the plan is considered as unfunded. In addition, the Organisation provides certain post-employment healthcare benefits and resettlement and removal allowances. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognised directly in the other comprehensive income statement when incurred.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits

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become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability comprises the present value of the defined benefit obligation using a discount rate based on high quality corporate bonds less past service cost not yet recognised.

2.6.2.5 Future change in accounting policies

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below. The System intends to adopt these standards and interpretations when they become effective. These standards will have no material impact on the financials.

The following new and amended IFRS and IFRIC Interpretations will be effective for accounting years beginning on or after as of 1 January 2019 or later:

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union:

- IFRS 16, 'Leases' (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendments to IFRS 9, 'Prepayment features with negative compensation' (effective 1 January 2019 within

the EU). An amendment to allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss, because they would otherwise fail the SPPI-test. In addition, this amendment clarifies an aspect of the accounting for financial liabilities following a modification.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have not been endorsed by the European Union:

- Amendments to IAS 19, 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019). The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. In addition, an entity will have to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement.

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020). The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also

clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.

2.6.3. Revenue

The revenue breaks down into the following categories:

	2018 €000	2017 €000
Member States contributions	543,027	536,250
Revenue from Special Annexes	20,200	21,872
Revenue from running the Route Charge System	19,449	16,652
Revenue from Comprehensive Agreement States	7,087	6,656
Revenue from sale of services	8,202	7,251
Rendering of services	54,938	52,431
Total Revenue	597,965	588,681

2.6.4. Other income

	2018 €000	2017 €000
Sale of goods	12	56
	12	56

2.6.5. Employee benefit expenses

	2018 €000	2017 €000
Salaries	223,464	216,465
Other employment benefits (note 2.6.17)	307,600	296,526
	531,064	512,991

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2.6.6. Other Expenses

	2018 €000	2017 €000
External assistance	84,886	76,007
Data processing	36,084	39,074
Accommodation	22,932	23,539
Communication	8,187	8,247
General administration	2,417	2,267
Non recoverable VAT	113	59
SESAR Joint Undertakings payment	3,000	5,200
Insurance	611	618
Other unrecoverable debts including impairment on TENT-Centralised Services	323	26
	158,554	155,037

2.6.7. Finance Revenue

	2018 €000	2017 €000
Unrealised income on marketable securities	0	104,612
Gains realized on sale of marketable securities	1,892	12,879
Interest earned on deposits, current accounts, dividends	24,648	17,775
	26,540	135,266

2.6.8. Finance Costs

	2018 €000	2017 €000
Interest costs on bank loans and other	810	1,610
Management fees to assets managers	6,249	4,966
Unwinding of discount on the provision for dismantling costs and CEATS closure (note 2.6.19)	0	1
Loss on marketable securities	88,966	1,235
	96,026	7,813

Research and development costs

Research and development costs in 2018 and 2017 amounted to M€ 78.5 and M€ 73.9 charged directly in the income statement.

2.6.9. Property, plant and equipment

	Constructions	Fitting out	Technical installations	Electrical installations	Equipment & vehicles	Works in progress	Leasing	Dismantling	Total
Cost or valuation									
At 1 January 2018	80,671	21,444	47,138	15,572	121,831	3,330	0	8,524	298,509
Additions	44	69	643	174	6,150	4,805	0	0	11,885
Disposals	0	-44	-285	-31	-22,084	0	0	0	-22,444
Revaluations									0
Transfer	495	538	557	542	3,926	-6,058	0	0	0
At 31 December 2018	81,209	22,007	48,053	16,256	109,824	2,078	0	8,524	287,951
Depreciation and impairment:									
At 1 January 2018	19,418	16,168	30,628	9,981	94,671	0	0	2,716	173,581
Depreciation charges for the year	2,068	667	1,431	753	7,034	0	0	247	12,201
Impairment									0
Disposals	0	-44	-285	-31	-21,989	0	0	0	-22,349
Transfer									0
At 31 December 2018	21,486	16,791	31,774	10,703	79,717	0	0	2,962	163,433
Net book value:									
At 31 December 2018	59,723	5,216	16,279	5,554	30,107	2,078	0	5,562	124,518

The depreciation expenses in 2018 amount to K€ 12,296 and consist of

- the depreciation of the year : K€ 12,201
- the loss on disposals, i.e. K€ 22,444 – K€ 22,349= K€ 95

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2.6.9. Property, plant and equipment

	Constructions	Fitting out	Technical installations	Electrical installations	Equipment & vehicles	Works in progress	Leasing	Dismantling	Total
Cost or valuation									
At 1 January 2017	80,671	21,392	45,530	15,370	117,890	9,271	0	8,524	298,647
Additions	0	22	2,023	56	6,702	3,097	0	0	11,900
Disposals	0	0	-2,900	-20	-9,117	0	0	0	-12,038
Revaluations									0
Transfer	0	30	2,485	166	6,356	-9,038	0	0	0
At 31 December 2017	80,671	21,444	47,138	15,572	121,831	3,330	0	8,524	298,509
Depreciation and impairment:									
At 1 January 2017	17,357	14,751	31,664	9,273	98,085	0	0	2,469	173,599
Depreciation charges for the year	2,061	1,417	1,864	728	5,563	0	0	247	11,879
Impairment									0
Disposals	0	0	-2,900	-20	-8,977	0	0	0	-11,897
Transfer	19,418								0
At 31 December 2017	17,357	16,168	30,628	9,981	94,671	0	0	2,716	173,581
Net book value:									
At 31 December 2017	61,253	5,276	16,511	5,591	27,160	3,330	0	5,808	124,928

The depreciation expenses in 2017 amount to K€ 12,020 and consist of

- the depreciation of the year : K€ 11,879
- the loss on disposals, i.e. K€ 12,038 – K€ 11,897= K€ 141

2.6.10. Intangible assets

	Computer Software	Computer Software in progress	Total
Cost or valuation			
At 1 January 2018	149,616	677	150,294
Additions	3,033	1,006	4,039
Disposals	-1,020	0	-1,020
Revaluations			0
Transfer	888	-888	0
At 31 December 2018	152,517	796	153,313
Depreciation and impairment:			
At 1 January 2018	129,892	0	129,892
Depreciation charges for the year	6,337	0	6,337
Impairment			0
Disposals	-785	0	-785
Transfer	0	0	0
At 31 December 2018	135,443	0	135,443
Net book value: at 31 December 2018	17,074	796	17,870

The depreciation expenses in 2018 amount to K€ 6,572 and consist of

- the depreciation charges of the year : K€ 6,337
- the loss on disposals, i.e. K€ 1,020 – 785 = K€ 235

	Computer Software	Computer Software in progress	Total
Cost or valuation			
At 1 January 2017	148,781	379	149,161
Additions	1,433	377	1,811
Disposals	-678	0	-678
Revaluations			0
Transfer	80	-80	0
At 31 December 2017	149,616	677	150,294
Depreciation and impairment:			
At 1 January 2017	124,080	0	124,080
Depreciation charges for the year	6,428	0	6,428
Impairment			0
Disposals	-617	0	-617
Transfer	0	0	0
At 31 December 2017	129,892	0	129,892
Net book value: at 31 December 2017	19,725	677	20,402

The depreciation expenses in 2017 amount to K€ 6,489 and consist of

- the depreciation charges of the year : K€ 6,428
- the loss on disposals, i.e. K€ 678 – 617 = K€ 61

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2.6.11. Available for sale investments

	2018 €000	2017 €000
Ordinary shares – unquoted (SITA shares)	302	296
	302	296
Ordinary shares - unquote (SITA shares) as at 1 January	296	316
Movement due to revaluation of USD in EUR	6	-20
Ordinary shares - unquote (SITA shares) as at 31/12	302	296

The unquoted ordinary shares have been measured at cost in USD and converted to EUR using exchange rate as at 31 December 2018.

2.6.12. Receivables from Member States

	2018 €000	2017 €000
Contributions from Member States	123,986	125,776
Contributions from MUAC Member States for support cost and pension tax compensation	2,255	1,701
	126,241	127,476

Contributions from Member States are due within 60 days and, in the event of late payment, are subject to a penalty equal to the 3 months term deposit interest rate as published by the European Central Bank. Contributions from Member States were not impaired.

2.6.13. Other receivables

	2018 €000	2017 €000
Non-Current		
Advances to Central Route Charges System	4,586	5,223
	4,586	5,223
Current		
Remuneration paid in advance	19,798	19,454
Advances to suppliers	9,159	7,186
VAT	2,540	1,820
Amounts receivable in relation with special annexes	5,491	3,314
Impairment on TENT-Centralised Services	0	0
Administrative charges due by users	2,300	603
Advances to SITA	573	648
Advances to Central Route Charge System	637	637
Others	1,803	4,664
	42,301	38,326

In 2016, the enlarged Committee for Route Charges authorised the conclusion of a court settlement at the amount of €6,492,930 which is financed through a loan and will be recovered over 10 years through the administrative unit rate. As at 31 December 2018, the outstanding balance is €5,222,780 (€4,585,956 non current and €636,823 current).

As at 31 December 2018, the analysis of receivables (Member States and other) from the rendering of services that were past due but not impaired is as follows:

Contributions from Member States + Other receivables

			Past due but not impaired				
	Total €000	Neither past due nor impaired €000	< 30 days €000	30 – 60 days €000	60 – 90 day €000	90 – 120 day €000	>120 days €000
2018	172,425	171,604	339	100	117	35	229
2017	171,025	169,065	368	274	1,120	25	173

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2.6.14. Accrued income

	2018 €000	2017 €000
Accrued income	470	1,239
	470	1,239

2.6.15. Marketable securities

	2018 €000	2017 €000
Global Stock Index Instit Euro Hedged – quoted	222,298	243,611
Eurozone Stock Index – quoted	202,136	228,429
Euro Investment Grade Bond - quoted	236,956	238,816
Euro government bonds –quoted	118,553	109,857
Euro inflation -linked bonds - quoted	138,511	125,382
Emerging markets equities - quoted	144,959	159,894
Unlisted real estate	98,047	88,979
Listed real estate - quoted	64,084	60,046
Emerging markets bonds - quoted	154,249	159,718
Infrastructure - unquoted	76,884	82,124
Total marketable securities	1,456,673	1,496,856

As of 31st December 2018, **marketable securities (level 1)** are fair valued, using quoted market prices. Marketable securities can only be used to pay some pension obligations. Marketable securities are measured at fair value through profit or loss.

Concentration risk

Concentration risk is a term describing the level of risk in a portfolio arising from concentration to a single counterparty, sector, or country.

The risk arises from the observation that more concentrated portfolios are less diverse and therefore the returns on the underlying assets are more correlated.

In 2005 the Pension Fund Supervisory Board approved an initial investment strategy for a period of three years. The assets were invested in a passive management style, in two investment funds from Vanguard Investments Europe, with a target allocation of 80% in Euro government bonds and 20% in Global Equities.

In 2008, the Pension Fund Supervisory Board approved a revised strategy aiming at investing 45% of the Fund's assets in equities, 44% in bonds, 10% in real estate and 1% in cash. At 31st December 2018, the allocation was 41.60% equities, 41.72% bonds, 10.43% real estate and 6.24% cash.

Counterparty risk

The risk that the other party to an agreement will default. The counterparty can be an individual entity, an asset manager, a bank, etc. A proper diversification is required to mitigate the counterparty risk.

As of 31st December 2018 the bonds portfolio shows the following credit quality:

Bonds	Average Credit rating	Source
Vanguard EURO Gvt Bonds	AA-	Credit-quality ratings for each issue are obtained from Barclays using ratings derived from Moody's Investors Service, Fitch Ratings, and Standard & Poors
Vanguard Euro Invst Grade Bonds	A+	Credit-quality ratings for each issue are obtained from Barclays using ratings derived from Moody's Investors Service, Fitch Ratings, and Standard & Poors
BlueBay EMD	BBB-	Credit-quality ratings for each issue are derived from Moody's, Fitch Ratings, and Standard & Poors
UBS EMD	BB	Credit-quality ratings based on J.P. Morgan rating methodology whereby 3 ratings are used (Moody's, J.P. Morgan and Fitch ratings). If these differ, the rating that is used by 2 out of the 3 ratings. In case all 3 are different the middle one is used.
KBC ILB	NR	Credit-quality is defined on security level (not issuer level) and is determined as an average of the ratings by Standard & Poors, Moody's, Fitch and Dunn & Bradstreet.
Petercam SRI	A	Credit-quality rating is based on Standard & Poors rating scale.
KBC SRI Corporate bonds	BBB+	Credit-quality is defined on security level (not issuer level) and is determined as an average of the ratings by Standard & Poors, Moody's, Fitch and Dunn & Bradstreet.

2.6.16. Cash and short-term deposits

	2018 €000	2017 €000
Cash at banks and on hand	186,180	171,746
Short-term deposits	0	0
	186,180	171,746

From the amounts of cash and short term deposits € 97,016,148 are to be used only to pay some pension obligations, € 13,735,623 to pay some sickness obligations and € 5,097,631 to pay some unemployment obligations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between three months and one year, depending on the immediate cash requirements of the Organisation, and earn interest at the respective short-term deposit rates.

At 31 December 2018 and 2017, the Organisation had available respectively K€70.000 and K€70.000 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Cash and short term deposits are measured at amortised cost.

2.6.17. Employee benefit liability

Description of plans

In 2016, the Member States have approved an administrative reform based on the measures approved at the EU. One of the main features of the proposed administrative reform concerned the pensions:

- Increase of the retirement age to 66 years which allows a reduction of the pension contribution rate to 25.5% (previously applied rate is 30%)
- Reduction of the annual acquired pension rights (1.8% for new recruits instead of 1.9%)

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- Early retirement possible as from 58 years for new recruits instead of 55
- New calculation of the discount rate used in the actuarial determination of the contribution rate.

Pension Scheme

The pension scheme is a defined benefit plan.

As per article 77 of the Staff Regulations, a staff member who has completed ten years' service shall be entitled to a retirement pension. If the staff member is over the pensionable age (as mentioned in the Staff Regulations in Article 77), he shall be entitled to such pension irrespective of length of service under certain conditions.

The maximum retirement pension is determined by the following two elements:

- 70% of the final basic salary carried by the last grade in which the staff member was classified for at least one year;
- and the pension rights calculated on the basis of the Air Traffic Flow and Control Management (ATFCM) allowance allowed to Central Flow Management Unit (CFMU) Operational Staff members.

Early Termination Scheme

Staff members of category B in the Operational Division of the Maastricht Air Traffic Control Centre, in place at 29 April 1990, retire early at 55 years and receive an amount ranking between 70% and 100% of their basic salary at time of early retirement up to their retirement age. The difference with the basic retirement pension scheme (see above) consists in the Early Termination Services (ETS) allowances.

In 2010, a new Early Termination of Service (new ETS) scheme was introduced and granted to 205 officials with an open-ended contract aged 55 and over during the period 1 January 2011 to 31 December 2012. They are paid a transitional ETS allowance expressed as a percentage (70%) of their final basic salary. The ETS allowance is paid until the staff member reaches

a maximum of 70% in term of pension rights or, at the latest, up to the age of 65 (in the case of contracts for an unlimited period) or 63 (in case of contracts for an undetermined period). As from the month following that date, the staff member on ETS will automatically start to receive a retirement pension.

A pension contribution (10% of full basic salary) is deducted from the ETS allowance, as pension rights continue to be acquired during the period between early termination of service and the retirement date. There is no provision for payment of the expatriation or foreign residence allowance under the ETS scheme. The ETS allowance is subject to the internal taxation scheme applied to EUROCONTROL remuneration. The ETS allowance is subject to the cost-of-living weighting for the country of residence of the recipient, as provided for in the Pension Scheme.

Article 41

As per Article 41 of the Staff regulations, an official with non-active status is one who has become supernumerary by reason of reduction in the number of posts in the Agency. In connection with the reorganisation of the NMD's operational functions, the Permanent Commission decided to abolish a maximum of 34 NMD posts by 31 December 2015.

Article 41 only applied to:

- Persons with a permanent contract (recruited < 1.5.02),
- Persons performing the types of functions related to the published posts to be abolished,
- Persons less than 63 years of age or who have not yet acquired full pension rights (70%).

The Director General shall draw up a list of the officials to be affected by such measures, after consulting the Joint Committee, taking into account the officials' ability, efficiency, conduct in the service, family circumstances and seniority. Officials whose names appear on this list shall be declared to have non-active status by decision of the Director General. While possessing this status, an official shall cease to perform his duties and to enjoy his rights to remuneration or advancement to a higher step, but shall continue, for a period

not exceeding five years, to accumulate rights to retirement pension based on the salary carried by his grade and step.

The entitlement to the allowance is spread as follows:

- 100% of basic salary for 3 months,
- 85% of basic salary for the following 3 months,
- 70% of basic salary for the next 5 years,
- 60% of basic salary thereafter.

The allowance shall cease from the day on which the official reaches the age of 63 years. However, above that age and up to the age of 65 years, the official shall continue to receive the allowance until he reaches the maximum retirement pension. During the year 2015, 22 employees have left EUROCONTROL on the grounds of article 41. These employees will receive an allowance until their retirement.

Pensions and early terminations financed through the Budget

Member States are responsible for the financing, through the Budget of the Agency, of

- the ancillary expenditures (family allowances and employer's contributions to the Sickness Fund)
- the financing of national tax compensation of pensions paid to both existing pensioners, as at 1st January 2005, and new pensioners, as from 1st January 2005
- the Early Termination Services (ETS) allowances
- Article 41.

<i>Composition of the Defined Benefit Obligation financed through the budget</i>	2018 €000	2017 €000
Existing pensions as at 1/1/2005	623,180	609,564
Compensation of national taxes	2,180,182	2,062,985
Family allowances	254,976	225,112
Curtailment (ETS & Article 41)	21,258	30,169
	3,070,596	2,927,830

Pensions financed through the Pension Fund

The Organisation operates a defined benefit pension plan, requiring contributions to be made, for staff members that were still active in the Agency at 1 January 2005, to an administered fund that is not legally separated from EUROCONTROL Agency. Pension rights accrued before 1st January 2005 (PBO-Projected Benefits Obligations) are financed by Member States through special contributions into the Pension Fund, in annual instalments over 20 years. The amount of these instalments will be reviewed periodically, in the light of the conclusions of actuarial studies.

Pension rights accrued after 1st January 2005 (Future Service Benefits Obligations) are financed by the employer and by the Staff members. The pension rights imply contributions from employer and staff in the following proportion: 2/3 for the employer and 1/3 for the staff.

Some operational staff in the Maastricht Upper Area Control Centre (MUAC) are entitled to specific pension benefits, which are based on ATC allowances granted during their career. These benefits are financed with the contributions of the staff and the four States involved in the operations of MUAC.

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Composition of the Defined Benefit Obligation financed through the Pension Fund	2018 €000	2017 €000
Pension rights acquired before 2005	1,575,633	1,475,680
Pension rights acquired as from 2005	1,982,041	1,749,575
ATC allowances	39,810	36,117
DBO financed through the pension fund	3,597,484	3,261,371

In accordance with IAS19 paragraph 130, possible future invalidity benefits are only recognised when an event causing invalidity occurs if, as it is the case in EUROCONTROL, the benefits are not dependent on a vesting period. Therefore, future invalidity benefits are not included in the Defined Benefit Obligations as shown above.

Removal & resettlement scheme

The Organisation has also agreed to provide certain additional post-employment benefits to employees. In accordance with rule n°8, article 2 and 5 of the Staff regulations, staff members are entitled, in certain conditions, to resettlement and removal allowances on termination of service or on death.

Resettlement allowances equal to two months' basic salary (at the date of termination of service) for a staff member provided that he has completed four years of service and does not receive similar allowance in his new employment. If the staff member has been engaged for a limited period, the resettlement allowance has to be adjusted in respect of the period of service.

If a husband and his wife are both entitled to the resettlement allowances, this is payable only to the person whose basic salary is the higher. Furthermore, the resettlement is to be paid against evidence that the staff member and its family have resettled within three years of the date of termination of service and at a place situated not less than 70 km from the place where the staff member was employed.

Sickness scheme

In pursuance of Article 72 of the Staff Regulations, a retired staff member and under certain specific circumstances his spouse and his children and other dependants, are insured against sickness expenditure incurred. The Sickness Insurance Scheme guarantees the reimbursement of expenses incurred as a result of illness or confinement and the payment of an allowance towards funeral expenses.

The following tables summarise the components of net benefit expense recognised in the income statement and other comprehensive income, the funded status and amounts recognised in the financial position for the respective plans. Current service cost, interest costs and the net actuarial gain or loss on defined benefit obligations are shown under employee benefit expense.

Net benefit expense (recognised in employee benefit expense) in 2018	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Interest cost	40,825	60,344	0	408	10,525	112,102
Current service cost	60,017	114,552	0	456	20,411	195,437
Past service cost	61	0	0	0	0	61
Net expense (gain) recognised in Income Statement	100,904	174,896	0	863	30,937	307,600

Net benefit expense (recognised in other comprehensive income) in 2018	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Actuarial loss (gain) on DBO	137,961	202,395	243	-1,107	-76,227	263,266
Actuarial loss (gain) on transfer from other schemes	0	2,589				2,589
TOTAL	137,961	204,984	243	-1,107	-76,227	265,855

Net benefit expense (recognised in employee benefit expense) in 2017	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Interest cost	39,333	54,778	0	392	11,224	105,727
Current service cost	59,987	109,257	0	381	21,175	190,799
Net expense (gain) recognised in Income Statement	99,319	164,036	0	773	32,398	296,526

Net benefit expense (recognised in other comprehensive income) in 2017	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Actuarial loss (gain) on DBO	135,581	181,255	894	703	-64,829	253,604
Actuarial loss (gain) on transfer from other schemes		2,946				2,946
TOTAL	135,581	184,200	894	703	-64,829	256,550

Defined Benefit Obligation	Year	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
	2013	1,238,495	1,029,248	46,180	17,212	195,089	2,526,224
	2014	2,449,551	2,517,720	41,928	28,078	504,145	5,541,422
	2015	2,361,523	2,400,075	31,029	26,597	493,712	5,312,936
	2016	2,768,108	2,953,811	21,687	28,365	606,666	6,378,637
	2017	2,913,286	3,261,371	14,543	29,574	567,089	6,785,863
	2018	3,061,740	3,597,485	8,855	28,807	515,540	7,212,428

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Change in present value of the defined benefit obligations are as follows:

2018	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Present value of obligation at 01.01.2018	2,913,286	3,261,371	14,543	29,574	567,089	6,785,863
Current service cost	59,987	109,257	0	381	21,175	190,799
EE Contributions					1,759	1,759
Interest cost on benefit obligation	40,825	60,344	0	408	10,525	112,102
Past service cost	61					61
Actual distributions	-90,410	-47,879	-5,931	-523	-8,018	-152,762
External transfers		4,112				4,112
Actuarial (gain)/loss on external transfers		2,589				2,589
Actuarial (gain)/loss on DBO	137,961	202,395	243	-1,107	-76,227	263,266
Present value of obligation at 31.12.2018	3,061,740	3,597,485	8,855	28,807	515,540	7,212,428

Change in present value of the defined benefit obligation are as follows :

2017	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Present value of obligation at 01.01.2017	2,768,108	2,953,810	21,687	28,365	606,666	6,378,636
Current service cost	59,987	109,257	0	381	21,175	190,799
Interest cost on benefit obligation	39,333	54,778	0	392	11,224	105,727
Past service cost						0
Actual distributions	-89,723	-41,498	-8,038	-267	-7,145	-146,672
External transfers		823				823
Actuarial (gain)/loss on external transfers		2,946				2,946
Actuarial (gain)/loss on DBO	135,581	181,255	894	703	-64,829	253,604
Present value of obligation at 31.12.2017	2,913,286	3,261,371	14,543	29,574	567,089	6,785,863

The evolution of the discount rates depends on the market situation and is hence very volatile. In the actuarial study at 31 December 2018, the rate used for discounting the liabilities of the Pension Fund is based on their duration of 21.70 years and reflects the rate for high quality corporate EUR bonds of this duration. As at 31 December 2018, this rate amounted to 1.90%.

The principal assumptions used in determining pension and sickness and other post-employment benefit obligations for the Organisation's plans are shown below:

	2018 %	2017 %	2016 %	2015 %	2014 %
Inflation rate:	1.80	1.80	1.80	1.80	1.80
Discount rate for PE Budget Plan	1.35	1.00	1.00	1.60	1.20
Discount rate for pension obligation	1.90	1.80	1.80	2.55	2.10
Discount rate for removal and resettlement obligation	1.40	1.40	1.40	2.05	1.55
Discount rate for the ETS obligation	0.05	0.00	0.00	0.25	0.35
Discount rate for Article 41 obligation	0.30	0.15	0.05	0.65	
Discount rate for sickness obligation	1.80	1.80	1.80	2.55	2.15
Cost of living adjustment	Depending on individual	3.63	2.52	2.14	3.20
Healthcare costs increase rate	3.40	3.60	3.80	3.80	3.80
Future salary increase	Rate of salary increases due to grade or step changes on top of inflation	Rate of salary increases due to grade or step changes on top of inflation	Rate of salary increases due to grade or step changes on top of inflation	Rate of salary increases due to grade or step changes on top of inflation	Rate of salary increases due to grade or step changes on top of inflation
Mortality table	Mortality table for international Organisations	Mortality table for International Organisations	Mortality table for International Organisations	Mortality table for International Organisations	Mortality table for International Organisations

Change of the mortality tables

A new version of the mortality tables used in the actuarial valuation have been published by the OECD on 15 February 2019. The 2018 International Civil Servant Life Table (ICSLT 2018) is now used and indicates an increase in the life expectancy. Taking into account the methodology used to derive the expected mortality improvements in the new ICSLT, and in particular the use of national data for the modelling, EUROCONTROL has decided to apply the new life tables in a static approach as done previously. It results in an increase of the DBO by M€ +193.8. For transparency purposes, would the new ICSLT 2018 be used in a prospective manner, it would result in an additional increase of the DBO of M€ +246.7, which is considered the maximum exposure to longevity risk.

The impact of the usage of the new ICSLT 2018, would result in an additional increase of the DBO of M€ 62.7 with regards to the sickness scheme.

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Experience adjustments and the effects of changes in actuarial assumptions result in actuarial gain and losses that can be categorised as follows:

2018	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000	Total €000
Actuarial (gain) loss due to experience	34,340	21,691	-49	-195	-93,947	-38,160
Actuarial (gain) loss due to changes in demographic assumptions	142,168	234,036	7	158	65,451	441,820
Actuarial (gain) loss due to changes in financial assumptions	-38,548	53,332	286	-1,070	-47,730	140,394
TOTAL Actuarial (gain) loss	1 37,961	202,395	243	-1,107	-76,227	263,266

2018	Budget €000	old ETS €000	Art 41 €000	Compensation National tax €000	ancillary benefits €000	Total €000
Actuarial (gain) loss due to experience	20,185	-232	-604	12,274	2,718	34,340
Actuarial (gain) loss due to changes in demographic assumptions	43,002	10	-29	81,201	17,985	142,168
Actuarial (gain) loss due to changes in financial assumptions	-14,399	89	11	-19,852	-4,397	-38,548
TOTAL Actuarial (gain) loss	48,787	-133	-622	73,622	16,306	137,961

Sensitivity analyses are provided for the year 2018 and for the main assumptions as follows:

2018	PE plan Budget €000	PF pension plan €000	New ETS €000	Removal & Resettlement €000	Sickness scheme €000
DBO as at 31/12/2018	3,061,740	3,597,484	not available	not available	515,540
DBO as at 31/12/2018 Discount Rate +0.5%	2,911,880	3,243,789	not available	not available	461,278
DBO as at 31/12/2018 Discount Rate -0.5%	3,225,195	4,007,006	not available	not available	579,062
DBO as at 31/12/2017 normal Retirement Age +1 Year	3,061,741	3,561,098	not available	not available	not available
DBO as at 31/12/2018 International Civil Servants Life Table -1 Year	3,222,449	3,722,515	not available	not available	not available
DBO as at 31/12/2018 Medical Inflation -1%					395,753
DBO as at 31/12/2018 Medical Inflation +1%					676,211

Detailed of PE plan budget

2018	Budget	old ETS	Art 41	Compensation National tax	ancillary benefits	TOTAL
DBO as at 31/12/2018	623,180	6,589	5,814	2,180,182	245,976	3,061,740
DBO as at 31/12/2018 Discount Rate +0.5%	592,678	6,267	5,529	2,073,470	233,937	2,911,880
DBO as at 31/12/2018 Discount Rate -0.5%	656,449	6,941	6,124	2,296,573	259,108	3,225,195
DBO as at 31/12/2018 Normal Retirement Age +1	623,180	6,589	5,814	2,180,182	245,976	3,061,741
DBO as at 31/12/2018 International Civil Servants Life Table -1	655,890	6,935	6,119	2,294,617	258,888	3,222,449

2.6.18. Provisions

	Legal claims €000	CEATS Closure €000	Dismantling €000	Total €000
At 1 January 2018	667	18	17,109	17,794
Arising during the year	333	0	342	675
Utilised	0	-18	0	-18
Unused amounts reversed	0	0	0	0
Discount rate adjustment	0	0	0	0
At 31 December 2018	1,000	0	17,452	18,451
Current 2018	0	0	0	0
Non-current 2018	1,000	0	17,452	18,452

	Legal claims €000	CEATS Closure €000	Dismantling €000	Total €000
At 1 January 2017	288	69	16,774	17,131
Arising during the year	379	0	335	714
Utilised	0	-52	0	-52
Unused amounts reversed	0	0	0	0
Discount rate adjustment	0	1	0	1
At 31 December 2017	667	18	17,109	17,794
Current 2017	0	18	0	18
Non-current 2017	667	0	17,109	17,776

Legal Claims provision

As at 31 December 2018, the legal claims provision included some litigious cases with Staff brought to the International Labour Organisation Administrative Tribunal (ILOAT).

CEATS Closure

The CEATS project was terminated in 2010 leading to the closure of the Budapest and Prague sites. Most of the staff located on these two sites were redeployed, with the exception of 3 staff members who receive a termination allowance in accordance with Article 41 of the Staff Regulations. In 2012, one staff was reintegrated and a part of the provision was reversed for an amount of K€ 215. The terminations allowances are evaluated at K€ 0 as at 31 December 2018 based on expected cash flows

discounted at current rates applicable for items with similar terms and risk characteristics at the reporting date.

Dismantling provision

The Organisation has an obligation to restate the physical land in Maastricht, Brétigny and Luxembourg in their original shape.

A new building and two new traffic towers were built on the Maastricht site in 2016. They have been taken into consideration during the dismantling provision calculation which has been performed in early 2017 by an expert office in order to ensure the completeness and accuracy of the inventoried obligation.

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2.6.19. Financial liabilities

	Effective Interest rate %	Maturity	2018 €000	2017 €000
Bank overdraft			0	0
Current Obligations under finance lease (Note 2.6.23)			0	0
Current portion of non-current financial liabilities (initial amount)			23,750	23,780
K€ 35,000 bank loan	2.868	2017	0	0
K€ 15,000 bank loan	Euribor + 0.05	2017	0	0
K€ 17,500 bank loan	2.242	2017	0	0
K€ 30,000 bank loan	Euribor 1mo + 68bps	2020	3,750	3,750
K€ 20,000 bank loan	Euribor 1mo + 75bps	2020	2,500	2,500
K€ 70,000 bank loan	Euribor + 0.58	2022	8,750	8,751
K€ 10,000 bank loan	Euribor + 0.349	2025	1,250	1,258
K€ 10,000 bank loan	Euribor + 0.359	2025	1,250	1,259
K€ 10,000 bank loan	Euribor + 0.371	2025	1,250	1,259
K€ 40,000 bank loan	Euribor + 0.4	2025	5,000	5,002
K€ 40,000 bank loan short term facility	Euribor + 0.98	2019	0	0
Total current financial liabilities			23,750	23,780

	Effective Interest rate %	Maturity	2018 €000	2017 €000
Non-current obligations under finance lease			0	0
Interest-bearing loans (initial amount)			85,000	108,750
K€ 30,000 bank loan	Euribor 1mo + 68bps	2020	3,750	7,500
K€ 20,000 bank loan	Euribor 1mo + 75bps	2020	2,500	5,000
K€ 70,000 bank loan	Euribor + 0.58	2022	26,250	35,000
K€ 10,000 bank loan	Euribor + 0.349	2025	7,500	8,750
K€ 10,000 bank loan	Euribor + 0.359	2025	7,500	8,750
K € 10,000 bank loan	Euribor + 0.371	2025	7,500	8,750
K € 40,000 bank loan	Euribor + 0.4	2025	30,000	35,000
Total non-current financial liabilities			85,000	108,750

Term and loan repayment schedule (excluding finance and bank overdraft)

2017	Total €000	Within 1 year €000	2-5 years €000	More than 5 years €000
Interest-bearing loans	132,530	23,780	82,500	26,250
	132,530	23,780	82,500	26,250

2018	Total €000	Within 1 year €000	2-5 years €000	More than 5 years €000
Interest-bearing loans	108,750	23,750	76,250	8,750
	108,750	23,750	76,250	8,750

2.6.20. Trade and other payables

	2018 €000	2017 €000
Payables to suppliers and trade creditors	36,751	30,898
Employee related liabilities	18,646	19,655
Special annexes – European Union and others	6,989	6,017
Special annexes - CEF funding	33,439	24,952
Amounts due to States in the context of Bilateral Agreements for Route and Terminal Charges	8,014	5,463
Others	507	127
	104,347	87,112

Terms and conditions of the above financial liabilities are generally settled on 30-day terms.

During 2016 and 2017, EUROCONTROL has received CEF Funds from the Innovation and Network Executive Agency (INEA) of the European Commission. Due to uncertainties whether these funds are to be used to cover the costs made on INEA projects or rather as temporary financial accelerator but to be reimbursed to the airspace users once completed, the financing received was expressed as a liability until further notice: an amount of € 33.439.234 is included as advance payments in Special annexes – European Union and others. Trade and other payables are measured at amortised cost.

Once the Single Sky Committee will have issued formal guidance for the handling of Union funding, these funds will be taken into the income statement in order to be reimbursed to the Member States and subsequently to the airspace users.

The costs made on INEA projects and carried out in the Agency's work programme are shown below.¹

	2018 €000	2017 €000	2016 €000	2015 €000
Staff cost	6,653	8,402	12,460	9,720
Mission cost	135	90	66	113
External assistance	10,685	12,258	6,947	6,339
	17,473	20,751	19,473	16,172

¹ Awaiting policy confirmation by Agency Management Board Under RP2 Charging regulation (2015-2019): No clear guidance from EC how to deal with these funds. CEF calls being executed, Agency received advances of € 33 million so far. NMB decided, supported by the EC, that Funds received corresponding to costs certified would be reimbursed to the airspace users at the end of RP2 (around € 9,8 million in NM to date)

2.6.21. Deferred income and accrued charges

	2018 €000	2017 €000
Accrued charge	-448	79
Deferred income	144,175	140,421
	143,727	140,499

Deferred income relates to contributions from Member States which are called up during the preceding year to which they relate.

2.6.22. Commitments and contingencies

Future year commitments	2018 €000	2017 €000
Future year commitments: open purchase orders	282,055	232,085

The Organisation can enter into commitments for the current and future budgetary years, in accordance with the terms established below. The commitments authorised by the Organisation for the current budgetary year shall not exceed the approved appropriations.

For future budgetary years, the commitments authorised by the Organisation shall represent the obligations it has entered into, resulting from projects and activities, whose initiation is authorised under the current budget, but which cannot be completed in the current year.

The SESAR Joint Undertaking (SJU) is an initiative of the European Union established by Council Regulation (EC) n°219/2007. EUROCONTROL contributed to the first phase (2008-2016) with an amount of 568M€.

A new Membership Agreement has been signed between the SJU and EUROCONTROL under the aegis of ART. 9.2 of Council Regulation (EC) 219/2007 of February 2007 modified by Council Regulation 1361/2008 of 16 December 2008 and COUNCIL REGULATION (EU) N°721/2014 of 16 June 2014. This second program, called SESAR2020 will amount to some 500 MEUROs contribution from EUROCONTROL (475 M€ in-kind; 25 M€ cash), and is running from 2016 until 2023 (possibly until 2024).

The EUROCONTROL contribution for SESAR2020 is as follows:

Contribution of the year	2018 €000	2017 €000	2016 €000	TOTAL COST €000
Cash/near Cash	3,947	6,115	2,686	12,748
In-kind	62,197	56,186	4,362	122,745
Total	66,144	62,301	7,048	135,493

Operating lease commitments

The Organisation has not entered into operating lease contracts.

Finance lease commitments

The Organisation has not entered into finance lease contracts.

Contingent liabilities

	2018 €000	2017 €000
Clawback	0	0
ILOAT	75	197
Support to States Policy (Special Annex)	3,092	2,784
	3,166	2,981

Litigious cases with Staff were brought to the International Labour Organisation Administrative Tribunal (ILOAT) for a contingent liability estimated at €74,500.

As from 2016, EUROCONTROL has implemented a Support to States Policy, whereby the first 50 days of support is free of charge. A mechanism of annual carry-over of unused days is applicable with a maximum of 100 days.

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2.6.23 Related party disclosures

The Organisation has entered into transactions with the Member States, the European Union, key management personnel and their close family members. For the years ended 31 December 2018 and 2017, the Organisation has not made any provision for doubtful debts concerning amounts owed by related parties. Outstanding balances with related parties at the year-ends are unsecured and settlement occurs in cash.

Member States and the European Union

The 41 Member States constitute the Permanent Commission (Transport and Defense Ministers), the higher level of decision of the Organisation. The European Union is also a member of the Permanent Commission.

Contributions from Member states are on a 60 days term. Receivables from Member States were not impaired.

The following table provides the total amount of transactions, which have been entered into with related parties.

Transactions with related parties in 2018	Revenue from related parties €000	Expenses to related parties €000	Amounts owed by related parties €000	Amounts owed to related parties €000
Member States (including European Union)	550,114	0	126,241	222,423
Other income	12	0	0	0
Financial assets	0	0	302	0
Other financial assets	0	0	0	0
Other receivables	0	0	6,064	0
Rendering of services : Special annexes	20,200	0	0	0
Total Member States	570,326	0	132,607	222,423

Transactions with related parties in 2017	Revenue from related parties €000	Expenses to related parties €000	Amounts owed by related parties €000	Amounts owed to related parties €000
Member States (including European Union)	542,906	0	127,476	214,621
Financial assets	0	0	296	0
Other receivables	0	0	3,962	0
Rendering of services : Special annexes	21,872	0	0	0
Total Member States	564,834	0	131,734	214,621

Key management personnel and their close family members.

Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of the Organisation, directly or indirectly, as well as their close members of their families or households. This implies to the Director General and Directors.

The system of staff remuneration, including of the Director General and the Directors, is approved by the Commission and is linked to the method used by the European Commission. In line with the public-sector nature of the Agency there are no discretionary payments to staff.

Compensation Benefits	2018 €000	2017 €000
Short-term employee benefits	1,850	1,500
Post-employee benefits	802	884
Total remuneration	2,652	2,384

2.6.24 Financial risk management objectives and policies

The Organisation's principal financial instruments comprise bank loans, Member States contributions, finance leases, trade payables and marketable securities. The main purpose of these financial instruments is to raise finance for the Organisation's operations. The Organisation has various financial assets such as receivables from Member States, marketable securities and cash and short-term deposits, which arise directly from its operations.

The Organisation has not entered into any derivative transactions.

The main risks arising from the Organisation's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Treasury Committee and the Standing Committee on Finance reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Organisation's exposure to the risk of changes in market interest rates relates primarily to the Organisation's long-term debt obligations with floating interest rates.

The Organisation's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Organisation's policy is to keep around 50% of its borrowings at fixed rates of interest.

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Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Organisation's profit (through the impact on floating rate borrowings). There is no impact on the Organisation's equity.

	Increase/ decrease in basis points	Effect on profit before tax €000
2018		
Euro	+20	(277)
Euro	-20	277
2017		
Euro	+20	(265)
Euro	-20	265

Foreign currency risk

Exposure to foreign currency exchange rates arises from transactions denominated in currencies other than the Organisation functional currency, which is the euro. However, the foreign currency risk is rather limited as Member States contributions, interest-bearing loans and the main part of revenues and expenses are set in euro. The Organisation does not keep any substantial position in currency. The strategy is to buy or sell the currency at the date of the transaction.

Credit risk

Contributions and other receivables held with Member States are subject to very limited credit risks.

With respect to credit risk arising from the other financial assets of the Organisation, which comprise cash and cash equivalents and marketable financial investments, the Organisation's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. It is the Organisation policy to have those financial assets with financial institutions having at least a BBB rating and broad international representation.

Liquidity risk

The Organisation monitors its risk to a shortage of funds by the Alignment policy of the Organisation's Fixed Assets and Liabilities, which was adopted in 1998.

In order to correlate the development of the debts to the development of the assets, the following mechanism is applied:

- link the increase of liabilities to increase of assets: this is ensured by the principle that all new capital expenditure is fully financed by bank loans;
- link the depreciation of assets to the reimbursement of loans.

Concerning the liquidity risk on the pensions, the objective of the actuarial assessment carried out on the pension related liabilities is to determine the necessary stable level of the pension contributions from Member States, aiming to balance in the long term the financing of pension benefits. In addition, the long term aim of the management of the Fund's assets is to maintain the stability of the pension scheme, by ensuring that the real value of the assets is preserved. The Pension Fund Supervisory Board sets the Fund's investment guidelines and defines the investment target strategy.

Concerning the liquidity risk on the sickness allowances, ALM studies are performed in order to ensure that the Organisation has sufficient current assets to cover the current liabilities of the sickness scheme.

The table below summarises the maturity profile of the Organisation's financial liabilities at 31 December 2018 and 2017 based on contractual undiscounted payments.

Year ended 31 December 2018	On demand €000	Less than 3 months €000	3 to 12 months €000	1 to 5 years €000	> 5 years €000	Total €000
Interest bearing loans and borrowings incl. interests due in the future	0	36	24,353	83,911	26,455	134,754
Financial lease	0	0	0	0	0	0
Amounts to be reimbursed to Member States	37,819	0	0	0	0	37,819
Trade and other payables	104,347	0	0	0	0	104,347
	142,166	36	24,353	83,911	26,455	276,920

Year ended 31 December 2017	On demand €000	Less than 3 months €000	3 to 12 months €000	1 to 5 years €000	> 5 years €000	Total €000
Interest bearing loans and borrowings incl. interests due in the future	0	36	24,353	83,911	26,455	134,754
Financial lease	0	0	0	0	0	0
Amounts to be reimbursed to Member States	43,231	0	0	0	0	43,231
Trade and other payables	87,112	0	0	0	0	87,112
	130,344	36	24,353	83,911	26,455	265,098

FINANCIAL ACCOUNTS

Capital Risk

The Organisation is an international non-profit organisation and the main objectives of its capital management are to ensure the continuity of its tasks as defined in its Business Plan and to meet its obligation to its stakeholders.

The Organisation is financed from contributions from its Member States, loans for investments and specific contributions for projects.

2.6.25. Financial instruments

Fair values

As at 31 December 2018, all financial investments are classified as Level 1 except for the level 3 instruments in the below table. Trade receivable and trade payables are also classified as level 3 instruments.

Set out below is a comparison by category of carrying amounts and fair values of all of the Organisation's financial instruments that are reflected in the financial statements:

	2018		2017	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets				
Cash and short term deposit	186,180	186,180	171,746	171,746
Available for sale investments	302	302	296	296
Marketable securities	1,456,673	1,456,673	1,496,856	1,496,856
Financial liabilities				
Obligations under finance and operating leases	0	0	0	0
Floating rate borrowings	108,750	108,750	132,530	132,530
Fixed rate borrowings	0	0	0	0

Market values have been used to determine the fair value of marketable securities. The fair value of borrowings has been calculating by discounting the expected future cash flows at prevailing interest rate. The fair value of loan notes and other financial assets has been calculated using market interest rates.

Held to maturity investments that have been measured at amortised cost using the effective interest method.

The fair value of the available for sale investments has been valued at cost in USD and converted to EUR using the exchange rate as at 31 December 2018.

2.6.26. Events after financial position date

None

3. BUDGETARY ACCOUNTS

BUDGETARY ACCOUNTS

Principles governing the Budgetary Accounts

1. General principles :

Article 29 of the Financial Regulations

The Article 29 of the Financial Regulations of the Agency was modified by the Measure 11/172 of the Permanent Commission dated 17/1/2011 to align, as closely as possible, to preparation of the Budget and cost-base to the principle of IFRS.

The closest alignment to the IFRS for the preparation of the Budget and cost-base brings the following advantages:

- maximum alignment of the budgetary, accounting and cost-base processes by reducing/limiting the reconciliation elements;
- for the stakeholders, greater transparency, stability and predictability of the EUROCONTROL financial processes, in particular contributions and cost-base;
- compliance with European Regulation (EC) No. 550/2004, which requires ANSPs to publish their financial accounts in full compliance with the IFRS or to the maximum possible extent and, as a consequence, to prepare their cost-base in such a manner as to be consistent with the financial accounts (EC Regulation No. 1794/2006).

Receipts shall be taken into account in the budget for the year during which they refer.

Expenditure shall be taken into account in the budget for the year during which it refers. Exceptions to these rules are specified in the Rules of Application of the Financial Regulations and listed below:

- the contributions to the social security schemes (pension, sickness, and unemployment) are determined in accordance to the Staff Regulations. This is the basis for their inclusion in the budgetary accounts and in the EUROCONTROL part of the cost-base. As a consequence, the service cost, the interest cost and the actuarial gain (loss) on the Defined

Benefit Obligation are not included in the budgetary accounts and in the EUROCONTROL part of the cost-base;

- the compensation of national taxes on pension, the resettlement and removal allowance and the pensions of staff retired before 2005 are included in the budgetary accounts and in the EUROCONTROL part of the cost-base on a “pay as you go” (cash) basis (instead of on an accrual basis);
- the budgetary appropriations for the dismantling of the buildings, untaken leave, paid sickness leave, sickness costs incurred but not yet claimed, litigations, restructuring (early retirement costs) are included in the budgetary accounts and in the EUROCONTROL part of the cost-base on a “pay as you go” (cash) basis (instead of on an accrual basis).

2. Definitions of types of expenditure : Article 6 para 1 of the Financial Regulations

- **“Capital expenditure”** shall be deemed to mean expenditure incurred in the acquisition or creation of tangible or intangible fixed assets, which will provide future economic benefit to the Agency and which have a useful life exceeding one year.
- **“Operating expenditure”** (which includes staff expenditure), shall be deemed to mean expenditure incurred in order to enable the continuing activities of the Organisation to be carried out.

3. Presentation of the budget : Article 6 para 2 of the Financial Regulations

- The presentation of the budget and the financial five-year programme shall facilitate the understanding of the appropriations allocated to the Agency's various activities and the monitoring of the use of these appropriations (nature or projects/activities).
- In accordance with the principles of economics and sound financial management, it shall justify the appropriations on the basis of the framework set by the Commission and the Agency's work programme.

4. Structure of the budget : Article 6 para 3 of the Financial Regulations

The expenditure and receipts shall be presented in accordance with the budgetary structure and nomenclature as defined in the Rules of Application of the Financial Regulations.

5. Carry-over of the budget : Article 7 of the Financial Regulations

Budgetary appropriations which have not been committed at the end of the budgetary year may not be carried over.

The Director General may request authorisation from the Commission for the exceptional carry-over of appropriations where circumstances so warrant.

The utilisation of the appropriations carried over shall be separately recorded in the accounts for the budgetary year into which they have been carried over.

BUDGETARY ACCOUNTS

3.1 Part I

Description of expenditure and receipts	BUDGET	OUTTURN		UNUSED BUDGET		% Outturn PART I
	Approved Budget PART I	Total PART I		Unused Budget PART I		
Land & Building	0	2,225,457		-2,225,457		48,0%
Equipment & software	14,592,000	7,004,623		7,587,377		
TOTAL CAPITAL EXPENDITURE	14,592,000	9,230,080		5,361,920		63,3%
Staff	158,212,000	162,077,276		-3,865,276		102,4%
Pension & ETS	93,232,000	91,235,772		1,996,228		97,9%
PBO	39,213,000	39,213,000		0		100,0%
Other operating cost	98,549,000	93,206,548		5,342,452		94,6%
Cost of Capital : interests paid to banks	3,722,000	367,149		3,354,851		9,9%
Depreciation	11,014,000	9,166,551		1,847,449		83,2%
Indirect Costs CAM Methodology	1,307,000	0		1,307,000		
Allocation of the Past Part IX	0	0		0		
Tax Compensation & ancillary benefit distribution	169,000	0		169,000		
TOTAL OPERATING EXPENDITURE	405,418,000	395,266,295		10,151,705		97,5%
Staff Contributions	-1,885,000	-2,073,916		188,916		110,0%
Sale of assets	0	0		0		
Sales of Services and Grants	-8,514,755	-7,234,884		-1,279,871		85,0%
Receipt from Morocco & Israel	-4,438,245	-4,438,245		0		
Financial Receipts	0	-479,229		479,229		
Indirect Costs CAM Methodology	-41,918,000	-38,565,000		-3,353,000		
Allocation of the Past Part IX	-20,075,000	-20,075,000		0		
Tax Compensation & ancillary benefit distribution	-20,398,000	-20,126,995		-271,005		
TOTAL RECEIPTS	-97,229,000	-92,993,268		-4,235,732		95,6%
COSTBASE	308,189,000	302,273,027		5,915,973		98,1%
Internal Tax	-44,744,000	-48,641,173		3,897,173		108,7%
TOTAL CONTRIBUTIONS	263,445,000	253,631,854		9,813,146		96,28%

Description of expenditure and receipts	BUDGET							Approved Budget PART I
	Corporate Functions 1CF	Centralised Services 1CS	Network Services 1NS	Air Traffic Management 1SR	Pan- European Single Sky		Pension, ETS and Financing 19	
					1DS	19		
Land & Building Equipment & software	9.000.000	3.576.000	1.516.000	500.000	0	0	0	14.592.000
TOTAL CAPITAL EXPENDITURE	9.000.000	3.576.000	1.516.000	500.000	0	0	0	14.592.000
Staff Pension & ETS PBO Other operating cost Cost of Capital : interests paid to banks Depreciation Indirect Costs CAM Methodology Allocation of the Past Part IX Tax Compensation & ancillary benefit distribution	57.682.000	1.322.000	21.018.000	56.355.000	21.835.000	0	0	158.212.000
						93.232.000		93.232.000
						39.213.000		39.213.000
	45.171.000	14.000	26.943.000	22.804.000	3.617.000	0	0	98.549.000
	3.331.000	72.000	239.000	80.000	0	0	0	3.722.000
	8.424.000	0	2.165.000	425.000	0	0	0	11.014.000
	0	1.307.000	0	0	0	0	0	1.307.000
	0	0	0	0	0	0	0	0
	0	169.000	0	0	0	0	0	169.000
	TOTAL OPERATING EXPENDITURE	114.608.000	2.884.000	50.365.000	79.664.000	25.452.000	132.445.000	0
Staff Contributions Sale of assets Sales of Services and Grants Receipt from Morocco & Israel Financial Receipts Indirect Costs CAM Methodology Allocation of the Past Part IX Tax Compensation & ancillary benefit distribution	-682.000	-16.000	-236.000	-695.000	-256.000	0	0	-1.885.000
	383.245	0	-2.586.000	-2.183.000	-4.129.000	0	0	-8.514.755
	-4.438.245							-4.438.245
	0	0	0	0	0	0	0	0
	-64.222.000	0	7.201.000	10.720.000	4.383.000	0	0	-41.918.000
	0	0	0	0	0	-20.075.000	0	-20.075.000
	8.083.000	0	2.248.000	6.785.000	2.652.000	-40.166.000	0	-20.398.000
TOTAL RECEIPTS	-60.876.000	-16.000	6.627.000	14.627.000	2.650.000	-60.241.000	0	-97.229.000
COSTBASE	53.732.000	2.868.000	56.992.000	94.291.000	28.102.000	72.204.000	0	308.189.000
Internal Tax	-16.109.000	-378.000	-5.974.000	-16.075.000	-6.208.000	0	0	-44.744.000
TOTAL CONTRIBUTIONS	37.623.000	2.490.000	51.018.000	78.216.000	21.894.000	72.204.000	0	263.445.000

BUDGETARY ACCOUNTS

	OUTTURN							
	Corporate Functions 1CF	Centralised Services 1CS	Network Services 1NS	Air Traffic Management 1SR	Pan-European Single Sky 1DS	Pension, ETS and Financing 19	Total PART I	
Description of expenditure and receipts	Land & Building	2.225.457					2.225.457	
	Equipment & software	4.290.823	0	2.147.197	566.603	0	7.004.623	
	TOTAL CAPITAL EXPENDITURE	6.516.280	0	2.147.197	566.603	0	9.230.080	
	Staff	57.503.967	0	24.239.740	59.031.049	21.302.520	0	
	Pension & ETS						91.235.772	
	PBO						39.213.000	
	Other operating cost	44.323.094	0	26.138.550	19.126.341	3.618.563	0	
	Cost of Capital : interests paid to banks	267.748	1.010	83.954	14.436	0	0	
	Depreciation	6.846.033	23.260	1.932.390	364.868	0	0	
	Indirect Costs CAM Methodology	0	0	0	0	0	0	
Allocation of the Past Part IX	0	0	0	0	0	0		
Tax Compensation & ancillary benefit distribution	0	0	0	0	0	0		
TOTAL OPERATING EXPENDITURE	108.940.842	24.271	52.394.634	78.536.694	24.921.083	130.448.772	395.266.295	
	Staff Contributions	-751.354	0	-289.275	-767.107	-266.295	116	
	Sale of assets	0	0	0	0	0	0	
	Sales of Services and Grants	0	0	-4.432.566	25.127	-2.827.445		
	Receipt from Morocco & Israel	-4.438.245						
	Financial Receipts	-478.611	0	0	-618	0	0	
	Indirect Costs CAM Methodology	-59.745.000	0	6.838.000	10.180.000	4.162.000	0	
	Allocation of the Past Part IX	0	0	0	0	0	-20.075.000	
	Tax Compensation & ancillary benefit distribution	10.139.688	0	42.366	7.960.321	83.714	-38.353.084	
	TOTAL RECEIPTS	-55.273.522	0	2.158.525	17.397.724	1.151.973	-58.427.968	
	COSTBASE	53.667.319	24.271	54.553.159	95.934.418	26.073.056	72.020.804	
Internal Tax	-18.920.976	0	-6.812.681	-16.842.588	-6.162.374	97.447		
TOTAL CONTRIBUTIONS	34.746.344	24.271	47.740.478	79.091.830	19.910.682	72.118.251		
							253.631.854	

Budgetary Accounts - Activities financed by 41 Member States

Part I

Description of expenditure and receipts	UNUSED BUDGET							Unused Budget PART I	% Outturn PART I
	Corporate Functions 1CF	Centralised Services 1CS	Network Services 1NS	Air Traffic Management 1SR	Pan-European Single Sky 1DS	Pension, ETS and Financing 19			
Land & Building Equipment & software	-2,225,457 4,709,177	0 3,576,000	0 -631,197	0 -66,603	0 0	0 0	-2,225,457 7,587,377	48,0%	
TOTAL CAPITAL EXPENDITURE	2,483,720	3,576,000	-631,197	-66,603	0	0	5,361,920	63,3%	
Staff Pension & ETS PBO Other operating cost Cost of Capital : interests paid to banks Depreciation Indirect Costs CAM Methodology Allocation of the Past Part IX Tax Compensation & ancillary benefit distribution	178,033 0 0 847,906 3,063,252 1,577,967 0 0 0	1,322,000 0 0 14,000 70,990 -23,260 1,307,000 0 169,000	-3,221,740 0 0 804,450 155,046 232,610 0 0 0	-2,676,049 0 0 3,677,659 65,564 60,132 0 0 0	532,480 0 0 -1,563 0 0 0 0 0	0 1,996,228 0 0 0 0 0 0 0	-3,865,276 1,996,228 0 5,342,452 3,354,851 1,847,449 1,307,000 0 169,000	102,4% 97,9% 100,0% 94,6% 9,9% 83,2%	
TOTAL OPERATING EXPENDITURE	5,667,158	2,859,729	-2,029,634	1,127,306	530,917	1,996,228	10,151,705	97,5%	
Staff Contributions Sale of assets Sales of Services and Grants Receipt from Morocco & Israel Financial Receipts Indirect Costs CAM Methodology Allocation of the Past Part IX Tax Compensation & ancillary benefit distribution	69,354 0 383,245 0 478,611 -4,477,000 0 -2,056,688	-16,000 0 0 0 0 0 0 0	53,275 0 1,846,566 0 0 363,000 0 2,205,634	72,107 0 -2,208,127 0 618 540,000 0 -1,175,321	10,295 0 -1,301,555 0 0 221,000 0 2,568,287	-116 0 0 0 0 0 0 -1,812,916	188,916 0 -1,279,871 0 479,229 -3,353,000 0 -271,005	110,0% 85,0%	
TOTAL RECEIPTS	-5,602,478	-16,000	4,468,475	-2,770,724	1,498,027	-1,813,032	-4,235,732	95,6%	
COSTBASE	64,681	2,843,729	2,438,841	-1,643,418	2,028,944	183,196	5,915,973	98,1%	
Internal Tax	2,811,976	-378,000	838,681	767,588	-45,626	-97,447	3,897,173	108,7%	
TOTAL CONTRIBUTIONS	2,876,656	2,465,729	3,277,522	-875,830	1,983,318	85,749	9,813,146	96,28%	

BUDGETARY ACCOUNTS

3.2 Part IX

Description of expenditure and receipts	BUDGET PART IX	OUTTURN PART IX	UNUSED PART IX	% OUTTURN PART IX
Land & Building Equipment & software	40.000	2.242	37.758	5,6%
TOTAL CAPITAL EXPENDITURE	40.000	2.242	37.758	5,6%
Staff	88.906.000	89.931.134	-1.025.134	101,2%
Pension & ETS PBO			0	
Other operating cost	35.621.000	34.441.051	1.179.949	96,7%
Cost of Capital : interests paid to banks	48.000	5.145	42.855	10,7%
Depreciation	415.000	339.733	75.267	81,9%
Indirect Costs CAM Methodology	33.025.000	31.361.000	1.664.000	95,0%
Allocation of the Past Part IX	20.075.000	20.075.000	0	100,0%
Tax Compensation & ancillary benefit distribution	10.836.000	11.653.314	-817.314	107,5%
TOTAL OPERATING EXPENDITURE	188.926.000	187.806.378	1.119.622	99,4%
Staff Contributions	-1.045.000	-1.124.939	79.939	107,6%
Sale of assets			0	
Sales of Services and Grants	-1.322.698	-201.839	-1.120.859	15,3%
Receipts from Morocco & Israel	-2.648.302	-2.648.302	0	100,0%
Financial Receipts	0	-35.725	35.725	100,0%
TOTAL RECEIPTS	-5.016.000	-4.010.805	-1.005.195	80,0%
COSTBASE	183.910.000	183.795.573	114.427	99,9%
Internal Tax	-25.272.000	-26.078.369	806.369	103,2%
TOTAL CONTRIBUTIONS	158.638.000	157.717.203	920.797	99,4%

3.3 Part II

Description of expenditure and receipts	BUDGET	OUTTURN	UNUSED BUDGET	% OUTTURN
Land & Building Equipment & software	100.000	0	100.000	0,0%
TOTAL CAPITAL EXPENDITURE	100.000	0	100.000	0,0%
Staff costs	14.227.000	12.615.528	1.611.472	88,7%
Pension, PBO & ETS		24.381	-24.381	
Other operating cost	3.699.000	3.204.283	494.717	86,6%
Cost of capital : interest paid to banks		32.360	-32.360	
Depreciation		43.375	-43.375	
Indirect Costs CAM Methodology	3.318.000	3.151.000	167.000	95,0%
Tax Compensation & ancillary benefit	3.756.000	3.325.502	430.498	88,5%
TOTAL OPERATING EXPENDITURE	25.000.000	22.396.428	2.603.572	89,6%
Internal tax				
Other Staff receipts	-235.000	-170.399	-64.601	72,5%
Sale of assets		-116.026		
Sale of services		-2.661.145	2.661.145	100,0%
Financial receipts				
TOTAL RECEIPTS	-235.000	-2.947.570	2.596.544	1254,3%
TOTAL ADMINISTRATIVE UNIT RATE	24.865.000	19.448.858	5.416.142	78,2%

BUDGETARY ACCOUNTS

3.4 Part III

Budgetary Accounts - Part III - Maastricht Upper Area Control : MUAC

Description of expenditure and receipts	BUDGET OAT	BUDGET GAT	BUDGET	OUTTURN OAT	OUTTURN GAT	OUTTURN	UNUSED BUDGET	% OUTTURN
Land & Building	0,00	4.306.000,00	4.306.000,00	0,00	1.445.460,33	1.445.460,33	2.860.539,67	33,6%
Equipment & software	0,00	10.089.000,00	10.089.000,00	0,00	5.246.489,76	5.246.489,76	4.842.510,24	52,0%
TOTAL CAPITAL EXPENDITURE	0,00	14.395.000,00	14.395.000,00	0,00	6.691.950,09	6.691.950,09	7.703.049,91	46,5%
Staff costs	3.907.288,22	137.476.711,78	141.384.000,00	3.792.742,53	133.446.457,34	137.239.199,87	4.144.800,13	97,1%
Other operating cost	1.880.872,95	24.901.127,05	26.782.000,00	1.650.557,96	21.851.954,73	23.502.512,69	3.279.487,31	87,8%
Cost of capital : interest paid to banks	0,00	429.000,00	429.000,00	0,00	294.522,87	294.522,87	134.477,13	68,7%
Depreciation	0,00	9.160.000,00	9.160.000,00	0,00	9.317.269,78	9.317.269,78	-157.269,78	101,7%
Frozen expenditure	121.598,40	4.278.401,60	4.400.000,00					
TOTAL OPERATING EXPENDITURE	5.909.759,57	176.245.240,43	182.155.000,00	5.443.300,49	164.910.204,72	170.353.505,21	11.801.494,79	93,5%
Other Staff receipts	-42.738,44	-1.503.738,56	-1.546.477,00	-39.811,66	-1.400.760,77	-1.440.572,43	-105.904,57	93,2%
Sale of assets			0,00	0,00	-11.823,41	-11.823,41	11.823,41	
Sale of services	-168.579,60	-5.931.420,40	-6.100.000,00	-193.157,96	-6.796.202,37	-6.989.360,33	889.360,33	114,6%
Financial receipts			0,00	-5.944,56	-78.700,82	-84.645,38	84.645,38	
TOTAL RECEIPTS	-211.318,04	-7.435.158,96	-7.646.477,00	-238.914,18	-8.287.487,37	-8.526.401,55	879.924,55	111,5%
TOTAL COSTBASE	5.698.441,53	168.810.081,47	174.508.523,00	5.204.386,31	156.622.717,35	161.827.103,66	12.681.419,34	92,7%
Internal Tax	-1.152.966,62	-40.566.769,38	-41.719.736,00	-1.087.492,48	-38.263.082,02	-39.350.574,50	-2.369.161,50	94,3%
Frozen Internal Tax	-36.088,33	-1.269.756,67	-1.305.845,00					
TOTAL CONTRIBUTIONS	4.545.474,91	128.243.312,09	132.788.787,00					
FROZEN CONTRIBUTIONS	-85.510,07	-3.008.644,93	-3.094.155,00					
Actually called up Contributions	4.459.964,97	125.234.667,03	129.694.632,00	4.116.893,83	118.359.635,33	122.476.529,16	7.218.102,84	94,4%

3.5 Part IV

Budgetary Accounts - Part IV - Special Annexes

Description of expenditure and receipts	BUDGET	OUTTURN	UNUSED BUDGET	% OUTTURN
Staff costs Pension, PBO & ETS Other operating cost Cost of capital : interest paid to banks Indirect Costs CAM Methodology Tax Compensation & ancillary benefit distribution TOTAL OPERATING EXPENDITURE	 4.268.000,00 5.637.000,00 71.136.362,07	 15.987.382,64 65.117,68 7.254.389,84 4.053.000,00 5.148.179,00 32.508.069,16	 215.000,00 488.821,00 38.628.292,91	 45,7%
Internal tax Other Staff receipts Sale of assets Sale of services Financial receipts TOTAL RECEIPTS	 -71.136.362,07	 -3.014.197,05 -92.760,92 -20.199.932,18 -23.306.890,15	 -47.829.471,92	 32,8%

BUDGETARY ACCOUNTS

3.6 Part V

Budgetary Accounts - Part V - Sickness benefit scheme

Description of expenditure and receipts	Approved Budget	Payment and receipts	Unused Budget	% Outturn
Reimbursement to staff members, medical consultant fees and miscellaneous expenditure	14.000.000,00	14.512.943,90	-512.943,90	103,7%
Finance & Insurance		482,56	-482,56	
TOTAL OPERATING EXPENDITURE	14.000.000,00	14.513.426,46	-513.426,46	103,7%
Staff contribution	-4.600.000,00	-5.356.806,13	756.806,13	116,5%
Organisation's contribution	-9.200.000,00	-10.686.664,57	1.486.664,57	116,2%
Financial yields	-5.000,00	-123,90	-4.876,10	2,5%
Miscellaneous receipts				
TOTAL RECEIPTS	-13.805.000,00	-16.043.594,60	2.238.594,60	116,2%
BALANCE	195.000,00	-1.530.168,14	1.725.168,14	

3.7 Part VII

Budgetary Accounts - Part VII - Unemployment benefit scheme - Temporary social allowances

Description of expenditure and receipts	Approved Budget	Payment and receipts	Unused Budget	% Outturn
Payment of unemployment allowances Finance & Insurance	255.000,00 0,00	185.837,09 141,36	69.162,91 -141,36	72,9% 100,0%
TOTAL OPERATING EXPENDITURE	255.000,00	185.978,45	69.021,55	72,9%
Internal Tax Staff contribution Organisation's contribution Financial yields Miscellaneous receipts	-20.000,00 -78.000,00 -156.000,00 -1.000,00	-37.352,15 -85.865,22 -174.272,81 0,00	17.352,15 7.865,22 18.272,81 -1.000,00	186,8% 110,1% 111,7% 0,0%
TOTAL RECEIPTS	-255.000,00	-297.490,18	42.490,18	116,7%
BALANCE	0,00	-111.511,73	111.511,73	

4. EUROCONTROL PART OF THE COST BASE

4.1. Cost Base : Part I

Reconciliation with Budgetary Accounts – Part I

	FORECAST PART I	ACTUAL PART I	UNSPENT PART I
1a Staff	158.212.000	162.077.276	-3.865.276
1b Pension & ETS	93.232.000	91.235.772	1.996.228
1c PBO	39.213.000	39.213.000	0
2 Other operating	98.549.000	93.206.548	5.342.452
3 Cost of capital	3.722.000	367.149	3.354.851
4 Depreciation	11.014.000	9.166.551	1.847.449
MUAC support cost			0
Indirect Costs CAM Methodology	1.307.000		1.307.000
Allocation of the Past Part IX	0	0	0
Tax Compensation & ancillary benefit distribution	169.000	0	169.000
TOTAL EXPENDITURE	405.418.000	395.266.295	10.151.705
1a Staff receipts	-1.885.000	-2.073.916	188.916
2 Sale of assets	0	0	0
2 Sale of services	-8.514.755	-7.234.884	-1.279.871
Receipts from Morocco & Israel	-4.438.245	-4.438.245	0
Indirect Costs CAM Methodology	-41.918.000	-38565000	-3.353.000
2 Allocation of the Past Part IX	-20.075.000	-20075000	0
2 Tax Compensation & ancillary benefit distribution	-20.398.000	-20126995,07	-271.005
Financial receipts		-479.229	479.229
TOTAL RECEIPTS	-97.229.000	-92.993.268	-4.235.732
TOTAL COSTBASE	308.189.000	302.273.027	5.915.973
INTERNAL TAX	-44.744.000	-48.641.173	3.897.173
CONTRIBUTIONS	263.445.000	253.631.854	9.813.146

Comparison of the 2018 Outturn Cost Base with the Forecast Cost Base

	COSTBASE	FORECAST PART I	ACTUAL PART I	UNSPENT PART I
1a Staff costs		156.327.000	160.003.360	-3.676.360
1b Pension & ETS		93.232.000	91.235.772	1.996.228
1c PBO		39.213.000	39.213.000	0
2 Operating costs		85.596.000	81.533.419	4.062.581
3 Depreciation		11.014.000	9.166.551	1.847.449
4 Cost of capital		3.722.000	367.149	3.354.851
Indirect Costs CAM Methodology		-40.611.000	-38.565.000	-2.046.000
Allocation of the Past Part IX		-20.075.000	-20.075.000	0
Tax Compensation & ancillary benefit distribution		-20.229.000	-20.126.995	-102.005
Financial receipts			-479.229	479.229
TOTAL COSTBASE		308.189.000	302.273.027	5.915.973

EUROCONTROL PART OF THE COST BASE

4.2. Cost Base : Part IV (MUAC support cost & tax compensation)

Reconciliation with Budgetary Accounts – Part IV

	FORECAST PART IV	ACTUAL PART IV	UNSPENT PART IV
1a Staff			0
1b Pension & ETS			0
1c PBO			0
2 Other operating			0
3 Cost of capital			0
4 Depreciation			0
MUAC support cost			0
Indirect Costs CAM Methodology	4.268.000	4.053.000	215.000
Allocation of the Past Part IX			0
Tax Compensation & ancillary benefit distribution	5.637.000	5.148.179	488.821
TOTAL EXPENDITURE	9.905.000	9.201.179	703.821
1a Staff receipts			0
2 Sale of assets			0
2 Sale of services			0
Receipts from Morocco & Israel			0
Indirect Costs CAM Methodology			0
2 Allocation of the Past Part IX			0
2 Tax Compensation & ancillary benefit distribution			0
Financial receipts			
TOTAL RECEIPTS	0	0	0
TOTAL COSTBASE	9.905.000	9.201.179	703.821
INTERNAL TAX			0
CONTRIBUTIONS	9.905.000	9.201.179	703.821

Comparison of the 2018 Outturn Cost Base with the Forecast Cost Base

	COSTBASE	FORECAST PART IV	ACTUAL PART IV	UNSPENT PART IV
1a Staff costs		0	0	0
1b Pension & ETS		0	0	0
1c PBO		0	0	0
2 Operating costs		0	0	0
3 Depreciation		0	0	0
4 Cost of capital		0	0	0
Indirect Costs CAM Methodology		4.268.000	4.053.000	215.000
Allocation of the Past Part IX		0	0	0
Tax Compensation & ancillary benefit distribution		5.637.000	5.148.179	488.821
Financial receipts			0	0
TOTAL COSTBASE		9.905.000	9.201.179	703.821

4.3. Costbase : Part IX

Reconciliation with Budgetary Accounts – Part IX

		FORECAST PART IX	ACTUAL PART IX	UNSPENT PART IX
1a	Staff	88.906.000	89.931.134	-1.025.134
1b	Pension & ETS			0
1c	PBO			0
2	Other operating	35.621.000	34.441.051	1.179.949
3	Cost of capital	48.000	5.145	42.855
4	Depreciation	415.000	339.733	75.267
	MUAC support cost			0
	Indirect Costs CAM Methodology		31.361.000	-31.361.000
	Allocation of the Past Part IX	33.025.000	20.075.000	12.950.000
	Tax Compensation & ancillary benefit distribution	30.911.000	11.653.314	19.257.686
	TOTAL EXPENDITURE	188.926.000	187.806.378	1.119.622
1a	Staff receipts	-1.045.000	-1.124.939	79.939
2	Sale of assets			0
2	Sale of services	-1.322.698	-201.839	-1.120.859
	Receipts from Morocco & Israel	0	0	0
	Indirect Costs CAM Methodology	0	0	0
2	Allocation of the Past Part IX	-2.648.302	-2.648.302	0
2	Tax Compensation & ancillary benefit distribution		-35.725	35.725
	Financial receipts			
	TOTAL RECEIPTS	-5.016.000	-4.010.805	-1.005.195
	TOTAL COSTBASE	183.910.000	183.795.573	114.427
	INTERNAL TAX	-25.272.000	-26.078.369	806.369
	CONTRIBUTIONS	158.638.000	157.717.203	920.797

Comparison of the 2018 Outturn Cost Base with the Forecast Cost Base

	COSTBASE	FORECAST PART IX	ACTUAL PART IX	UNSPENT PART IX
1a	Staff costs	87.861.000	88.806.195	-945.195
1b	Pension & ETS	0	0	0
1c	PBO	0	0	0
2	Operating costs	34.298.302	34.239.213	59.089
3	Depreciation	415.000	339.733	75.267
4	Cost of capital	48.000	5.145	42.855
	Indirect Costs CAM Methodology	0	31.361.000	-31.361.000
	Allocation of the Past Part IX	30.376.698	17.426.698	12.950.000
	Tax Compensation & ancillary benefit distribution	30.911.000	11.617.589	19.293.411
	Financial receipts		0	0
	TOTAL COSTBASE	183.910.000	183.795.573	114.427

EUROCONTROL PART OF THE COST BASE

4.4 Costbase : Part III

Reconciliation with Budgetary Accounts – Part III

	OUTTURN	COSTBASE OAT	COSTBASE GAT
Remunerations	137.239.200	3.792.743	133.446.457
PBO	0	0	0
Other operating costs	23.502.513	1.650.558	21.851.955
Cost of capital	294.523		294.523
Depreciation	9.317.270		9.317.270
TOTAL EXPENDITURE	170.353.505	5.443.300	164.910.205
Other Staff receipts	-1.440.572	-39.812	-1.400.761
Sale of assets	-11.823	0	-11.823
Sale of services	-6.989.360	-193.158	-6.796.202
Financial receipts	-84.645	-5.945	-78.701
TOTAL RECEIPTS	-8.526.402	-238.914	-8.287.487
TOTAL COST BASE	161.827.104	5.204.386	156.622.717
Internal Tax	39.350.575	1.087.492	38.263.082
CONTRIBUTIONS	122.476.529	4.116.894	118.359.635

Comparison of the 2018 Outturn Cost Base with the Forecast Cost Base

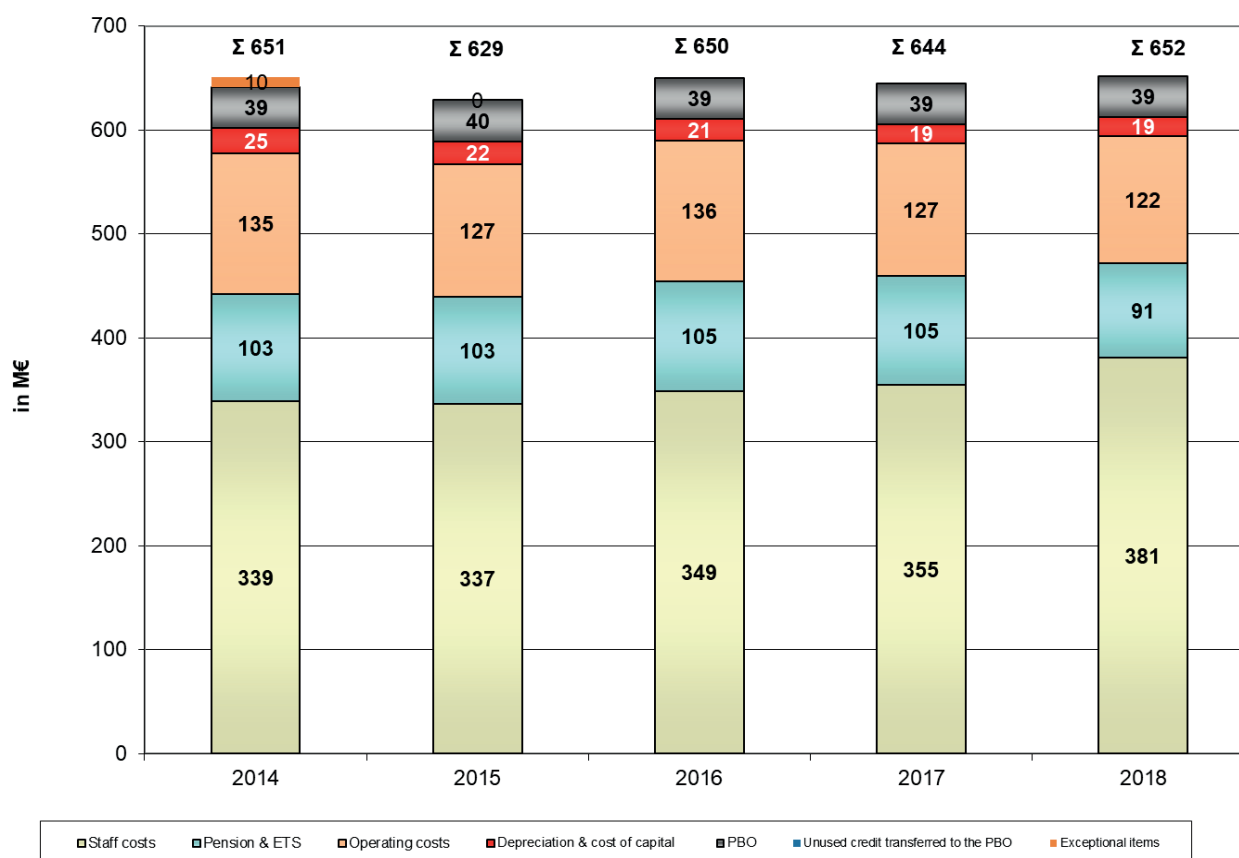
COSTBASE	FORECAST	OUTTURN	UNSPENT
Staff Costs	139.837.523	132.033.873	7.803.650
Operating costs	25.082.000,00	15.055.752	10.026.248
Interest	429.000	215.822	213.178
Depreciation	9.160.000	9.317.270	-157.270
TOTAL	174.508.523	156.622.717	17.885.806

4.5 Evolution 2014-2018 Outturn Costbase (all Budgetary Parts)

Evolution 2014-2018 by nature of costs

COST BASE ALL PARTS	2014	2015	2016	2017	2018
Staff costs	338.971.431	336.905.623	348.998.162	354.912.153	380.843.428
Pension & ETS	103.228.256	102.529.805	104.990.218	104.859.589	91.235.772
Operating costs	135.000.867	127.428.431	136.102.657	126.927.477	121.667.855
Depreciation & cost of capital	24.627.884	22.220.673	20.669.926	18.995.967	18.932.441
PBO	39.275.257	39.745.771	39.423.825	38.729.000	39.213.000
Unused credit transferred to the PBO					
Exceptional items	10.026.491				
TOTAL	651.130.186	628.830.303	650.184.788	644.424.186	651.892.496

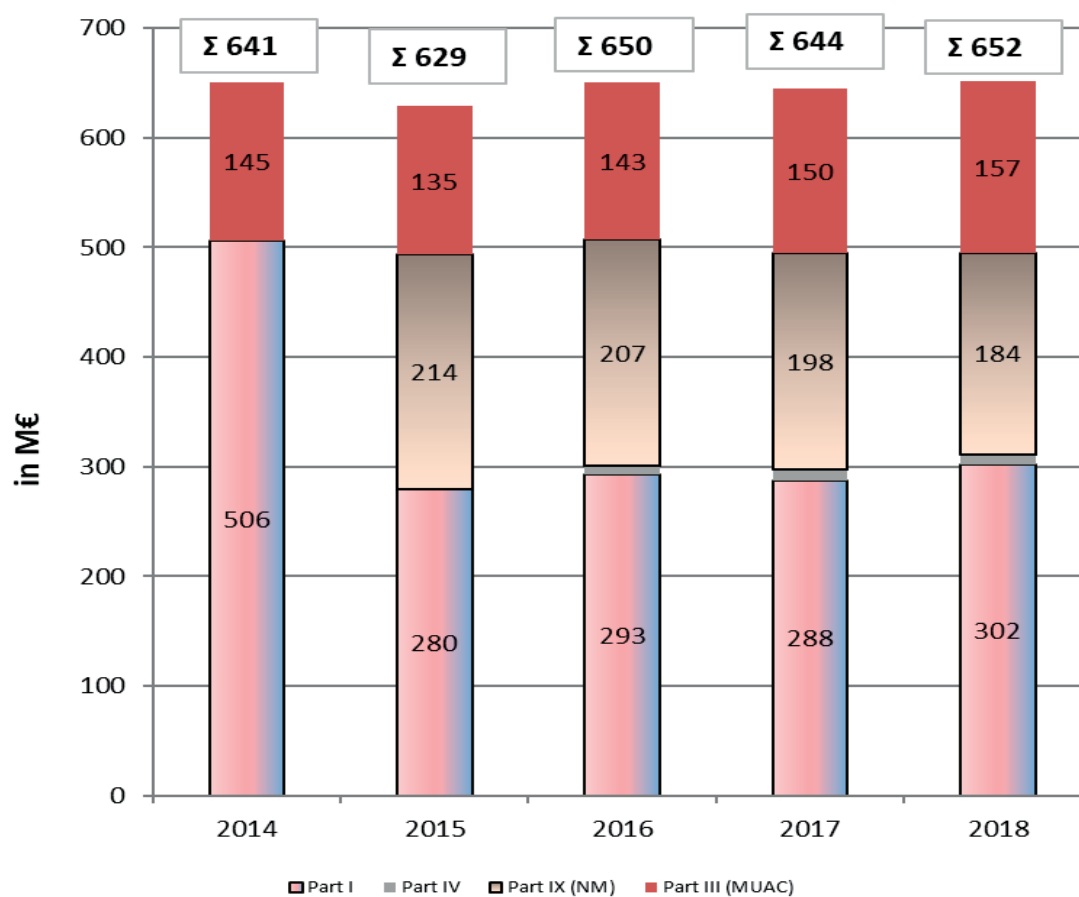
**EVOLUTION COSTBASE 2014-2018 (PARTS I, III, IV & IX)
BY NATURE OF COSTS**



Evolution 2014-2018 by Parts

COST BASE ALL PARTS	2014	2015	2016	2017	2018
Part I	505.787.191	279.555.929	292.790.141	287.809.175,00	302.273.027
Part IX		213.832.598	206.584.431	197.627.453	183.795.573
Part IV			7.552.977	9.457.624	9.201.179
Part III	145.342.995	135.441.776	143.257.239	149.529.934	156.622.717
TOTAL	651.130.186	628.830.303	650.184.788	644.424.186	651.892.496

EVOLUTION COSTBASE 2014-2018 BY BUDGETARY PARTS



5. AUDIT REPORT

**REPORT OF THE AUDIT BOARD
ON THE FINANCIAL AND BUDGETARY ACCOUNTS OF THE EUROCONTROL AGENCY
FOR THE YEAR ENDED 31 DECEMBER 2018**

To the Commission of the European Organisation for the Safety of Air Navigation

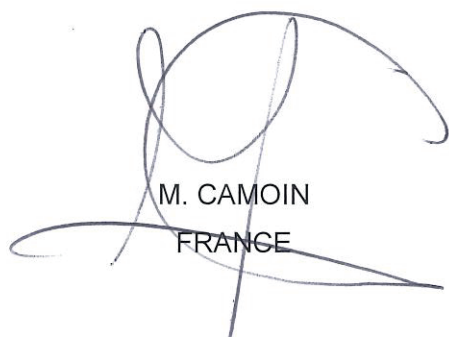
Under Article 22bis § 1 of the Statute of the Agency, the Audit Board is required to examine and certify the annual financial statements of the EUROCONTROL Agency which, in accordance with Article 29 of the Financial Regulations of the Agency, incorporate the budgetary accounts.

On this basis, the Audit Board has examined the financial accounts of the EUROCONTROL Agency, as disclosed in Part 2 of the annual accounts, comprising the statement of financial position as at 31 December 2018, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, as well as notes to the financial accounts, including a summary of significant accounting policies and other explanatory information, prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the 2018 budgetary accounts of the EUROCONTROL Agency, as disclosed in Part 3 of the annual accounts, prepared in accordance with the accrual basis in accordance with the Financial Regulations and the Rules of Application of the Financial Regulations of the EUROCONTROL Agency.

Based on the procedures we performed, including review of the work carried out in compliance with the International Standards on Auditing (ISAs) by the Audit Board's contractual auditor PwC Bedrijfsrevisoren BCVBA, which established its final reports on 5 June 2019, the Audit Board concludes that it has reasonable assurance:

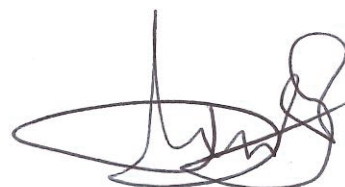
- a) that the financial accounts of the EUROCONTROL Agency for the year ended 31 December 2018 give a true and fair view of EUROCONTROL Agency's financial position as at 31 December 2018, and of the results of its operations and its cash flows for the year then ended in accordance with IFRS as issued by the IASB, and
- b) that the budgetary accounts of the EUROCONTROL Agency for the year ended 31 December 2018 have been prepared in all material respects in accordance with the accrual basis and taking into account the exceptions to this accrual basis in accordance with the Financial Regulations and the Rules of Application of the Financial Regulations of the EUROCONTROL Agency.

Brussels, 5 June 2019,



M. CAMOIN
FRANCE

(Not represented)
GEORGIA



D. SKRIVANOS
GREECE



S. CARTON
IRELAND

(Not represented)
ITALY



E. KORCAGINS
LATVIA



Responsibilities of the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT

The Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT are responsible for the preparation of financial accounts that give a true and fair view in accordance with IFRS as issued by the IASB, and for such internal control as the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT determine is necessary to enable the preparation of financial accounts that are free from material misstatement, whether due to fraud or error.

In preparing the financial accounts, the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT are responsible for assessing Eurocontrol Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT either intend to liquidate Eurocontrol Agency or to cease operations, or has no realistic alternative but to do so.

Independent auditor's responsibilities for the audit of the financial accounts

Our objectives are to obtain reasonable assurance about whether the financial accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misaccounts can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eurocontrol Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT.



Responsibilities of the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT

The Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT are responsible for the preparation of financial accounts that give a true and fair view in accordance with IFRS as issued by the IASB, and for such internal control as the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT determine is necessary to enable the preparation of financial accounts that are free from material misstatement, whether due to fraud or error.

In preparing the financial accounts, the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT are responsible for assessing Eurocontrol Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT either intend to liquidate Eurocontrol Agency or to cease operations, or has no realistic alternative but to do so.

Independent auditor's responsibilities for the audit of the financial accounts

Our objectives are to obtain reasonable assurance about whether the financial accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misaccounts can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eurocontrol Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT.

- Conclude on the appropriateness of the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Eurocontrol Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Eurocontrol Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial accounts, including the disclosures, and whether the financial accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Eurocontrol Agency to express an opinion on the financial accounts. We are responsible for the direction, supervision and performance of the Eurocontrol Agency audit. We remain solely responsible for our audit opinion.

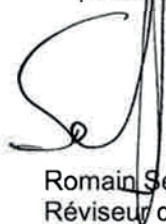
We communicate with the Audit Board, the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Limitation of use

This report is intended solely for the use of the Audit Board of Eurocontrol Agency to whom it is addressed, and then only for the purpose set out in the Statute of the Agency and Financial Regulations applicable to Eurocontrol Agency, and may not be provided to any third party without our prior written consent. We will not accept any responsibility or liability for damages to any third party to whom our report may be provided or into whose hands it may come.

Sint-Stevens-Woluwe, 5 June 2019

The registered auditor
PwC Bedrijfsrevisoren CVBA
Represented by



Romain Seffer
Réviseur d'Entreprises



**INDEPENDENT AUDITOR'S REPORT TO THE AUDIT BOARD OF EUROCONTROL ON
THE BUDGETARY ACCOUNTS OF EUROCONTROL AGENCY FOR THE YEAR ENDED
31 DECEMBER 2018**

By virtue of contract no 17-110054-C and in line with the Statute of the Agency and with the Financial Regulations of the Agency, we report to you on the performance of our assignment as independent auditor.

Report on the audit of the budgetary accounts of Eurocontrol Agency

Unqualified opinion

We have performed the audit of the budgetary accounts of Eurocontrol Agency, which comprises the following parts:

- principles governing the Budgetary Accounts;
- Part I - activities financed by 41 Member States characterised by a total operating expenditure outturn of EUR 395.266.295;
- Part IX - activities financed by 41 Member States characterised by a total operating expenditure outturn of EUR 187.806.378;
- Part II - Central Route Charges Office characterised by a total operating expenditure outturn of EUR 22.396.428;
- Part III - Maastricht Upper Area Control characterised by a total operating expenditure outturn of EUR 170.353.505;
- Part IV - Special Annexes characterised by a total operating expenditure outturn of EUR 32.508.069;
- Part V - Sickness benefit scheme characterised by a total operating expenditure outturn of EUR 14.513.426; and
- Part VII - Unemployment benefit scheme: Temporary social allowances characterised by a total operating expenditure outturn of EUR 185.978

and which are prepared in accordance with the Financial Regulations and the Rules of Application of the Financial Regulations of the Agency.

In our opinion, the budgetary accounts of Eurocontrol Agency have been prepared in all material respects in accordance with the accrual basis and taking into account the exceptions to this accrual basis in accordance with the Financial Regulations and the Rules of Application of the Financial Regulations of the Eurocontrol Agency.



Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the year ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the “*Independent auditor’s responsibilities for the audit of the budgetary accounts*” section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the budgetary accounts of Eurocontrol Agency, including the requirements related to independence.

We have obtained from the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT the explanations and information necessary for performing our audit.

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

Responsibilities of the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT for the budgetary accounts

The Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT are responsible for the preparation of budgetary accounts that have been prepared in all material respects in accordance with the Financial Regulations and the Rules of Application of the Financial Regulations of the Agency, and for such internal control as the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT determine is necessary to enable the preparation of the budgetary accounts that are free from material misstatement, whether due to fraud or error.

In preparing the budgetary accounts, the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT are responsible for assessing Eurocontrol Agency’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT either intend to liquidate Eurocontrol Agency or to cease operations, or has no realistic alternative but to do so.

Independent auditor’s responsibilities for the audit of the budgetary accounts

Our objectives are to obtain reasonable assurance about whether the budgetary accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these budgetary accounts.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the budgetary accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eurocontrol Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT.
- Conclude on the appropriateness of the Head of Accounting and Treasury and Director Central Route Charges Office, Finance and Central IT's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Eurocontrol Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the budgetary accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Eurocontrol Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the budgetary accounts, including the disclosures, and whether the budgetary accounts represent the underlying transactions and events in a manner that complies in all material respects with the accrual basis and taking into account the exceptions to this accrual basis in accordance with the Financial Regulations and the Rules of Application of the Financial Regulations of the Eurocontrol Agency.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Eurocontrol Agency to express an opinion on the budgetary accounts. We are responsible for the direction, supervision and performance of the Eurocontrol Agency audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Board, the Head of Accounting and Treasury and the Director Central Route Charges Office, Finance and Central IT regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Limitation of use

This report is intended solely for the use of the Audit Board of Eurocontrol Agency to whom it is addressed, and then only for the purpose set out in the Statute of the Agency and Financial Regulations applicable to Eurocontrol Agency, and may not be provided to any third party without our prior written consent. We will not accept any responsibility or liability for damages to any third party to whom our report may be provided or into whose hands it may come.

Sint-Stevens-Woluwe, 5 June 2019

The registered auditor
PwC Bedrijfsrevisoren CVBA
Represented by

A handwritten signature in black ink, appearing to read 'Seffer', written over a faint, larger signature that also appears to be 'Seffer'.

Romain Seffer
Réviseur d'Entreprises



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