

NATO SANS CLASSIFICATION

11 décembre 2015

DOCUMENT
C-M(2015)0085-AS1

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE L'AGENCE DE GESTION OTAN POUR LE DÉVELOPPEMENT, LA PRODUCTION
ET LA LOGISTIQUE DE L'ACE 2000 ET DU TORNADO (NETMA)
POUR L'EXERCICE 2014**

SUITE DONNÉE

Le 10 décembre 2015, 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(2015)27, figurant en annexe au C-M(2015)0085, et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources visant la communication au public.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2015)0085 et doit être placée en tête de ce document

NATO SANS CLASSIFICATION

11 décembre 2015

DOCUMENT
C-M(2015)0085-AS1

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DE L'AGENCE DE GESTION OTAN POUR LE DÉVELOPPEMENT, LA PRODUCTION
ET LA LOGISTIQUE DE L'ACE 2000 ET DU TORNADO (NETMA)
POUR L'EXERCICE 2014**

SUITE DONNÉE

Le 10 décembre 2015, 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(2015)27, figurant en annexe au C-M(2015)0085, et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources visant la communication au public.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2015)0085 et doit être placée en tête de ce document

NATO SANS CLASSIFICATION

7 décembre 2015

DOCUMENT

C-M(2015)0085

Procédure d'accord tacite :

10 déc 2016 18:00

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DE L'AGENCE DE
GESTION OTAN POUR LE DÉVELOPPEMENT, LA PRODUCTION ET LA LOGISTIQUE
DE L'ACE 2000 ET DU TORNADO (NETMA) POUR L'EXERCICE 2014**

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'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA) pour l'exercice clos le 31 décembre 2014. Ce rapport contient une opinion sans réserve.
2. Le rapport de l'IBAN a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB). Conformément au PO(2015)0052, celui-ci a recommandé au Conseil, dans une note qu'il a approuvée le 25 novembre 2015, d'autoriser la communication au public du rapport de l'IBAN ainsi que des états financiers correspondants (annexe).
3. J'estime que ce rapport ne nécessite pas d'examen plus approfondi. Par conséquent, **sauf avis contraire me parvenant d'ici au jeudi 10 décembre 2015 à 18 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2015)27 et qu'il aura approuvé la recommandation du RPPB visant la communication au public des documents précités.

(signé) Alexander Vershbow

3 annexes
1 pièce jointe

Original : anglais

NATO SANS CLASSIFICATION

-1-



PAGE BLANCHE

NOTE DU RPPB SUR LA COMMUNICATION AU PUBLIC

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DE L'AGENCE
DE GESTION OTAN POUR LE DÉVELOPPEMENT, LA PRODUCTION ET LA
LOGISTIQUE DE L'ACE 2000 ET DU TORNADO (NETMA) POUR L'EXERCICE 2014**

Références : (A) IBA-A(2015)169 // IBA-AR(2015)27
(B) Note de couverture accompagnant les états financiers 2014 de la
NETMA – N/8301200N/28400000/150278/15/NU

1. En vertu du PO(2015)0052, les rapports non classifiés du Collège international des commissaires aux comptes de l'OTAN (IBAN), assortis le cas échéant des états financiers correspondants, sont en principe rendus publics après leur examen par le Conseil.
2. L'IBAN a émis une opinion sans réserve sur les états financiers 2014 de la NETMA. Son rapport (référence (A)) sera transmis au Conseil afin qu'il en prenne note, ainsi que le prévoient les procédures agréées.
3. Le contrôleur des finances de la NETMA et le Comité directeur conjoint ont estimé que les états financiers 2014 de l'Agence pouvaient être rendus publics (référence (B)).
4. Le Bureau de la planification et de la politique générale des ressources estime quant à lui que le rapport de l'IBAN ne contient pas d'informations qui, en vertu de la politique relative à la mise en lecture publique de l'information OTAN, ne peuvent être rendues publiques et, conformément à la politique agréée dans le PO(2015)0052, il recommande par conséquent que le Conseil approuve la communication au public de ce rapport et des états financiers correspondants.

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
de l'Agence de gestion OTAN pour le développement, la production
et la logistique de l'ACE 2000 et du Tornado (NETMA)
pour l'exercice clos le 31 décembre 2014**

La NETMA gère les programmes des organisations de production et de logistique que sont la NAMMO et la NEFMO, ainsi que les budgets correspondants.

Le Collège a vérifié les états financiers relatifs au budget administratif de la NETMA pour l'exercice clos le 31 décembre 2014. En 2014, le montant total des dépenses relevant du budget administratif s'est établi à 43,7 MEUR.

Le Collège a émis une opinion sans réserve sur les états financiers de la NETMA et sur la conformité pour l'exercice clos le 31 décembre 2014.

Il n'a pas d'observation ni de recommandation à faire.

PAGE BLANCHE

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LA VÉRIFICATION DES ÉTATS FINANCIERS

**DE L'AGENCE DE GESTION OTAN POUR LE DÉVELOPPEMENT,
LA PRODUCTION ET LA LOGISTIQUE DE L'ACE 2000 ET DU TORNADO (NETMA)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014

**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

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la NETMA, composés de l'état de la situation financière au 31 décembre 2014 et de l'état de la performance financière, du tableau des flux de trésorerie et de l'état des variations de l'actif net/situation nette pour l'exercice clos à cette date, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes. Le Collège a également vérifié l'état de comparaison entre les dépenses budgétisées et les dépenses effectives pour l'exercice clos le 31 décembre 2014.

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.

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

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière de la NETMA au 31 décembre 2014, 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.

Opinion sur la conformité

Le Collège estime que 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.

Bruxelles, le 30 octobre 2015

Lyn Sachs
Présidente

PAGE BLANCHE

NETMA

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014



Contents

Introduction to NETMA		3
Financial Report		4
Schedule 1	Statement of Financial Position as at 31 December 2014	5
Schedule 2	Statement of Financial Performance for the Period ended 31 December 2014	6
Schedule 3	Indirect Cash Flow Statement for the Period ended 31 December 2014	7
Schedule 4	Statement of Changes in Net Assets / Equity for the Period ended 31 December 2014	8
Schedule 5	Statement of Comparison of Budget and Actual Amounts for the Period ended 31 December 2014	9
Annex A	Accounting Policies and Definitions	10
Annex B	Notes to the Statement of Financial Position	15
Annex C	Notes to the Statement of Financial Performance	19
Annex D	Notes to the Cash Flow Statement	22
Annex E	Notes to the Statement of Changes in Net Assets / Equity	24
Annex F	Notes to the Budget Execution Statement	25
Annex G	Application of IPSAS	27

NETMA

NATO EF2000 and Tornado Development, Production and Logistics Management Agency (NETMA) is an agency created within the framework of NATO and established by the North Atlantic Council pursuant of Article 9 of the North Atlantic Treaty and within the meaning of the Agreement on the Status of the North Atlantic Treaty Organisation, National Representatives and International Staff, signed in Ottawa on 20th September 1951. It is based in Unterhaching, Germany (until May 2015 when it will move to Hallbergmoos, Germany) and is an Executive Body created by charter to administer the functions of two NATO Production and Logistic Organisations (NPLOs). The two NPLOs are NAMMO (NATO Multi-Role Combat Aircraft Development, Production and In-Service Support Management Organisation) and NEFMO (NATO European Fighter Aircraft Development, Production and Logistics Support Management Organisation).

NETMA is a procurement agent formed jointly by NEFMO and NAMMO in 1996 to manage procurement for and the administration of the two programmes. As such the agency is accounted for as a joint venture in these financial statements. The operations of NETMA concerning NAMMO and NEFMO are controlled by a Joint Steering Committee of the three NAMMO Nations and the four NEFMO Nations involved in the programmes.

The budgetary organisation of NETMA is funded by the four member Nations – Germany, Italy, Spain and United Kingdom. Budget approval is given jointly by the Boards of Directors of NAMMO and NEFMO. As a NATO agency, NETMA is exempt from taxation relating to operating revenue and expenses.

FINANCIAL REPORT

Introduction

The NETMA Financial Statements have been produced in accordance with the NATO Accounting Framework which is based on International Public Sector Accounting Standards (IPSAS) tailored as permitted by the North Atlantic Council.

Highlights

The introduction of the new NATO Accounting Framework approved by the North Atlantic Council in August 2013 had only a minor impact on the NETMA accounts. IT and Communications assets that were capitalised over the last two years since the adoption of IPSAS 17 – Property Plant and Equipment (PP&E) continue to be recognised in the Financial Statements. However, the length of time in which such assets are depreciated was changed from five years to three years in 2013 to align with the NATO policy on depreciation period for this class of asset which continues to be adopted in 2014. The office building in Unterhaching where NETMA is currently located is contracted under operating lease arrangements. A new operating lease agreement for building premises in Hallbergmoos, Germany was signed in September 2013 and the obligations under both contracts have been included in the notes to the financial statements in accordance disclosure requirements under IPSAS 13 - Operating Leases.

Revenue

Revenue is generated through contributions from Nations. Other minor revenue items include bank interest and recoveries from staff and contractors for car parking and telephone calls.

Costs

Agency costs are covered in three chapters – Chapter 1 for Personnel Costs, Chapter 2 for Agency Support Costs and Chapter 3 for Process and IT Management. All costs are in support of both the NAMMO and NEFMO programmes.

Accounting and Control

The budget for NETMA is constructed on a cash basis and funds are called for in advance. Interest earned in prior years is maintained on the NETMA bank account and used to offset future Calls for Funds where applicable under National rules.

The Annual Financial Statements are constructed on an accruals basis and reconciled against the cash outturn accordingly.

Conclusion

The Annual Financial Statements represent a true and fair view of the organisation's activities for 2014.

FINANCIAL STATEMENTS

Schedule 1

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

	Notes	2014	2013	Variance	
				CY-PY	%age
ASSETS					
<u>Current Assets</u>					
Cash and Cash Equivalents	B01	16,997	18,211	(1,214)	(6.67)
Inter Entity Current Accounts	B02	0	0	0	-
Receivables	B03	1,548	758	790	104.22
Prepayments	B04	420	0	420	-
Inventories	B05	0	0	0	-
Financial Assets	B06	0	0	0	-
		18,965	18,969	(4)	(0.02)
<u>Non Current Assets</u>					
Property, Plant and Equipment	B07	351	239	112	46.86
Intangible Assets	B08	0	0	0	-
		351	239	112	46.86
TOTAL ASSETS		19,316	19,208	108	0.56
LIABILITIES					
<u>Current Liabilities</u>					
Short Term Borrowings	B09	0	0	0	-
Payables	B10	1,471	1,181	290	24.56
Advances	B11	17,494	17,788	(294)	(1.65)
		18,965	18,969	(4)	(0.02)
<u>Non Current Liabilities</u>					
Long Term Borrowings	B12	0	0	0	-
Provisions	B13	0	0	0	-
TOTAL LIABILITIES		18,965	18,969	(4)	(0.02)
TOTAL ASSETS LESS LIABILITIES		351	239	112	46.86
NET ASSETS					
Accumulated Surplus / (Deficit)	B14	112	43	69	160.47
Reserves	B15	239	196	43	21.94
TOTAL NET ASSETS		351	239	112	46.86

FINANCIAL STATEMENTS

Schedule 2

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31
DECEMBER 2014

(all amounts stated in thousands of Euros)

	Notes	2014	2013	Variance CY-PY	%age
OPERATING ACTIVITIES					
<u>Revenue</u>					
Operating Revenue	C01	50,923	45,712	5,211	11.40
		50,923	45,712	5,211	11.40
<u>Expenses</u>					
Operating Expenses	C02	0	0	0	-
SURPLUS / (DEFICIT) FROM OPERATING ACTIVITIES		50,923	45,712	5,211	11.40
GENERAL & ADMINISTRATIVE COSTS					
Personnel	C03	35,639	35,979	(340)	(0.94)
Operations and Maintenance	C04	9,981	4,606	5,375	116.70
IT Services	C05	4,932	4,896	36	0.74
Depreciation & Amortization	C06	160	105	55	52.38
		50,712	45,585	5,127	11.25
NET SURPLUS / (DEFICIT) FROM OPERATING ACTIVITIES		211	126	85	67.46
FINANCIAL INCOME & COSTS					
Foreign Exchange Gains & Losses	C07	(2)	0	(2)	-
Other Financial Income & Costs	C08	(97)	(84)	(13)	15.48
		(99)	(84)	(15)	17.86
NET SURPLUS / (DEFICIT) FOR THE PERIOD		112	43	70	162.79

FINANCIAL STATEMENTS

Schedule 3

INDIRECT CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

	Notes	2014	2013	Variance	
				CY-PY	%age
CASH FLOW FROM OPERATING ACTIVITIES					
<u>Cash Flow from Operating & Other Activities</u>					
Surplus / (Deficit) from Op Activities	D01	211	127	84	66.14
Depreciation & Amortization	D02	160	105	55	52.38
Financial Income & Costs	D03	(97)	(84)	(13)	15.48
		274	148	126	85.14
<u>Decrease / (Increase) in Current Assets</u>					
Receivables	D04	(790)	(78)	(712)	912.82
Prepayments	D05	(420)	0	(420)	-
Inventories	D06	0	0	0	-
Financial Assets	D07	0	0	0	-
		(1,210)	(78)	(1,132)	1,451.28
<u>Increase / (Decrease) in Current Liabilities</u>					
Short Term Borrowings	D08	0	0	0	-
Payables	D09	290	221	69	31.22
Advances	D10	(294)	12,078	(12,372)	(102.43)
		(4)	12,298	(12,302)	(100.03)
NET CASH FLOW FROM OPERATING ACTIVITIES		(940)	12,369	(13,309)	(107.60)
CASH FLOW FROM INVESTING ACTIVITIES					
Decr / (Incr) Property, Plant and Equipment	D11	(272)	(148)	(124)	83.78
Decr / (Incr) Financial Assets	D12	0	0	0	-
		(272)	(148)	(124)	83.78
NET INCREASE / (DECREASE) CASH & CASH EQUIVALENTS		(1,212)	12,220	(13,432)	(109.93)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD		18,211	5,991	12,220	203.97
Effect of Exchange Rate Changes	D13	(2)	0	(2)	-
CASH & CASH EQUIVALENTS AT END OF PERIOD		16,997	18,211	(1,214)	(6.67)

FINANCIAL STATEMENTS

Schedule 4

STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

	Notes	PP&E Asset Reserve	Revaluation Reserve	Translation Reserve	Accumulated Surplus / (Deficit)	TOTAL
Balance at 31 December 2012		276	0	0	10	286
Changes in Accounting Policy	E01	0	0	0	(91)	(91)
RESTATED BALANCE		276	0	0	(81)	196
Surplus / (Deficit) on Revaluation of Prop, Plant & Equip	E02	0	0	0	0	0
Surplus / (Deficit) on Revaluation of Financial Assets	E03	0	0	0	0	0
Currency Translation Differences	E04	0	0	0	0	0
NET INCREASE / DECREASE OF RESERVES		0	0	0	0	0
Revenue	E05	0	0	0	45,712	45,712
Expenses	E06	0	0	0	(45,669)	(45,669)
NET SURPLUS / (DEFICIT) FOR THE PERIOD		0	0	0	43	43
Balance at 31 December 2013		277	0	0	(38)	239
Changes in Accounting Policy	E01	0	0	0	0	0
RESTATED BALANCE		277	0	0	(38)	239
Surplus / (Deficit) on Revaluation of Prop, Plant & Equip	E02	0	0	0	0	0
Surplus / (Deficit) on Revaluation of Financial Assets	E03	0	0	0	0	0
Currency Translation Differences	E04	0	0	0	0	0
NET INCREASE / DECREASE OF RESERVES		0	0	0	0	0
Revenue	E05	0	0	0	50,923	50,923
Expenses	E06	0	0	0	(50,811)	(50,811)
NET SURPLUS / (DEFICIT) FOR THE PERIOD		0	0	0	112	112
Balance at 31 December 2014		277	0	0	74	351

FINANCIAL STATEMENTS

Schedule 5

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

Notes	Budgeted Amounts			Commitments	Expenses	Credits Carried Forward	Lapsed Credits
	Original	Adjustments	Final				
Personnel	37,466	820	38,286	35,430	35,242	188	2,856
Operations and Maintenance	4,198	0	4,198	4,059	3,749	310	139
IT Services	5,150	0	5,150	4,924	3,960	964	226
	46,814	820	47,634	44,413	42,951	1,462	3,221
Personnel c/o from 2013	342	0	342	104	104	0	238
Personnel c/o from 2012	0	0	0	0	0	0	0
O and M c/o from 2013	42	0	42	31	31	0	11
O and M c/o from 2012	0	0	0	0	0	0	0
IT Services c/o from 2013	360	0	360	247	247	0	113
IT Services c/o from 2012	824	0	824	763	272	491	61
IT Services c/o from 2011	50	0	50	50	50	0	0
	1,618	0	1,618	1,195	704	491	423
	48,432	820	49,252	45,608	43,655	1,953	3,644

ANNEX A

Accounting Policies & Definitions

Basis of Preparation

The financial statements have been produced on a going concern basis. NATO Agency reform, which was approved by the Heads of State and Government at the Lisbon Summit in 2010, continues to mature. A new integrated NATO Procurement entity will be established to meet the needs of new procurement programmes, but none of the existing NATO agencies intend to integrate into this new organisation. In addition, at this stage, there is no intent to merge additional NATO agency support activity into the NATO Support Agency (NSPA). The route to implement shared services across NATO continues to develop, with the decision to implement shared services for some Human Resource and General Procurement activities. Like other similarly funded NATO Agencies NETMA has agreed to integrate with this activity when a proven benefits case for the specific entity can be demonstrated. In the light of the anticipated impact of these initiatives on the programme it is considered that there are no impediments to continuing on a going concern basis for the foreseeable future.

The NETMA financial statements have been prepared on the accruals basis of accounting in accordance with the accounting requirements of the NATO Accounting Framework which is based on International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) and relevant to NETMA as decided by the North Atlantic Council in 2013. A list of standards issued by the IPSAS Board can be found on the following website www.ifac.org.

The financial statements have been prepared in accordance with the accounting requirements of the relevant NATO Financial Regulations (NFR) and associated Financial Rules and Procedures (FRP).

Application of IPSAS and Tailoring

NETMA adopted all IPSAS standards issued by the IPSAS Board that were effective prior to 31 December 2014 and, where relevant, the adapted standards within the NATO Accounting Framework have been applied. As encouraged by the IPSAS Board, and to increase transparency and accountability, IPSAS standards that are available for early adoption have also been adopted. There is no material impact in the opening balances resulting from early adoption. A summary of standards adopted is provided in Annex G.

Use of Estimates

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management, based on the most reliable information available. Estimates include accrued revenue and expenses. Actual results could differ from those estimates and changes are reflected in the period in which they become known.

Consolidation

The NETMA financial statements are not consolidated.

Significant Accounting Policies

NETMA's significant accounting policies are set out below. The accounting policies have been consistently applied to all periods.

Foreign Currency Transactions

The functional and reporting currency of NETMA is the EURO. 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 Euro using the NATO rates of exchange that were applicable at 31 December 2014. Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Financial Instruments

The costs of activities in the Administrative Budget are borne by Nations in accordance with the formula specified in the Agency Integration Memorandum of Understanding (MOU), Section 4 – Funding Arrangements. Contributions are assessed on the basis of approved budget authorisations and called for in accordance with the actual cash requirements of NETMA, therefore financial instruments play a more limited role in creating risk than would apply to a non-public sector organisation of a similar size.

NETMA uses only non-derivative financial instruments as part of its normal operations. This includes the following financial assets and liabilities:

- Cash and cash equivalents (i.e. cash, bank accounts, deposit accounts),
- Accounts receivable,
- Accounts payable.

In accordance with IPSAS 29, Financial Instruments are recognised at the contract date and initially measured at fair value. Their subsequent measurement depends on their classification. Cash, receivables and other liabilities are not revalued (except for changes in exchange rates which are included in the statement of financial performance). Financial Instruments are derecognised on expiry or when all contractual obligations are transferred.

IPSAS 30 – Financial Instruments: Disclosures, requires the organisation to provide disclosures in respect of the role of financial instruments on the financial position and performance, the nature and extent of the risks to which the organisation is exposed and how these risks are managed. Management is aware of the risks associated with financial instruments and is bound by NETMA Financial Rules and Regulations to keep these risks very low.

- Currency risk: The majority of transactions associated with the Administrative budget are contracted in Euros and in order to have the required funding, NETMA also asks Nations to provide their contributions in Euros. Therefore

the exposure of financial instruments to foreign currency exchange risk associated with the Administrative budget is considered negligible.

- Liquidity risk: The liquidity risk is based on the assessment of whether the organisation will encounter difficulties in meeting its obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees contributions for the total approved budget. The accuracy of forecasts that result in the calls for contributions as well as the delay in receiving payments, represent the main liquidity risks.
- Credit risk: There is very limited credit risk as the contributing Nations generally have a high credit rating. The risk of financial loss due to a participating Nation's failure to raise funds is still assessed as very low. In the event that there is a shortage of funds by one or more Nations to meet financial obligations, other Nations will be expected to provide the necessary funding.
- Interest rate risk: NETMA is restricted from entering into borrowings and investments, and therefore is no significant interest rate risk identified.

Current Assets

Cash and cash equivalents are carried in the Statement of Financial Position at fair value and comprise deposits held within nominated programme bank accounts.

Accounts receivable consist of outstanding Calls for Funds from Nations for the 2014 financial year and any other receivables from staff and external sources such as German MoD in relation to VAT receivable. Prepayments cover rental payments for January 2015.

Non Current Assets

In accordance with IPSAS 17, Property, Plant and Equipment (PPE) are recognised as tangible assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably.

Assets are recognised at historical purchase cost or fair value at the time of acquisition or construction. Following the Cost Model method of measurement, after recognition as an asset the item is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The categories of Property, Plant and Equipment relevant for NETMA are detailed below:

Land and Buildings: The agency's office accommodation is subject of a building lease and therefore not capitalised as Property, Plant and Equipment. The office accommodation has been determined as an operating lease and, in accordance with IPSAS 13 - Leases, is expensed on a straight-line basis over the lease term.

Office Furniture and Equipment: This includes items of office furniture, installed equipment (i.e. security installations and air conditioning units), and other miscellaneous office items (i.e. lamps, fans, projectors, printing equipment). Items

in this category are depreciated on a straight line basis over a ten year period which equates to their useful life. It is assumed an item is fully depreciated with nil residual value at the end of its useful life.

IT and Communications Equipment: This consists of Commercial-Off-The-Shelf purchase of (COTS) computer systems (hardware and software), and communications equipment (i.e. telephones, faxes and accessories). Items in this category are depreciated on a straight line basis over a three year period. It is assumed an item is fully depreciated with nil residual value at the end of its useful life.

NETMA's capitalisation threshold is €15,000. Items with a purchase cost or fair value on acquisition above this threshold are capitalised, items falling below this threshold are fully expensed in the year of procurement.

Intangible Assets for NETMA consists of computer software developed in-house and are depreciated over a three year period, in line with computer systems capitalised within tangible assets.

The carrying amounts of tangible and intangible assets are reviewed for impairment if events or changes in circumstances indicate that they maybe not recoverable. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

For historical PP&E purchased prior to 1st January 2011, the carrying amounts (i.e. gross purchase cost less accumulated depreciation) are capitalised as non-current assets with the corresponding balance directly taken to PP&E asset reserves within Net Assets on the Statement of Financial Position. The Net Assets balance represents the Nations equity in PP&E assets. The Net Asset balance is reduced each year with the depreciation accounted for as an expense.

For new asset additions during the year, the gross value of an asset is capitalised as PP&E on the Statement of Financial Position. The revenue for the full amount of the asset is accounted for in the year of purchase on the Statement of Financial Performance. Therefore a surplus on the Statement of Financial Performance is generated in the first year of purchase and transferred to the PP&E Asset Reserve account to increase accumulated asset reserves.

For both historic and new additions, depreciation is charged each year on a straight-line basis over the asset's useful life and accounted for as an expense which generates a deficit on the Statement of Financial Performance. This deficit is transferred to PP&E Asset Reserves at the end of each year to reduce the accumulated asset reserve.

Tangible and intangible assets are derecognised either on disposal or when no future economic benefit or service potential is expected from their use or disposal.

Liabilities

NETMA liabilities include amounts payable to suppliers for work undertaken but not yet paid, amounts owing to Nations with respect to miscellaneous revenue that is to be

returned in accordance with instructions from Nations and advance contributions and unearned revenue.

Advances and Unearned Revenue

Advance contributions are those funds received for future years' budgets. Unearned revenue represents contributions received from Nations and third parties that have been called for in the current or prior years that have not been recognised as revenue. Funds are called for in advance of their need because NETMA has no capital that would allow it to pre-finance any of its activities. Unearned revenue also includes miscellaneous income earned that Nations have instructed remain on the programme accounts rather than be returned to the respective National Treasuries.

Provisions and contingent liabilities

Provisions are recognised when NETMA has a present obligation as a result of a past event, and it is probable that NETMA will be required to settle that obligation, and where a reliable estimate of the amount of obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the date of the statement of financial position, and are discounted to present value where the effect is material.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NETMA.

Revenue

Revenue comprises of contributions from the four contributing Nations: Germany, Italy, Spain and United Kingdom and other revenue earned during the period. Contributions from the four Nations are called for quarterly in advance. Other revenue earned during a financial period includes bank interest and miscellaneous recoveries from staff for car parking and telephone calls.

Revenue is recognised to the extent that it is probable that economic benefits will flow to NETMA and revenue can be measured reliably. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NETMA recognises a liability until the condition is filled.

Nation's contributions to the Administrative Budget are initially recorded as unearned revenue liabilities. They are recognised as revenue on the statement of financial performance when such contributions are used for their intended purpose as envisioned within the approved budget.

Expenses

The NETMA financial statements cover the running costs of the agency and of the NAMMO and NEFMO programmes. These costs cover pay and personnel, utilities, rental payments and those costs associated with information management support.

ANNEX B

Notes to the Statement of Financial Position as at 31 December 2014

	2014	2013	Variance CY-PY	%age
B01: Cash and Cash Equivalents	16,997	18,211	(1,214)	(6.67)
Petty Cash - General	1	2	(1)	(50.00)
Petty Cash - Building Maintenance	0	1	(1)	100.00
Admin	16,990	18,200	(1,210)	(6.64)
Admin Interest	6	9	(3)	(33.34)

NETMA operates one bank account into which all contributions are received and payments to suppliers made. Interest earned is accumulated on an associated account and in the subsequent year is transferred to the main account to offset future Calls for Funds where permitted under National procedures. The petty cash accounts enable small, essential purchases to be made quickly and are reconciled on a monthly basis.

The main reasons for the variance between 2014 and 2013 on the main account is that in 2013 a number of advance contributions were received from Nations which has resulted in lower contributions being called for in 2014. One payment received from UK in Dec 14 has been included as an Advance, these funds will be offset against future call for funds. The remaining balance on the bank account relates to funds received specifically for NETMA relocation and Business Model Review (BMR) Benefits Tracking Support activities that are funded separately from the main Administrative Budget approvals.

	2014	2013	Variance CY-PY	%age
B02: Inter Entity Current Accounts	0	0	0	-

Any balances that exist on these accounts represent amounts owed to or from either NAMMO or NEFMO. At the end of 2014 there were no balances on these accounts.

	2014	2013	Variance CY-PY	%age
B03: Receivables	1,548	758	790	104.22
- Nations	0	0	0	-
- Third Parties	1,508	731	777	106.29
- NATO Entities	0	0	0	-
- Staff Members	40	27	13	48.15

Receivables from Nations represent the revenue generated outside of the Calls for Funds process.

Receivables from Third Parties represent the VAT recoverable from MoD Germany.

Receivables from staff members relate to the outstanding recoveries from advances of salaries made in the year. This account has been reconciled with payroll records at year end.

	2014	2013	Variance CY-PY	%age
B04: Prepayments	420	0	420	-
- Suppliers	419	0	419	-
- Staff	1	0	1	-

Prepayments made to suppliers are in respect of invoices paid for services received during 2014 and future rental payments for Jan 2015 and prepayments made to staff are in respect of advances of duty travel.

	2014	2013	Variance CY-PY	%age
B05: Inventories	0	0	0	-

NETMA does not hold any inventory assets. Agency consumables such as stationery are not considered material and are below the €15K threshold for capitalisation.

	2014	2013	Variance CY-PY	%age
B06: Financial Assets	0	0	0	-

NETMA does not hold any financial assets other than cash and receivables that have been separately reported within the Annual Financial Statements.

	2014	2013	Variance CY-PY	%age
B07: Property, Plant and Equipment	351	239	112	46.86
- IT and Communications Equipment	351	239	112	46.86

The building held currently occupied by the Agency and the new office accommodation in Hallbergmoos are both deemed to be under operating lease arrangements and therefore are not capitalised. The Agency controls two types of Property, Plant and Equipment and is responsible for replacement and maintenance of these assets; Office Furniture & Equipment, and IT & Communications Equipment. The capitalisation threshold for all Property, Plant and Equipment is €15,000.

As at 31 December 2014 only items within IT and Communications Equipment met the criteria for capitalisation. This consists of Commercial Off The Shelf purchase of (COTS) computer systems (hardware and software), and communications equipment (i.e. telephones, faxes and accessories). IT and Communications assets are measured at cost less depreciation. Depreciation is calculated on a straight-line basis over the useful life of IT and Communications Equipment.

Office Furniture & Equipment includes office furniture, installed equipment (i.e. security installations and air conditioning units), and other miscellaneous office items (i.e. lamps, fans, projectors, printing equipment). Items in this category are depreciated on a straight line basis over a ten year period. All legacy items of Office Furniture and Equipment were fully depreciated when IPSAS 17 was adopted in 2011 and all new purchases fell below the capitalisation threshold of €15,000, hence there are no items included for capitalisation in 2014.

In accordance with IPSAS 17, below is a reconciliation of the carrying amounts for Property, Plant and Equipment.

	IT & Communications	
Reporting Period	2014	2013
Opening Balance	239	196
Additions	272	148
Disposals	0	0
Depreciation	(160)	(105)
Closing Balance	351	239
Gross Carrying Amount	1,182	910
Accumulated Depreciation	(831)	(671)
Net Carrying Amount	351	239

* Amounts stated in thousands of Euros

	2014	2013	Variance CY-PY	%age
B08: Intangible Assets	0	0	0	-

NETMA does not hold any intangible assets. Development costs are expensed by NETMA and the intangible assets for the operational budget are held on the Statement of Financial Position of the benefiting Nations.

	2014	2013	Variance CY-PY	%age
B09: Short Term Borrowings	0	0	0	-

NETMA does not have any short term loans from any organisation with all funds being provided by Nations and the generation of miscellaneous revenue.

	2014	2013	Variance	
			CY-PY	%age
B10: Payables	1,471	1,181	290	24.56
Payable to Suppliers reconciled to AP Trial Balance	45	2	43	2,165.39
Accrual	1,425	1,177	248	21.08
Other	1	2	(1)	(43.51)

Amounts payable to suppliers represents invoices for work undertaken but not yet paid. This account is reconciled to the payables sub-ledger within the financial system operated by NETMA on a monthly basis.

The Accrual figure is made up of three elements. The first element relates to goods and services provided during 2014, an estimate is undertaken by reviewing invoices paid in January and February 2015. The estimated accrual for goods and services as at 31 December 2014 is €1,018M, which represents a €216K increase to the previous year. The second element is to recognise cash in transit where invoices have been cleared as paid but the cash did not leave the bank until 2015. The final element is the estimated accrual relating to unpaid leave, this is based on the untaken leave carried forward as at 31 December 2014 multiplied by the average salary costs per day. This results in an accrual of €406K and is in line with the 2013 accrual of €375K.

Bank interest earned on the NETMA bank accounts throughout the year is apportioned by contributing Nation.

	2014	2013	Variance	
			CY-PY	%age
B11: Advances	17,494	17,788	(294)	(1.65)
Advance Contributions:	13,826	14,726	(900)	(6.11)
Unearned Revenue	3,668	3,062	606	19.79

Advances include funding for NETMA relocation and Business Model Review Benefits Tracking support activities as well as an amount from the UK received in December 2014 that will be offset against future call for funds.

Accumulated Unearned Revenue represents the excess of national contributions and miscellaneous revenue over expenditure on the NETMA program to date and is similarly reflected in the level of cash holdings within the NETMA bank accounts.

The movement on Unearned Revenue can be reconciled as follows:

	2014	2013
Unearned Revenue b/f	3,062	4,427
National Contributions	51,369	44,246
Miscellaneous Revenue (excl Bank Interest)	160	101
Bank Interest	6	9
<i>Less:</i>		
Operational Expenditure	50,923	45,712
Bank Interest to offset future CFFs	5	7
Bank Interest returned to Nations	1	2
Miscellaneous Financial Charges / (Income)	0	0
Foreign Exchange Gains / (Losses)	0	0
Unearned Revenue c/f	3,668	3,062

	2014	2013	Variance	
			CY-PY	%age
B12: Long Term Borrowings	0	0	0	-

NETMA does not have any long term loans from any organisation with all funds being provided by Nations.

	2014	2013	Variance	
			CY-PY	%age
B13: Provisions	0	0	0	-

There are no provisions in 2014 for NETMA.

	2014	2013	Variance	
			CY-PY	%age
B14: Accumulated Surplus / (Deficit)	112	43	69	160.47

The accumulated surplus or (deficit) balance represents in year movements relating to PP&E. The surplus for 2014

results from in year depreciation charges totalling (-€160K) and recognition of new assets acquired and capitalised as PP&E (+€272K). Any surplus or deficit is transferred to Reserves at the close of each financial year.

	2014	2013	Variance	
			CY-PY	%age
B15: Reserves	239	196	43	21.94
PP&E Asset Reserve	239	196	43	21.94

The PP&E Asset Reserve represents the Nations Equity in Property, Plant and Equipment assets. IT & Communications Equipment assets are capitalised and accounted for at their net carrying amount (i.e. gross historical purchase costs less accumulated depreciation). At the end of 2013, the PP&E Asset Reserve was increased by the accumulated surplus of €43K resulting in an opening Net Assets balance as at 1st January 2014 of €239K. As a result of 2014 asset additions (+€272K) and depreciation charges (-€160K) the closing Net Assets as at 31 December 2014 have increased by €112K to €351K.

ANNEX C

Notes to the Statement of Financial Performance for the period ending 31 December 2014

	2014	2013	Variance	
			CY-PY	%age
C01: Operating Revenue	50,923	45,712	5,211	11.40
National Contributions:	51,369	44,246	7,123	16.10
Miscellaneous Revenue	160	101	59	58.36
Movement on Unearned Revenue	-606	1,365	(1,971)	(144.40)

Operating revenue represents revenue from exchange transactions in accordance with IPSAS 9. National contributions represent the funds provided by Nations to support NETMA in fulfilling its objectives under the Administrative Budget. Funding is normally called for quarterly in advance.

Miscellaneous revenue includes recoveries from staff employed by the Agency and recoveries from nations in support of the overall NETMA Programme.

The movement on unearned revenue represents the excess of revenue over expenditure in the financial year

	2014	2013	Variance	
			CY-PY	%age
C02: Operating Expenses	0	0	0	-

All of NETMA's expenditure is classed as General and Administrative with all operating expenses being contained within the NAMMO and NEFMO financial statements.

	2014	2013	Variance	
			CY-PY	%age
C03: Personnel	35,639	35,979	(340)	(0.94)
- Pay and Overtime	21,704	21,535	169	0.78
- Allowances	5,529	5,685	(156)	(2.74)
- Pension	2,541	2,528	13	0.51
- Medical and Insurance	4,319	4,132	187	4.53
- Travel	1,546	2,099	(553)	(26.35)

Personnel costs for NETMA account for 81% of the Agency running costs and are driven by the establishment for NETMA and the NATO promulgated rates of pay. The costs of personnel include basic salary, allowances, insurance and pension plan contributions. It also includes accruals for untaken leave carried forward at the end of the financial year. A breakdown of wages, salaries and employee benefits is provided below:

(Amounts are stated in thousands of Euros)	2014	2013
Employee benefits expense	31,543	31,333
Post employment benefits		
- for defined contribution pension scheme	2,541	2,528
Untaken leave accrued	406	375
Total employee benefits expense*	34,490	34,236

*Employee Benefits exclude Duty Travel costs

During 2014, the number of staff employed by NETMA rose from 254 employees to 258 employees. The increase in pay costs is mainly attributable to a 2% NATO wide pay increase.

NATO introduced the Defined Contribution Pension Scheme (DCPS) on 1st July 2005. The scheme is a money purchase pension scheme which is funded by NETMA and the staff member. This pension scheme is compulsory for all new entrants. NETMA's contribution is 12% of the value of the Basic Salary. Pension costs are predominantly for those members in the DCPS, however one member remains on the old Provident Fund scheme. Both schemes are administered and accounted for centrally by NATO IS.

Travel costs include duty travel, home leave travel, removals and travel for interviews and repatriation.

Related Party Disclosures

The key management personnel of the NETMA have no significant third party relationships that could affect the operations of the organisation. NETMA is led by 4 directors, one for each participating Nation. They are remunerated in line with NATO pay scales as are all other NETMA staff,

	2014	2013
Key Management Remuneration	905	896

*Amounts stated in thousands of Euros

Representation Allowance

Certain designated high officials are entitled to representation allowances to cover expenses associated with establishing and maintaining business relationships of value to NATO (e.g. hosting of functions such as dinners, luncheons and receptions). The following table provides a summary of expenditure related to the representation allowance. The maximum representation allowance for 2014 was €12.690K. The actual expenses during 2014 were as follows:

	2014	2013
Rental supplement expenses	3,173	3.173
Hospitality expenses	9,480	9.510
Total	12.653	12.683

*Amounts stated in thousands of Euros

	2014	2013	Variance CY-PY	%age
C04: Operations and Maintenance	9,981	4,606	5,375	116.70
- Building Rent and Maintenance	8,770	3,494	5,276	151.00
- Security	576	485	91	18.76
- Other Costs	635	627	8	1.28

Building costs include rent of the Agency's accommodation (€1.820M), utilities and cleaning. The current building is provided under an operating lease contracted on a firm price basis for the period 1st May 2009 to 31 December 2015. Although a firm price is agreed to 31 December 2015, the contract incorporates a formula for triggering a rental increase when inflation in Germany reaches a 10 point higher level based on the consumer price index.

To replace the office accommodation in Unterhaching, Germany, the agency has taken on a new lease for office accommodation in Hallbergmoos, Germany. NETMA signed a contract on 27th September 2013 to lease the new office building to 30th November 2024. Although a firm price has been agreed, the contract incorporates a clause whereby a rental increase or reduction can be triggered after the first three years if inflation in Germany varies by more than 5% based on the consumer price index. Utility payments are subject to an annual review and can vary on the basis of actual usage of the previous year. The contract includes an option to extend the lease for a further two periods of 5 years.

In accordance with IPSAS 13 – Leases, the table below details obligations under the Operating Leases as at 31 December 2014:

	2014	2013
Buildings:		
Not later than one year	2,632,993	1,820,329
Later than one year and not later than five years	3,250,656	4,732,375
Later than five years	3,995,598	4,808,262
Utilities:		
Not later than one year	540,559	291,101
Later than one year and not later than five years	1,088,544	1,356,967
Later than five years	1,338,002	1,610,138
Garage:		
Not later than one year	162,925	91,405
Later than one year and not later than five years	286,080	347,685
Later than five years	351,640	423,160

Security costs are predominantly those of the contracted out guard service. Other costs include office supplies, the rental of reprographic equipment and the costs for the canteen services that have been outsourced.

	2014	2013	Variance CY-PY	%age
C05: IT Services	4,932	4,896	36	0.74
- Communication	78	75	3	4.00
- Information Technology Support	4,854	4,821	33	0.68

The major cost elements in this category are for consultancy and outsourced support costs for the Agency's information systems.

	2014	2013	Variance CY-PY	%age
C06: Depreciation and Amortization	160	105	55	52.38

Property, Plant and Equipment is depreciated on a straight-line basis over the useful life of the asset. The depreciation charge relates to IT and Communication Equipment assets purchased before and after 1st January 2014.

	2014	2013	Variance CY-PY	%age
C07: Foreign Exchange Gains and Losses	(2)	0	(2)	-
Translation Gains / (Losses)	(2)	(0)	(2)	-
Realised Gains / (Losses)	0	0	0	-

Translation gains and losses occur when assets held in foreign currencies are converted to a Euro value at the closing NATO-promulgated exchange rates for the financial period. The only balance affected by translation gains and losses is the holding of British stamps.

Realised gains and losses occur when currency transactions are paid or received at a different rate to that which the expense or income was accounted when accrued for.

	2014	2013	Variance CY-PY	%age
C08: Other Financial Income and Costs	(97)	(84)	(13)	15.48
Bank Interest	6	9	(3)	(33.33)
- Interest returned to Treasury	(1)	(2)	1	(50.00)
- Interest to offset future Calls for Funds	(5)	(7)	2	(28.57)
Other Charges	(97)	(84)	(13)	15.48

Bank interest is earned on the account held to fund the NETMA program where National procedures allow.

Other charges include VAT expensed during the year.

ANNEX D

Notes to the Cash Flow Statement for the period ending 31 December 2014

	2014	2013	Variance CY-PY	%age
D01: Surplus / (Deficit) from Operating Activities	211	127	84	66.14

This represents the surplus or deficit from normal operating activities before interest and financial charges such as exchange differences arising from transactions.

	2014	2013	Variance CY-PY	%age
D02: Depreciation and Amortisation	160	105	55	52.38

This represents the annual depreciation on Property, Plant and Equipment.

	2014	2013	Variance CY-PY	%age
D03: Financial Income and Costs	(97)	(84)	(13)	15.48

This represents miscellaneous charges such as bank interest and VAT expensed which fall outside of the administration budget and excludes gains and losses.

	2014	2013	Variance CY-PY	%age
D04: Receivables	(790)	(78)	(712)	912.82
National Contributions	0	275	(275)	(100.00)
VAT	(777)	(346)	(431)	124.61
Other Receivables	(13)	(7)	(6)	82.41

The movement on the VAT debtor reflects an increase in the level of VAT reclaimed by the Agency on qualifying transactions.

Other receivables include advances of salary to staff and other miscellaneous receivables.

	2014	2013	Variance CY-PY	%age
D05: Prepayments	(420)	0	(420)	-

NETMA makes some prepayments for items such as the rental on the building accommodation, insurances and travel advances.

	2014	2013	Variance CY-PY	%age
D06: Inventories	0	0	0	-

NETMA does not hold any inventory assets.

	2014	2013	Variance CY-PY	%age
D07: Financial Assets	0	0	0	-

NETMA does not hold any financial assets other than cash and receivables that have been separately reported on within the Annual Financial Statements.

	2014	2013	Variance CY-PY	%age
D08: Short Term Borrowings	0	0	0	-

NETMA does not have any short term loans from any organisation with all funds being provided by Nations and the generation of miscellaneous revenue.

	2014	2013	Variance CY-PY	%age
D09: Payables	290	221	69	31.22
Payable to Suppliers	291	226	65	28.76
Misc Payables	(1)	(6)	5	(83.33)
Rounding Difference	0	1	(1)	-

The movement on payables to suppliers in 2014 represents an increase in the outstanding liabilities from 2013. The increase is attributable to the higher estimate for accrued expenditure based on a review of invoices accounted for in early 2015 with 2014 invoice dates and a small element of cash in transit.

	2014	2013	Variance CY-PY	%age
D10: Advances	(294)	12,078	(12,372)	(102.43)
Advance Contributions	(816)	7,315	(8,131)	(111.16)
Other Contributions	(84)	6,127	(6,211)	(228)
Unearned Revenue	606	(1,365)	1,971	(144.42)
Rounding Difference	0	1	(1)	-

Advance contributions represent the funds received from Nations for the next financial year. The movement is due to a large number of advance contributions being received in 2013 for 2014 which was not repeated in 2014.

The movement on Italian Duty Travel reflects the reduction in advances due to expenditure on Italian Duty travel as no additional funding was provided during 2014.

The movement on Unearned Revenue represents the surplus / deficit for the financial year that is reflected by an adjustment to the contributions received in year.

	2014	2013	Variance CY-PY	%age
D11: Decrease / (Increase) Prop, Plant and Equipment	(272)	(148)	(124)	83.78

This represents movement on Property, Plant and Equipment purchased or sold during the year. There were three IT & Communications asset additions for 2014.

	2014	2013	Variance CY-PY	%age
D12: Decrease / (Increase) Financial Assets	0	0	0	-

NETMA does not hold any financial assets other than cash and receivables that have been separately reported within the Annual Financial Statements.

	2014	2013	Variance CY-PY	%age
D13: Effect of Exchange Rate Changes	(2)	0	(2)	-

The exchange rate changes are minimal for the Agency as the majority of transactions are in Euros only with some GBP transactions for removals. The changes identified are realised gains and losses.

ANNEX E

Notes to the Statement of Changes in Net Assets / Equity for the period ending 31 December 2014

	2014	2013	Variance CY-PY	%age
E01: Changes in Accounting Policy	0	0	0	-

There have been no changes to accounting policy in 2014 within NETMA.

	2014	2013	Variance CY-PY	%age
E02: Surplus / (Deficit) on Revaluation of Prop, Plant & Equip	0	0	0	-

NETMA does not have any revaluation reserves at this time and is not expected to have revaluations given asset are measured at their carrying amount using the Cost Model method under IPSAS 17.

	2014	2013	Variance CY-PY	%age
E03: Surplus / (Deficit) on Revaluation of Financial Assets	0	0	0	-

NETMA does not hold any financial assets other than cash and receivables that have been separately reported within the Annual Financial Statements and do not incur any revaluation.

	2014	2013	Variance CY-PY	%age
E04: Currency Translation Differences	0	0	0	-

The currency translation differences arise on the translation of the closing balance of the value of UK stamps held in GBP. Translation is at the closing SHAPE-issued rate for the financial period.

	2014	2013	Variance CY-PY	%age
E05: Revenue	50,923	45,712	5,211	11.40

All revenue items are included here and cover national contributions, bank interest and miscellaneous revenue from car parking and telephone recoveries from staff.

	2014	2013	Variance CY-PY	%age
E06: Expenses	(50,811)	(45,669)	(5,142)	11.26

All expenditure items are included here and cover general and administrative expenditure and miscellaneous financial charges, etc and depreciation. Translation differences are disclosed above in note E04.

ANNEX F

Notes to the Budget Execution Statement for the period ending 31 December 2014

	2014	2013	Variance CY-PY	%age
F01: Personnel	38,286	36,185	2,101	5.81

The 2014 budgetary process resulted in an overall increase of 5.8% from the previous year's budget. There was an underspend of €2,856M against the budget for 2014 mainly due to NETMA experiencing lower staff churn resulting in lower than anticipated spend against the pay budget. The return of the lapsed credits will be agreed with Nations in 2015.

Budgetary credits carried forward from 2014 total €188K and are mainly due to commitments relating to education allowances and removal costs.

	2014	2013	Variance CY-PY	%age
F02: Operations and Maintenance	4,198	3,989	209	5.24

The 2014 budget and expenditure relating to the main building management and running cost for the Agency remained at similar levels to 2013.

Budgetary credits carried forward from 2014 total €310K; these mainly relate to commitments on utilities, maintenance, repair costs and furniture purchases for the new building in Halbergmoos.

	2014	2013	Variance CY-PY	%age
F03: IT Services	5,150	4,871	279	5.73

The major cost element in this chapter relates to the outsourced support of NETMA systems; the Agency is highly dependent on consultancy support due to a lack of IT-qualified secondees from Nations.

As at 31 December 2014 the credits carried forward of €964K relate mainly to commitments outstanding and were for consultancy support and software and hardware purchases.

	2014	2013	Variance CY-PY	%age
F04 & F05 : Personnel c/f from prior years	342	43	299	695.35

At the end of 2014, there is no remaining carry forward from prior years' as €104K of commitments were actually expensed with the remaining €238K identified as lapsed credits.

	2014	2013	Variance CY-PY	FINAL
F06& F07 : Operations and Maintenance c/f from prior years	42	20	22	110.00

At the end of 2014, there is no remaining prior year credits to carry forward as €31K of commitments were actually expensed with the remaining €11K identified as lapsed credits.

	2014	2013	Variance CY-PY	FINAL
F08 & F09: IT Services c/f from prior years	1,234	1,955	(721)	(36.88)

By the end of 2014, €569K of prior year commitments were expensed in year and a further carry forward of €491K was carried over to cover mainly the implementation of the Videoconferencing System other credits carried forwards related to commitments on hardware purchases with an additional €175K identified as lapsed credits.

The lapsed credits amounts relating to 2014 and lapsed credits from previous years will be reviewed during 2014 and amounts to be returned to national treasuries will be agreed with Nations.

F10: Reconciliation between Cash Flow Statement and Statement of Budget and Actual Amounts:

	2014	2013	Variance CY-PY	%age
NET CASH INFLOW FROM OPERATING ACTIVITIES	(940)	12,369	(13,309)	(107.60)
- Cash Contributions received in year	(50,464)	(57,957)	7,493	(12.93)
- Bank Interest in year	(7)	(9)	2	(22.22)
- VAT reimbursement	(1,089)	(377)	(712)	188.86
- Other Cash revenue in year	(205)	(137)	(68)	49.32
GROSS CASH OUTFLOW FROM OPERATING ACTIVITIES	(52,705)	(46,111)	(6,594)	14.30
- Recoverable VAT paid in year	1,500	723	777	107.52
- Lapsed credits returned to Nations	1,639	1,359	280	20.62
- 2012 Lapsed Credit Offset against Contributions	(275)	0	(275)	-
- Prepayments to Suppliers	(419)	0	(419)	-
- Other Cash payments in year	6,616	(438)	7,054	(1,610.45)
PREDICTED BUDGET CASH PAYMENTS	(43,644)	(44,467)	823	(2)
SCHEDULE 5: EXPENSES	(43,656)	(44,467)	811	(2)
Residual Variance	12	0		

F11: Reconciliation between Statement of Financial Performance and the Statement of Comparison of Budget and Actual:

	2014	2013	Variance CY-PY	%age
SCHEDULE 2: EXPENSES	50,712	45,585	5,127	11.25
Add: Opening Payables and Accruals	1,181	960	221	23.02
Less: Closing Payables and Accruals	(1,471)	(1,181)	(290)	24.56
Property, Plant and Equipment adjustments	112	43	69	160.47
CASH PAYMENTS	50,534	45,407	5,127	11.29
Closing Payables and Accruals included in/ (excluded from) Budget	(322)	(233)	(89)	38.20
Less: AP movement on Interest Payable to Treasury	(1)	(6)	5	(83.33)
Less: Expenses excluded from Budget	(106)	(148)	42	(28.38)
Less: Other Costs excluded from budget	(6,492)	(553)	(5,939)	(1073.96)
PREDICTED BUDGET CASH PAYMENTS	43,613	44,467	(854)	(1.92)
SCHEDULE 5: EXPENSES	43,655	44,467	(812)	(1.83)
Residual Variance	42	0	41	-

The above reconciliation is carried out between the Statement of Financial Performance and the Statement of Comparison of Budget and Actual Amounts for the financial year ending 31 December 2014. This reconciles accrual based expenditure that is reported on the Statement of Financial Position and cash based expenditure reported as expenses on the Budget Statement.

ANNEX G

Application of IPSAS

IPSAS	Status
IPSAS 1: Presentation of Financial Statements	Implemented
IPSAS 2: Cashflow Statement	Implemented
IPSAS 3: Accounting Policies, Changes on Accounting Estimates and Errors	Implemented
IPSAS 4: The Effects of Changes in Foreign Exchange Rates	Implemented
IPSAS 5: Borrowing Costs	Not relevant
IPSAS 6: Consolidated and Separate Financial Statements	Not relevant
IPSAS 7: Investments in Associates Statements	Not relevant
IPSAS 8: Interests in Joint Ventures	Not relevant
IPSAS 9: Revenue from Exchange Transactions	Implemented
IPSAS 10: Financial Reporting in Hyperinflationary Economies	Not relevant
IPSAS 11: Construction Contracts	Implemented
IPSAS 12: Inventories	Not relevant
IPSAS 13: Leases	Not relevant
IPSAS 14: Event after the Reporting Date	Implemented
IPSAS 15: Financial Instruments (Disclosure and Presentation)	Replaced by IPSAS 28,29,30
IPSAS 16: Investment Property	Not relevant
IPSAS 17 Adapted: Property, Plant and Equipment (as adapted by the North Atlantic Council)	Implemented
IPSAS 18: Segment Reporting	Not relevant
IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets	Implemented
IPSAS 20: Related Party Disclosures	Implemented
IPSAS 21: Impairment of non-cash generating assets	Implemented
IPSAS 22: Disclosure of Financial Information about General Government Sector	Not relevant
IPSAS 23: Revenue from Non-Exchange Transactions	Implemented
IPSAS 24: Presentation of Budget Information in Financial Statements	Implemented
IPSAS 25: Employee Benefits	Not relevant
IPSAS 26: Impairment of Cash-Generating Assets	Not relevant
IPSAS 27: Agriculture	Not relevant
IPSAS 28: Financial Instruments : Presentation	Implemented
IPSAS 29: Financial Instruments : Recognition and Measurement	Implemented
IPSAS 30: Financial Instruments: Disclosures	Implemented
IPSAS 31: Intangible Assets	Implemented
IPSAS 32: Service Concession Arrangements: Grantor	Not relevant

