

NATO SANS CLASSIFICATION

11 avril 2016

DOCUMENT
C-M(2016)0019-AS1

**RAPPORT
DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO)
POUR L'EXERCICE 2013**

SUITE DONNÉE

Le 8 avril 2016, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Collège international des commissaires aux comptes de l'OTAN diffusé sous la cote IBA-AR(2014)22 (en annexe au C-M(2016)0019), et il a approuvé les recommandations contenues dans le rapport du Bureau de la planification et de la politique générale des ressources.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2016)0019 et doit être placée en tête de ce document.

Original : anglais

NATO SANS CLASSIFICATION



NATO SANS CLASSIFICATION

5 avril 2016

DOCUMENT

C-M(2016)0019

Procédure d'accord tacite :

8 avr 2016 16:00

**RAPPORT
DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DE LA NCIO
POUR L'EXERCICE 2013**

Note du secrétaire général délégué

1. On trouvera ci-joint le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers de l'Organisation OTAN d'information et de communication (NCIO) pour l'exercice clos le 31 décembre 2013.
2. L'IBAN a émis une opinion avec réserve sur les états financiers 2013 de la NCIO. Dans son rapport, il souligne les progrès accomplis par la NCIO dans de nombreux domaines, mais il met aussi en évidence le fait que de nombreux problèmes recensés dans les rapports précédents n'ont pas encore été pleinement corrigés. Bien que des améliorations aient été constatées, l'adoption du cadre comptable OTAN n'a pas encore produit les résultats attendus.
3. Le rapport de l'IBAN a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB), qui a lui-même établi un rapport, dans lequel il formule des conclusions et des recommandations à l'intention du Conseil.
4. J'estime que les rapports précités ne nécessitent pas d'examen plus approfondi. Par conséquent, **sauf avis contraire me parvenant d'ici au vendredi 8 avril 2016 à 16 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2014)22 et qu'il aura approuvé les recommandations contenues dans le rapport du RPPB.

(signé) Alexander Vershbow

4 annexes
1 pièce jointe

Original : anglais

NATO SANS CLASSIFICATION

-1-



PAGE BLANCHE

**RAPPORT DU COLLÈGE INTERNATIONAL
DES COMMISSAIRES AUX COMPTES DE L'OTAN (IBAN)
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE L'ORGANISATION OTAN D'INFORMATION ET DE COMMUNICATION (NCIO)
POUR L'EXERCICE 2013**

**Rapport
du Bureau de la planification et de la politique générale des ressources**

Références :

- (a) IBA-A(2014)215 // IBA-AR(2014)22
- (b) BC-D(2014)0256-FINAL

Contexte

1. Dans le présent rapport, le Bureau de la planification et de la politique générale des ressources (RPPB) formule des observations et des recommandations concernant le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) cité en référence (a). Le rapport du RPPB est fondé sur l'analyse complète de l'audit à laquelle a procédé le Comité des budgets dans le document cité en référence (b).
2. Le RPPB prend note des conclusions et des recommandations exposées par le Comité des budgets dans son rapport, sur lesquelles s'appuient ses propres discussions.

Conclusions du RPPB

3. Globalement, l'IBAN a émis une opinion avec réserve sur les états financiers 2013 de l'Organisation OTAN d'information et de communication (NCIO). Ce rapport, bien que soulignant les progrès accomplis dans de nombreux domaines, montre aussi que les lacunes très importantes ayant conduit à la formulation d'opinions modifiées dans les rapports précédents n'ont pas encore été totalement corrigées. Il cite la problématique des chiffres de 2012 fournis pour comparaison comme l'un des deux éléments justifiant la réserve sur la conformité, l'autre étant le non-respect, déjà constaté précédemment, de la réglementation applicable en rapport avec le processus de transfert/reprise des immobilisations corporelles.
4. Comme indiqué au sujet d'un certain nombre d'opinions avec réserve concernant les exercices 2012 et 2013, l'impossibilité de produire des états financiers consolidés pour 2012 tient aux problèmes découlant de la création d'entités nouvelles en cours d'année. Bien que des états financiers sectoriels, exempts d'inexactitudes significatives, aient été établis, l'impossibilité de produire des états financiers consolidés, malgré les mesures prises pour limiter le problème, a conduit à la formulation d'opinions modifiées. Comme les chiffres de 2012, en application du Règlement financier de l'OTAN, continueront d'avoir des incidences sur les états financiers de 2014, il est probable que l'IBAN continuera d'émettre des opinions modifiées jusqu'aux états financiers de 2015, quand les problèmes

découlant de la création des nouveaux organismes au cours de l'année 2012 ne se feront plus sentir.

5. La nécessité d'achever et de vérifier le processus de transfert/reprise des stocks et des immobilisations corporelles avait déjà été soulignée lors de la vérification des états financiers 2012 de la NCIO et du Commandement allié Opérations (ACO). Toutes les parties avaient été invitées à régler la question pour le 31 décembre 2014. L'on savait donc que les états financiers 2013 de la NCIO (et ceux de l'ACO) feraient l'objet d'une opinion avec réserve, l'idée étant toutefois que la question des immobilisations corporelles serait réglée à temps pour l'établissement des états financiers de 2014. Bien que des progrès aient été réalisés, en particulier au niveau de la structure de commandement de l'OTAN et de l'État-major militaire international, s'agissant de mettre en place des dispositifs et des procédures de vérification des stocks pour décembre 2014, le processus de transfert/reprise n'est pas encore complètement terminé. Il est donc possible que la vérification des états financiers de 2014 donne lieu à des réserves pour des motifs similaires, dans l'attente de la finalisation du processus de transfert/reprise d'ici à décembre 2015.

6. La mise en application des IPSAS à l'OTAN demeure problématique, en particulier pour ce qui est de l'IPSAS 12 (*Stocks*), de l'IPSAS 17 (*Immobilisations corporelles*) et de l'IPSAS 31 (*Immobilisations incorporelles*). Alors que l'on s'attendait à ce que l'adaptation du cadre comptable IPSAS approuvée par le Conseil permette de limiter le nombre de réserves émises pour cause de non-conformité avec les normes, notamment les dispositions relatives au compte rendu des immobilisations corporelles, cela n'est pas encore le cas, et le document définissant un cadre comptable OTAN que le Conseil a approuvé par la suite n'a pas encore eu le temps de sortir ses effets.

7. Les problèmes concernant les stocks et les immobilisations corporelles doivent, en particulier dans le contexte de la réforme des agences, faire l'objet d'une attention prioritaire. Il est clairement nécessaire que la NCIO et les autres entités OTAN concernées coopèrent plus et mieux, notamment grâce à la mise en place de politiques ou d'accords et de mécanismes de contrôle améliorés. La direction doit accorder toute la priorité voulue au transfert, à l'enregistrement et à la maintenance des immobilisations corporelles. Il s'agit d'une question à laquelle, à la suite des précédents audits, une grande importance est désormais attachée. L'IBAN est plus que jamais d'avis que des problèmes subsistent et qu'il devra continuer d'y prêter particulièrement attention dans le cadre de son examen de la suite donnée à ses observations.

8. Il est à saluer que, comme le signale l'IBAN, plusieurs questions ayant fait l'objet d'observations lors d'audits précédents ont été réglées, mais ces progrès sont quelque peu éclipsés par le fait que des opinions modifiées doivent être maintenues.

9. S'agissant de la communication des états financiers au public, l'IBAN a demandé l'avis du contrôleur des finances de l'Agence OTAN d'information et de communication

(NCIA), qui a examiné les états financiers au regard des politiques agréées (C-M(2008)0116, AC/324-D(2014)0010 et PO(2015)0052) et a fait part de préoccupations quant à leur publication. Ces préoccupations concernent en particulier les annexes E, F et G, que la NCIA considère comme des informations sectorielles, mais dont certains éléments, relevant de trois¹ des dix catégories d'informations frappées d'interdiction en vertu du C-M(2008)0116 et de l'AC/324-D(2014)0010², devraient de préférence ne pas être communiqués au public.

10. Le RPPB a dûment pris en considération les préoccupations de la NCIA concernant la communication de ses états financiers au public ainsi que de celles de l'IBAN³, qui estimait qu'il ne serait pas acceptable que son opinion soit assortie d'états financiers ainsi tronqués. Soucieux de concilier les positions des deux parties, il a chargé la NCIA de trouver, en collaboration avec l'IBAN et avec les représentants des pays, une solution qui permette de rendre publics les états financiers 2013 de la NCIO.

11. Ainsi, au terme de consultations entre l'IBAN, les représentants des pays et le contrôleur des finances de la NCIA, il a été convenu que l'Agence masquerait les éléments ne pouvant être communiqués au public⁴ (lesquels concernent le Bureau de programme et de services C2 Air). L'IBAN a examiné la version des états financiers comportant des éléments ainsi masqués et il a confirmé que les constatations faites dans le rapport d'audit restaient fondées⁵.

12. Ayant dûment étudié les arguments présentés par la NCIA, et en concertation avec l'IBAN, le RPPB, conformément au PO(2015)0052, est d'avis que la version des états financiers 2013 de la NCIO qui comporte des éléments masqués ainsi que le rapport d'audit correspondant peuvent être communiqués au public.

Recommandations du RPPB

13. Le RPPB recommande au Conseil :

(a) de prendre note du présent rapport ainsi que du rapport d'audit diffusé sous la cote IBA-AR(2014)22 ;

(b) d'entériner les conclusions figurant aux paragraphes 3 à 12 du présent rapport ;

¹ Catégorie 1 « informations dont la mise en lecture publique est susceptible de porter atteinte à la cohésion interne de l'OTAN, à ses membres, à ses missions, à ses installations ou à son personnel » ; catégorie 3 « informations confidentielles d'ordre commercial, sauf accord exprès des parties concernées » ; catégorie 8 « détails concernant des plans, orientations et opérations politiques ou militaires récents ».

² NCIA/FC/2015/00637, du 18 juin 2015, et NCIA/FC/2015/00525, du 22 avril 2015.

³ Courriel de M. Brett Hare, auditeur sénior, du 11 septembre 2015.

⁴ NCIA/FC/2016/00515/TT2163, du 4 février 2016.

⁵ IBA-C(2016)009.

- (c) d'inviter la NCIO à mettre en œuvre les recommandations de l'IBAN ;
- (d) d'inviter la NCIO, ainsi que les hauts responsables de l'ACO et des autres entités OTAN, à veiller à ce que les directions accordent d'urgence toute la priorité voulue au transfert, à l'enregistrement et à la maintenance des stocks et des immobilisations corporelles, en vue d'une finalisation des travaux d'ici à juin 2016 ; le RPPB rappelle que le Conseil, suite à la vérification des états financiers 2013 de la NCIO, avait déjà invité cet organisme et les autres parties prenantes à achever ces travaux pour le 31 décembre 2014 au plus tard ;
- (e) de noter que l'adaptation du cadre comptable IPSAS, approuvée par le Conseil le 14 février 2013, permettra vraisemblablement de limiter le nombre d'opinions avec réserve émises pour des raisons de non-conformité avec les normes et que les effets de la mise en œuvre du cadre adapté devraient se faire sentir à partir de l'exercice 2015 ;
- (f) de noter que les comités chargés des ressources entendent continuer d'assurer le suivi des observations formulées lors de précédents audits ;
- (g) d'approuver, en vertu de la politique agréée dans le PO(2015)0052, la communication au public de la version des états financiers 2013 de la NCIO qui comporte des éléments masqués, ainsi que du rapport d'audit correspondant (IBA-AR(2014)22).

PAGE BLANCHE

Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers consolidés rectifiés
de l'Organisation OTAN d'information et de communication (NCIO)
pour l'exercice clos le 31 décembre 2013

Le Collège a émis une opinion avec réserve sur les états financiers consolidés rectifiés de l'Agence OTAN d'information et de communication (NCIO) pour l'exercice 2013. La réserve tient aux éléments suivants :

- les immobilisations corporelles et les immobilisations incorporelles contrôlées par la NCIO, notamment les moyens SIC transférés par d'autres entités OTAN au 1^{er} juillet 2012 et les moyens liés aux capacités, n'ont pas toutes été physiquement identifiées pour être éventuellement portées à l'actif par la NCIO. Par conséquent, le Collège n'a pas obtenu suffisamment d'éléments pour déterminer si les soldes relatifs aux immobilisations corporelles ou aux immobilisations incorporelles dans l'état de la situation financière consolidé donnaient une image fidèle de la valeur comptable des actifs de la NCIO. Le cas échéant, les inexactitudes concernant ces immobilisations se répercuteraient sur les coûts d'acquisition, les amortissements et les produits dans l'état consolidé de la performance financière, ainsi que sur les passifs à court terme - produits non acquis dans l'état consolidé de la situation financière ;
- le Collège n'est pas en mesure de fournir l'assurance voulue quant à la conformité des états financiers consolidés rectifiés de 2013 s'agissant des informations de 2012 qui y sont présentées à des fins de comparaison. Cette restriction tient au fait que le Collège s'était déclaré l'année dernière dans l'impossibilité d'exprimer une opinion au sujet des états financiers 2012 de la NCIO. Il en résulte que son opinion sur les états financiers consolidés rectifiés de 2013 est également modifiée en raison des effets que cela pourrait avoir sur la comparabilité des chiffres de 2013 avec ceux de 2012.

Le Collège a émis une opinion avec réserve sur la conformité pour l'exercice clos le 31 décembre 2013, pour la raison suivante :

- le Collège n'a pas obtenu suffisamment d'éléments pour établir avec certitude que des documents comptables complets répertoriant tous les biens acquis par la NCIO avaient été établis et tenus comme le requiert l'article 18 du Règlement financier de l'OTAN. La multiplicité des systèmes comptables et des outils logistiques de la NCIO ne permet pas de mettre en place des processus de gestion efficaces et efficaces et d'établir, en ce qui concerne les immobilisations corporelles et les immobilisations incorporelles, un compte rendu financier conforme au cadre réglementaire applicable à la NCIO.

À l'issue de l'audit, le Collège a formulé sept observations et sept recommandations. Ses constatations sont récapitulées dans la lettre d'observations et de recommandations (annexe 4).

PAGE BLANCHE

NATO SANS CLASSIFICATION

ANNEXE 3
C-M(2016)0019
IBA-AR(2014)22

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LA VÉRIFICATION DES ÉTATS FINANCIERS CONSOLIDÉS
RECTIFIÉS DE L'ORGANISATION OTAN D'INFORMATION
ET DE COMMUNICATION**

(NCIO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2013

NATO SANS CLASSIFICATION

**OPINION DU COLLÈGE INTERNATIONAL
DES COMMISSAIRES AUX COMPTES DE L'OTAN
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Rapport sur les états financiers consolidés rectifiés

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers consolidés rectifiés de l'Organisation OTAN d'information et de communication (NCIO), composés de l'état de la situation financière au 31 décembre 2013, de l'état de la performance financière, de l'état de l'actif net/situation nette et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que de notes jointes aux états financiers, dont un état des méthodes comptables. Le Collège a également vérifié les états de l'exécution du budget pour l'exercice clos le 31 décembre 2013.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et aux dispositions du Règlement financier de l'OTAN tels qu'ils ont été fixés par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers consolidés rectifiés.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Justification de l'opinion avec réserve émise sur les états financiers consolidés rectifiés

Les immobilisations corporelles et les immobilisations incorporelles contrôlées par la NCIO, notamment les moyens SIC transférés par d'autres entités OTAN au 1^{er} juillet 2012 et les moyens liés aux capacités, n'ont pas toutes été physiquement identifiées pour être éventuellement portées à l'actif par la NCIO. Par conséquent, le Collège n'a pas obtenu suffisamment d'éléments pour déterminer si les soldes relatifs aux immobilisations corporelles ou aux immobilisations incorporelles dans l'état de la situation financière consolidé donnaient une image fidèle de la valeur comptable des actifs de la NCIO. Le cas échéant, les inexactitudes concernant ces immobilisations se répercuteraient sur les coûts d'acquisition, les amortissements et les produits dans l'état consolidé de la performance financière, ainsi que sur les passifs à court terme - produits non acquis dans l'état consolidé de la situation financière.

Par ailleurs, le Collège n'est pas en mesure de fournir l'assurance voulue quant à la conformité des états financiers consolidés rectifiés de 2013 s'agissant des informations de 2012 qui y sont présentées à des fins de comparaison. Cette restriction tient au fait que le Collège s'était déclaré l'année dernière dans l'impossibilité d'exprimer une opinion au sujet des états financiers 2012 de la NCIO. Il en résulte que son opinion sur les états financiers consolidés rectifiés de 2013 est également modifiée en raison des effets que cela pourrait avoir sur la comparabilité des chiffres de 2013 avec ceux de 2012.

Opinion sur les états financiers consolidés rectifiés

L'opinion du Collège est que, à l'exception des effets possibles des questions mentionnées au paragraphe précédent, les états financiers rectifiés donnent, à tous égards significatifs, une image fidèle, conforme au cadre comptable de l'OTAN, de la situation financière de la NSPO au 31 décembre 2013, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Justification de l'opinion avec réserve émise sur la conformité

Le Collège n'a pas obtenu suffisamment d'éléments pour établir avec certitude que des documents comptables complets répertorient tous les biens acquis par la NCIO avaient été établis et tenus comme le requiert l'article 18 du Règlement financier de l'OTAN. La multiplicité des systèmes comptables et des outils logistiques de la NCIO ne permet pas de mettre en place des processus de gestion efficaces et efficients et d'établir, en ce qui concerne les immobilisations corporelles et les immobilisations incorporelles, un compte rendu financier conforme au cadre réglementaire applicable à la NCIO.

Opinion sur la conformité

L'opinion du Collège est que, à l'exception des effets possibles des questions mentionnées au paragraphe précédent, les opérations financières et les informations présentées dans les états financiers consolidés rectifiés sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 31 octobre 2014

Charilaos Charisis
Président

NATO SANS CLASSIFICATION

**ANNEXE 4
C-M(2016)0019
IBA-AR(2014)22**

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS CONCERNANT
L'ORGANISATION OTAN D'INFORMATIONS ET COMMUNICATION**

(NCIO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2013

NATO SANS CLASSIFICATION

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers consolidés rectifiés de l'Agence OTAN d'information et de communication (NCIO) pour l'exercice clos le 31 décembre 2013, et il a émis une opinion avec réserve à leur sujet ainsi que sur la conformité. Les éléments ayant motivé les réserves ainsi que les autres observations et recommandations sont récapitulés dans la section intitulée « Observations et recommandations », ci-dessous.

Issue de la fusion de trois entités OTAN, la NCIO a vu le jour le 1^{er} juillet 2012 dans le cadre de la réforme des agences de l'OTAN. Le Conseil de l'Atlantique Nord avait accepté, à titre de mesure transitoire, que la NCIO ne consolide pas ses états financiers de 2012. L'exercice 2013 est donc le premier pour lequel la NCIO a établi des états financiers consolidés. Ceux-ci ont été publiés le 30 avril 2014, c'est-à-dire dans le délai prescrit par le Règlement financier de l'OTAN (NFR). Bien que des progrès aient été accomplis, les observations formulées ci-après montrent que plusieurs domaines, en particulier les immobilisations corporelles et les immobilisations incorporelles, nécessitent une plus grande attention.

Observations et recommandations

À l'issue de l'audit, le Collège a formulé sept observations et sept recommandations, qui sont récapitulées ci-après.

Les deux premières observations ont trait à des faiblesses dans la gestion et la comptabilisation des immobilisations corporelles et des immobilisations incorporelles. Elles donnent lieu à une opinion avec réserve sur les états financiers ainsi que sur la conformité.

- La multiplicité des systèmes comptables et des outils logistiques de la NCIO ne permet pas une gestion et un compte rendu financier efficaces et efficaces pour ce qui est des immobilisations corporelles et des immobilisations incorporelles.
- Les immobilisations corporelles et les immobilisations incorporelles contrôlées par la NCIO, notamment les moyens SIC transférés par d'autres entités OTAN au 1^{er} juillet 2012 et les moyens liés aux capacités, n'ont pas toutes été physiquement identifiées pour être éventuellement portées à l'actif. Par conséquent, elles ne sont pas toutes soit constatées dans les états financiers de 2013 soit mentionnées dans les notes qui y sont jointes, selon ce qui conviendrait.

La troisième observation porte sur le fait que le Collège n'est pas en mesure de fournir l'assurance voulue quant à la conformité des états financiers de 2013 s'agissant des informations de 2012 qui y sont présentées à des fins de comparaison. Cela tient au fait que le Collège s'était déclaré l'année dernière dans l'impossibilité d'exprimer une opinion au sujet des états financiers 2012 de la NCIO.

Outre les trois observations ci-avant, qui ont une incidence sur son opinion, le Collège a formulé quatre autres observations et recommandations, récapitulées ci-dessous :

- les processus de compte rendu financier de la NCIO, notamment la procédure d'examen par la direction, ne permettent pas encore d'atténuer adéquatement le risque d'erreur dans les états financiers. Le tableau des flux de trésorerie publié initialement contenait des erreurs de transcription significatives, et de nombreuses autres erreurs, non significatives, ont été constatées au cours de l'audit. Ces erreurs ont été corrigées et des états financiers rectifiés ont été publiés le 7 août 2014 ;
- les états financiers 2013 consolidés de la NCIO ne rendent pas clairement compte des opérations financières concernant les « activités relatives à la transition » ;
- les notes détaillées jointes aux états financiers portent uniquement sur les informations sectorielles « par entité d'origine », et non sur les informations sectorielles « au format consolidé » ni sur les états financiers consolidés ;
- la NCIO ne confirme pas le solde de fin d'exercice des éléments d'actif (montants à recevoir, paiements anticipés, etc.) et de passif (montants à payer, avances reçues, emprunts, etc.) auprès d'autres organismes OTAN.

Le Collège a également fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors d'audits précédents et il a constaté que huit d'entre elles avaient été réglées, que deux avaient été rendues caduques par une observation formulée à l'issue de la vérification des états financiers de 2013 et que quatre restaient à régler.

Par ailleurs, le Collège a adressé une lettre en deux parties (IBA-AML(2014)09) à la direction de la NCIA, pour lui faire part de ses nombreuses constatations concernant les fonctions « ressources humaines » et « achats ».

OBSERVATIONS ET RECOMMANDATIONS**1. MULTIPLICITÉ DES SYSTÈMES COMPTABLES À LA NCIO, EMPÊCHANT UNE GESTION ET UN COMPTE RENDU FINANCIER EFFICACES ET EFFICIENTS CONCERNANT LES IMMOBILISATIONS CORPORELLES ET LES IMMOBILISATIONS INCORPORELLES****Contexte**

1.1 Les systèmes comptables, s'appuyant sur des procédures adéquates d'identification des actifs et d'inventaire physique, doivent permettre d'assurer une gestion et un enregistrement précis et exhaustifs de tous les actifs d'une entité. En application de l'article 18 du Règlement financier de l'OTAN (NFR), il convient d'établir et de tenir des documents comptables complets répertoriant tous les biens acquis. Les comptes des biens doivent comporter des inventaires des biens non consommables et contrôlables, précisant leur valeur ainsi que les quantités reçues, les quantités distribuées et les quantités en stock. Le Collège estime qu'ils doivent également contenir des éléments d'identification et d'emplacement des biens. Enfin, il faut assurer la traçabilité des biens depuis les registres comptables de l'entité jusqu'à leur emplacement physique et vice versa.

1.2 Ces principes revêtent une importance capitale pour une entité dont la mission principale est de fournir des services SIC à l'ensemble de l'OTAN et qui doit établir pour cela des tarifs basés notamment sur le coût et l'utilisation de biens donnés. Pour mener à bien cette mission, l'entité doit idéalement disposer d'un système comptable intégrant des fonctions de gestion des biens et de logistique.

Observations

1.3 Le Collège a constaté que les multiples systèmes comptables ou logistiques actuellement utilisés par la NCIO ne lui permettaient pas d'assurer un contrôle efficace et efficient de ses actifs. Les systèmes comptables et les divers registres d'actifs et outils logistiques dont l'Agence dispose ne lui permettent pas de maîtriser le risque de non-enregistrement d'opérations portant sur des actifs ni le risque d'erreur dans l'enregistrement de telles opérations.

1.4 En 2013, la NCIO a utilisé trois systèmes comptables différents : le logiciel financier central (CFS), le système financier automatisé centralisé de l'OTAN (CNAFS) et le logiciel ProAcc/ProCure. Par ailleurs, elle recourt à une série de registres d'actifs et d'outils logistiques : le système de soutien des dépôts de l'OTAN (NDSS), des tableurs, le système Planon et les modules de gestion des immobilisations corporelles de Peoplesoft et d'Oracle. Actuellement, les systèmes financiers de la NCIO ne permettent pas une prise en charge adéquate, intégrée et cohérente du processus d'acquisition d'actifs, du processus de gestion des actifs et du processus de livraison d'actifs à d'autres entités de l'OTAN. S'agissant de la gestion et de la comptabilisation des immobilisations

corporelles et des immobilisations incorporelles, ces systèmes sont lourds, complexes et source d'erreurs fréquentes.

1.5 Par exemple, à l'occasion d'un audit effectué auprès de la Force internationale d'assistance à la sécurité (FIAS), le Collège a constaté des erreurs dans l'enregistrement des biens. La NCIO achète au profit de la FIAS des équipements de contre-mesures électroniques (CME). En 2013, elle lui a livré 64 de ces dispositifs (pour une valeur de 13,2 millions de dollars des États-Unis) et ceux-ci n'ont été comptabilisés ni comme livrés dans les registres d'actifs de la NCIA (NDSS) ni comme reçus dans ceux de la FIAS (NDSS). Le Collège n'a pas été en mesure de déterminer si ces dispositifs figuraient bien dans un registre d'actifs de l'OTAN, quel qu'il soit.

1.6 Par ailleurs, le Collège a constaté des problèmes d'efficacité entre les systèmes financiers de la NCIO et le NDSS. Par exemple, en tant que prestataire de services SIC, la NCIO a inscrit à l'actif de 2013 un montant de 2,3 millions d'euros (MEUR) correspondant à des ajouts à des équipements SIC. Ces ajouts étaient cofinancés sur des budgets délégués par d'autres organismes OTAN. Comme le NDSS ne permet pas d'assurer le compte rendu des actifs de la NCIO, ces ajouts ont été enregistrés manuellement dans un registre d'actifs spécialement créé à cette fin dans un tableur. Les informations saisies dans ce fichier étaient tirées des dossiers d'acquisition téléchargés depuis l'espace financier d'Oracle. Par ailleurs, pour s'assurer de l'existence physique des articles en question, la NCIO aurait dû effectuer un rapprochement complet entre les données contenues dans le registre d'actifs établi manuellement et les données du NDSS. Le Collège a constaté qu'au moment de l'audit, la NCIO ne l'avait pourtant pas fait. C'est donc un contrôle essentiel de l'existence physique et de l'exhaustivité de ces ajouts de 2013 qui n'avait pas été opéré. Lors de son audit, le Collège a sélectionné un petit nombre d'articles inscrits dans le registre d'actifs établi manuellement et les a retrouvés dans le NDSS.

1.7 La NCIO a indiqué au Collège qu'elle s'employait à régler ce problème en activant les modules de gestion des stocks et des actifs disponibles dans le CNAFS.

Recommandation

1.8 Le Collège recommande à la NCIO de continuer à chercher et de mettre en œuvre une solution intégrée pour l'acquisition des immobilisations corporelles et des immobilisations incorporelles, leur gestion et le compte rendu y afférent, afin de réduire les problèmes d'efficacité et les risques associés à l'utilisation d'un grand nombre de systèmes comptables et d'outils logistiques différents.

Commentaire du Comité de surveillance de l'Agence (ASB) de la NCIO

À sa création, le 1^{er} juillet 2012, l'Agence a hérité de trois systèmes financiers des entités d'origine. Dans le cadre du programme de transition, une solution intégrée est prévue, au titre du projet EBA, qui devrait permettre de résoudre ce problème.

Malheureusement, le programme de transition n'a été autorisé par le Comité des investissements et le Comité des budgets qu'en décembre 2013. Et depuis, il a pris du retard, un processus d'arbitrage étant en cours concernant la sélection du prestataire de services fonctionnels « logistique » (LOG FS).

Néanmoins, l'Agence a déjà pris, quand c'était possible, des mesures pour limiter les effets des problèmes constatés.

- En application du cadre comptable OTAN, l'Agence a essayé de comptabiliser tous les actifs servant à la prestation de services qu'elle a acquis depuis le 1^{er} janvier 2013, y compris sur des budgets SIC qui lui avaient été délégués. Ce travail de comptabilisation sera affiné quand le processus de transfert/reprise des SIC sera achevé. Dans son rapport, l'IBAN relève que le registre d'actifs issu de ce travail n'a pas fait l'objet d'un rapprochement complet avec le NDSS pour ce qui est de l'emplacement des actifs, mais il note, au paragraphe 1.6, que les vérifications effectuées par sondage n'ont pas fait apparaître d'erreur. L'Agence veillera à ce qu'en 2014, le registre d'actifs précise l'emplacement physique enregistré dans le NDSS.*
- Au 1^{er} janvier 2014, l'Agence a ramené le nombre de systèmes financiers de trois à deux en faisant migrer les données de ProAcc/ProCure (système de l'ex-NACMA) vers le CFS (système PeopleSoft de l'ex-NC3A).*
- Fin 2013, l'Agence a lancé une initiative visant à activer dans le CNAFS (application de l'ex-NCSA tournant sous Oracle) les outils de gestion des stocks et des actifs dont elle avait besoin et qui étaient déjà disponibles dans le CNAFS du Centre de programmation de l'OTAN. Faisant actuellement l'objet de tests, ces outils devraient être mis en service le 1^{er} janvier 2015 ; ils permettront de comptabiliser les stocks et les actifs nouvellement acquis pour la prestation de services.*
- Du fait du retard que connaissent le programme EBA et le processus de sélection du fournisseur de LOG FS, l'Agence travaille à la mitigation des problèmes liés au projet EBA. Il s'agit d'installer, pour le 1^{er} janvier 2016, un système financier unique sur la base de l'actuelle suite Oracle E-Business du CNAFS/FinS. Ce système, s'appuyant sur l'initiative pour la gestion des stocks et des actifs, permettra de répertorier tous les stocks et actifs de l'Agence, l'observation de l'IBAN recevant ainsi la suite voulue.*

En ce qui concerne l'observation formulée au paragraphe 1.5, selon laquelle les équipements CME ne figurent dans aucun registre d'actifs de l'OTAN, l'Agence reconnaît qu'à ce jour, ces équipements ne sont pas enregistrés dans le NDSS, mais elle souligne que c'est le résultat non pas d'une omission mais de problèmes techniques ayant empêché le téléchargement vers le NDSS. Le gestionnaire de programme, le fournisseur, les services logistiques et le Centre de soutien et de

maintien en condition opérationnelle des SIC s'emploient à régulariser la situation pour que les informations requises soient enregistrées dès que possible dans le NDSS.

En résumé, l'Agence convient qu'elle a besoin d'une solution intégrée, qui lui sera apportée grâce à la mise en œuvre de l'EBA, financée sur le programme de transition. Ce dernier ayant pris du retard, l'Agence tente d'en atténuer les effets au travers de diverses mesures.

2. IMMOBILISATIONS CORPORELLES OU INCORPORELLES CONTRÔLÉES PAR LA NCIO, DONT ÉQUIPEMENTS SIC TRANSFÉRÉS PAR D'AUTRES ENTITÉS OTAN AU 1^{ER} JUILLET 2012 : IDENTIFICATION PHYSIQUE INCOMPLÈTE D'OÙ COMPTE RENDU INCOMPLET DANS LES ÉTATS FINANCIERS DE 2013 OU DANS LES NOTES JOINTES À CEUX-CI

Contexte

2.1 En vertu du cadre comptable OTAN, toute immobilisation corporelle ou incorporelle contrôlée par une entité OTAN doit soit être inscrite à l'actif dans l'état de la situation financière si elle a été acquise après le 1^{er} janvier 2013 et que sa valeur excède un certain seuil, soit faire l'objet d'une mention dans les notes (description, emplacement, quantité) si elle a été acquise avant le 1^{er} janvier 2013.

Observations

2.2 D'après la charte de la NCIO, les biens et infrastructures informatiques des commandements de l'OTAN devaient être transférés à la NCIO avec effet au 1^{er} juillet 2012. Un plan de transfert/reprise des moyens SIC a donc été signé en 2013 par la NCIA et le Commandement allié Opérations (ACO), et diverses autres initiatives ont été lancées. Le processus de transfert/reprise devrait être achevé pour fin décembre 2014. La NCIO devrait alors être en mesure de constater dans ses états financiers tous les moyens SIC concernés par ce transfert, ou de les mentionner dans les notes, ainsi que de céder les moyens qui ne sont plus nécessaires.

2.3 La NCIO a décidé, comme le cadre comptable OTAN l'y autorise, de ne pas inscrire à l'actif les immobilisations corporelles, les immobilisations incorporelles et les stocks achetés avant le 1^{er} janvier 2013. Le cadre comptable précise toutefois que, dans ce cas, les actifs concernés doivent faire l'objet d'une brève description dans les notes jointes aux états financiers. La NCIO n'étant pas en mesure de fournir une telle description tant que le processus de transfert/reprise n'est pas achevé, elle est en infraction avec la disposition relative aux informations à fournir sur les actifs achetés avant le 1^{er} janvier 2013.

2.4 Par ailleurs, dans la mesure où, à partir du 1^{er} juillet 2012 (cf. supra), la NCIO devait exercer les droits de propriété sur tous les biens et infrastructures informatiques repris aux commandements OTAN et où elle est appelée à devenir le principal fournisseur de capacités C3 de l'OTAN, elle aurait dû évaluer et déterminer l'opportunité de porter à l'actif certaines des dépenses exposées en 2013 pour le développement capacitaire. Elle ne l'a pas encore fait.

2.5 Bien souvent, le développement de capacités C3 pour l'OTAN exige des investissements conséquents en logiciel, matériel de traitement automatique de données, interfaces de communication, détecteurs, équipements divers et travaux de génie civil pour l'adaptation des sites. Il aurait fallu déterminer s'il y avait lieu de porter ces éléments à l'actif en application du cadre comptable OTAN.

2.6 Une grande partie de ces moyens liés aux capacités sont en cours de développement. Par exemple, le coût cumulé du développement du système de commandement et de contrôle aériens (ACCS) s'élevait, selon les états financiers 2013 de la NCIO, à 958 MEUR à la fin de 2013. Bien que l'on ne sache pas encore si tel devrait être précisément le montant à inscrire à l'actif, cet exemple donne une idée de l'importance des sommes en jeu. Jusqu'à présent, la NCIO continue de passer en charges l'ensemble des dépenses relatives à l'ACCS (voir l'annexe G-15 des états financiers de 2013) au lieu de les capitaliser. Tant que la NCIO n'aura pas déterminé quels moyens liés aux capacités elle doit inscrire à l'actif, le Collège ne sera pas en mesure de fournir l'assurance voulue quant à l'exhaustivité des immobilisations corporelles et des immobilisations incorporelles, que ce soit du point de vue du compte rendu financier ou de la conformité. Du reste, la comptabilisation en tant que charges d'éléments qui auraient dû être inscrits à l'actif se répercute sur le montant des produits non acquis (passif), des produits et des charges.

Recommandation

2.7 Le Collège recommande à la NCIO de veiller à ce que tous les équipements et moyens acquis ou développés dans l'exercice de sa mission, y compris les moyens liés aux capacités, fassent l'objet d'une évaluation visant à déterminer s'il convient de les inscrire à l'actif en application du cadre comptable OTAN. Il recommande également à la NCIO d'achever dans les meilleurs délais le processus de transfert/reprise pour l'ensemble des équipements SIC qui lui ont été transférés au 1^{er} juillet 2012 et de fournir, comme il se doit, une brève description de ces éléments dans les notes qu'elle joindra à ses états financiers futurs.

Commentaire de l'ASB de la NCIO

L'Agence prend note des deux volets de la recommandation et est à même de confirmer que des mesures sont prises pour répondre aux préoccupations exprimées.

S'agissant des dispositions du cadre comptable OTAN relatives aux informations à fournir sur les actifs acquis avant le 1^{er} janvier 2013, le rapport relève très justement que l'Agence sera en mesure de s'y conformer quand le processus de transfert/reprise engagé avec l'ACO sera achevé.

S'agissant de l'éventuelle inscription à l'actif de dépenses exposées au titre du développement capacitaire, l'observation est pertinente mais y donner suite constituera un sérieux défi pour l'Agence et pour l'OTAN. Avant la création de la NCIO, le 1^{er} juillet 2012, les entités d'origine ne s'étaient jamais vu adresser une telle observation puisqu'elles n'étaient pas considérées comme les propriétaires (utilisatrices finales) des moyens en cours de développement. L'Agence étant devenue propriétaire des moyens SIC en vertu de la charte de la NCIO, elle est désormais confrontée à la difficulté fort bien décrite au paragraphe 2.5 du rapport de l'IBAN. Elle devra analyser, parmi ses dépenses liées au développement de capacités, lesquelles sont effectuées pour la constitution d'un moyen, si le moyen en question peut être défini comme un moyen SIC, et quels sont les éléments à prendre en considération pour l'inscription à l'actif. Par exemple, les coûts des prestations à fournir qui sont facturés au Comité des investissements en contrepartie de la réalisation et de la gestion des acquisitions devront être pris en considération, mais les frais généraux devront être exclus (ce qui nécessitera de modifier les paramètres du système financier pour permettre l'enregistrement correct des coûts). Ce travail d'analyse exigera un important effort de la part de l'Agence, qui devra modifier ses méthodes comptables pour ce qui est des immobilisations corporelles et des immobilisations incorporelles. À cet égard, elle rappelle qu'il faudrait définir, pour les immobilisations corporelles, une méthode comptable applicable à l'ensemble de l'OTAN, afin que tous les organismes suivent la même approche. Le directeur du Bureau OTAN des ressources, responsable de la politique en matière d'information financière a d'ailleurs confirmé et précisé ce besoin dans sa lettre du 4 juillet 2014 aux contrôleurs des finances. Il y souligne la nécessité d'établir une méthode comptable commune et précise qu'il a été chargé de piloter les travaux d'élaboration de cette méthode. L'Agence note par ailleurs que, bien que le cadre comptable OTAN soit relativement peu explicite sur cette question, il indique qu'en cas de doute sur la question de savoir quelle entité contrôle une immobilisation et doit donc l'inscrire à l'actif, c'est à l'utilisateur final qu'il revient de le faire.

Ainsi, en résumé, l'Agence souscrit à l'observation et à la recommandation de l'IBAN, mais elle appelle l'attention sur le fait qu'elle a besoin, pour y donner suite, que soit établie une méthode comptable applicable à l'ensemble de l'OTAN, moyennant éventuellement une adaptation/clarification du cadre comptable. De plus, la mise en œuvre de cette méthode comptable nécessitera d'adapter les systèmes financiers, ce pour quoi l'Agence est tributaire de la mise en service de l'EBA.

3. IMPOSSIBILITÉ POUR LE COLLÈGE D'ÉMETTRE UNE OPINION SUR LES INFORMATIONS RELATIVES À L'EXERCICE 2012 FOURNIES POUR COMPARAISON DANS LES ÉTATS FINANCIERS 2013 CONSOLIDÉS DE LA NCIO

Contexte

3.1 Le cadre comptable OTAN prévoit que les états financiers d'un exercice donné doivent contenir des informations permettant la comparaison de tous les montants avec ceux qui figurent dans les états financiers de l'exercice précédent. De ce fait, l'opinion du Collège sur les états financiers de la période considérée couvre aussi la question de la comparabilité des chiffres fournis pour cette période avec ceux de la période précédente correspondante.

Observation

3.2 Bien que les états financiers 2013 de la NCIO présentent des informations relatives à l'exercice 2012 pour comparaison, le Collège n'entend pas formuler d'opinion à ce sujet. Il respecte ainsi la logique de la déclaration d'abstention concernant les états financiers 2012 de la NCIO, motivée dans le rapport d'audit 2012 (IBA-AR(2013)23).

3.3 Les raisons expliquant le maintien de la déclaration d'abstention au sujet des chiffres de 2012 fournis pour comparaison sont présentées ci-dessous.

- La NCIO n'ayant été créée que le 1^{er} juillet 2012, l'Agence n'a exercé ses activités en tant qu'entité consolidée que pendant les six derniers mois de l'année et non pendant les douze mois couverts par les états financiers de 2012. Le Conseil avait accepté, à titre de mesure transitoire, qu'il en soit ainsi, mais le Collège a pour sa part formulé une déclaration d'abstention concernant ces états financiers, estimant qu'ils ne reflétaient pas l'activité de la NCIO depuis sa création, le 1^{er} juillet 2012. Les données de 2012 fournies pour comparaison dans les états financiers de 2013 portent également sur la totalité de l'exercice 2012.
- Les opérations intersectorielles ont été éliminées en vue de l'établissement des états financiers 2013 consolidés de la NCIO. Cependant, elles ne l'ont pas été dans les chiffres correspondants de 2012 présentés aux fins de comparaison, ce qui aurait pourtant pu avoir des incidences significatives sur ces chiffres.
- Certains soldes de 2012 présentés pour comparaison dans les états financiers de 2013 le sont sous d'autres intitulés que dans les états financiers de 2012. Cependant, bien que la NCIO ait inclus les états financiers sectoriels dans les états financiers consolidés, elle n'a que peu décrit et justifié les requalifications auxquelles elle a procédé pour parvenir à la présentation consolidée, ce qui est contraire aux dispositions de l'IPSAS 1 (*Présentation des états financiers*). Par exemple, pour le secteur « Développement de capacités », le montant des

avances reçues des clients en 2012 s'élève à 91,1 MEUR, contre 14,9 MEUR seulement dans la présentation consolidée. Pour l'essentiel, la différence est comprise dans les 81,3 MEUR comptabilisés à la rubrique « Passifs à court terme – Autre », mais cela n'apparaît pas clairement dans la mesure où les notes ne portent que sur la présentation par secteur.

Recommandation

3.4 Le Collège recommande qu'à l'avenir, les opérations interentités aient dûment été éliminées des informations fournies pour comparaison et que les requalifications effectuées soient clairement indiquées et justifiées.

3.5 La présentation, aux fins de comparaison, d'informations portant sur un exercice complet alors que l'entité concernée n'a existé que pendant une partie de l'année est un problème lié à la transition. Dès lors, aucune recommandation spécifique n'est formulée sur cet aspect de l'observation.

Commentaire de l'ASB de la NCIO

Cette observation est essentiellement une conséquence de la déclaration d'abstention formulée par le Collège au sujet des états financiers 2012 de la NCIO. Le Collège estime que la NCIO aurait dû produire des états financiers consolidés portant sur les six mois de 2012 au cours desquels elle a exercé ses activités, même si, en établissant des états financiers par secteur portant sur la totalité de l'exercice 2012, elle n'a fait qu'appliquer les mesures de transition approuvées par le Conseil.

Comme la NCIO avait établi pour 2012 des états financiers par secteur, elle a décidé, pour l'établissement de ses premiers états financiers consolidés, à savoir ceux de 2013, d'appliquer l'IPSAS 18 (Information sectorielle), afin de fournir aux lecteurs les chiffres les plus comparables qui soient concernant l'exercice 2012.

L'Agence a spécifiquement rendu compte de cette décision au point 14, page 25, de ses états financiers : « L'exercice 2013 est le premier pour lequel la NCIO établit des états financiers consolidés. Mais, comme le modèle hybride est resté d'application, ces états financiers reflètent encore largement l'existence de modèles de financement, de budgets et de plans financiers différents. Les informations qui y sont présentées ayant été produites et traitées par les systèmes financiers des entités d'origine, elles sont encore, globalement, le résultat des procédures qui étaient applicables dans les anciennes agences. Par conséquent, les états financiers sont présentés conformément à l'IPSAS 18, avec des informations sectorielles détaillées, l'idée étant d'aider les utilisateurs à mieux comprendre la performance passée de l'Agence et à mieux appréhender le niveau des ressources allouées aux principales activités, d'améliorer la transparence du compte rendu financier, et de permettre à l'entité de mieux

s'acquitter de ses obligations redditionnelles envers les organes directeurs (Comité des investissements, Comité des budgets et ASB) et le Collège international des commissaires aux comptes ».

Comme l'IBAN l'indique au paragraphe 3.5, le problème est lié à la transition, de sorte que l'observation deviendra caduque.

4. PROCESSUS DE COMPTE RENDU FINANCIER NE PERMETTANT PAS ENCORE D'ATTÉNUER VÉRITABLEMENT LE RISQUE D'ERREUR DANS LES ÉTATS FINANCIERS

Contexte

4.1 Selon l'IPSAS 1 (*Présentation des états financiers*), les états financiers doivent donner une information fiable, c'est-à-dire à laquelle les utilisateurs puissent faire confiance et présentant une image fidèle de ce qu'elle est censée présenter. Pour être fiables, les états financiers doivent être exempts de toute erreur de chiffres, de toute erreur de transcription, de toute incohérence, et de toute autre erreur ou omission. Chaque entité doit disposer d'un système approprié de contrôle interne, et notamment d'une procédure d'examen, lui permettant de s'assurer de la cohérence et de l'exactitude des informations présentées dans ses états financiers ou dans les notes qui y sont jointes, avant leur publication.

Observation

4.2 Les états financiers de 2013 sont les premiers à porter sur l'ensemble des secteurs de la NCIO. Dans leur version initiale, ils ont été publiés dans les délais impartis, à savoir le 30 avril 2014. L'établissement de ces états financiers a fait l'objet d'une grande attention.

4.3 S'il faut saluer ces efforts ainsi que les progrès accomplis par la NCIO, le processus de compte rendu financier doit encore être amélioré, pour que le risque d'erreur dans les états financiers soit davantage atténué. Le Collège a relevé des erreurs de transcription significatives dans le tableau des flux de trésorerie, ainsi que de nombreuses erreurs de chiffres, incohérences et/ou omissions dans les états financiers publiés le 30 avril 2014 (référence NCIA/FC/2014/00327, plus rectificatif envoyé le 16 mai 2014 (pages 5 et 6)).

4.4 Ces erreurs, y compris les erreurs de transcription significatives, ont été portées à l'attention de la NCIO, qui les a corrigées moyennant la publication d'états financiers rectifiés, le 7 août 2014 (référence NCIA/FC/2014/00409). L'opinion du Collège porte sur les états financiers rectifiés.

Recommandation

4.5 Le Collège recommande à la NCIO d'améliorer ses procédures de contrôle du compte rendu financier, notamment la procédure d'examen par la direction, pour que le risque d'erreur dans les états financiers soit adéquatement atténué.

Commentaire de l'ASB de la NCIO

Comme l'IBAN le mentionne dans son observation, l'Agence a consacré une très grande attention à l'établissement de ses premiers états financiers consolidés, tout en respectant l'échéance du 30 avril 2014. Malheureusement, faute de temps, les contrôles internes et procédures d'examen nécessaires n'ont pas tous été mis en œuvre. Compte tenu des erreurs constatées, l'Agence a rectifié ses états financiers en concertation avec l'IBAN et les a republiés en août 2014. Elle fait observer que la correction des erreurs n'a pas entraîné de modification des totaux figurant dans l'état de la situation financière (différence non significative), l'état de la performance financière, le tableau des flux de trésorerie ou l'état des variations de l'actif net/situation nette.

5. OPÉRATIONS FINANCIÈRES CONCERNANT LES « ACTIVITÉS RELATIVES À LA TRANSITION » : MANQUE DE CLARTÉ DU COMPTE RENDU DANS LES ÉTATS FINANCIERS DE 2013**Contexte**

5.1 Après sa création, la NCIO s'est lancée dans un programme de transformation et de transition organisé en différentes phases : consolidation, rationalisation et optimisation. En 2013, le programme de transition n'a pas avancé aussi vite que ne l'avait espéré la NCIO, les crédits correspondants n'ayant été approuvés que tard dans l'année. Malgré cela, des activités relatives à la transition ont été menées en 2013, ce qui a donné lieu à l'enregistrement d'opérations financières par la NCIO.

Observation

5.2 Le Collège a constaté que les informations financières concernant les activités relatives à la transition étaient disséminées dans différentes sections des états financiers 2013 de la NCIO. De ce fait, le montant total dépensé, la nature des dépenses et leur source de financement n'apparaissent pas clairement. Le Collège a noté que la dotation officielle du programme de transition n'avait été approuvée que vers la fin 2013. Il n'a donc pas pu établir avec certitude si, en l'absence d'autorisation spécifique, la NCIA avait été par ailleurs autorisée à consacrer à des activités relatives à la transition des crédits provenant des budgets approuvés pour ses secteurs « Prestation de services » (1,2 MEUR provenant du budget administratif 872 de ce secteur) et « C2 Air » (1,9 MEUR provenant du budget administratif de ce secteur).

Recommandation

5.3 Le Collège recommande à la NCIO de veiller à ce que ses futurs états financiers rendent clairement compte de l'exécution du budget de son programme de transition.

Commentaire de l'ASB de la NCIO

L'Agence se conformera à la recommandation de l'IBAN.

6. NOTES JOINTES AUX ÉTATS FINANCIERS PORTANT UNIQUEMENT SUR LA PRÉSENTATION PAR SECTEUR ET NON SUR LA PRÉSENTATION CONSOLIDÉE**Contexte**

6.1 Selon l'IPSAS 1 (*Présentation des états financiers*), les notes jointes aux états financiers doivent entre autres fournir des informations supplémentaires qui ne sont pas présentées dans les états financiers, mais qui sont nécessaires pour comprendre chacun d'eux, et chacun des postes des états financiers doit renvoyer à une information correspondante dans les notes.

Observation

6.2 Le Collège a constaté que les notes détaillées jointes aux états financiers portaient uniquement sur les informations sectorielles « par entité d'origine », et non sur les informations sectorielles « au format consolidé » ni sur les états financiers consolidés. Or, certains éléments sont qualifiés différemment selon qu'ils sont présentés « par entité d'origine » ou « au format consolidé ». Par conséquent, les postes des états financiers consolidés et ceux des informations sectorielles « au format consolidé » ne renvoient à aucune note, au contraire de ce qu'exige l'IPSAS 1. Il est donc plus difficile, pour le lecteur des états financiers, de trouver des informations complémentaires au sujet de ces postes.

6.3 La NCIO a expliqué au Collège qu'ayant, conformément aux mesures de transition approuvées par le Conseil, établi des états financiers 2012 par secteur, elle s'était attachée à produire des informations sectorielles détaillées, conformément à l'IPSAS 18, afin d'offrir au lecteur un lien clair et précis avec les états financiers précédents. Le Collège comprend cette démarche, mais il estime que les postes des états financiers consolidés et des informations sectorielles « au format consolidé » auraient dû renvoyer à des notes, pour une meilleure compréhension par le lecteur.

Recommandation

6.4 Le Collège recommande que tous les états financiers présentés à l'avenir renvoient à des informations complémentaires dans les notes.

Commentaire de l'ASB de la NCIO

L'Agence veillera à ce que, dans les états financiers de 2014, les informations sectorielles « au format consolidé » renvoient à des notes détaillées, et elle se conformera ainsi à la recommandation de l'IBAN.

7. ABSENCE DE CONFIRMATION DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF IMPUTABLES À D'AUTRES ENTITÉS OTAN EN FIN D'EXERCICE**Contexte**

7.1 Le volume des opérations entre la NCIO et d'autres organismes OTAN est important. Ainsi, la NCIO fournit un nombre substantiel de services à l'ACO, au Commandement allié Transformation (ACT) et à d'autres organismes. Ces opérations se traduisent par l'existence en fin d'exercice d'éléments d'actif (montants à recevoir, paiements anticipés, etc.) et de passif (montants à payer, avances, emprunts, etc.), qui sont comptabilisés dans les états financiers de chacun des organismes OTAN concernés.

Observation

7.2 Le Collège a constaté que la NCIO ne se faisait pas confirmer par les autres organismes OTAN concernés (ACO, ACT, etc.) le solde des éléments d'actif et de passif leur correspondant en fin d'exercice. Ainsi, il n'existe aucune certitude quant au fait que chacun des organismes est d'accord sur le montant des éléments en question.

Recommandations

7.3 Le Collège recommande à la NCIO de se faire confirmer par les autres organismes OTAN concernés le solde des éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers 2014.

Commentaire de l'ASB de la NCIO

Il semble que cette observation figure dans tous les rapports de l'IBAN. L'Agence en prend note et agira en conséquence.

8. SUITES DONNÉES AUX OBSERVATIONS ET AUX RECOMMANDATIONS ANTÉRIEURES

Le Collège a fait le point sur les questions qui avaient fait l'objet d'observations à la suite de précédents audits et auxquelles il n'avait pas encore été donné suite. Pour huit d'entre elles, il s'est dit satisfait des mesures prises, et ces questions sont donc considérées comme réglées. Six autres restent à régler ou sont rendues caduques par des observations formulées dans le cadre de la vérification des états financiers de 2013. La situation actuelle est récapitulée dans le tableau ci-après.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
NCIO - RAPPORT D'AUDIT 2012 (IBA-AR(2013)23)		
Recommandation n° 1 Le Collège recommande aux pays d'améliorer les directives relatives à la manière de dissoudre et de fusionner des entités OTAN, y compris du point de vue du compte rendu financier, sur la base des enseignements tirés à l'occasion de la toute récente restructuration des entités OTAN. Par exemple, on pourrait faciliter les réorganisations futures en les faisant démarrer en même temps que l'année civile plutôt qu'en milieu d'année.	Les comités OTAN ont pris note de l'observation et y ont souscrit.	Question réglée .
Recommandation n° 2 Le Collège recommande à la NCIO de lancer dès que possible le processus officiel de transfert/reprise, et de recenser et valoriser l'ensemble des stocks et des équipements SIC à transférer par d'autres entités OTAN. Cette démarche nécessitera une pleine coopération entre toutes les parties.	Le processus de transfert/reprise devrait être achevé pour fin 2014. Le Collège assurera le suivi de cette question à l'occasion de ses prochains audits.	Observation rendue caduque par l'observation n° 2 formulée pour l'exercice 2013.
Recommandation n° 3 Le Collège recommande l'affectation de ressources suffisantes pour permettre au service d'audit interne de mener à bien sa mission.	Le directeur général de la NCIA a marqué son accord pour que six postes soient pourvus au service d'audit interne. Le plan financier 2015 prévoit que quatre de ces postes soient pourvus au cours de cet exercice.	Question réglée .
Recommandation n° 4 Le Collège recommande que tous les employés de la NCIO soient informés en temps voulu de la résiliation ou du non-renouvellement de leur contrat.	Aucun cas similaire n'a été constaté dans le cadre de l'audit des comptes de 2013.	Question réglée .

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
Recommandation n° 5 Le Collège estime que la gestion du personnel temporaire de la NCIA doit être assurée dans le respect du RPC ainsi que de la législation néerlandaise dans le cas du personnel temporaire employé aux Pays-Bas.	Le service d'audit interne de la NCIA procède à un audit de la gestion du personnel temporaire, et le dossier est actuellement à l'examen auprès des Ressources humaines et du Service juridique. Dès que le rapport d'audit sera finalisé, des mesures appropriées seront prises pour que la question puisse être réglée.	Question restant à régler .
Commentaire de l'ASB de la NCIO <i>Comme indiqué dans le rapport, les Ressources humaines et le Service juridique n'ont pas encore achevé leurs travaux sur cette question, mais ils avancent bien, de sorte qu'une solution est attendue pour la fin 2014.</i>		
Recommandation n° 6 Le Collège recommande que, maintenant qu'a été approuvé un cadre IPSAS adapté, contenant des dispositions différentes de celles de l'IPSAS 17, la NCIA établisse une méthode comptable détaillée pour les immobilisations corporelles et veille à ce que suffisamment d'informations soient données à ce sujet dans les notes qui seront jointes aux états financiers futurs.	En 2013, la NCIO a appliqué l'IPSAS 17 telle qu'adaptée pour l'OTAN. Toutefois, le processus de transfert/reprise n'étant pas encore achevé, elle n'a pas été en mesure de fournir, dans les notes jointes aux états financiers, des informations complètes sur les immobilisations corporelles et les immobilisations incorporelles acquises avant le 1 ^{er} janvier 2013.	Question restant à régler .
Commentaire de l'ASB de la NCIO <i>La NCIA établira une méthode comptable détaillée pour les immobilisations corporelles sur la base des résultats des travaux en cours dont il est fait état dans les réponses aux recommandations n° 1 et 2 formulées dans la lettre d'observations et de recommandations.</i>		
Recommandation n° 7 Le Collège recommande à la NCIO de rendre compte avec exactitude du montant des radiations approuvées. Il lui recommande également d'obtenir une délégation de pouvoirs qui soit conforme au NFR avant toute radiation d'actifs appartenant à d'autres entités OTAN.	La NCIO a correctement rendu compte des radiations effectuées en 2013.	Question réglée .

NC3A - RAPPORT D'AUDIT 2011 (IBA-AR(2012)31)		
Recommandation n° 4		
Le Collège recommande à la NCIA d'établir pour la fin 2012, à l'intention du Comité de surveillance de l'Agence, un plan déterminant quand elle sera en mesure d'établir des états financiers consolidés et comment elle entend procéder pour y parvenir.	La NCIO a publié des états financiers consolidés pour l'exercice 2013.	Question réglée.
Recommandation n° 5		
Le Collège recommande que la direction de la NCIA, préalablement à l'établissement de ses états financiers de 2012, détermine pour chacune de ses activités si la NCIA joue le rôle de mandant ou de mandataire, ce qui lui permettra de déterminer si ces activités doivent être présentées dans les produits et les charges.	Ayant analysé cette question, la NCIO est arrivée à la conclusion qu'elle agissait essentiellement en tant que mandant pour ses activités de livraison de capacités.	Question réglée.
NCSA - RAPPORT D'AUDIT 2011 (IBA-AR(2012)23)		
Recommandation n° 1		
Le Collège recommande à la NCSA de comptabiliser les immobilisations corporelles dans ses états financiers, conformément à l'IPSAS 17.	La NCIO ne sera pas en mesure de comptabiliser l'ensemble de ces immobilisations, ou de fournir des informations à leur sujet, tant que le processus de transfert/reprise ne sera pas achevé.	Question rendue caduque par l'observation n° 2 formulée pour l'exercice 2013.
Recommandation n° 2		
Le Collège recommande à la NCIA d'établir pour la fin 2012, à l'intention du Comité de surveillance de l'Agence, un plan déterminant quand elle sera en mesure d'établir des états financiers consolidés et comment elle entend procéder pour y parvenir.	La NCIO a publié des états financiers consolidés pour l'exercice 2013.	Question réglée.
Recommandation n°3		
Le Collège recommande que la direction de la NCIA, préalablement à l'établissement de ses états financiers de 2012, détermine pour chacune de ses activités si la NCIA joue le rôle de mandant ou de mandataire, ce qui lui permettra de déterminer si ces activités doivent être présentées dans les produits et les charges.	Ayant analysé cette question, la NCIO a établi qu'en 2013, son secteur « Prestation de services » avait continué d'exercer le rôle de mandataire pour ce qui est des achats de l'ACO. Toutefois, dans le cadre du régime de financement par le client, qui entrera en vigueur en 2014, ce secteur exercera le rôle de mandant pour les activités d'achat.	Question réglée.

NCSA - RAPPORT D'AUDIT 2010 IBA-AR(2012)10		
Absence de consolidation pour les activités sociorécréatives La NCSA n'a pas intégré les activités sociorécréatives, dont les produits et les charges représentent 1,4 MEUR, dans ses états financiers de 2010, et aucune information n'a été publiée concernant ces activités. Le Collège estime que les activités sociorécréatives de la NCSA sont contrôlées par celle-ci et qu'à ce titre, les états financiers qui s'y rapportent doivent être intégrés à ceux de la NCSA, conformément à l'IPSAS 6 (<i>États financiers consolidés et individuels</i>).	La NCIO a appliqué le cadre comptable IPSAS adapté de l'OTAN, selon lequel les activités sociorécréatives et les activités des associations de personnel ne doivent pas être intégrées aux états financiers de l'entité. Cependant, le Collège n'a pas trouvé, dans les notes jointes aux états financiers, d'informations financières concernant ces activités, ce qui est contraire aux dispositions du cadre comptable OTAN.	Question restant à régler.
Commentaire de l'ASB de la NCIO <i>L'Agence prend note de l'observation de l'IBAN et de son commentaire actualisé à ce sujet. Elle se conformera à la recommandation dans ses états financiers de 2014.</i>		
Atténuation inadéquate et insuffisante des risques liés à des opérations financières non autorisées Un certain nombre d'opérations financières vérifiées par le Collège n'ont été approuvées que par des assistants comptables et non, comme cela est exigé, par le chef comptable. De plus, l'audit a révélé que deux administrateurs système qui ne sont pas des agents permanents disposent de plusieurs rôles utilisateur dans le système de comptabilité. Enfin, au siège de la NCSA, l'assistant comptable CNAFS dispose de deux identifiants génériques dans le système de comptabilité. Le Collège recommande à la NCSA de renforcer son processus d'approbation et de revoir les rôles utilisateur dans le système de comptabilité.	Suite au passage à la version 12 du CNAFS, des améliorations ont été apportées aux recommandations relatives à la sécurité du système. Toutefois, en 2013, des assistants comptables ont encore approuvé des opérations financières.	Question restant à régler.
Commentaire de l'ASB de la NCIO <i>L'Agence se conformera à la recommandation de l'IBAN.</i>		

Financial Statements issued 30 April to be audited
by the International Board of Auditors for NATO

NATO COMMUNICATIONS AND INFORMATION (NCI) ORGANISATION

2013 CONSOLIDATED FINANCIAL STATEMENTS

“RESTATED”





NATO UNCLASSIFIED

Office of the Financial Controller

Avenue du Bourget 140,
B-1110 Brussels
Belgium
Telephone: + 32 2 707 8286
E: Anne-Marie.Pick@ncia.nato.int
W: www.ncia.nato.int

NCIA/FC/2014/00409
07 August 2014

To: Secretary General, NATO
Attention:
Chairman, International Board of Auditors for NATO
Chairman, Agency Supervisory Board

Subject: **NATO Communications and Information (NCI) Organisation
Consolidated Financial Statements for the period 01 January
to 31 December 2013 – Restatement**

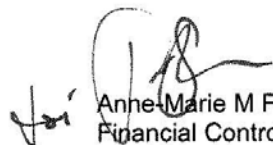
1. This letter forwards the "Restated" 2013 NCI Organisation Consolidated Financial Statements for the period 01 January to 31 December 2013. This restatement replaces the 2013 NCIO Financial Statements sent on 30 April 2014 (including the corrigendum sent per 16/5/14) and is intended to address some misstatements identified by NCI Agency and the IBAN during their audit.
2. All of the items restated relate to the preparation and disclosure of the Financial Statements. They do not materially impact on the NCIO numbers or bear any impact to the Operating Fund position. In co-ordination with the IBAN, the NCI Agency decided nevertheless to restate in order to allow a better reading of its Financial Statements and in light of the Council Decision to disclose financial statements to the public on a case by case basis (e.g. NATO Defence College 2013 FS published to the public following NAC agreement dated 14 July 2014).
3. The misstatements and subsequent corrections are listed hereafter:
 - Table 1 "Consolidated Statement of Financial Position" on pages 12-13 and Annex G-2 "AIRC2 PO Statement of Financial Position Consolidation Format" on page 153-154; both assets and liabilities for AIRC2 were overstated by €7M due to an inversion error.
 - Table 2 "Consolidated Statement of Financial Performance" on pages 14-15 and Annex F-3 "SD Statement of Financial Performance Consolidated Format" on pages 116-117; correction of a discrepancy of €1,755 in revenue/expense elimination in the delegated SD budgets (no effect on net result).
 - Table 3 "Consolidated Cash Flow Statement" on pages 16-17; although the reconciliation is correct, some amounts were tied to the wrong headers further to a format transposition error.



NATO Communications
and Information Agency
Agence OTAN d'information
et de communication
Avenue du Bourget 140
1140 Brussels, Belgium
www.ncia.nato.int

- A note was added under Annex B "Accounting Policies and IPSAS Compliance" on page 52 to explain the representation allowance BC policy change per June 2013; although NCIO correctly applied this change, it omitted to disclose this in the notes.
 - Annex E-4 "CapDev Statement of Financial Position Legacy format" on page 71; a classification was corrected in the current liabilities detail without affecting the total.
 - Annex E-6 "CapDev Cash Flow Statement Legacy Format" on page 73; two misclassifications corrected without affecting the total.
 - Annex E-7 "CapDev Statement of Changes in Net Assets/Equity Legacy Format" on page 74; only the totals were reported but the detail was missing.
 - Annex E-9 "BMD BC Budget Execution" on page 76; 2013 amounts were correct but reported erroneously under Chapter 2 instead of Chapter 1; as a result Table 6 "Consolidated Budget Execution Statement" on page 20 has also been adjusted accordingly.
 - Annex F-8 "SD Statement of Property, Plant and Equipment" on page 122; a line was added to differentiate between assets procured through the SD budget and the delegated budgets to provide a better reconciliation to the cash flow statement.
 - Annex F-11 & 12 "SD Notes to the Statement of Financial Position and Performance" on pages 127-136; some 2013 amounts were not correctly filled out and have been corrected without any change to the explanatory notes.
 - Annex F-14 "SD Inventories" on page 138; the beginning balance and decrease were misstated and have been corrected (ending balance was correct).
 - Annex G-9 "AIRC2 PO Budget Execution Statement" on page 163; the column description erroneously stated cash instead of accrual based expenses.
 - Annex H "Reconciliation Segments and Consolidated Statements" on pages 183-186; provisions were wrongly classified without affecting the total amount.
4. The NCI Agency has kindly requested IBAN to include this restatement in the scope of the audit on the NCIO 2013 Financial Statements. Hence the Agency Supervisory Board would be able to review and approve both Original and Restated 2013 NCIO Financial Statements, based on the IBAN report and the Finance Committee's advice.

FOR THE GENERAL MANAGER:


Anne-Marie M Pick
Financial Controller

Attachment(s): NCIO Organisation Consolidated Restated Financial Statements for the period 01 January to 31 December 2013

Information:
Chairman, Budget Committee



NATO UNCLASSIFIED

Office of the Financial Controller

Avenue du Bourget 140,
B-1110 Brussels
Belgium
Telephone: + 32 2 707 8286
E: Anne-Marie.Pick@ncia.nato.int
W: www.ncia.nato.int

NATO UNCLASSIFIED

NCIA/FC/2014/00327
30 April 2014

To: Secretary General, NATO
Attention:
Chairman, International Board of Auditors for NATO
Chairman, Agency Supervisory Board

Subject: **NATO Communications and Information (NCI) Organisation
Consolidated Financial Statements for the period 01 January
to 31 December 2013**

1. The NCI Organisation was established on 1 July 2012 per C-M(2012)0049. For 2012 NCIO produced three separate financial statements for each of its legacy entities for the full year 1 January to 31 December 2012 with a summary report covering the entire organization in accordance with Council approved financial continuity measures at C-M(2012)0057-AS1. Unlike 2012, for 2013 Consolidated Financial Statements are to be submitted. Accordingly, this letter forwards the first consolidated Financial Statements for the NCI Organization for the period 01 January to 31 December 2013. The statements also include the financial information for the NCIO Secretariat.
2. The Statements submitted herein are unaudited. In accordance with the NCI Organisation Charter, once IBAN audit results are received the Financial Statements will be forwarded to the Agency Supervisory Board for approval taking into account the IBAN report and the advice of the Finance Committee.
3. The NCI Agency is ready to support the audit team with the required reports and documents.

FOR THE GENERAL MANAGER:


Anne-Marie M Pick
Financial Controller

**Attachment(s): NCIO Organisation Consolidated Financial Statements for the period
01 January to 31 December 2013**



Information:
Chairman, Budget Committee

NATO Communications
and Information Agency
Agence OTAN d'information
et de communication
Avenue du Bourget 140
1140 Brussels, Belgium
www.ncia.nato.int

NATO UNCLASSIFIED

1 of 1

Table of content

EXECUTIVE SUMMARY	5
MAIN TABLES	
Table 1- Statement of Financial Position	12
Table 2 – Statement of Financial Performance.....	14
Table 3 – Cash Flow Statement.....	16
Table 4 – Statement of Changes in Net Assets/Equity.....	18
Table 5 – Statement of Property, Plant and Equipment.....	19
Table 6 – Budget Execution Statement.....	20
ANNEXES	21
ANNEX A – General Notes.....	21
ANNEX B – Accounting Classifications - Policies - IPSAS Compliance	29
ANNEX C – Notes specific to changes in Net Assets/Equity.....	61
ANNEX D – PPE write off list	62
ANNEX E – Segment Report - Capability Development	64
ANNEX F – Segment Report - Service Delivery	111
ANNEX G – Segment Report – AirC2 Programme Office	146
ANNEX H – Reconciliation Segments and Consolidated Statement	183
FINANCIAL CONTROLLER CERTIFICATION	187
STATEMENT ON INTERNAL CONTROL.....	188

EXECUTIVE SUMMARY

BASIS OF PREPARATION AND IMPACT OF NATO AGENCY REFORM

As decided in November 2010, during the North Atlantic Council (NAC) in Lisbon, by the Heads of State and Government, and further confirmed during the Defence Ministers meeting in March 2011, the NATO Communications and Information Organisation (NCIO) was established effective 1 July 2012.

As per Council approved transition measures, the Agency still produced three sets of 2012 financial statements per its legacy entities:

- NCIO Service Delivery portion of the NCI Agency (former NCSA)
- NCIO Capability Development portion of the NCI Agency (former NC3A, including ALTBMD programme and the NCIO Secretariat)
- NCIO Air C2 portion of the NCI Agency (former NACMA)

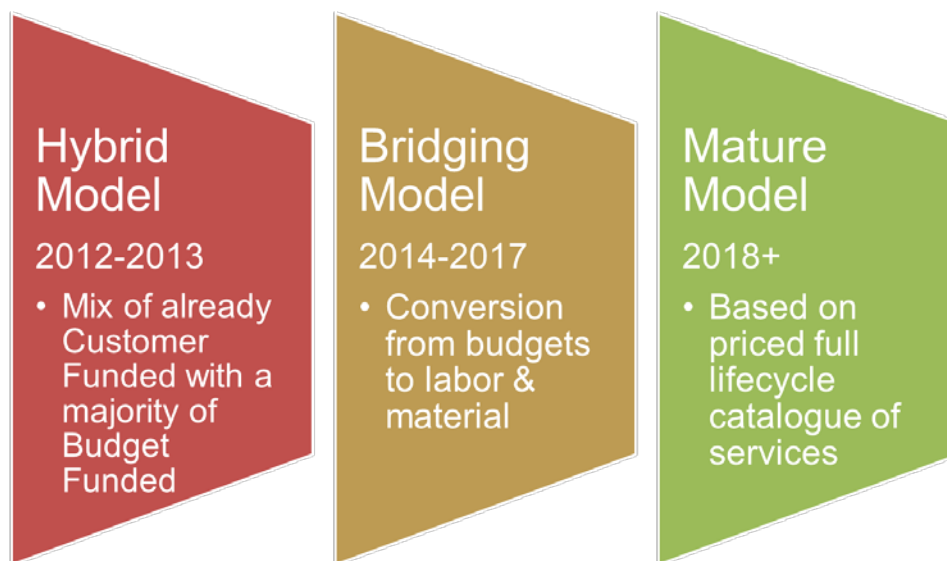
For 2013, the first consolidated financial statements for the NCIO have been produced, prepared on a going concern basis and in compliance with the International Public Sector Accounting Standards (IPSAS) and the NATO Accounting Framework, adapting a number of IPSAS standards specifically to NATO (C-M(2013)0039, dated 2 August 2013) .

FUNDING MODEL

In 2013 the Agency operated under a combination of budget and customer funded regimes, referred to below in the figure as the hybrid model. In this respect different types of funds, Military Budget (MB), NATO Security Investment Programme (NSIP) and Customer Funding were aligned with the following Business Segments:

- Service Delivery – almost fully funded from the Military Budget; covering Centralized CIS services and support to ISAF, NATO Command Structure, NATO Headquarters and Nations, including NATO CIS School and the NATO Programming Centre.
- Capability Delivery – fully customer funded; covering the development and acquisition of C4ISR capabilities in support of NATO Operations, the Strategic Commands, NSIP and Nations. This Business segment includes:
 - o BMD Programme – mostly NSIP funded; covering the Ballistic Missile Defence projects under Capability Package 0A1303
 - o NCIO Secretariat – core funded through the ASB Nations and to fund the independent ASB Executive Secretariat supporting the ASB Chairman
- the Air C2 programme – funded from a combination of NSIP, MB and National (3rd Party) funds; covering the development and management of the Air Command and Control System (ACCS).

Figure: Path to Full Customer Funding Implementation



As mandated in its Charter, over time, the Agency will implement a mature customer funding regime based on a service oriented, full life cycle business model. For this a roadmap is being developed on how to actually implement this as of 2018. As of 2014 the Agency will however already be fully customer funded using a bridging model based on customer rates approved by the Budget Committee on behalf of all customers and establishing CIS Service Level Agreements across its customer base. This, together with the re-organization of its entire structure across service lines and the implementation of service performance metrics and tools such as time accounting, constitute the foundation upon which the Agency will develop future service rates and a priced catalogue.

Because of the hybrid 2013 situation where budgets and financial plans were still very much approved and executed per the Agency's legacy entities, linked to their distinct activities, segment reporting under IPSAS 18 is applied throughout these financial statements, as the disclosure of this information will help the users to better understand the Agency's past performance, to identify the resources allocated to support the major activities, enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

Furthermore, for 2013, the ICTM portion of the NCI Agency is still incorporated within the respective NATO IS and IMS 2013 Financial Statements.

GOVERNANCE

Under the terms of the NATO Financial Regulations (NFR), financial statements are due for publication by April 30. These are subject to audit by the International Board of Auditors of NATO (IBAN) upon which, as per the terms of the NATO Communications and Information Organization (NCIO) Charter, they are submitted for approval to the Agency Supervisory Board (ASB).

TRANSITION OF THE AGENCY

The Agency focused in 2012 (its first six months of existence) on "Consolidation" activities and in 2013 it took steps to "Rationalize" Agency's operations which will continue over the next few years under ongoing Agency "Optimization".

The Transition Office/Programme set up in 2012 did not progress as quickly as the Agency would have hoped in 2013. The ASB noted however in November 2013 the Agency's Plan for Benefits and Savings which provided the platform for the Transition Programme that was authorized in December 2013 by the IC and BC for respectively 17 MEUR and 7.2 MEUR. Additionally, the Agency is to submit requests for workforce adjustments to the Budget Committee as needed annually through 2018 (estimated at 10 MEUR).

FINANCIAL PERFORMANCE

The financial performance is broadly in line with approved budgets and financial plans. The table below shows a high level summary of 2013 Financial Plan versus Actual revenue and costs. 120.9 M€ of CIS Services and Supplies (Delegated Budgets) revenues and costs are not included in the table.

<i>All figures in € Millions</i>	FP 2013	Act. 2013	%
Acquisition Revenue	448.0	386.8	86%
Contributions Revenue (Budgets)	130.7	124.7	95%
Operating Revenue (CPOW)	95.4	82.2	86%
NCI Agency Total Revenue	674.1	593.7	88%
Acquisition Costs (Accrual Basis)	(448.0)	(385.5)	86%
Personnel Costs	(188.3)	(175.0)	93%
Operating and Maintenance Costs	(37.8)	(29.4)	78%
Other Fin. Gains/Losses and Returns to Nations	0.0	(1.2)	
NCI Agency Total Costs	(674.1)	(591.1)	88%
Net Financial Result	0.0	2.6	

Key highlights as follows:

Revenue

- Contributions Revenue including the Service Delivery, Air C2 and BMD programme administrative budgets (totalling €125M) was 95.0% spent or committed.
- Acquisition Investments including NATO Security Investment Programme and Third Party acquisitions 2013 actual revenue was €387M versus the Financial Plan 2013 forecast of €448M indicate an implementation rate of 86%, somewhat hindered due to lagging authorizations and delays in implementation, related to the Air C2 Programme;
- Customer funded earned operating revenue through the consolidated programme of work (CPOW) was in line with Plan. The €82M of operational revenue excludes €13M of Intra-Agency revenue eliminated through the consolidation process and included in the 2013 Financial Plan.

Costs

- Acquisition costs mostly parallel acquisition revenues including exchange rate differences.
- Personnel costs are 7% below plan primarily due to lower staffing levels caused by unplanned departures coupled with lower than planned salary increases and favourable grade mix.
- Operating and maintenance costs are 22% lower than plans and budgets. This stems from intra-Agency costs eliminated through the consolidation process and included in the 2013 Financial Plan as well as economies of scale in support service areas. The faster than planned expansion of the support services across the Agency in information technology and communications services, office supplies and transportation service areas also contributed to the achievement of savings and benefits plan targets.

Operating Fund

The Agency Operating Fund position at the end of the fiscal year 2013 is shown below. The balance including the depreciation reserve is €9.8M in line with Nations' latest decision to cap Agency Operating Fund at €10M.

NCI Agency Operating Fund	€M
Operating Fund Balance (31 Dec 2012)	18.6
Transition Programme Funding Reserve - Authorised	(7.3)
Transition Programme Funding Reserve - Approved	(1.3)
Sub-Total	10.0
Retirement of Assets and Expensing the Depreciation Reserve*	(2.8)
Net Addition from 2013 Financial Result	2.6
Operating Fund Balance including Depreciation Reserve (31 Dec 2013)	9.8

(*) As per NATO Accounting Framework approved by Council under C-M(2013)0039 dated 2 August 2013, effective as of 1 January 2013, NCI Agency fully retired the assets in its books and expensed all Property, Plant and Equipment (PPE) depreciation reserve of the assets acquired prior to 1 January 2013.

EFFICIENCIES & SAVINGS

The Agency was mandated to deliver 5% saving by the end of 2012 and at least 20% (against personnel and running costs less programme execution costs) in the future. By exploiting the opportunity afforded by the IT Modernization Programme, the Agency will be able to extend the benefits and savings considerably further. With the notation of the Agency's Benefits and Savings Paper (referenced above) by the ASB in November 2013, the Agency now has a firm foundation upon which to deliver the Optimization phases in line with its recommendations. That foundation is critically underpinned by baselining all future efficiencies and savings against the following approved data and assumptions:

- The 2010 financial and manpower data developed by the NATO Office of Resources (NOR) and approved by the Nations at the RPPB.
- A Constant Business Volume (CBV) which is necessary to enable a meaningful 'year on year' comparison to be made of Agency costs.
- That the IT Modernization Programme, as a component part of CP 150, gains early endorsement to proceed.

One of the main reform objectives for NCI Agency is the reduction in its operating costs and in its requirement for military manpower. The key drivers for these savings will be the successful implementation of the planned Transition Programme as described in the Agency's Benefits and Savings Plan. Foremost among those changes are the benefits that will be realized as a result of the implementation of IT Modernisation and the greater centralisation of CIS services. Taken together, these two facets of the Plan will deliver the bulk of the reductions in military manpower. Once the programme is fully implemented, from around the 2018 timeframe, it is anticipated that the Agency's military manpower requirements will be approximately 840 compared to the PE of some 2400 that it inherited in Jul 2012.

The forecasted, overall savings from the Transition Programme, including IT Modernization and savings accrued to date, result in a combined reduction of some 850 civilian and military personnel and €49.3M annualized operating costs, of which €20.8M are related to reduction in the Agency overhead – Table 2.

TABLE 2: MANPOWER REDUCTIONS AND OPERATING COSTS SAVINGS

Forecasts (cumulative)	<2013 (1)	2014	2015	2016	2017	>2018
Total Operating Costs Savings (€M) (including Civilian Manpower Costs)	3.6	4.8	11.9	22.3	34.6	49.3

Forecasts (cumulative)	<2013 (1)	2014	2015	2016	2017	>2018
Total Military Reductions (FTEs) including VNC	(2)	0	98	176	390	585
Total Civilian Reductions (FTEs) including VNC and LWR	30	35	69	126	175	265
Total Manpower Reductions (FTEs) (incl. Civilian, Military, VNC and LWR)	30	35	167	302	565	850

Notes:

¹ Savings and manpower reduction related to the 5% overhead savings target against the RPPB approved 2010 baseline included in the Agency 2013 Financial Plan to be validated upon submission of the 2013 Financial Statements.

² There are no military manpower reductions included for the period prior to 2013 as these primarily relate to NATO Command Structure Reform.

SAVINGS VERSUS THE 2010 BASELINE

In late 2012 the NATO Office of Resources was tasked by the RPPB to establish a baseline against which to quantify the 5% and 20% overhead (running and personnel costs less programme execution costs) savings targets. The baseline refers to the 2010 fiscal year and was compiled using the information made available to the Staff¹ by the Agency and on the basis of the audited 2010 Financial Statements.

Of the €667M combined business volume identified in the report as related to the three NATO Agencies (NCSA, NACMA and NC3A) that formed the NCI Agency, €444M related to programme acquisition (procurement contracts with industry). The remaining €223M cover costs of the Agency itself split between €151M of costs strictly related to programmes of work, normally charged back directly to customers, and €72M of indirect, not specific to any programme, overhead costs, which are shared and recovered from the Agency customer base.

¹ NOR(DIR)(2012)0186

All amounts in € Millions	Operating Costs			Overhead Costs		
	2010 Baseline (as per RPPB)	2013 Financial Statements	% Variance	2010 Baseline (as per RPPB)	2013 Financial Statements	% Variance
Air C2 PO (former NCSA)	20.8	20.8	0%	6.2	3.6	-42%
Capability Development + BMD PO (former NC3A + ALTBMD)	105.2	95.6	-9%	33.4	29.7	-11%
Service Delivery (former NCSA)	97.0	95.9	-1%	32.3	29.4	-9%
Total	223.0	212.3	-5%	71.9	62.7	-13%

Adjustment for lower than planned staffing

4.8

Adjusted for 10.2% Civilian Staff lapse

67.5

-6%

Overall versus the 2010 Baseline total 2013 Operating Costs equated to €212M, 5% below the 2010 Baseline. As for the Overhead, a preliminary analysis assessed the 2013 costs at €63M, 13% below the 2010 baseline of €72M, thus largely achieving the 5% target set for this period. However after a closer view, it was established this value was skewed by the lower than planned fill rate of civilian staff. Once the 2013 is corrected for this situation, then the variance for the overhead costs versus 2010 baseline is 6%, still meeting the overhead savings target.

These savings are for the most part related to reductions in staff, including streamlining of the executive management, contractor conversion (when assessed economically favourable and operationally justified) and some economies of scale that derive from the consolidation and rationalisation of the support functions across the Agency.

To conclude, it is important to emphasise that any deviation from the above mentioned baseline data and assumptions will result in changes (increase or decrease) in the manpower numbers and overall level of benefits. In this way it will be possible to show the relative (to baselines) savings and efficiencies per year even if the number of actual staff in the Agency goes up or down over coming years in response, for example, to changes in the Agency's business volume which will occur.

To conclude this section, it is important to emphasise that any deviation from the above mentioned baseline data and assumptions will result in changes (increase or decrease) in the manpower numbers and overall level of benefits. In this way it will be possible to show the relative (to baselines) savings and efficiencies per year even if the number of actual staff in the Agency goes up or down over coming years in response, for example, to changes in the Agency's business volume which will occur.

2014 OUTLOOK

The NCIO will carry out its first full year of customer funding in 2014 under the bridging model and this per the 2014 NCI Agency Financial Plan which was approved by the ASB in November 2013 after the BC had approved the Agency Customer Rates. To this extent Service Level Agreements have been negotiated with nearly all customers that will be evaluated throughout 2014. It is expected that the demand from customers in 2014 for Communications, Infrastructure and Applications and Functional Services (i.e. CIS services) will remain robust.

Under its full customer funding, the Agency will have to ensure that breakeven is attained and will thus closely monitor expenditures and revenues in year and provide regular reports to the ASB. A more critical risk is the non-filling of military posts as a rapid decline in military manning will severely impact services to NATO Command Structure customers and will need to be addressed.

At the same time NCIO will continue to work its transition programme and continue to transform the Agency into a Service Line structure with a priced service catalogue, as to work towards a mature customer funding model by 2018.

RESTATED FINANCIAL STATEMENTS

Table 1



NCI Agency Consolidated - Statement of Financial Position as at 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
FIXED AND CURRENT ASSETS					
Start-up and restructuring costs		0	0	0	0.0%
Intangible fixed assets		332,382	0	332,382	0.0%
Land, buildings, roads and infrastructure		128,655	0	128,655	0.0%
Plant, machinery and equipment		2,852,878	0	2,852,878	0.0%
Tangible fixed assets - Non-exchange transactions		0	0	0	0.0%
Tangible fixed assets - Leased		0	0	0	0.0%
Tangible fixed assets - Other		0	0	0	0.0%
Tangible fixed assets - Under construction		194,125	43,368	150,757	347.6%
Tangible fixed assets		3,175,658	43,368	3,132,290	-
Other non-financial fixed assets		0	0	0	0.0%
Long term investments		0	0	0	0.0%
Other financial fixed assets		0	0	0	0.0%
Financial fixed assets		0	0	0	0.0%
Long term receivables - Trade receivables		0	0	0	0.0%
Long term receivables - Advances and prepayments		0	0	0	0.0%
Long term receivables - Other		3,134,987	3,272,552	-137,565	-4.2%
Long term receivables		3,134,987	3,272,552	-137,565	-4.2%
FIXED ASSETS		6,643,027	3,315,920	3,327,107	100.3%
Inventory		203,904	276,204	-72,300	-26.2%
Work in progress		535,751	618,461	-82,710	-13.4%
Inventory and work in progress		739,655	894,665	-155,010	-17.3%
Short term receivables - Trade receivables		156,209,696	121,335,351	34,874,346	28.7%
Short term receivables - Advances and prepayments		5,371,516	1,377,529	3,993,987	289.9%
Short term receivables - Other		19,324,397	25,410,322	-6,085,925	-24.0%
Short term receivables		180,905,609	148,123,202	32,782,407	22.1%
Short term investments		14,893,563	37,562,573	-22,669,010	-60.3%
Cash and cash equivalents		176,779,034	153,249,460	23,529,574	15.4%
Short term investments, cash and cash equivalents		191,672,597	190,812,033	860,564	0.5%
Transitory asset accounts		150,255	51,528	98,727	191.6%
CURRENT ASSETS		373,468,116	339,881,428	33,586,688	9.9%
TOTAL FIXED AND CURRENT ASSETS		380,111,143	343,197,348	36,913,795	10.8%

Table 1



NCI Agency Consolidated - Statement of Financial Position
as at 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
EQUITY, PROVISIONS AND LIABILITIES					
Capital - Committed		0	0	0	0.0%
Capital - Uncalled		0	0	0	0.0%
Capital		0	0	0	0.0%
Reserves - General purpose		816,725	43,368	773,357	-
Reserves - Special programmes		8,570,000	0	8,570,000	0.0%
Reserves		9,386,725	43,368	9,343,357	-
Surplusses (Deficits) carried forward - Prior years		15,727,494	6,663,302	9,064,192	136.0%
Surplusses (Deficits) carried forward - Current year		-6,763,934	9,064,192	-15,828,126	-174.6%
Surplusses (Deficits) carried forward		8,963,560	15,727,494	-6,763,934	-43.0%
NET ASSETS/EQUITY		18,350,284	15,770,862	2,579,422	16.4%
Provisions - Pensions and similar rights		2,715,958	2,881,209	-165,251	-5.7%
Provisions - Major risks and costs		0	0	0	0.0%
Provisions - Other		8,667,541	11,598,358	-2,930,817	-25.3%
Provisions		11,383,500	14,479,567	-3,096,067	-21.4%
PROVISIONS		11,383,500	14,479,567	-3,096,067	-21.4%
Long term liabilities - Financial debts		0	0	0	0.0%
Long term liabilities - Trade debts		0	0	0	0.0%
Long term liabilities - Advances and prepayments re		0	0	0	0.0%
Long term liabilities - Tax and personnel related		0	0	0	0.0%
Long term liabilities - Retirement and pension relat		0	0	0	0.0%
Long term liabilities - Other		2,583,222	0	2,583,222	0.0%
Long term liabilities		2,583,222	0	2,583,222	0.0%
Short term liabilities - Current portion of long term li		0	0	0	0.0%
Short term liabilities - Financial debts		388	0	388	0.0%
Short term liabilities - Trade debts		113,343,678	146,378,444	-33,034,766	-22.6%
Short term liabilities - Advances and prepayments ri		49,455,868	15,745,328	33,710,540	214.1%
Short term liabilities - Tax and personnel related		656,035	875,926	-219,891	-25.1%
Short term liabilities - Retirement and pension relat		37,422	-131,726	169,148	-128.4%
Short term liabilities - Unearned revenue		86,304,599	68,641,145	17,663,454	25.7%
Short term liabilities - Other		97,996,147	81,437,801	16,558,346	20.3%
Short term liabilities		347,794,136	312,946,918	34,847,218	11.1%
Transitory liability accounts		0	0	0	0.0%
LIABILITIES		350,377,359	312,946,918	37,430,440	12.0%
TOTAL EQUITY, PROVISIONS AND LIABILITIES		380,111,143	343,197,348	36,913,795	10.8%

Table 2



NCI Agency Consolidated - Statement of Financial Performance
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year	Variance	
	ANNEX	2013	2012	CY - PY	%
<u>OPERATING ACTIVITIES</u>					
Contributions income		124,701,639	120,921,064	3,780,576	3.1%
Operations revenue		81,744,249	98,136,171	-16,391,922	-16.7%
Acquisition revenue		386,837,240	378,325,059	8,512,182	2.2%
Revenue from operating activities		593,283,128	597,382,294	-4,099,165	-0.7%
Unearned revenue (-)		0	0	0	0.0%
Inventory and work in progress - Increase (Decrease)		-22,348	-254,971	232,623	-91.2%
Unearned revenue and work in progress		-22,348	-254,971	232,623	-91.2%
Self produced fixed assets		0	0	0	0.0%
Other operating income		470,246	11,095,357	-10,625,111	-95.8%
TOTAL OPERATING REVENUE		593,731,027	608,222,680	-14,491,653	-2.4%
Cost of operations		-69,152,753	-70,007,436	-854,682	1.2%
Acquisition cost		-385,469,362	-377,133,967	8,335,396	-2.2%
Acquisition cost and cost of operations		-454,622,116	-447,141,403	7,480,713	-1.7%
Operating activities - Provisions		2,660,962	-7,798,106	-10,459,068	134.1%
Operating activities - Depreciation		-71,993	0	71,993	0.0%
Operating activities - Write-offs		11,938	-204,012	-215,950	105.9%
Operating activities - Provisions, depreciation and write-off:		2,600,906	-8,002,118	-10,603,024	132.5%
TOTAL OPERATING COST		-452,021,210	-455,143,521	-3,122,311	0.7%
GROSS SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		141,709,817	153,079,159	11,369,341	7.4%
<u>SUPPORT ACTIVITIES</u>					
Contractual supplies and services		-29,428,693	-19,591,438	9,837,254	-50.2%
Personnel costs - Own staff		-80,069,757	-81,353,371	-1,283,614	1.6%
Personnel costs - Consultants and contractors		-28,028,647	-42,084,108	-14,055,461	33.4%
Investments - Not capitalized		-188,217	-941,611	-753,394	80.0%
Cost of support activities		-137,715,313	-143,970,528	-6,255,214	4.3%
Support activities - Provisions		130,366	-407,893	-538,259	132.0%
Support activities - Depreciation		-363,804	-443,845	-80,041	18.0%
Support activities - Write-offs		-843	0	843	0.0%
Support activities - Provisions, depreciation and write-offs		-234,280	-851,737	-617,457	72.5%
TOTAL SUPPORT COST		-137,949,593	-144,822,265	-6,872,672	4.7%
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		3,760,224	8,256,894	4,496,670	54.5%
<u>FINANCIAL INCOME AND COSTS</u>					
Foreign exchange gains		510,841	845,612	-334,771	-39.6%
Financial income - Other		1,028,442	584,650	443,792	75.9%
Financial income		1,539,284	1,430,262	109,022	7.6%
Foreign exchange losses		-1,482,169	-212,079	1,270,090	-598.9%
Financial costs - Other		-732,217	-584,422	147,795	-25.3%
Financial costs		-2,214,385	-796,501	1,417,885	-178.0%
TOTAL FINANCIAL INCOME AND COSTS		-675,102	633,761	1,308,863	206.5%
NET SURPLUS (DEFICIT) INCLUDING FINANCIAL INCOME AND COSTS		3,085,122	8,890,655	5,805,533	65.3%

Table 2



NCI Agency Consolidated - Statement of Financial Performance
for the year ended (Date)
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains - Sales of fixed assets		0	0	0	0.0%
Extraordinary gains - Other		467,818	7,066,443	-6,598,625	-93.4%
Extraordinary gains		467,818	7,066,443	-6,598,625	-93.4%
Extraordinary provisions		0	0	0	0.0%
Extraordinary depreciation and write-offs		0	0	0	0.0%
Extraordinary losses - Sales of fixed assets		0	0	0	0.0%
Extraordinary losses - Other		-664,467	-10,442,341	-9,777,874	93.6%
Capitlization of restructuring costs (-)		0	0	0	0.0%
Extraordinary losses		-664,467	-10,442,341	-9,777,874	93.6%
TOTAL EXTRAORDINARY INCOME AND COSTS		-196,649	-3,375,899	-3,179,250	94.2%
NET SURPLUS (DEFICIT) INCLUDING EXTRAORDINARY INCOME AND COSTS		2,888,473	5,514,756	2,626,283	47.6%
NET SURPLUS (DEFICIT) ALLOCATION					
Net surplus (deficit) - Allocation to reserves		0	0	0	0.0%
Net surplus (deficit) - To be carried forward	✓	2,888,473	5,514,756	-2,626,283	-47.6%
Net surplus (deficit) - To be returned to Nations		-309,051	343,082	-652,133	-190.1%
Net surplus (deficit) allocation		2,579,422	5,857,838	-3,278,416	-56.0%

Table 3



NCI Agency Consolidated - Cash Flow Statement (Indirect Method)
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>					
<u>Cash flow from operating and support activities</u>					
Net surplus (deficit) from operating activities		3,760,224	8,256,894	-4,496,670	-54.5%
Depreciation		435,797	443,845	-8,047	-1.8%
Financial income and costs (Excl. exchange rate changes)		296,225	228	295,998	-
Extraordinary income and costs		-196,649	-3,375,899	3,179,250	-94.2%
Total cash flow from operating and support activities		4,295,598	5,325,067	-1,029,470	-19.3%
<u>Decrease/(increase) current assets</u>					
Decr./(incr.) inventory		72,300	-48,958	121,258	-247.7%
Decr./(incr.) work in progress		82,710	410,026	-327,316	-79.8%
Decr./(incr.) short term receivables - trade receivables		-34,874,346	-40,940,058	6,065,712	-14.8%
Decr./(incr.) short term receivables - advances and prepayments paid		-3,993,987	-60,646	-3,933,340	-
Decr./(incr.) short term receivables - other		6,085,925	-10,858,240	16,944,165	-156.0%
Decr./(incr.) transitory asset accounts		-98,727	-322,106	223,379	-69.3%
Total decrease/(increase) current assets		-32,726,124	-51,819,982	19,093,858	-36.8%
<u>Increase/(decrease) Short term liabilities</u>					
(Incr.)/decr. short term liabilities - current portion of long term liabilities		0	-403,869	403,869	-100.0%
(Incr.)/decr. short term liabilities - financial debts		388	0	388	0.0%
(Incr.)/decr. short term liabilities - trade debts		-33,034,766	14,606,265	-47,641,031	-326.2%
(Incr.)/decr. short term liabilities - advances and prepayments received		33,710,540	-20,862,341	54,572,880	-261.6%
(Incr.)/decr. short term liabilities - tax and personnel related		-219,891	-534,189	314,298	-58.8%
(Incr.)/decr. short term liabilities - retirement and pension related		169,148	-138,575	307,723	-222.1%
(Incr.)/decr. short term liabilities - unearned revenue		17,663,454	5,485,130	12,178,324	222.0%
(Incr.)/decr. short term liabilities - other		16,558,346	28,378,096	-11,819,750	-41.7%
(Incr.)/decr. transitory liability accounts		0	0	0	0.0%
Total (increase)/decrease short term liabilities		34,847,218	26,530,517	8,316,701	31.3%
<u>(Increase)/decrease provisions</u>					
(Incr.)/decr. provisions - pensions and similar rights		-165,251	-80,498	-84,752	105.3%
(Incr.)/decr. provisions - major risks and costs		0	0	0	0.0%
(Incr.)/decr. provisions - other		-2,930,817	8,099,269	-11,030,086	-136.2%
Total (increase)/decrease provisions		-3,096,067	8,018,771	-11,114,838	-138.6%
NET CASH FLOW FROM OPERATING ACTIVITIES		3,320,624	-11,945,627	15,266,251	-127.8%
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>					
<u>Decrease/(increase) fixed assets</u>					
Decr./(incr.) intangible and tangible fixed assets	01	-3,900,470	30,336,852	-34,237,322	-112.9%
Decr./(incr.) financial fixed assets		0	0	0	0.0%
Decr./(incr.) long term investments		0	0	0	0.0%
Decr./(incr.) other financial fixed assets		0	0	0	0.0%
Decr./(incr.) long term receivables - trade receivables		0	0	0	0.0%
Decr./(incr.) long term receivables - advances and prepayments paid		0	0	0	0.0%
Decr./(incr.) long term receivables - other		137,565	131,569	5,997	4.6%
NET CASH FLOW FROM INVESTING ACTIVITIES		-3,762,904	30,468,421	-34,231,325	-112.4%

Table 3



NCI Agency Consolidated - Cash Flow Statement (Indirect Method)
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
CASH FLOW FROM FINANCING ACTIVITIES					
(Increase)/decrease long term liabilities					
(Incr.)/decr. long term liabilities - financial debts		0	-26,751,502	26,751,502	-100.0%
(Incr.)/decr. long term liabilities - trade debts		0	0	0	0.0%
(Incr.)/decr. long term liabilities - advances and prepayments received	✓	-309,051	343,082	-652,133	-190.1%
(Incr.)/decr. long term liabilities - tax and personnel related		0	0	0	0.0%
(Incr.)/decr. long term liabilities - retirement and pension related		0	0	0	0.0%
(Incr.)/decr. long term liabilities - other		2,583,222	-360	2,583,583	-
NET CASH FLOW FROM FINANCING ACTIVITIES		2,274,171	-26,408,780	28,682,952	-108.6%
NET DECREASE/(INCREASE) CASH AND CASH EQUIVALENTS		1,831,891	-7,885,986	9,717,877	-123.2%
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		190,812,033	198,064,486	-7,252,453	-3.7%
Net decrease/(increase) cash and cash equivalents		1,831,891	-7,885,986	9,717,877	-123.2%
Effect of foreign exchange rate changes		-971,327	633,534	-1,604,861	-253.3%
CASH AND CASH EQUIVALENTS AT END OF PERIOD		191,672,597	190,812,033	860,564	0.5%

Table 4

NCI Agency Consolidated - Statement of Changes in Net Assets/Equity
for the year ended 31 December 2013
(All amounts in 1 Euro)



	Notes	Contributed Capital	Reserves - General purpose	Reserves - Special programmes	Surpluses / (Deficits) Carried Forward	Total
	ANNEX					
BALANCE AT 31-DECEMBER-2011		0	3,431,799	0	6,481,225	9,913,025
Changes in accounting policy		0	-3,206,354	0	409,427	-2,796,926
Restated balance	01	0	225,446	0	6,890,653	7,116,098
Net increase/(decrease) of bookvalue of property, plant and equipment	02	0	-182,078	0	0	-182,078
Net increase/(decrease) of reserves Special programmes		0	0	0	0	0
Net increase/(decrease) of reserves	03	0	-182,078	0	0	-182,078
Net gains/(losses) not recognized in the Statement of Financial Performance		0	0	0	0	0
Net surplus for the period		0	0	0	8,836,842	8,836,842
BALANCE AT 31-DECEMBER-2012		0	43,368	0	15,727,495	15,770,863
Changes in accounting policy		0	0	0	0	0
Restated balance	04	0	43,368	0	15,727,495	15,770,863
Net increase/(decrease) of bookvalue of property, plant and equipment	05	0	773,357	0	0	773,357
Net increase/(decrease) of reserves Special programmes	06	0	0	8,570,000	0	8,570,000
Net increase/(decrease) of reserves	07	0	773,357	8,570,000	0	9,343,357
Net gains/(losses) not recognized in the Statement of Financial Performance		0	0	0	0	0
Net surplus for the period		0	0	0	-6,763,934	-6,763,934
BALANCE AT 31-DECEMBER-2013		0	816,725	8,570,000	8,963,561	18,350,285
CHANGE IN NET ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2013						2,579,422

Table 5

NCI Agency SD - Statement of Property, Plant and Equipment
as at 31-Dec-2013
(All amounts in 1 Euro)



Depr. %	ACQUISITION VALUE				DEPRECIATION		BOOK VALUE
	31-Dec-2012	Acquisitions 2013	Disposals / adjustments	Transfers / Reversals	Revaluation	31-Dec-2013	31-Dec-2013
					Depreciation 2013	Disposals / adjustments	
PLANT, PROPERTY AND EQUIPMENT							
ADP Equipment							
AE 33.3%	0	869,422	0	0	0	0	579,615
Comms Equipment							
CE 33.3%	0	2,075,570	0	0	0	0	1,383,713
Mission Equipment							
ME 33.3%	0	49,774	0	0	0	0	37,331
Machinery							
MA 25.0%	0	27,251	0	0	0	0	20,438
Installed Equipment							
IE 25.0%	0	342,695	0	0	0	0	257,021
Office Furniture							
OF 25.0%	0	30,790	0	0	0	0	23,093
Passenger Vehicles							
PV 25.0%	0	16,996	0	0	0	0	12,747
Infrastructure, plant and equipment	0	3,412,499	0	0	0	0	2,313,958
Leasehold Improvements							
Bâtiment Z Brussels - Enhancements							
B1 10.0%	0	0	0	0	0	0	0
NCIA Main Building The Hague - Enhancements							
B3 10.0%	0	0	0	0	0	0	0
Land and buildings - Leasehold Improvements	0	0	0	0	0	0	0
Software Licences							
SW 33.3%	0	403,896	0	0	0	0	269,264
Intangible assets	0	403,896	0	0	0	0	269,264
TOTAL PLANT, PROPERTY AND EQUIPMENT - CAPITALIZED	0	3,816,395	0	0	0	0	2,583,222
Capital expenditures pending capitalization - Accrued							
0.0%	0	0	0	0	0	0	0
TOTAL PLANT, PROPERTY AND EQUIPMENT	0	3,816,395	0	0	0	0	2,583,222
Delegated Budgets related (*)							
0	0	3,222,151	0	0	0	0	2,165,163
TOTAL PLANT, PROPERTY AND EQUIPMENT - CAPITALIZED	0	594,244	0	0	0	0	418,059
Net Acquisitions 2013 (**)		594,244				-176,184	

(*) Delegated Budgets related capitalisations and depreciation are eliminated from the Statement of Financial Performance.

(**) Net amounts related to Non-delegated Budgets as reported in the Statement of Financial Performance and in the Cash Flow Statement.

Book Value 31-Dec-2013	2,583,222
Depreciation Reserve 31-Dec-2013	0
Depreciation Reserve 31-Dec-2012	0
Increase/Decrease (I) Depreciation Reserve 31-Dec-2013	2,583,222
Acquisitions 2013	3,816,395
Disposals / adjustments	0
Transfers / Reversals	0
Net Acquisitions 2013	3,816,395
Depreciation 2013	-1,233,173
Disposals / adjustments	0
Net Depreciation 2013	-1,233,173
Increase/Decrease (I) Depreciation Reserve 31-Dec-2013	2,583,222

Table 6

NCI Organisation Consolidated - Budget Execution Statement
for the year ended 31 December 2013
(All amounts in 1 Euro)



Notes	Initial Authorisation	Reviews	End-of-Year Authorisation	Net Commitment	Actual Expenses	Total Spend		Lapsed
	(1)	(2)	(3)	(4)	(5)	(6)=(4)+(5)	(7)=(3)-(6)	
2013 - Current Year								
01 - Personnel	102,788,392	-6,586,822	96,201,570	3,947,268	90,421,064	94,368,332		1,833,238
02 - Contractual supplies and services	25,200,156	4,042,807	29,242,963	7,976,171	20,801,912	28,778,083		464,880
03 - Capital and investments budgeting	274,948	644,016	918,964	570,284	319,686	889,970		28,994
Total Current Year	128,263,496	-1,899,999	126,363,497	12,493,723	111,542,661	124,036,385		2,327,112
2012 - Prior Year								
01 - Personnel	9,768,445	0	9,768,445	694,061	8,247,597	8,941,658	0	826,787
02 - Contractual supplies and services	4,362,820	0	4,362,820	272,000	3,863,310	4,135,310		227,510
03 - Capital and investments budgeting	66,553	0	66,553	0	66,553	66,553		0
Total Prior Year	14,197,818	0	14,197,818	966,061	12,177,460	13,143,521		1,054,297
2011 - 2 Years Ago								
01 - Personnel	1,448,742	0	1,448,742	2,033	958,857	960,890	0	487,852
02 - Contractual supplies and services	814,185	0	814,185	632	519,084	519,716		294,469
03 - Capital and investments budgeting	0	0	0	0	0	0	0	0
Total 2 Years Ago	2,262,926	0	2,262,926	2,665	1,477,941	1,480,606		782,320
Grand Total								
Total - Personnel	114,005,579	-6,586,822	107,418,757	4,643,362	99,627,518	104,270,880	0	3,147,877
Total - Contractual supplies and services	30,377,161	4,042,807	34,419,968	8,248,803	25,184,306	33,433,109		986,859
Total - Capital and investments budgeting	341,501	644,016	985,517	570,284	386,239	956,523		28,993
GRAND TOTAL	144,724,240	-1,899,999	142,824,241	13,462,449	125,198,062	138,660,512		4,163,730

ANNEXES

ANNEX A – GENERAL NOTES

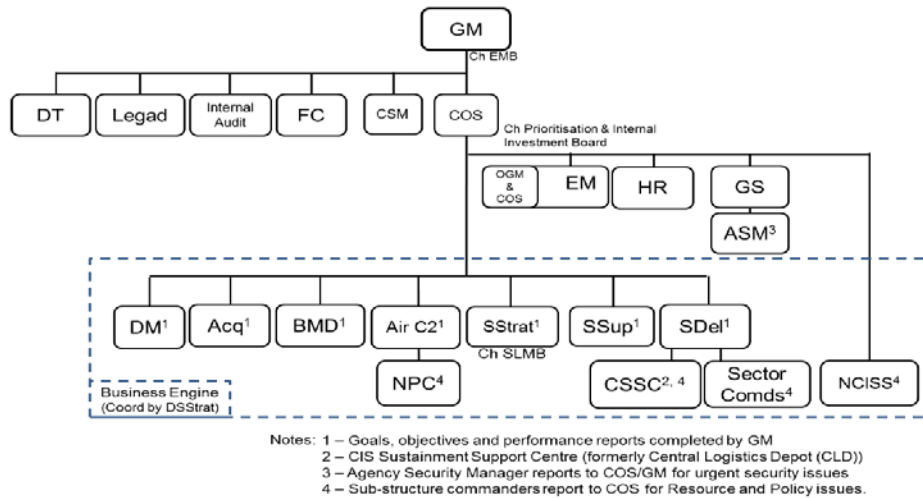
GOVERNANCE

1. Established by the NAC on 1st July 2012, the NATO Communications and Information Organisation (NCIO) comprise an Agency Supervisory Board (ASB) and an Executive body composed of a General Manager and his staff, i.e. the NATO Communications and Information Agency (NCI Agency).
2. The ASB with members from all NATO Nations is responsible for the organisational governance of the NCI Agency by which it directs, administers and controls the Agency and enables it to accomplish its mission, functions and tasks. The ASB provides strategic direction and guidance to the NCI Agency and oversees its activities and performance. Amongst others the ASB approves the NCI Agency business model, strategic plan, Programme of Work (POW), the Financial Plan and Financial Statements. (The Budget Committee approves Agency Customer Rates per the NCIO Charter). The ASB also approves the NCIA organisation, personnel establishment, appointments/reappointments for all A5/OF5. The ASB nominates, as well the General Manager, after consultation with the Secretary General of NATO who confirms the decision through the signing of his/her contract. The Financial Controller is appointed by the NAC upon recommendation of the ASB in accordance with the NFRs.
3. The General Manager is responsible to the ASB for the efficient and effective operation and administration of the NCI Agency.
4. The General Manager shall submit to the ASB and the International Board of Auditors for NATO annual financial statements in accordance with NAC approved standards, including the International Public Accounting Standards (IPSAS) as adopted through the NATO Accounting Framework (C-M(2013)0039, dated 2 August 2013) and the provisions of the NATO Financial Regulations, no later than 30 April of the year following the financial year in question.

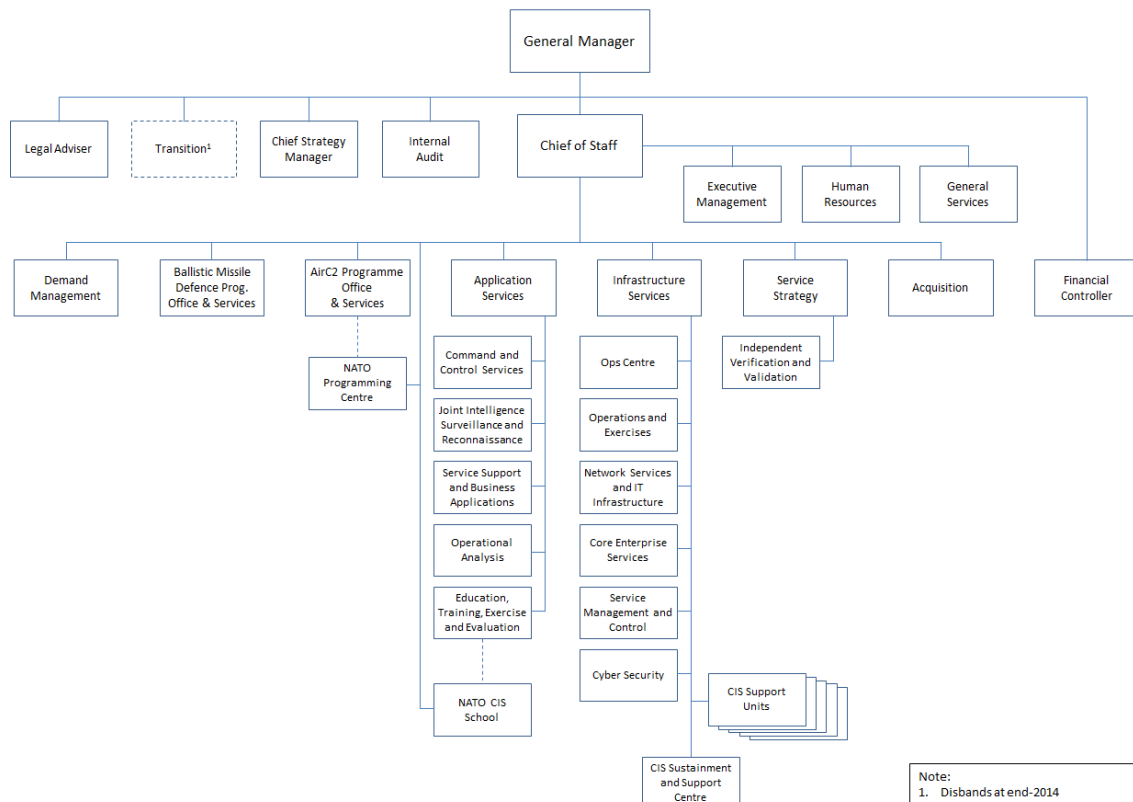
AGENCY EXECUTIVE STRUCTURE / ORGANISATIONAL DESIGN / SERVICE

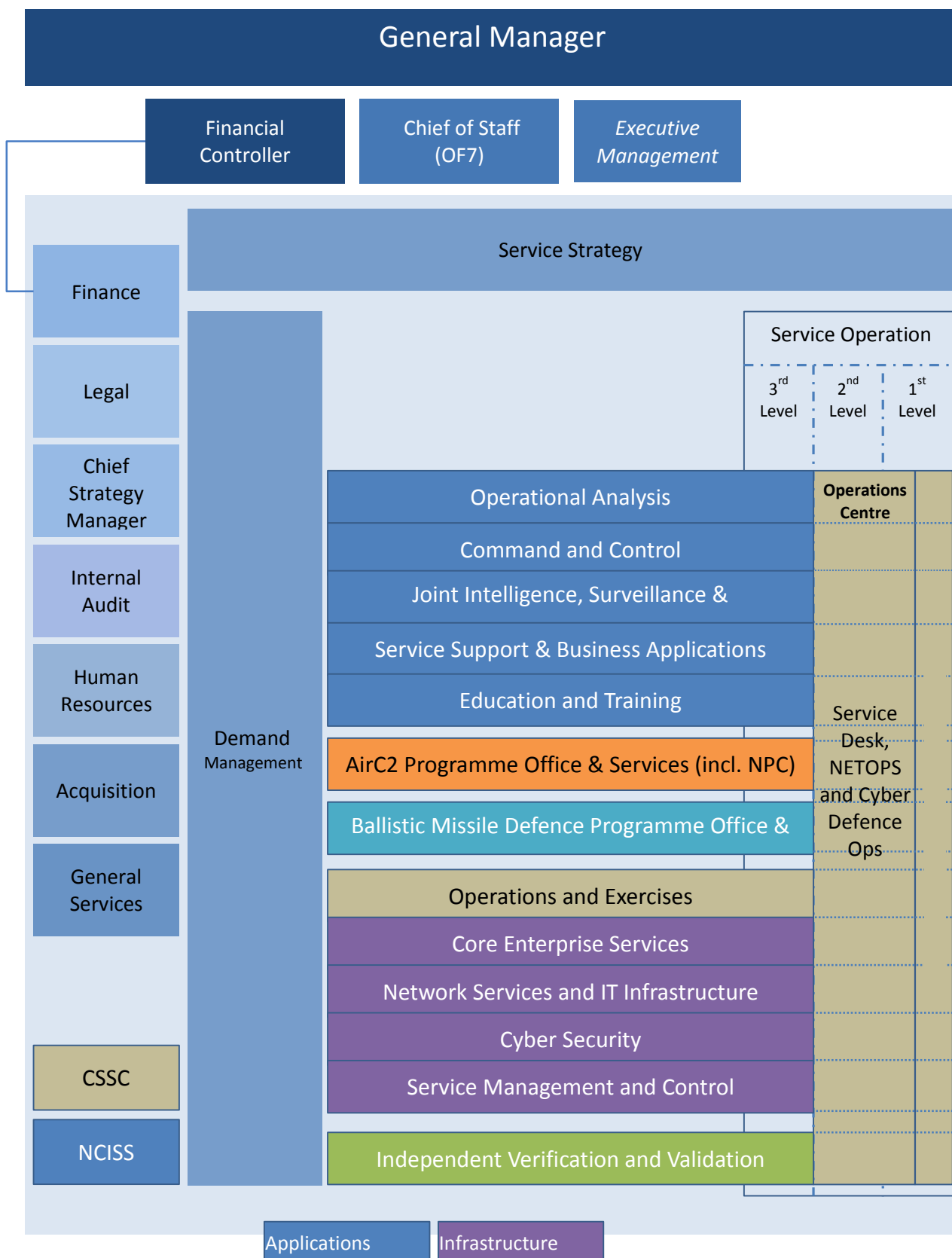
5. From an internal management perspective a major change during 2013 was the move to Executive and Support structures to improve Agency efficiency as illustrated below.

Agency Executive Structure



6. This structure will however evolve in light of the new Organisational Design Paper which was approved by the ASB in November 2013 and which has been further developed to move to a Service Line Structure. The below illustrates the organisational design as approved by the ASB and subsequently illustrates the Agency design as worked out in early 2014 to reflect the SL Structure.





AGENCY LOCATION

7. The Agency has its Headquarters in Brussels but has major locations in The Hague and Mons as well as local offices in over 30 locations from North America to Afghanistan. Over all locations some 3800 staff are employed of which about 43% are military and 57% civilian.

AGENCY MISSION

8. Covering the entire life cycle capability, the NCI Agency Mission is to:
 - deliver C3 capabilities to its requirements holders, whilst ensuring their coherence and interoperability in compliance with agreed NATO architectures,
 - ensure provision of secure CIS services to its customers,
 - deliver capabilities and provide services “other than C3/CIS” to NATO and Nations, as approved by the ASB,in order to enable NATO’s Consultation, Command and Control and to facilitate, inter alia, the seamless integration of Intelligence, Surveillance, Reconnaissance, Target Acquisition functions and their associated information exchange, while continuously improving coherency, effectiveness, efficiency and delivering cost savings. It includes IT-support to the Alliances’ business processes (to include the provision of IT shared services) to the NATO HQ, the Command Structure and NATO Agencies (including itself).
9. Translated, this means the NCI Agency is to strengthen the Alliance through connecting its forces and deliver secure, coherent, cost effective and interoperable communications and information systems and services in support of consultation, command & control and enabling intelligence, surveillance and reconnaissance capabilities, for NATO, where and when required. It includes IT-support to the Alliances’ business processes (to include provision of IT shared services) to the NATO HQ, the Command Structure and NATO Agencies.

FUNDING MODEL OF NCI ORGANISATION

10. As per its Charter (C-M(2012)0049 dd. 19/6/2012), the NCIO shall be customer funded with the exception of the ASB Independent Secretariat which will be core funded through distinct contributions from the NATO Nations.
11. Fiscal years 2012 and 2013 however, are transition years where the relevant funding models from its legacy entities are still applied (so called hybrid model). In this respect:
 - AirC2 (former NACMA) was still operating under an approved budget, screened and funded by the Infrastructure Committee and Budget Committee
 - Service Delivery (former NCSA) was still operating under an approved budget, screened and funded by the Budget Committee
 - Capability Development (former NC3A) was still operating under its traditional customer funding model through the 2013 Financial Plan, screened and approved by the Agency Supervisory Board.
 - BMD was still operating under an approved budget, screened and funded by the Infrastructure and Budget Committee.
 - ICTM was still included in the IMS and IS Budgets, screened and approved by the Budget Committee (and is thus still included in their relevant 2012 and 2013 financial statements).

12. As of 1 January 2014, the above elements will all operate under one customer funding model and to this extent the ASB approved the NCI Agency's first consolidated 2014 Financial Plan. At first this will be through a bridging customer funding model which will evolve towards a more mature model by 2018.
13. Considering the hybrid model for 2012, NCIO was allowed by Council (financial continuity measures C-M(20120057-AS1) to produce separate financial statements for each of its legacy entities for the full year 2012.
14. For 2013, NCIO produces its first consolidated financial statements but considering it has still been functioning under this hybrid model, the statements are still very much impacted by the different funding models/budgets/financial plans. From inception to execution within the different financial systems of its legacy entities, the information in these financial statements is still very much determined by the underlying legacy entity procedures. Because of this, detailed segment information is presented in these Financial Statement under IPSAS 18 as such disclosure will help the users to better understand the Agency's past performance, to identify the resources allocated to support the major activities, enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations towards its governing bodies (IC, BC and ASB) and the International Board of Auditors.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) AND NATO ACCOUNTING FRAMEWORK

15. Council adopted the accrual-based IPSAS as the accounting standards for all NATO entities in July 2002, to become effective as of the fiscal year 2006. However, under C-M(2013)0039 dated 2 August 2013 the Council approved the NATO Accounting Framework which has become effective for financial reporting periods starting as of 1 January 2013. This framework adheres to most IPSAS accounting standards, as well as future standards that may be issued by the IPSAS Board but it has adapted some of the standards (IPSAS 6, 12, 17 and 31) to the specific needs of NATO.
16. NCIO has adapted its accounting policies to this framework which is explained in detail in the accounting policies and IPSAS compliance table under Annex B.
17. The most impacted standard is IPSAS 17 on Plant Property and Equipment, as NCIO by its Charter is to assume ownership of all IT assets and IT infrastructure from the NATO commands. To this end, a formal Hand Over/Take Over process is ongoing with the NATO commands which is expected to be completed by the end of 2014. Nevertheless the NCIO has already made an effort under the NATO Accounting Framework to account for all assets acquired as of 1 January 2013 and to consider all PPE acquired prior to 1 January 2013 as fully expensed. As a result of this application, assets already accounted for by the AirC2 portion (former NACMA) and the Capability Development portion (former NC3A) of NCIO, have been retired through restated figures at 31 December 2012, leading to a decrease in the Operating Fund position of 3.2 MEUR (for details please see annex C page 57). As per the accounting framework, NCIO is to provide for those expensed PPE a brief description as to the types held, the locations where they are held and the approximated number of items held per asset category. NCIO will be able to fully comply with this reporting requirement once the HO/TO process has been completed.

ACCOUNTING PERIOD

18. In accordance with Article 2 of the NFRs, the fiscal year used by the NCIO begins on 1 January and ends on 31 December of the year. As a result, both the financial statements and the budget execution statements cover the same calendar year period. NCIO 2013 Financial Statements have been authorised for issue by the NCI Agency Financial Controller and are submitted to the Agency Supervisory Board and the International Board of Auditors NATO (and for information to the Budget Committee).

REPORTING CURRENCY

19. The reporting currency used throughout these Financial Statements is Euros. The data collection process requires the conversion of currencies. The conversion is done dependent on the activities by either using the 4th quarterly NSIP rate (for activities where NCIO acquires on behalf of the customers/Nations who bear the exchange risk on this condition) or the weekly rate produced by the IS Office of Financial Controller at 31 December 2013.

TRANSITION

20. Since its formation, the NCI Agency has embarked upon an ambitious transformation and transition programme through the phases of: Consolidation, Rationalization and Optimization. In 2013 the programme planning did not progress as quickly as the Agency would have hoped, as Transition funding was only authorized in late 2013. During 2013, minimal Transition effort took place within the Agency on a best effort basis using existing manpower and ensuring no impact to customers.
21. Nevertheless, with the new Agency Transition Programme Benefits and Savings Paper noted by the ASB in November 2013, the path is cleared for the Agency to build on this platform and make progress in the coming year across a number of interrelated change initiatives (referred to as Steps) that make up the Transition Programme. Eight in all, they are described in Table 1 below. The steps, whilst interrelated to a degree, are not sequential as there is an overlap in the time-frame between them as is illustrated.

Table: Sequence of Benefits and Savings Plan 8 Steps

Step	Description	2012	2013	2014	2015	2016	2017	2018
Step 1	Internal Consolidation and Early Rationalisation							
Step 2	Internal Efficiencies and Further Rationalisation							
Step 3	Enabling Services Rationalisation and Optimisation							
Step 4	Sub Structure Optimisation							
Step 5	IT Modernisation							
Step 6	NATO Shared Services							
Step 7	NCI Agency Sourcing Strategy							
Step 8	Implementation of Agency's New Geographic Footprint							

22. Benefits and Savings are directly linked to the successful implementation of each step. Success is dependent upon the timely approval and execution of each step. It is therefore difficult to put an absolute timeline on Benefits and Savings delivery, as realisation is directly linked to events which invariably require external approvals e.g. the implementation of IT Modernization through the NSIP process.
23. In this respect, the Agency Supervisory Board and the Resources Policy and Planning Board (RPPB) supported the funding of the transition programme (AC/337-N(2012)0028 and AC/335-N(2013)0044-REV2-AS; respective 17MEUR investment cost and 8.6MEUR backfills) and invited the Agency to submit detailed funding requests to the Infrastructure and Budget Committee. As a result, the IC authorised in early December 2013 a total of 17 MEUR of investment and project service costs and BC authorised 7.2 MEUR of backfills through usage of the NCI Agency Operating Fund (reserve noted in the 2013 NCIO Statement of Position). Additionally the Agency is to submit requests for Work Force Adjustments to the Budget Committee as needed annually through 2018 (estimated at 10 MEUR).
24. The Transition Programme is, intrinsically much more than an initiative to bring together the multiple disparate organisational elements that existed prior to the Agency reform. It is a catalyst for a broader transformation which seeks to exploit planned investments such as IT Modernization to address long-standing systemic shortfalls in CIS services and provisioning. By adopting a holistic approach, the Transition Programme will modernise all essential aspects of People, Process and Technology, through an 'end-to-end', life-cycle, and service-based approach. A further key component to support the harmonisation and cementation of the

overall change effort will be the successful realisation of a Culture Shaping initiative. This will be a high priority during 2014.

SAVINGS

25. The NATO Communications and Information Agency has been established with the aim to achieve demonstrable increased effectiveness and efficiency in delivering capabilities and services to the Alliance. A subsequent objective is to achieve savings with an initial target of 20% of the Agency's running and personnel costs, less programme execution costs and identify further opportunities for greater savings, including in other areas, while preserving capability and service delivery. In addition to this objective, the Agency General Manager (GM) was given an initial specific savings target² to be achieved by the Agency in 2013.
26. Acting upon instructions from the Resource Policy and Planning Board (RPPB), the NATO Office of Resources (NOR) developed an analysis quantifying the savings targets as compared to the 2010 baseline year. In this respect, the Agency believes that it has attained the savings identified for 2013 as was planned in its 2013 Financial Plan (5% reduction in operating costs when compared to the 2010 baseline, as agreed by Nations³).
27. The Transition Programme comprises change initiatives which will modernize outdated systems and processes and deliver substantial benefits and savings from 2015 into the future. The Programme has been carefully constructed around E2S (Efficiency, Effectiveness and Savings) and is focused on delivering to NATO and Nations the following key benefits:
 - achieve the running costs savings targets set out by Nations;
 - deliver enhanced cyber defence; establish a more robust, agile IT infrastructure;
 - provide rapid C4ISR capability delivery at a lower cost (including a reduction in programmed NSIP expenditures);
 - more efficient support to NATO missions and operations;
 - accelerated delivery against the Connected Forces Initiative at a lower cost.

By exploiting these initiatives, the Agency expects the benefits and savings to considerably beyond the 20% savings target (against personnel and running costs less programme execution costs).

² PO(2011)0242 . dated 7 June 2011; Implementation Plan for NATO Agencies Reform

³ AC/335-N(2013)0003, dated 14 January 2013; Baseline to Measure the Success of NCIA and NSPA in Achieving their Savings Objectives

ANNEX B – ACCOUNTING CLASSIFICATION, POLICIES AND IPSAS COMPLIANCE

IMPACT OF IPSAS IMPLEMENTATION

1. IPSAS, as implemented by NATO, is on a full accrual basis. The adopted accounting method measures the financial performance and position of NCIO by recognizing economic events regardless of when cash transactions occur. Economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made or received, providing a more accurate picture of the financial situation. Elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.
2. The transition from cash to accrual accounting required a revision of accounting processes, chart of accounts and accounting systems and impacted other business processes. Since these are the first consolidated NCIO financial statements, a revision/streamlining of accounting processes and chart of accounts of its legacy entities was required. Since 2013 was still very much a transition year where its legacy entities still functioned per their legacy funding models, the execution took place within their respective accounting systems and reporting is still in line with the legacy setup of these systems. That is the reason for applying IPSAS 18 “Segment reporting” (which is detailed further on). Consolidation is based on the aggregation of the individual trial balances drawn from the respective legacy accounting systems, which were translated to a new (aggregated) Chart of Accounts. This new Chart of Accounts forms the basis for future financial reporting and the implementation of a new accounting system through the Enterprise Business Application project which is part of the Transition Programme. As of 2014 the Agency will be working exclusively under the customer funding model which impacts the supporting business and accounting processes and has a direct consequence on the set-up and the use of the accounting systems.
3. NCI Agency participates in the Working Group of Financial Controllers (WGFC) and engages in the sub-group responsible for developing the accounting manual guiding IPSAS implementation.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

4. The financial statements are prepared in accordance with NATO Financial Regulations (NFR), its respective Financial Rules and Procedures (FRP) and the accounting requirements of the NATO Accounting Framework.
5. Considering that NCIO’s legacy entities have still functioned per their legacy funding model, their respective NFR and FRP were still used for fiscal year 2013. As of 2014 under its single customer funding model per Council approved continuity measures, the legacy NC3A NFR and FRP (approved by Council in 2004) will be used until superseded by a current ongoing modification to the NFRs and FRPs.
6. The NATO Accounting Framework was approved by Council in August 2013 and is to be applied for financial reporting periods starting 1 January 2013. Hence NCIO has adapted its accounting to this framework. This framework is based on the International Public Sector Accounting

Standards (IPSAS) implemented by the International Federation of Accountants Public Sector Committee (PSC), but adapted to the specific needs of NATO for some standards of which details can be found further in this annex.

7. The accounting principles recognized as appropriate for the measurement and reporting of the financial position and the financial performance are on an accrual basis. As such, the financial statements include amounts based on estimates and assumptions based on the most reliable information available. Estimates include accrued revenue and expenses: actual results could differ from estimates. Changes in estimates are reflected in the period in which they become known.
8. NCIO financial statements are submitted on the basis of the single legal entity NCI Organisation. The ICTM portion of NCI Agency is however still presented for 2012 under the NATO IS and IMS Financial Statements.
9. Amounts are presented in Euros unless otherwise mentioned.
10. At the time of publication of the 2013 Financial Statements, the ASB has already noted in November 2013 the Agency's Benefits and Savings Paper, which is to reduce operating costs and manpower significantly by 2018. This will be dependent upon the success of the Transition Programme for which funding has been approved in December 2013 by both the IC and BC. This will have a clear impact on the Agency's development but it is too early yet for the Agency to already determine the liabilities or expenses that will derive from this process. In addition, the Agency will submit over the period 2013 to 2018 Transition Budget proposals to the BC to fund the expenses due to Workforce Adjustments, currently estimated by the International Staff at EUR 10,000,000. Based on the assumption that all assets and liabilities have been transferred to the consolidating unit at book value, NCIO has prepared its 2013 Financial Statements on a going concern basis.

ASSETS

11. Financial assets comprise cash and cash equivalents, marketable securities and receivables. NCI Agency does not enter into any derivative financial instrument transactions. Interest and other gains and losses relating to financial instruments are recognised in the Statement of Financial Performance.
12. Cash and cash equivalents are carried in the Statement of Financial Position at fair value and are comprised of cash on hand, deposits held at call with banks, and other short-term highly liquid, low risk investments. Cash on hand in excess of immediate needs is invested in high quality, interest bearing short-term certificates of deposit, or earns interest within the bank accounts.
13. Accounts receivable includes amounts due from other organizations, such as NATO Headquarters and the Strategic Commands, as well as member Nations.
14. Prepayment are payments in advance of the period to which it pertains and results mainly of advance payments made to other NATO entities and third parties. Prepayments include payments related to the procurement of goods or services.
15. Inventories are assets in the form of materials or supplies to be consumed or distributed in the production process or in the rendering of services or held for sale or distribution in the ordinary course of operations or in the process of production for sale or distribution. Inventories are

measured at the lower of cost or current replacement cost. The cost of standard items of inventories is measured by using the weighted average cost formula. To be noted that inventories are impacted by the introduction of the NATO Accounting Framework which is applicable as of 1 January 2013 and which adapted IPSAS 12 in allowing NCIO to consider any inventory acquired prior to 1 January 2013, as fully expensed (more detail can be found under IPSAS 12 further below).

16. Property, plant and equipment (PPE) and Intangible Assets (IPAS 17 and 31) are stated at historical cost, less accumulated depreciation or amortisation and any recognized impairment loss. Here also NCIO has applied the provisions of the NATO Accounting Framework, adapting IPSAS 17 and 31, considering all PPE and Intangible Assets acquired prior to 1 January 2013 as fully expensed (more detail under IPSAS 17 and 31 further below).
17. PP&E and categorizations for purposes of determining the appropriate depreciable life of the assets is listed in detail in the notes to the Statement of Property, plant and equipment, for both tangible and intangible assets and includes the number of years over which the asset is to be depreciated. A straight line depreciation method is used for all categories.
18. The carrying values of fixed assets are reviewed for impairment if events indicate that they may not be accurate. If any such indication exists, the value amount of the asset is estimated in order to determine the extent of the impairment loss. Any provision for impairment is charged against the Statement of Financial Performance in the year concerned.

LIABILITIES

19. NCIO liabilities comprise vendor invoices, notes payable, customer advance payments, unearned revenues, provisions for costs and contingencies and miscellaneous items.
20. Accounts payable include amounts due to other NATO organizations, such as the NATO Strategic Command, NATO Headquarters, NATO Agencies, NATO Nations including NATO Replication Nations and Third Parties for goods received or services provided, that remain unpaid. This includes estimates of accrued obligations for goods, and services received but not yet invoiced by the suppliers.
21. Unearned revenue represents contributions from Nations and/or third parties that have been called for current or prior years budgets but that have not yet been recognized as revenue. Funds are called in advance as NCIO has only limited working capital to prefinance its activities.
22. Provisions are recognized when NCIO has a legal or constructive obligation as a result of past events, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.
23. Certain employees participate in the Provident Fund or the New Defined Contribution Pension Plan administered by NATO. Contributions to these Plans are limited to matching the employees' contributions for current service. Other employees participate in NATO's Defined Benefit Plan; a portion of their salaries is deducted and contributed to the annual financing of this Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. The assets and liabilities for the NATO's Defined Benefit Plan are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements.

EQUITY / OPERATING FUND

24. As of 2014 the entire NCI Agency will be working under a customer funding model. The Capability Development portion of the NCI Agency has been operating under this model for nearly 15 years. The approved policies and procedures of this sponsor funding financial regime authorise and regulate the use for NCI Agency Operating Fund (OF). These policies and procedures are in the special NFRs and FRPs applicable to the NCI Agency (C-M(2004)0038, 8 June 2004). The use of this OF will be regulated by the customer funding interim regulatory framework approved by Council for 2014, awaiting the final customer funding framework expected for 2015. For 2013 existing policies and procedures were applied.

The OF has three fundamental purposes:

- a) be an element of the Agency's working capital (small portion);
 - b) provide a buffer fund for deficits or surpluses on the execution of projects; and
 - c) fund anticipatory commitments wherein NCI Agency undertakes moderate risk and authorises internally for work to begin, whilst awaiting formal sponsor approvals of pricing proposals.
25. The Operating Fund increases or decreases depending upon the NCI Agency realised surpluses or deficits.
26. Should the Operating Fund move into a deficit position, it is the responsibility of the NCI Agency to take appropriate corrective actions to stabilise and then fix the situation. However, as a NATO body, ultimate liability for funding the NCI Agency rests with the Nations.
27. The Financial Controller is responsible to recommend the size of the OF and the planned annual action to increase or to reduce it. The ASB is the approval authority for the fund and decided to keep the level for 2013 and 2014 at 10 MEUR (AC/337(FS)DS(2013)0004 dated June 2013), that any surplus or deficit for 2013 would be attributed to the OF and that the Nations would decide on the use of this surplus or deficit.
28. Changes could be made proactively by increasing or decreasing the overhead rate applied to NCI Agency Capability Development projects and thus charged to its sponsors in subsequent years. Effective with the establishment of NCIO, the BC approves the customer rates on behalf of all customers.
29. The NCI Agency retained earnings accumulated over the years represent its authorised operating fund. When implementing IPSAS 17, a portion of these earnings were partially encumbered for the value of fixed assets not yet fully depreciated, reported separately as a depreciation reserve. The categories of assets and the breakdown of the remaining book value per category is reported in the Statement of Property, Plant & Equipment.

REVENUES

30. Revenues are subdivided between contributions income (budgets), operations revenue (customer funded), acquisition revenue (procurement principal on behalf of sponsors, NATO entities or member Nations) and other revenue. This division is to accommodate for the different types of revenue which stem from the different funding models of the legacy entities. As per the NCIO's last transition year before being fully customer funded as of 1 January 2014, different categories of revenues still exist under differing procedures, largely originating from

the legacy approved 2013 budgets and financial plan, executed within their respective financial systems. For 2013 specific details are as follows:

- A. Customer Funded/ Revenues from customers:
 - a) Acquisition: customer revenue associated with the professional execution of its mandate as procurement principal on behalf of a NATO entity or Member Nation, procuring significant quantities of goods and services using funds provided by sponsors, primarily the Investment Committee (IC).
 - b) Operational: customer revenue associated with projects and engineering services which the Agency is contracted to deliver to sponsors, be it the IC, the Member Nations, the Strategic Commands, the NC3 Board, NATO HQ or other NATO entities.
 - c) Shared services: customer revenue associated with the hosting and services the Agency provides to other NATO entities such as NAGSMA and the TACOMS Programme Office.
- B. Budget Funded/Revenues from the contributions from the NATO member states either through Common or Core Funding:
 - a) Service Delivery: revenue associated with its principal mandate to operate, maintain and support assigned NATO C3 capabilities and CIS installations. The SD budgets are common funded by the BC and include:
 - i. the main SD budget providing CIS services at all NATO locations through operating, controlling and supporting in-service NATO CIS systems;
 - ii. a specific budget for operating the NATO CIS School at Latina Italy, providing CIS systems operations and maintenance training to military and civilian personnel from NCS units and Nations;
 - iii. a specific budget for the NATO Programming Centre at Glons Belgium, developing and maintaining Air C2 software for NCS entities and Nations;
 - iv. a specific budget created in 2013 and onwards to foresee expenses for workforce adjustments as a result of the Transition Programme.The revenue of SD does not include the revenue of the CIS budgets delegated to them by other NATO entities as funds were delegated for 2013 and SD is considered a procurement agent for these activities.
 - b) AirC2 Programme Office: revenue associated with its principal mandate to conduct the central planning, system engineering, implementation and configuration management for the ACCS programme to ensure system integrity, integration and interoperability. This includes both the support cost of the programme office in terms of an administrative budget (common funded) as well as the acquisition revenue as procurement principal on behalf of the IC (common funded) or NATO Member Nation (customer funded).
 - c) BMD: revenue associated with the support, engineering, project services and acquisitions contracted with or on behalf of the Ballistic Missile Defence Programme Office PO. The BMD PO is common funded through budget authorisations provided by the IC and the BC.
 - d) NCIO Secretariat: revenue associated with the running of the NCIO Executive Secretariat which is to support the ASB Chairman. The NCIO Independent Secretariat budget is core funded and the ASB approves the structure and its annual budget, which is based on the Military Budget cost share model.

31. Financial income, minus financial expenses, is transferred to Net Assets/equity through the annual surpluses/deficits or returned to the Nation(s) depending on the agreements in force.

COSTS AND EXPENSES

32. NCI Agency has the following categories of costs:

- a. Acquisition: costs relating to goods and services procured as a principal on behalf of sponsors, NATO entities or Member Nations.
- b. Cost of Operations: costs directly attributable to the execution and management of the customer funded/contracted projects.
- c. General & Administrative Expenses: costs not directly attributable to specific customer funded projects but required to fund services supporting the operations and costs related to the budget funded elements of the Organisation.
- d. Financial gains/losses and gains/losses on foreign currency exchanges: payments by NATO Agencies and Host Nations may be made in a variety of currencies. Gains/losses on foreign currency exchanges occasionally occur between the time of assessment and the time of payment. These differences are assessed and either refunded or absorbed by NCI Agency, depending on the agreement with the customers. Gains or losses are recognised in the accounts in the period in which they occur.

IPSAS'S APPLICABLE TO NCI AGENCY

IPSAS 1 Presentation of Financial Statements

33. The financial statements and the accounting policies comply with IPSAS and the NATO Accounting Framework, unless explicitly stated otherwise in this annex.
34. The financial statements present fairly the financial position, financial performance and cash flows of the Agency.
35. The financial statements are prepared on a going concern basis.
36. The presentation of the financial statements is consistent from one period to the next. If and when a change is needed that change is disclosed explicitly and the impact of the change on the previous year is adapted and shown under a specific header in the Reclassified Statement Prior Year.
37. Each material class of similar items is presented separately in the financial statements. The Agency presents current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its Statement of Financial Position. All items of income and expense are recognised in the period and included in the surplus or deficit shown in the Statement of Financial Performance.
38. The offset of assets and liabilities, and income and expenses is restricted to circumstances where offsetting is required or permitted by a Standard.
39. Comparative information is disclosed with respect to the previous period, for all amounts reported in the financial statements.

40. The Statement of Changes in Net Assets/Equity shows the accumulated surpluses and deficits at the beginning of the period and at the reporting date, and the changes during the period.
41. The Notes to the financial statements present information about the basis of preparation of financial statements, about the specific accounting policies used, and disclose the information required by IPSAS that is not presented elsewhere in the Financial Statements and additional information that is not presented on the face of the Financial Statements, but is necessary for a fair presentation of them.
42. The Notes to the Financial Statements are presented in a systematic manner, with each item on the face of the Statement of Financial Position, Statement of Financial Performance, and Cash Flow Statement cross-referenced to any related information in the Notes.
43. The Agency discloses in the summary of significant accounting policies, the measurement bases used in preparing the Financial Statements, the extent to which the NCI Agency has applied any transitional provisions in any IPSAS, and each specific accounting policy that is necessary for a proper understanding of the Financial Statements

IPSAS 2 Cash Flow Statement

44. The Cash Flow Statement presents information about historical changes in the NCI Agency's cash and cash equivalents, classifying cash flows during the period according to operating, investing and financing activities.
45. The Cash Flow Statement is prepared as an integral part of the Financial Statements for each period for which financial statements are presented.
46. Amounts classified as "cash and cash equivalents" are limited to short-term, highly liquid investments that are readily convertible to known amounts of cash and are not subject to significant risk of change in value.
47. Cash and cash equivalents exclude investments with a maturity greater than three months, and equity investments.
48. The Agency classifies similar transactions and events in a consistent manner from period to period as operating, investing or financing activities.
49. The Agency reports cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
50. Cash flows arising from transactions in a foreign currency are recorded in the NCI Agency's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.
51. Cash flows associated with extraordinary items are classified as arising from operating, investing or financing activities as appropriate, and are also separately disclosed.
52. Cash flows arising from interest and dividends received and paid are disclosed separately and recorded consistently from period to period as operating, investing or financing activities.

IPSAS 3 Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies

53. Changes in accounting policy are reported separately. The impact on the previous year is shown under the section Financial Statements Reclassification – Changes in Accounting Policy.
54. Any errors discovered in the preparation of financial statements of prior periods during the current period, are corrected and reported separately as prior year adjustments. If these errors are material then the impact will be reported under the section Financial Statements Reclassification – Correction of Errors. IBAN observations disclosing material errors are equally corrected and reported under this same section.

IPSAS 4 Effects of Changes in Foreign Exchange Rates

55. The Agency buys and sells goods or services whose price is denominated in a foreign currency and enters into contracts or transactions to acquire or dispose of assets denominated in a foreign currency.
56. The Agency holds assets or liabilities which are denominated in a foreign currency.
57. Foreign currency transactions are recorded by converting the foreign currency amount at the BC conversion rates valid at the date of the transaction. NSIP and Third Party acquisition transactions are converted using the quarterly exchange rates issued by the IC. This rate is imposed by the IC and allows the NCI Agency to get reimbursed for all exchange, bank and miscellaneous financial results.
58. The Agency applied the following principles for reporting foreign currency items at each reporting date: foreign currency monetary items have been translated using the closing rate. Items that are measured in terms of historical cost in a foreign currency have been translated using the exchange rate at the date of the transaction.
59. The Agency recognises all exchange differences as revenues or as expenses in the period in which they arise.

IPSAS 6 Consolidated Financial Statements and Accounting for Controlled Entities - Adapted

60. Under the NATO Accounting Framework, effective 1 January 2013, this standard has been adapted for Morale and Welfare Activities and/or Staff Association activities which do not have to be consolidated in the entity's financial statements. NCIO has very limited MWA and/or Staff Association activities.

IPSAS 9 Revenue from Exchange Transactions

61. In accordance with IPSAS 1, revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in increases (or decreases) in equity. Revenue is measured at the fair value of the compensation received or receivable. In NATO the contributions by Nations relating to the execution of the annual budgets are also included in the revenue.
62. Since 2013 is still a transition year for NCIO (before becoming fully customer funded as of 1 January 2014) where both budget and customer funding models are applied per its legacy

entities, NCIO revenue is a mixture of revenue from contributions to budgets from NATO member Nations and of revenue from customers/sponsors for the rendering of services/delivery of goods.

63. For the parts of the Organisation that are funded through budgets and contributions from member Nations, the contribution calls are initially recorded as unearned revenue liabilities. They are recognized as revenues in the Statement of Financial Performance when such contributions are used for their intended purpose as envisioned in the approved budgets. Moreover, funds used for the purchase of Property Plant and Equipment are recognized as revenues in the Statement of Financial Performance to the same extent that these assets are depreciated each year.
64. For the parts of the Organisation that operate under the customer funding model (former NC3A/Capability Development but also partly former NACMA/AirC2), revenue from the sale of goods is recognised when NCIO has transferred the significant risks and rewards of ownership of the goods to the buyer. Since NCIO retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to NCIO and the costs incurred or to be incurred in respect of the transaction can be measured reliably.
65. Revenue involving the rendering of services is recognised only when the amount of revenue can be measured reliably, it is probable that the economic benefits or service potential associated with the transaction will flow to NCIO, the stage of completion of the transaction at the reporting date can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
66. Revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date (percentage of completion method). The percentage of completion is determined by using a method that reliably measures the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction. Revenue recognised with reference to the stage of completion, is recognised in the accounting periods in which the services were rendered.
67. NCI Agency Capability Development and AirC2 operations and acquisition activities are registered and monitored per individual project, and earned or recognisable revenue is calculated based on the stage of completion or the cost burn rate, depending on the type of funding agreement: firm fixed price or cost reimbursable (AirC2 only has cost reimbursable projects). For each project, the current expenses, including accrued expenses at reporting date and estimated costs to completion, are taken into consideration to calculate the current level of recognisable revenue and to determine the potential deficits or surpluses at completion. Based on these estimates, provisions for expected future losses are made and reflected in the Statements.
68. Billing to customers depends on the funding modalities agreed with the customers/sponsors, either by means of monthly invoices for expenses incurred or through calls for funds such as the Quarterly Financial Report (QFR) or through invoices based on milestones. Billed revenue does not necessarily reflect the work progress and requires assessing to reflect the current portion of

the contracted revenue that is earned and reported in the Statement of Financial Performance. The Statement of Financial Position shows the respective advance billings or the unbilled revenue.

69. If cash has been received in advance in respect of the sale of goods, revenue is only recognised when the significant risks and rewards of ownership are transferred to the buyer, and not when cash is received.
70. If uncertainty arises regarding the collectability of an amount already included in revenue, the potentially uncollectible amount has been recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.
71. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised.
72. NCIO also performs procurements on behalf of other NATO entities and territorial Host Nations and considers itself as principal for the procurements done by Capability Development (former NC3A) and AirC2 PO (former NACMA). It bases its opinion on the published Implementation Guidance with respect to IPSAS 9, more specifically IG 32 to 34 (2010 amendment); it considers itself as principal since it has the primary responsibility for providing the goods or services to the customer or for fulfilling the order; also, the amounts the entity earns are not predetermined either as a fixed fee per transaction or a stated percentage of the amount billed to the customer. For the procurements done by Service Delivery (former NCSA) it considers itself as agent under the same publications as the latter part does not apply to these procurements. The expenses related to these procurements are hence also excluded from the Statement of Financial Performance but are included in the respective Performance Statements of the other NATO entities (see nevertheless details on these procurements under Annex F-16). To be noted that with NCIO becoming fully customer funded as of 1 January 2014 it will also revise its interpretation with respect to these procurements from agent to principal per the same IPSAS implementation guidance. Also, per its Charter, NCIO is to assume ownership of all IT assets and IT infrastructure from the NATO commands; accordingly CIS assets acquired in 2013 under these procurement agent activities have been accounted for. These assets are included in NCIO's Statement of Position and partly depreciated in the Statement of Financial Performance. It has been confirmed with the NATO Commands that they have not included the assets in their respective financial statements.

IPSAS 11 Construction Contracts

73. The Agency negotiates contracts for the construction, restoration or the demolition of assets or for the rendering of services which are directly related to the construction, restoration or the demolition of assets.
74. Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and that can be measured reliably.
75. The recognition of variations (an instruction by the customer for a change in the scope of the work to be performed under the contract) in the contract revenue is deferred until there is reasonable assurance that it is probable that the customer will approve the variation and the

amount of revenue arising from the variation and the amount of revenue can be measured reliably.

76. The recognition of claims (an amount that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price) in the contract revenue is deferred until there is reasonable assurance that negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that is probably going to be accepted by the customer, can be measured reliably.
77. Contract costs comprise costs that relate directly to the specific contract (i.e. labour, sub-contractors and consultants, travel costs, materials and miscellaneous services used on the contract), costs that are attributable to contract activity in general and can be allocated to the contract (i.e. design and technical assistance, construction overheads) and other costs that are specifically chargeable to the customer under the terms of the contract.
78. Contract costs specifically exclude costs that cannot be attributed to contract activity or cannot be allocated to a contract.
79. For projects at an early stage, in which NCI Agency Capability Development enters in an arm's length preliminary agreement and for which the final sponsor authorisation has not been formalised yet, revenue is recognised only to the extent that it is probable the contract costs incurred are recoverable; and contract costs are recognised as an expense in the period in which they are incurred. Furthermore, it is considered that in these cases, the NCI Agency has incurred in contract costs that relate to future activity on the contract. Such costs are recognised as work in progress provided it is probable these will be recovered.
80. Governed by existing bidding agreements, such as overarching framework agreements (e.g. Memorandum of Understanding, Memorandum of Agreement) between NCI Agency and its main sponsors, the NFR's specifically developed for NCI Agency Capability Development and its customer funding regime, prescribe the terms and conditions under which pre-finance authorizations are granted. Ultimately it falls to the discretion of the NCI Agency Financial Controller, with the support from the Director of Service Supply and Demand Management, to ascertain the degree of certainty of the validity of the related asset.
81. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.
82. The estimated outcome of a fixed price contract (a construction contract in which the contractor agrees to a fixed contract price) is based on a reliable measurement of the total contract revenue, the probability that the economic benefits associated with the contract will flow to NCIA, a reliable measurement of both the contract costs to complete the contract and the stage of contract completion at the reporting date and the clear and measurable attribution of contract costs to the contract so that actual contract costs incurred can be compared with prior estimates.
83. The estimated outcome of a cost plus contract (a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee) is based on the probability that the economic benefits associated with the contract

will flow to the NCI Agency and the clear and measurable attribution of contract costs, whether or not specifically reimbursable, to the contract.

84. Contract costs incurred by the NCI Agency that relate to future activity on the contract, are recognised as an asset (as “contract work in progress” representing an amount due from customers), provided it is probable that they will be recovered.
85. When uncertainty arises about the collectability of an amount already included in contract revenue (and in the Statement of Financial Performance), the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense in the Statement of Financial Performance (not as a reversal of revenue).
86. Where the stage of completion is determined with reference to the contract costs incurred to date, only those contract costs that reflect work performed are included in costs incurred to date.
87. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
88. There is not a direct relationship for any financial year between the project service revenue and cost and the specific acquisition payments and costs associated with the acquisitions executed by the NCI Agency in its capacity of Host Nation or procurement agent. This is due to the fact that project services revenues and costs are recognizable when the service is provided and not when the actual acquisition transactions occur, particularly as the subsequent receipt of goods and payment to suppliers occurs over many years when downstream activity is minimal.

IPSAS 12 Inventories - Adapted

89. Under the NATO Accounting Framework, effective 1 January 2013, this standard has been adapted as follows:

“Objective

The objective of adaptation to this Standard is to prescribe specific accounting treatments for inventories for NATO Reporting Entities.

Definitions used in the adaptation

- *Control of NATO Inventory - In addition to the standard assessment of “substance over form”, the following criteria should be used to assist in assessing the level of control that any NATO Reporting Entity has for reporting assets in its financial statements:*

Criteria that may indicate control of an asset

- o *The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity*
- o *The legal title is in the name of the NATO Reporting Entity*
- o *The asset is physically located on the premises or locations used by the NATO Reporting Entity*
- o *The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity’s instructions*
- o *The fact that the NATO Reporting Entity can decide on an alternative use of the asset*
- o *The fact that the NATO Reporting Entity can decide to sell or to dispose the asset*

- *The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it*
- *The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition*
- *The fact that the asset is used in achieving the objectives of the NATO Reporting Entity*
- *The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity*

If the NATO Reporting Entity responds positively to six of the above criteria, it is likely that the asset is controlled by the NATO Reporting Entity. In this case, the reporting entity will need to capitalise the assets in its Financial Statements (if it is also above the capitalisation threshold).

- **NATO Inventory Capitalisation Thresholds:**

	Category	Threshold Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

- *Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period shall be deemed to be slow moving.*
- *Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates⁷.*

Financial Reporting Requirements

NATO Reporting Entities

- *Shall capitalise all controlled inventory above the NATO Inventory Capitalisation Threshold. For anything below the threshold, NATO entities would have the flexibility to expense specific items. It should be noted however that each NATO entity will still have to set its own thresholds, within the overall thresholds identified taking into account its own activities and size.*
- *Shall capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity shall report the inventory in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.*
- *Shall include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs shall be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use shall not be included in the value of inventory. The method of measuring these costs shall be disclosed.*
- *May consider inventory acquired prior to 1 January 2013 as fully expensed.*
- *May choose to write down to the net realizable value items which are considered as slow-moving over the last 36 months. The value of slow-moving inventory which is written down shall be disclosed in the inventory note to the financial statements.*

- *May choose to measure slow moving stock items as strategic at historical cost. Reporting shall include a description of the stock items and a description of the assets or services to which they relate. The basis by which strategic stocks are measured shall be disclosed.*
- *Shall, for inventory held prior to the 1 January 2013, and not previously recognized as an asset, provide a brief description of inventory held within their inventory recording systems in the notes to the financial statements. Such disclosure should include as a minimum the types of inventories held, locations where inventories are held and the approximate number of items held per asset category.*

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

Disclosure requirements

In addition to what is needed as part of the foregoing Financial Reporting Requirements, the NATO Reporting Entity shall fully disclose in its accountings policies the use they made of the adapted IPSAS.

Effective Date

This adaptation shall be effective for financial reporting periods beginning on 1 January 2013.”

90. Up until and including fiscal year 2012, NCIO legacy entities have not reported inventories other than those held in NPC Glons and NCISS Latina School (minor value). Under the agent principle all assets/inventories acquired for customers (mainly ACT and ACO) were excluded from the Statement of Financial Position.
91. As per the NCIO Charter however, NCIO is to assume ownership of all IT assets and IT infrastructure from the NATO commands. To this end a formal Hand Over/Take Over (HO/TO) process is ongoing with the NATO commands which is expected to be completed by the end of 2014.
92. NCIO is already making use of this adapted standard in that it will consider all inventory acquired prior to 1 January 2013 as fully expensed.

IPSAS 13 Lease

93. NCIO enters into lease agreements, rental agreements, hire purchase agreements or any other agreement that gives them the right to use an asset, intangible asset or part of an asset for a period of time. The Organisation is therefore a lessee.
94. NCIO has not financed the purchase of an asset by another entity, sold an asset with finance, transferred the right to use an asset, or rented an asset to another entity. NCIO is therefore not a lessor.
95. NCIO classifies its leases as operating leases, because the ownership of the leased assets are not transferred to the lessee by the end of the lease term and the lessee does not have the option to purchase the asset, nor are the lease terms aligned to the major part of the economic lives of the leased assets.
96. Lease payments under operating leases are recognised as an expense over the lease term.

IPSAS 14 Events after the Reporting Date

97. Further to events reported in these financial statements for the year ended 31 December 2013, there have been no other material instances or failures brought up to the attention of the Management of the NCI Agency that should be reported.

IPSAS 17 Property, Plant and Equipment - Adapted

98. Under the NATO Accounting Framework, effective 1 January 2013, this standard has been adapted as follows:

“Objective

The objective of adaptation to this Standard is to prescribe specific accounting treatments for Property, Plant and Equipment (PPE) for NATO Reporting Entities.

Definitions used in the adaptation

- *AOM operations assets – Equipment, spare parts and/or stand by equipment bought specifically by NATO for operations using dedicated AOM funding from common, customer or multinational funding sources and physically located in a theatre of operation. This reflects the intensive nature of operations, the fact that equipment is frequently bought for a specific purpose and rarely has any further useful life at the end of the operation (AOM PPE does not include strategic military capabilities such as AGS, BMD or ACCS)*
- *Control of NATO PPE - In addition to the standard assessment of “substance over form”, the following criteria should be used to assist in assessing the level of control that any NATO Reporting Entity has for reporting assets in its financial statements.*

Criteria that evidence the control of PPE include:

- *The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity*
- *The Legal title is in the name of the NATO Reporting Entity*
- *The asset is physically located on the premises or locations used by the NATO Reporting Entity*
- *The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity’s instructions*
- *The fact that the NATO Reporting Entity can decide on an alternative use of the asset*
- *The fact that the NATO Reporting Entity can decide to sell or to dispose the asset*
- *The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it*
- *The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition*
- *The fact that the asset is used in achieving the objectives of the NATO Reporting Entity*
- *The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity*

If the NATO Reporting Entity responds positively to six of the above criteria, it is likely that the asset is controlled by the NATO Reporting Entity. In this case, the reporting entity will need to capitalise the assets in its Financial Statements (if it is also above the capitalisation threshold).

- *NATO PPE Capitalisation Thresholds - NATO Reporting Entities shall capitalise*

each item of PPE above the following agreed NATO thresholds.

	Category	Threshold	Depreciation life Method
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€30,000	10 years	Straight line
Machinery	€30,000	10 years	Straight line
Vehicles	€10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€50,000	3 years	Straight line
Furniture	€30,000	10 years	Straight line
Communications	€50,000	3 years	Straight line
Automated inform systems	€50,000	3 years	Straight line

NATO reporting entities can consider the establishment of further sub-categories.

Each category can include major spare parts and stand-by equipment, major spare parts and servicing equipment and specialist military equipment.

- *Major spare parts and stand-by equipment – Major spare parts and stand-by equipment qualify as property, plant, and equipment when a NATO Reporting Entity expects to use them during more than one financial reporting period. An item is considered to be a major spare part or item of stand-by equipment when its value is greater than the relevant category of the NATO PPE Capitalisation Thresholds.*
- *Spare parts and servicing equipment - When spare parts and servicing equipment can be used only in connection with an item of property, plant, and equipment, they are accounted for as property, plant, and equipment.*
- *Specialist Military Equipment – Specialist Military Equipment qualifies as property, plant, and equipment when a NATO Reporting Entity expects to use it during more than one financial reporting period. IPSAS is silent on providing definitions for Specialist Military Equipment. In the context of adaptations to this IPSAS, Specialist Military Equipment is defined as weapons system platforms, weapons, repairable items, major spare parts and stand-by equipment.*

Financial Reporting Requirement

NATO Reporting Entities

- *Shall capitalise all controlled PPE above the NATO PPE Capitalisation Thresholds. For anything below the threshold, NATO entities would have the flexibility to expense specific items. It should be noted however that each NATO entity will still have to set its own thresholds, within the overall thresholds identified taking into account its own activities and size.*
- *Shall apply the control criteria to identify reporting responsibility for PPE provided for use by Host Nations.*
- *The correct accounting treatment for Allied Operations and Missions PPE should be to capture the cost and reflect a full depreciation during the first year of its useful life.*
- *The information on such equipment will be properly reported in the balance sheets in financial statements and in asset registers with the full costs of PPE allocated in the first year.*
- *Shall apply standard NATO procedures to decide on the disposition of any PPE at the end of the specific operation it was originally acquired in support of.*

- *Shall report controlled PPE in its Financial Statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of asset, only the end-use entity shall report the PPE in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.*
- *May consider PPE acquired prior to 1 January 2013 as fully expensed. Also entities who already capitalize PPE prior to 1 January 2013 may continue to apply existing accounting policies for such assets.*
- *If the PPE is upgraded after 1 January 2013, only the portion related to the modification should be capitalised.*
- *May choose to break down a specific piece of PPE (for example a vessel) into its component parts to allow depreciation of different parts of an asset at different rates.*
- *Shall, for PPE held prior to 1 January 2013, and not previously recognized as an asset, provide a brief description of PPE held within their PPE recording systems in the notes to the financial statements. Such disclosure should include as a minimum the types of PPE held, locations where PPE is held and the approximate number of items held per asset category.*

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 17 shall apply.

Disclosure requirements

In addition to what is needed as part of the foregoing Financial Reporting Requirements, the NATO Reporting Entity shall fully disclose in its accountings policies the use they made of the adapted IPSAS.

Effective Date

This adaptation shall be effective for financial reporting periods beginning on 1 January 2013.”

99. NCIO has adjusted its accounting for 2012 and 2013 to adhere to this adapted IPSAS standard per the NATO Accounting Framework;

- NCIO has considered all PPE acquired prior to 1 Jan 2013 as fully expensed:
 - resulting in the retirement of PPE previously accounted for in the Capability Development portion of NCIO; hence restated 2012 numbers have been produced and the full details can be found under “Annex E – Segment Report – Capability Development”.
 - resulting in considering all PPE acquired prior to 1 Jan 2013 under the Service Delivery portion of NCIO, as fully expensed; details of this can be found under “Annex F – Segment Report – Service Delivery”.
 - resulting in the retirement of PPE previously accounted for in the Air C2 Programme Office portion of NCIO; hence restated 2012 numbers have been produced and details can be found under “Annex G – Segment Report – Air C2 Programme Office”.
- NCIO has adopted for PPE the legacy accounting policy from Capability Development of which the main elements can be found hereafter. To be noted that it includes thresholds and depreciation life times which are different from the ones detailed in the definitions of the adapted IPSAS 17. This is allowed as stated under bullets 1 and 7 of the Financial Reporting Requirements under this adapted IPSAS 17.
- NCIO has capitalised PPE acquired in 2013 in accordance with its accounting policy.

- Per the NCIO Charter, NCIO is to assume ownership of all IT assets and IT infrastructure from the NATO commands. To this end a formal Hand Over/Take Over process is ongoing with the NATO Commands which is expected to be completed by the end of 2014. NCIO has nevertheless already made an effort under this framework to account for such assets, acquired in 2013 of which the full details can be found under Annex F – Segment Report – Service Delivery”. Under the same framework NCIO is considering all such PPE acquired prior to 2013 as fully expensed but cannot yet present a brief description of these PPE (with types of PPE held, locations and approximate number of items held per asset category) as long as the HO/TO process has not been completed (foreseen at the end of 2014).

100. Current classifications, validation rules and accounting treatments have been defined based on NCIO’s current nature and activities.
101. All items of property, plant and equipment recorded during the year, meet the definition of property, plant and equipment i.e. they are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting period.
102. An item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the asset will flow to NCIO; and the cost or fair value of the asset to NCIO can be measured reliably.
103. The cost of an item of property, plant and equipment, includes the purchase price, (including import duties, non-refundable purchase taxes, and deducting trade discounts and rebates) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating, such as costs of site preparation, initial delivery and handling costs and installation costs. For each category of property, plant and equipment, however threshold values per item were defined, below which the item will be expensed rather than capitalized.
104. Subsequent expenditure relating to an item of property, plant and equipment are added to the carrying amount of the asset only when it has been determined that it is probable that future economic benefits or service potential over the total life of the asset, in excess of the most recently assessed standard of performance of the existing asset, will flow to NCIO.
105. After recognition as an asset, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.
106. After recognition as an asset, items of property, plant and equipment, whose fair value can be measured reliably, are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
107. NCIO allocates the depreciable amount of an asset on a systematic basis over its useful life. The Organisation recognises the depreciation charge for each period as an expense. NCIO uses the straight line method of depreciation. Depreciation is calculated on a full year basis, i.e. regardless of whether an item was available for use at the beginning of the year or at the end. The Organisation begins depreciation of an asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating. An asset is deemed to be available for use when the invoice for the acquisition of the item is received and booked. The useful life of the asset is determined by asset category based on the expected usage of the

asset, as assessed by reference to the asset's expected capacity or physical output, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, or legal or similar limits on the use of the asset.

108. The Organisation eliminates from the Statement of Financial Position the carrying amount of an asset on disposal or when an asset is permanently withdrawn from use and no future economic benefits or service potential were expected from its use or disposal. The Agency includes gains or losses arising from retirement or disposal of an item of property, plant and equipment in the Statement of Financial Performance as an item of revenue or expense, as appropriate. The gain or loss arising from retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
109. Where the acquisition of an asset is funded by means of a customer agreement, and the asset has not been transferred to the customer, revenue as a result of the acquisition of the asset is recognized in line with the standard revenue recognition rules described above. This might lead to an overstatement of revenue in so far as the recognized revenue exceeds the actual carrying amount of that item. A revenue correction is therefore made at the reporting date to compensate for the excess of the recognized revenue to date over and above the current book value of the asset item.
110. A summary of the asset categories, and thresholds, economic life times and annual depreciation percentages as applied by NCIO are shown in the table below:

ASSET CLASSES, CATEGORIES AND SUB-CATEGORIES		PP&E Thresholds	Economic Life Time	Annual Deprec. %
1.	CLASS 1.: INFRASTRUCTURE, PLANT AND EQUIPMENT			
1.1.	AUTOMATIC DATA PROCESSING EQUIPMENT	5,000	3.00	33.33%
1.2.	COMMUNICATION SYSTEMS	5,000	3.00	33.33%
1.3.	MACHINERY	5,000	4.00	25.00%
1.4.	INSTALLED EQUIPMENT	5,000	4.00	25.00%
1.5.	FURNITURE	500	4.00	25.00%
1.6.	TRANSPORT EQUIPMENT	10,000	4.00	25.00%
1.7.	MISSION EQUIPMENT	5,000	4.00	25.00%
2.	CLASS 2.: LAND AND BUILDINGS			
2.1.	LAND provided by Host Nations			
2.1.1.	<i>Bâtiment Z Main Building Brussels - Land</i>	0	NA	0.00%
2.1.2.	<i>NC3A Main Building The Hague - Land</i>	0	NA	0.00%
2.2.	BUILDINGS provided by Host Nations			
2.2.1.	<i>Bâtiment Z Main Building Brussels - Main structure</i>	0	NA	0.00%
2.2.2.	<i>NC3A Main Building The Hague - Main structure</i>	0	NA	0.00%
2.3.	INFRASTRUCTURE	25,000	10.00	10.00%
2.4.	BUILDING ENHANCEMENTS			
2.4.1.	<i>Bâtiment Z Main Building Brussels - Leasehold improvements</i>	25,000	10.00	10.00%
2.4.2.	<i>NC3A Main Building The Hague - Leasehold improvements</i>	25,000	10.00	10.00%
3.	CLASS 3.: INTANGIBLE ASSETS			
3.1.	SOFTWARE	5,000	3.00	33.33%
3.2.	RIGHTS OF WAY, INTELLECTUAL PROPERTY RIGHTS (IPR's), ADMINISTRATIVE	0	NA	
3.3.	INVESTMENTS IN RESEARCH AND DEVELOPMENT (R&D)	0	NA	
4.	CLASS 4.: CAPEX PENDING CAPITALIZATION - ACCRUED EXPENDITURES			
4.1.	Capital expenditures pending capitalization - Accrued expenditures	0	NA	
5.	CLASS 5.: ASSETS-UNDER-CONSTRUCTION - INTERNAL PROJECTS (WIP)			
5.1.	Assets-under-construction - Internal projects (WIP)	0	NA	

111. The division into asset categories and the consistent alignment of transactions to these categories is based on NATO's STANAG classification of Property and Inventory items:

- a. Automatic Data Processing equipment: ADP central processing units, storage and input/output devices, desktop and laptop computers and office machines;
- b. Communication systems: communication, navigation, recording and reproduction equipment, electrical and electronic equipment, and fibre optics assemblies;
- c. Machinery: engines, turbines, power transmission equipment, wood and metalworking, service and trade, special industry machinery, agricultural, construction, excavating, maintenance and materials handling equipment, maintenance and repair shop equipment, food preparation and serving equipment, cleaning equipment, and recreational and sport equipment;
- d. Installed equipment: refrigeration, air conditioning, and air circulating equipment, fire fighting, safety, security detection, environmental protection equipment, pumps and compressors, furnace, steam plant, drying equipment, nuclear reactors, plumbing, heating, waste disposal, water purification equipment, electric wire, lighting fixtures, power and distribution equipment;
- e. Furniture: household furniture, office furniture, cashier stands, cabinets, lockers, bins and shelving, auditorium, theatre, library furniture, household and office furnishing;
- f. Transport equipment: space vehicles, aircraft and aircraft components, ship and marine equipment, railway equipment, ground effect vehicles;
- g. Mission equipment: weapons, guided missiles and fire control equipment, space vehicles and aircraft landing, launching and ground servicing equipment, prefabricated structures and scaffolding, specialized shipping and storage containers, detection and coherent radiation equipment, medical, dental, veterinary equipment, instruments and laboratory equipment, photographic equipment, training aids and devices;
- h. Land;
- i. Buildings: general purpose and office buildings;
- j. Infrastructure: parking spaces, roads, railroads, ports, airports, special purpose buildings and infrastructures.

IPSAS 18 Segment Reporting

112. The objective of IPSAS 18 is to establish principles for reporting financial information by segment. The disclosure of this information will:

- Help users of the financial statement to better understand the entity's past performance, and to identify the resources allocated to support the major activities of the entity; and
- Enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

113. A segment is considered a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives. NCIO considers its legacy entities for 2013 as distinguishable groups of activities as in its last transition year, before becoming full customer funded in 2014, they are still funded through their legacy models and governing committees, for their specific activities. By applying segment reporting NCIO is able to provide relevant information for accountability and decision making purposes.

IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets

114. IPSAS 19 obliges to disclose appropriate recognition criteria and measurement bases for provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is made available in the notes to the financial statements to enable users to understand their nature, timing and amount. IPSAS 19 aims to ensure that only genuine obligations are dealt with in the financial statements. Planned future expenditure, even where authorized by management, is excluded from recognition, as are accruals for self-insured losses, general uncertainties, and other events that have not yet taken place.

115. A provision is a liability of uncertain timing or amount. In its Statement of Financial Position at 31 December 2013, NCIO carried the following provisions:

- a. Provision for future losses for active projects: when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately (IPSAS 11).
- b. Provision for untaken leave of own personnel: personnel leave days untaken at the end of the year can be transferred to the next year and taken before the end of the first quarter. This constitutes a liability towards the next year since staff will not be available for service during this period of time. The provision is calculated on a rolling basis based on actual days of untaken leave outstanding and the average cost of a day of untaken leave per grade level.
- c. Provision for a claim from the company Cassidian (because of a change in scope by the customer communicated after works under contract were already carried out by the contractor); it is expected that this claim will be settled in 2014; the event is probable and the amount can be reasonably estimated at 5.3 million Euro.
- d. Provision made for JFC Naples for "Trattamento di Fine Rapporto (TFR)" in application of the Italian Law and of IPSAS 19. TFR is a vested benefit payable to the employee for a part of his / her salary deferred in time to the moment when termination of the contract takes place. The calculation of the value of this liability takes place annually and includes interests for the loan forcedly made by the employee to the employer given the fact that payment is deferred to a later time. In view of the foregoing, TFR has to be considered as one extra monthly instalment of the annual pay.

116. Contingent liabilities: (a liability is a present obligation of the Agency arising from past events, the settlement of which is expected to result in an outflow from the Agency of resources embodying economic benefits or service potential) There are no known possible obligations that will only be confirmed by the occurrence of future events that are not wholly within the control of the NCI Agency.

117. Contingent assets: NCI O does not have any possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency.

118. The NCI Agency is not a party to any contract where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

IPSAS 20 Related Party Disclosures

119. The Financial Statements need to disclose the existence of related party relationships and transactions between the NCI Agency and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

120. The key management personnel of the NCI Agency have no significant party relationships that could affect the operation of this reporting entity. Board members receive no remuneration and senior management is remunerated in accordance with the published NATO pay scales. Neither receives loans that are not available to all staff.

121. Compensation of key management personnel and number of full time equivalents as follows:

Euro	2013	2012
Basic salaries	1,125,906	922,487
Allowances	410,178	276,145
Post-employment benefits	336,160	49,369
Employer's contribution to Insurance	140,220	121,449
Employer's contribution to Pension	71,668	75,959
Total	2,084,132	1,445,409

FTE	2013	2012
General Manager	1	1
Directors (A6/OF6)	9.6	7

122. In addition, all key management personnel of the NCI Agency (GM and all A6), all contracting officers and key finance staff have signed a declaration statement that supports the disclosure requirements of IPSAS 20.

IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers)

122. Non-exchange transactions are those such as taxes and transfers (whether cash or non-cash), including grants, debt forgiveness, fines, bequests, gifts, donations, and goods and services in-kind for which there is no mutual and clear exchange of value. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

123. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognizes a liability until the condition is fulfilled.

124. The military posts are supported by the ASB and are approved by the NATO Defence Manpower Committee (NDMC). There are about 1651 military posts provided by the Nations without cost.

125. The NCIO occupies buildings and facilities over a variety of locations NATO wide (and Afghanistan) and all provided for free by the Host Nation or Organisation. Even though some buildings were valued and recognized as assets, under the NATO Accounting Framework NCIO chose to consider all those as expenses as acquired prior to 1 Jan 2013.

IPSAS 24 Presentation of Budget Information in Financial Statements

126. IPSAS 24 aims to ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

127. Since NCIO for 2013 is composed of different funding models (budget funded and customer funded) it publishes Budget Execution Statements for those elements funded through approved budgets. Details on these individual budget execution statements can be found in the segment reports under Annex E to G where if required reconciliation tables are presented to demonstrate the compliance between the approved budget and the financial performance of achieving the budgeted results.

IPSAS 25 Employee Benefits

128. Prescribes the accounting and disclosure for employee benefits, including

- a. short-term benefits (wages, annual leave, sick leave, bonuses, profit-sharing and non-monetary benefits);
- b. pensions;
- c. post-employment life insurance and medical benefits;
- d. termination benefits; and
- e. other long-term employee benefits (long-service leave, disability, deferred compensation, and bonuses and long-term profit-sharing), except for share based transactions and employee retirement benefit plans.

129. Provident fund and defined contribution scheme; employees can be members of the provident fund or of the NATO-wide Defined Contribution Pension Scheme (DCPS); the latter was in force until 1 January 2005. The assets of the plans are held separately from those of NCIO. It is required to make monthly contributions to fund the benefits. Payments to the provident fund and to the DCPS are recognised as an expense when employees have rendered services entitling them to the contributions. The only obligation of NCIO in this context is to make the monthly contributions.
130. Defined benefit plans; certain employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plans and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 60. No other post-retirement benefits are provided to these employees. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance
131. The assets and liability for the NATO's Defined Benefit Plan and for the Provident fund are accounted for centrally by NATO IS and therefore are not recognised in the Financial Statements of NCI Agency.
132. As of 31 December 2013, NCIO had an actual strength of 2903 staff (1404 military and 1499 civilian) versus an authorized strength of 2998 staff. There were 20 National Experts and 10 personnel categorized as Voluntary National Contributions who receive remuneration from their nations. NCIO provides office space and information technology, telecommunications & supplies support.
133. As of 1 June 2013, management of the GM representation allowance moved per the NATO Budget Committee guidance, from a situation where recipients receive the representation allowance as an advance and return the unspent amount to the NATO body, to a situation where all recipients are reimbursed permitted expenses within the limits of their individual representation allowance allocation. The total entitlement to representation allowance for the NCI Agency GM was 10,691.76 EUR. The actual expenses during 2013 were as follows:
- Rental supplement expenses: €2,447.77
 - Hospitality Expenses: €3,883.23
 - Total representation allowance: €6,331.00

IPSAS 26 Impairment of Cash-Generating Assets

134. IPSAS 26 applies to the accounting for the impairment of all cash-generating assets except inventories (see IPSAS 12), assets arising from construction contracts (see IPSAS 11), financial assets that are within the scope of IPSAS 29, investment property measured at fair value (see IPSAS 16), cash-generating property, plant and equipment that is measured at revalued amounts (see IPSAS 17), assets arising from employee benefits (see IPSAS 25), intangible assets that are regularly revalued to fair value, goodwill and other cash-generating assets in respect of which accounting requirements for impairment are included in another IPSAS.
135. NCIO does not hold any cash-generating assets other than the ones mentioned above.

IPSAS 28, 29 and 30 Financial Instruments: Presentation, Recognition, Measurement and Disclosure

136. All financial instruments are recognised in the financial statements at their fair value.
137. Credit Risks: In the normal course of business the NCI Agency incurs credit risks from trade receivables and transactions with banking institutions. The NCI Agency manages its exposure to credit risks by holding current account bank balances and short term deposits with registered banking institutions with credit rankings above average (AA or AAA Standard's & Poors), while maintaining strict credit control procedures over receivables. The maximum exposure as at 31 December 2013 is equal to the total amount of bank balances, short term deposits, and receivables disclosed in the Statement of Financial Position. Receivables considered uncollectible are adequately provided for. There is a very limited credit risk associated with the realization of these instruments.
138. Currency risks: Foreign currency transactions are recorded at the rate of exchange at the date of the transaction. Foreign currency receivables, payables and provisions are revalued at exchange rates of 31 December of the applicable reporting financial year. The NCI Agency is for its acquisition activities limiting its exposure to foreign currency exchange risk by identifying in its forecast of expenditures the projected amounts in foreign currencies needed in the next quarter (cash forecasts). The Organisation identifies the amounts and the currencies they forecast to spend. If these forecasts are precisely executed, the exposure to foreign currency risk is very limited and will receive the contribution from the contributing nations in the currencies that it will spend in the next quarter or period. For its budget funded activities, currency risk is minimized through budget supplementation for any adverse movements in exchange rates on financial assets and financial liabilities held in foreign currencies. Cash contributions from the contributing Nations can be done in foreign currency if required to minimize foreign currency exchange impact. Exchange gains and losses are recorded in determining the result for the year. These exchange gains and losses are not speculative and no hedging is undertaken.
139. Liquidity risks: For the customer funded activities of the Organisation there is a very limited exposure to liquidity risk because its customer agreements stipulate that services are billed in advance at the start of a project or at the beginning of a milestone. In the case of NSIP related acquisition activities, liquidity risks are primarily related to the validity of forecasts that result in the calls for contributions. For the budget funded activities of the Agency the liquidity risk is also unlikely due to appropriation funding and mechanisms available to the Agency (e.g. cash advances from the contributing Member Nations). In addition, internal policies and procedures put in place are to ensure there are appropriate resources to meet its financial obligations.
140. Interest rate risks: The organisation is restricted from entering into borrowings and any investments of a speculative nature, and therefore there is no interest rate risk identified.

IPSAS 31 Intangible Assets

141. Under the NATO Accounting Framework, effective 1 January 2013, this standard has been adapted as follows:

“Objective

The objective of adaptation to this Standard is to prescribe specific accounting treatments for Intangible Assets for NATO Reporting Entities.

Definitions used in the adaptation

- *Control of NATO Intangible Assets - In addition to the standard assessment of “substance over form”, the following criteria should be used to assist in assessing the level of control that any NATO Reporting entity has for reporting assets in its financial statements. Criteria that evidence the control of inventory include:*

Criteria that may indicate control of an asset

- *The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity*
- *The Legal title is in the name of the NATO Reporting Entity*
- *The asset is physically located on the premises or locations used by the NATO Reporting Entity*
- *The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity’s instructions*
- *The fact that the NATO Reporting Entity can decide on an alternative use of the asset*
- *The fact that the NATO Reporting Entity can decide to sell or to dispose the asset*
- *The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it*
- *The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition*
- *The fact that the asset is used in achieving the objectives of the NATO Reporting Entity*
- *The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity*

If the NATO Reporting Entity responds positively to six of the above criteria, it is likely that the asset is controlled by the NATO Reporting Entity. In this case, the reporting entity will need to capitalise the assets in its Financial Statements (if it is also above the capitalisation threshold).

- *NATO Intangible Assets Capitalisation Thresholds - NATO Reporting Entities shall capitalise each intangible asset item above the following agreed NATO thresholds.*

	Category	Threshold	Depreciation life Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer Database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

Financial Reporting Requirements

NATO Reporting entities

Shall capitalise all controlled intangible assets above the NATO Intangible Asset Capitalisation Threshold. For anything below the threshold, NATO entities would have the flexibility to expense specific items. It should be noted however that each NATO entity will still have to set its own thresholds, within the overall thresholds identified taking into account its own activities and size.

- *Shall capitalise integrated systems and include research, development, implementation and can include both software and hardware elements.*
- *Shall not capitalise the following types of intangible assets in their financial statements:*
 - *rights of use(air, land and water);*
 - *landing rights;*
 - *airport gates and slots;*
 - *historical documents; and,*
 - *publications*
- *Shall capitalise other types of intangible assets acquired after 1 January 2013 including:*
 - *Copyright*
 - *Intellectual Property Rights*
 - *Software development*
- *May consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.*
- *Shall report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity shall capitalise the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.*
- *Shall, for intangible assets held prior to the 1 January 2013, and not previously recognized as an asset, provide a brief description of intangible assets held in its intangible asset recording systems in the notes to the financial statements. Such disclosure should include as a minimum the types of intangible held, locations where intangible assets are held and the approximate number of items held per asset category*
- *If an intangible asset is upgraded after 1 January 2013, only the portion related to the modification should be capitalised.*

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 31 shall apply.

Disclosure requirements

In addition to what is needed as part of the foregoing Financial Reporting Requirements, the NATO Reporting Entity shall fully disclose in its accountings policies the use they made of the adapted IPSAS.

Effective Date

This adaptation shall be effective for financial reporting periods beginning on 1 January 2013.”

142. NCIO has adapted its accounting to bring it in line with this adapted standard in the same way as is detailed under item 76 for adapted IPSAS 17 on PPE

143. Intangible assets acquired and used by the NCI Agency are treated in exactly the same way as tangible assets, as described under IPSAS 17 Plant, Property and Equipment.

144. The division into asset categories and the consistent alignment of transactions to these categories is based on NATO's STANAG classification of Property and Inventory items:

- a) Software: System Software and Middleware, Office Software, Application Software
- b) Right of Way
- c) Intellectual Property Rights (IPR's)
- d) Administrative concession rights
- e) Investments in R&D

IPSAS'S BECOMING EFFECTIVE DURING THE YEAR

145. IPSAS 28 to 30 came into effect in 2013 as well as the NATO Accounting Framework adapting some standards. All of these have been detailed above in the respective standards.

IPSAS'S NOT YET IN EFFECT

146. None

IPSAS'S NOT RELEVANT TO NCIO

147. The following IPSAS's are deemed not to be relevant to NCIO (see also table below):

- a) IPSAS 5 Borrowing Costs: Capability Development portion does not borrow any money from third parties for which it would have to pay borrowing costs;
- b) IPSAS 7 Accounting for Investments in Associates: Capability Development holds no investments in any associates;
- c) IPSAS 8 Financial Reporting of Interests in Joint Ventures: Capability Development is not engaged in any joint venture;
- d) IPSAS 10 Financial Reporting in Hyper-inflationary Economies: Capability Development's reporting currency is Euro, which is not subject to hyper-inflationary fluctuations;
- e) IPSAS 16 Investment Property: Capability Development does not hold any investment properties;
- f) IPSAS 21 Impairment of non-cash generating assets: Capability Development does not carry any non-cash generating assets;
- g) IPSAS 22 Disclosure of Financial Information about the General Public Sector: not relevant for NATO;
- h) IPSAS 27 Agriculture: not relevant to NATO;
- i) IPSAS 32 Service Concession Arrangements: Grantor: Capability Development does not have any service concession arrangements: IPSAS 32 was published in October 2011 and prescribes the accounting policy for service concession arrangements by the grantor, a public sector entity. The effective date for this standard is 1-Jan-2014. This standard is not relevant to Capability Development portion of the NCI Agency.

NEW IPSAS'S PUBLISHED DURING THE YEAR

148. In 2013, the IPSASB developed a "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities". The Conceptual Framework underpins the development of International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs).

The first four chapters of the Conceptual Framework are:

Chapter 1: Role and Authority of the Conceptual Framework

Chapter 2: Objectives and Users of General Purpose Financial Reporting

Chapter 3: Qualitative Characteristics

Chapter 4: Reporting Entity

These chapters outline the role of the Conceptual Framework in the IPSAS and RPG development process, identify that the primary users of general purpose financial reports (GPFRs) of public sector entities are service recipients and resource providers, and clarify that the objectives of financial reporting by public sector entities are to provide information useful to users for accountability and decision making purposes. They also identify the qualitative characteristics of, and constraints on, information included in GPFRs and the key characteristics of a public sector reporting entity.

The IPSASB is currently developing other chapters of the Conceptual Framework, which will address the definition, recognition, and measurement of the “elements” (or building blocks) of financial statements, and presentation in GPFRs. They will be added to the Conceptual Framework when completed.

The Agency will follow these developments and any impact they may have on future financial statements.

IPSAS Compliance Table

IPSAS Compliance Table							
IPSAS Reference	Exposure Draft	Published	IAS/IFRS Ref.	Effective Date (*)	Relevance to the Entity	Implementation Status	Objective
IPSAS Preface		Jan-2007					The IPSASB has issued a revised Preface which sets out its objectives and operating procedures and explains the scope and authority of the IPSASs.
Improvement to IPSASs	ED 42	Jun-2009					
IPSAS 1 Presentation of Financial Statements			IAS 1	1-Jan-2008	Relevant: - Statement of Financial Position - Statement of Financial Performance	Implemented	To set out the manner in which general purpose financial statements shall be prepared under the accrual basis of accounting, including guidance for their structure and the minimum requirements for content.
IPSAS 2 Cash Flow Statements			IAS 7	1-Jul-2001	Relevant: Cash Flow Statement	Implemented	To require the presentation of information about historical changes in a public sector entity's cash and cash equivalents by means of a cash flow statement that classifies cash flows during the period according to operating, investing and financing activities.
IPSAS 3 Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies			IAS 8	1-Jan-2008	Relevant	Implemented	To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors.
IPSAS 4 Effects of Changes in Foreign Exchange Rates		Apr-2008	IAS 21	1-Jan-2010	Relevant	Implemented	To prescribe the accounting treatment for an entity's foreign currency transactions and foreign operations.
IPSAS 5 Borrowing Costs			IAS 23	1-Jul-2001	Not relevant	Not applicable	To prescribe the accounting treatment for borrowing costs.
IPSAS 6 Consolidated Financial Statements and Accounting for Controlled Entities - adapted per NATO Accounting Framework			IAS 27	01/01/2008 and 1/1/2013	Not relevant	Not applicable	To prescribe requirements for preparing and presenting consolidated financial statements for an economic entity under the accrual basis of accounting. To prescribe how to account for investments in controlled entities, jointly controlled entities and associates in separate financial statements. Detailing also on how to disclose MWA/Staff Association Activities
IPSAS 7 Accounting for Investments in Associates			IAS 28	1-Jan-2008	Not relevant	Not applicable	To prescribe the investor's accounting for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure.
IPSAS 8 Financial Reporting of Interests in Joint Ventures			IAS 31	1-Jan-2008	Not relevant	Not applicable	To prescribe the accounting treatment required for interests in joint ventures, regardless of the structures or legal forms of the joint venture activities.
IPSAS 9 Revenue from Exchange Transactions			IAS 18	1-Jul-2002	Relevant: - Project Services Revenue - Acquisition Revenue - Contributions Revenue	Implemented	To prescribe the accounting treatment for revenue arising from exchange transactions and events.
IPSAS 10 Financial Reporting in Hyper-inflationary Economies			IAS 29	1-Jul-2002	Not relevant	Not applicable	To prescribe specific standards for entities reporting in the currency of a hyperinflationary economy, so that the financial information (including the consolidated financial information) provided is meaningful.
IPSAS 11 Construction Contracts			IAS 11	1-Jul-2002	Relevant	Implemented	To prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor.
IPSAS 12 Inventories - adapted per NATO Accounting Framework			IAS 2	01/01/2008 and 1/1/2013	Relevant: Consumables, spareparts and small equipment	Implemented and adapted as of 1-Jan-2013	To prescribe the accounting treatment of inventories, including cost determination and expense recognition, including any write-down to net-realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

IPSAS Compliance Table

IPSAS 14 Events after the Reporting Date			IAS 10	1-Jan-2008	Relevant	Implemented	To prescribe: - When an entity shall adjust its financial statements for events after the reporting date. - Disclosures that an entity should give about the date when the financial statements were authorized for issue, and about events after the reporting date.
IPSAS 15 Financial Instruments: Disclosure and Presentation (Replaced by IPSAS 28, 29)	ED 37-38-39		-	1-Jan-2008	Relevant until replaced with IPSAS 28, 29 and 30	Implemented	See IPSAS 28, 29 and 30
IPSAS 16 Investment Property			IAS 40	1-Jan-2008	Not relevant	Not applicable	To prescribe the accounting treatment for <u>investment property and related disclosures</u> .
IPSAS 17 Plant, Property and Equipment - adapted per NATO Accounting Framework			IAS 16	01/01/2008 and 1/1/2013	Relevant: Statement of Property, Plant and Equipment - Tangible Assets - Admin Budget funded PP&E - Customer funded PP&E	Implemented as of 01-Jan-2011 and adapted as of 1-Jan-2013	To prescribe the principles for the initial recognition and subsequent accounting (determination carrying amount and the depreciation charges and impairment losses) for property, plant and equipment so that users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such <u>investment</u> .
IPSAS 18 Segment Reporting			IAS 14	1-Jul-2003	Relevant for legacy entities	Implemented for 2013	To establish principles for reporting financial information by segments to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity, and enhance the transparency of financial reporting and enable the entity to better discharge its accountability <u>obligations</u> .
IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets			IAS 37	1-Jan-2004	Relevant	Implemented	To prescribe appropriate recognition criteria and measurement bases for provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. IPSAS 19 thus aims to ensure that only genuine obligations are dealt with in the financial statements. Planned future expenditure, even where authorized by management, is excluded from recognition, as are accruals for self-insured losses, general uncertainties, and other events that have not yet taken place.
IPSAS 20 Related Party Disclosures			IAS 24	1-Jan-2004	Relevant: - Governing bodies and individuals - Related parties	Implemented	To ensure that financial statements disclose the existence of related party relationships and transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.
IPSAS 21 Impairment of Non-cash Generating Assets		Dec-2004	IAS 36	1-Jan-2006	Not relevant	Not applicable	To ensure that non-cash-generating assets are carried at no more than their recoverable service amount, and to prescribe how recoverable service amount is calculated.
IPSAS 22 Disclosure of Financial Information about the General Public Sector		Dec-2006	N/A	1-Apr-2009	Not relevant	Not applicable	To prescribe disclosure requirements for governments which elect to present information about the general government sector (GGS) in their consolidated financial statements. The disclosure of appropriate information about the GGS of a government can provide a better understanding of the relationship between the market and non-market activities of the government and between financial statements and statistical bases of financial reporting.
IPSAS 23 Revenue from Non-exchange Transactions		Dec-2006	N/A	30-Jun-2008	Relevant: Goods and Services-in kind	Implemented as of 01-Jan-2011	To prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination.
IPSAS 24 Presentation of Budget Information in Financial Statements		Dec-2006	N/A	1-Jan-2009	Relevant	Implemented	To ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

IPSAS Compliance Table

IPSAS 25 Employee Benefits		Feb-2008	IAS 19	1-Jan-2011	Relevant: Note on Employee Benefits	Implemented	To prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, bonuses, profit-sharing and non-monetary benefits); pensions; post-employment life insurance and medical benefits; termination benefits and other longterm employee benefits (long-service leave, disability, deferred compensation, and bonuses and longterm profit sharing), except for share based transactions and employee retirement benefit plans.
IPSAS 26 Impairment of Cash Generating Assets		Feb-2008	IAS 36	1-Apr-2009	Relevant	Implemented	To prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognized. This Standard also specifies when an entity shall reverse an impairment loss and prescribes disclosures.
IPSAS 27 Agriculture	ED 36	Dec-2009	IAS 41	1-Apr-2011	Not relevant	Not applicable	To prescribe the accounting treatment and disclosures for agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets.
IPSAS 28 Financial Instruments: Presentation		Jan-2010	IAS 32	1-Jan-2013	Relevant	Implemented	To prescribe principles for classifying and presenting financial instruments as liabilities or net assets/equity, and for offsetting financial assets and liabilities.
IPSAS 29 Financial Instruments: Recognition and Measurement		Jan-2010	IAS 39	1-Jan-2013	Relevant	Implemented	To establish principles for recognizing, derecognizing and measuring financial assets and financial liabilities.
IPSAS 30 Financial Instruments: Disclosures		Jan-2010	IFRS 7	1-Jan-2013	Relevant	Implemented	To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.
IPSAS 31 Intangible Assets adapted per NATO Accounting Framework	ED 40	Jan-2010	IAS 38	01/04/2011 and 1/1/2013	Relevant: Statement of Property, Plant and Equipment - Intangible Assets - Admin Budget funded Intangible Assets - Customer funded Intangible Assets	Implemented as of 01-Jan-2011 and adapted as of 1-Jan-2013	To prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IPSAS.
IPSAS 32 Service Concession Arrangements: Grantor		Oct-2011	IFRIC 12	1-Jan-2014	Not relevant	Not applicable	To prescribe the accounting for service concession arrangements by the grantor, a public sector entity.
IPSAS xx Entity Combinations from Exchange Transactions	ED 41	May-2009	IFRS 3	tbd	Not relevant	Not applicable	An acquirer of a business or a function recognizes the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

Effective Date(*): (Annual) Periods beginning on or after (Date)

ANNEX C – NOTES SPECIFIC TO CHANGES IN NET ASSETS/EQUITY

The changes in net assets/equity result exclusively from the Capability Development activities of NCIO as this portion alone was working under a customer funding model.

As per the introduction of the NATO Accounting Framework, approved by Council under C-M(2013)0039 dated 2 August 2013 and becoming effective as of 1 January 2013, NCIO has adapted its accounting policies to this framework. As a result NCIO considers all PPE acquired prior to 1 Jan 2013 as fully expensed. Since the Capability Development portion of the NCI Agency had capitalized all PPE prior to this date (not expensed) it had to retire all its PPE (expense) to be in line with the NCIO accounting policy adopted. This resulted in a restated 2012 NCI Agency Capability Development Statement of Financial Position and Performance (see Annex E-18) which decreased Equity from the initial published 18.6 MEUR to 15.8 MEUR, or a decrease of 2.8 MEUR, equalling the depreciation reserve it had accumulated over the years. The capitalisation of PPE acquired as of 1 Jan 2013, on the other hand, explain the 0.8 MEUR of depreciation reserve as part of the net assets/equity at 31 Dec 2013.

In addition, with the approval of the ASB in May 2013 (AC/337-N(2012)0028) of the “NCI Agency Transition Programme Resource Requirements”, the RPPB (AC/335-N(2013)0044-REV2-AS dated 2 August 2013) agreed to grant exceptional eligibility for common funding for implementing the Transition Programme through a single NSIP project estimated at 17 MEUR and to use the Agency’s Operating Fund up to 8.6MEUR for backfills, under the supervision of the BC. Subsequently, the IC authorised in early December 2013 a total of 17 MEUR of investment and project service costs and BC authorised 7.2 MEUR of backfills through usage of the NCI Agency Operating Fund (additionally the Agency is to submit requests for Work Force Adjustments to the Budget Committee as needed annually through 2018, estimated at 10 MEUR). The net assets/equity demonstrate this 8.6 MEUR of Transition reserve of which 7.2 MEUR is already authorised by the BC.

In accordance with AC/337(FS)DS(2013)0004 dated June 2013, the ASB decided to keep the OF level for 2013 and 2014 at 10 MEUR and that any surplus or deficit for 2013 would be attributed to the OF and that the Nations would decide on the use of this surplus or deficit. As per this Financial Statement, the surplus amounts to 2.6 MEUR and has been added to the Operating Fund. The Operating Fund balance including depreciation reserve at 31 December 2013 equates to 9.8 MEUR.

ANNEX D – PPE WRITE OFF LIST

**NCIO Statement of Property, Plant and Equipment Disposals
for the year ended 31 December 2013
(All amounts in 1 Euro)**

Write-offs by ROS Number				
ROS Number	Number of Items	%	Cum. %	Acquisition Cost
0001/2013	204	16.7%	16.7%	290,507.80
0002/2013	132	9.2%	25.9%	160,211.51
0003/2013	7	0.2%	26.2%	4,172.47
0004/2013	1	0.1%	26.2%	1,365.00
0005/2013	328	15.6%	41.9%	271,312.32
0006/2013	26	5.5%	47.4%	95,802.45
0007/2013	73	8.0%	55.4%	139,698.43
0008/2013	1	0.1%	55.5%	2,195.00
0009/2013	4	0.2%	55.7%	3,343.82
0010/2013	431	27.0%	82.7%	469,189.81
0011/2013	9	12.5%	95.2%	217,057.73
0012/2013	1	0.1%	95.3%	1,199.00
0013/2013	32	4.7%	100.0%	82,287.23
Summary by ROS Number	1,249	100.0%		1,738,342.57

Write-offs by Asset Category				
Asset Category	Number of Items	%	Cum. %	Acquisition Cost
ADP equipment	1,128	95.0%	95.0%	1,651,834.36
Audio/Visual equipment	10	3.1%	98.1%	53,159.10
Copy equipment	0	0.0%	98.1%	0.00
Electronic equipment	0	0.0%	98.1%	0.00
Furniture	2	0.0%	98.1%	107.20
Moving equipment	0	0.0%	98.1%	0.00
Office equipment	0	0.0%	98.1%	0.00
Safety equipment	0	0.0%	98.1%	0.00
Telephone equipment	109	1.9%	100.0%	33,241.91
Tools and machinery	0	0.0%	100.0%	0.00
Transport equipment	0	0.0%	100.0%	0.00
Summary by Asset Category	1,249	100.0%		1,738,342.57

Write-offs by Year of Purchase

Year of Purchase		Number of Items	%	Cum. %	Acquisition Cost
?		25	0.1%	0.1%	2,357.85
1970	1979	0	0.0%	0.1%	0.00
1980	1989	6	1.1%	1.2%	18,592.27
1990	1999	46	4.2%	5.4%	73,526.81
2000		20	2.1%	7.5%	36,506.83
2001		20	5.9%	13.5%	103,117.50
2002		50	3.9%	17.4%	67,707.46
2003		105	20.2%	37.5%	350,632.51
2004		123	10.4%	48.0%	181,176.87
2005		126	8.1%	56.0%	140,593.67
2006		276	13.7%	69.8%	238,951.54
2007		194	13.9%	83.7%	241,029.58
2008		171	12.8%	96.4%	222,331.07
2009		54	2.4%	98.8%	41,205.24
2010		16	0.7%	99.6%	13,000.07
2011		13	0.3%	99.9%	5,324.30
2012		4	0.1%	100.0%	2,289.00
Summary by Year of Purchase		1,249	100.0%		1,738,342.57

Write-offs by Disposal Type

Disposal Type	Number of Items	%	Cum. %	Acquisition Cost
Cannibalized	0	0.0%	0.0%	0.00
Scrap	1,246	99.7%	99.7%	1,733,583.57
Lost/Stolen	3	0.3%	100.0%	4,759.00
Summary by Disposal Type	1,249	100.0%		1,738,342.57

ANNEX E

SEGMENT REPORT

CAPABILITY DEVELOPMENT

ANNEX E – SEGMENT REPORT – CAPABILITY DEVELOPMENT

Table of content

Annex E – 1 INTRODUCTION	66
Annex E - 2 Statement of Financial Position in Consolidated FS Format	67
Annex E - 3 Statement of Financial Performance in Consolidated FS Format	69
Annex E - 4 Statement of Financial Position in legacy Format	71
Annex E - 5 Statement of Financial Performance in in legacy Format	72
Annex E - 6 Cash Flow Statement	73
Annex E - 7 Statement of Changes in Net Assets/Equity	74
Annex E - 8 Statement of Property, Plant and Equipment	75
Annex E - 9 ALTBMD MBC Budget Execution Statement	76
Annex E - 10 NCIO Organisation Independent Secretariat Budget Execution Statement	77
Annex E - 11 CapDev Operations Revenue Analysis	78
Annex E - 12 CapDev Operations Projects Summary	79
Annex E -13 – CapDev Customer Funding Notes	80
Annex E - 14 – CapDev Notes on the Statement of Financial Position & Performance	83
Annex E - 15 – Notes to the ALTBMD PO Military Budget Execution Statement	103
Annex E - 16 – Notes to the NCI Organisation Secretariat Budget Execution Statement ..	105
Annex E - 17 – PPE write off list	106
Annex E - 18 – CapDev Operations Surplus/(Deficit) Analysis	107
Annex E - 19 – CapDev 2012 Restated Statement of Financial Position & Performance ...	108
Annex E - 20 – Notes specific to 2012 restatement	110

ANNEX E -1 – CapDev Introduction

1. NCIO produces its first 2013 consolidated financial statements which required a revision and streamlining of accounting processes. 2013 was however still a transition year where its legacy entities, Capability Development (former NC3A), Air C2 Programme Office (former NACMA) and Service Delivery (former NCSA), still operated under their respective legacy funding models before NCIO becoming full customer funded as of 1 January 2014. As a result of this “hybrid” model, the legacy entities executed their budgets and financial plans within their respective accounting systems and as such reporting is still in accordance with their legacy processes. As a result IPSAS 18 “Segment Reporting” is applied for NCIO’s three legacy entities, as such disclosure will help the users to better understand the Agency’s past performance, to identify the resources allocated to support the major activities, enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations towards its governing bodies (IC, BC and ASB) and the International Board of Auditors.
2. All disclosure requirements of IPSAS 18 have been met through the respective annexes under the segments, and a reconciliation is produced under Annex H between the information disclosed for the segments and the aggregated information in the consolidated financial statements.
3. This segment is on the Capability Development portion of the NCI Agency which is the legacy NC3A. Capability Development is operating under a customer funded model since nearly 15 years and covers the development and acquisition of C4ISR capabilities in support of NATO Operations, the Strategic Commands, NSIP and Nations. This Business segment also includes:
 - o BMD Programme – mostly NSIP funded; covering the Ballistic Missile Defence projects under Capability Package 0A1303.
 - o NCIO Secretariat – core funded through the ASB Nations and to fund the independent ASB Executive Secretariat supporting the ASB Chairman.
4. As the format of the NCIO Consolidated Financial Statements is based on a new (aggregated) Chart of Accounts (COA), consolidation is achieved through the aggregation of the individual trial balances drawn from the respective legacy accounting systems, and translated to the new COA. As a result, Segment Statement of Position and Performance is first presented in the Consolidated NCIO format and then in its legacy format on which all the subsequent annexes are based. This is done as to provide better transparency towards both the legacy governing bodies approving the respective budgets and financial plans, as well as for the International Board of Auditors to facilitate the audit.

ANNEX E-2 – CapDev Statement of Financial Position Consolidated Format



NCI Agency CD - Statement of Financial Position as at 31 December 2013 (All amounts in 1 Euro)

Notes	Current Year	Prior Year Restated	Variance	
ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
FIXED AND CURRENT ASSETS				
Start-up and restructuring costs	0	0	0	0.0%
Intangible fixed assets	9,333	0	9,333	0.0%
Land, buildings, roads and infrastructure	128,655	0	128,655	0.0%
Plant, machinery and equipment	484,612	0	484,612	0.0%
Tangible fixed assets - Non-exchange transactions	0	0	0	0.0%
Tangible fixed assets - Leased	0	0	0	0.0%
Tangible fixed assets - Other	0	0	0	0.0%
Tangible fixed assets - Under construction	194,125	43,368	150,757	347.6%
Tangible fixed assets	807,391	43,368	764,023	-
Other non-financial fixed assets	0	0	0	0.0%
Long term investments	0	0	0	0.0%
Other financial fixed assets	0	0	0	0.0%
Financial fixed assets	0	0	0	0.0%
Long term receivables - Trade receivables	0	0	0	0.0%
Long term receivables - Advances and prepayments	0	0	0	0.0%
Long term receivables - Other	8,924	7,000	1,924	27.5%
Long term receivables	8,924	7,000	1,924	27.5%
FIXED ASSETS	825,649	50,368	775,281	-
Inventory	0	0	0	0.0%
Work in progress	535,751	618,461	-82,710	-13.4%
Inventory and work in progress	535,751	618,461	-82,710	-13.4%
Short term receivables - Trade receivables	91,224,753	69,649,060	21,575,693	31.0%
Short term receivables - Advances and prepayments	0	0	0	0.0%
Short term receivables - Other	32,876,902	19,584,813	13,292,090	67.9%
Short term receivables	124,101,656	89,233,873	34,867,783	39.1%
Short term investments	14,537,493	15,313,911	-776,418	-5.1%
Cash and cash equivalents	86,484,399	93,361,839	-6,877,440	-7.4%
Short term investments, cash and cash equivalents	101,021,893	108,675,751	-7,653,858	-7.0%
Transitory asset accounts	150,255	51,528	98,727	191.6%
CURRENT ASSETS	225,809,554	198,579,612	27,229,942	13.7%
TOTAL FIXED AND CURRENT ASSETS	226,635,203	198,629,980	28,005,223	14.1%



NCI Agency CD - Statement of Financial Position
as at 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
EQUITY, PROVISIONS AND LIABILITIES					
Capital - Committed		0	0	0	0.0%
Capital - Uncalled		0	0	0	0.0%
Capital		0	0	0	0.0%
Reserves - General purpose		816,725	43,368	773,357	-
Reserves - Special programmes		8,570,000	0	8,570,000	0.0%
Reserves		9,386,725	43,368	9,343,357	-
Surplusses (Deficits) carried forward - Prior years		15,727,494	6,663,302	9,064,192	136.0%
Surplusses (Deficits) carried forward - Current year		-6,763,934	9,064,192	-15,828,126	-174.6%
Surplusses (Deficits) carried forward		8,963,560	15,727,494	-6,763,934	-43.0%
NET ASSETS/EQUITY		18,350,284	15,770,862	2,579,422	16.4%
Provisions - Pensions and similar rights		0	0	0	0.0%
Provisions - Major risks and costs		0	0	0	0.0%
Provisions - Other		8,257,437	11,214,015	-2,956,578	-26.4%
Provisions		8,257,437	11,214,015	-2,956,578	-26.4%
PROVISIONS		8,257,437	11,214,015	-2,956,578	-26.4%
Long term liabilities - Financial debts		0	0	0	0.0%
Long term liabilities - Trade debts		0	0	0	0.0%
Long term liabilities - Advances and prepayments re		0	0	0	0.0%
Long term liabilities - Tax and personnel related		0	0	0	0.0%
Long term liabilities - Retirement and pension relat		0	0	0	0.0%
Long term liabilities - Other		0	0	0	0.0%
Long term liabilities		0	0	0	0.0%
Short term liabilities - Current portion of long term li		0	0	0	0.0%
Short term liabilities - Financial debts		0	0	0	0.0%
Short term liabilities - Trade debts		87,124,139	74,826,636	12,297,503	16.4%
Short term liabilities - Advances and prepayments r		14,952,864	14,854,656	98,208	0.7%
Short term liabilities - Tax and personnel related		642,789	828,791	-186,002	-22.4%
Short term liabilities - Retirement and pension relat		37,422	-131,726	169,148	-128.4%
Short term liabilities - Unearned revenue		0	0	0	0.0%
Short term liabilities - Other		97,270,266	81,266,745	16,003,521	19.7%
Short term liabilities		200,027,481	171,645,103	28,382,378	16.5%
Transitory liability accounts		0	0	0	0.0%
LIABILITIES		200,027,481	171,645,103	28,382,378	16.5%
TOTAL EQUITY, PROVISIONS AND LIABILITIES		226,635,203	198,629,980	28,005,223	14.1%

ANNEX E-3 – CapDev Statement of Financial Performance Consolidated Format



NCI Agency CD - Statement of Financial Performance for the year ended 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
OPERATING ACTIVITIES					
Contributions income		8,620,261	3,558,141	5,062,119	142.3%
Operations revenue		86,515,906	98,136,171	-11,620,266	-11.8%
Acquisition revenue		275,111,869	251,377,350	23,734,518	9.4%
Revenue from operating activities		370,248,035	353,071,663	17,176,372	4.9%
Unearned revenue (-)		0	0	0	0.0%
Inventory and work in progress - Increase (Decrease)		-94,648	-206,013	111,365	-54.1%
Unearned revenue and work in progress		-94,648	-206,013	111,365	-54.1%
Self produced fixed assets		0	0	0	0.0%
Other operating income		428,319	10,929,597	-10,501,278	-96.1%
TOTAL OPERATING REVENUE		370,581,706	363,795,247	6,786,459	1.9%
Cost of operations		-66,724,505	-70,007,436	-3,282,931	4.7%
Acquisition cost		-275,124,927	-250,186,258	24,938,668	-10.0%
Acquisition cost and cost of operations		-341,849,432	-320,193,694	21,655,738	-6.8%
Operating activities - Provisions		2,660,962	-7,798,106	-10,459,068	134.1%
Operating activities - Depreciation		-71,993	0	71,993	0.0%
Operating activities - Write-offs		11,938	-204,012	-215,950	105.9%
Operating activities - Provisions, depreciation and write-off:		2,600,906	-8,002,118	-10,603,024	132.5%
TOTAL OPERATING COST		-339,248,526	-328,195,813	11,052,713	-3.4%
GROSS SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		31,333,180	35,599,434	4,266,254	12.0%
SUPPORT ACTIVITIES					
Contractual supplies and services		-7,491,536	-7,078,133	413,403	-5.8%
Personnel costs - Own staff		-19,960,987	-19,074,376	886,612	-4.6%
Personnel costs - Consultants and contractors		-553,014	-947,900	-394,886	41.7%
Investments - Not capitalized		0	0	0	0.0%
Cost of support activities		-28,005,537	-27,100,408	905,129	-3.3%
Support activities - Provisions		295,616	-327,394	-623,011	190.3%
Support activities - Depreciation		-155,175	0	155,175	0.0%
Support activities - Write-offs		-843	0	843	0.0%
Support activities - Provisions, depreciation and write-offs		139,598	-327,394	-466,993	142.6%
TOTAL SUPPORT COST		-27,865,938	-27,427,802	438,136	-1.6%
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		3,467,242	8,171,632	4,704,390	57.6%
FINANCIAL INCOME AND COSTS					
Foreign exchange gains		508,160	842,779	-334,619	-39.7%
Financial income - Other		79,338	84,051	-4,713	-5.6%
Financial income		587,498	926,830	-339,332	-36.6%
Foreign exchange losses		-1,475,318	-204,780	1,270,538	-620.4%
Financial costs - Other		0	0	0	0.0%
Financial costs		-1,475,318	-204,780	1,270,538	-620.4%
TOTAL FINANCIAL INCOME AND COSTS		-887,820	722,050	1,609,870	223.0%
NET SURPLUS (DEFICIT) INCLUDING FINANCIAL INCOME AND COSTS		2,579,422	8,893,682	6,314,260	71.0%



NCI Agency CD - Statement of Financial Performance
for the year ended (Date)
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains - Sales of fixed assets		0	0	0	0.0%
Extraordinary gains - Other		0	7,030,662	-7,030,662	-100.0%
Extraordinary gains		0	7,030,662	-7,030,662	-100.0%
Extraordinary provisions		0	0	0	0.0%
Extraordinary depreciation and write-offs		0	0	0	0.0%
Extraordinary losses - Sales of fixed assets		0	0	0	0.0%
Extraordinary losses - Other		0	-10,066,506	-10,066,506	100.0%
Capitlization of restructuring costs (-)		0	0	0	0.0%
Extraordinary losses		0	-10,066,506	-10,066,506	100.0%
TOTAL EXTRAORDINARY INCOME AND COSTS		0	-3,035,844	-3,035,844	100.0%
NET SURPLUS (DEFICIT) INCLUDING EXTRAORDINARY INCOME AND COSTS		2,579,422	5,857,838	3,278,416	56.0%
NET SURPLUS (DEFICIT) ALLOCATION					
Net surplus (deficit) - Allocation to reserves		0	0	0	0.0%
Net surplus (deficit) - To be carried forward		2,579,422	5,857,838	-3,278,416	-56.0%
Net surplus (deficit) - To be returned to Nations		0	0	0	0.0%
Net surplus (deficit) allocation		2,579,422	5,857,838	-3,278,416	-56.0%

ANNEX E-4 – CapDev Statement of Financial Position

Legacy Format



NCI Agency CD - Statement of Financial Position as at 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX C	31-Dec-13	31-Dec-12	CY - PY	%
ASSETS					
Cash and cash equivalents	C01	86,484,194	93,361,884	-6,877,691	-7.4%
Short-term investments	C02	14,537,493	15,313,911	-776,418	-5.1%
Receivables from sponsors	C03	122,791,129	88,974,327	33,816,802	38.0%
Other receivables	C04	1,319,271	260,525	1,058,746	406.4%
Inventory		0	0	0	0.0%
Work in progress	C05	535,751	618,461	-82,710	-13.4%
Prepayments and deposits		0	0	0	0.0%
Transitory assets accounts	C06	14,061	35,120	-21,059	-60.0%
Current assets		225,681,898	198,564,228	27,117,670	13.7%
Long-term receivables		0	0	0	0.0%
Long-term investments		0	0	0	0.0%
Other financial assets		0	0	0	0.0%
Infrastructure, plant and equipment	C07	678,736	43,368	635,368	N/A
Land and buildings	C08	128,655	0	128,655	0.0%
Intangible assets	C09	9,333	0	9,333	0.0%
Other non-financial assets		0	0	0	0.0%
Non-current assets		816,724	43,368	773,356	N/A
TOTAL ASSETS		226,498,623	198,607,596	27,891,026	14.0%
LIABILITIES					
Tax and personnel related payables	C10	642,789	822,771	-179,982	-21.9%
Retirement and pension plan related payables	C11	37,422	-131,726	169,148	-128.4%
Advances from customers	C12	108,756,715	91,102,870	17,653,844	19.4%
Trade payables	C13	87,124,139	74,826,636	12,297,503	16.4%
Other payables	C14	3,466,416	5,018,531	-1,552,115	-30.9%
Short-term borrowings		0	0	0	0.0%
Current portion of borrowings		-409,427	0	-409,427	0.0%
Transitory liabilities accounts	C15	272,847	-16,364	289,211	N/A
Current liabilities		199,890,901	171,622,719	28,268,182	16.5%
Long-term tax and personnel related payables		0	0	0	
Long-term retirement and pension plan related payables		0	0	0	
Long-term payables		0	0	0	
Long-term borrowings		0	0	0	0.0%
Provisions	C16	8,257,437	11,214,015	-2,956,578	-26.4%
Non-current liabilities		8,257,437	11,214,015	-2,956,578	-26.4%
NET ASSETS/EQUITY					
Capital contributed by other government entities		0	0	0	0.0%
Reserves - General purpose	C17	816,725	43,368	773,357	N/A
Reserves - Special programmes	C18	8,570,000	0	8,570,000	0.0%
Accumulated surpluses/(deficits)	C19	8,963,560	15,727,494	-6,763,935	-43.0%
		18,350,284	15,770,862	2,579,422	16.4%
Minority interest		0	0	0	0.0%
Net Assets/Equity		18,350,284	15,770,862	2,579,422	16.4%
TOTAL LIABILITIES		226,498,623	198,607,596	27,891,026	14.0%

ANNEX E-5 – CapDev Statement of Financial Performance Legacy Format



NCI Agency CD - Statement of Financial Performance for the year ended 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX C	2013	2012	CY - PY	%
OPERATING ACTIVITIES					
Acquisitions	C20	275,111,869	251,377,350	23,734,518	9.4%
Operations	C21	95,148,583	101,765,638	-6,617,055	-6.5%
Other	C22	376,306	10,652,258	-10,275,952	-96.5%
Revenue from operating activities		370,636,758	363,795,247	6,841,511	1.9%
Cost of acquisitions	C23	275,124,927	250,186,258	24,938,668	10.0%
Cost of operations	C24	65,868,677	68,922,269	-3,053,593	-4.4%
Operations depreciation	C25	55,899	376,829	-320,930	-85.2%
Operations provisions and write-offs	C26	-2,663,671	8,002,118	-10,665,790	-133.3%
Cost of operating activities		338,385,831	327,487,475	10,898,355	3.3%
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		32,250,927	36,307,772	-4,056,845	-11.2%
GENERAL AND ADMINISTRATIVE COSTS					
Personnel	C27	20,569,052	20,022,275	546,777	2.7%
Operations and maintenance	C28	8,347,365	8,163,299	184,065	2.3%
Depreciation	C29	171,270	-376,829	548,099	-145.5%
Provisions and write-offs	C30	-304,001	327,394	-631,396	-192.9%
General and administrative costs		28,783,686	28,136,140	647,546	2.3%
NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		3,467,242	8,171,632	-4,704,391	-57.6%
FINANCIAL INCOME AND COSTS					
Foreign exchange gains	C31	508,160	842,779	-334,619	-39.7%
Foreign exchange losses	C32	-1,475,318	-204,780	-1,270,538	620.4%
Financial income	C33	90,282	110,681	-20,399	-18.4%
Financial costs	C34	-10,944	-26,630	15,687	58.9%
Financial income and costs		-887,820	722,050	-1,609,870	-223.0%
NET SURPLUS/(DEFICIT) BEFORE EXTRAORDINARY ITEMS		2,579,422	8,893,682	-6,314,260	-71.0%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains	C35	0	7,030,662	-7,030,662	-100.0%
Extraordinary losses	C36	0	-10,066,506	10,066,506	-100.0%
Extraordinary income and costs		0	-3,035,844	3,035,844	-100.0%
NET SURPLUS/(DEFICIT) FOR THE PERIOD		2,579,422	5,857,838	-3,278,416	-56.0%
NET SURPLUS/(DEFICIT) ALLOCATION					
Reserves - Global purpose		0	0	0	0.0%
Reserves - Specific programmes		0	0	0	0.0%
Accumulated surpluses/(deficits)	C37	2,579,422	5,857,838	-3,278,416	-56.0%
Net surplus/(deficit) allocation		2,579,422	5,857,838	-3,278,416	-56.0%

ANNEX E-6 – CapDev Cash Flow Statement Legacy Format



NCI Agency CD - Cash Flow Statement (Indirect Method) for the year ended 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX E	2013	2012	CY - PY	%
CASH FLOW FROM OPERATING ACTIVITIES					
Cash flow from operating and other activities					
Net surplus/(deficit) from operating activities		3,467,242	8,171,632	-4,704,391	-57.6%
Depreciation		227,169	0	227,169	0.0%
Financial income and costs		79,338	84,051	-4,713	-5.6%
Extraordinary income and costs		0	-3,035,844	3,035,844	-100.0%
Total cash flow from operating and other activities		3,773,749	5,219,839	-1,446,090	-27.7%
Decrease/(increase) Current assets					
Decr./ (incr.) Transitory assets accounts		21,059	52,435	-31,376	-59.8%
Decr./ (incr.) Prepayments and deposits		0	0	0	0.0%
Decr./ (incr.) Work in progress		82,710	410,026	-327,316	-79.8%
Decr./ (incr.) Inventory		0	0	0	0.0%
Decr./ (incr.) Other receivables		-1,058,746	-25,170	-1,033,576	N/A
Decr./ (incr.) Receivables from sponsors		-33,816,802	-43,864,460	10,047,658	-22.9%
Decr./ (incr.) Short-term investments		0	0	0	0.0%
Total decrease/(increase) Current assets		-34,771,779	-43,427,169	8,655,391	-19.9%
Increase/(decrease) Current liabilities					
Incr./ (decr.) Provisions		-2,956,578	8,125,500	-11,082,078	-136.4%
Incr./ (decr.) Other payables		-1,552,115	2,979,675	-4,531,790	-152.1%
Incr./ (decr.) Trade payables		12,297,503	9,074,421	3,223,082	35.5%
Incr./ (decr.) Advances from customers		17,653,844	4,638,184	13,015,661	280.6%
Incr./ (decr.) Retirement and pension plan related p		169,148	-138,575	307,723	-222.1%
Incr./ (decr.) Tax and personnel related payables		-179,982	-74,235	-105,747	142.4%
Total increase/(decrease) Current liabilities		25,311,604	23,820,333	1,491,272	6.3%
NET CASH FLOW FROM OPERATING ACTIVITIES		-5,686,425	-14,386,998	8,700,572	-60.5%
CASH FLOW FROM INVESTING ACTIVITIES					
Decr./ (incr.) Fixed assets		-1,000,525	27,574,245	-28,574,770	-103.6%
Decr./ (incr.) Other financial assets		0	0	0	0.0%
Decr./ (incr.) Long-term investments		0	0	0	0.0%
Decr./ (incr.) Long-term receivables		0	0	0	0.0%
NET CASH FLOW FROM INVESTING ACTIVITIES		-1,000,525	27,574,245	-28,574,770	-103.6%
CASH FLOW FROM FINANCING ACTIVITIES					
Incr./ (decr.) Long-term borrowings		0	0	0	0.0%
Incr./ (decr.) Long-term payables		0	-24,185,813	24,185,813	-100.0%
Incr./ (decr.) Long-term retirement and pension plan related p		0	0	0	0.0%
Incr./ (decr.) Long-term tax and personnel related payables		0	0	0	0.0%
Incr./ (decr.) Net Assets/Equity		0	0	0	0.0%
NET CASH FLOW FROM FINANCING ACTIVITIES		0	-24,185,813	24,185,813	-100.0%
NET INCREASE/(DECREASE) CASH AND CASH EQUIV.		-6,686,951	-10,998,566	4,311,616	-39.2%
CASH AND CASH EQUIV. AT BEGINNING OF PERIOD					
		108,675,795	119,036,363	-10,360,567	-8.7%
Net increase/(decrease) cash and cash equiv.					
		-6,686,951	-10,998,566	4,311,616	-39.2%
Effect of foreign exchange rate changes					
		-967,158	637,999	-1,605,157	-251.6%
CASH AND CASH EQUIV. AT END OF PERIOD		101,021,687	108,675,795	-3,342,493	-3.1%

ANNEX E-7 – CapDev Statement of Changes in Net Assets/Equity Legacy Format

NCI Agency CD - Statement of Changes in Net Assets/Equity for the year ended 31 December 2013 (All amounts in 1 Euro)



	Notes ANNEX F	Contributed Capital	Reserves - General purpose	Reserves - Specific programmes	Surpluses / (Deficits) Carried Forward	Total
BALANCE AT 31-DECEMBER-2011		0	3,431,799	0	6,481,225	9,913,025
Changes in accounting policy		0	-3,206,354	0	409,427	-2,796,926
Net increase/(decrease) of bookvalue of property, plant and equipment						0
Surplus/(deficit) on revaluation of property			-182,078			-182,078
Currency translation differences				0		0
Net increase/(decrease) of reserves		0	-182,078	0	0	-182,078
Net gains/(losses) not recognized in the Statement of Financial Performance		0	0	0	0	0
Net surplus for the period					8,836,842	8,836,842
BALANCE AT 31-DECEMBER-2012		0	43,368	0	15,727,495	15,770,863
Changes in accounting policy		0	0	0	0	0
Net increase/(decrease) of bookvalue of property, plant and equipment			773,357			773,357
Net increase/(decrease) of reserves Special Programmes			0	8,570,000		8,570,000
Currency translation differences				0		0
Net increase/(decrease) of reserves		0	773,357	8,570,000	0	9,343,357
Net gains/(losses) not recognized in the Statement of Financial Performance		0	0	0	0	0
Net surplus for the period					-6,763,934	-6,763,934
BALANCE AT 31-DECEMBER-2013		0	816,725	8,570,000	8,963,561	18,350,285
CHANGE IN NET ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2013						2,579,422

ANNEX E-9 – BMD BC Budget Execution Statement

NCI Organisation BMD BC - Budget Execution Statement
for the year ended 31 December 2013
(All amounts in 1 Euro)



Notes	Initial Authorisation	Reviews	End-of-Year Authorisation	Net Commitment	Actual Expenses	Total Spend		Lapsed
	(1)	(2)	(3)	(4)	(5)	(6)=(4)+(5)	(7)=(3)-(6)	
2013 - Current Year								
01 - Personnel	3,750,000	1,650,000	5,400,000	771,327	4,628,673	5,400,000	0	0
02 - Contractual supplies and services	0	0	0	0	0	0	0	0
03 - Capital and investments budgeting	0	0	0	0	0	0	0	0
Total Current Year	3,750,000	1,650,000	5,400,000	771,327	4,628,673	5,400,000	0	0
2012 - Prior Year								
01 - Personnel	0	0	0	0	0	0	0	0
02 - Contractual supplies and services	641,212	0	641,212	0	641,212	641,212	0	0
03 - Capital and investments budgeting	0	0	0	0	0	0	0	0
Total Prior Year	641,212	0	641,212	0	641,212	641,212	0	0
2011 - 2 Years Ago								
01 - Personnel	0	0	0	0	0	0	0	0
02 - Contractual supplies and services	0	0	0	0	0	0	0	0
03 - Capital and investments budgeting	0	0	0	0	0	0	0	0
Total 2 Years Ago	0	0	0	0	0	0	0	0
Grand Total								
Total - Personnel	3,750,000	1,650,000	5,400,000	771,327	4,628,673	5,400,000	0	0
Total - Contractual supplies and services	641,212	0	641,212	0	641,212	641,212	0	0
Total - Capital and investments budgeting	0	0	0	0	0	0	0	0
GRAND TOTAL	4,391,212	1,650,000	6,041,212	771,327	5,269,885	6,041,212	0	0

ANNEX E-10 – NCIO Secretariat Budget Execution Statement

NCI Organisation NCIO Secretariat - Budget Execution Statement
for the year ended 31 December 2013
(All amounts in 1 Euro)



Notes	Initial Authorisation			Reviews	End-of-Year Authorisation	Net Commitment		Actual Expenses	Total Spend		Lapsed
	(1)	(2)	(3)			(4)	(5)		(6)=(4)+(5)	(7)=(3)-(6)	
2013 - Current Year											
01 - Personnel	244,098		0	244,098	0	219,654		219,654		24,444	
02 - Contractual supplies and services	94,736		0	94,736	642	81,884		82,526		12,210	
03 - Capital and investments budgeting	0		0	0	0			0		0	
Total Current Year	338,834		0	338,834	642	301,538		302,180		36,654	
2012 - Prior Year											
01 - Personnel	12,309		0	12,309	0	42		42		12,267	
02 - Contractual supplies and services	0		0	0	0	0		0		0	
03 - Capital and investments budgeting	0		0	0	0			0		0	
Total Prior Year	12,309		0	12,309	0	42		42		12,267	
2011 - 2 Years Ago											
01 - Personnel	0		0	0	0	0		0		0	
02 - Contractual supplies and services	0		0	0	0	0		0		0	
03 - Capital and investments budgeting	0		0	0	0	0		0		0	
Total 2 Years Ago	0		0	0	0	0		0		0	
Grand Total											
Total - Personnel	256,407		0	256,407	0	219,696		219,696		36,711	
Total - Contractual supplies and services	94,736		0	94,736	642	81,884		82,526		12,210	
Total - Capital and investments budgeting	0		0	0	0	0		0		0	
GRAND TOTAL	351,143		0	351,143	642	301,580		302,222		48,921	

ANNEX E-11 – CapDev Operations Revenue Analysis



NCI Agency CD - Operations Revenue Analysis
for the year ended 31 December 2013
(All amounts in 1 Euro)

Revenue by Sponsor / DSA

Sponsor Portfolio		Current Year		Prior Year Restated	Variance	
		%/Total	2013	2012	CY - PY	%
ACT	ACT RDPOW	18.36%	18,084,523	17,389,933	694,590	4.0%
ACT	ACT EPOW	0.59%	584,108	1,554,120	-970,012	-62.4%
ACT	ACT C4I POW	0.00%	0	153,854	-153,854	-100.0%
ACT	ACT DP POW	0.00%	0	0	0	0.0%
ACT	ACT JFTC POW	1.49%	1,465,722	1,241,415	224,307	18.1%
ACT	ACT JWC POW	1.36%	1,342,794	1,697,590	-354,797	-20.9%
ACT	ACT OTHER	0.52%	507,603	694,142	-186,539	-26.9%
ACT	NATO NATIONS	0.00%	0	0	0	0.0%
Total DSA-ACT		22.33%	21,984,750	22,731,055	-746,305	-3.3%
ACO	ACO SNTOR	0.00%	2,379	727,690	-725,311	-99.7%
ACO	ACO CRO	3.44%	3,386,575	4,705,677	-1,319,102	-28.0%
ACO	ACO OTHER	10.03%	9,881,651	10,566,409	-684,758	-6.5%
ACO	NSIP	8.35%	8,219,664	13,836,168	-5,616,505	-40.6%
Total DSA-ACO		21.82%	21,490,269	29,835,944	-8,345,675	-28.0%
N&N	NATO ORG OTHER	8.12%	7,999,003	4,490,845	3,508,158	78.1%
N&N	NATO NATIONS	7.03%	6,918,247	7,613,689	-695,442	-9.1%
N&N	Non-NATO NATIONS	6.53%	6,430,600	7,202,040	-771,440	-10.7%
N&N	NSIP	0.40%	390,957	62,843	328,114	522.1%
Total DSA-N&N		22.08%	21,738,807	19,369,417	2,369,390	12.2%
NSIP	NSIP	21.97%	21,636,346	17,444,865	4,191,481	24.0%
NSIP	NATO ORG OTHER	1.56%	1,539,410	3,098,045	-1,558,636	-50.3%
NSIP	DSA-NIP	0.00%	0	0	0	0.0%
Total DSA-NIP		23.53%	23,175,756	20,542,910	2,632,846	12.8%
ALTBMD	ALTBMD	4.01%	3,945,485	4,094,586	-149,101	-3.6%
ALTBMD	NSIP	0.42%	411,042	306,078	104,964	34.3%
CTO		0.00%	0	0	0	0.0%
OTHER		5.82%	5,728,475	5,115,120	613,354	12.0%
Total Other		10.24%	10,085,002	9,515,785	569,217	6.0%
TOTAL Revenue Operations (CtC - Cost-to-Complete)		100.00%	98,474,584	101,995,111	-3,520,527	-3.5%
<u>ALTBMD Operations Revenue</u>		4.81%	4,734,622	3,921,893	812,729	20.7%
<u>Revenue corrections</u>						
Intra-company revenue elimination		-5.90%	-5,806,000	-3,143,626	-2,662,374	84.7%
Internal revenue		-2.84%	-2,800,323	-2,443,605	-356,718	14.6%
Deferred income capital expenditures (-)		-0.15%	-143,023	-45,023	-98,000	217.7%
Cost contribution		0.00%	0	1,227,596	-1,227,596	-100.0%
Correction WIP 2010		-0.21%	-204,013	208,268	-412,282	-198.0%
Revenue corrections - Internal		-4.28%	-4,218,737	-274,495	-3,944,242	N/A
TOTAL Revenue Operations (Stat. of Financial Performance)		95.72%	94,255,847	101,720,616	-7,464,769	-7.3%

Revenue by CAT

CAT Portfolio		Current Year		Prior Year Restated	Variance	
		%/Total	2013	2012	CY - PY	%
CAT1	CAT 1 - Capacity Planning and Architectures	6.56%	6,462,696	6,310,284	152,412	2.4%
CAT2	CAT 2 - Interoperability	14.22%	14,007,337	13,294,960	712,377	5.4%
CAT3	CAT 3 - Exercise and Training	5.21%	5,133,608	6,254,460	-1,120,852	-17.9%
CAT4	CAT 4 - Ops Execution and Planning	14.31%	14,089,409	18,495,850	-4,406,441	-23.8%
CAT5	CAT 5 - Intelligence & SR (J2/J3)	13.31%	13,111,257	13,572,946	-461,689	-3.4%
CAT6	CAT 6 - Integration, Support, VAS (Other Js)	8.46%	8,327,708	9,403,266	-1,075,558	-11.4%
CAT7	CAT 7 - Core Services	8.03%	7,911,844	6,895,783	1,016,060	14.7%
CAT8	CAT 8 - IA and Service Control	0.00%	0	0	0	0.0%
CAT9	CAT 9 - Infrastructure Services	14.55%	14,327,776	16,067,044	-1,739,268	-10.8%
ALTBMD	ALTBMD PO	4.54%	4,469,527	4,400,664	68,863	1.6%
AIRC2	AIRC2	0.00%	0	0	0	0.0%
TACOMS	TACOMS	0.00%	0	0	0	-100.0%
Total CAT		89.20%	87,841,160	94,695,256	-6,854,096	-7.2%
NON_CAT	Projects not allocated to a CAT Portfolio	10.80%	10,633,424	7,299,854	3,333,569	45.7%
TOTAL Revenue Operations (CtC - Cost-to-Complete)		100.00%	98,474,584	101,995,111	-3,520,527	-3.5%
<u>ALTBMD Operations Revenue</u>		4.81%	4,734,622	3,921,893	812,729	20.7%
<u>Revenue corrections</u>						
Intra-company revenue elimination		-5.90%	-5,806,000	-3,143,626	-2,662,374	84.7%
Internal revenue		-2.84%	-2,800,323	-2,443,605	-356,718	14.6%
Deferred income capital expenditures (-)		-0.15%	-143,023	-45,023	-98,000	217.7%
Cost contribution		0.00%	0	1,227,596	-1,227,596	-100.0%
Correction WIP 2010		-0.21%	-204,013	208,268	-412,282	-198.0%
Revenue corrections - Internal		-4.28%	-4,218,737	-274,495	-3,944,242	N/A
TOTAL Revenue Operations (Stat. of Financial Performance)		95.72%	94,255,847	101,720,616	-7,464,769	-7.3%

ANNEX E-12 – CapDev Operations Projects Summary



NCI Agency CD - Operations Project Summary
as at 31-Dec-2013
(All amounts in 1 Euro)

Project Type	Fund Status	End of Period Status	Year of Comm.	Billed Revenue	Accrued Rev./ Adv. Billing (-)	Earned Revenue	Billed Revenue	Accrued Rev./ Adv. Billing (-) (Δ)	Recognized Revenue	WIP	Reported Revenue	Surplus / (Deficit)		Provision for Future Losses	
				Accum.	31-Dec-13	Accum.	Current Year	Current Year	Current Year	Current Year	Current Year	Accum.	Current Year	Accum.	Current Year
Active Projects (EoY Status = Active)															
Year of Commission = 2013															
FIXED	Funded	Active	2013	26,143,833	-6,262,265	19,881,567	25,406,010	-5,524,442	19,881,567	0	19,881,567	-44,835	-44,835	-1,063	-1,063
FIXED	Advanced Funding	Active	2013	139,365	52,278	191,643	139,365	52,278	191,643	0	191,643	0	0	0	0
FIXED	Pre-financed	Active	2013	14,374	-14,374	0	14,374	-14,374	0	93,867	93,867	-6,167	-6,167	0	0
FIXED	Recoverable	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Intracy	Active	2013	1,347,613	56,424	1,404,037	1,347,613	56,424	1,404,037	0	1,404,037	-214,587	-214,587	-22,016	-22,016
CONF	Funded	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
REIMB	Funded	Active	2013	3,667,203	-636,687	3,030,516	3,667,203	-636,687	3,030,516	0	3,030,516	-4,680	-4,680	-642	-642
REIMB	Intracy	Active	2013	806,517	53,239	859,756	806,517	53,239	859,756	0	859,756	0	0	0	0
SERV	Internal	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
Started during 2013 - Active Projects				32,118,905	-6,751,385	25,367,520	31,381,082	-6,013,562	25,367,520	93,867	25,461,387	-270,268	-270,268	-23,721	-23,721
Year of Commission < 2013															
FIXED	Funded	Active	< 2013	215,718,836	-23,828,467	191,890,369	50,156,465	-3,633,127	46,523,337	-122,792	46,400,545	-3,483,561	-384,879	-317,315	179,256
FIXED	Advanced Funding	Active	< 2013	2,874,908	-849,951	2,024,957	1,282,781	-560,879	721,902	143,764	865,665	-10,630	-10,630	0	0
FIXED	Pre-financed	Active	< 2013	0	0	0	0	0	0	29,919	29,919	-65,368	-65,368	0	0
FIXED	Recoverable	Active	< 2013	2,245,635	0	2,245,635	0	0	0	0	0	-109,910	101,630	0	0
FIXED	Intracy	Active	< 2013	10,811,709	621,313	11,433,022	5,272,897	647,302	5,920,199	0	5,920,199	53,467	53,467	0	0
CONF	Funded	Active	< 2013	34,000	-4,454	29,546	15,300	-3,823	11,477	0	11,477	-3,541	-3,541	-96	-96
REIMB	Funded	Active	< 2013	26,047,244	1,720,135	27,767,380	9,515,105	-1,119,937	8,395,169	-35,392	8,359,777	-164,104	-164,104	-1	60,160
REIMB	Intracy	Active	< 2013	1,412,870	-72,448	1,340,422	509,265	6,276	515,541	0	515,541	12,788	7,429	0	5,359
SERV	Internal	Active	< 2013	3,899,426	0	3,899,426	1,991,944	0	1,991,944	0	1,991,944	115,491	207,475	-439,646	-278,169
Started prior to 2013 - Active Projects				263,044,628	-22,413,872	240,630,757	68,743,756	-4,664,188	64,079,567	15,499	64,095,066	-3,655,368	-258,521	-757,058	-33,490
Subtotal				295,163,533	-29,165,257	265,998,277	100,124,838	-10,677,750	89,447,087	109,365	89,556,453	-3,925,637	-528,789	-780,779	-57,211
Closed Projects (EoY Status ≠ Active)															
Year of Commission = 2013															
FIXED	Funded	Active	2013	113,000	0	113,000	113,000	0	113,000	0	113,000	33,662	33,662	0	0
FIXED	Advanced Funding	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Pre-financed	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Recoverable	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Intracy	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
CONF	Funded	Active	2013	6,085	-6,085	0	6,085	-6,085	0	0	0	-5,521	-5,521	0	0
REIMB	Funded	Active	2013	319,009	0	319,009	319,009	0	319,009	0	319,009	0	0	0	0
REIMB	Intracy	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
SERV	Internal	Active	2013	0	0	0	0	0	0	0	0	0	0	0	0
Started during 2013 - Closed Projects				438,094	-6,085	432,009	438,094	-6,085	432,009	0	432,009	28,140	28,140	0	0
Year of Commission < 2013															
FIXED	Funded	Active	< 2013	55,730,244	-25,139	55,705,105	3,201,294	477,871	3,679,164	0	3,679,164	1,808,701	886,796	0	0
FIXED	Advanced Funding	Active	< 2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Pre-financed	Active	< 2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Recoverable	Active	< 2013	0	0	0	0	0	0	0	0	0	0	0	0
FIXED	Intracy	Active	< 2013	68,100	0	68,100	34,050	-34,050	0	0	0	774	0	0	0
CONF	Funded	Active	< 2013	274,071	0	274,071	14,543	-46,248	-31,705	0	-31,705	33,507	-62,499	0	0
REIMB	Funded	Active	< 2013	16,902,550	-94,943	16,807,607	1,471,810	-586,262	885,548	0	885,548	-118,322	-92,770	0	73,365
REIMB	Intracy	Active	< 2013	8,811,892	-113,017	8,698,874	2,416,192	-2,124,731	291,461	0	291,461	172,205	178,042	0	0
SERV	Internal	Active	< 2013	1,148,288	0	1,148,288	0	0	0	0	0	-269,920	-8,363	0	0
Started prior to 2013 - Closed Projects				82,935,146	-233,100	82,702,046	7,137,889	-2,313,421	4,824,468	0	4,824,468	1,626,945	901,206	0	73,365
Subtotal				83,373,240	-239,185	83,134,055	7,575,983	-2,319,506	5,256,477	0	5,256,477	1,655,085	929,346	0	73,365
TOTAL				378,536,773	-29,404,441	349,132,332	107,700,820	-12,997,256	94,703,565	109,365	94,812,930	-2,270,552	400,557	-780,779	16,154
Summary															
FIXED	Funded			297,705,914	-30,115,872	267,590,042	78,876,768	-8,679,699	70,197,069	-122,792	70,074,277	-1,686,033	490,744	-318,379	178,193
FIXED	Advanced Funding			3,014,273	-797,672	2,216,601	1,422,146	-508,601	913,545	143,764	1,057,309	-10,630	-10,630	0	0
FIXED	Pre-financed			14,374	-14,374	0	14,374	-14,374	0	123,786	123,786	-71,535	-71,535	0	0
FIXED	Recoverable			2,245,635	0	2,245,635	0	0	0	0	0	-109,910	101,630	0	0
FIXED	Intracy			12,227,422	677,737	12,905,159	6,654,560	669,676	7,324,236	0	7,324,236	-160,345	-161,120	-22,016	-22,016
CONF	Funded			314,156	-10,539	303,618	35,928	-56,155	-20,228	0	-20,228	24,444	-71,561	-96	-96
REIMB	Funded			46,936,006	988,505	47,924,511	14,973,128	-2,342,886	12,630,242	-35,392	12,594,850	-287,106	-261,554	-642	132,883
REIMB	Intracy			11,031,279	-132,226	10,899,053	3,731,973	-2,065,216	1,666,758	0	1,666,758	184,993	185,471	0	5,359
SERV	Internal			5,047,714	0	5,047,714	1,991,944	0	1,991,944	0	1,991,944	-154,429	199,112	-439,646	-278,169
TOTAL				378,536,773	-29,404,441	349,132,332	107,700,820	-12,997,256	94,703,565	109,365	94,812,930	-2,270,552	400,557	-780,779	16,154
INTRN	Internal			17,270	-17,270	0	0	0	0	0	0	-2,347,920	-797,063	0	0
TRANS	Funded			4,095,952	-434,298	3,661,654	4,095,952	-434,298	3,661,654	0	3,661,654	-3,304,855	-1,393,557	0	0
TOTAL				382,649,995	-29,856,009	352,793,985	111,796,772	-13,431,554	98,365,219	109,365	98,474,584	-7,923,326	-1,790,063	-780,779	16,154

ANNEX E-13 – CapDev Customer Funding Notes

CUSTOMER FUNDING NCI Agency Capability Development

1. The NCI Organisation will operate as of 1 January 2014 under a customer funding regime and the Capability Development portion of the NCI Agency (former NC3A) is already operating under this NAC approved financial construct commonly referred to as a sponsor (or customer) funding regime (reference C-M(98)28 dated 10 May 1998).
2. According to this funding regime, the NCI Agency Capability Development does not receive a fixed budgetary allocation from the NATO financial committees but rather must earn its income from a variety of mainly NATO common-funded sources on a programme or project basis. For example:
 - a. The NATO Budget Committee funds the Strategic Commands and other NATO bodies for their Programmes of Work, a portion of which is then placed by them with the NCI Agency Capability Development.
 - b. The Investment Committee funds specific programmes and projects, which are assigned to the NCI Agency Capability Development as Host Nation. Capability Development receives project service income to support these acquisition tasks.
 - c. Groups of and individual NATO Nations fund specific programmes and projects. Here also Capability Development also earns income for services provided on these projects.
3. NATO adopted the sponsor funding regime to ensure NATO internal sponsors, particularly the Strategic Commands, establish the NCI Agency Capability Development Programme of Work priorities to assure:
 - a. The focus of the products and services produced aligns to the priorities and direction provided by the internal sponsor;
 - b. A formal mechanism and processes exist ensuring to govern deliverables that achieve the goals and objectives of sub-elements of the Programme of Work;
 - c. The funding regime enhances transparency, efficiency and secures clear value for money.
4. These “business-like practices” introduced industry-like discipline and commercial best practices. This does not alter the fact that the NCI Agency Capability Development remains a NATO organization, which means that, unlike industry, for whom the motivation to work lies in a profit margin, Capability Development’s allegiance is to the Alliance.
5. Within this funding regime the financial goal is to balance income with expenses to break-even over time. The financial construct anticipates that a small surplus or deficit may result as a credit or debit to the authorized operating fund.

FINANCIAL PLAN PROCESS

6. The annual plan for the anticipated income and expenditure of the NCI Agency Capability Development (Financial Plan) derives from close coordination with sponsors. Per the NCIO Charter the ASB approves the Financial Plan and the BC approves customer rates on behalf of all

customers. The process involves an initial assessment of the likelihood of work to be contracted with the NCI Agency Capability Development. Assessments are included in a three-year Strategic Plan. For the upcoming year the assessment is refined in a set of management assumptions which are presented to the ASB in May. Work then proceeds on the development of a Programme of Work (POW) and a Financial Plan which are then submitted to the ASB. In October or November the ASB approves the POW and the Financial Plan with information to the BC. Before the establishment of the NCIO, for 2012, the BC screened the Capability Development Financial Plan. Also in 2013, the process to obtain approvals for the ALTBMD budget involved submissions to the Investment Committee and the BC as appropriate, for their respective portions of the overall ALTBMD budget.

PRICING POLICY

7. The NCI Agency Capability Development contracts with sponsors for specific deliverables at a contractually agreed price. The basis of the agreed price derives from the level of effort estimated for direct labor plus any associated consultancy, investment or travel. The method of pricing is either on a firm-fixed price basis or on a time usage and materials consumption basis using standard costs (referred to as cost reimbursable).
8. The deliverable can be tangible such as a report, an analysis, a prototype, the acquisition of an asset or service or it can represent a level of effort against a task or set of tasks.
9. For 2013, the price the NCI Agency Capability Development charged its sponsors was derived as follows:
 - a. Project related Civilian staff: a fixed per-day rate associated with the grade-level of each civilian staff directly employed in the supply of services. This rate was derived from the projected average costs of the civilians in each grade, inclusive of personnel benefits as provided by the NATO Civilian Personnel Regulations (CPRs), for 186 productive billable days per year
 - b. Project related Military staff: the NCI Agency Capability Development did not charge direct costs for military personnel employed in the delivery of services as the military are provided to the NCI Agency Capability Development free of charge
 - c. Other project related price elements: directly attributable travel, transport, investment, and contractor costs, and also other charges like the portfolio, coherence and risk management
 - d. On the project related Direct Civilian and Military staff, an indirect cost recovery rate was levied against all direct-labour, planned or recorded against each contracted project. The rate derives from allocating the indirect costs as a percentage of the direct funded costs. For this purpose only, the military personnel were charged out at an indirect cost to sponsors on the basis of a civilian A4 post
 - e. On the project related Contracted workforce also, an indirect cost recovery rate was levied on the contract value to recover support costs for offices, information technology, the contracting effort itself, etc.
10. The indirect costs charged by the NCI Agency Capability Development represent costs that are not specifically attributable to specific projects. Examples include: resources associated with the

management of the NCI Agency Capability Development and its staff such as human resources, information management and technology, controllership, buildings & facilities, sponsor account liaison, technical & scientific coherence, legal and executive management.

11. Following service industry best practices, to recover these costs, the NCI Agency Capability Development applied an annual indirect cost recovery (ICR) rate to person-days of direct effort devoted to the delivery of services through projects. No levy was applied to investments or travel in support of the POW.

ANNEX E-14 – CapDev Notes on the Statement of Financial Position and Performance

C01. Cash and cash equivalents

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Cash and cash equivalents	C01	86,484,014	93,361,884	-6,877,871	-7.4%

Cash and cash equivalents are short-term liquid assets. They include the clearing bank accounts, deposit accounts held at instant call, credit card accounts and cash in hand. Bank accounts are held in EUR, GBP, USD and NOK with ABN/AMRO, Fortis Paribas and Wells Fargo. The cash in hand is held at different Agency locations in The Netherlands, Belgium and in the United States.

The lower amount of cash equivalent compared to previous year (€6.8 million) is due to the lower checking accounts. The fact that the amount on the checking accounts is still higher than the deposits is due to the low interest rate offered for deposits on short term investment accounts which is lower (or even 0) than the overnight interest earned on the current accounts. For the USD holdings, Capability Development had to maintain a minimum of USD4 million on the current account so to benefit of the overnight interests and reduced bank charges.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Cash and cash equivalents	C01	86,484,014	93,361,884	-6,877,871	-7.4%
550	Credit institutions - Checking accounts	86,454,216	93,321,733	-6,867,517	-7.4%
57	Cash in hand	30,183	40,106	-9,923	-24.7%
581	Bank clearing accounts - Checking accounts	-180	0	-180	N/A
582	Bank clearing accounts	-206	45	-250	-558.4%
Total		86,484,014	93,361,884	-6,877,871	-7.4%

C02. Short-term investments

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Short-term investments	C02	14,537,493	15,313,911	-776,418	-5%

Short term investments consist of cash deposited. These are highly liquid investments that are readily convertible to cash and that are not subject to significant risk of changes in value.

The equivalent of €14,537,493 is deposited in USD with Wells Fargo. This is due to the fact that the USD deposit account was the only deposit account where the interest rate for deposits on short term investments was higher than the overnight interest earned on the current accounts.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Short-term investments	C02	14,537,493	15,313,911	-776,418	-5%
532	Fix term deposits - Less than 1 month	14,537,493	15,313,911	-776,418	-5%
Total		14,537,493	15,313,911	-776,418	-5%

C03. Receivables from sponsors

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Receivables from sponsors	C03	122,791,309	88,974,327	33,816,982	38%

Receivables are stated at net realizable value and are kept by customer in separate sub-ledgers that provide detailed insight into the outstanding invoices per debtor. Records are grouped by the following sponsor categories: NATO entities, government bodies and Nations and third parties. Uncollectible receivables are written off when all actions to recover the debts have been exhausted.

The major categories of receivables reported under this heading are invoices remaining unpaid at the end of 2013 and the accrued services income. In addition, the amount includes expenses incurred by the NCI Agency Capability Development that have not yet been billed to the sponsors and advances and pre-payments to creditors. The biggest variance is caused by the AR booking of the 1st quarter '14 IC pay sheet of €77 million for which payments are only received in early 2014. Other variances are the advance payment of €14.5 million done for the 1st quarter '14 services for the CISAF '11 contract, the IC provisioned income of €5.3 million for the Cassidian Claim which is expected to be paid in 2014. There is also a higher Third Party AR position due to outstanding invoices from the NCI Agency Service Delivery for a total of €7.4 million and an advance to Service Delivery for €15 million.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Receivables from sponsors		C03	122,791,309	88,974,327	33,816,982	38%
400	Trade receivables	NCIA CD Ops	12,962,715	15,899,402	-2,936,687	-18%
400	Trade receivables	NCIA CD NSIP	-101,246,127	-115,203,137	13,957,010	-12%
400	Trade receivables	NCIA CD TP	26,733,954	13,931,904	12,802,050	92%
402	Trade receivables - Intra-company	NCIA CD Ops	4,157,006	0	4,157,006	0%
402	Trade receivables - Intra-company	NCIA CD TP	3,960,872	0	3,960,872	0%
404	Trade receivables - Accrued income	NCIA CD Ops	10,954,625	13,321,294	-2,366,670	-18%
404	Trade receivables - Accrued income	NCIA CD NSIP	120,989,208	131,242,541	-10,253,332	-8%
404	Trade receivables - Accrued income	NCIA CD TP	4,915,382	3,879,570	1,035,811	27%
404	Trade receivables - Accrued income	NCIA CD BMD	6,637,373	6,629,949	7,425	0%
406	Trade receivables - Advances suppliers		32,726,301	19,272,804	13,453,496	70%
Total			122,791,309	88,974,327	33,816,982	38%

The NCI Agency Capability Development has adapted its accounting treatment per the IBAN observation, so that advances received from the NSIP Programme are netted against the amounts to be received from the same programme. This more clearly and accurately represents the position of the NCI Agency Capability Development against the programme at year-end. The net position towards the NSIP at 31/12/2013 is a receivable of €14 million or an increase of €6 million compared to 2012.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
400001	AR - Government bodies and Nations	NCIA CD NSIP	48,510,598	56,653,937	-8,143,339	-14.4%
400100	Accounts receivable - NSIP-SAFR - IC	NCIA CD NSIP	42,642,335	42,366,024	276,311	0.7%
400110	Advances from nations - NSIP-SAFR - Paysheets (	NCIA CD NSIP	-192,399,059	-214,223,097	21,824,038	-10.2%
404000	Acquisitions income - Accrued	NCIA CD NSIP	115,629,561	123,442,544	-7,812,983	-6.3%
462001	Advances from customers - Government bodies a	NCIA CD NSIP	0	0	0	0.0%
Total			14,383,434	8,239,408	6,144,026	74.6%

C04. Other receivables

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Other receivables		C04	1,319,271	260,525	1,058,746	406.4%

The recoverable expenses relate to amounts paid or accrued on behalf of other NATO organizations. Personnel related receivables relate to private telephone cost, long term loans in accordance with the NATO Civilian Personnel Regulations and fuel provision military staff. The tax related receivables

are for recovery of VAT and excise from the Kingdom of the Netherlands on fuel paid for HQ vehicles and rental cars. The deposits are for use of the franking machine and for fuel supply in Afghanistan. The major variance compared to 2012 is an intercompany receivables position vis-à-vis ICTM in an amount of €1.2 million.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Other receivables		C04	1,319,271	260,525	1,058,746	406.4%
403	Trade receivables - Recoverable expenses		1,279,807	244,956	1,034,851	422.5%
416	Personnel related receivables		28,870	7,000	21,870	312.4%
417	Tax related receivables		8,784	6,744	2,040	30.2%
418	Warranties - Paid in cash or similar		1,809	1,824	-15	-0.8%
Total			1,319,271	260,525	1,058,746	406.4%

C05. Work in progress

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Work in progress		C05	535,751	618,461	-82,710	-13.4%

The work in progress consists of capitalized expenses for Pre-financed projects, for cost overruns on Advance Planning Funds and for recoverable exceptions

Pre-finance projects totalling €121,617.00 are governed by existing bidding arrangements (overarching framework agreements such as Memorandum of Understanding – MOU) between the Agency and its main sponsors. All existing pre-finance authorizations are granted as per the terms and conditions prescribed in the financial rules and procedures specifically developed to for the agency operating under its Customer Funding Regime. The decision to pre-finance projects is assessed by the production Directors, Demand Management and the Financial Controller prior to being approved internally. Accordingly we do not view this as technical contingent asset.

For projects sponsored by NSIP, APFs (Advanced Planning Funds) may be authorized to cover the initial cost for writing the full project price proposal (TBCE). In some cases the APFs are insufficient to cover this initial effort in which case the NCI Agency Capability Development capitalizes the shortfall pending approval of the Project Service Cost (PSC). Funds expended during this stage are capitalized as work in progress for a total amount of €312,503.00.

In the course of executing projects it so happens that sometimes the customer requests changes in specifications, scope or duration that results in the costs exceeding the contracted revenue. Similarly to APF over-runs, for these recoverable exceptions, costs are capitalized until exception is contractually regularized. The total capitalized amount of capitalized recoverable exceptions is €101,630.00.

The reason for the €82,710 decrease in balance from 2012 to 2013 is due to the recovery for some projects and the write-off for some other after an assessment by the Financial Controller and Director for each corresponding Customer Account.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Work in progress		C05	535,751	618,461	-82,710	-13.4%
370000	Work in progress - APF (overrun) projects - Capit		312,503	139,245	173,258	124.4%
370001	Work in progress - Pre-financed projects - Capit		121,617	267,675	-146,058	-54.6%
370002	Work in progress - Recoverable exceptions - Cap		101,630	211,540	-109,910	-52.0%
Total			535,751	618,461	-82,710	-13.4%

C06. Transitory assets accounts

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Transitory assets accounts	C06	14,061	35,120	-21,059	-60.0%

Transitory accounts contain transactions of a temporary nature that will be cleared in a subsequent accounting period. Included in the balance is an amount of €20,235 for pre-paid expenses.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Transitory assets accounts	C06	14,061	35,120	-21,059	-60.0%
490	Charges - To be carried forward	20,235	35,120	-14,885	-42.4%
499	Suspense accounts	-6,174	0	-6,174	0.0%
Total		14,061	35,120	-21,059	-60.0%

C07. Infrastructure, plant and equipment

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Infrastructure, plant and equipment	C07	678,736	43,368	635,368	N/A

In accordance with the NATO ACCOUNTING FRAMEWORK approved by the NATO Council, IPSAS 17 Adapted - PP&E has been implemented effective 1 Jan 2013, whereby PP&E is being recognised for acquisitions post 1 Jan 2013 and acquisitions pre 1 January 2013 are fully expensed. This has led to the retirement of all pre 2013 assets and to a restated balance of €43K.

Infrastructure, plant and equipment are stated at the historical acquisition cost minus accumulated depreciation and any impairment losses.

Depreciation is provided for PP&E over their estimated useful life using the straight line method. The thresholds, the estimated useful life and the annual depreciation percentage per asset category are disclosed in Annex E-7 under IPSAS 17 PP&E (adapted) and the 2013 changes in Property Plant and Equipment and related depreciation are detailed in Annex E-7.

Additions or reductions in fixed assets are reported in the Statement of Financial Position, while the depreciation and expenses for the period are reported in the Statement of Financial Performance.

Installed equipment contains items such as Air conditioning, firefighting and security detection, plumbing, heating, power and distribution equipment. Machinery concerns wood and metal working -, cleaning and food preparation equipment. ADP and mission equipment relates to Central Processing Units, computers and office machines. The accrued expenses relate to assets that have been received but that are not yet in operation.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Infrastructure, plant and equipment	C07	678,736	43,368	635,368	N/A
230	Installations	105,876	0	105,876	0.0%
231	Machines	0	0	0	0.0%
232	Equipment	280,018	0	280,018	0.0%
240	Furniture	8,539	0	8,539	0.0%
241	Transport equipment	90,178	0	90,178	0.0%
261	Tangible fixed assets - Other	194,125	43,368	150,757	347.6%
Total		678,736	43,368	635,368	N/A

C08. Land and buildings

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Land and buildings	C08	128,655	0	128,655	0.0%

Land and buildings contain the book value of the immovable structures used by the NCI Agency Capability Development to house its operations and its staff. Major modifications and enhancements to these structures, which are immovable by nature, are also capitalized and depreciated. Leasehold improvements above the threshold of €25,000 are recognized as assets and valued at cost and depreciated over the useful life of the improvements or the lease term. The net book value of the investments amounts to €128,655 and relates to enhancements to the The Hague building.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Land and buildings	C08	128,655	0	128,655	0.0%
221 Buildings		128,655	0	128,655	0.0%
222 Land and buildings		0	0	0	0.0%
Total		128,655	0	128,655	0.0%

C09. Intangible assets

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Intangible assets	C09	9,333	0	9,333	0.0%

In accordance with the NATO ACCOUNTING FRAMEWORK approved by the NATO Council, IPSAS 31 Adapted - Intangible Assets has been implemented effective 1 Jan 2013, whereby intangible assets are being recognised for acquisitions post 1 Jan 2013.

Intangible assets consist of commercial software licences. The NCI Agency Capability Development has not capitalized any Intellectual Property Rights of its software prototypes.

Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Additions or reductions in intangible assets are reported in the Statement of Financial Position, while the depreciation and expenses for the period are reported in the Statement of Financial Performance. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life for intangible assets is 3 years.

The 2013 changes in intangible assets and related amortization are detailed in Annex E-7.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Intangible assets	C09	9,333	0	9,333	0.0%
211 Concessions, patents, licences, know-how, brand		9,333	0	9,333	0.0%
Total		9,333	0	9,333	0.0%

C10. Tax and personnel related payables

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Tax and personnel related payables	C10	642,789	822,771	-179,982	-21.9%

Tax and personnel related liabilities contain all the debts towards tax authorities or staff (social debts and payroll related liabilities) as well as any retention on salaries which have to be paid to

other parties. The payroll related debts are for USA reimbursable staff whose salaries are paid by the USA and for which the USA is reimbursed by NCI Agency Capability Development.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Tax and personnel related payables		C10	642,789	822,771	-179,982	-21.9%
450	Payroll related debts		642,752	822,700	-179,948	-21.9%
452	Medical insurance premiums		37	71	-34	-47.3%
Total			642,789	822,771	-179,982	-21.9%

C11. Retirement and pension plan related payables

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Retirement and pension plan related payables		C11	37,422	-131,726	169,148	-128.4%

This amount mainly represents a 7.4% pension levy on work undertaken for external sponsors that is due to the NATO Pension Unit after clearing the account in mid- December. This levy will not be applied anymore as of 1 January 2014.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Retirement and pension plan related payables		C11	37,422	-131,726	169,148	-128.4%
451	Pension related debts		37,422	-131,726	169,148	-128.4%
Total			37,422	-131,726	169,148	-128.4%

C12. Advances from customers

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Advances from customers		C12	108,756,715	91,102,870	17,653,844	19.4%

Advances and prepayment from customers are either made in cash to serve as working capital or result from advance billings to customers where the cost burn rate slips in comparison with the agreed payment milestones. The latter will be compensated at the time the income will be earned.

The variance is mainly caused by an increase of 8 Million in the Operations and an increase of 6 Million in the TP acquisition activity.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Advances from customers		C12	108,756,715	91,102,870	17,653,844	19.4%
462	Advances received	NCIA CD Ops	51,147,874	39,719,972	11,427,902	28.8%
462	Advances received	NCIA CD NSIP	0	0	0	0.0%
462	Advances received	NCIA CD TP	53,906,032	47,269,943	6,636,088	14.0%
462	Advances received	NCIA CD BMD	3,702,809	4,112,954	-410,146	-10.0%
Total			108,756,715	91,102,870	17,653,844	19.4%

C13. Trade payables

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Trade payables		C13	87,124,139	74,826,636	12,297,503	16.4%

Trade payables are short-term (less than 1 year) payables to suppliers; directly related to the activities and operations of NCI Agency Capability Development. The standard accounts payable (incoming invoices) amount to €2 million. Trade payables also contain the liabilities for accrued expenses for an amount of €55 million. It also contains a payable to NCI Agency AirC2 of €30 million

further to the centralized payments of IC contributions to the NCI Agency Capability Development bank accounts.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Trade payables		C13	87,124,139	74,826,636	12,297,503	16.4%
44	Trade debts - Less than 1 year	NCIA CD Ops	1,421,101	933,412	487,690	52.2%
44	Trade debts - Less than 1 year	NCIA CD NSIP	71,162,520	62,294,021	8,868,499	14.2%
44	Trade debts - Less than 1 year	NCIA CD TP	14,540,518	11,599,203	2,941,315	25.4%
44	Trade debts - Less than 1 year	NCIA CD BMD	0	0	0	0.0%
Total			87,124,139	74,826,636	12,297,503	16.4%

C14. Other payables

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Other payables		C14	3,466,416	5,018,531	-1,552,115	-30.9%

Other payables are short-term debts indirectly related to the activities and operations of the NCI Agency Capability Development.

The operations payables consist of Bid bonds received in cash, K€14 and Performance bonds received in cash, K€396.

The refundable surpluses for NSIP and ALTBMD reflect the liability for accumulated exchange rate profit and losses and bank interests/charges on funds received from NSIP and MB with respect to the NSIP acquisition activity and the ALTBMD Budget.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Other payables		C14	3,466,416	5,018,531	-1,552,115	-30.9%
488	Warranties - Received in cash or similar		410,085	523,544	-113,459	-21.7%
489	Miscellaneous debts - Other		0	0	0	0.0%
470	Refundable surpluses	NCIA CD NSIP	2,982,782	4,412,925	-1,430,143	-32.4%
470	Refundable surpluses	NCIA CD BMD	73,549	82,062	-8,514	-10.4%
Total			3,466,416	5,018,531	-1,552,115	-30.9%

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Current portion of borrowings			0	0	0	0.0%

C15. Transitory liabilities accounts

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Transitory liabilities accounts		C15	-136,580	-16,364	-120,216	734.7%

For assets which were acquired with customer funds, i.e. which were billed to customers for the total acquisition value, an income correction needs to be made to align customer income with the cumulative depreciation expense of these assets. The deferred income liability of €143,023 represents the net book value of customer funded assets. An offsetting entry against the deferred income account has been made in the Statement of Performance.

The unapplied cash consists of two amounts; one amount €366 and €6,077. The €6,077 is the amount received at year end for the payment of two Receivable invoices from operations. The amount has been paid on the Third Party bank account and transferred beginning of January to the correct Operations bank account.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Transitory liabilities accounts		C15	-136,580	-16,364	-120,216	734.7%
4930	Project services income - Deferred revenue capit		-143,023	0	-143,023	0.0%
589	Unapplied cash		6,443	-16,364	22,807	-139.4%
Total			-136,580	-16,364	-120,216	734.7%

C16. Provisions

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Provisions		C16	8,257,437	11,214,015	-2,956,578	-26.4%

Provisions are liabilities and obligations, which are known to exist but for which the amount is not certain yet and the probability of occurrence is not fully known at the time of the disclosure.

Projects are constantly monitored and deviations from the original cost estimates and authorized budgets are reported and analysed. At year-end closing a thorough cost-to-complete (CtC) exercise is carried out to determine what the current status is in terms of costs and revenue to date, and to estimate what the cost-to-complete will be for multiple year projects. If, as a result of this process, project management together with the NCI Agency Capability Development's financial management come to the conclusion that the project is likely to generate a loss at completion, then a provision will be made to cover that potential future loss. Analysis conducted at a later stage may result in a change of estimates which translates in an increase or decrease of the provision built in prior years. The provision for the customer funded projects amounts to €781,000.

The NCI Agency Capability Development provisions for the untaken leave days outstanding at year end in accordance with IPSAS 25 Employee benefits constitutes a liability towards the future for €2,133,000. This provision is calculated on a rolling basis, i.e. the prior year provision is reversed at the beginning of the year and a new provision calculated, thus charging the change for the year to the Statement of Financial Performance.

A provision of €5.3 million has been booked in the NSIP acquisition activity for a claim from a company which is expected to be settled in 2014 and for which the amount can be reasonably estimated. The amount has dropped from €7.7 Mio in 2012 to €5.3 million in 2013 because a part of the foreseen amount from 2012 will be turned into additional work to be done by the contractor.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Provisions		C16	8,257,437	11,214,015	-2,956,578	-26.4%
163000	Provisions - Expected future losses - Customer fl		780,779	1,008,473	-227,694	-22.6%
163010	Provisions - Untaken leave		2,132,798	2,108,818	23,980	1.1%
163011	Provisions - LOJl		0	331,193	-331,193	-100.0%
163090	Provisions - Other risks and contingencies		5,343,860	7,765,531	-2,421,671	-31.2%
Total			8,257,437	11,214,015	-2,956,578	-26.4%

C17. Reserves – General Purpose

		Notes	Current Year	Prior Year	Variance	
		Unit	yyyy	yyyy	CY - PY	%
Reserves - General purpose		C17	816.725	43.368	773.357	N/A

	Notes	Current Year	Prior Year	Variance	
	Unit	yyyy	yyyy	CY - PY	%
Reserves - General purpose	C17	816.725	43.368	773.357	N/A
131110 Depreciation reserves - Accumulated		816.725	43.368	773.357	N/A
Total		816.725	43.368	773.357	N/A

C18. Reserves – Special Programmes

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Reserves - Special programmes	C18	8,570,000	0	8,570,000	0.0%

In order to fund its transition activities between 2014 and 2018, the Agency requested K€18,980 of common funding and K€8,570 of its Operating Fund. The subsequent Investment/Budget Committee decision sheet (AC/4 (PP) D/27275 – ADD1 and BC-D(2013)0214) authorized K€17,009 of common funding and K€7,245 from the Agency Operating Fund. The latter has been reserved to pay for backfill consultancy cost and travel of the NCI Agency personnel involved in activities related to the Transition Programme as per the decision sheet. The difference between the RPPB approved amount and the detailed amount approved by the IC/BC, has also been reserved for future possible use.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Reserves - Special programmes	C18	8,570,000	0	8,570,000	0.0%
131120 Reserves - Transition projects - Accumulated - Aq		7,244,724	0	7,244,724	0.0%
131121 Reserves - Transition projects - Accumulated - Aq		1,325,276	0	1,325,276	0.0%
Total		8,570,000	0	8,570,000	0.0%

C19. Accumulated surpluses / (deficits)

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Accumulated surpluses/(deficits)	C19	6,384,138	9,869,656	-3,485,518	-35.3%

The operating fund of the NCI Agency Capability Development serves as a source of working capital, acts as a buffer to absorb any surpluses or deficits that result from its operations and provides as a fund for anticipatory commitments wherein the NCI Agency Capability Development undertakes moderate risk and authorises internally for work to begin whilst awaiting formal sponsor approvals or pricing proposals (Work in progress).

The Operating Fund is not the Entity's only source of working capital, because the NCI Agency Capability Development benefits from significant advance payments from its main customers ACT, ACO, NATO HQ and Nations for purposes of the execution of its programmes of work. In addition all the work performed by the Agency in its role as Host Nation under the NATO Security Investment Programme and acquisition projects for Third Parties is funded in advance respectively by the Investment Committee and by NATO Nations & Organizations.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Accumulated surpluses/(deficits)	C19	6,384,138	9,869,656	-3,485,518	-35.3%
141 Surplusses (or deficits) - PYs - Carried forward	NCIA CD Ops	-1,862,966	5,694,988	-7,557,954	-132.7%
141 Surplusses (or deficits) - PYs - Carried forward	NCIA CD TP	8,247,104	4,174,668	4,072,436	97.6%
Total		6,384,138	9,869,656	-3,485,518	-35.3%

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
7	Income		371,235,200	371,779,370	-544,170	-0.1%
61	Personnel costs		-77,243,721	-78,493,653	1,249,932	-1.6%
62	Contractual supplies and services		-17,541,373	-18,613,060	1,071,687	-5.8%
63	Capital and investments		0	0	0	0.0%
64	NSIP and TP acquisitions, depreciation, write-off		-272,384,422	-258,516,903	-13,867,520	5.4%
65	Financial charges		-1,486,262	-231,411	-1,254,851	542.3%
66	Charges - Extraordinary		0	-10,066,506	10,066,506	-100.0%
Total			2,579,422	5,857,838	-3,278,416	-56.0%

The Net surplus for 2013 for Capability Development is €2,579,422.



NCI Agency CD - Operating Fund Distribution
as at 31 December 2013
(All amounts in 1.00 Euro)

	Operating Fund		Fundamental Purposes of the Operating Fund			
	Surplus/ (Deficit) of the Year	Year-end Balance	1. Source of Working Capital (PP&E)	2. Buffer Fund Amount	4. Days Covered	3. Fund for Anticipatory Commitments
31-Dec-05		5,064,289.27	4,605,503.00	-744,059.57	N/A	1,202,845.84
2006 as Published	1,716,129.75		3,114,026.85	-1,535,382.51		137,485.41
31-Dec-06	1,716,129.75	6,780,419.02	7,719,529.85	-2,279,442.08	N/A	1,340,331.25
2007 as Published	3,693,143.66		-737,021.88	10,012,999.71		-607,542.27
2007 - Restatement in FS2008	2,683,724.44					
2007 - Restatement in FS2009	2,291,567.46					
31-Dec-07	8,668,435.56	15,448,854.58	6,982,507.97	7,733,557.63	31.00	732,788.98
2008 as Published	2,233,944.33		-405,835.04	1,138,270.93		632,571.05
2008 - Restatement in FS2009	-868,937.39					
31-Dec-08	1,365,006.94	16,813,861.52	6,576,672.92	8,871,828.56	33.00	1,365,360.03
2009 as Published	-4,533,728.22		17,764.87	-7,314,465.06		2,415,985.19
2009 - Restatement in FS2010	-411,075.79		-64,089.01			
31-Dec-09	-4,944,804.01	11,869,057.51	6,530,348.78	1,557,363.50	6.00	3,781,345.22
2010 as Published	-8,121,974.27		-1,878,693.47	-6,601,892.87		-13,135.70
2010 - Restatement in FS2011	436,002.61		-4,651,655.32			
			5,459,405.69			
31-Dec-10	-7,685,971.66	4,183,085.85	5,459,405.69	-5,044,529.36	N/A	3,768,209.52
2011 as Published	5,729,938.79		-2,027,606.36	10,497,268.21		-2,739,723.05
31-Dec-11	5,729,938.79	9,913,024.64	3,431,799.33	5,452,738.85	22.00	1,028,486.47
2012 as Published	8,654,764.67		-182,077.64	9,656,295.28		-410,025.69
2012 - Restatement in FS2012	-2,796,926.40		-3,206,353.68			
31-Dec-12	5,857,838.27	15,770,862.91	43,368.00	15,109,034.13	57.00	618,460.78
2013 as Published (Unaudited)	2,579,422.32		773,356.66	1,888,775.84		-82,710.18
31-Dec-13	2,579,422.32	18,350,285.22	816,724.66	16,997,809.96	65.00	535,750.60

1. The Source of Working Capital (Property, Plant and Equipment)
2. The Buffer Fund as a source or repository of funds for deficits and surpluses.
3. The Fund for Anticipatory Commitments wherein NC3A undertakes moderate risk and authorises internatly for work to begin whilst awaiting formal sponsor approvals or pricing proposals (Work in progress)
4. Days covered: Cash available to use in the future as a buffer in the event of expected or unexpected deficits (e.g. payments for LOJI)



NCI Agency CD - Operating Fund Distribution
as at 31 December 2013
(All amounts in 1.00 Euro)

	Operating Fund		Accumulated Depreciation Reserve	Reserve - SP - Total	Operating Fund (OF) (Excl. Reserves)
	Surplus/ (Deficit) of the Year	Year-end Balance	Bookvalue		TOTAL
31-Dec-05		5,064,289.27	4,605,503.00		458,786.27
2006 as Published	1,716,129.75		3,114,026.85		-1,397,897.10
31-Dec-06	1,716,129.75	6,780,419.02	7,719,529.85		-939,110.83
2007 as Published	3,693,143.66		-737,021.88		4,430,165.54
2007 - Restatement in FS2008	2,683,724.44		0.00		2,683,724.44
2007 - Restatement in FS2009	2,291,567.46		0.00		2,291,567.46
31-Dec-07	8,668,435.56	15,448,854.58	6,982,507.97		8,466,346.61
2008 as Published	2,233,944.33		-405,835.04		2,639,779.37
2008 - Restatement in FS2009	-868,937.39		0.00		-868,937.39
31-Dec-08	1,365,006.94	16,813,861.52	6,576,672.92		10,237,188.59
2009 as Published	-4,533,728.22		17,764.87		-4,551,493.09
2009 - Restatement in FS2010	-411,075.79		-64,089.01		-346,986.78
31-Dec-09	-4,944,804.01	11,869,057.51	6,530,348.78		5,338,708.72
2010 as Published	-8,121,974.27		-1,878,693.47		-6,243,280.80
2010 - Restatement in FS2011	436,002.61		-4,651,655.32		-371,747.76
			5,459,405.69		
31-Dec-10	-7,685,971.66	4,183,085.85	5,459,405.69		-1,276,319.84
2011 as Published	5,729,938.79		-2,027,606.36		7,757,545.16
31-Dec-11	5,729,938.79	9,913,024.64	3,431,799.33		6,481,225.32
2012 as Published	8,654,764.67		-182,077.64		8,836,842.31
2012 - Restatement in FS2012	-2,796,926.40		-3,206,353.68		409,427.28
31-Dec-12	5,857,838.27	15,770,862.91	43,368.00	0.00	15,727,494.91
2013 as Published (Unaudited)	2,579,422.32		773,356.66	8,570,000.00	-6,763,934.34
31-Dec-13	2,579,422.32	18,350,285.22	816,724.66	8,570,000.00	8,963,560.57

C20. Revenue from Acquisitions

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Acquisitions	C20	275,111,869	251,377,350	23,734,518	9,4%

The acquisitions revenue represents the recognized revenue associated with the professional execution of NCI the Agency Capability Development's mandate as procurement agent on behalf of a NATO entity or a member Nation. The NCI Agency Capability Development procures significant amounts of goods and services using funds provided by all its sponsors, but principally the NATO Infrastructure Committee (IC). The value of acquisitions executed by the NCI Agency Capability Development in 2013 within the scope of the NATO Security Investment Programme (NSIP) amounted to €138.5 million, €7.5 million or 5.7% more than prior year. Procurements executed on behalf of other third parties, member Nations or NATO entities, went up by 3.9% versus prior year amounting to €131 million. The acquisition revenue for ALTBMD PO in 2013 amounts to €4.8 million in 2013, which is slightly less than the €4.9 million in 2012. ITB Operation is based on planned integration, verification, validation and exercise activities to support the development of the Interim Capability, and Capability 1 IOC. This activity fluctuates year to year and includes savings and re-qualifications negotiated for the contract amendment.

The main acquisition projects that the NCI Agency Capability Development handled in 2013 were:

Continued projects:

- the on time delivery of the essential elements for the Initial Operational Capability (IOC) of the Afghanistan Mission Network (AMN), an achievement that reflects the NCI Agency Capability Development's engagement and focus on support to ISAF;
- the implementation of the DAMA project (Demand Assigned Multiple Access) which is directly related to CIS support to ISAF, already operating Tactical Satellite (TACSAT) communication terminals;
- the CIS Services in Support of the NATO Training Mission Afghanistan;
- the Bi-SC AIS Programme Management and Integration Capacity (PIMIC) which is part of the selected critical long-term enabling capabilities in support of current and future operations identified at the Lisbon Summit;
- the ISAF SHF Space Capacity which is the MMR related to the provision of SHF services for the Afghan Mission Network deployable CIS capability, operated in ISAF in order to extend the CIS infrastructure to remote locations;
- the development and handover to NATO's military commanders of NATO's first ever Theatre Ballistic Missile Defence (TBMD) capability, an example of successful collaboration under the ALTBMD Programme Office, involving Nations, military commanders, NATO Agencies and industry;
- NATO Response Force (NRF) Deployable Communications and Information System (DCIS) to support the ISAF mission with Deployable communication systems;
- Theatre Access Control and Threat Identification to support ISAF mission against Explosive threat;
- NATO Static Satellite Ground Terminals to replace and upgrade the existing system of NATO Static Satellite Ground Terminals;
- CIS support to ISAF POST-2013 for the extension of CIS services in 2014 in two half-year periods;
- Electronic Counter Measures (ECM) against Remote Controlled Improvised Explosive Devices (RECIED) to support ISAF mission against the threat of Explosive Devices;
- LOG System to provide Logistic Functional Service (LOG FS) Spiral 1 to provide the Initial Operational Capability (IOC) and Spiral 1 Enhancements of the Logistics Functional Services (LOG FS) included in the List of Critical Capabilities endorsed at the Lisbon Summit;
- CISAF11 (communication in ISAF) for the Provision of voice and data services in support of ISAF operation.

New 2013 projects:

- The Transition Programme Project, which has been divided in the following groups:
 - Group A: Enabling Services (ES) and Enterprise Business Applications (EBA)
 - Group B: Demand Management, Account Management and Demand Planning to define Standard Operating Procedures and to provide effective Account Management.
 - Group C - Service Strategy to build an NCI Agency "Engine Room"
 - Group D: Transition plus Education and Training.
- Increment 1 for the BMD project which is a natural continuation of the BMD programme that will go in the next years through the Increment 2.
- NATO HQ New Building Core AIS.

The revenue and cost of acquisitions do not include the professional service costs of the NCI Agency Capability Development to enact the procurements on behalf of sponsors. These professional fees are accounted for through the operations revenue/cost as they relate to the NCI Agency Capability Development work across the C4ISR lifecycle.

In 2013, the earned revenue related to the acquisition projects professional fees was 36.3 Million EUR for NSIP and Third Party projects. It must be noted that there is not a direct relationship for any financial year between the project service revenue and cost with the specific acquisition payments and costs associated with major acquisitions. This is due to the fact that project services revenues and costs are recognizable when the service is provided and not when the actual acquisition transactions occur, particularly as the subsequent receipt of goods and payment to suppliers occurs over many years when downstream activity is minimal.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Acquisitions		C20	275,111,869	251,377,350	23,734,518	9,4%
7000	Acquisitions income	NCIA CD NSIP	138,577,301	131,369,871	7,207,430	5,5%
700	Acquisitions and operations income	NCIA CD TP	131,734,682	115,071,212	16,663,470	14,5%
7000	Acquisitions income	NCIA CD BMD	4,799,886	4,936,267	-136,382	-2,8%
Total			275,111,869	251,377,350	23,734,518	9,4%

C21. Revenue from Operations

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Operations		C21	95,148,583	101,765,638	-6,617,055	-6.5%

Operational revenue is associated with projects and engineering services which the NCI Agency Capability Development is contracted to deliver to sponsors, be it the Infrastructure Committee, the member Nations, the strategic commands, the NATO C3 Board, NATO HQ or other NATO entities. These revenues are comprised of a charge of salaries, consultancy, investment and travel directly associated with portfolios, programmes of work and specific projects. Revenues also include a recovery of the NCI Agency Capability Development indirect costs based upon the annually approved pricing policy in the Financial Plan. The recovery of indirect costs is used to fund the general and administrative expenses.

For Operations, the overall 2013 income decreased compared to previous year with about €6.6 million. The operations income decreased specifically in the NIP, the N&N and the ACT portfolios with €9 million. The ALTBMD business represents €4.7 million which is an increase of €0.8 million compared to previous year. The AirC2 and the SD budget holders contributed €3.8 million towards the Transition Programme cost. The TP business represents €0.9 million. This is related to an advance billing to AirC2.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Operations		C21	95,148,583	101,765,638	-6,617,055	-6.5%
700	Acquisitions and operations income	NCIA CD Ops	87,584,799	96,544,823	-8,960,024	-9.3%
717	Work in progress - Variations	NCIA CD Ops	-94,648	-206,013	111,365	-54.1%
743001	Cost contributions - Conference attendance	NCIA CD Ops	52,013	277,339	-225,326	-81.2%
743002	Cost contributions - Transition	NCIA CD Ops	3,758,952	1,227,596	2,531,356	206.2%
700	Acquisitions and operations income	NCIA CD TP	-887,155	0	-887,155	0.0%
700	Acquisitions and operations income	NCIA CD BMD	-126,687	1,591,348	-1,718,035	-108.0%
701	Contributions income	NCIA CD BMD	4,861,309	2,330,545	2,530,764	108.6%
Total			95,148,583	101,765,638	-6,617,055	-6.5%

The Agency operations revenue breakdown for 2013 detailed by sponsor portfolio (DSA) and by Capability Area Team (CAT) is depicted in Annex E-10. Annex E-11 provides an overview of the revenue recognized in 2013 by type of project (fixed price or cost reimbursable), funding status (funded, advance funded, pre-financed or reimbursable) and according to the projects starting date and status of completion. This table aims to provide further insight into the Agency programme of work and the process leading to revenue recognition.

C22. Other Revenue

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Other	C22	376.306	10.652.258	-10.275.952	-96,5%

Further to its acquisition and operational revenue, the NCI Agency Capability Development hosts a number of other NATO Agencies and entities, providing them building and facility, information management, human resources and financial management support services. The revenue earned from these shared and hosting services comprises the yearly contributions of €1 million. NAGSMA and TACOMS IPO pay to the NCI Agency Capability Development for hosting these two organizations within the NCI Agency Capability Development's premises in Brussels, which is laid down in the respective Host Agency Agreements between these organizations and the NCI Agency Capability Development. The amount went down by €0.7 million compared to last year because some services (like IT) have been taken out of the NAGSMA Host Agency Agreement and have been handled as a project within Operations.

It also includes other revenue of €400K for the reimbursement of Batiment Z related personnel charges, reimbursement of language courses, closure of old FMS cases.

Also included in here is the correction on acquisition revenue from the NSIP of -€2.4 million on the Cassidian claim which is expected to be settled in 2014 and for which a provision has been booked.

It also includes an amount of €766K for the recovery of the usage of NATO Satellite Channels related to previous years and an amount of €598K for the closure of Intra Company projects.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Other	C22	376.306	10.652.258	-10.275.952	-96,5%
743000	Cost contributions - Overhead costs	1.165.199	2.743.256	-1.578.057	-57,5%
7431	Miscellaneous operating income - Other	-788.892	7.909.003	-8.697.895	-110,0%
7432	Miscellaneous operating income - Assets	0	0	0	0,0%
Total		376.306	10.652.258	-10.275.952	-96,5%

C23. Cost of Acquisitions

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Cost of acquisitions	C23	275.124.927	250.186.258	24.938.668	10,0%

The NCI Agency Capability Development procures significant amounts of goods and services using funds provided by all its sponsors, but principally the NATO Investment Committee (IC). Expense recognition is based upon actual payments made together with accrued expenses which are based on the value of work completed by contractors where invoices are not yet received.

Cost of goods and services acquired while acting as Host Nation in 2013 was entirely driven by both a higher volume in NSIP expenditure and a higher volume of the Third Party procurement activity. As

for the revenue the cost of acquisitions does not include the professional service costs of the NCI Agency Capability Development to enact the procurements on behalf of sponsors. These professional fees are accounted for through the operations revenue/cost as they relate to the NCI Agency Capability Development work across the C4ISR lifecycle. It must be noted that there is not a direct relationship for any financial year between the project service cost with the specific acquisition payments and costs associated with major acquisitions. This is due to the fact that project services costs are recognizable when the service is provided and not when the actual acquisition transactions occur, particularly as the subsequent receipt of goods and payment to suppliers occurs over many years when downstream activity is minimal.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Cost of acquisitions		C23	275,124,927	250,186,258	24,938,668	10,0%
640	Commissioned acquisitions - NSIP and TP	NCIA CD NSIP	139,344,115	131,369,871	7,974,244	6,1%
640	Commissioned acquisitions - NSIP and TP	NCIA CD TP	135,780,811	118,816,388	16,964,424	14,3%
Total			275,124,927	250,186,258	24,938,668	10,0%

C24. Cost of Operations

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Cost of operations		C24	65,868,677	68,922,269	-3,053,593	-4,4%

Cost of Operations represents the costs that are identified either in the NCI Agency Capability Development's time accounting system for direct-funded staff and associated contracted workers or in its accounting records for expenses, travel, portfolio and risk management. These costs relate specifically to projects and are accounted for separately from general and administrative expenditures.

The cost of Operations for 2013 decreased with 4.4% compared to previous year. About 87% of these costs are driven by personnel and contractors costs. In 2013 the Agency salary mass for the personnel directly related to the execution of its programme of work decreased by 3.1%. The consultant and contractor cost decreased by 47% as a result of the 6.5% decrease of Operations income.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Cost of operations		C24	65,868,677	68,922,269	-3,053,593	-4,4%
6111	Salaries		35,617,635	34,549,285	1,068,350	3,1%
6112	Consultants		20,508	149,099	-128,591	-86,2%
6113	Contractors		3,232,734	6,010,481	-2,777,746	-46,2%
6115	Salary related costs and allowances		15,098,540	14,959,622	138,918	0,9%
6116	Work related additional allowances		209,778	521,729	-311,951	-59,8%
612	Recruitment and separation allowances		443,065	387,579	55,486	14,3%
617	Post employment benefits		2,052,408	1,900,728	151,681	8,0%
618	Loss of job and other personnel contracts relate		0	84,933	-84,933	-100,0%
619	Contractor costs - Counterposting (-)		0	-92,077	92,077	-100,0%
622	Mission Support		0	0	0	0,0%
623	Travel Transportation		3,793,402	4,434,690	-641,288	-14,5%
625	Miscellaneous Costs		5,400,607	6,016,202	-615,595	-10,2%
Total			65,868,677	68,922,269	-3,053,593	-4,4%

C25. Operations Depreciation

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Operations depreciation		C25	55,899	376,829	-320,930	-85,2%

For Fixed Assets purchased on direct funded projects we take into account the current year depreciation as a cost which amounts to €56 thousand. Full detail on the 2013 annual depreciation by asset category can be found in Annex E-8.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Operations depreciation	C25	55.899	376.829	-320.930	-85,2%
6436 Depreciation - Projects		55.899	376.829	-320.930	-85,2%
Total		55.899	376.829	-320.930	-85,2%

C26. Operations Provisions and Write-offs

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Operations provisions and write-offs	C26	-2,663,671	8,002,118	-10,665,790	-133.3%

A provision was booked for K€10 for the write-off of a recoverable exception project where the expectation is that the entity will not be able to recover the costs from the sponsor. Another provision for K€71 has also been booked for the write-off of 4 pre-financed projects. The write-off amount for recoverable exceptions amounts to -€94K. This is the result from the 2013 write-off and the reversal of the 2012 one.

For multi-year commitments where the NCI Agency Capability Development has a fixed price contractual commitment, an annual cost-to-complete (CtC) exercise is conducted at year end. The provision includes an anticipated funding requirement based on a policy wherein the NCI Agency Capability Development makes a provision for any projected shortfall at the time the shortfall is identified; potential surpluses similarly occurring from multi-year contracts are recognized, for active projects this is done on a stage of completion basis. The expected future non-recoverable losses for customer funded projects remains stable compared to 2012.

The provision for untaken leave of direct staff has been decreased by K€3.

In 2012, a provision of €7.7 MEUR had been booked for a claim from the company Cassidian in the NSIP acquisition activity. For 2013, the estimation for the provision went down to €5.3 Mio. Thus showing the net amount of €2.4 million. The claim is expected to be settled in 2014.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Operations provisions and write-offs	C26	-2,663,671	8,002,118	-10,665,790	-133.3%
642 Write-offs - Work in progress		-11,938	204,012	-215,950	-105.9%
647 Provisions - Other	NCIA CD Ops	-230,063	32,575	-262,637	-806.3%
647 Provisions - Other	NCIA CD NSIP	-2,421,671	7,765,531	-10,187,202	-131.2%
Total		-2,663,671	8,002,118	-10,665,790	-133.3%

C27. Personnel Costs

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Personnel	C27	20.569.052	20.022.275	546.777	2,7%

All personnel costs in this category are for staff members hired under the NATO Civilian Personnel Regulations. The figures represent the costs of personnel working on activities required to operate the NCI Agency Capability Development but for whom the direct relationship with specific projects is difficult, if not impossible to establish. This includes personnel associated with the general

management and administrative activities. Further to remuneration of NATO Civilian Staff, this category also includes cost incurred with contractors and consultants, recruitment activity, learning and development and loss of job indemnity for one staff member that was provisioned in 2012.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Personnel		C27	20.569.052	20.022.275	546.777	2,7%
6111	Salaries		12.665.296	12.181.727	483.569	4,0%
6112	Consultants		213.487	253.470	-39.983	-15,8%
6113	Contractors		394.578	694.429	-299.852	-43,2%
6115	Salary related costs and allowances		4.939.775	4.814.301	125.473	2,6%
6116	Work related additional allowances		287.967	276.330	11.637	4,2%
612	Recruitment and separation allowances		360.454	497.229	-136.775	-27,5%
613	Clothing		8.519	7.628	891	11,7%
615	Medical examinations		155.082	142.303	12.778	9,0%
616	Learning & Development		651.221	611.036	40.185	6,6%
617	Post employment benefits		556.513	517.119	39.395	7,6%
618	Loss of job and other personnel contracts relate		336.160	26.702	309.458	N/A
Total			20.569.052	20.022.275	546.777	2,7%

C28. Operations and Maintenance

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Operations and maintenance		C28	8.347.365	8.163.299	184.065	2,3%

The figures represent the expenses on operations and maintenance of the buildings and facilities, the information technology infrastructure, information technology and communications services, office supplies, cleaning and catering services, travel, and transportation services. These costs are exclusive of capitalized items. The costs are not directly attributable to specific sponsor projects although some are only incurred due to project work.

In Belgium there is an operational lease for the Batiment Z extension which involves prefab office units (about 64). The contract was signed in 2006 for an initial period of 8 years with options to extend. Early termination leads to payment of fines which are present in the contract. The firm fixed price per month is €21,289, or €255,468 per year.

The increase of cost of operations and maintenance is mainly resulting from an increase of about K€500 in the AIS costs and office supplies of the Agency and from a decrease in internal project expenses of K€287. The office space of Waalsdorperweg 63 previously rented and treated as operational lease is now paid for by the Host Nation, The Netherlands, which led to a reduction of €404,071.80 in lease cost.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Operations and maintenance		C28	8.347.365	8.163.299	184.065	2,3%
621	General support		3.701.912	3.520.506	181.406	5,2%
622	Mission Support		2.979.401	2.768.947	210.454	7,6%
623	Travel Transportation		816.859	713.483	103.376	14,5%
625	Miscellaneous Costs		849.192	1.159.232	-310.040	-26,7%
63	Capital and investments		0	0	0	0,0%
648	Other operating charges		0	1.131	-1.131	-100,0%
Total			8.347.365	8.163.299	184.065	2,3%

C29. Depreciation

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Depreciation		C29	171.270	-376.829	548.099	-145,5%

For Fixed Assets purchased as non-project related or related to internal projects, the NCI Agency Capability Development takes into account the current year depreciation as a cost which amounts to K€171. Full detail on the 2013 annual depreciation by asset category can be found in Table 5.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Depreciation		C29	171.270	-376.829	548.099	-145,5%
6431	Depreciation - Admin		155.175	0	155.175	0,0%
6432	Depreciation - Admin		0	0	0	0,0%
6436	Depreciation - Projects		16.095	-376.829	392.924	-104,3%
Total			171.270	-376.829	548.099	-145,5%

C30. Provisions and Write-Offs

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Provisions and write-offs		C30	-304,001	327,394	-631,396	-192.9%

Reflected here are the write-offs of receivables considered uncollectable for €842.60 and the provision for untaken leave of indirect staff for €26,349.

The provision of K€331 for a Loss of Job Indemnity which was known and communicated to the staff member prior to 31 December 2012 has been reverted and expensed in 2013.

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Provisions and write-offs		C30	-304,001	327,394	-631,396	-192.9%
644	Write-offs - Trade receivables - Less than 1 year		843	0	843	0.0%
647	Provisions - Other		-304,844	327,394	-632,239	-193.1%
Total			-304,001	327,394	-631,396	-192.9%

C31. Foreign Exchange Gains

		Notes	Current Year	Prior Year	Variance	
		Unit	2013	2012	CY - PY	%
Foreign exchange gains		C31	508.160	842.779	-334.619	-39,7%

Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year end which were denominated in foreign currencies were translated into Euros using the NATO rates of exchange that were applicable at 31 of December. Realized and unrealized gains and losses resulting from the actual settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

The NCI Agency Capability Development performs foreign currency transactions mainly in US dollars (USD), Great Britain Pounds (GBP) and Norwegian Kroner (NOK). For Operations, the foreign exchange gains and losses here accounted mainly reflect the in-year currency fluctuations of the GBP and the USD against the Euro.

The realized exchange decreased from last year with K€150. The unrealized gain from revaluation, also mainly on USD decreased with K€185.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Foreign exchange gains	C31	508.160	842.779	-334.619	-39,7%
754	Financial income - Exchange results	237.376	386.254	-148.877	-38,5%
755	Financial income - Conversion of currencies	270.784	456.526	-185.742	-40,7%
Total		508.160	842.779	-334.619	-39,7%

C32. Foreign Exchange Losses

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Foreign exchange losses	C32	-1.475.318	-204.780	-1.270.538	620,4%

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Foreign exchange losses	C32	-1.475.318	-204.780	-1.270.538	620,4%
654	Financial charges - Exchange results	-328.962	-84.370	-244.592	289,9%
655	Financial charges - Conversion of currencies	-1.146.356	-120.410	-1.025.946	852,0%
Total		-1.475.318	-204.780	-1.270.538	620,4%

The realized exchange losses increased with K€245 compared to previous year. The unrealized losses from revaluation, also mainly on GBP and NOK increased with K€1,026.

C33. Financial Income

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Financial income	C33	90.282	110.681	-20.400	-18,4%

The NCI Agency Capability Development in the conduct of its work is authorized to retain as a credit to the Operating Fund the net interest associated with the cash in bank and short-term investments relating to the operation of the NCI Agency Capability Development. The balance reflects the interest gains from the NCI Agency Capability Development's short-term investments which decreased compared to previous year because of the poor financial interest rates.

Interest gained on NSIP acquisition funds is returned to Nations. Bank interests received on the NSIP bank accounts is thus not included in the financial Income section, but can be found in the Other Payables section from the Statement of Financial Position.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Financial income	C33	90.282	110.681	-20.400	-18,4%
751	Financial income - Current Assets	89.995	110.615	-20.620	-18,6%
7579	Payment and rounding differences	0	0	0	-16,7%
756	Miscellaneous financial income	286	66	220	332,9%
Total		90.282	110.681	-20.400	-18,4%

C34. Financial Expenses

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Financial costs	C34	-10.944	-26.630	15.687	-58,9%

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Financial costs	C34	-10.944	-26.630	15.687	-58,9%
650	Costs related to debts	-503	-23	-480	N/A
657	Financial charges - Other	-10.441	-26.608	16.167	-60,8%
Total		-10.944	-26.630	15.687	-58,9%

The financial costs include the bank charges incurred as part of the treasury and disbursing operations of the Agency.

C35. Extraordinary Gains

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Extraordinary gains	C35	0	7.030.662	-7.030.662	-100,0%

Extraordinary gains and losses are results booked in the current year, which are either corrections to previous years or are not derived from the normal activities of the organization.

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Extraordinary gains	C35	0	7.030.662	-7.030.662	-100,0%
764 Income - Extraordinary		0	7.030.662	-7.030.662	-100,0%
Total		0	7.030.662	-7.030.662	-100,0%

C36. Extraordinary Losses

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Extraordinary losses	C36	0	-10.066.506	10.066.506	-100,0%

	Notes	Current Year	Prior Year	Variance	
	Unit	2013	2012	CY - PY	%
Extraordinary losses	C36	0	-10.066.506	10.066.506	-100,0%
663 Fixed assets - Sale - Loss		0	0	0	0,0%
664 Charges - Extraordinary - Other		0	-10.066.506	10.066.506	-100,0%
Total		0	-10.066.506	10.066.506	-100,0%

ANNEX E-15 – Notes to the ALTBMD PO BC Budget Execution Statement

Initial Authorisation	FA-MYR	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Carry Forward	Lapsed Credits
€ 4,391,212	€ 1,650,000	€ 6,041,212	€ 771,327	€ 5,269,885	€ 6,041,212	€ 771,327	€ 0

The BMD Programme Office has continued to support the warfighter in the context of ACTIVE FENCE, and in parallel has progressed with the incremental implementation of NATO's (T)BMD C2 capability, to conclude a significant year of progress for the BMD Programme. The BMD NATO Staff Requirement (NSR), which defines the full set of C2 system requirements for NATO BMD, was approved by the CNAD on 18/4/13. Capability Package (CP) OA1303REV1, which includes the BMD NSR, was submitted by the Bi-SCs on 6/3/13, endorsed by the MC on 10/7/13 and by the RPPB on 16/7/13, and subsequently approved by the NAC on 26 July 2013.

On 20/6/13, the NCI Agency signed the contract for the upgrade of ACCS LOC1 to ACCS TMD1 Increment 1 and it has successfully passed the Preliminary Design Review (PDR) milestone. The focus of the contract is mainly on real time BMD-related functions of ACCS. BMD with the support of AirC2 PO, fielded a Spiral 1 release of ACCS TMD1 software at CAOC Uedem and AC Ramstein along with a new ACCS JRE component, improving the architecture reliability. Additionally the PO successfully integrated its Integration Test Bed (ITB) in The Hague onto the NATO Secret Wide Area Network as an additional operational back-up ACCS site in case of unavailability of the Ramstein and/or Uedem installations. The PO also supported the German Rapid Arrow live firing exercise from and with AC Ramstein, with the participation of German PATRIOT Batteries in NAMFI (Crete), and a US Navy Aegis ship. All were integrated into the NATO Interim BMD C2 infrastructure, in parallel to ACTIVE FENCE.

The second Phase of Ensemble Test 3 (ET3) in Dec 2013 tested the tasking functionalities between ACCS and five National systems. ET3 is the first BMD non-real time functions tests and provided many interoperability findings. The BMD PO has engaged in a technological upgrade of its ITB, to take advantage of more modern IT technologies and associated recommendations from the NCI Agency. The I&T Team did engage NATO stakeholders and Nations to further coordinate the verification and validation approach towards the implementation of the (T)BMD Baseline capability.

The single BMD Systems Engineering process review team, activated in March 2013, completed the rationalisation of the BMD engineering processes which is used to develop and maintain an accurate and coherent set of BMD architectures and requirements in collaboration with other stakeholders, in particular with the BMD implementation projects.

The IC approved in December 2013 a fund request, as screened by the NOR, authorizing the physical scope for the BMD PO, Programme Management contractor support and Systems Engineering and Integration (SE&I) contractor support to achieve completion of the full BMD Capability in 2021. The approval also authorized the release of an Invitation for Bid (IFB) to industry for the re-competition of the SE&I Contract.

The Budget Execution Statement relates exclusively to the operations and management of the Integrated Test Bed operations for which contract authority was granted in 2007. There is a carry forward amount of €771,327.

The expenses of €6 million reported in the Budget Execution Statement, correspond to the accrued expenses reported in the Statement of Performance. Budget and the financial statement are thus presented on a comparable basis and in compliance with IPSAS24.

ANNEX E-16 – Notes to the NCIO Secretariat Budget Execution Statement

Total Contractual Supplies and Services

Initial Authorisation	FA-MYR	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Carry Forward	Lapsed Credits
€ 351,143	€ 0	€ 351,143	€ 642	€ 301,580	€ 302,222	€ 642	€ 48,921

As per the Charter of the NATO Communications and Information Organisation, approved by Council on 19 June 2012 under C-M(2012)0049, the NCIO is composed of an Agency Supervisory Board (ASG) and an executive body composed of a General Manager and his/her staff (the NCI Agency).

Per Article 26 (e) of the Charter, the chairperson of the ASB is supported by a independent ASB Executive Secretariat that is only responsible to the chairperson. Per Article 50 (c) and per AC/337-D(2012)0006-AS1 dd 29 November 2012, the ASB approved core funding (distinct and separate from NATO common funding) for the NCIO Independent Secretariat.

The ASB approved the structure (A3 and B5 staff member) and an annual budget based on the Military Budget cost share model. As a result it approved the 2013 budget for €338,834.

The 2013 budget is based on the direct cost of the A3 and B5 staff member, the direct travel cost of its staff and the representation/hospitality cost for the Chairman, totalling €259,579 euro. The ASB Secretariat is supported logistically (HR, Accounting & Finance, IT services, Office administration, Building and facilities), by the NCI Agency Capability Development which also executes the budget within its financial system. For this support the ASB Secretariat is charged with a support cost amounting to €79,255 for 2013.

Total costs for 2013 amount to €302,222;

- actual expenses amount to K€301 which correspond to the accrued expenses reported in the Statement of Performance; budget and the financial statement are thus presented on a comparable basis and in compliance with IPSAS24.
- credits are carried forward amount to €642;
- an amount of K€49 represent the lapsed credits

ANNEX E-17 – CapDev PPE Write-Off List

NCIA CD Statement of Property, Plant and Equipment Disposals
for the year ended 31 December 2013
(All amounts in 1 Euro)

Write-offs by ROS Number

ROS Number	Number of Items	%	Cum. %	Acquisition Cost
0001/2013	204	16.7%	16.7%	290,507.80
0002/2013	132	9.2%	25.9%	160,211.51
0003/2013	7	0.2%	26.2%	4,172.47
0004/2013	1	0.1%	26.2%	1,365.00
0005/2013	328	15.6%	41.9%	271,312.32
0006/2013	26	5.5%	47.4%	95,802.45
0007/2013	73	8.0%	55.4%	139,698.43
0008/2013	1	0.1%	55.5%	2,195.00
0009/2013	4	0.2%	55.7%	3,343.82
0010/2013	431	27.0%	82.7%	469,189.81
0011/2013	9	12.5%	95.2%	217,057.73
0012/2013	1	0.1%	95.3%	1,199.00
0013/2013	32	4.7%	100.0%	82,287.23
Summary by ROS Number	1,249	100.0%		1,738,342.57

Write-offs by Asset Category

Asset Category	Number of Items	%	Cum. %	Acquisition Cost
ADP equipment	1,128	95.0%	95.0%	1,651,834.36
Audio/Visual equipment	10	3.1%	98.1%	53,159.10
Copy equipment	0	0.0%	98.1%	0.00
Electronic equipment	0	0.0%	98.1%	0.00
Furniture	2	0.0%	98.1%	107.20
Moving equipment	0	0.0%	98.1%	0.00
Office equipment	0	0.0%	98.1%	0.00
Safety equipment	0	0.0%	98.1%	0.00
Telephone equipment	109	1.9%	100.0%	33,241.91
Tools and machinery	0	0.0%	100.0%	0.00
Transport equipment	0	0.0%	100.0%	0.00
Summary by Asset Category	1,249	100.0%		1,738,342.57

Write-offs by Year of Purchase

Year of Purchase	Number of Items	%	Cum. %	Acquisition Cost
?	25	0.1%	0.1%	2,357.85
1970 1979	0	0.0%	0.1%	0.00
1980 1989	6	1.1%	1.2%	18,592.27
1990 1999	46	4.2%	5.4%	73,526.81
2000	20	2.1%	7.5%	36,506.83
2001	20	5.9%	13.5%	103,117.50
2002	50	3.9%	17.4%	67,707.46
2003	105	20.2%	37.5%	350,632.51
2004	123	10.4%	48.0%	181,176.87
2005	126	8.1%	56.0%	140,593.67
2006	276	13.7%	69.8%	238,951.54
2007	194	13.9%	83.7%	241,029.58
2008	171	12.8%	96.4%	222,331.07
2009	54	2.4%	98.8%	41,205.24
2010	16	0.7%	99.6%	13,000.07
2011	13	0.3%	99.9%	5,324.30
2012	4	0.1%	100.0%	2,289.00
Summary by Year of Purchase	1,249	100.0%		1,738,342.57

Write-offs by Disposal Type

Disposal Type	Number of Items	%	Cum. %	Acquisition Cost
Cannibalized	0	0.0%	0.0%	0.00
Scrap	1,246	99.7%	99.7%	1,733,583.57
Lost/Stolen	3	0.3%	100.0%	4,759.00
Summary by Disposal Type	1,249	100.0%		1,738,342.57

ANNEX E-18 – CapDev Operations Surplus/(Deficit) Analysis

[illegible]

ANNEX E-19 – CapDev 2012 Restated Statement of Financial Position and Performance



NCI Agency CD - Statement of Financial Position - Reclassified as at 31 December 2012 (All amounts in 1 Euro)

Notes	Prior Year Restated - As	Reclassifications	IBAN Observations	Accounting Policy	Prior Year Restated - Reclass.
ANNEX C-R	31-Dec-12				31-Dec-12
ASSETS					
Cash and cash equivalents	93,361,884	0	0	0	93,361,884
Short-term investments	15,313,911	0	0	0	15,313,911
Receivables from sponsors	88,974,327	0	0	0	88,974,327
Other receivables	260,525	0	0	0	260,525
Inventory	0	0	0	0	0
Work in progress	618,461	0	0	0	618,461
Prepayments and deposits	0	0	0	0	0
Transitory assets accounts	35,120	0	0	0	35,120
Current assets	198,564,228	0	0	0	198,564,228
Long-term receivables	0	0	0	0	0
Long-term investments	0	0	0	0	0
Other financial assets	0	0	0	0	0
Infrastructure, plant and equipment	C01-R 1,278,560	0	0	-1,235,192	43,368
Land and buildings	C02-R 24,753,742	0	0	-24,753,742	0
Intangible assets	C03-R 103,232	0	0	-103,232	0
Other non-financial assets	0	0	0	0	0
Non-current assets	26,135,535	0	0	-26,092,167	43,368
TOTAL ASSETS	224,699,763	0	0	-26,092,167	198,607,596
LIABILITIES					
Tax and personnel related payables	822,771	0	0	0	822,771
Retirement and pension plan related pa	-131,726	0	0	0	-131,726
Advances from customers	91,102,870	0	0	0	91,102,870
Trade payables	74,826,636	0	0	0	74,826,636
Other payables	5,018,531	0	0	0	5,018,531
Short-term borrowings	0	0	0	0	0
Current portion of borrowings	0	0	0	0	0
Transitory liabilities accounts	C04-R 393,064	0	0	-409,427	-16,364
Current liabilities	172,032,146	0	0	-409,427	171,622,719
Long-term tax and personnel related pa	0	0	0	0	0
Long-term retirement and pension plan	0	0	0	0	0
Long-term payables	C05-R 22,885,813	0	0	-22,885,813	0
Long-term borrowings	0	0	0	0	0
Provisions	11,214,015	0	0	0	11,214,015
Non-current liabilities	34,099,828	0	0	-22,885,813	11,214,015
NET ASSETS/EQUITY					
Capital contributed by other government	0	0	0	0	0
Reserves - General purpose	C06-R 3,249,722	0	0	-3,206,354	43,368
Reserves - Special programmes	0	0	0	0	0
Accumulated surpluses/(deficits)	C06-R 15,318,067	0	0	409,427	15,727,494
	18,567,789	0	0	-2,796,926	15,770,862
Minority interest	0	0	0	0	0
Net Assets/Equity	18,567,789	0	0	-2,796,926	15,770,862
TOTAL LIABILITIES	224,699,763	0	0	-26,092,167	198,607,596



NCI Agency CD - Statement of Financial Performance - Reclassified
for the year ended 31 December 2012
(All amounts in 1 Euro)

	Notes	Prior Year Restated - As	Reclassification	IBAN Observations	Accounting Policy	Prior Year Restated - Reclass.
	ANNEX D-R	31-Dec-12				31-Dec-12
OPERATING ACTIVITIES						
Acquisitions		251,377,350	0	0	0	251,377,350
Operations	C01-R	101,720,616	0	0	45,023	101,765,638
Other	C02-R	13,140,840	0	0	-2,488,581	10,652,258
Revenue from operating activities		366,238,806	0	0	-2,443,559	363,795,247
Cost of acquisitions		250,186,258	0	0	0	250,186,258
Cost of operations		68,922,269	0	0	0	68,922,269
Operations depreciation	C03-R	376,829	0	0	-376,829	0
Operations provisions and write-offs		8,002,118	0	0	0	8,002,118
Cost of operating activities		327,487,475	0	0	-376,829	327,110,646
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		38,751,330	0	0	-2,066,729	36,684,601
GENERAL AND ADMINISTRATIVE COSTS						
Personnel		20,022,275	0	0	0	20,022,275
Operations and maintenance		8,163,299	0	0	0	8,163,299
Depreciation	C04-R	4,453,216	0	0	-4,453,216	0
Provisions and write-offs		327,394	0	0	0	327,394
General and administrative costs		32,966,185	0	0	-4,453,216	28,512,969
NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		5,785,145	0	0	2,386,487	8,171,632
FINANCIAL INCOME AND COSTS						
Foreign exchange gains		842,779	0	0	0	842,779
Foreign exchange losses		-204,780	0	0	0	-204,780
Financial income		110,681	0	0	0	110,681
Financial costs		-26,630	0	0	0	-26,630
Financial income and costs		722,050	0	0	0	722,050
NET SURPLUS/(DEFICIT) BEFORE EXTRAORDINARY ITEMS		6,507,196	0	0	2,386,487	8,893,682
EXTRAORDINARY INCOME AND COSTS						
Extraordinary gains	C05-R	6,666,257	0	0	364,405	7,030,662
Extraordinary losses	C06-R	-4,518,688	0	0	-5,547,818	-10,066,506
Extraordinary income and costs		2,147,569	0	0	-5,183,413	-3,035,844
NET SURPLUS/(DEFICIT) FOR THE PERIOD		8,654,765	0	0	-2,796,926	5,857,838
NET SURPLUS/(DEFICIT) ALLOCATION						
Reserves - Global purpose		0	0	0	0	0
Accumulated surpluses/(deficits)	C07-R	8,654,765	0	0	-2,796,926	5,857,838
Net surplus/(deficit) allocation		8,654,765	0	0	-2,796,926	5,857,838

ANNEX E-20 – Notes specific to 2012 Restatement

1. The reclassification of the Statement of Financial Position and Statement of Financial Performance has been done in the context of the NATO ACCOUNTING FRAMEWORK, more precisely the adaptation of IPSAS 17 & 31.
2. In accordance with the NATO ACCOUNTING FRAMEWORK approved by the NATO Council, IPSAS 17 & 31 Adapted - PP&E & Intangible assets has been implemented effective from the 1st Jan 2013, whereby PP&E and Intangible assets has been recognised for acquisitions post 1st Jan 2013 and acquisitions pre 1 January 2013 are fully expensed. This has led to the retirement of all PP&E and intangibles acquisitions that were capitalized by Capability Development prior to 1 January 2013.
3. As per the adapted standard the table below illustrates an overview of those PPE expensed/retired.

Retirement Intangible Assets & Plant, Property and Equipment NCI Agency CapDev

ASSET CATEGORIES		Depreciation		Acquisition Value	Accum. Depreciation	Book value
		# of Yrs	%	Carried Over 31-Dec-12	Carried Over 31-Dec-12	Carried Over 31-Dec-12
SW	Software Licences	3	33.33%	1,830,987.48	-1,727,755.06	103,232.42
INTANGIBLE FIXED ASSETS				1,830,987.48	-1,727,755.06	103,232.42
B1	Bâtiment Z Brussels (IC Loan)	10	10.00%	6,547,943.33	-6,339,082.69	208,860.64
B3	NC3A Main Building The Hague	10	10.00%	2,893,284.53	-1,234,216.22	1,659,068.31
				9,441,227.86	-7,573,298.91	1,867,928.95
IE	Installed Equipment	4	25.00%	3,433,008.34	-2,771,600.70	661,407.64
MA	Machinery	4	25.00%	374,171.97	-362,694.47	11,477.50
AE	ADP Equipment	3	33.33%	7,595,515.91	-7,216,762.91	378,753.00
CE	Comms Equipment	3	33.33%	2,615,433.98	-2,515,061.14	100,372.84
ME	Mission Equipment	4	25.00%	406,911.02	-343,901.04	63,009.98
OF	Office Furniture	4	25.00%	402,655.64	-391,377.74	11,277.90
PV	Passenger Vehicles	4	25.00%	173,372.24	-164,478.76	8,893.48
				15,001,069.10	-13,765,876.76	1,235,192.34
TANGIBLE FIXED ASSETS				24,442,296.96	-21,339,175.67	3,103,121.29
FIXED ASSETS				26,273,284.44	-23,066,930.73	3,206,353.70

ANNEX F

SEGMENT REPORT

SERVICE DELIVERY

ANNEX F – SEGMENT REPORT – SERVICE DELIVERY

Table of content

Annex F – SEGMENT REPORT – SERVICE DELIVERY.....	112
Annex F – 1 Introduction.....	113
Annex F – 2 SD Statement of Financial Position consolidated format.....	114
Annex F – 3 SD Statement of Financial Performance consolidated format.....	116
Annex F – 4 SD Statement of Financial Position legacy format	118
Annex F – 5 SD Statement of Financial Performance legacy format	119
Annex F – 6 SD Cash Flow Statement.....	120
Annex F – 7 SD Statement of Changes in Net Assets/Equity	121
Annex F – 8 SD Statement of Property, Plant & Equipment	122
Annex F – 9 SD Reconciliation of Budgets and Contribution Calls	123
Annex F – 10 SD Budget Execution Statements	124
Annex F – 11 SD Notes to the Statement of Financial Position	127
Annex F – 12 SD Notes to the Statement of Financial Performance	134
Annex F – 13 SD Write-off list	137
Annex F – 14 SD Inventories.....	138
Annex F – 15 SD Reconciliation between Statement of Performance and Budget Execution Statement (IPSAS 24).....	139
Annex F – 16 SD Budget Execution Statements Delegated Budgets.....	140
Annex F – 17 SD Budget Execution Reimbursable Activities.....	143
Annex F – 18 SD Details on BC Contract Authority	144
Annex F – 19 SD Details on Carry Forwards	145

ANNEX F-1 – Introduction

1. NCIO produces its first 2013 consolidated financial statements which required a revision and streamlining of accounting processes. 2013 was however still a transition year where its legacy entities, Capability Development (former NC3A), Air C2 Programme Office (former NACMA) and Service Delivery (former NCSA), still operated under their respective legacy funding models before NCIO becoming full customer funded as of 1 January 2014. As a result of this “hybrid” model, the legacy entities executed their budgets and financial plans within their respective accounting systems and as such reporting is still in accordance with their legacy processes. As a result IPSAS 18 “Segment Reporting” is applied for NCIO’s three legacy entities, as such disclosure will help the users to better understand the Agency’s past performance, to identify the resources allocated to support the major activities, enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations towards its governing bodies (IC, BC and ASB) and the International Board of Auditors.
2. All disclosure requirements of IPSAS 18 have been met through the respective annexes under the segments, and a reconciliation is produced under Annex H between the information disclosed for the segments and the aggregated information in the consolidated financial statements.
3. This segment is on the Service Delivery portion of the NCI Agency which is the legacy NCSA. Service Delivery operated under a budget model, being almost fully funded from the Military Budget. It is covering Centralized CIS services and support to ISAF, NATO Command Structure, NATO Headquarters and Nations, including NATO CIS School and the NATO Programming Centre.
4. As the format of the NCIO Consolidated Financial Statements is based on a new (aggregated) Chart of Accounts (COA), consolidation is achieved through the aggregation of the individual trial balances drawn from the respective legacy accounting systems, and translated to the new COA. As a result, Segment Statement of Position and Performance is first presented in the Consolidated NCIO format and then in its legacy format on which all the subsequent annexes are based. This is done as to provide better transparency towards both the legacy governing bodies approving the respective budgets and financial plans, as well as for the International Board of Auditors to facilitate the audit.

ANNEX F-2 - SD Statement of Financial Position

Consolidated Format



NCI Agency SD - Statement of Financial Position
as at 31 December 2013
(All amounts in 1 Euro)

Notes	Current Year	Prior Year Restated	Variance	
ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
FIXED AND CURRENT ASSETS				
Start-up and restructuring costs	0	0	0	0.0%
Intangible fixed assets	269,264	0	269,264	0.0%
Land, buildings, roads and infrastructure	0	0	0	0.0%
Plant, machinery and equipment	2,313,958	0	2,313,958	0.0%
Tangible fixed assets - Non-exchange transactions	0	0	0	0.0%
Tangible fixed assets - Leased	0	0	0	0.0%
Tangible fixed assets - Other	0	0	0	0.0%
Tangible fixed assets - Under construction	0	0	0	0.0%
Tangible fixed assets	2,313,958	0	2,313,958	0.0%
Other non-financial fixed assets	0	0	0	0.0%
Long term investments	0	0	0	0.0%
Other financial fixed assets	0	0	0	0.0%
Financial fixed assets	0	0	0	0.0%
Long term receivables - Trade receivables	0	0	0	0.0%
Long term receivables - Advances and prepayments	0	0	0	0.0%
Long term receivables - Other	2,715,958	2,881,209	-165,251	-5.7%
Long term receivables	2,715,958	2,881,209	-165,251	-5.7%
FIXED ASSETS	5,299,181	2,881,209	2,417,971	83.9%
Inventory	203,904	276,204	-72,300	-26.2%
Work in progress	0	0	0	0.0%
Inventory and work in progress	203,904	276,204	-72,300	-26.2%
Short term receivables - Trade receivables	68,341,648	45,614,196	22,727,451	49.8%
Short term receivables - Advances and prepayments	4,934,267	1,377,529	3,556,738	258.2%
Short term receivables - Other	573,917	936,899	-362,982	-38.7%
Short term receivables	73,849,832	47,928,625	25,921,207	54.1%
Short term investments	0	0	0	0.0%
Cash and cash equivalents	39,535,797	19,691,328	19,844,469	100.8%
Short term investments, cash and cash equivalents	39,535,797	19,691,328	19,844,469	100.8%
Transitory asset accounts	0	0	0	0.0%
CURRENT ASSETS	113,589,533	67,896,157	45,693,377	67.3%
TOTAL FIXED AND CURRENT ASSETS	118,888,714	70,777,366	48,111,348	68.0%



NCI Agency SD - Statement of Financial Position
as at 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
<u>EQUITY, PROVISIONS AND LIABILITIES</u>					
Capital - Committed		0	0	0	0.0%
Capital - Uncalled		0	0	0	0.0%
Capital		0	0	0	0.0%
Reserves - General purpose		0	0	0	0.0%
Reserves - Special programmes		0	0	0	0.0%
Reserves		0	0	0	0.0%
Surplusses (Deficits) carried forward - Prior years		0	0	0	-80.0%
Surplusses (Deficits) carried forward - Current year		0	0	0	-63.8%
Surplusses (Deficits) carried forward		0	0	0	-63.8%
NET ASSETS/EQUITY		0	0	0	-63.8%
Provisions - Pensions and similar rights		2,715,958	2,881,209	-165,251	-5.7%
Provisions - Major risks and costs		0	0	0	0.0%
Provisions - Other		0	0	0	0.0%
Provisions		2,715,958	2,881,209	-165,251	-5.7%
PROVISIONS		2,715,958	2,881,209	-165,251	-5.7%
Long term liabilities - Financial debts		0	0	0	0.0%
Long term liabilities - Trade debts		0	0	0	0.0%
Long term liabilities - Advances and prepayments re		0	0	0	0.0%
Long term liabilities - Tax and personnel related		0	0	0	0.0%
Long term liabilities - Retirement and pension relat		0	0	0	0.0%
Long term liabilities - Other		2,583,222	0	2,583,222	0.0%
Long term liabilities		2,583,222	0	2,583,222	0.0%
Short term liabilities - Current portion of long term li		0	0	0	0.0%
Short term liabilities - Financial debts		388	0	388	0.0%
Short term liabilities - Trade debts		50,491,404	27,112,727	23,378,677	86.2%
Short term liabilities - Advances and prepayments ri		49,744,635	890,672	48,853,963	-
Short term liabilities - Tax and personnel related		13,245	24,230	-10,985	-45.3%
Short term liabilities - Retirement and pension relat		0	0	0	0.0%
Short term liabilities - Unearned revenue		13,354,165	39,868,528	-26,514,363	-66.5%
Short term liabilities - Other		-14,304	0	-14,304	0.0%
Short term liabilities		113,589,533	67,896,157	45,693,377	67.3%
Transitory liability accounts		0	0	0	0.0%
LIABILITIES		116,172,755	67,896,157	48,276,599	71.1%
TOTAL EQUITY, PROVISIONS AND LIABILITIES		118,888,714	70,777,366	48,111,348	68.0%

ANNEX F-3 – SD Statement of Financial Performance Consolidated Format



NCI Agency SD - Statement of Financial Performance
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
OPERATING ACTIVITIES					
Contributions income		96,416,109	95,693,543	722,566	0.8%
Operations revenue		0	0	0	0.0%
Acquisition revenue		0	0	0	0.0%
Revenue from operating activities		96,416,109	95,693,543	722,566	0.8%
Unearned revenue (-)		0	0	0	0.0%
Inventory and work in progress - Increase (Decrease)		72,300	-48,958	121,258	-247.7%
Unearned revenue and work in progress		72,300	-48,958	121,258	-247.7%
Self produced fixed assets		0	0	0	0.0%
Other operating income		37,056	157,606	-120,550	-76.5%
TOTAL OPERATING REVENUE		96,525,465	95,802,191	723,274	0.8%
Cost of operations		0	0	0	0.0%
Acquisition cost		0	0	0	0.0%
Acquisition cost and cost of operations		0	0	0	0.0%
Operating activities - Provisions		0	0	0	0.0%
Operating activities - Depreciation		0	0	0	0.0%
Operating activities - Write-offs		0	0	0	0.0%
Operating activities - Provisions, depreciation and write-off:		0	0	0	0.0%
TOTAL OPERATING COST		0	0	0	0.0%
GROSS SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		96,525,465	95,802,191	-723,274	-0.8%
SUPPORT ACTIVITIES					
Contractual supplies and services		-21,753,440	-10,519,196	11,234,244	-106.8%
Personnel costs - Own staff		-47,461,779	-47,807,268	-345,489	0.7%
Personnel costs - Consultants and contractors		-26,519,799	-36,452,470	-9,932,671	27.2%
Investments - Not capitalized		-160,902	-865,291	-704,389	81.4%
Cost of support activities		-95,895,921	-95,644,225	251,696	-0.3%
Support activities - Provisions		-165,250	-80,498	84,752	-105.3%
Support activities - Depreciation		-176,184	-360	175,824	-
Support activities - Write-offs		0	0	0	0.0%
Support activities - Provisions, depreciation and write-offs		-341,434	-80,859	260,576	-322.3%
TOTAL SUPPORT COST		-96,237,355	-95,725,084	512,271	-0.5%
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		288,110	77,108	-211,003	-273.6%
FINANCIAL INCOME AND COSTS					
Foreign exchange gains		0	0	0	0.0%
Financial income - Other		753,158	164,233	588,925	358.6%
Financial income		753,158	164,233	588,925	358.6%
Foreign exchange losses		0	0	0	0.0%
Financial costs - Other		-732,217	-584,422	147,795	-25.3%
Financial costs		-732,217	-584,422	147,795	-25.3%
TOTAL FINANCIAL INCOME AND COSTS		20,941	-420,190	-441,130	105.0%
NET SURPLUS (DEFICIT) INCLUDING FINANCIAL INCOME AND COSTS		309,051	-343,082	-652,133	190.1%



NCI Agency SD - Statement of Financial Performance
for the year ended (Date)
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains - Sales of fixed assets		0	0	0	0.0%
Extraordinary gains - Other		0	0	0	0.0%
Extraordinary gains		0	0	0	0.0%
Extraordinary provisions		0	0	0	0.0%
Extraordinary depreciation and write-offs		0	0	0	0.0%
Extraordinary losses - Sales of fixed assets		0	0	0	0.0%
Extraordinary losses - Other		0	0	0	0.0%
Capitlization of restructuring costs (-)		0	0	0	0.0%
Extraordinary losses		0	0	0	0.0%
TOTAL EXTRAORDINARY INCOME AND COSTS		0	0	0	0.0%
NET SURPLUS (DEFICIT) INCLUDING EXTRAORDINARY INCOME AND COSTS		309,051	-343,082	-652,133	190.1%
NET SURPLUS (DEFICIT) ALLOCATION					
Net surplus (deficit) - Allocation to reserves		0	0	0	0.0%
Net surplus (deficit) - To be carried forward	✓	309,051 ✓	-343,082	652,133	-190.1%
Net surplus (deficit) - To be returned to Nations		-309,051	343,082	-652,133	-190.1%
Net surplus (deficit) allocation		0	0	0	-63.8%

ANNEX F-4 – SD Statement of Financial Position

Legacy Format

STATEMENT OF FINANCIAL POSITION

NCI AGENCY Service Delivery

As of 31 December 2013

<i>EUR</i>	<i>Notes (1)</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
ASSETS		118,888,714	70,777,366	48,111,348
<i>Current Assets</i>		<i>113,589,533</i>	<i>67,896,157</i>	<i>45,693,376</i>
Cash and Cash Equivalents		39,535,797	19,691,328	19,844,469
Petty Cash	1130	25,654	27,657	(2,003)
Current Bank Accounts	1140	39,510,143	19,664,089	19,846,055
Clearing Bank Accounts	1160	-	(418)	418
Receivables		68,915,565	46,551,096	22,364,469
Assessments Receivable	1310	(428)	15,000,001	(15,000,429)
Receivables from NATO Entities	1320	68,090,263	30,275,302	37,814,961
Receivables from Staff Members	1370	2,322	24,760	(22,438)
Receivables from Governments	1380	251,813	338,894	(87,081)
Other Receivables/Recoverables	1390	571,595	912,139	(340,544)
Prepayments and Miscellaneous Assets		4,934,267	1,377,529	3,556,738
Advances and Prepayments	1410	4,934,267	1,377,529	3,556,738
Inventories		203,904	276,204	(72,300)
Inventories	1510	203,904	276,204	(72,300)
Non-current Assets		5,299,181	2,881,209	2,417,971
Non-current Receivables and Financial Assets		2,715,958	2,881,209	(165,251)
Long Term Receivables for Provisions	1690	2,715,958	2,881,209	(165,251)
Property Plant and Equipment		2,313,958	-	2,313,958
Automated Information Systems	1810	579,615	-	579,615
Communication Systems		1,383,713	-	1,383,713
Furniture		23,093	-	23,093
Fixtures and Fittings		37,331	-	37,331
Transport Equipment		12,747	-	12,747
Machinery		20,438	-	20,438
Installed Equipment		257,021	-	257,021
Intangible Assets		269,264	-	269,264
Software		269,264	-	269,264
LIABILITIES		(118,888,714)	(70,777,366)	(48,111,348)
<i>Current Liabilities</i>		<i>(113,589,533)</i>	<i>(67,896,157)</i>	<i>(45,693,376)</i>
Current loans		(388)	-	(388)
Short Term Loans		(388)	-	(388)
Payables		(50,490,345)	(27,136,956)	(23,353,388)
Payable to Suppliers	2310	(29,378,678)	(21,100,669)	(8,278,010)
Payable to NATO Entities	2320	(21,098,421)	(6,012,058)	(15,086,363)
Payable to Staff Members	2370	(13,245)	(24,230)	10,985
Unearned Revenue and Advance Contributions		(63,098,801)	(40,759,201)	(22,339,600)
Advances by Consolidated Entities	2400	(15,000,000)	-	(15,000,000)
Advances by Non Consolidated Entities	2405	(32,890,731)	(614,468)	(32,276,263)
Unearned Revenue	2410	(10,566,121)	(36,861,402)	26,295,281
Liabilities Lapsed Budget Authorisations	2420	(2,434,292)	(3,350,209)	915,917
Liabilities from Operational Results	2430	(332,839)	(77,107)	(255,732)
Liabilities from Financial Results	2440	(20,914)	420,189	(441,103)
Liabilities from Budget Decreases	2470	(1,650,000)	-	(1,650,000)
Unearned Revenue Inventories	2490	(203,904)	(276,204)	72,300
Non-current Liabilities		(5,299,181)	(2,881,209)	(2,417,971)
Non-Current Unearned Revenue		(2,583,222)	-	(2,583,222)
Non-Current Unearned Revenue	2610	(2,583,222)	-	(2,583,222)
Provisions		(2,715,958)	(2,881,209)	165,251
Legal Provisions for Personnel	2970	(2,715,958)	(2,881,209)	165,251
NET ASSETS		-	-	-
Surpluses/Deficits (MBC)		-	-	-
Surpluses/Deficits NSIP	3120	-	-	-

(1) The reference numbers in this column are being used in the notes of the Statements of Financial Performance and Financial Position
Liabilities and revenue are presented with negative signs. Assets and expenses are presented with a positive sign

ANNEX F-5 – SD Statement of Financial Performance Legacy Format

STATEMENT OF FINANCIAL PERFORMANCE

NCI AGENCY Service Delivery

As for the year ending on 31 December 2013

<i>EUR</i>	<i>Notes (1)</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
OPERATING PERFORMANCE		(288,111)	(77,107)	(211,004)
Revenue from exchange transactions		(96,885,010)	(95,851,148)	(1,033,862)
Contribution Calls Recognised as Revenue	5110	(96,416,109)	(95,693,543)	(722,566)
Miscellaneous Receipts Relating to Previous Budget	5140	(289,919)	(77,107)	(212,812)
Increase / (Decrease) of Provisions	7590	(178,981)	(80,498)	(98,483)
Expenses		96,596,899	95,774,041	822,858
Personnel	7100	73,981,579	84,259,738	(10,278,160)
Contractual Supplies and Services	7200	21,765,416	10,519,196	11,246,221
Capital and Investment Budgeting	7300	160,902	865,291	(704,389)
Depreciation of Capital and Investments	7400	176,184	360	175,824
Miscellaneous Expenses non budget items	5120	512,818	129,456	383,362
FINANCIAL PERFORMANCE		(20,941)	420,190	(441,130)
Revenue		(753,158)	(164,233)	(588,925)
Financial Revenue	5610	(753,158)	(164,233)	(588,925)
Expenses		732,217	584,422	147,795
Financial Expenses	7610	732,217	584,422	147,795
TO BE RETURNED TO NATIONS		309,051	(343,082)	652,134
To be returned to NATIONS		309,051	(343,082)	652,134
To be returned to Nations	9999	309,051	(343,082)	652,134
END OF YEAR RESULT		-	-	-

(1) The reference numbers in this column are being used in the notes of the Statements of Financial Performance and Financial Position
Liabilities and revenue are presented with negative signs. Assets and expenses are presented with a positive sign

ANNEX F-6 – SD Cash Flow Statement Legacy Format

CASH FLOW STATEMENT NCI AGENCY Service Delivery As for the year ending on 31 December 2013

<i>EUR</i>	<i>2013</i>	<i>2012</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) from Ordinary Activities	-	-
<i>Non-cash Movements</i>		
Depreciation	176,184	360
Increase/(decrease) in Payables	23,353,388	2,351,568
Increase/(decrease) in Current Loans	388	-
Increase/(decrease) in Liabilities to Contributing Nations	22,339,600	(347,265)
Increase/(decrease) in Long Term Liabilities to Contributing Nat.	2,583,222	(360)
Increase/(decrease) in Provisions Related to Employee Cost	(165,251)	(80,498)
(Increase)/decrease in Receivables	(22,364,469)	(11,558,403)
(Increase)/decrease in Other Current Assets	(3,556,738)	(60,646)
(Increase)/decrease in Inventories	72,300	(48,958)
(Increase)/decrease in Non Current Receivables	165,251	80,498
Net Cash Flows from Operating Activities	22,603,876	(9,663,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant and Equipment (including software)	(2,759,407)	-
Proceeds from Sale of Plant and Equipment	-	-
Proceeds from Sale of Investments	-	-
Purchase of Foreign Currency Securities	-	-
Net Cash Flows from Investing Activities	(2,759,407)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	-	-
Repayment of Borrowings	-	-
Distribution/Dividend to Government	-	-
Net Cash Flows from Financing Activities	-	-
Change in Cash Flow	19,844,469	(9,663,704)

Reconciliation to the Cash Flow Statement

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

<i>EUR</i>	<i>2013</i>	<i>2012</i>
Cash on hand and balances with banks as of 01-JAN	19,691,328	29,355,032
Short-term investments beginning balance as of 01-JAN	-	-
Cash on hand and balances with banks as of 31-DEC	39,535,797	19,691,328
Short-term investments as of 31-DEC	-	-
Changes in cash and cash equivalents	19,844,469	(9,663,704)

ANNEX F-7 – SD Statement of Changes in Net Assets/ Equity Legacy Format

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

NCI AGENCY Service Delivery

For the year ended on 31 December 2013

<i>EUR</i>	<i>2013</i>	<i>2012</i>
<i>NET ASSETS/EQUITY AT BEGINNING OF THE REPORTING PERIOD</i>	0	0
Net Surplus/(deficit) for the reporting period	-	-
<i>TOTAL RECOGNIZED REVENUE AND EXPENSE FOR THE REPORTING PERIOD</i>	-	-
<i>NET ASSETS/EQUITY AT THE END OF THE REPORTING PERIOD</i>	0	0

ANNEX F-8 – SD Statement of Property, Plant and Equipment

NCI Agency SD - Statement of Property, Plant and Equipment as at 31-Dec-2013 (All amounts in 1 Euro)



Depr. %	ACQUISITION VALUE					DEPRECIATION			BOOK VALUE
	31-Dec-2012	Acquisitions 2013	Disposals/ adjustments	Transfers/ Reversals	Revaluation	31-Dec-2013	Depreciation 2013	Disposals/ adjustments	31-Dec-2013
PLANT, PROPERTY AND EQUIPMENT									
AE 33.3 %	ADP Equipment	0	869,422	0	0	869,422	0	-289,807	579,615
CE 33.3 %	Comms Equipment	0	2,075,570	0	0	2,075,570	0	-691,857	1,383,713
ME 33.3 %	Mission Equipment	0	49,774	0	0	49,774	0	-12,444	37,331
MA 25.0 %	Machinery	0	27,251	0	0	27,251	0	-6,813	20,438
IE 25.0 %	Installed Equipment	0	342,695	0	0	342,695	0	-85,674	257,021
OF 25.0 %	Office Furniture	0	30,790	0	0	30,790	0	-7,698	23,093
PV 25.0 %	Passenger Vehicles	0	16,996	0	0	16,996	0	-4,249	12,747
	Infrastructure, plant and equipment	0	3,412,499	0	0	3,412,499	0	-1,098,541	2,313,958
Leasehold Improvements									
B1 10.0 %	Bâtiment Z Brussels - Enhancements	0	0	0	0	0	0	0	0
B3 10.0 %	NCIA Main Building The Hague - Enhancements	0	0	0	0	0	0	0	0
	Land and buildings - Leasehold improvements	0	0	0	0	0	0	0	0
SW 33.3 %	Software Licences	0	403,896	0	0	403,896	0	-134,632	269,264
	Intangible assets	0	403,896	0	0	403,896	0	-134,632	269,264
	TOTAL PLANT, PROPERTY AND EQUIPMENT - CAPITALIZED	0	3,816,395	0	0	3,816,395	0	-1,233,173	2,583,222
0.0 %	Capital expenditures pending capitalization - Accrued	0	0	0	0	0	0	0	0
	TOTAL PLANT, PROPERTY AND EQUIPMENT	0	3,816,395	0	0	3,816,395	0	-1,233,173	2,583,222
	Delegated Budgets related (*)	0	3,222,151	0	0	3,222,151	0	-1,056,988	2,165,163
	TOTAL PLANT, PROPERTY AND EQUIPMENT - CAPITALIZED	0	594,244	0	0	594,244	0	-176,184	418,059
	Net Acquisitions 2013 (**)		594,244			Net Depreciation 2013 (**)	-176,184		

(*) Delegated Budgets related capitalisations and depreciation are eliminated from the Statement of Financial Performance.

(**) Net amounts related to Non-delegated Budgets as reported in the Statement of Financial Performance and in the Cash Flow Statement.

Book Value 31-Dec-2013	2,583,222
Depreciation Reserve 31-Dec-2013	2,583,222
Depreciation Reserve 31-Dec-2012	0
Increase/Decrease (-) Depreciation Reserve 31-Dec-2013	2,583,222
Acquisitions 2013	3,816,395
Disposals / adjustments	0
Transfers / Reversals	0
Net Acquisitions 2013	3,816,395
Depreciation 2013	-1,233,173
Disposals / adjustments	0
Net Depreciation 2013	-1,233,173
Increase/Decrease (-) Depreciation Reserve 31-Dec-2013	2,583,222

ANNEX F-9 – SD Reconciliation of Budgets and Contribution Calls

RECONCILIATION OF BUDGETS AND CALLS FOR CONTRIBUTION

NCI AGENCY Service Delivery

For the year ended on 31 December 2013

EUR	BUDGET				
Budget Year	876	872	874	875	TOTAL
2013 BUDGET AUTHORISATIONS					
BA2	6,104,000	76,242,553	6,152,752	11,705,814	100,205,119
Budget Transfers	-	(1,650,000)	-	-	(1,650,000)
Final Budget	6,104,000	74,592,553	6,152,752	11,705,814	98,555,119
BUDGET EXECUTION					
Net Commitments	2,753,479	6,245,877	759,822	481,453	10,240,631
Actual Expenses	3,336,181	67,728,813	5,368,063	10,848,886	87,281,943
Lapses	14,340	617,864	24,868	375,474	1,032,546
Control total	6,104,000	74,592,553	6,152,752	11,705,814	98,555,119
RESULTING REVENUE, ASSETS and LIABILITIES					
Receivables from Budget Increases	-	-	-	-	-
Unearned Revenue for Carry-Forwards	(2,753,479)	(6,245,877)	(759,822)	(481,453)	(10,240,631)
Liabilities for Lapses	(14,340)	(617,864)	(24,868)	(375,474)	(1,032,546)
Liabilities for Operational Results	(17,844)	(218,060)	(17,987)	(34,220)	(288,111)
Liabilities/receivables for Financial Results	(1,295)	(15,829)	(1,306)	(2,484)	(20,914)
Liabilities from Budget Decreases	-	(1,650,000)	-	-	(1,650,000)
Revenue Recognised	(3,336,181)	(67,728,813)	(5,368,063)	(10,848,886)	(87,281,943)
2012 BUDGET AUTHORISATIONS					
Final Budget (carry forward)	-	8,015,240	1,312,580	510,421	9,838,241
BUDGET EXECUTION					
Net Commitments	-	163,413	21,745	137,666	322,825
Actual Expenses	-	6,956,398	1,280,725	358,666	8,595,790
Lapses	-	895,429	10,110	14,088	919,627
Control total	-	8,015,240	1,312,580	510,421	9,838,241
RESULTING REVENUE, ASSETS and LIABILITIES					
Receivables from Budget Increases	-	-	-	-	-
Unearned Revenue for Carry-Forwards	-	(163,413)	(21,745)	(137,666)	(322,825)
Liabilities for Lapses	-	(895,429)	(10,110)	(14,088)	(919,627)
Liabilities for Operational Results	-	-	-	-	-
Liabilities for Financial Results	-	-	-	-	-
Liabilities from Budget Decreases	-	-	-	-	-
Revenue Recognised	-	(6,956,398)	(1,280,725)	(358,666)	(8,595,790)
2011 BUDGET AUTHORISATIONS					
Final Budget (carry forward)	-	772,247	173,106	77,809	1,023,162
BUDGET EXECUTION					
Net Commitments	-	2,534	-	131	2,665
Actual Expenses	-	352,222	129,300	56,854	538,377
Lapses	-	417,491	43,805	20,824	482,120
Control total	-	772,247	173,106	77,809	1,023,162
RESULTING REVENUE, ASSETS and LIABILITIES					
Receivables from Budget Increases	-	-	-	-	-
Unearned Revenue for Carry-Forwards	-	(2,534)	-	(131)	(2,665)
Liabilities for Lapses	-	(417,491)	(43,805)	(20,824)	(482,120)
Liabilities for Operational Results	-	-	-	-	-
Liabilities for Financial Results	-	-	-	-	-
Liabilities from Budget Decreases	-	-	-	-	-
Revenue Recognised	-	(352,222)	(129,300)	(56,854)	(538,377)
Subtotal					
12410 Unearned Revenue for Carry-Forwards	(2,753,479)	(6,411,824)	(781,567)	(619,251)	(10,566,121)
12410 Unearned Revenue Advance Contributions	-	-	-	-	-
12420 Liabilities for Lapses	(14,340)	(1,930,783)	(78,783)	(410,386)	(2,434,292)
12430 Liabilities for Operational Results	(17,844)	(218,060)	(17,987)	(34,220)	(288,111)
12430 Liabilities for Operational Results (other budgets)	-	-	-	-	(44,728)
12440 Liabilities/receivables for Financial Results	(1,295)	(15,829)	(1,306)	(2,484)	(20,914)
12470 Receivables from Budget Increases	-	-	-	-	-
12470 Liabilities from Budget Decreases	-	(1,650,000)	-	-	(1,650,000)
5110 Revenue Recognised	(3,336,181)	(75,037,433)	(6,778,088)	(11,264,407)	(96,416,109)

ANNEX F-10 – SD Budget Execution Statements

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS

BUDGET EXECUTION STATEMENT : BC BUDGETS ASSIGNED TO NCI AGENCY Service Delivery

NCI AGENCY Service Delivery

For the year ended on 31 December 2013

EUR	Initial Authorisation	BA2 Review- Initial Auth.	BA2 Review	BA3 Review - BA2 Review	BA3 Review	Final Budget - BA3 Review	(a) Final Budget	(b) Net Commitment	(b) Actual Expenses	(b)+(c) Total Spend	(a)-(b+c) Lapsed
At 28 Nations	102,105,119	(1,900,000)	100,205,119	(1,650,000)	98,555,119	0	98,555,119	10,240,631	87,281,943	97,522,574	1,032,546
2013	102,105,119	(1,900,000)	100,205,119	(1,650,000)	98,555,119	0	98,555,119	10,240,631	87,281,943	97,522,574	1,032,546
872 NCSA AT 28	78,373,553	(2,131,000)	76,242,553	(1,650,000)	74,592,553	0	74,592,553	6,245,877	67,728,813	73,974,690	617,864
Personnel	63,661,680	(1,506,522)	62,155,158	(2,450,000)	59,705,158	(863,320)	58,841,838	1,935,616	56,388,782	58,324,397	517,441
Contractual Supplies and Services	14,711,873	(1,040,378)	13,671,495	700,000	14,371,495	746,204	15,117,699	3,864,872	11,152,458	15,017,330	100,369
Capital and Investments Budgeting	-	415,900	415,900	100,000	515,900	117,116	633,016	445,389	187,573	632,962	54
874 NCISS LATINA AT 28	6,352,752	(200,000)	6,152,752	-	6,152,752	-	6,152,752	759,822	5,368,063	6,127,884	24,868
Personnel	3,516,773	(200,000)	3,316,773	-	3,316,773	31,543	3,348,316	51,980	3,296,324	3,348,303	12
Contractual Supplies and Services	2,835,979	-	2,835,979	-	2,835,979	(31,543)	2,804,437	707,842	2,071,739	2,779,581	24,856
Capital and Investments Budgeting	-	-	-	-	-	-	-	-	-	-	-
875 NPC GLONS AT 28	11,274,814	431,000	11,705,814	-	11,705,814	-	11,705,814	481,453	10,848,886	11,330,340	375,475
Personnel	7,349,121	434,168	7,783,289	3,000	7,786,289	(25,000)	7,761,289	48,136	7,479,240	7,527,376	233,913
Contractual Supplies and Services	3,850,287	(3,168)	3,847,119	(3,000)	3,844,119	25,000	3,869,119	432,975	3,309,861	3,742,836	126,283
Capital and Investments Budgeting	75406	-	75,406	-	75,406	-	75,406	342	59,785	60,127	15,279
876 NCI Agency Restructuring	6,104,000	-	6,104,000	-	6,104,000	-	6,104,000	2,753,479	3,336,181	6,089,660	14,340
Personnel	4,875,000	(381,150)	4,493,850	(2,011,000)	2,482,850	(1,268,541)	1,214,309	87,740	1,112,238	1,199,979	14,330
Contractual Supplies and Services	1,229,000	381,150	1,610,150	2,000,000	3,610,150	1,268,541	4,878,691	2,654,749	2,223,943	4,878,691	-
Capital and Investments Budgeting	-	-	-	11,000	11,000	-	11,000	10,990	-	10,990	10

Initial authorisation is the approved budget at the start of the fiscal year, during the fiscal year we have multiple revision of the approved budgets these are reflected in the BA2 and BA3 Review

Net Commitment = the unliquidated/open commitments balance these are carried forward into the next Fiscal Year

Lapsed amounts = unused budgetary credits/funds that will be returned to the contributing nations within the next fiscal year

For budget 876 NCI Agency received authorisation to carry forward uncommitted credits for 2.2 M Eur into FY2014 (2.2 M Eur is embedded in the Net Commitment column)

BUDGET EXECUTION STATEMENT : BC BUDGETS ASSIGNED TO NCI AGENCY Service Delivery

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS

NCI AGENCY Service Delivery

For the year ended on 31 December 2013

EUR	Initial Authorisation	(a) Final Authorisation	(b) Net Commitment	(c) Actual Expenses	(b)+(c) Total Spend	(a)-(b+c) Lapsed
At 28 Nations	9,838,241	9,838,241	322,825	8,595,789	8,918,614	919,627
2012	9,838,241	9,838,241	322,825	8,595,789	8,918,614	919,627
872 NCSA AT 28	8,015,240	8,015,240	163,414	6,956,398	7,119,812	895,428
Personnel	6,510,997	6,510,997	84,659	5,657,474	5,742,133	768,864
Contractual Supplies and Services	1,504,243	1,504,243	78,755	1,298,924	1,377,679	126,564
Capital and Investments Budgeting	-	-	-	-	-	-
874 NCISS LATINA AT 28	1,312,580	1,312,580	21,745	1,280,725	1,302,470	10,110
Personnel	51,451	51,451	4,335	43,116	47,451	4,000
Contractual Supplies and Services	1,261,129	1,261,129	17,410	1,237,609	1,255,019	6,110
Capital and Investments Budgeting	-	-	-	-	-	-
875 NPC GLONS AT 28	510,421	510,421	137,666	358,666	496,332	14,089
Personnel	34,283	34,283	58,319	(29,831)	28,488	5,795
Contractual Supplies and Services	438,280	438,280	79,347	350,639	429,986	8,294
Capital and Investments Budgeting	37,858	37,858	-	37,858	37,858	-

Final authorisation represents the equivalent budgetary credits of the carried forward commitments reported at year end of the prior fiscal year

Net Commitment = the unliquidated/open commitments balance these are carried forward into the next Fiscal Year

Lapsed amounts = unused budgetary credits/funds that will be returned to the contributing nations within the next fiscal year

Mid Year - Initial Budget represents the reduction/settlement of the exceptional carried forward credits - budgetary credits have been transferred towards ACO as per BC decision.

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS
BUDGET EXECUTION STATEMENT : BC BUDGETS ASSIGNED TO NCI AGENCY Service Delivery
NCI AGENCY Service Delivery
For the year ended on 31 December 2013

EUR	(a) Final Authorisation	(b) Net Commitment	(c) Actual Expenses	(b)+(c) Total Spend	(a) - (b+c) Lapsed
At 28 Nations	1,023,162	2,665	538,377	541,042	482,120
2011	1,023,162	2,665	538,377	541,042	482,120
872 NCSA AT 28	772,247	2,534	352,222	354,756	417,491
Personnel	354,256	2,033	33,277	35,310	318,947
Contractual Supplies and Services	417,991	501	318,946	319,447	98,544
Capital and Investments Budgeting	(0)	-	-	-	(0)
874 NC/ISS LATINA AT 28	173,106	-	129,300	129,300	43,805
Personnel	12,947	-	959	959	11,988
Contractual Supplies and Services	160,158	-	128,341	128,341	31,817
Capital and Investments Budgeting	-	-	-	-	-
875 NPC GLOWS AT 28	77,809	131	56,854	56,985	20,824
Personnel	163	-	-	-	163
Contractual Supplies and Services	77,646	131	56,854	56,985	20,661
Capital and Investments Budgeting	-	-	-	-	-

Final authorisation represents the the equivalent budgetary credits of the carried forward commitments reported at year end of the prior fiscal year

Net Commitment = the unliquidated/open commitments balance these are carried forward into the next Fiscal Year

Lapsed amounts = unused budgetary credits/funds that will be returned to the contributing nations within the next fiscal year

ANNEX F-11 – SD Notes to the Statement of Financial Position

Notes to the Statement of Financial Position

In general, the Statement of Financial Position includes the assets and liabilities resulting from the execution of the NCI Agency SD budgets and from the ACO and ACT budgets that are being executed by NCI Agency SD. Since NCI Agency SD becomes the procurement agent and interface with the suppliers, the liabilities result from contracts signed between NCI Agency SD and external suppliers. Receivables result from the amounts that are to be reimbursed by NATO entities and other customers which NCI Agency SD is supporting.

ASSETS (1)

Cash and Cash Equivalents (11)

Petty Cash (1130).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1130</u> <u>Petty Cash</u>	25,654	27,657	(2,003)

Small amounts of cash kept throughout NCI Agency SD for facing small expenses. The petty cash can be pure cash or bank balances. Petty cash holders regularly report on their use of funds, and these holdings are periodically verified by inspection. The balance is converted to the reporting currency at the NATO exchange rate prevailing at the end of the reporting period.

Current Bank Accounts (1140).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1140</u> <u>Current Bank Accounts</u>	39,510,143	19,644,089	19,846,055

The money kept on current bank accounts. The accounts reflect the situation on the bank statements. For current bank accounts held in a foreign currency, the balance is converted to the reporting currency at the NATO exchange rate prevailing at the end of the reporting period. The increase is due to advances on the Service Level Agreements from our customers mainly the corporate SLA.

Clearing-Bank Accounts (1160).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1160</u> <u>Clearing-Bank Accounts</u>	-	(418)	418

Accounts covering the period of time between the moment of payment to a supplier and the moment the payment is reflected on the bank statement or between the moment the bank notifies

the arrival of a receipt and the time the receipt is reflected on the bank statement.

When clearing-bank accounts are in a foreign currency, they are converted to the reporting currency at the NATO exchange rate prevailing at the end of the reporting period.

Receivables (13)

Assessments Receivable (notes 1310)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1310</u> <u>Assessments Receivable</u>	(428)	15,000,001	(15,000,429)

No advances on Cash calls have been made to the 28 Nations for FY2014 due to the transition towards customer funding.

Receivables from NATO Entities (1320)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1320</u> <u>Receivables from NATO</u> <u>Entities</u>	68,090,263	30,275,302	37,814,961

The amount consist of outstanding accounts receivable against NATO entities mainly ACO entities related to billed expenditures for prior fiscal years.

Receivables from Staff Members (1370)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1370</u> <u>Receivables from Staff</u> <u>Members</u>	2,322	24,760	(22,438)

The accounts are used for receivables from staff members such as short-term outstanding loans, salaries to be reimbursed, allowances to be reimbursed by staff members, overpayments on travel advances, and collections for private use of NATO communication equipment.

Receivables from Governments (1380)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1380</u> <u>Receivables from</u> <u>Governments</u>	251,813	338,894	(87,081)

The accounts deal with receivables other than contributions from Governments such as VAT refunds or reimbursement from National Military Representatives, National Support Units and other governmental entities for use of NATO communication equipment.

Other Receivables/Recoverables (1390)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1390</u> <u>Other</u> <u>Receivables/Recoverables</u>	571,595	912,139	(340,544)

This group of accounts covers current receivables other than those receivable from contributing governments, NATO entities, staff members or other receivables from governments. The amount consists of outstanding collection vouchers and invoices to be established against various customers.

Prepayments and Miscellaneous Assets (14)

Advances and Prepayments (1410)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1410</u> <u>Advances and Prepayments</u>	4,934,267	1,377,529	3,556,738

Advances and prepayments made by the reporting entity when paying third parties up-front for their goods or services. The accounts include receivables related to third parties, and NATO entities. Main increase is due to a pre-payment towards NSPA for 3.9 M Euro.

Inventories (15)

Inventories (1510)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1510</u> <u>Inventories</u>	203,904	276,204	(72,300)

Inventories reported are those inventories held at our depot at NPC Glons and NCISS Latina; they are valued with the weighted average cost method. More details of the type/transactions of inventories can be found at Annex F-14.

Non-current Receivables and Financial Assets (16)

Long-term Receivables for Provisions (1690)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1690</u> <u>Long-term Receivables for</u> <u>Provisions</u>	2,715,958	2,881,209	(165,251)

The accounts cover the amounts receivable from contributing Nations more than 12 months from the closing date of the financial statements for provisions expressed as liabilities. The amount mentioned here relates to obligations built up in Italy,(TFR) and for untaken leave as of 31 December, 2013 for the NCI Agency SD civilian staff members.

Property, Plant and Equipment (PPE) (18) and Intangible Assets

Property Plant and Equipment - Intangible assets (1810)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>1810</u> <u>PPE and Intangible Assets</u>	2,583,222	0	2,583,222

In accordance with the NATO ACCOUNTING FRAMEWORK approved by the NATO Council, IPSAS 17/31 Adapted - PP&E / Intangible Assets has been implemented effective 1 Jan 2013, whereby PP&E is being recognised for acquisitions post 1 January 2013 and acquisitions pre 1 January 2013 are fully expensed.

Infrastructure, plant and equipment are stated at the historical acquisition cost minus accumulated depreciation and any impairment losses.

Depreciation is provided for PP&E/Intangible assets over their estimated useful life using the straight line method. The thresholds, the estimated useful life and the annual depreciation percentage per asset category are disclosed in Annex F-8 under IPSAS 17/31 PP&E & Intangible Assets (adapted).

Additions or reductions in fixed assets are reported in the Statement of Financial Position, while the depreciation and expenses for the period are reported in the Statement of Financial Performance.

Installed equipment contains items such as Air conditioning, firefighting and security detection, plumbing, heating, power and distribution equipment. Machinery concerns wood and metal working, cleaning and food preparation equipment. ADP and mission equipment relates to Central Processing Units, computers and office machines. Intangible assets consist of commercial software & software licences.

LIABILITIES (2)

Payables (23)

Payables to Suppliers (2310).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2310</u> <u>Payable to Suppliers</u>	(29,378,678)	(21,100,669)	(8,278,010)

Amounts payable to commercial vendors based on goods or services ordered and received. The 2013 amounts consist outstanding accounts payable invoices from commercial vendors and liabilities created from the accrual accounting from un-invoiced receipts or un-invoiced manual accruals, the amount include accrued liabilities from un-invoiced receipts for suppliers in this group.

Payables to NATO Entities (2320).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2320</u> <u>Payables to NATO Entities</u>	(21,098,421)	(6,012,058)	(15,086,363)

This groups all amounts payable to other NATO entities. The amount consists of different outstanding accounts payable invoices against different NATO. The most important outstanding payables are payable to NSPA and to the NCI Agency CD. The amount includes accrued liability from un-invoiced receipts for suppliers NATO Entities in this group.

Payables to Staff Members (2370).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2370</u> <u>Payables to Staff Members</u>	<i>(13,245)</i>	<i>(24,230)</i>	<i>10,985</i>

The amounts relate to payables to staff members, e.g. salaries or allowances payable to staff members. At the end of the year this chapter of accounts should at most represent all amounts payable to staff members.

Unearned Revenue and Advance Contributions (24)

Advances by Consolidated Entities (2405)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2400</u> <u>Advances by Consolidated Entities</u>	<i>(15,000,000)</i>	<i>-</i>	<i>(15,000,000)</i>

Temporary loan from NCI Agency CD

Advances by Non Consolidated Entities (2400)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2405</u> <u>Advances by Non Consolidated Entities</u>	<i>(32,890,731)</i>	<i>(614,468)</i>	<i>(32,276,263)</i>

Advances received from other NATO entities mainly NAMSA, SHAPE and ACT.

Unearned Revenue (2410)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2410</u> <u>Unearned Revenue</u>	<i>(10,566,121)</i>	<i>(36,861,402)</i>	<i>26,295,281</i>

Details can be found at Annex F-10, the amounts consist of unearned revenue from commitments carried forward for the NCI Agency SD Budgets.

Liabilities Lapsed Budget Authorisations (2420)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2420</u> <u>Liabilities Lapsed Budget Authorisations</u>	(2,434,292)	(3,350,209)	915,917

At the end of the year, the accounts are used to express the liability created from not fully using the budgets authorised. Details can be found at Annex F-10.

Liabilities from Operational Results (2430)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2430</u> <u>Liabilities from Operational Results</u>	(332,839)	(77,107)	(255,732)

At the end of the year, this type of liability collects the amount to be returned to contributing Nations because of operating results.

Liabilities from Financial Results (2440)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2440</u> <u>Liabilities from Financial Results</u>	(20,914)	420,189	(441,103)

At the end of the year, the accounts are used to recognise the liability or receivable that is originating in the financial transactions of the past period, such as currency exchange gains and interest earned on one side and currency exchange losses and bank charges on the other side

Liabilities from Budget Decrease (2470)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2470</u> <u>Liabilities from Budget Decrease</u>	(1,650,000)	0	(1,650,000)0

The balance represents a decrease of our budget authorisation during FY 2013 resulting in a liability to the Nations. For fiscal year 2013 there was decrease that resulted in a liability at year end details can be found in Annex F-10.

Unearned Revenue from Inventories (2490)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2490</u> <u>Unearned Revenue from Inventories</u>	(203,904)	(276,204)	72,300

This amount consists of unearned revenue received from Nations used for acquisition of Inventories. It will be recognised as revenue at the same pace as the inventory increase or decrease during a reporting period.

Non-Current Unearned Revenue (2610)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>2610</u> <u>Non-Current Unearned Revenue</u>	(2,583,222)	0	(2,583,222)

This amount consists of unearned revenue received from Nations used for acquisition of Property Plant and Equipment and Intangible Assets. It will be recognised as revenue at the same pace as depreciation is recognised as an expense for the same assets. The amount shown equals the initial value of PPE posted minus the accumulated depreciation.

Provisions (29)

Legal Provisions for Personnel (2970)

<i>Ref</i>	<i>2013</i>	<i>2011</i>	<i>Difference</i>
<u>2970</u> <u>Legal Provisions for Personnel</u>	(2,715,958)	(2,881,209)	165,251

The NCI Agency SD had legal provisions for personnel employed in Italy. NCI Agency SD is keeping a provision for untaken leave as explained in the accounting policy.

NET ASSETS (3)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>3120</u> <u>Surpluses/Deficits (MBC)</u>	0	0	0

Net assets/equity is the residual interest in the assets of the entity after deducting all its liabilities.

Annex F-12 – SD Notes to the Statement of Financial Performance

Notes to the Statement of Financial Performance

The Statement of Financial Performance covers the operating revenue and expenses and the financial revenue and expenses. At the bottom follows the amount that has to be offset towards Nations and results in either a liability or a receivable from contributing nations.

Revenue (5)

Contribution Calls Recognised as Revenue (5110).

<i>Ref</i>	<i>2013</i>	<i>2011</i>	<i>Difference</i>
<u>5110</u> <u>Contribution Calls</u> <u>Recognised as Revenue</u>	(96,885,010)	(95,693,543)	(1,033,682)

Revenue recognised relating to contributions by the Nations and matching the expenses incurred for the reporting year.

The amounts include the 2013, 2012 and 2011 calls for contributions recognised in 2013 based on the accounting for expenses recognised in 2013.

All calls for contribution in relation to the NCI Agency SD's budgets are performed by the NCI Agency SD.

Miscellaneous Receipts (5140).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>5140</u> <u>Miscellaneous Receipts</u>	(289,919)	(77,107)	(212,812)

The amount of this year's miscellaneous receipts consists of miscellaneous revenue generated by the disposal of assets.

Increase / (Decrease to Provisions) (7590)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>7590</u> <u>Increase / (Decrease to</u> <u>Provisions)</u>	(178,981)	(80,498)	(98,483)

The accounts of this group reflect the amounts of provisions to be matched as revenue in the reporting year.

Financial Revenue (5610)

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>5610</u> <u>Financial Revenue</u>	(753,158)	(164,233)	(588,925)

Financial revenue consists of:

Exchange gain for an amount of 753 KEUR (FY2013) compared 122 KEUR (FY2012).

Expenses (7)

Personnel (7100).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>7100</u> <u>Personnel</u>	73,981,579	84,259,738	(10,278,160)

For 2013 the decrease of the personnel cost is related to the reclass of outsourcing of services that are performed by contractors they are now included in 7200 contractual supplies and services. Also the closure of certain sites resulted in a decrease of the personnel expenses

Contractual Supplies and Services (7200).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>7200</u> <u>Contractual Supplies and Services</u>	21,765,416	10,519,196	11,246,221

Contractual Supplies and Services Expenses incurred during the year. The increase results in the inclusions of contractors that were previously reclassified in Personnel 7100.

Capital and Investments (7300).

<i>Ref</i>	<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>7300</u> <u>Capital and Investments</u>	160,902	865,291	(704,389)

Capital investments that are still reported as expenses are PPE below the capitalization threshold. For FY2013 the amount decreased due to first inclusion of PPE in the statement of Position.

Depreciation of Capital and Investments (7400).

<i>Ref</i>		<i>2013</i>	<i>2013</i>	<i>Difference</i>
<u>7400</u>	<u>Depreciation of Capital and Investments</u>	176,184	360	175,824

For Fixed Assets purchased as non-project related or related to internal projects, NCI Agency SD takes into account the current year depreciation as a cost which amounts to K€176. Full detail on the 2013 annual depreciation by asset category can be found in Annex F-8.

Miscellaneous Expenses non budget items (5120).

<i>Ref</i>		<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>5120</u>	<u>Miscellaneous Expenses non budget items</u>	512,818	129,456	383,362

The amount consists of expenses recognised for additions to provisions and inventories, these items are not part of the attributed budget of NCI Agency SD.

Financial Expenses NATO (7610).

<i>Ref</i>		<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>7610</u>	<u>Financial Expenses NATO</u>	732,217	584,422	147,795

Financial expenses consist of:

Bank expenses for an amount of 21 KEUR (FY2013) compared to 19 KEUR (FY2012).

Exchange loss for an amount of 711 KEUR (FY2013) compared to 564 KEUR (FY2012).

To be Returned to Nations (To be received from Nations)

<i>Ref</i>		<i>2013</i>	<i>2012</i>	<i>Difference</i>
<u>9999</u>	<u>To be Returned to Nations</u>	309,051	(343,082)	652,134

This account is the balancing account of the Statement of Financial Performance. The amount balances the debits and credits of the Statement of Financial Performance and the underlying amounts are posted in the Statement of Financial Position as liabilities to be reimbursed to Nations or as a receivable from contributing Nations in the case of expenses incurred that are to be paid for by the contributing Nations.

Annex F-13 – SD Write-off list

Overview of Write-Offs

For the year ended on 31 December 2013

As stipulated in the NATO Financial Regulations, the NCI Agency SD is obliged to disclose an overview of all write-offs performed during the fiscal year. Distinction is made between cash and other write-offs. The following table provides a summary of the total amounts written-off per organisational unit. The PPE in the below table mainly belongs to our customers (ACO & ACT). Future write-offs as part of site closures and/or Hand Over/ Take Over of CIS Assets will be conducted in partnership with our customers.

Serial	Entity	PPE Class	Total
			(Euro)
(a)	(b)	(c)	(d)
1	1st NATO Signal Battalion	Transport & Equipment	0.00
2	2nd NATO Signal Battalion	Transport & Equipment	0.00
3	CIS Log Depot, Brunssum	Communications Equipment	0.00
4	CIS Log Depot Naples	Communications Equipment	0.00
5	CIS Log Depot Norfolk	Communications Equipment	0.00
6	Sector Izmir	Equipment	0.00
7	Sector Mons	Equipment	0.00
8	Sector Northwood	Equipment	0.00
9	Sector Lisbon	Equipment	0.00
10	Sector Madrid	Equipment	0.00
11	Sector Ramstein	Equipment	0.00
12	Sector Heidelberg	Equipment	0.00
13	NCISS	Equipment	0.00
14	NCSA HQ	CASH - Bad Debt & VAT	0.00
15	NCST Norway	Equipment	0.00
15	NC Det Finderup	Equipment	0.00
Total			0

During FY 2013, write-off reports were submitted to the BC for approval. As of 31 December 2013, these reports were not approved by the BC. The BC will process them during FY 2014.

ANNEX F-14 – SD Inventories

NCI AGENCY Service Delivery – 2013 FINANCIAL STATEMENTS

As of 31 Dec 2013 NCI AGENCY Service Delivery Inventories

In Euro

		151001	154001	1510
		CONSUMABLES	SPARE PARTS	INVENTORIES
Begin Balance		57,339.00	218,865.00	276,204.00
Increase/(decrease)		9,554.00	-81,854.00	-72,300.00
Ending Balance		66,893.00	137,011.00	203,904.00

Inventories reported are at NPC GLONS and NCISS Latina School.

There are no other items of inventory that qualify as an asset for NCI Agency Service Delivery. Inventories are reported at weighted average cost method.

Inventories mainly consist of supplies, no write down or reversals to the inventory balances are accounted during FY 2013.

ANNEX F-15 – SD Reconciliation between Statement of Performance and Budget Execution Statement (IPSAS 24)

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS
Reconciliation between Statement of Financial Performance and Budget Execution Statement

TABLE 2 : STATEMENT OF FINANCIAL PERFORMANCE NCI AGENCY Service Delivery As of 31 December 2013 EUR		Notes (1) 2013 (2)	BUDGET EXECUTION STATEMENTS - ACTUAL EXPENSES NCI AGENCY Service Delivery As of 31 December 2013		
			Subtotal	Table 5-1	Table 5-2 Table 5-3
OPERATING PERFORMANCE		(288,111)		-	
Revenue		(96,885,010)	(3)	-	-
Contribution Calls Recognised as Revenue	5110	(96,416,109)		-	-
Miscellaneous Receipts Relating to Previous Budget	5140	(289,919)		-	-
Miscellaneous Revenue non budget items	5120	-		-	-
Increase / (Decrease) of Provisions	7590	(178,981)		-	-
Expenses		96,596,899		96,416,109	538,377
Personnel	7100	73,981,579		87,281,943	
Contractual Supplies and Services	7200	21,765,416	(4)	68,276,583	34,236
Capital and Investment Budgeting	7300	160,902	(5)	18,758,001	504,141
Depreciation of Capital and Investments	7400	176,184	(5)	247,358	
Additions to Provisions	7590	-	(6)	-	37,858
Miscellaneous Expenses non budget items	5120	512,818	(6)	-	-
FINANCIAL PERFORMANCE		(20,941)		-	-
Revenue		(753,158)	(7)	-	-
Financial Revenue	5610	(753,158)		-	-
Expenses		732,217		-	-
Financial Expenses	7610	732,217	(7)	-	-
TO BE RETURNED TO NATIONS		309,051		-	-
To be returned to NATIONS		309,051		-	-
To be returned to Nations	9999	309,051		-	-
END OF YEAR RESULT		-		-	-

- (1) The reference numbers in this column are being used in the notes discussing the Statements of Financial Performance and Financial Position.
- (2) Credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts and balances such as assets and expenses carry a positive sign.
- (3) In accordance with actual budget procedures, revenue are not budgeted for.
- (4) In accordance with actual budget procedures, inventories increase/decrease, and are not budgeted for.
- (5) In accordance with actual budget procedures, depreciation of procured of Property Plant and Equipment are not budgeted for.
- (6) In accordance with actual budget procedures, additions to provisions are not budgeted for.
- (7) In accordance with actual budget procedures, financial expenses/revenue are not budgeted for.

ANNEX F-16 – SD Budget Execution Statements

Delegated Budgets

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS					
BC BUDGET EXECUTION STATEMENT : BC CIS BUDGETS DELEGATED to NCI AGENCY SD					
For the year ended on 31 December 2013					
EUR	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Lapsed
Subtotal	149,427,836	34,275,527	110,386,554	144,662,080	4,765,754
2013	110,289,582	30,723,402	78,009,952	108,733,355	1,556,226
101 SHAPE	3,024,357	1,004,748	1,954,140	2,958,888	65,470
Personnel	38,700	4,863	33,801	38,664	36
Contractual Supplies and Services	2,255,812	787,896	1,402,825	2,190,721	65,091
Capital and Investments Budgeting	729,846	211,988	517,514	729,502	343
103 JFC HQ BRUNSSUM	1,695,190	41,419	1,367,923	1,409,342	285,848
Personnel	10,190	-	7,845	7,845	2,345
Contractual Supplies and Services	1,620,000	41,419	1,315,544	1,356,963	263,037
Capital and Investments Budgeting	65,000	-	44,534	44,534	20,466
104 JFC HQ NAPLES	1,994,042	462,351	1,494,255	1,956,606	37,437
Personnel	31,539	6,586	23,598	30,183	1,356
Contractual Supplies and Services	1,962,503	455,765	1,470,657	1,926,422	36,081
Capital and Investments Budgeting	-	-	-	-	-
105 CC-AIR HQ RAMSTEIN	975,712	191,713	780,596	972,310	3,402
Personnel	-	-	-	-	-
Contractual Supplies and Services	932,963	173,223	757,848	931,071	1,892
Capital and Investments Budgeting	42,749	18,490	22,749	41,239	1,510
108 CC-LAND HQ HEIDELBERG	10,501	-	10,501	10,501	-
Personnel	-	-	-	-	-
Contractual Supplies and Services	10,501	-	10,501	10,501	-
Capital and Investments Budgeting	-	-	-	-	-
111 CC-AIR HQ IZMIR	854,239	201,373	642,661	844,034	10,206
Personnel	3,874	-	3,874	3,874	-
Contractual Supplies and Services	850,365	201,373	638,787	840,160	10,206
Capital and Investments Budgeting	-	-	-	-	-
117 CC-LAND HQ MADRID	162,893	(5,530)	160,448	154,918	7,975
Personnel	-	-	-	-	-
Contractual Supplies and Services	162,893	(5,530)	160,448	154,918	7,975
Capital and Investments Budgeting	-	-	-	-	-
118 CC-MAR HQ NORTHWOOD	818,808	114,992	697,626	812,618	6,190
Personnel	-	-	-	-	-
Contractual Supplies and Services	818,808	114,992	697,626	812,618	6,190
Capital and Investments Budgeting	-	-	-	-	-
122 ACO REORGANISATION BUDGET	105,641	30,099	69,618	99,717	5,924
Personnel	-	-	-	-	-
Contractual Supplies and Services	105,641	30,099	69,618	99,717	5,924
Capital and Investments Budgeting	-	-	-	-	-
166 ACO OAF SUPPORT	569,904	293,939	38,595	332,534	237,370
Personnel	-	-	-	-	-
Contractual Supplies and Services	423,802	151,415	38,595	190,010	233,592
Capital and Investments Budgeting	146,302	142,524	-	142,524	3,778
177 NCCB	65,134,068	15,650,326	49,266,300	64,916,626	217,442
Personnel	10,240	9,840	400	10,240	-
Contractual Supplies and Services	64,926,371	15,554,176	49,154,752	64,708,929	217,442
Capital and Investments Budgeting	197,458	86,309	111,148	197,458	-
178 NATO CIS GROUP	515,715	227,907	213,656	441,563	74,152
Personnel	53,238	11,002	41,717	52,720	518
Contractual Supplies and Services	462,477	216,905	171,938	388,843	73,634
Capital and Investments Budgeting	-	-	-	-	-
183 KFOR	9,932	-	9,932	9,932	-
Personnel	-	-	-	-	-
Contractual Supplies and Services	9,932	-	9,932	9,932	-
Capital and Investments Budgeting	-	-	-	-	-
185 ISAF	31,667,511	12,256,669	18,990,981	31,247,650	419,861
Personnel	1,595,977	865,836	447,932	1,313,768	282,209
Contractual Supplies and Services	30,071,534	11,390,832	18,543,050	29,933,882	137,652
Capital and Investments Budgeting	-	-	-	-	-
189 OPERATION ACTIVE ENDAVOUR	10,620	242	4,959	5,200	5,420
Personnel	-	-	-	-	-
Contractual Supplies and Services	10,620	242	4,959	5,200	5,420
Capital and Investments Budgeting	-	-	-	-	-
201 HQ SACT	1,443,451	120,815	1,312,665	1,433,480	9,970
Personnel	-	-	-	-	-
Contractual Supplies and Services	1,346,059	120,815	1,217,597	1,338,413	7,646
Capital and Investments Budgeting	97,392	0	95,068	95,068	2,324
259 HQ SACT	302,000	42,482	203,477	245,958	56,042
Personnel	-	-	-	-	-
Contractual Supplies and Services	302,000	42,482	203,477	245,958	56,042
Capital and Investments Budgeting	-	-	-	-	-
M01 STRIKEFORNATO	607,486	72,240	535,246	607,486	-
Personnel	514,225	72,240	441,985	514,225	-
Contractual Supplies and Services	93,261	-	93,261	93,261	-

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS

EUR	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Lapsed
Capital and Investments Budgeting	-	-	-	-	-
M70 STRIKEFORNATO	387,509	17,619	256,373	273,992	113,517
Personnel	12,000	-	1,929	1,929	10,071
Contractual Supplies and Services	335,509	17,619	223,941	241,559	93,950
Capital and Investments Budgeting	40,000	-	30,504	30,504	9,496
2012	34,848,616	2,425,134	31,080,603	33,505,737	1,342,879
101 SHAPE	1,259,196	(184,741)	1,145,483	960,742	298,454
Personnel	5,384	0	5,384	5,384	-
Contractual Supplies and Services	944,394	(184,741)	830,683	645,942	298,452
Capital and Investments Budgeting	309,418	0	309,416	309,416	2
102 JOINT HQ LISBON	881	-	(2,651)	(2,651)	3,532
Personnel	-	-	-	-	-
Contractual Supplies and Services	881	-	(2,651)	(2,651)	3,532
Capital and Investments Budgeting	-	-	-	-	-
103 JFC HQ BRUNSSUM	87,607	266	53,557	53,824	33,783
Personnel	-	-	-	-	-
Contractual Supplies and Services	87,607	266	53,557	53,824	33,783
Capital and Investments Budgeting	-	-	-	-	-
104 JFC HQ NAPLES	864,820	118,301	742,542	860,843	3,977
Personnel	7,083	1,282	5,801	7,083	-
Contractual Supplies and Services	857,737	117,019	736,741	853,760	3,977
Capital and Investments Budgeting	-	-	-	-	-
105 CC-AIR HQ RAMSTEIN	109,204	11,252	92,277	103,529	5,675
Personnel	-	-	-	-	-
Contractual Supplies and Services	99,704	11,252	84,832	96,085	3,620
Capital and Investments Budgeting	9,500	-	7,445	7,445	2,055
108 CC-LAND HQ HEIDELBERG	16,431	-	15,746	15,746	685
Personnel	-	-	-	-	-
Contractual Supplies and Services	16,431	-	15,746	15,746	685
Capital and Investments Budgeting	-	-	-	-	-
111 CC-AIR HQ IZMIR	278,248	269	265,993	266,261	11,987
Personnel	5,009	-	-	-	5,009
Contractual Supplies and Services	201,700	269	194,453	194,721	6,978
Capital and Investments Budgeting	71,540	-	71,540	71,540	-
117 CC-LAND HQ MADRID	26,898	-	12,623	12,623	14,275
Personnel	1,114	-	1,114	1,114	-
Contractual Supplies and Services	25,784	-	11,509	11,509	14,275
Capital and Investments Budgeting	-	-	-	-	-
118 CC-MAR HQ NORTHWOOD	41,475	13,919	-	13,919	27,556
Personnel	-	-	-	-	-
Contractual Supplies and Services	41,475	13,919	-	13,919	27,556
Capital and Investments Budgeting	-	-	-	-	-
157 ACO EXERCISES & TRAINING	61,209	34,603	26,153	60,756	454
Personnel	-	-	-	-	-
Contractual Supplies and Services	61,209	34,603	26,153	60,756	454
Capital and Investments Budgeting	-	-	-	-	-
177 NCCB	19,569,120	1,600,303	17,303,104	18,903,408	665,712
Personnel	3,748	-	3,748	3,748	-
Contractual Supplies and Services	19,290,976	1,600,303	17,024,961	18,625,264	665,712
Capital and Investments Budgeting	274,396	-	274,396	274,396	-
178 NATO CIS GROUP	429,362	15,577	412,194	427,771	1,592
Personnel	84,602	-	88,333	88,333	(3,730)
Contractual Supplies and Services	344,760	15,577	323,861	339,438	5,322
Capital and Investments Budgeting	-	-	-	-	-
185 ISAF	12,030,869	807,684	10,984,279	11,791,964	238,905
Personnel	3,929,331	106,511	3,559,523	3,666,034	263,297
Contractual Supplies and Services	8,101,538	701,174	7,424,756	8,125,930	(24,392)
Capital and Investments Budgeting	-	-	-	-	-
189 OPERATION ACTIVE ENDAVOUR	8,488	(0)	8,015	8,014	474
Personnel	-	-	-	-	-
Contractual Supplies and Services	753	(0)	280	279	474
Capital and Investments Budgeting	7,735	-	7,735	7,735	-
201 HQ SACT	64,806	7,701	21,288	28,989	35,817
Personnel	-	-	-	-	-
Contractual Supplies and Services	64,806	7,701	21,288	28,989	35,817
Capital and Investments Budgeting	(0)	0	(0)	(0)	-

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS

EUR	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Lapsed
2011	4,295,106	366,566	2,066,207	2,432,773	1,862,332
101 SHAPE	56,453	7,031	22,969	30,000	26,453
Personnel	0	-	-	-	0
Contractual Supplies and Services	56,453	7,031	22,969	30,000	26,453
Capital and Investments Budgeting	-	-	-	-	-
102 JOINT HQ LISBON	1,740	-	(778)	(778)	2,518
Personnel	-	-	-	-	-
Contractual Supplies and Services	1,740	-	(778)	(778)	2,518
Capital and Investments Budgeting	-	-	-	-	-
103 JFC HQ BRUNSSUM	22,279	4,506	10,416	14,922	7,357
Personnel	-	-	-	-	-
Contractual Supplies and Services	8,359	4,506	(3,504)	1,002	7,357
Capital and Investments Budgeting	13,920	-	13,920	13,920	-
104 JFC HQ NAPLES	47,138	34,856	(15,710)	19,146	27,992
Personnel	1,260	0	-	0	1,260
Contractual Supplies and Services	45,878	34,856	(15,710)	19,146	26,732
Capital and Investments Budgeting	-	-	-	-	-
105 CC-AIR HQ RAMSTEIN	(0)	-	(1,230)	(1,230)	1,230
Personnel	-	-	-	-	-
Contractual Supplies and Services	(0)	-	(1,230)	(1,230)	1,230
Capital and Investments Budgeting	-	-	-	-	-
108 CC-LAND HQ HEIDELBERG	94	-	-	-	94
Personnel	-	-	-	-	-
Contractual Supplies and Services	94	-	-	-	94
Capital and Investments Budgeting	-	-	-	-	-
111 CC-AIR HQ IZMIR	1,274	587	(0)	587	687
Personnel	687	-	-	-	687
Contractual Supplies and Services	586	587	(0)	587	(1)
Capital and Investments Budgeting	-	-	-	-	-
117 CC-LAN HQ MADRID	820	-	(5,777)	(5,777)	6,597
Personnel	-	-	-	-	-
Contractual Supplies and Services	820	-	(5,777)	(5,777)	6,597
Capital and Investments Budgeting	-	-	-	-	-
118 CC-MAR HQ NORTHWOOD	36,962	3,377	-	3,377	33,585
Personnel	-	-	-	-	-
Contractual Supplies and Services	36,962	3,377	-	3,377	33,585
Capital and Investments Budgeting	-	-	-	-	-
157 ACO EXERCISES & TRAINING	10,936	28	(23)	6	10,930
Personnel	-	-	-	-	-
Contractual Supplies and Services	10,936	28	(23)	6	10,930
Capital and Investments Budgeting	-	-	-	-	-
177 NCCB	3,189,978	136,941	1,541,465	1,678,406	1,511,572
Personnel	-	-	-	-	-
Contractual Supplies and Services	3,189,978	136,941	1,542,127	1,679,088	1,510,910
Capital and Investments Budgeting	-	-	(662)	(662)	662
185 ISAF	924,161	179,240	515,264	694,504	229,657
Personnel	12,773	0	-	0	12,773
Contractual Supplies and Services	911,388	179,240	515,264	694,504	216,884
Capital and Investments Budgeting	-	-	-	-	-
189 OPERATION ACTIVE ENDAVOUR	3,271	-	(390)	(390)	3,661
Personnel	-	-	-	-	-
Contractual Supplies and Services	3,271	-	(390)	(390)	3,661
Capital and Investments Budgeting	-	-	-	-	-
2010	(5,468)	760,424	(770,209)	(9,785)	4,317
177 NCCB	(5,468)	69,491	(79,276)	(9,785)	4,317
Personnel	-	69,278	(69,278)	-	-
Contractual Supplies and Services	(5,468)	213	(9,998)	(9,785)	4,317
Capital and Investments Budgeting	-	-	-	-	-
185 ISAF	-	690,933	(690,933)	-	-
Personnel	-	-	-	-	-
Contractual Supplies and Services	-	690,933	(690,933)	-	-
Capital and Investments Budgeting	-	-	-	-	-

ANNEX F-17 – SD Budget Execution Reimbursable Activities

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS

BUDGET EXECUTION STATEMENT : REIMBURSABLE ACTIVITIES

For the year ended on 31 December 2013

EUR	Expenditure Ceiling	Net Commitment	Actual Expenses	Total Spend
Reimbursable activities	7,253,285	652,830	4,453,884	5,080,721
2013	3,922,019	617,418	2,759,166	3,335,723
Z01 REIMBURSABLE EXPENDITURES	639,992	29,950	554,282	584,231
Personnel	-	-	-	-
Contractual Supplies and Services	639,992	29,950	554,282	584,231
Capital and Investments Budgeting	-	-	-	-
ZNC REIMBURSABLE NON CONSOLID.	3,149,137	585,873	2,204,884	2,790,758
Personnel	951,722	290,287	634,833	925,120
Contractual Supplies and Services	2,147,859	261,956	1,554,127	1,816,083
Capital and Investments Budgeting	49,555	33,631	15,925	49,555
2012	3,198,306	33,817	1,738,294	1,786,979
Z01 REIMBURSABLE EXPENDITURES	95,605	1,120	71,995	73,115
Personnel	-	-	-	-
Contractual Supplies and Services	95,605	1,120	71,995	73,115
Capital and Investments Budgeting	-	-	-	-
ZNC REIMBURSABLE NON CONSOLID.	3,086,642	32,697	1,666,299	1,698,996
Personnel	128,772	41,347	81,755	123,102
Contractual Supplies and Services	2,543,262	(20,051)	1,283,376	1,263,325
Capital and Investments Budgeting	414,608	11,400	301,169	312,569
2011	132,890	1,595	(40,861)	(39,266)
Z01 REIMBURSABLE EXPENDITURES	4,836	-	(191)	(191)
Personnel	-	-	-	-
Contractual Supplies and Services	4,836	-	(191)	(191)
Capital and Investments Budgeting	-	-	-	-
ZNC REIMBURSABLE NON CONSOLID.	111,995	1,595	(55,538)	(53,943)
Personnel	-	-	-	-
Contractual Supplies and Services	111,995	1,595	(55,538)	(53,943)
Capital and Investments Budgeting	-	-	-	-
Z31 REIMBURSABLE NON CONSOLID.	16,059	-	14,868	14,868
Personnel	-	-	-	-
Contractual Supplies and Services	16,059	(0)	14,868	14,868
Capital and Investments Budgeting	-	-	-	-
2010	70	-	(2,715)	(2,715)
Z01 REIMBURSABLE EXPENDITURES	70	-	(85)	(85)
Personnel	-	-	-	-
Contractual Supplies and Services	70	-	(85)	(85)
Capital and Investments Budgeting	-	-	-	-
ZNC REIMBURSABLE EXPENDITURES	-	-	(2,630)	(2,630)
Personnel	-	-	-	-
Contractual Supplies and Services	-	-	(2,630)	(2,630)
Capital and Investments Budgeting	-	-	-	-

ANNEX F-18 – SD Details on BC Contract Authority

BUDGET EXECUTION STATEMENT : BC CONTRACT AUTHORITY REGISTERED

<i>EUR</i>	<i>Final</i>	<i>Net</i>	<i>Carry-</i>	<i>Not Used</i>
	<i>Authorisation</i>	<i>Commitment</i>	<i>Forward</i>	
<i>FUNDS delegated to NCIA SD</i>	<i>5,920,419</i>	<i>3,077,769</i>	<i>3,077,769</i>	<i>2,842,650</i>
<i>177 NCCB AT 25N</i>	<i>820,419</i>	<i>637,681</i>	<i>637,681</i>	<i>182,738</i>
Contractual Supplies and Services	820,419	637,681	637,681	182,738
2014	820,419	637,681	637,681	182,738
<i>185 ISAF</i>	<i>5,100,000</i>	<i>2,440,088</i>	<i>2,440,088</i>	<i>2,659,912</i>
Personnel Expenses	5,100,000	2,440,088	2,440,088	2,659,912
2014	5,100,000	2,440,088	2,440,088	2,659,912
<i>Contract Authority Total</i>	<i>5,920,419</i>	<i>3,077,769</i>	<i>3,077,769</i>	<i>2,842,650</i>

ANNEX F-19 – SD Details on Carry Forwards

NCI AGENCY Service Delivery - 2013 FINANCIAL STATEMENTS

NCI AGENCY Service Delivery - COMMITTED CREDITS CARRIED FORWARD TO FY 2013 BY CHAPTER AND ITEM

As of 31 December 2013

EUR		Budget		Budget	
Budget		Chapter / Item	2013	2012	Grand Total
872 NCSA At 28N	710000	PERSONNEL	1,935,616	84,659	2,020,274
	711000	EMPLOYMENT OF PERSONNEL	1,508,185	73,719	1,581,903
	712000	RECRUITMENT AND SEPARATION	19,651	1,181	20,831
	713000	CLOTHING	2,479	-	2,479
	715000	MEDICAL EXAMINATIONS	33,040	547	33,587
	716000	TRAINING	372,261	9,213	381,474
	720000	CONTRACTUAL SUPPLIES AND SERVICES	3,864,872	78,755	3,943,627
	721000	GENERAL SUPPORT	72,214	5,390	77,604
	722000	MISSION SUPPORT	3,586,419	23,714	3,610,133
	723000	TRAVEL TRANSPORTATION	206,239	49,651	255,890
	730000	CAPITAL AND INVESTMENTS BUDGETING	445,389	-	445,389
	731000	AIS BUD	278,689	-	278,689
	732000	COMMUNICATIONS BUD	72,300	-	72,300
872 NCSA At 28N		SUBTOTAL	6,245,877	163,413	6,409,290
874 NCIA at 28N	710000	PERSONNEL	51,980	4,335	56,315
	711000	EMPLOYMENT OF PERSONNEL	9,326	3,611	12,937
	712000	RECRUITMENT AND SEPARATION	-	129	129
	715000	MEDICAL EXAMINATIONS	3,234	-	3,234
	716000	TRAINING	32,629	0	32,629
	717000	POST EMPLOYMENT BENEFITS	6,791	594	7,385
	720000	CONTRACTUAL SUPPLIES AND SERVICES	707,842	17,410	725,252
	721000	GENERAL SUPPORT	488,586	11,789	500,374
	722000	MISSION SUPPORT	179,998	5,622	185,619
	723000	TRAVEL TRANSPORTATION	39,259	-	39,259
	730000	CAPITAL AND INVESTMENTS BUDGETING	-	-	-
874 NCIA At 28N		SUBTOTAL	759,822	21,745	781,567
875 NPC Glons at 28N	710000	PERSONNEL	48,136	58,319	106,456
	711000	EMPLOYMENT OF PERSONNEL	38,261	56,938	95,199
	713000	CLOTHING	2,553	32	2,585
	716000	TRAINING	7,322	1,349	8,671
	720000	CONTRACTUAL SUPPLIES AND SERVICES	432,975	79,347	512,323
	721000	GENERAL SUPPORT	32,497	197	32,695
	722000	MISSION SUPPORT	400,478	79,150	479,628
	730000	CAPITAL AND INVESTMENTS BUDGETING	342	-	342
	731000	AIS BUD	342	-	342
875 NPC Glons at 28N		SUBTOTAL	481,453	137,666	619,120
876 NCIA Reorganisation	710000	PERSONNEL	87,740	-	87,740
	712000	RECRUITMENT AND SEPARATION	87,740	-	87,740
	720000	CONTRACTUAL SUPPLIES AND SERVICES	2,654,749	-	2,654,749
	721000	GENERAL SUPPORT	392,116	-	392,116
	722000	MISSION SUPPORT	1,135,522	-	1,135,522
	723000	TRAVEL TRANSPORTATION	1,127,111	-	1,127,111
	730000	CAPITAL AND INVESTMENTS BUDGETING	10,990	-	10,990
	731000	AIS BUD	10,990	-	10,990
876 NCIA Reorganisation		SUBTOTAL	2,753,479	-	2,753,479
GRANDTOTAL			10,240,631	322,825	10,563,456

ANNEX G

SEGMENT REPORT

AIR C2 PROGRAMME OFFICE

& SERVICES

ANNEX G – SEGMENT REPORT – AIR C2 PROGRAMME OFFICE & SERVICES

Table of content

ANNEX G – SEGMENT REPORT – AIR C2 PROGRAMME OFFICE	147
ANNEX G – 1 Introduction.....	148
ANNEX G – 2 AirC2 PO Statement of Financial Position consolidated format.....	153
ANNEX G – 3 AirC2 PO Statement of Financial Performance consolidated format...	155
ANNEX G – 4 AirC2 PO Statement of Financial Position legacy format	157
ANNEX G – 5 AirC2 PO Statement of Financial Performance legacy format	158
ANNEX G – 6 AirC2 PO Cash Flow Statement legacy format	159
ANNEX G – 7 AirC2 PO Statement of changes in Net Assets/Equity legacy format...	161
ANNEX G – 8 AirC2 PO Statement of Property, Plant & Equipment	162
ANNEX G – 9 AirC2 PO Budget Execution Statement.....	163
ANNEX G – 10 AirC2 PO Notes to the Statement of Financial Position	164
ANNEX G – 11 AirC2 PO Notes to the Statement of Financial Performance	168
ANNEX G – 12 AirC2 PO Notes to Cash Flow Statement.....	172
ANNEX G – 13 AirC2 PO Notes to PPE.....	173
ANNEX G – 14 AirC2 PO Notes to the Budget Execution	174
ANNEX G – 15 AirC2 PO Operational Projects Execution Statement.....	175
ANNEX G – 16 AirC2 PO Statement of Transfers Admin Budget	178
ANNEX G – 17 IPSAS ₂₄ AirC2 PO Reconciliation	179
ANNEX G – 18 AirC2 PO Restated 2012 Statement of Financial Position & Performance	180
ANNEX G – 19 AirC2 PO Notes specific to 2012 Restatement.....	182

ANNEX G -1 – AIR C2 PO Introduction

1. NCIO produces its first 2013 consolidated financial statements which required a revision and streamlining of accounting processes. 2013 was however still a transition year where its legacy entities, Capability Development (former NC3A), Air C2 Programme Office (former NACMA) and Service Delivery (former NCSA), still operated under their respective legacy funding models before NCIO becoming full customer funded as of 1 January 2014. As a result of this “hybrid” model, the legacy entities executed their budgets and financial plans within their respective accounting systems and as such reporting is still in accordance with their legacy processes. As a result IPSAS 18 “Segment Reporting” is applied for NCIO’s three legacy entities, as such disclosure will help the users to better understand the Agency’s past performance, to identify the resources allocated to support the major activities, enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations towards its governing bodies (IC, BC and ASB) and the International Board of Auditors.
2. All disclosure requirements of IPSAS 18 have been met through the respective annexes under the segments, and a reconciliation is produced under Annex H between the information disclosed for the segments and the aggregated information in the consolidated financial statements.
3. This segment is on the Air C2 Programme Office which is the legacy NACMA. The Air C2 Programme Office is funded from a combination of NSIP, MB and National (3rd Party) funds and covers the development and management of the Air Command and Control System (ACCS).
4. As the format of the NCIO Consolidated Financial Statements is based on a new (aggregated) Chart of Accounts (COA), consolidation is achieved through the aggregation of the individual trial balances drawn from the respective legacy accounting systems, and translated to the new COA. As a result, Segment Statement of Position and Performance is first presented in the Consolidated NCIO format and then in its legacy format on which all the subsequent annexes are based. This is done as to provide better transparency towards both the legacy governing bodies approving the respective budgets and financial plans, as well as for the International Board of Auditors to facilitate the audit.

THE ACCS PROGRAMME HIGHLIGHTS

1. The ACCS LOC1 programme implemented through Capability Packages 5A0009 and 5A0109, will provide NATO Nations with integrated static and deployable command and control entities that, for the first time, will combine defensive, offensive and support air functions. The ACCS programme is a mix of software, Automated Data Processing (ADP) hardware, communication interfaces, sensors elements, other equipment and site adaptation civil works. Activities on ACCS are already contracted until 2017 and with the addendum to the ACCS CP for the ACCS Software-Based Elements (ASBE) implementation, this period will extend to 2019. The value of the programme is roughly 2 billion EUR and as of 31 December 2013 the expenditures add up to 1.07 billion EUR.
2. In 1999, NCI Agency AirC2 PO & S, at the time known as NACMA, signed a contract with the consortium Air Command Systems International (ACSI), the sole bidder, for the initial ACCS software development and the implementation of the System Test and Validation facility (STVF)

at Glons, Belgium whilst Belgium, France, Germany and Italy as Host Nations signed separate contracts with ACSI covering validation activities in their respective countries.

3. The [REDACTED] (DARS), Quick Reaction Package (QRP) and other [REDACTED] [REDACTED] (DAC) programme elements address the provision of a deployable Air C2 capability in support of SACEUR's mission. An [REDACTED] deployable communications system providing the capability for Ground-Air-Ground (G/A/G), Ground-Ground (G/G) and Ground-Maritime (G/M) information exchange will be implemented.
4. The Link 16 [REDACTED] programme will procure and implement [REDACTED] Link 16 static sites within [REDACTED] Nations. For each location the Project comprises one Link 16 equipment suite (L16 ES), 1 Multifunctional Information Distribution System (MIDS) Low Volume Terminal (LVT), antenna, mast and local site adaptation to provide [REDACTED] coverage [REDACTED] the NATO Airborne Early Warning (NAEW) fleet [REDACTED].
5. The DAC [REDACTED] programme, in support of the surveillance functionality, is aimed at providing SACEUR with the Deployable Sensor Element (DSE) to support DARS [REDACTED].
6. The ACCS TMD1 project is a component system within the [REDACTED] (ALTBMD) system. It will deliver a 1st Increment [REDACTED] and a 2nd increment [REDACTED] for IOC. It is built on the ACCS LOC1 system [REDACTED].

ACCS – Software & STVF

7. In 2013, NCI Agency AirC2 PO & S achieved progress in the following areas.
 - a. **System Test I-2 (STI-2) at the System Test and Validation Facility (STVF).** After completion of FST BU1, preparation for the STI-2 at the STVF started. ST I-2 covers the validation of the software at the STVF with real life interfacing, redundancy, security and performance. After having solved issues related to stability and performance of the system, the Contractor, Air Command Systems International (ACSI) completed ST I-2 Formal tests end of March 2013 and the milestone was signed in April 2013.
 - b. **System Test II (STII) at the Validation Nations.** Regular coordination meetings took place in 2013 between NCI Agency AirC2 PO & S and Validation Nations (VN) for STII preparation. STIIs were completed successfully in June 2013 for Belgium and Germany, in November 2013 for France and in December 2013 for Italy.
 - c. **Spiral 1 Initial Operational Test & Evaluation (IOT&E) Shortfall Corrections.** The contractor is implementing a Spiral 1 to correct some Initial Operational Test & Evaluation (IOT&E) shortfalls on a separate baseline from the one currently being tested. ACSI completed the tests of the stand-alone Spiral 1 in July 2013 and this version is now being merged with the Core SW for the Preliminary Software Acceptance foreseen mid-2014.
 - d. **Live Demonstration of ACCS Software.** In 2013, NCI Agency AirC2 PO continued its programme of live demonstrations of the ACCS Software to the NATO Staff and Operational Communities.

REPLICATION PROJECTS

8. NCI Agency AirC2 PO is implementing Replication sites in 3 batches. Selection and delivery of mission-related critical equipment (ADP & Work positions) took place for all batches following the successful completion of the Core STI-2 and the Delivery of Hardware to Site (DHS) has been paid in full for all sites.

DAC PROJECT

9. DARS.
 - a. [REDACTED] (DARS) Projects. The hardware of the DARS system has been accepted. Following the acceptance of the core SW around summer [REDACTED], the DARS will be retrofitted with that SW version before accepting the site (PSA).
 - b. DARS Quick Reaction Package. The hardware of the DARS system has been accepted. Following the acceptance of the core SW around summer [REDACTED], the DARS in the QRP version will be retrofitted with that SW version before accepting the site (PSA).
 - c. DAC [REDACTED].
 - i. [REDACTED] (DADR). The Agency is in the final stage of the evaluation of the bids received for the DADR project, which should then allow contract award in the vicinity of the summer of 2014.
 - ii. [REDACTED] (DPET). The winning bidder (ERA/CZE) was declared. Contract award in April 2014.

LINK 16 COVERAGE AT 29,000 FT

10. NCI Agency AirC2 PO & S, then known as NACMA, signed the Basic Contract with SELEX Communications on 15 December 2010. It included the development and production of the thirteen Link 16 Equipment Suites (L16 ES) and their subsequent installation at the designated ground sites as well as procurement of the Mobile Test Tool (MTT) and acquisition of the associated Intellectual Property Rights. Following financial authorizations, AirC2 PO & S exercised the option to implement the next 12 sites in December 2011. The option for the last 8 sites was exercised in April 2013, for a total of 33 sites on contract. Factory Acceptance Testing was completed in July 2013, and the first Site Acceptance Testing is ongoing.

THEATRE MISSILE DEFENCE (TMD)

11. NCI Agency awarded the ACCS TMD1 contract to prepare for Initial Operational Capability (IOC) to TRS Prime in June [REDACTED]. The project has successfully met the PLAN1, ACCS Preliminary Design Review and DDS Technical Review 1 milestones on schedule and within cost and is expecting closure of the ACCS Critical Design Review and DDS Technical Review 2 milestones in the second quarter [REDACTED]. It remains on track to deliver a capability [REDACTED].

12. The risk reduction Spiral 1 has been successfully completed on schedule and has been delivered to the Ballistic Missile Defence Operations Cell in Ramstein as a mid-life upgrade to the Interim Ballistic Defence Missile (iBMD) system.

BANK GUARANTEES RELATED TO THE AIR C2 PO OPERATIONAL PROJECTS

13. **General Contract with ACSI.**

Purpose	Currency	Amount in currencies	Expiration Date
General Contract	EUR	42,021,513	Nov-14
General Contract	USD	24,900,319	Nov-14
General Contract	GBP	2,317,413	Nov-14
General Contract	EUR	25,473,786	Sep-15
General Contract	USD	4,381,641	Sep-15
General Contract	GBP	84,393	Sep-15
IPR	EUR	55,000,000	Completion of ST III - July 2014

- a. Firstly, as a guarantee of performance, the Contract requires ACSI to provide a bank guarantee to the value of ten per cent (10%) of the total contract price unless work is specifically exempted from this requirement. The guarantee does not elapse before the expiration of the warranty period and is payable upon first demand by the NCI Agency AirC2 PO. ACSI is required to obtain a commensurate extension and increase in the performance guarantee (a value not exceeding ten per cent (10%) of the total contract price) as the contract is amended through increase of the contract value or by extending the contract schedule. This has been a normal practice in most significant NATO contracts.
- b. Secondly, at the request of the Infrastructure Committee (IC), ACSI provided a separate bank guarantee (100%) to secure an advance partial payment of 55 MEURO for a potential exercise of a contract option for ACCS Software IPR. This guarantee is also payable upon first demand by the NCI Agency AirC2 PO and expires with the completion of System Testing under the contract, or the exercise of a contract option for system wide IPR, whichever occurs first.
- c. Thirdly, ACSI has provided an additional guarantee for the increased contract amount resulting from Replication awards. This additional guarantee is of an amount equivalent to 10 percent of the total Replication awards. It will expire with the last Replication Final Site Acceptance estimated to occur in September 2015.
14. **Shareholder Performance Guarantee.** The bank guarantees are in addition to a Shareholder Performance Guarantee by Raytheon and Thales, guaranteeing the completion of the contract by these two firms should ACSI fail.

15. **Other contracts.**

Purpose	Currency	Amount in currencies	Expiration date
CO-12544-ACCS ICS, (MCR)	EUR	150,000.00	28Feb 2015
IFB-12788-ACCS	EUR	500,000.00	11 Sept 2014
██████████, Bid Guarantees	EUR	500,000.00	26 Jul 2014
IFB-12999-ACCS	EUR	500,000.00	31 May 2014
██████████, Bid Guarantee (ERA)			
CO—12107-ACCS ██████████ (SELEX ES)	EUR	1,023,169.85	Dec 2014
	EUR	252,060.00	Dec 2015
	USD	388,800.00	Dec 2014
	USD	288,400.00	Dec 2015
	USD	174,640.00	Mar 2016
	EUR	464,810.54	Mar 2016
CO-12108-ACCS - ██████████ (PAGE EUROPA S.R.L.,)	EUR	1,792,295.00	Jun 2017
SBK, CCAT, DIA - CO-12106-ACCS	GBP	99,800.00	Feb 2012
CO-13206-ACCS - ██████████ (TNOR)	NOK	246,179.00	Feb 2012
CO-13680-ACCS (TNOR)	NOK	1.990.226.50	Jan 2016
CO-13639-ACCS ██████████ (CONET)	EUR	174,391.35	Oct 2015
CO-13173-ACCS ██████████ (CS)	EUR	125,581.67	Jun 2014
CO-13617-ACCS (SELEX)	EUR	69,509.22	May 2017
TRS PRIME, ACCS ██████████, CO-12989-ACCS	EUR	6,087,100.00	Jun 2012

- a. The performance guarantees are required by the contract General Provision to guarantee the completion of the contract by the Contractors. They are provided to the Purchaser within 30 days from the effective date of the contract and amount ten per cent (10%) of the total contract price (without options).
- b. For the Industrial Consultancy Support (ICS) contract, the amount of EUR 300,000 has been agreed by the parties. This Guarantee is valid until the end of the warranty period or will be amended so to reflect a validity period going until the end of the warranty period (if any).

ANNEX G-2 - AIRC2 PO Statement of Financial Position Consolidated Format



NCI Agency AirC2 - Statement of Financial Position as at 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
FIXED AND CURRENT ASSETS					
Start-up and restructuring costs		0	0	0	0.0%
Intangible fixed assets		53,785	0	53,785	0.0%
Land, buildings, roads and infrastructure		0	0	0	0.0%
Plant, machinery and equipment		54,309	0	54,309	0.0%
Tangible fixed assets - Non-exchange transactions		0	0	0	0.0%
Tangible fixed assets - Leased		0	0	0	0.0%
Tangible fixed assets - Other		0	0	0	0.0%
Tangible fixed assets - Under construction		0	0	0	0.0%
Tangible fixed assets		54,309	0	54,309	0.0%
Other non-financial fixed assets		0	0	0	0.0%
Long term investments		0	0	0	0.0%
Other financial fixed assets		0	0	0	0.0%
Financial fixed assets		0	0	0	0.0%
Long term receivables - Trade receivables		0	0	0	0.0%
Long term receivables - Advances and prepayments		0	0	0	0.0%
Long term receivables - Other		410,104	384,343	25,761	6.7%
Long term receivables		410,104	384,343	25,761	6.7%
FIXED ASSETS		518,198	384,343	133,855	34.8%
Inventory		0	0	0	0.0%
Work in progress		0	0	0	0.0%
Inventory and work in progress		0	0	0	0.0%
Short term receivables - Trade receivables		10,941,974	6,072,094	4,869,880	80.2%
Short term receivables - Advances and prepayments		0	0	0	0.0%
Short term receivables - Other		1,115,209	4,888,610	-3,773,401	-77.2%
Short term receivables		12,057,184	10,960,705	1,096,479	10.0%
Short term investments		356,069	22,248,662	-21,892,593	-98.4%
Cash and cash equivalents		50,758,838	40,196,293	10,562,545	26.3%
Short term investments, cash and cash equivalents		51,114,907	62,444,955	-11,330,048	-18.1%
Transitory asset accounts		0	0	0	0.0%
CURRENT ASSETS		63,172,091	73,405,659	-10,233,569	-13.9%
TOTAL FIXED AND CURRENT ASSETS		63,690,288	73,790,002	-10,099,714	-13.7%



NCI Agency AirC2 - Statement of Financial Position
as at 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	31-Dec-13	31-Dec-12	CY - PY	%
<u>EQUITY, PROVISIONS AND LIABILITIES</u>					
Capital - Committed		0	0	0	0.0%
Capital - Uncalled		0	0	0	0.0%
Capital		0	0	0	0.0%
Reserves - General purpose		0	0	0	0.0%
Reserves - Special programmes		0	0	0	0.0%
Reserves		0	0	0	0.0%
Surplusses (Deficits) carried forward - Prior years		0	0	0	0.0%
Surplusses (Deficits) carried forward - Current year		0	0	0	-100.0%
Surplusses (Deficits) carried forward		0	0	0	-100.0%
NET ASSETS/EQUITY		0	0	0	-100.0%
Provisions - Pensions and similar rights		0	0	0	0.0%
Provisions - Major risks and costs		0	0	0	0.0%
Provisions - Other		410,104	384,343	25,761	6.7%
Provisions		410,104	384,343	25,761	6.7%
PROVISIONS		410,104	384,343	25,761	6.7%
Long term liabilities - Financial debts		0	0	0	0.0%
Long term liabilities - Trade debts		0	0	0	0.0%
Long term liabilities - Advances and prepayments re		0	0	0	0.0%
Long term liabilities - Tax and personnel related		0	0	0	0.0%
Long term liabilities - Retirement and pension relat		0	0	0	0.0%
Long term liabilities - Other		0	0	0	0.0%
Long term liabilities		0	0	0	0.0%
Short term liabilities - Current portion of long term li		0	0	0	0.0%
Short term liabilities - Financial debts		0	0	0	0.0%
Short term liabilities - Trade debts		13,281,060	44,439,082	-31,158,022	-70.1%
Short term liabilities - Advances and prepayments r		0	0	0	0.0%
Short term liabilities - Tax and personnel related		0	22,905	-22,905	-100.0%
Short term liabilities - Retirement and pension relat		0	0	0	0.0%
Short term liabilities - Unearned revenue		49,691,951	28,772,617	20,919,335	72.7%
Short term liabilities - Other		307,172	171,056	136,117	79.6%
Short term liabilities		63,280,184	73,405,659	-10,125,475	-13.8%
Transitory liability accounts		0	0	0	0.0%
LIABILITIES		63,280,184	73,405,659	-10,125,475	-13.8%
TOTAL EQUITY, PROVISIONS AND LIABILITIES		63,690,288	73,790,002	-10,099,714	-13.7%

ANNEX G-3 - AIRC2 PO Statement of Financial Performance Consolidated Format



NCI Agency AirC2 - Statement of Financial Performance
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
OPERATING ACTIVITIES					
Contributions income		23,424,221	21,669,379	1,754,842	8.1%
Operations revenue		0	0	0	0.0%
Acquisition revenue		112,062,532	126,947,708	-14,885,176	-11.7%
Revenue from operating activities		135,486,753	148,617,087	-13,130,334	-8.8%
Unearned revenue (-)		0	0	0	0.0%
Inventory and work in progress - Increase (Decrease)		0	0	0	0.0%
Unearned revenue and work in progress		0	0	0	0.0%
Self produced fixed assets		0	0	0	0.0%
Other operating income		4,871	8,154	-3,283	-40.3%
TOTAL OPERATING REVENUE		135,491,625	148,625,241	-13,133,617	-8.8%
Cost of operations		-2,428,248	0	2,428,248	0.0%
Acquisition cost		-112,062,532	-126,947,708	-14,885,176	11.7%
Acquisition cost and cost of operations		-114,490,780	-126,947,708	-12,456,928	9.8%
Operating activities - Provisions		0	0	0	0.0%
Operating activities - Depreciation		0	0	0	0.0%
Operating activities - Write-offs		0	0	0	0.0%
Operating activities - Provisions, depreciation and write-off:		0	0	0	0.0%
TOTAL OPERATING COST		-114,490,780	-126,947,708	-12,456,928	9.8%
GROSS SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		21,000,845	21,677,533	676,689	3.1%
SUPPORT ACTIVITIES					
Contractual supplies and services		-1,938,877	-1,994,110	-55,233	2.8%
Personnel costs - Own staff		-14,017,379	-14,471,727	-454,348	3.1%
Personnel costs - Consultants and contractors		-4,979,958	-4,683,738	296,220	-6.3%
Investments - Not capitalized		-27,314	-76,319	-49,005	64.2%
Cost of support activities		-20,963,529	-21,225,895	-262,366	1.2%
Support activities - Provisions		0	0	0	0.0%
Support activities - Depreciation		-32,444	-443,484	-411,040	92.7%
Support activities - Write-offs		0	0	0	0.0%
Support activities - Provisions, depreciation and write-offs		-32,444	-443,484	-411,040	92.7%
TOTAL SUPPORT COST		-20,995,973	-21,669,379	-673,406	3.1%
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		4,872	8,154	3,282	40.3%
FINANCIAL INCOME AND COSTS					
Foreign exchange gains		2,681	2,833	-152	-5.4%
Financial income - Other		195,947	336,366	-140,420	-41.7%
Financial income		198,628	339,199	-140,571	-41.4%
Foreign exchange losses		-6,851	-7,298	-448	6.1%
Financial costs - Other		0	0	0	0.0%
Financial costs		-6,851	-7,298	-448	6.1%
TOTAL FINANCIAL INCOME AND COSTS		191,777	331,901	140,123	42.2%
NET SURPLUS (DEFICIT) INCLUDING FINANCIAL INCOME AND COSTS		196,649	340,055	143,406	42.2%



NCI Agency AirC2 - Statement of Financial Performance
for the year ended (Date)
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains - Sales of fixed assets		0	0	0	0.0%
Extraordinary gains - Other		467,818	35,781	432,037	-
Extraordinary gains		467,818	35,781	432,037	-
Extraordinary provisions		0	0	0	0.0%
Extraordinary depreciation and write-offs		0	0	0	0.0%
Extraordinary losses - Sales of fixed assets		0	0	0	0.0%
Extraordinary losses - Other		-664,467	-375,836	288,631	-76.8%
Capitlization of restructuring costs (-)		0	0	0	0.0%
Extraordinary losses		-664,467	-375,836	288,631	-76.8%
TOTAL EXTRAORDINARY INCOME AND COSTS		-196,649	-340,055	-143,406	42.2%
NET SURPLUS (DEFICIT) INCLUDING EXTRAORDINARY INCOME AND COSTS		0	0	0	100.0%
NET SURPLUS (DEFICIT) ALLOCATION					
Net surplus (deficit) - Allocation to reserves		0	0	0	0.0%
Net surplus (deficit) - To be carried forward	✓	0 ✓	0	0	-100.0%
Net surplus (deficit) - To be returned to Nations		0	0	0	0.0%
Net surplus (deficit) allocation		0	0	0	-100.0%

ANNEX G-4 – AIRC2 PO Statement of Financial Position

Legacy Format



NCI ORGANISATION AIR C2 PO - Statement of Financial Position
as at 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year	Variance	
	ANNEX C	31-Dec-13	31-Dec-12	CY - PY	%
ASSETS					
Cash and cash equivalents	C01	51,114,907	62,444,955	-11,330,048	-18.1%
Short-term investments		0	0	0	0.0%
Receivables from Nations	C02	10,941,974	6,072,095	4,869,880	80.2%
Other receivables	C03	639,104	4,398,924	-3,759,819	-85.5%
Inventory		0	0	0	0.0%
Work in progress		0	0	0	0.0%
Prepayments and deposits	C04	476,105	489,686	-13,582	-2.8%
Transitory assets accounts		0	0	0	0.0%
Current assets		63,172,091	73,405,659	-10,233,569	-13.9%
Long-term receivables	C05	410,104	384,343	25,761	6.7%
Long-term investments		0	0	0	0.0%
Other financial assets		0	0	0	0.0%
Infrastructure, plant and equipment	C06	54,309	0	54,309	0.0%
Land and buildings		0	0	0	0.0%
Intangible assets	C07	53,785	0	53,785	0.0%
Other non-financial assets		0	0	0	0.0%
Non-current assets		518,198	384,343	133,855	34.8%
TOTAL ASSETS		63,690,288	73,790,002	-10,099,714	-13.7%
LIABILITIES					
Tax and personnel related payables	C08	0	22,905	-22,905	
Retirement and pension plan related payables		0	0	0	0.0%
Advances from Nations	C09	262,252	112,561	149,691	
Trade payables	C10	13,281,060	44,439,082	-31,158,021	-70.1%
Unearned revenues	C11	49,691,951	28,772,617	20,919,335	72.7%
Other payables	C12	44,920	58,495	-13,575	-23.2%
Short-term borrowings		0	0	0	0.0%
Current portion of borrowings		0	0	0	0.0%
Transitory liabilities accounts		0	0	0	0.0%
Current liabilities		63,280,184	73,405,659	-10,125,475	-13.8%
Long-term tax and personnel related payables		0	0	0	
Long-term retirement and pension plan related payables		0	0	0	
Long-term payables		0	0	0	
Long-term borrowings		0	0	0	0.0%
Provisions	C13	410,104	384,343	25,761	6.7%
Non-current liabilities		410,104	384,343	25,761	6.7%
NET ASSETS/EQUITY					
Capital contributed by other government entities		0	0	0	0.0%
Accumulated surpluses/(deficits)	C14	0	0	0	0.0%
		0	0	0	0.0%
Minority interest		0	0	0	0.0%
Net Assets/Equity		0	0	0	0.0%
TOTAL LIABILITIES		63,690,288	73,790,002	-10,099,714	-13.7%

ANNEX G-5 – AIRC2 PO Statement of Financial Performance Legacy Format



NCI ORGANISATION AIR C2 PO - Statement of Financial Performance
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year	Variance	
	ANNEX D	2013	2012	CY - PY	%
OPERATING ACTIVITIES					
Contributions income	D01	20,995,973	21,669,379	-673,406	-3.1%
Projects income	D02	112,062,532	126,947,708	-14,885,176	-11.7%
Other Operations income	D03	2,428,248	0	2,428,248	0.0%
Revenue from operating activities		135,486,753	148,617,087	-13,130,334	-8.8%
Expenses Operational Projects	D04	112,062,532	126,947,708	-14,885,176	-11.7%
Other Expenses Operational Projects	D05	2,428,248	0	2,428,248	0.0%
Cost of operating activities		114,490,780	126,947,708	-12,456,928	-9.8%
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		20,995,973	21,669,379	-673,406	-3.1%
GENERAL AND ADMINISTRATIVE COSTS					
Personnel	D06	14,017,379	14,471,728	-454,349	-3.1%
Consultancy	D07	4,979,958	4,683,738	296,220	6.3%
Operations and maintenance	D08	1,938,877	1,994,110	-55,233	-2.8%
Capital and investments	D09	27,314	76,319	-49,005	-64.2%
Provision, depreciation and amortisation	D10	32,444	443,484	-411,040	-92.7%
General and administrative costs		20,995,973	21,669,379	-673,406	-3.1%
NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		0	0	0	0.0%
FINANCIAL INCOME AND COSTS					
Foreign exchange gains	D11	2,681	2,833	-152	-5.4%
Foreign exchange losses		0	0	0	0.0%
Financial income	D12	371,603	373,003	-1,400	-0.4%
Financial costs	D13	-177,636	-35,781	-141,855	396.5%
Financial income and costs		196,649	340,055	-143,406	-42.2%
NET SURPLUS/(DEFICIT) BEFORE EXTRAORDINARY ITEMS		196,649	340,055	-143,406	-42.2%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains	D14	467,818	35,781	432,037	N/A
Extraordinary losses	D15	-664,467	-375,836	-288,631	76.8%
Extraordinary income and costs		-196,649	-340,055	143,406	-42.2%
NET SURPLUS/(DEFICIT) FOR THE PERIOD		0	0	0	0.0%
NET SURPLUS/(DEFICIT) ALLOCATION					
Reserves		0	0	0	0.0%
Accumulated surpluses/(deficits)	D16	0	0	0	0.0%
Net surplus/(deficit) allocation		0	0	0	0.0%

ANNEX G-6 – AIRC2 PO Cash Flow Statement Legacy Format



NCI Agency AirC2 - Cash Flow Statement (Indirect Method) for the year ended 31 December 2013 (All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
CASH FLOW FROM OPERATING ACTIVITIES					
<u>Cash flow from operating and support activities</u>					
Net surplus (deficit) from operating activities		4,872	8,154	-3,282	-40.3%
Depreciation		32,444	443,484	-411,040	-92.7%
Financial income and costs (Excl. exchange rate changes)		195,947	336,366	-140,420	-41.7%
Extraordinary income and costs		-196,649	-340,055	143,406	-42.2%
Total cash flow from operating and support activities		36,614	447,950	-411,336	-91.8%
<u>Decrease/(increase) current assets</u>					
Decr./ (incr.) inventory		0	0	0	0.0%
Decr./ (incr.) work in progress		0	0	0	0.0%
Decr./ (incr.) short term receivables - trade receivables		-4,869,880	-4,513,549	-356,331	7.9%
Decr./ (incr.) short term receivables - advances and prepayments paid		0	0	0	0.0%
Decr./ (incr.) short term receivables - other		3,773,401	8,194,143	-4,420,742	-54.0%
Decr./ (incr.) transitory asset accounts		0	0	0	0.0%
Total decrease/(increase) current assets		-1,096,479	3,680,593	-4,777,072	-129.8%
<u>Increase/(decrease) Short term liabilities</u>					
(Incr.) / decr. short term liabilities - current portion of long term liabilities		0	0	0	0.0%
(Incr.) / decr. short term liabilities - financial debts		0	0	0	0.0%
(Incr.) / decr. short term liabilities - trade debts		-31,158,022	2,699,424	-33,857,446	-
(Incr.) / decr. short term liabilities - advances and prepayments received		0	0	0	0.0%
(Incr.) / decr. short term liabilities - tax and personnel related		-22,905	16,453	-39,357	-239.2%
(Incr.) / decr. short term liabilities - retirement and pension related		0	0	0	0.0%
(Incr.) / decr. short term liabilities - unearned revenue		20,919,335	5,801,003	15,118,331	260.6%
(Incr.) / decr. short term liabilities - other		136,117	-72,286	208,403	-288.3%
(Incr.) / decr. transitory liability accounts		0	0	0	0.0%
Total (increase) / decrease short term liabilities		-10,125,475	8,444,594	-18,570,069	-219.9%
<u>(Increase) / decrease provisions</u>					
(Incr.) / decr. provisions - pensions and similar rights		0	0	0	0.0%
(Incr.) / decr. provisions - major risks and costs		0	0	0	0.0%
(Incr.) / decr. provisions - other		25,761	-26,231	51,992	-198.2%
Total (increase) / decrease provisions		25,761	-26,231	51,992	-198.2%
NET CASH FLOW FROM OPERATING ACTIVITIES		-11,159,579	12,546,906	-23,706,486	-188.9%
CASH FLOW FROM INVESTING ACTIVITIES					
<u>Decrease/(increase) fixed assets</u>					
Decr./ (incr.) intangible and tangible fixed assets	01	-140,538	196,919	-337,457	-171.4%
Decr./ (incr.) financial fixed assets		0	0	0	0.0%
Decr./ (incr.) long term investments		0	0	0	0.0%
Decr./ (incr.) other financial fixed assets		0	0	0	0.0%
Decr./ (incr.) long term receivables - trade receivables		0	0	0	0.0%
Decr./ (incr.) long term receivables - advances and prepayments paid		0	0	0	0.0%
Decr./ (incr.) long term receivables - other		-25,761	26,231	-51,992	-198.2%
NET CASH FLOW FROM INVESTING ACTIVITIES		-166,299	223,151	-389,449	-174.5%



NCI Agency AirC2 - Cash Flow Statement (Indirect Method)
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Current Year	Prior Year Restated	Variance	
	ANNEX	2013	2012	CY - PY	%
CASH FLOW FROM FINANCING ACTIVITIES					
<u>(Increase)/decrease long term liabilities</u>					
(Incr.)/decr. long term liabilities - financial debts		0	0	0	0.0%
(Incr.)/decr. long term liabilities - trade debts		0	0	0	0.0%
(Incr.)/decr. long term liabilities - advances and prepayments received	✓	0 ✓	0	0	0.0%
(Incr.)/decr. long term liabilities - tax and personnel related		0	0	0	0.0%
(Incr.)/decr. long term liabilities - retirement and pension related		0	0	0	0.0%
(Incr.)/decr. long term liabilities - other		0	0	0	0.0%
NET CASH FLOW FROM FINANCING ACTIVITIES		0	0	0	0.0%
NET DECREASE/(INCREASE) CASH AND CASH EQUIVALENTS		-11,325,878	12,770,057	-24,095,935	-188.7%
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		62,444,955	49,679,364	12,765,591	25.7%
Net decrease/(increase) cash and cash equivalents		-11,325,878	12,770,057	-24,095,935	-188.7%
Effect of foreign exchange rate changes		-4,169	-4,466	296	-6.6%
CASH AND CASH EQUIVALENTS AT END OF PERIOD		51,114,907	62,444,955	-11,330,048	-18.1%

ANNEX G-7 – AIRC2 PO Statement of Changes in Net Assets/Equity Legacy Format



NCI ORGANISATION AIR C2 PO - Statement of Changes in Net Assets/Equity
for the year ended 31 December 2013
(All amounts in 1 Euro)

	Notes	Contributed Capital	Revaluation Reserve	Translation Reserve	Accumulated Surpluses / (Deficits)	Total
	ANNEX F					
BALANCE AT 31-DECEMBER-2011	F01	0	0	0	0	0
Changes in accounting policy		0	0	0	0	0
Restated balance	F02	0	0	0	0	0
Net increase/(decrease) of bookvalue of property, plant and equipment						0
Surplus/(deficit) on revaluation of property			0			0
Currency translation differences				0		0
Net increase/(decrease) of reserves		0	0	0	0	0
Net gains/(losses) not recognized in the Statement of Financial Performance		0	0	0	0	0
Net surplus for the period	F03				0	0
BALANCE AT 31-DECEMBER-2012	F04	0	0	0	0	0
Changes in accounting policy		0	0	0	0	0
Restated balance	F05	0	0	0	0	0
Net increase/(decrease) of bookvalue of property, plant and equipment						0
Surplus/(deficit) on revaluation of property			0			0
Currency translation differences				0		0
Net increase/(decrease) of reserves		0	0	0	0	0
Net gains/(losses) not recognized in the Statement of Financial Performance		0	0	0	0	0
Net surplus for the period					0	0
BALANCE AT 31-DECEMBER-2013	F06	0	0	0	0	0
NET CHANGE IN ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2013						0

ANNEX G-8 – AIRC2 PO Statement of Property, Plant and Equipment

AIRC2 PO - Statement of Property, Plant and Equipment
as at 31-December-13
(All amounts in)

ADMIN BUDGET	Notes	Depr. %	ACQUISITION VALUE				DEPRECIATION		BOOK VALUE
			31-Dec-12	Acquisitions 2013	Disposals / adjustments	Transfers	Revaluation	31-Dec-13	
PLANT, PROPERTY AND EQUIPMENT									
	ADP Equipment	25.0%	0.00	50,890.00	0.00	0.00	0.00	-12,722.50	38,167.50
	Comms Equipment	0.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Machinery	0.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Installed Equipment	0.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Office Furniture	10.0%	0.00	17,935.00	0.00	0.00	0.00	-1,793.50	16,141.50
	Passenger Vehicles	20.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Infrastructure, plant and equipment			0.00	68,825.00	0.00	0.00	0.00	-14,516.00	54,309.00
Bâtiment Z Brussels		10.0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land and buildings			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Software Licences		25.0%	0.00	71,712.76	0.00	0.00	0.00	-17,928.19	53,784.57
Intangible assets			0.00	71,712.76	0.00	0.00	0.00	-17,928.19	53,784.57
TOTAL PLANT, PROPERTY AND EQUIPMENT			0.00	140,537.76	0.00	0.00	0.00	-32,444.19	108,093.57

ANNEX G-9 – AIRC2 PO Budget Execution Statement

NCI Organisation AIR C2 PO Consolidated - Budget Execution Statement
for the year ended 31 December 2013
(All amounts in 1 Euro)



Notes	Initial Authorisation	Mid Year Review Adjustments	Post MYR Authorisation	Transfers	End-of- Year Authorisation	Net Commit- ment	Actual Expenses - Accrual based	Carry Forward	Lapsed
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)-(7)	(9)=(5)-(6)
ANNEX H									
2013 - Current Year									
H01 - Personnel	19,391,720	0	19,391,720	0	19,391,720	18,348,622	17,296,153	1,052,469	1,043,098
H02 - Contractual supplies and	2,478,281	0	2,478,281	0	2,478,281	2,277,118	1,962,027	315,091	201,163
H03 - Capital and investments	199,542	0	199,542	0	199,542	185,891	72,328	113,563	13,651
Total Current Year	22,069,543	0	22,069,543	0	22,069,543	20,811,631	19,330,507	1,481,123	1,257,912
2012 - Prior Year									
H04 - Personnel	3,159,405	0	3,159,405	0	3,159,405	3,159,405	2,576,796	546,748	35,863
H05 - Contractual supplies and	517,956	0	517,956	0	517,956	517,956	334,926	96,488	86,543
H06 - Capital and investments	28,695	0	28,695	0	28,695	28,695	28,695	0	0
Total Prior Year	3,706,056	0	3,706,056	0	3,706,056	3,706,056	2,940,417	643,235	122,406
2011 - 2 Years Ago									
H07 - Personnel	1,081,376	0	1,081,376	0	1,081,376	1,081,376	924,621	0	0
H08 - Contractual supplies and	158,390	0	158,390	0	158,390	158,390	14,943	0	156,754
H09 - Capital and investments	0	0	0	0	0	0	0	0	143,447
Total 2 Years Ago	1,239,765	0	1,239,765	0	1,239,765	1,239,766	939,564	0	300,201
Grand Total									
H09 - Personnel	23,632,501	0	23,632,501	0	23,632,501	22,589,403	20,797,570	1,599,217	1,235,716
H10 - Contractual supplies	3,154,627	0	3,154,627	0	3,154,627	2,953,464	2,311,896	411,579	431,153
H11 - Capital and	228,237	0	228,237	0	228,237	214,586	101,023	113,563	13,651
GRAND TOTAL	27,015,364	0	27,015,364	0	27,015,364	25,757,453	23,210,488	2,124,359	1,680,520

ANNEX G-10 – AIRC2 PO Notes to the Statement of Financial Position

C01	Cash and cash equivalents	51,114,907	62,444,955	-11,330,048	-18.1%
------------	----------------------------------	-------------------	-------------------	--------------------	---------------

Cash and cash equivalents are short-term liquid assets. They include bank accounts, deposit accounts held at instant call and cash in hand.

All bank accounts are held in highly reliable non-interest and interest bearing accounts. Interest rates for current accounts are higher than those received from deposit accounts on short term investments. This is the reason why balances are kept on the current account for Projects and on Business Account 35-Days' Notice for administrative budget. Euros and GBPs are held in the ING Bank outlet located on the NATO HQ site in Evere. On the other hand, USD are held in the USA at the Wells Fargo (ex-Wachovia) bank. Please note, that former GBP bank account in the United Kingdom at the Royal Bank of Scotland had been closed in September 2013 (the balances have been transferred to ING in Belgium).

Whenever possible, available funds are held in a bonus account with a variable rate. In 2013 the available Admin Budget funds were held in a "Business Account 35 days' notice" with a rate of 0.25% and later 0.85%. Considering the time to invest, this account is earning 0.60% more than the other accounts.

At year-end, monetary assets and liabilities denominated in foreign currencies were translated into Euros using the MB rates of exchange that were in force at the end of the year.

The cash decrease is related to projects (6.8 MEUR) and Admin Budget (4.5 MEUR). The decrease in Admin Budget is explained by the non-payment of the last contribution to the Admin Budget from NSIP (about 3.7 MEUR).

C02	Receivables from Nations	10,941,974	6,072,095	4,869,880	80.2%
------------	---------------------------------	-------------------	------------------	------------------	--------------

Contributions are recognized as receivables when a call for contributions has been issued to a NATO-member Nation or Agency. This applies for funds called in relation to the financial year that is reported on. Receivables are stated at their net realizable value. Uncollectible receivables are written off if when all actions to recover the debts have been exhausted. No account receivables were written off in 2013.

At the end of 2013, project-related accounts receivables amounted to roughly 10 MEUR. This represents an increase of 4 MEUR. The increase on project – related account receivables can be explained by unpaid NSIP quarterly contribution initiated by the NATO HQ NATO Office of Resources. On the other hand, Admin Budget indicates increase of 0.8 MEUR. It can be explained by the fact that some Nations have not paid their contributions to NPC Glons Programme of Work. This entry is to be examined jointly with note C09.

C03	Other receivables	639,104	4,398,924	-3,759,819	0.0%
------------	--------------------------	----------------	------------------	-------------------	-------------

Project-related other receivables amount to 0.6 MEUR. The decrease can be mostly explained by the fact that the impact of accruals is non-existent at the end of 2013. At the end of 2012 the impact of accruals on Other receivables was 4.2 MEUR. The accruals were related to the ACCS LOC 1 Replication DHS milestone.

As part of project-related other receivables, one can also find accrued interests in the amount of 188 KEUR. These have been received early in 2014.

The administrative budget related other receivables cover personnel authorized short term loans, salary advances and other amounts to be reimbursed to the Agency. They added up to 24 KEUR.

C04	Prepayments and deposits	476,105	489,686	-13,582	-2.8%
------------	---------------------------------	----------------	----------------	----------------	--------------

Deposits are payments to vendors in the context of a contract that serve as a guarantee against which the provider will deliver goods or services whereby the requirement for pre-payment becomes obsolete. There were none in 2013.

Prepayments are payments to vendors that cannot be recognized in the Statement of Financial Performance since goods or services will be received in future accounting periods. There are no prepayments for the Admin Budget - related part.

Project-related prepayments amounting to 624.6 KUSD are linked to Foreign Military Sales (FMS) agreements with the US DoD. The agreements are related to the ACCS LOC1 BCRASS software support (procurement of services in relation to the Multifunctional Information Distribution System (MIDS) Low Volume Terminal (LVT)) and to the Link 16 @29,000 Ft project where integrated crypto devices (CDH module) are being procured. For BCRASS, the prepayment amount represents 408 USD whereas it amounts to 216.6 KUSD for the Link 16 project.

C05	Long-term receivables	410,104	384,343	25,761	6.7%
------------	------------------------------	----------------	----------------	---------------	-------------

A provision for untaken leave is recorded under this heading. The provision is based on 909 days of untaken leave. In 2012, the number of untaken days of leave was 819 days. This entry is to be examined jointly with note C13.

C06	Infrastructure, plant and equip	54,309	0	-54,309	N/A
------------	--	---------------	----------	----------------	------------

As explained in general notes about change of policy, in accordance with NATO Accounting Framework NCI Agency changed the way of recognizing assets depending of their purchase value. It has significant impact for year – to – year comparison of data.

Since 2010, AirC2 PO reports on other tangible and intangible assets (see point C07). These assets are utilized in the performance of AirC2 PO tasks and, as such, AirC2 PO derives benefits from their utilization. All assets are controlled under the Admin Budget. There are no project assets.

Reported tangible assets include the Automated Information Systems (AIS) and furniture. AirC2 PO maintains a list of "capital" items purchased and that are still serviceable. The list can be provided upon request.

Upon purchase, assets are booked as expenses. At year-end, if their value is equal or higher than the approved thresholds, they are recorded as assets and depreciated.

Threshold values have been set at 5 KEUR for AIS equipment and 500 EUR for office furniture. Depreciation expenses are calculated taking into consideration the useful or economic life of the assets, which is 10 years (annual depreciation of 10%) for office furniture and 4 years (annual depreciation of 25%) for AIS equipment.

The residual values of the reported assets are as follows: Office furniture - 16 KEUR, AIS - 38 KEUR.

An overview by asset categories can be seen as part of the Statement of Property, Plant and Equipment.

C07	Intangible assets	53,785	0	53,785	N/A
------------	--------------------------	---------------	----------	---------------	------------

Software licenses purchased in 2013 were reported as expenses if their values were under the approved threshold (5 KEUR) or recorded as assets and depreciated if their values equalled or exceeded the approved threshold. The residual value of software licenses is 54 KEUR. The useful life of software licenses is 4 years (annual depreciation of 25%).

C08	Tax and personnel related payables	0	22,905	-22,905	0.0%
------------	---	----------	---------------	----------------	-------------

Tax and personnel related liabilities contain all debts towards tax authorities or staff (social debts and payroll related liabilities) as well as any retention on salaries which have to be paid to other parties.

AirC2 PO & S employs an US fully reimbursable individual; costs are captured through the use of a liability suspense account. At the end of the year, the account reflected a balance of nil. It was made of salary costs, including insurance, pension, installation allowance or any other personnel related entitlements concerning this US employee. A report stating the booked costs must be sent to the US military representative office every six months.

The total reimbursable amount (160 KEUR for 2012 and 2013) was paid back to the US government. Necessary documentation can be provided upon request.

C09	Advances from Nations	262,252	112,561	149,691	0.0%
------------	------------------------------	----------------	----------------	----------------	-------------

Advances and prepayments from customers will have to either be refunded at some stage or compensated with earned income.

The reported amount consists of the several overpayments from Nations participating in funding of NATO Programming Centre Glons as a Third Party. Three subprogrammes (CSI, SSSB and MCWSA) are being run in 2013 and as decided recognized and reported within AirC2 booking systems. Due to lengthy procedures of handover all documents from NSPA Agency (former NAMSA) some Nations overpaid their contribution and/or received extra credits related with closing of previous years. In addition to that UK joined the CSI programme in mid-year, which also had direct impact for the calculated and already sent calls for funds. Details and list of countries involved can be provided upon request.

At the end of 2013, admin budget related advanced payments amounted to 262 KEUR.

C10	Trade payables	13,281,060	44,439,082	-31,158,021	-70.1%
------------	-----------------------	-------------------	-------------------	--------------------	---------------

Trade payables are short-term (less than 1 year) payables to third parties directly related to the activities and operations of AirC2 PO & S. Trade payables contain accrued liabilities, including invoices not received as of 31 December 2013 but for which goods have been received or services rendered in 2013. Trade Payables are detailed by type of creditor, i.e. NATO entities, national government bodies and other third parties, including contractors and suppliers.

Project-related trade payables decreased significantly in 2013. The decrease is directly related to accruals. Whereas the project-related accruals amounted to 38 MEUR in 2012, they dropped to 8.9 MEUR in 2013. These accruals were mostly based on invoices received in 2014 (SMS invoices for a total of 0.2 MEUR, TBMD – 0.3 MEUR, Link16 – 0.4 MEUR). Nevertheless some were not supported by invoices at the end of the year but are the results of estimation of work completed. Admin Budget related trade payables increased to 7.9 MEUR in 2013

C11	Unearned revenues	49,691,951	28,772,617	20,919,335	72.7%
------------	--------------------------	-------------------	-------------------	-------------------	--------------

Unearned revenues correspond to contributions called in 2013, or before, but for which corresponding expenditures will be incurred after the reporting date. They include those amounts of contributions which will be spent in subsequent years on the Admin Budget and on projects for which AirC2 PO&S is Host Nation or Procurement Agent. Also included are unearned revenues related to Property, Plant and Equipment (PP&E) such as office furniture, AIS equipment and software licenses.

Contributions are initially recorded as unearned revenues. They are recognized as revenues in the statement of financial performance when such contributions are used for their intended purpose. This is done at year-end as part of closing procedures.

Project-related unearned revenues amount to 47.3 MEUR. This represents an increase of 23 MEUR when compared to 2012. The increase can be explained by the fact that the funds called through the SAFR process or directly to Nations did not fully translate into revenues (thus expenses) at the year-end.

The administrative budget unearned revenues amount to 2.4 MEUR. It can be explained by fact that NPC Glons POW was booked in accounting system and not all of them have been paid by Nations.

C12	Other payables	44,920	58,495	-13,575	-23.2%
------------	-----------------------	---------------	---------------	----------------	---------------

Other payables are short-term debts indirectly related to the activities and operations of AirC2 PO & S. Amount of 44 KEUR is a warranty for the SQS contract which is to be reimbursed upon completion (effective date of contract + 22 months). Even if the contract was signed on 13 July 2011 after screening by Air C2 PO & S Configuration Management Branch it was decided and communicated not to close it, until further notice. This entry is to be examined jointly with note C04.

C13	Provisions	410,104	384,343	25,761	6.7%
------------	-------------------	----------------	----------------	---------------	-------------

This provision is related to untaken leave. It represents AirC2 PO & S estimation of the costs related to leave days that were supposed to be used in 2013 but that remained untaken. The number of untaken days of leave is 909.

C14	Accumulated surpluses/(deficits)	0	0	0	0.0%
------------	---	----------	----------	----------	-------------

There are no accumulated surpluses since revenues are made to equal the expenditures.

ANNEX G-11 – AIRC2 PO Notes to the Statement of Financial Performance

D01	Contributions income	20,995,973	21,669,379	-673,406	-3.1%
------------	-----------------------------	-------------------	-------------------	-----------------	--------------

These revenues are related to the execution of the Administrative Budget. The amount recognized in 2013 adds up to 21.0 MEUR. These revenues are mostly related to the 2013 credits but some are related to the credits carried forward from 2011 and 2012. 2011 credits that have not been spent as of 31 December 2013 have been lapsed for return to the Nations through the NATO HQ NCSEP or NSIP compensation systems.

D02	Projects income	112,062,532	126,947,708	-14,885,176	-11.7%
------------	------------------------	--------------------	--------------------	--------------------	---------------

When acting as a Procurement Principal on behalf of third parties (generally individual NATO Nations or Agencies) for the procurement of equipment or services, the NCI Agency AirC2 PO & S does not net the revenues against the procurement costs incurred by the entity. Rather, invoices paid to contractors are recognized as expenses and they are made to match revenues. This accounting method is used because for similar type of projects mostly funded through the NSIP and where AirC2 PO & S acts as Procurement Principal, the Agency gets directly funded through the NATO Office of Resources (NOR) quarterly NSIP Call for Contributions (simultaneous funding) or through direct calls to those Host Nations who chose to receive the project funds allocated to them through the NOR quarterly Call for Contributions. Identifying all revenues also gives full visibility to the Nations of the projects carried out by the NCI Agency AirC2 PO & S.

The NCI Agency AirC2 PO & S considers itself to be the construction manager of the operational projects. Contract costs are recognized as incurred. The NCI Agency AirC2 PO & S's construction activities and technical supervision have been subcontracted to private sector, under a firm fixed price contract. Contract revenues from full cost recovery contracts are recognized by reference to the costs incurred during a period. The operational projects are considered to be full recovery contracts since full funding of the authorized projects is guaranteed by the Nations. Funds are provided in advance.

As a whole, the project income amount (111.9 MEUR) is broken down as follows. For the income whose funding is secured through the NCI Agency AirC2 PO & S SAFR process, it equals 87.7 MEUR. For the income whose funding has a common-funded source (NSIP) but is obtained from the Nations through the NCI Agency AirC2 PO & S calls for funds, it equals 10.8 MEUR. Finally, for income whose funding is obtained from a national funding source through the NCI Agency AirC2 PO & S call for funds, it equals 13.4 MEUR.

It is to be noted that project income figures take accruals into consideration. The income generated through the bookings of accruals (2.577 MEUR) is broken down as follows: G/A/G_G/M_G/G (914.2 KEUR), Link 16 (341 KEUR), ACCS LOC 1 (346.6 KEUR), TBMD (278 KEUR), DARS (253.9 KEUR), SMIS (193.7 KEUR), Third Party Poland (155.8 KEUR) and others (93.8 KEUR).

D03	Other Operations income	2,428,248	0	2,428,248	0.0%
------------	--------------------------------	------------------	----------	------------------	-------------

The miscellaneous operating income for 2013 is related to Administrative Budget and equals the expenses related to three programmes run by NPC Glons (CSI, SSSB and MCWSA).

D04	Expenses Operational Projects	112,062,532	126,947,708	-14,885,176	-11.7%
------------	--------------------------------------	--------------------	--------------------	--------------------	---------------

These project expenses are related to operational MMR projects that are directly funded from the NSIP through the NCI Agency AirC2 PO & S SAFRs or indirectly by Host Nations in response to the NCI Agency AirC2 PO & S calls for funds. Also included are those expenses related to non-MMR or pure national requirements that are directly financed by the concerned NATO Nations in response to the NCI Agency AirC2 PO & S call for funds. Expenses recognized in 2013 amount to 112.1 MEUR. They can be summarized as follows: ACCS LOC1 activities (56.4 MEUR), ACCS LOC 1 replication activities (10.6 MEUR), DARS (10 MEUR), DARS G/A/G_G/M_G/G (4.2 MEUR), Link 16 (3.5 MEUR), SMIS consultancy (2.3 MEUR), others (900 KEUR) and various Third Party projects for a total of 24.2 MEUR.

D05	Other Expenses Operational Projects	2,428,248	0	2,428,248	0.0%
------------	--	------------------	----------	------------------	-------------

Expenses are related to NPC Glons 3 programmes.

D06	Personnel	14,017,379	14,471,728	-454,349	-3.1%
------------	------------------	-------------------	-------------------	-----------------	--------------

Personnel costs in this category are mostly related to staff members hired under the NATO Civilian Personnel Regulations. The figures represent the costs of personnel working on activities required to operate the AirC2 PO & S. This includes personnel associated with the general management and administrative activities as well as the management of projects, information, finance, human resources, etc.

On December 31 2013, AirC2 PO & S had an approved PE of 114 IS positions but only 105 staff were on board at year end. AirC2 PO & S also employed temporary staff.

Finally, AirC2 PO&S houses National Experts who receive remuneration from their nations. AirC2 PO & S provides office space without charge for those individuals.

Certain employees participate in the New Defined Contribution Pension Plan administered by NATO. AirC2 PO & S contributions to this plan are limited to matching the employees' contributions for current service. Other employees participate in NATO's Defined Benefit Plan; a portion of their salaries is deducted and contributed to the annual financing of this Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of AirC2 PO & S. The assets and liabilities for the NATO's Defined Benefit Plan are accounted for centrally at NATO Headquarters' and therefore are not recognized in these financial statements.

D07	Consultancy	4,979,958	4,683,738	296,220	6.3%
------------	--------------------	------------------	------------------	----------------	-------------

The expenditures under this heading are related to the Administrative Budget.

The amount spent under this category represents an increase of roughly the same level as in 2012, with difference of 0.3 MEUR. Contracting support (0.8 MEUR), technical support (1.2 MEUR) were obtained through NATO entities while support provided to CWIX (0.4 MEUR) was obtained via ACIS. Some other consultancy services for ACCS LOC 1 and VNC Consultants were obtained through MCR which was selected upon completion of an ICB. Also, consultancy services were procured in the support of AirC2 PO & S administrative tasks (0.2 MEUR). Additionally, one can find booked amount of the NCI Agency Transition costs (1.9 MEUR).

D08	Operations and maintenance	1,938,877	1,994,110	-55,23	-2.8%
------------	-----------------------------------	------------------	------------------	---------------	--------------

Operations and maintenance costs are related to the Administrative Budget. They include such costs as utilities, rental of equipment, printing and consumable supplies. Travel is also a significant element of these costs (amounts to 1.5 MEUR).

D09	Capital and investments	27,314	6,319	-49,005	-64.2%
------------	--------------------------------	---------------	--------------	----------------	---------------

The expenditures related under this heading are related to the Administrative Budget. The main component is made of AIS equipment (23 KEUR).

D10	Provision, deprec. and amortis.	32,444	443,484	-411,040	-92.7%
------------	--	---------------	----------------	-----------------	---------------

Under this heading one finds mostly depreciation expenses. It is to be noted since NATO Accounting Standards have been applied it is significantly changed comparing to previous year. Depreciation concerns software licenses (18 KEUR), office furniture (2 KEUR) and AIS equipment (13 KEUR).

D11	Foreign exchange gains	2,681	2,833	-152	-5.4%
------------	-------------------------------	--------------	--------------	-------------	--------------

During 2013, a small administrative budget exchange gain was realized.

D12	Financial income	371,603	373,003	-1,400	-0.4%
------------	-------------------------	----------------	----------------	---------------	--------------

Interests earned on bank accounts and exchange profits realized when currency deposits/payments are made on a EUR account are returned to the Nations via the NSIP or civil budget compensation system.

In the case of Replication Nations, the interests earned on national funding are returned to the concerned Nations. They are thus booked as accounts payables.

Interests related to the Administrative Budget add up to KEUR 85 while those related to projects amount to KEUR 286.

D13	Financial costs	-177,636	-35,781	-141,855	-396.5%
------------	------------------------	-----------------	----------------	-----------------	----------------

Under financial costs, one finds bank charges and losses on exchange. Bank charges related to administrative budget transactions amount to 11.2 KEUR whereas those related to projects equal 166 KEUR.

Bank charges related to nationally-funded replication activities are not identified since they are recovered from the concerned Replication Nations. They are netted as appropriate from the amount of interests to be paid back to them.

D14	Extraordinary gains	467,818	35,781	432,037	NA
------------	----------------------------	----------------	---------------	----------------	-----------

Extraordinary gains are made amongst others of counter bookings related to the financial costs. These so-called extraordinary gains do not really represent gains. They are reflected as such in order to identify separately the financial costs from the usual operating revenues and expenses. The net effect of this formatting requirement is that the financial costs are equal to the extraordinary income.

The extraordinary gains related to projects amount to 166 KEUR and correspond to the reported project-related banking charges.

The extraordinary gains related to the Administrative Budget amount to 290 KEUR for exceptional assets restatement and 11 KEUR correspond to the reported administrative budget banking charges.

D15	Extraordinary losses	-664,467	-375,836	-288,631	76.8%
------------	-----------------------------	-----------------	-----------------	-----------------	--------------

The so-called extraordinary losses do not in reality represent losses. They are reflected as such in order to identify separately the financial income from the usual operating revenues. The net effect of this formatting requirement is that the financial income is equal to the extraordinary losses.

Project-related extraordinary losses amount to 286 KEUR and it represents the sum of project-related interests and currency exchange gains. The administrative budget figure is 378 KEUR which represent the gain on assets restatement in amount 290 KEUR and the financial income of 85 KEUR.

D16	Accumulated surpluses/(deficits)	0	0	0	0.0%
------------	---	----------	----------	----------	-------------

There is no reserve or accumulated surpluses or deficits. This can be explained by fact that revenues are made to equal the expenditures. Potential surpluses/deficits are in fact found under unearned revenues.

ANNEX G-12 – AIRC2 PO Notes to the Cash Flow Statement

Cash flows are inflows and outflows of cash and cash equivalents.

Airc2 PO & S uses the indirect method for the Cash Flow Statement. Under the indirect method, the net cash flow from operating activities is determined by adjusting the net surplus or deficit from ordinary activities for the effects of (a) changes during the year in inventories and operating receivables and payables; (b) non-cash items such as depreciation, provisions, deferred taxes, unrealized currency gains and losses, undistributed surpluses of associates, and minority interests; (c) all other items for which the cash effects are investing or financing cash flows; and (d) the impact of any extraordinary items which are classified as operating cash flows.

The changes in the Prior Year Statement of Financial Position and in the Statement of Financial Performance have a direct impact in all the related line items of the Cash Flow Statement. The impact of these changes has been processed in a consistent way and is reflected in the Prior Year column.

From a cash flow point of view, 2013 saw a decrease of 11.3 MEUR. This decrease can be shortly explained by an increase of the accounts receivables (1.1 MEUR) and decrease of the accounts payables (10.2 MEUR).

The Airc2 PO & S financial performance in 2013 reflects a tight financial control of its operational environment as well as an increasingly efficient use of its resources, by appropriately identifying and managing the operational and financial risk and pursuing its activity in strict compliance with the applicable regulations, standards, policies and procedures.

Foreign currency projects transactions were accounted for at the NATO NSIP exchange rates prevailing on the date of the transactions. All monetary assets and liabilities (Projects and Administrative Budget) at year end which were denominated in foreign currencies were translated into Euros using Military Budget rates of exchange that were in effect on 31 December 2013. This policy applies throughout the NCI Agency for consolidation purposes.

ANNEX G-13 – AIRC2 PO Notes to PPE

Fixed assets (tangible and intangible) are grouped into categories of assets by nature and are disclosed as such in the FS 2013. Categories of Property, Plant and Equipment are groupings of assets of a similar nature or function in an entity's operations that are shown as single items for the purpose of disclosure in the FS. The major categories are plant and equipment and intangible assets.

Property, Plant and Equipment are tangible assets that are:

- a) held by an entity for use in the production or supply of goods and services, for rental to others, or for administrative purposes,
- b) are expected to be used during more than one reporting period.

The reporting of assets is only concern for Administrative Budget. Project items procured with NSIP common funds on behalf of Host Nations or those procured for Third Parties are not used by AirC2 PO & S. The "straight line depreciation method" is used. Regardless of the purchase date during a given year, a full year of depreciation is applied.

G01	ADP Equipment	25.0%	0	50,890	-12,723	38,168
------------	----------------------	--------------	----------	---------------	----------------	---------------

AIS equipment is depreciated over 4-years period. At the beginning of the year the restated purchase value was none. The 2013 acquisition value was 50.9 KEUR and the booked depreciation was equal to 12.7 KEUR. Consequently, at the year-end, the residual value of the AIS was 38.2 KEUR.

G02	Office Furniture	10.0%	0	17,935	-1,794	16,142
------------	-------------------------	--------------	----------	---------------	---------------	---------------

Office furniture is depreciated over 10-years period. At the beginning of the year the restated purchase value was none. The 2013 acquisition value was 18 KEUR and the booked depreciation was equal to 1.8 KEUR. Consequently, at the year-end, the residual value of the office furniture was 16.1 KEUR.

G05	Software Licences	25.0%	0	71,712	-17,928	53,784
------------	--------------------------	--------------	----------	---------------	----------------	---------------

Software licences are depreciated over a 4-year period. At the beginning of the year the restated purchase value was zero. In 2013, the net acquisition of new licences amounted to 71.7 KEUR. The depreciation booked in 2013 was equal to 17.9 KEUR. Consequently, the residual value of the software licences is 53.8 KEUR.

Annex G-14 – AIRC2 PO Notes to the Budget Execution Statement

NCI Organisation AIR C2 PO Consolidated - Notes to Budget Execution Statement
for the year ended 31 December 2013
(All amounts in 1 Euro)



Notes Reference	Initial Authorisation	Mid Year - Initial Author.	Mid Year - Review	FA - MYR	Final Authorisation	Net Commitment	Actual Expenses	Carry Forward	Lapsed
01 - Personnel	19,391,720	0	19,391,720	0	19,391,720	18,348,622	17,296,153	1,052,469	1,043,098
02 - Contractual supplies and services	2,478,281	0	2,478,281	0	2,478,281	2,277,118	1,962,027	315,091	201,163
03 - Capital and investments	199,542	0	199,542	0	199,542	185,891	72,328	113,563	13,651
01 - Personnel	3,159,405	0	3,159,405	0	3,159,405	3,159,405	2,576,796	546,748	35,863
02 - Contractual supplies and services	517,956	0	517,956	0	517,956	517,956	334,926	96,488	86,543
03 - Capital and investments	28,695	0	28,695	0	28,695	28,695	28,695	0	0
01 - Personnel	1,081,376	0	1,081,376	0	1,081,376	1,081,376	924,621	0	156,754
02 - Contractual supplies and services	158,390	0	158,390	0	158,390	158,390	14,943	0	143,447
Total - Personnel	23,632,501	0	23,632,501	0	23,632,501	22,589,403	20,797,570	1,599,217	1,235,716

In accordance with the NATO Financial Regulations (NFR III Art. 10), a statement of budgetary transfers recorded in 2013 is annexed.

NACMA was authorized in 2010 to carry forward to 2011 uncommitted funds (KEUR 600). Authority was given under BC-DS(2010)0034.

Annex G-15 – AIRC2 PO Operational Projects Execution Statement

Project	Authorisation of Scope	Commitments	Cum. Expenses 2013 w/o Accruals / accounting	Total Accrued Expenditures 2013
A. Operational Projects				
1. Operational Projects NSIP Funded-COFFA				
OP5VA00064 - OP9VA90013	2,836,520	2,836,520	2,836,520	0
OP5WI20012	22,196,049	22,196,049	22,196,049	0
OP5WI00019	3,047	3,047	3,047	0
OP5WI20009	618,490	618,490	618,490	0
OP5WI20011	233,328	233,328	233,328	0
OP5WI20005	1,325,430	1,325,430	1,325,430	0
OP5WI20010	1,006,282	1,006,282	1,006,282	0
OP5WI00001	286,487	286,487	286,487	0
OP5WI20001	263,991	263,991	263,991	0
OP5WI2002	661,160	661,160	661,160	0
OP5WI2003	656,489	656,489	656,489	0
OP5WI10213	550,465	550,465	550,465	0
OP9HQ90040	67,968	67,968	67,968	0
OP5VA03002	423,689	423,689	423,689	0
Total NSIP Funded Closed Projects :	31,129,396	31,129,396	31,129,396	0
2. Operational Projects NSIP Funded				
2.1 DARS				
5WI0005	3,063,480	3,063,480	3,063,480	0
5WI0005	20,657,713	20,657,713	20,657,713	107,399
5WI0005	32,447,169	31,548,510	31,356,121	0
5WI0005	4,414,753	3,946,708	3,660,733	0
5WI0005	530,094	530,094	530,094	0
5WI0005	5,295,000	5,040,396	4,093,737	0
5WI0005	3,411,624	3,411,624	3,411,624	0
5WI0005	3,466,247	3,452,043	3,452,043	0
5WI0005	3,884,761	3,884,761	3,884,761	0
5WI0005	2,970,841	2,936,568	2,789,568	0
5WI0005	18,040,264	17,717,224	15,128,867	7,087,488
Sub-Total	98,181,945 0	96,189,120	92,028,740	7,194,887
2.2 DARS				
5WI02005	28,925,532	27,471,216	25,095,502	2,773,064
Sub-Total	28,925,532 0	27,471,216	25,095,502	2,773,064
2.3 ACCS				
5WI20006	69,441	69,441	69,441	0
5WI20006	320,775,839	320,775,839	320,775,839	0
5WI20006	286,621,499	284,164,046	221,489,172	14,046,641
Sub-Total	607,466,779 0	605,009,326	542,334,452	14,046,641
2.4 ACCS - IPR				
OP5WI02017	30,315,000	30,315,000	30,315,000	0
OP5WI02017	25,269,789	25,269,789	25,269,789	0
OP5WI02017	1,325,000	1,325,000	1,037,964	0
OP5WI02017	53,754,640	53,754,640	52,334,915	37,407,419
OP5WI02017	143,651,065	140,881,825	41,816,251	4,930,620
Sub-Total	254,315,494 0	251,546,254	150,773,919	42,338,038
2.5 System Management Industrial Support				
5WI20010 -	3,338,739	3,338,739	3,338,739	0
5WI20010 -	9,356,349	9,356,349	9,356,349	0
5WI20010 -	24,331,542	21,783,788	19,686,818	2,273,125
5WI20010 -	64,843	64,843	64,843	0
Sub-Total	37,091,473 0	34,543,719	32,446,749	2,273,125
2.6				
OP5WI02012	40,742,076	21,139,303	7,390,117	3,471,928
Sub-Total	40,742,076 0	21,139,303	7,390,117	3,471,928
2.7 NATINADS				
OP5WI02021	280,368	280,368	173,872	0
Sub-Total	280,368 0	280,368	173,872	0

Project	Authorisation of Scope	Commitments	Cum. Expenses 2013 w/o Accruals / accounting	Total Accrued Expenditures 2013
2.8 HW Upgrade				
OP2WI40021 - HW Upgrade	734,127	739,167	664,072	290,851
OP5WI30002 - HW Upgrade	1,101,298	1,054,235	505,280	3,311
OP3WI40314 - HW Upgrade	818,315	821,137	408,148	0
Sub-Total	2,653,740 0	2,614,539	1,577,500	294,162

2.9 Replication

ARS	15,279,975	14,519,733	7,952,593	726,064
ARS	5,093,325	4,839,911	2,650,864	242,021
Total ARS	20,373,300 0	19,359,644	10,603,457	968,085
CARS	29,332,188	27,328,582	15,236,443	1,353,113
CARS	523,407	514,256	514,256	0
Total CARS	29,855,595 0	27,842,838	15,750,699	1,353,113
CARS	33,489,684	31,475,287	17,517,696	1,561,716
CARS	3,044,516	2,858,311	1,590,823	141,819
Total CARS	36,534,200 0	34,333,598	19,108,519	1,703,536
ARS	23,272,951	22,005,259	12,172,970	4,578,428
ARS	20,054,288	18,881,192	10,398,346	1,501,766
ARS	6,684,763	6,293,731	3,466,115	500,589
Total ARS	26,739,051 0	25,174,923	13,864,461	2,002,354
Sub-Total	136,775,097 0	128,716,262	71,500,106	10,605,517

OP5WI02007	18,690,000	391,074	366,227	257,666
OP5WI02016	369,000	298,700	240,400	67,535
OP0VA03020	6,018,000	5,983,103	5,983,103	118,000
OP5WI02006	43,400,000	429,921	212,605	227,285
OP5WI02009	10,332,000	6,979,824	3,181,411	2,404,492
OP5WI02010	5,206,000	4,293,152	1,854,833	1,573,543
OP5WI02011	884,000	322,902	212,447	187,413
OP5WI02022	391,000	371,000	291,370	14,656
OP5WI02019	69,960	49,500	32,175	32,175
OP5WI02024	2,156,000	0	0	0
OP5WI02025	2,392,040	0	0	0
OP5WI20001	21,111,117	20,811,631	19,330,507	19,588,504
OP5WI20001	20,026,859	19,296,106	1,682,802	1,682,802
OP5WI20001	20,491,605	19,349,281	843,525	843,525

Total NSIP Funded Projects :	1,357,970,085 0	1,246,086,300	957,552,361	109,994,958
-------------------------------------	------------------------	----------------------	--------------------	--------------------

3. Operational Projects Third Party Funded - Closed

OP5VA00064	432,148	432,148	432,148	0
OPCP5A0014	13,854	13,854	13,854	0
OP3HQ10301	109,346	109,346	109,346	0
OP5WI03001	3,659,684	3,659,684	3,659,684	0
ARS	107,404	107,404	107,404	0

Operational Projects Third Party Funded - Closed :	4,322,436	4,322,436	4,322,436	0
---	------------------	------------------	------------------	----------

Project	Authorisation of Scope	Commitments	Cum. Expenses 2013 w/o Accruals / accounting	Total Accrued Expenditures 2013
4.Operational Projects Third Party Funded				
OP5WI02017		2,158,830	1,955,300	949,414
OP5WI22003		271,000	217,771	217,771
OP5WI02021		8,078	8,078	8,078
OP5WI02020		431,847	404,987	367,122
OP5WI02017		162,703	159,756	155,204
OP5WI30002		548,504	544,302	290,429
OP3WI31001		362,000	210,234	210,234
OP2WI34002		370,817	210,234	210,234
OP3WI35001		321,000	212,074	212,074
OP3WI40314		378,443	376,379	200,309
OP3WI40021		253,883	0	0
5WI20006		3,584,500	3,460,940	2,763,483
ACCS VCS		5,338,958	4,523,598	542,801
ARS		799,449	796,016	436,264
CARS		2,092,174	1,970,161	870,875
CARS		5,102,239	5,105,890	2,809,852
ARS		1,258,163	1,254,976	833,576
ARS		7,435,954	7,335,086	4,057,656
ARS		566,008	527,867	481,717
ARS		5,479,743	5,479,743	5,479,743
ARS		1,830,400	1,830,400	1,830,400
ARS		1,874,082	1,874,082	1,874,082
ARS		15,211,899	14,804,417	8,189,912
ARS		5,070,633	4,934,806	2,729,971
ARS		2,269,353	2,262,219	1,241,010
ARS		19,688,041	19,109,911	10,523,612
ARS		7,687,554	7,637,749	4,182,814
ARS		6,567,221	6,369,970	3,507,871
ARS		19,092,233	18,232,184	10,022,949
ARS		6,364,078	6,077,395	3,340,983
ARS		5,741,999	5,733,947	2,767,747
ARS		18,674,770	17,756,297	9,828,994
ARS		6,222,055	5,918,766	3,276,331
ARS		2,036,022	2,037,652	1,118,946
ARS		23,187,041	22,787,360	12,583,367
ARS		7,729,014	7,595,787	4,194,456
ARS		7,754,335	7,732,244	4,537,941
TP SPARE		201,563	0	0
Operational Projects Third Party Funded :		194,126,585	187,448,578	106,848,224
Total Operational Projects :		1,587,548,503	1,468,986,711	1,099,852,416
				134,177,363

Annex G-16 – AIRC2 PO Statement of Transfers Administrative Budget



STATEMENT OF TRANSFERS

2013 BUDGET						
Origin of the Credits			Credits needed			Grand Total
Items	Amounts	Total	Items	Amounts	Total	
711110	932,560.23		711110	20,100.00		
711132	0.00		711132	911,050.29		
711310	159,923.22		711310	82.26		
711330	205,780.00		711330	-		
711340	0.00		711340	1,327.68		
711350	517,189.16		711350	91.00		
711360	215.28		711360	-		
711380	98,085.55		711380	365,612.22		
711390	60,000.00		711385	940,190.37		
711510	167,706.81		711390	20,000.00		
711520	28,352.03		711430	52,049.99		
711570	0.00		711510	24,773.93		
711580	0.00		711520	16,358.24		
711590	58,641.54		711530	60,000.00		
712110	30,000.00		711580	37,994.55		
712130	40,584.95		711590	64,717.58		
712230	11,465.04		712310	2,355.52		
712310	26,307.93		717200	1,778.90		
716120	0.00		718100	162.94		
718100	181,833.73					
Sub-total		2,518,645.47			2,518,645.47	-
721130	772.15		721120	-		
722310	40,000.00		721140	21.50		
722410	2,000.00		722550	43,047.00		
722430	21,633.72		723201	524.51		
723201	64,587.75		723203	80,812.86		
723202	6,580.21		723204	55,698.96		
723203	64,531.00		723205	33,954.25		
723204	13,954.25		723206	10,000.00		
723205	20,000.00		723207	40,000.00		
723206	10,000.00		723208	10,300.00		
723207	30,000.00		723209	24,859.79		
723209	1,740.00		723210	33,941.00		
723212	6,839.58		723213	310.00		
723213	50,831.21		725000	19,690.00		
723218	19,690.00					
Sub-total		353,159.87			353,159.87	-
731000	47,398.36		733000	35,027.61		
733000	0.00		735000	26,739.75		
738000	14,369.00					
Sub-total		61,767.36			61,767.36	-
Grand Total	2,933,572.70	2,933,572.70		2,933,572.70	2,933,572.70	-

Annex G-17 – IPSAS 24 - AIRC2 PO Reconciliation of the Budget Execution Statement to the Statement of Financial Performance

IPSAS 24 - Reconciliation of the Budget Execution to the Statement of Financial Performance

Generic Expenditure Description	Budget Execution 2013	Open invoices at EOY 2013	Depreciation and Provisions	Regularisations	Accruals & Prepayments	Financial Performance 2013
Total Personnel	20,816,055	-1,321,942		-1,467	-495,308	18,997,338
Total Supplies	2,293,743	-30,045		-72,212	-252,609	1,938,877
Total Capital & Investment	100,687	-1,665		-68,825	-2,883	27,314
Total Provision, Depreciation	0	0	32,444			32,444
Grand Total	23,210,486	(1,353,652)	32,444	(142,504)	(750,800)	20,995,973
					<u>20,995,973</u>	

739000	Leased Hold impr	0.00
739001	Transport Equipm	0.00
739002	Software Yearly I	-17,928.19
739003	Furniture Yearly I	-1,793.50
739004	ALS Yearly Depre	-12,722.50
		<u>-32,444.19</u>

754200 Provisions Untaken Leave

Annex G-18 – AIRC2 PO Restated 2012 Statement of Financial Position and Performance



NCI ORGANISATION AIR C2 PO - Statement of Financial Position - Restated
as at 31 December 2013
(All amounts in 1 Euro)

	Notes	Prior Year - As Published	Change Acc. Policy	Prior Year - Reclass.
	ANNEX C	31-Dec-12		31-Dec-12
ASSETS				
Cash and cash equivalents	C01	62,444,955		62,444,955
Short-term investments		0		0
Receivables from Nations	C02	6,072,095		6,072,095
Other receivables	C03	4,398,924		4,398,924
Inventory		0		0
Work in progress		0		0
Prepayments and deposits	C04	489,686		489,686
Transitory assets accounts		0		0
Current assets		73,405,659	0	73,405,659
Long-term receivables	C05	384,343		384,343
Long-term investments		0		0
Other financial assets		0		0
Infrastructure, plant and equipment	C06	255,639	-255,639	0
Land and buildings		0		0
Intangible assets	C07	34,543	-34,543	0
Other non-financial assets		0		0
Non-current assets		674,525	-290,182	384,343
TOTAL ASSETS		74,080,184	-290,182	73,790,002
LIABILITIES				
Tax and personnel related payables	C08	22,905		22,905
Retirement and pension plan related payables		0		0
Advances from Nations	C09	112,561		112,561
Trade payables	C10	44,439,082		44,439,082
Unearned revenues	C11	29,062,799	-290,182	28,772,617
Other payables	C12	58,495		58,495
Short-term borrowings		0		0
Current portion of borrowings		0		0
Transitory liabilities accounts		0		0
Current liabilities		73,695,841	-290,182	73,405,659
Long-term tax and personnel related payables		0		0
Long-term retirement and pension plan related		0		0
Long-term payables		0		0
Long-term borrowings		0		0
Provisions	C13	384,343		384,343
Non-current liabilities		384,343	0	384,343
NET ASSETS/EQUITY				
Capital contributed by other government entitie		0		0
Accumulated surpluses/(deficits)	C14	0		0
		0	0	0
Minority interest		0	0	0
Net Assets/Equity		0	0	0
TOTAL LIABILITIES		74,080,184	-290,182	73,790,002

NCI ORGANISATION AIR C2 PO - Statement of Financial Performance - Restated
for the year ended 31 December 2013
(All amounts in 1 Euro)



	Notes	Prior Year - As Published	Change Acc. Policy	Prior Year - As Published
	ANNEX D	2012		
OPERATING ACTIVITIES				
Contributions income	D01	21,669,379	0	21,669,379
Projects income	D02	126,947,708	0	126,947,708
Other Operations income	D03	0	0	0
Revenue from operating activities		148,617,087	148,617,087	148,617,087
				0
Expenses Operational Projects	D04	126,947,708	0	126,947,708
Other Expenses Operational Projects	D05	0	0	0
				0
Cost of operating activities		126,947,708	126,947,708	126,947,708
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		21,669,379	21,669,379	21,669,379
				0
GENERAL AND ADMINISTRATIVE COSTS				
				0
				0
Personnel	D06	14,471,728	0	14,471,728
Consultancy	D07	4,683,738	0	4,683,738
Operations and maintenance	D08	1,994,110	0	1,994,110
Capital and investments	D09	76,319	0	76,319
Provision, depreciation and amortisation	D10	443,484	0	443,484
General and administrative costs		21,669,379	21,669,379	21,669,379
NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		0	0	0
				0
FINANCIAL INCOME AND COSTS				
				0
				0
Foreign exchange gains	D11	2,833	0	2,833
Foreign exchange losses		0	0	0
Financial income	D12	373,003	0	373,003
Financial costs	D13	-35,781	0	-35,781
Financial income and costs		340,055	340,055	340,055
NET SURPLUS/(DEFICIT) BEFORE EXTRAORDINARY ITEMS		340,055	340,055	340,055
EXTRAORDINARY INCOME AND COSTS				
Extraordinary gains	D14	35,781	290,182	325,963
Extraordinary losses	D15	-375,836	-290,182	-666,018
Extraordinary income and costs		-340,055	-340,055	-340,055
NET SURPLUS/(DEFICIT) FOR THE PERIOD		0	0	