



NORTH ATLANTIC COUNCIL  
CONSEIL DE L'ATLANTIQUE NORD

**NATO UNCLASSIFIED**

28 November 2025

**DOCUMENT  
PO(2025)0338-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO  
EF2000 AND TORNADO DEVELOPMENT PRODUCTION AND LOGISTICS  
MANAGEMENT AGENCY (NETMA)**

**ACTION SHEET**

On 28 November 2025, under the silence procedure, the Council noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of NETMA, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE  
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0338.

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20 November 2025

**DOCUMENT  
PO(2025)0338  
Silence Procedure ends:  
28 Nov 2025 – 15.30**

To: Permanent Representatives (Council)  
From: Secretary General

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO  
EF2000 AND TORNADO DEVELOPMENT PRODUCTION AND LOGISTICS  
MANAGEMENT AGENCY (NETMA)**

1. I attach the Resource Policy and Planning Board (RPPB) decision and recommendation to Council on the International Board of Auditors for NATO (IBAN) Audit Report on the 2024 restated Financial Statements of the NATO EF2000 and Tornado Development Production and Logistics Management Agency (NETMA).
2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 15:30 hours on Friday, 28 November 2025**, I shall assume that Council has noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of NETMA, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE

1 Annex  
2 Enclosures

Original: English

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**RESOURCE POLICY AND PLANNING BOARD**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO  
EF2000 AND TORNADO DEVELOPMENT PRODUCTION AND LOGISTICS  
MANAGEMENT AGENCY (NETMA)**

**DECISION**

Reference: IBA-A(2025)0080 (IBAN Audit Report)

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the NATO EF2000 and Tornado Development Production and Logistics Management Agency (and the entity's comments) for which IBAN issued an unqualified opinion on the restated Financial Statements and on compliance, with two observations that do not impact the audit opinion;
2. Supports the IBAN's recommendations addressing the observations and recommends to Council to approve the public disclosure of the 2024 Financial Statements for the NETMA and the associated IBAN Audit Report.



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IBA-A(2025)0080-REV1  
14 November 2025

To: Secretary General  
(Attn: Director of the Private Office)

Cc: NATO Permanent Representatives  
Chair, NATO European Fighter Aircraft Development Production and Logistic Management Organisation (NEFMO), Board of Directors  
Chair, NATO Multi-Role Combat Aircraft Development Production and In-Service Support Management Organisation (NAMMO), Board of Directors  
General Manager, NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA)  
Financial Controller, NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA)  
Chair, Resource Policy & Planning Board  
Branch Head, Resource Management Branch, NATO Office of Resources  
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of NATO EF2000 and Tornado Development Production and Logistics Management Agency (NETMA) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0018-REV1***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council. This report includes the correct reference and date of issue of the resubmitted NETMA Annual Financial Statements 2024, thus correcting a clerical error noted in the IBAN Audit Report (IBA-AR(2025)0018 dated 28 August 2025), previously issued.

IBAN's report sets out an unqualified opinion on the Financial Statements of the NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA) and on compliance for financial year 2024.

Yours sincerely,

Sébastien Lepers  
Chair

Attachments: As stated above.

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**Summary Note for Council  
by the International Board of Auditors for NATO (IBAN)  
on the audit of the Financial Statements of the  
NATO EF2000 and Tornado Development  
Production and Logistics Management Agency (NETMA)  
for the year ended 31 December 2024**

The NATO reporting entity NETMA is the agency that manages the procurement and the administration of two operational programmes on behalf of its member Nations: the Tornado Programme and the EF2000 Programme. The NATO Multi-Role Combat Aircraft Development Production and In Service Support Management Organisation (NAMMO) is the NATO reporting entity for the Tornado Programme, and the NATO European Fighter Aircraft Development Production and Logistic Management Organisation (NEFMO) for the EF2000 Programme.

NETMA, NAMMO and NEFMO are treated as separate NATO reporting entities and NETMA annually issues a separate set of general purpose financial statements for each of the three budgets under its management and administration.

IBAN audited the Financial Statements of NETMA for the year ended 31 December 2024. The total expenditure in 2024 for the Administrative Budget amounts to EUR 54.2 million (EUR 51.4 million in 2023).

Following a request of NETMA to correct a material error identified by IBAN during the course of the audit, we agreed to audit the restated financial statements communicated to us on 14 July 2025. Without this correction, the NETMA Annual Financial Statements 2024 would have included a material error leading to a qualified audit opinion on the Financial Statements.

IBAN issued an unqualified opinion on the Financial Statements and on compliance for the year ended 31 December 2024.

IBAN made two observations and recommendations. These observations do not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.
2. Contract authority needed in order to incur legal obligations in the current financial year for the provision of goods and services in future financial years.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that two were closed and one remains in progress.

The Audit Report was issued to NETMA whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2025)0018-REV1

14 November 2025

**INTERNATIONAL BOARD OF AUDITORS FOR NATO**

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE  
NATO EF 2000 AND TORNADO DEVELOPMENT PRODUCTION AND  
LOGISTICS MANAGEMENT AGENCY  
(NETMA)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

## INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL

### ***Financial Statements***

#### **Opinion on the Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of NETMA, for the 12-month period ended 31 December 2024, issued under document reference N/800 1001 N/38151608/244777/25/NU on 14 July 2025. These Financial Statements comprise the Statement of Financial Position as at 31 December 2024, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12-month period ended 31 December 2024, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12-month period ended 31 December 2024.

In our opinion, the Financial Statements give a true and fair view of the financial position of NETMA as at 31 December 2024, and of its financial performance, its cash flows and budget execution for the 12-month period ended 31 December 2024, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

#### **Basis for Opinion on the Financial Statements**

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 2000-2899).

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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

#### **Management's Responsibility for the Financial Statements**

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of NETMA are drawn up in accordance with accounting

requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31<sup>st</sup> March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with standards consistent with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

### ***Compliance***

### **Opinion on Compliance**

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

### **Basis for Opinion on Compliance**

We have conducted our compliance audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899).

We believe that the audit evidence we have obtained is sufficient and appropriate to

provide a basis for our opinion.

### **Management's Responsibility for Compliance**

All NATO staff, military and civilian, are obligated to comply with NATO Financial Regulations, the associated NATO EF2000 and Tornado Development, Production and Logistics Management Agency (NETMA) Financial Rules and Regulations (FRRs) and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The Head of the NATO reporting entity is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

### **Auditor's Responsibilities for Compliance**

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 14 November 2025



Sébastien Lepers  
Chair

## OBSERVATIONS AND RECOMMENDATIONS

IBAN made two observations and recommendations. These observations do not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.
2. Contract authority needed in order to incur legal obligations in the current financial year for the provision of goods and services in future financial years.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that two were closed and one remains in progress.

The Audit Report was issued to NETMA whose comments have been included, with the IBAN's position on those comments where necessary.

### 1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

#### Reasoning

1.1 According to the NATO Accounting Framework (NAF) IPSAS 1: *“Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.”*

1.2 According to the NATO Financial Regulations (NFRs) Article 34.1: *“NATO bodies shall adhere to the accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council.”*

1.3 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the financial statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that financial statements are in compliance with the applicable financial reporting framework.

#### Observations

1.4 During the audit of the NETMA 2024 Financial Statements first submitted to IBAN on 31 March 2025, IBAN identified a material overstatement of expenses and revenues of EUR 1,499,540 in the NETMA Statement of Financial Performance,

related to the recognition in the year of travel expenses for which NETMA is only acting as agent as per the NATO Accounting Framework.

1.5 The NETMA 2024 Financial Statements were resubmitted to IBAN on 7 July 2025 and the above material error was corrected. Without this correction, the NETMA 2024 Financial Statements would have included a material error, leading to a qualified audit opinion on the Financial Statements.

1.6 The above corrected misstatement demonstrates the need to ensure adequate processes are in place for the preparation, review and reporting of the financial statements to avoid material misstatements or errors in disclosures.

### **Recommendations**

1.7 IBAN recommends that NETMA strengthen internal controls over the preparation of the financial statements to provide a reasonable basis for obtaining assurance that financial statements are in compliance with the NATO Accounting Framework and NATO Financial Regulations.

## **2. CONTRACT AUTHORITY NEEDED IN ORDER TO INCUR LEGAL OBLIGATIONS IN THE CURRENT FINANCIAL YEAR FOR THE PROVISION OF GOODS AND SERVICES IN FUTURE FINANCIAL YEARS**

### **Reasoning**

2.1 According to the Glossary of the NATO Financial Regulations (NFRs). The following definitions apply:

Commitments are “*the advance acceptance and recording of legal obligations against:*

- a) Appropriations for the current financial year; and,*
- b) Contract authority for future financial years.”*

2.2 According to the NFRs Article 25:

“*25.1 On approval of their annual and supplementary budget [...] Heads of NATO bodies, subject to the concurrence of the Financial Controller, are:*

*(a) authorised to enter into commitments for goods and services to be rendered during the financial year; [...]*

*(c) authorised to enter into contract authority to incur legal obligations in the current financial year for the provision of goods and services for contracts in future financial years. These legal obligations will be reflected as commitments in future years and not against appropriated funds in the current financial year; [...]*

*25.3 Appropriated funds which have been committed, supported by a legal obligation, and for which goods and services have not yet been rendered by the end of the financial year shall be automatically carried forward to be used as soon as possible within the next two following financial years. [...]*

*25.5 At the close of the third financial year, balances of unused appropriations that have been carried forward in accordance with sub-para 3 above shall be finally cancelled, unless exceptionally approved for further carry forward by the appropriate governing body or relevant finance committee.”*

2.3 According to the NETMA Financial Rules and Regulations (FRRs):

*“20.1. Credits will be available for commitment only during the financial year for which they have been approved. The uncommitted balance of such credits will be cancelled at the end of each financial year, but the unexpended balance of committed credits may be carried forward if a legal liability to pay exists (i.e. an order has been placed) or if the carry-forward is specifically approved by the FAC [NETMA Financial and Administrative Committee]. Credits carried forward can only be used for the purpose for which they were originally committed.”*

2.4 Article 34.4 of the NFRs states that *“the financial statements of all NATO bodies shall also include, as a separate annex, a budget execution report.”*

2.5 The NATO Resource Policy and Planning Board (RPPB) has approved a recommended layout for the financial statements of NATO Reporting Entities (AC/335-N(2015)0088), that includes a Statement of Budget Execution template. The recommended template includes the following columns: initial budget, transfers, final budget, commitments, expenses, carry forwards and lapses.

## Observations

2.6 IBAN found that NETMA, in 2024, entered into a legal commitment of EUR 220,479 for the purchase of software licenses for the period 19 December 2024 – 18 December 2025, required in order to ensure the seamless operation of NETMA processes from the beginning of the following fiscal year. A prepayment of the same amount was done in 2024 to the supplier for this future service. For the portion of the service related to 2025, NETMA did not obtain, approval for *“contract authority to incur legal obligations in the current financial year for the provision of goods and services for contracts in future financial years”*, as required under Article 25.1.c) of the NFRs.

2.7 The NETMA FRRs are silent as regards contract authority and the manner in which this can be approved, as well as who can give approval and up to what amounts. IBAN considers this should be addressed during the next review of the FRRs, in order to introduce the topic of contract authority in the NETMA internal financial rules.

2.8 In the context of contract authority, the legal obligations entered into are reflected as commitments in future years and not against appropriated funds in the

current financial year. In the case presented above, NETMA did not respect this requirement of Article 25.1.c) of the NFRs, since the legal commitment for the 2025 portion of the services was made against the appropriated funds in the current financial year, namely against the 2024 NETMA Administration Budget.

2.9 Since no legal commitment should have existed in this case on the 2024 NETMA Administration Budget and a prepayment was made, this leads to an understatement of lapses of EUR 212,626 together with a corresponding overstatement of expenditure of the same amount in the Statement of Budget Execution in the 2024 NETMA Financial Statements. Also, from the point of view of the Statement of Financial Position, this leads to an understatement of the liability from lapses and an overstatement of the deferred revenue liability.

2.10 Finally, IBAN notes that the NETMA Statement of Budget Execution included in the 2024 Financial Statements does not include a column for commitments, as foreseen in the recommended layout for the financial statements of NATO Reporting Entities. IBAN considers that the introduction of this column in the NETMA Statement of Budget Execution would bring additional clarity regarding the amount of the commitments entered into by NETMA for goods and services to be rendered during the financial year.

## **Recommendations**

2.11 IBAN recommends that NETMA:

- a) Update the NETMA FRRs with dedicated provisions for contract authority, to clarify the manner of obtaining approval, as well as who can give approval and up to what amounts;
- b) Use contract authority when it decides to enter into legal obligations in the current financial year for the provision of goods and services in future financial years;
- c) Include in its Statement of Budget Execution in the Financial Statements a column for commitments, as foreseen in the recommended layout for the financial statements of NATO Reporting Entities.

## **FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS**

IBAN followed up on the status of observations from the previous years' audit. The observations and recommendations, the actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement

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the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p><b>(1) NETMA FY 2023</b> <b>IBA-AR(2024)0027, paragraph 1</b></p> <p><b>NEED TO STRENGHTEN NETMA PROCUREMENT PRACTICES TO ENSURE FULL COMPLIANCE WITH THE NFR PRINCIPLES</b></p> <p><b>IBAN's Recommendation</b> IBAN recommends that in order to ensure full compliance with Article 32 of the NFRs, NETMA:</p> <p>a) Open for formal competitive procurement the procurement of goods and services required for the Agency's activities, in accordance with the procurement thresholds foreseen in the NETMA FRRs and POPs, or obtain formal approval of any departure from the procedures for competitive bidding at the appropriate level (DLF or FAC).</p>	<p>a) NETMA did not open for formal competitive procurement the contract for cleaning, meeting room and janitorial services and the contract for security and monitoring services.</p> <p>NETMA informed us during the audit that formal competitive procurement is not a requirement for the extension of a contract, which NETMA considers to be the case for the two contracts that in question.</p> <p>IBAN considers these do not represent contract extensions, but contracts of indefinite duration, for which only a price revision is done annually.</p> <p>Therefore, from IBAN's perspective, the award of these services should be subject to competition, according to the principles in the NFRs and the provisions and thresholds foreseen in the NETMA FRRs.</p> <p>Similarly, IBAN considers that the software licenses are purchased through separate annual purchase orders and thus should be subject to the NETMA rules on competitive procurement or, alternatively, to an approved departure from the</p>	Observation In-Progress.

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OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>b) Update the NETMA FRRs and POPs in order to include provisions regarding the maximum duration of contracts, the conditions for the award of contract extensions and the conditions for the amendments in the scope of a contract.</p>	<p>procurement rules. No such approval exists in this case. <b>Open.</b></p> <p>b) The update of the NETMA FRRs is scheduled for 2025. This action has been formalised in the 2025 NETMA Management Plan.</p> <p>NETMA informed us that it has taken on board the IBAN recommendation to update the FRRs to include provisions to review the maximum duration of contracts, the conditions for the award of contract extensions and the conditions for the amendments in the scope of a contract. <b>In-Progress.</b></p>	
<p><b>(2) NETMA FY 2023</b> <b>IBA-AR(2024)0027, paragraph 2</b></p> <p><b>INCORRECT REPORTING OF CASES OF OVERPAYMENT</b></p> <p><b>IBAN's Recommendation</b> IBAN recommends that NETMA fully comply with the principles of sound financial management foreseen in the NFRs and with the provisions of the NAF IPSAS 14 by:</p> <p>a) Adequately adjusting the amounts recognised in its financial statements to reflect any adjusting events after the reporting date;</p> <p>b) Obtaining formal approval at the appropriate level of any write-offs and duly recording any receivables and related write-offs.</p>	<p>a) The applicable financial transactions related to overpayments have been reflected in the NETMA accounts and in the 2024 Financial Statements. No further cases noted in 2024. <b>Closed.</b></p> <p>b) No further cases noted in 2024. In the 2025 re-issue of the NETMA FRRs, NETMA plans to align the thresholds for write-offs from the NETMA FRRs with the NATO FRR/FRPs thresholds to ensure consistency. <b>Closed.</b></p>	<p>Observation Closed</p>

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OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p><b>(3) NETMA FY 2023</b> <b>IBA-AR(2024)0027, paragraph 3</b></p> <p><b>INCORRECT BALANCE OF MORALE AND WELFARE ACTIVITIES (MWA) CASH AND CASH EQUIVALENTS PRESENTED IN THE NETMA FINANCIAL STATEMENTS DISCLOSURE NOTE</b></p> <p><b>IBAN's Recommendation</b> IBAN recommends that NETMA remove inventories from the balance of cash and cash equivalents presented in the MWA disclosure note in the Financial Statements and update the reference to the MWA Regulations included in the respective disclosure note.</p>	<p>Inventories were removed from the balance of cash and cash equivalents presented in the MWA disclosure note in the Financial Statements and the reference to the MWA Regulations was updated.</p> <p><b>Closed.</b></p>	Observation Closed.

**NATO EF 2000 AND TORNADO DEVELOPMENT PRODUCTION AND LOGISTICS MANAGEMENT AGENCY (NETMA) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS**

**OBSERVATION 1:  
NEED TO STRENGHTEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS**

***NETMA's Formal Comments***

*Agreed.*

*NETMA will review the format and content of its Financial Statements and the relevant accounting in terms of its agent status in preparation for the 2025 Annual Financial Statements. NETMA will ensure that the accounts are prepared in accordance with the NATO Accounting Framework and NATO Financial Regulations.*

**OBSERVATION 2:  
CONTRACT AUTHORITY NEEDED IN ORDER TO INCUR LEGAL OBLIGATIONS IN THE CURRENT FINANCIAL YEAR FOR THE PROVISION OF GOODS AND SERVICES IN FUTURE FINANCIAL YEARS**

***NETMA's Formal Comments***

*Agreed.*

*NETMA will update its Financial Rules and Regulations to include a definition for "Contract Authority" and details of how this will be obtained.*

**FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS**

**(1) NETMA 2023 FY**

**IBA-AR(2024)0027, paragraph 1**

**NEED TO STRENGHTEN NETMA PROCUREMENT PRACTICES TO ENSURE FULL COMPLIANCE WITH THE NFR PRINCIPLES**

***NETMA's Formal Comments***

**a) Not agreed.**

*NETMA currently complies with the IBAN recommendation in this instance. The procurement of goods and services required for the Agency's activities is opened for formal competitive bidding in accordance with the procurement thresholds foreseen in the NETMA FRRs and POPs. Where any departure*

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*from the procedures for competitive bidding is sought, full justification is provided for scrutiny, before formal approval is obtained and recorded at the appropriate level.*

*NETMA believes the contracts that IBAN reviewed during the 2023 Audit followed the relevant procurement procedures. Formal competitive procurement is not a requirement for the extension of a contract, which NETMA considers to be the case for the two contracts that were in question: Cleaning, meeting room and Janitorial Services; and Security and Monitoring Services.*

*A further in depth review of these two contracts was requested by DLF following the 2023 IBAN audit (which concluded in October 2024) with more detailed justification for the contract extensions provided, to satisfy ourselves that we did indeed take the appropriate action in these two instances. Business Management provided further details and justifications, detailing how they have reviewed the current contract and explored options with alternative providers to DLF. We now consider this recommendation to be closed.*

*NETMA accepts that it is best practice to look for alternative suppliers when possible and where available, to ensure we are receiving the best service at the best value for money and NETMA has taken on Board the IBANs recommendation below to update the FRR to include provisions to review the maximum duration of contracts, the conditions for the award of contract extensions and the conditions for the amendments in the scope of a contract.*

b) Agreed.

*The update of the NETMA Financial Rules and Regulations is in progress and is scheduled to be published in 2025 in line with FRR 9.1.*

*The action has been formalised in the NETMA Management Plan 2025 and progress is being captured through the Objective reporting drumbeat and fed back to Senior Leadership.*

*Amendments required have been captured and F-Division are now in the process of consolidating these with a view to seek Nations Approval ex-committee and publish.*

**IBAN's Position**

**Based on the reviewed documentation, IBAN cannot consider that the current contract for cleaning, meeting room and janitorial services and the contract for security and monitoring services represent contract extensions, rather than new contracts for which competitive procurement would have been required.**

**IBAN acknowledges that NETMA is in the process of updating its FRRs to reflect provisions for the maximum duration of contracts, the conditions for the award of contract extensions and the conditions for the amendments in the scope of a contract. In this context, IBAN will revisit the topic of procurement as part of the audit of the NETMA 2025 Annual Financial Statements.**

**The observation and the sub-recommendation are maintained as open.**

## **GLOSSARY OF TERMS**

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

# NETMA



## ANNUAL FINANCIAL STATEMENTS 2024

FOR THE PERIOD ENDED 31 DECEMBER 2024



**NETMA**  
NATO EF2000 AND TORNADO DEVELOPMENT, PRODUCTION AND LOGISTICS  
MANAGEMENT AGENCY

These statements are produced in Thousands of Euros, unless otherwise stated.

For example:

34,632 = Thirty Four Million Six Hundred and Thirty Two Thousand Euros;

132 = One Hundred and Thirty Two Thousand Euros

The photographs in the following publication have been provided:

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# Overview

2024 Financial Statements

Notes to the NETMA Accounts

# Introduction to the 2024 Financial Statements



NATO EF2000 and Tornado Development, Production and Logistics Management Agency (NETMA) is an agency formed jointly by 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) in 1996 to manage the procurement and administration of the two programmes within the framework of NATO. The operations of NETMA concerning NAMMO and NEFMO are each controlled by a Joint Steering Committee of the three NAMMO nations and the four NEFMO nations involved in the programmes.

NETMA is an Executive Body created by charter to administer the functions of two NATO Production and Logistic Organisations (NPLOs). The two NPLOs are NAMMO and NEFMO.

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 (BoDs) of NAMMO and NEFMO. As a NATO agency, NETMA is exempt from taxation relating to operating revenue and expenses, where VAT is incurred this is recovered from the host nation's tax office via the German MoD.



## Vision

“We are trusted by our Nations to meet their expectations in delivering their security needs and defence demands”



## Mission

“To manage the Eurofighter and Tornado Programmes effectively through their lifecycle by ensuring the safe and timely delivery of Nations’ requirements”

### Key points from the Annual Financial Statements

#### NETMA Liabilities

The Agency's office accommodation is the subject of an operating lease and is therefore not capitalised as Property Plant and Equipment (PP&E). In accordance with IPSAS 13 Leases, it must be expensed on a straight-line basis over the lease term. IPSAS 13 mandates that operating leases are accounted for in this way irrespective of cash payments made. As NETMA were able to negotiate a rent free period at the start of the lease, these expenses are accrued as a long term liability which is unwound over the term of the lease. This only impacts on the Financial Statements and does not impact on either the budget or cash spent in 2024.

#### Addressing Previous Audit Observations

##### **Need to strengthen NETMA procurement practices to ensure full compliance with the NFR principles regarding requirements for competitive tender.**

NETMA has in place Financial Rules and Regulations and a Procurement Operating Policy that are followed for all procurements. These policies align with and ensure NETMA comply with the NATO Financial Regulations and Financial Rules and Procedures on procurement.

##### **Need to ensure receivables and payables are fully adjusted to reflect the treatment of overpayments.**

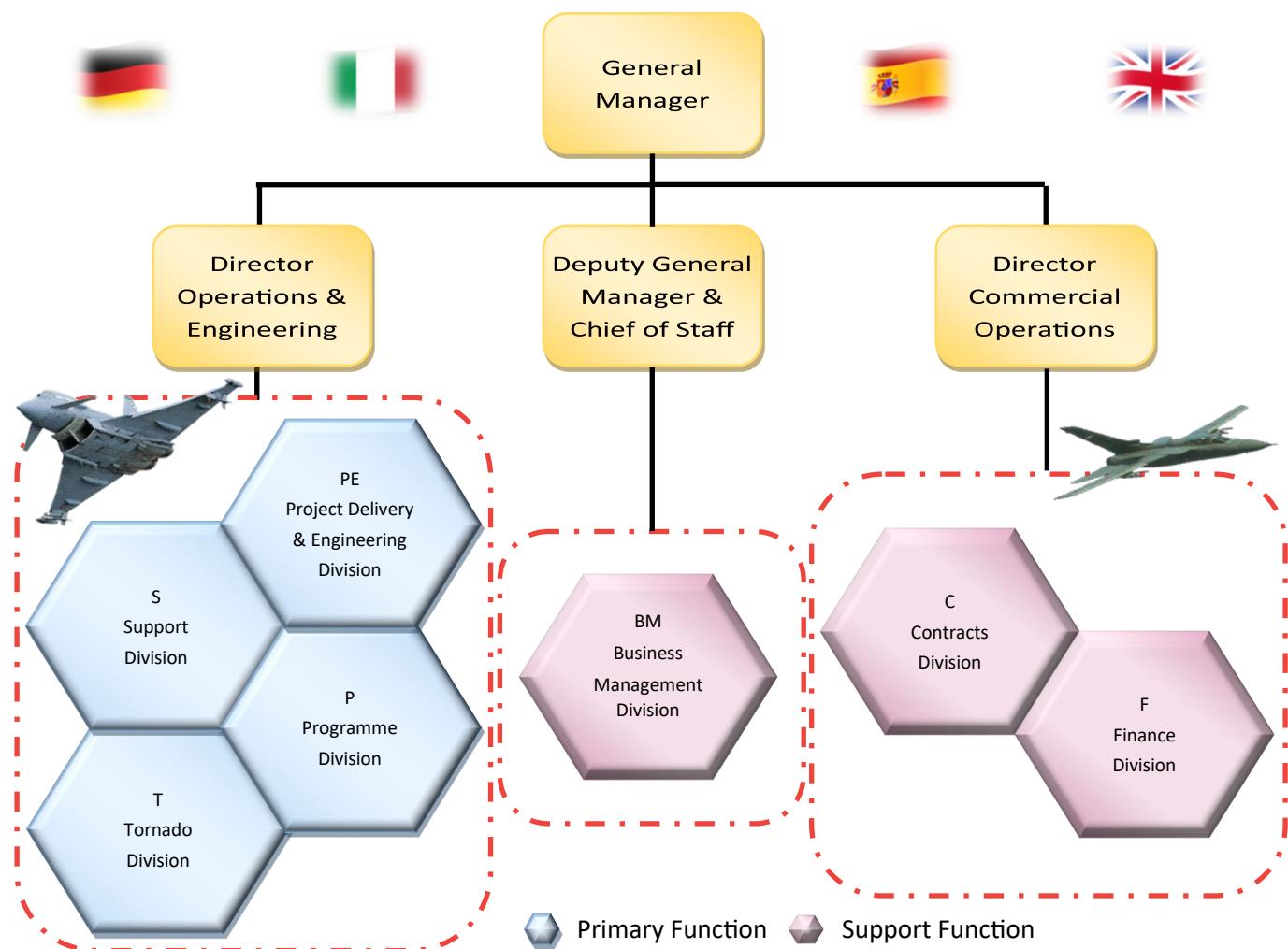
All transactions relating to overpayments, including receivables and payables where required, have been recorded in the general ledger and are reflected in the figures of the Annual Financial Statements.

## Requirement to exclude merchandise value from the cash and cash equivalents presented for the Staff Committee.

The value of merchandise items held in stock have been excluded from the cash and cash equivalents value presented for the Staff Committee.

## NETMA AT A GLANCE

In order to deliver our operational programmes for the Nations, NETMA operates using a functional organisational structure, grouping its staff into agency divisions based on their specific skills and knowledge, as shown below:



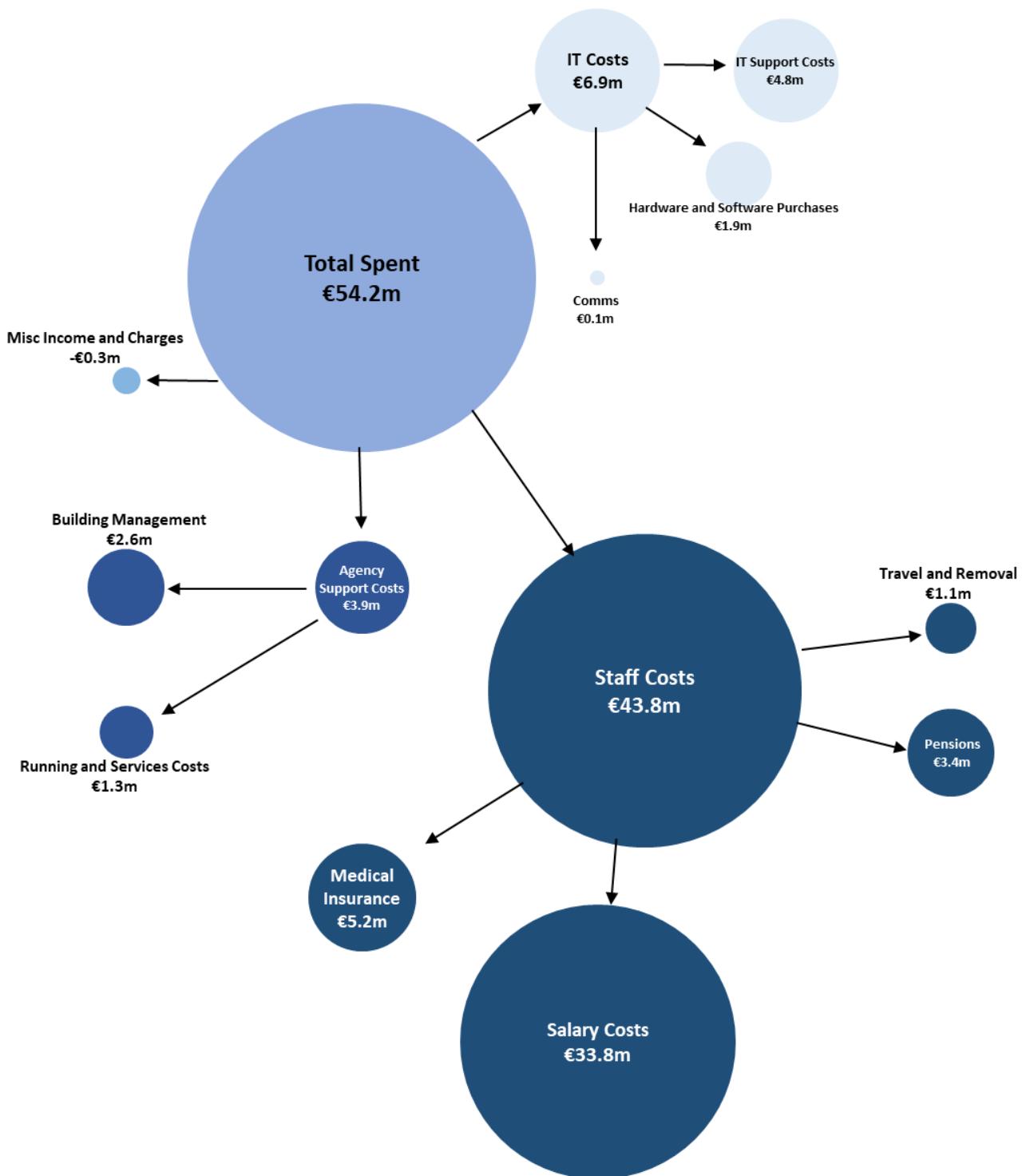
In support of the NEFMO and NAMMO BoDs and the Typhoon and Tornado Weapon Systems, the NETMA structure is organised to deliver the agency's requirements. PE, S, and P Divisions manage, on behalf of the contributing nations, the logistics and operations activities with our industry partners for Typhoon (Eurofighter Jagdflugzeug GmbH and Eurojet Turbo GmbH). T Division acts in the same manner for Tornado (PANAVIA Aircraft GmbH and Turbo-Union GmbH).

In support of these primary activities, the Contracts and Finance Divisions drive value through Contract and Financial management between Nations and industry. The Business Management Division, made up of Human Resources, IT Management and Business Improvement and Performance, supports the entire NETMA agency. The IT Management department supports the IT Applications which enable Tornado and Typhoon Programme management. These include (but are not limited to) the Agency Integrated Management System (AIMS) for Milestone/Task and Invoice Management, the Eurofighter Information Management System (EIMS) to support the Eurofighter Weapon System Change and Modification Programme process, the Enhanced Procurement System-Central Automatic Data Processing System (EPS-CADPS) for Procurement and Logistics Support Activities, the Joint Management System (JaMeS) that covers the End to End (E2E) Price Investigation process dealing with Eurofighter Future Modification Contracts (EF-FMC), EuroJet Discrete Tasks (EJ-DT), Eurofighter Contract #1 Supplementary Demands (C#1 SD) and Eurofighter Contract #3 Additional Demands (C#3 AD) and the Personnel & Accruals Reporting Management Information System (PARMIS) for Payment Plan, Invoice to Payment and Banking processes.

## NETMA Expenditure Breakdown 2024

The total expenditure to deliver the Administration Budget, as reported in the NETMA financial statements, was €54M in 2024. The majority (81%) of this expenditure is related to the staffing costs of the agency, with the remainder spent on the rent and running costs of the NETMA headquarters and the provision and support of IT and communications equipment and infrastructure.

In total, the costs of running the agency equate to circa 0.9% of all spend on the NETMA programmes, representing good value to our customer nations.



## NETMA Statement of Internal Control



As General Manager of NETMA, I have the responsibility for maintaining an effective system of internal control that supports the achievement of the Agency's policies, aims and objectives, as set by NETMA's Four Nations and the Board of Directors. I am also personally responsible for safeguarding the funds and assets.

The Board has established appropriate structures, reporting lines and responsibilities to support the delivery of objectives. These responsibilities are set out in the NETMA Financial Rules and Regulations as governed by the NATO Financial Regulations and Financial Rules and Procedures.

The system of internal control is designed to manage the risk of failure to achieve the organisation's policies, aims and objectives and provide reasonable assurance of effectiveness.

The processes in place to achieve this are summarised below:

- NETMA has an annual Management Plan which identifies NETMA's strategic priorities, objectives and the associated performance metrics. The Management Plan focuses on agency planning and improvements, including identification of key business risks.
- NETMA have an ongoing evidence based risk management process designed to identify the principle risks to the achievement of the Agency's policies, aims and objectives, to evaluate the nature and extent of those risks and to mitigate or manage them efficiently and effectively on a continual basis. Owners are appointed to monitor and report on the risks and mitigations on a regular basis.
- The NETMA internal audit function performs a range of audit activities based on international standards and NATO regulations. The internal audit process covers all areas of the Agency and complies with Global Internal Audit Standards. The NETMA Audit Team also conduct external audits on our Industry Partners, which involve the inspection of NEFMO and NAMMO assets held in industry, and review of Self-Certified Milestones to ensure our Industry Partners have appropriate internal controls in place and these are adhered to. The annual internal and external audit programmes are approved by the NETMA Audit Advisory Panel and the Audit Committee as outlined in the NETMA Audit Charter. Processes and procedures are regularly reviewed and continuously optimised.
- The Agency operates the integrated framework for internal control developed by the Committee of Sponsoring Organisations of the Treadway commission (COSO Framework) as a mechanism for formally documenting the internal control system and providing assurance that it is functioning effectively. It is well established and part of our normal internal control system. The annual COSO review was undertaken as scheduled for the year 2024, with the outcome confirming we meet those requirements.

My review of the effectiveness of the system of internal control is informed by the work of the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, comments made by the Internal Audit Reports, and external auditors in their management letters, together with the results of the annual COSO review.

I am content that the processes in place within the organisation provide reasonable assurance of the effectiveness and efficiency of the organisation's operations, the reliability of its financial information and its integrity with regards to application and compliance to applicable rules and regulations. Whilst we always seek to improve our processes each year there are no material internal control weaknesses currently identified that need specific intervention from Senior Management in 2024.

SIMON ELLARD CB FREng  
General Manager

WENDY BRADBURY  
Financial Controller

## Overview

## 2024 Financial Statements

## Notes to the NETMA Accounts

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

(in thousands of Euros)	Note	2024	2023
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	B1	7,802	7,076
Short term investments		0	0
Receivables	B2	16,818	14,056
Prepayments	B3	614	302
Inventories		0	0
		<u>25,235</u>	<u>21,433</u>
<i>Non-current assets</i>			
Property, Plant & Equipment	B4	741	80
Intangible assets	B4	254	5
		<u>995</u>	<u>85</u>
<b>Total assets</b>		<b><u>26,230</u></b>	<b><u>21,518</u></b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Payables	B5	3,314	3,203
Deferred revenue and other liabilities	B6	5,980	4,822
Advances	B7	15,931	13,397
		<u>25,225</u>	<u>21,421</u>
<i>Non-current liabilities</i>			
Provisions		0	0
Operating lease liability	B8	7	9
		<u>7</u>	<u>9</u>
<b>Total liabilities</b>		<b><u>25,232</u></b>	<b><u>21,430</u></b>
Surplus / (deficit)	B9	910	(43)
Reserves	B10	88	131
<b>Total net assets</b>		<b><u>998</u></b>	<b><u>88</u></b>

The financial statements on pages 10 to 14 and their associated notes were issued to the International Board of Auditors for NATO on 31<sup>st</sup> March 2025.



SIMON ELLARD CB FREng  
General Manager



WENDY BRADBURY  
Financial Controller

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2024

(in thousands of Euros)	Note	2024	2023
<b>Revenue</b>			
Revenue	C1	54,149	51,761
Financial revenue		0	0
Other revenue		0	0
<b>Total revenue</b>		<b>54,149</b>	<b>51,761</b>
<b>Expenses</b>			
Personnel	C2	43,450	43,552
Contractual supplies and services - Buildings & Maintenance	C3	3,917	3,003
Contractual supplies and services - IT Services	C4	5,655	5,159
Depreciation and amortisation	C5	207	80
Impairment		0	0
Provisions		0	0
Other expenses		0	0
Finance costs	C6	10	10
<b>Total expenses</b>		<b>53,239</b>	<b>51,804</b>
<b>Surplus / (deficit) for the period</b>		<b>910</b>	<b>(43)</b>

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**STATEMENT OF CASH FLOW**

FOR THE YEAR ENDED 31 DECEMBER 2024

(in thousands of Euros)	Note	2024	2023
<b>Cash flow from operating activities</b>			
Surplus / (deficit)	D1	910	(43)
<b>Non-cash movements</b>			
Depreciation / amortisation	D2	207	80
Impairment		0	0
Increase / (decrease) in payables	D3	110	1,130
Increase / (decrease) in advances	D4	2,534	13,397
Increase / (decrease) in operating lease liability	D5	(1)	(298)
(Increase) / decrease in prepayments	D6	(313)	(302)
Increase / (decrease) in deferred revenue and other	D7	1,159	846
(Increase) / decrease in receivables	D8	(2,763)	(13,540)
<b>Net cash flow from operating activities</b>		<b>1,844</b>	<b>1,270</b>
<b>Cash flow from investing activities</b>			
Purchase of property plant and equipment / intangible assets	D9	(1,117)	(36)
Proceeds from sale of property plant and equipment		0	0
<b>Net cash flow from investing activities</b>		<b>(1,117)</b>	<b>(36)</b>
<b>Cash flow from financing activities</b>			
		0	0
<b>Net cash flow from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>726</b>	<b>1,233</b>
<b>Cash and cash equivalents at the beginning of the period</b>			
		7,076	5,843
<b>Cash and cash equivalents at the end of the period</b>		<b>7,802</b>	<b>7,076</b>

## STATEMENT OF CHANGE IN NET ASSETS / EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

(in thousands of Euros)	Note	PP&E Asset Reserve	Revaluation Reserves	Accumulated Surplus / (Deficit)	Total
<b>Balance at the beginning of the period 2023</b>					
Changes in accounting policy		0	0	0	0
<b>Restated balance</b>		<b>75</b>	<b>0</b>	<b>56</b>	<b>131</b>
Transfer from accumulated surplus / (deficit)					
Surplus / (deficit) for the period		0	0	(43)	(43)
<b>Balance at the end of the period 2023</b>					
Changes in accounting policy		0	0	0	0
<b>Restated balance</b>		<b>131</b>	<b>0</b>	<b>(43)</b>	<b>88</b>
Transfer from accumulated surplus / (deficit)					
Surplus / (deficit) for the period		0	0	910	910
<b>Balance for the period ended 2024</b>					
		<b>88</b>	<b>0</b>	<b>910</b>	<b>998</b>

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**STATEMENT OF BUDGET EXECUTION**

FOR THE YEAR ENDED 31 DECEMBER 2024

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(in thousands of Euros)	Note	Initial Budget	Transfers	Final Budget	Expenditure	Accrued Expenses 2023	Accrued Expenses 2024	Total Expenditure	Carry Forward	Lapsed
<b>Budget 2024</b>										
Chapter 1 Personnel costs	E1	45,335	0	45,335	43,694	0	47	43,741	7	1,587
Chapter 2 Agency support costs	E1	4,458	1,190	5,648	3,865	0	29	3,894	1,522	233
Chapter 3 Process and IT management	E1	9,048	(1,190)	7,858	6,546	0	130	6,676	492	691
Chapter 4 14 (Income) and Bank Charges	E1	-280	0	-280	-343	0	0	-343	0	63
<b>Total FY 2024</b>		<b>58,562</b>	<b>0</b>	<b>58,562</b>	<b>53,762</b>	<b>0</b>	<b>205</b>	<b>53,967</b>	<b>2,020</b>	<b>2,575</b>
Chapter 1 c/o from 2023		17	0	17	43	(26)		17	0	0
Chapter 2 c/o from 2023		15	0	15	52	(37)	0	15	0	0
Chapter 3 c/o from 2023		222	0	222	467	(246)	0	221	0	2
Chapter 4 c/o from 2023		0	0	0	0	0		0	0	0
Historical c/o		0	0	0	0	0	0	0	0	0
<b>Total prior financial years c/o</b>		<b>254</b>	<b>0</b>	<b>254</b>	<b>562</b>	<b>(310)</b>	<b>253</b>	<b>0</b>	<b>2</b>	
<b>Total</b>		<b>58,817</b>	<b>0</b>	<b>58,817</b>	<b>54,324</b>	<b>(310)</b>	<b>205</b>	<b>54,220</b>	<b>2,020</b>	<b>2,577</b>

NETMA 2024 FINANCIAL STATEMENTS

NATO UNCLASSIFIED

Overview

2024 Financial Statements

**Notes to the NETMA Accounts**

## A. Significant Accounting Policies

### *Basis of preparation*

The financial statements of NETMA have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and based on International Financial Reporting Standards/International Accounting Standards (IFRS/IAS), as adopted by the North Atlantic Council (NAC) in 2002. In 2013, the NAC adopted an adaptation to IPSAS to better suit the specific requirements of the Alliance and an associated NATO accounting framework, applicable for financial reporting periods beginning on 1 January 2013.

The financial statements comply with the accounting requirements of the NATO Financial Regulations (NFRs) and the relevant NETMA directives and policies. In instances where there is a conflict between IPSAS and the NFRs this will be noted.

The financial statements have been prepared on a going concern basis and it is considered that there are no impediments to continuing with this assumption for the foreseeable future.

The financial statements have been prepared on a historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period. The principal accounting policies are set out below and have been applied consistently to all periods presented. The accounting principles recognised as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting system using historical costs have been applied consistently throughout the reporting period.

A thorough review of revenue and expenditure in the NETMA accounts has been concluded and relevant changes have been made in the accounts to ensure items are appropriately accounted for on either a Principle or Agent basis. The 2023 accounts have also been reviewed and it is considered that there are no material changes to be made in the 2024 Annual Financial Statements for 2023.

In accordance with Article 2.1 of the NFRs, the financial year of NETMA is 1 January to 31 December.

### *Accounting estimates and judgements*

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available. In exercising judgments to make the estimates, a degree of caution is included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or underestimate liabilities or expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions affect the amounts of assets, liabilities, revenue and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements.

### *Changes in accounting policy and standards*

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors. For the 2024 Financial Statements the accounting policies have been applied consistently throughout the reporting period. There have been no changes to NETMA accounting policy for 2024.

### *Changes in pronouncements*

No new accounting standards have had a material impact on the NETMA accounts nor been adopted earlier than the application date as stated in the IPSAS standards. Any new published IPSAS standards will be assessed for 2025 accounts.

### *Restatements and prior period adjustments*

For the 2024 Financial Statements, NETMA has not revised any of the figures presented in the 2023 Financial Statements.

### *Changes in financial rules and regulations*

The NETMA financial statements have been produced in line with the NATO Financial Regulations (NFR). NETMA updated its Financial Rules and Regulations in 2023, to ensure that they were in line with NATO NFRs. Only minor adjustments were made in the NETMA FRRs, and none of these changes affected the process in the preparation of the NETMA Financial Statements.

In July 2024 NETMA issued Finance Notice F(N)012024 to bring the NETMA procurement authorisation limits (PAL) in line with the NATO EFL with immediate effect. This change will be incorporated into the next issue of the NETMA FRR's in 2025.

### **Foreign currency**

These financial statements are presented in Euros, which is the NETMA functional and reporting currency. Foreign currency transactions are translated into Euros at the NATO exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into Euros using the NATO exchange rates applicable at 31 December 2024. The resulting realised and unrealised gains and losses are recognised in the Statement of Financial Performance.

NETMA used the following NATO-promulgated exchange rates as at 31<sup>st</sup> December 2024:

EUR – GBP = 1 : 0.82805

EUR – USD = 1 : 1.0395

### **Consolidation**

The NETMA financial statements are not consolidated.

IPSAS 6 Consolidated and Separate Financial Statements has been adapted by NATO and in accordance with Council decision (PO(2018)0329) Financial Reporting of Morale and Welfare Activities (MWA), these activities have not been consolidated into the NETMA Annual Financial Statements.

### **Financial instruments disclosure / presentation**

NETMA uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, liabilities, provisions and loans between NATO entities. Financial instruments are recognised in the statement of financial position at fair value.

### **Financial risk factors**

#### **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.

#### **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.

#### **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.

#### **Interest rate risk**

NETMA is restricted from entering into borrowings and investments, and therefore there is no significant interest rate risk identified.

### **Assets**

NETMA holds the following types of current assets:

## Cash and cash equivalents

Cash and cash equivalents include cash on hand and current bank accounts.

## Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectible debts. It can also include amounts due by other NATO entities. Contributions receivable are recognised when a call for contribution has been issued to the member nations. Other receivables include those from staff and external sources such as German MoD in relation to VAT receivable.

## Property, plant and equipment

The categories of Property, Plant and Equipment (PP&E) 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 PP&E. In accordance with IPSAS 13 Leases, it is expensed on a straight-line basis over the lease term. In 2015 this resulted in the creation of a long term liability due to a rent free period at the start of the contract on the new premises. This liability was being unwound against rental payments on a straight-line basis over the original 10 year duration of the lease. In 2022 an option to extend the current lease by 5 years to 2029 was agreed.

Office Furniture and Equipment: This includes items of non-aggregated office furniture 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 (COTS) purchase of computer systems (hardware only), 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.

In accordance with IPSAS 17 Property Plant and Equipment, PP&E 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. All PP&E, with the exception of land, are stated at cost less accumulated depreciation and accumulated impairment losses. NETMA's capitalisation threshold is €15,000, items with a purchase cost or fair value on acquisition above this threshold are capitalised and items falling below this threshold are fully expensed in the year of procurement.

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 gross asset value is accounted for in the year of purchase on the Statement of Financial Performance with a surplus on the Statement of Financial Performance being generated in the first year of purchase and transferred to the PP&E asset reserve account to increase accumulated asset reserves.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is 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.

An item of PP&E is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance. NETMA has no assets purchased prior to 2013 that would still have an economic life still in active use within the agency.

During 2024 there were 437 items approved for disposal through the NETMA Internal Audit section in accordance with NETMA delegated authorities.

## Intangible assets

The only categories of Intangible Assets relevant to NETMA are computer software and software development costs, which entails costs for licences over a period longer than 1 year and consultancy costs incurred for IT system change requests which meet the recognition criteria outlined below. NETMA intangible assets are amortised on a straight-line basis over a three year period. It is assumed an item is fully amortised with nil residual value at the end of its useful life.

In accordance with IPSAS 31 Intangible Assets, these assets are recognised as an identifiable non-monetary asset without physical substance, where it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. In line with its treatment of PP&E IT Equipment, the capitalisation threshold is €15,000 and all intangible assets are initially measured at cost less accumulated amortisation and accumulated impairment losses.

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The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. NETMA has no assets purchased prior to 2013 that would still have an economic life still in active use within the agency.

**Leases**

As stated above, 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.

***Liabilities*****Payables**

Payables (including amounts due to other NATO entities) are amounts due to third parties for goods and services received that remain unpaid as of the reporting date. They are recognised at their fair value. This includes estimates of accrued obligations for goods and services received at year-end but not yet invoiced.

**Unearned revenue and other liabilities**

Unearned revenue represents contributions from member nations and/or third parties that have been called for in current or prior years' budgets and that have not yet been recognised as revenue. Unearned revenue also includes miscellaneous income and double entry adjustments for lapsed credits which are now shown as a payable to nations.

Other liabilities represent funds received for non-budgetary items in the current or prior years that have not yet been expended or returned to member nations.

**Advances**

Advances are contributions from member nations called for or received related to future years' budgets. Funds are called for in advance of the relating financial period as NETMA has no capital that would allow it to pre-finance any of its activities.

***Revenue and expenses recognition*****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 in advance on a quarterly basis, while other revenue earned during a financial period includes bank interest and miscellaneous recoveries from staff for car parking.

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.

National contributions to the administrative budget 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. Expenses are recognised on an accruals basis.

***Cash flow statement***

The cash flow statement is prepared using the indirect method and the format follows the layout provided by IPSAS 2 Cash flow Statements.

## B. Notes to Statement of Financial Position

(in thousands of Euros)

### Assets

#### 1. Cash and cash equivalents

	2024	2023
Cash accounts	7,801	7,073
Clearing cash accounts	0	0
Petty cash and advances	1	3
Current bank accounts	0	0
Cash equivalents	0	0
Bank accounts interest	0	0
<b>Total</b>	<b>7,802</b>	<b>7,076</b>

NETMA operates bank accounts into which all contributions are received and payments to suppliers are made. Interest earned on the account is recognised in year as revenue. Within the cash accounts balance there is a €3.3m balance for cash held relating to activities where NETMA is acting as an agent, therefore corresponding expenses and revenue are excluded from these statements. The petty cash accounts enable small, essential purchases to be made quickly and are reconciled on a monthly basis.

The reason for the variance between 2024 and 2023 is a higher underspend in 2024 compared to 2023. This will be lapsed in 2025 subject to nations agreement.

#### 2. Receivables

	2024	2023
Receivables from non-consolidated entities	830	613
Contributions receivable from nations following year	15,931	13,397
Receivables from staff members	32	42
Other receivables	25	4
<b>Total</b>	<b>16,818</b>	<b>14,056</b>

#### Receivables from non-consolidated entities

This value represents receivables recoverable from MoD Germany with regards to VAT charged in 2024.

#### Contributions receivable from nations following year

This represents receivables from nations that have been called for the following years budget within the current year but not yet received as at 31<sup>st</sup> December 2024.

#### Receivables from staff members

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

#### Other Receivables

Other receivables include accrued credits from third parties relating to the period but still outstanding at the period end, primarily the charge for the Spanish Telephone line.

**3. Prepayments**

	2024	2023
Suppliers	614	302
Staff	0	0
<b>Total</b>	<b>614</b>	<b>302</b>

In 2024 prepayment liabilities were recognised for services/licences purchased in advance which relate to 2025, as well as school fees relating to 2024-25.

**4. Non-current assets**

	2024	2023
PP&E	741	80
Intangible Assets	254	5
<b>Total</b>	<b>995</b>	<b>85</b>

As highlighted in Note A, Property, Plant and Equipment section, the office accommodation is treated as an operating lease arrangement and therefore is not capitalised. The Agency controls two types of PP&E and is responsible for replacement and maintenance of these assets: Office Furniture & Equipment, and IT & Communications Equipment. Additionally, NETMA controls intangible assets relating to computer software licences and capitalised consultancy support to an approved system change. The capitalisation threshold for all PP&E and intangible assets is €15,000. The Agency has taken a view that integrated purchases (Cabling, Air Con Units, Security enhancements, etc.) were not to be capitalised due to no clear future ownership lines being in place and the ability to use such items if the Agency were to move premises in the future.

As at 31 December 2024 only items within IT and Communications met the criteria for capitalisation. This consists of Commercial Off The Shelf (COTS) computer systems (hardware and software), communications equipment (e.g. telephones, faxes and accessories) and capitalised IT consultancy costs for changes to NETMA IT applications. IT and Communications assets are measured at cost less depreciation or amortisation. Both depreciation and amortisation are calculated on a straight-line basis over 3 years for IT and Communications Equipment.

In 2024, increased investment in IT assets has focussed on improving IT capabilities, creating resilience and supporting business continuity in NETMA. During 2024 nine new items of IT were purchased that met the capitalisation criteria and have been added to the asset register. These consist of DMS developments, licenses greater than 1 year, Telephone System Upgrade, Servers and IT Hardware.

In accordance with IPSAS 17 Property, Plant and Equipment, below is a reconciliation of the carrying amounts for NETMA non-current assets:

	2024	2023
<b>Opening Balance</b>	<b>85</b>	<b>128</b>
Additions	1,117	36
Disposals	0	0
Depreciation	(207)	(80)
<b>Closing Balance</b>	<b>995</b>	<b>85</b>
Gross Carrying Amount	2,946	1,829
Accumulated Depreciation	(1,951)	(1,744)
<b>Net Carrying Amount</b>	<b>995</b>	<b>85</b>

**Liabilities****5. Payables**

	2024	2023
Payables to suppliers	0	0
Payables to non-consolidated entities	0	0
Payables to staff members	0	0
Lapsed Credits to be offset from future CFFs	2,577	1,797
Other payables	737	1,407
<b>Total</b>	<b>3,314</b>	<b>3,203</b>

**Payables to suppliers**

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.

**Lapsed Credits to be offset from future CFFs**

These values align to the value reported in the Statement of Budget Execution, representing budget called for but not spent that will be offset from the following years call for funds. There has been a larger underspend in 2024 compared to 2023 creating the majority of the payables variance. The lapsed credits figure includes a residual amount of €1.8K from the 2023 commitments which will be returned to nations in 2025.

**Other payables**

Other payables are made up of the manual accrual figure which consists of three elements. The first element of the manual accrual relates to goods and services provided during 2024, where an estimate is made by reviewing invoices paid/received in 2025 up to mid-February. The estimated accrual for goods and services as at 31 December 2024 is €226K. The other element of the manual accrual is the estimated accrual relating to unpaid leave, this is based on the untaken leave carried forward as at 31 December 2024 multiplied by the average salary costs per day. This results in an accrual of €509K. The third element, the value of deferred expense as at 31 December 2024 is €2K.

**6. Deferred Revenue and other liabilities**

	2024	2023
Unearned Revenue and other liabilities	5,980	4,822
<b>Total</b>	<b>5,980</b>	<b>4,822</b>

Deferred Revenue represents accumulated unearned revenue which is the excess of national contributions and miscellaneous revenue over expenditure on the NETMA programme to date. Other liabilities represent the excess of accumulated non-budgetary funds received over its associated expenditure to date.

The movement on unearned revenue and other liabilities can be reconciled as follows:

	2024	2023
<b>Unearned Revenue and other liabilities b/f</b>	4,822	3,976
National Contributions	57,169	53,317
Miscellaneous Revenue (excl Bank Interest)	1,650	717
Receivable for Following Year (movement)	52	48
Less:		
Operational Expenditure	54,112	51,417
Movement in Lapsed Credits	780	999
Movement in IT Duty Travel/SP Tel Line/Misc Advances	1,452	606
Movement in CFF called for but not received		
Other Expenses / (Income)	1,367	214
Foreign Exchange (Gains) / Losses	0	1
<b>Unearned Revenue and other liabilities c/f</b>	<b>5,980</b>	<b>4,822</b>

**7. Advances**

	2024	2023
Advance contributions	15,931	13,397
<b>Total</b>	<b>15,931</b>	<b>13,397</b>

**Advance contributions**

Advance contributions reflects the first Call for Funds for all Nations for 2025 that were raised in 2024.

**8. Operating lease liability**

	2024	2023
Operating lease liability	7	9
<b>Total</b>	<b>7</b>	<b>9</b>

This is the operating lease of the Agency building. This is referenced in Note A, Property, Plant and Equipment section.

**Net Assets****9. Accumulated surpluses / (deficits)**

	2024	2023
PP&E Additions / Revaluations	1,117	36
PP&E Depreciation and amortisation	(207)	(80)
<b>Accumulated surpluses / (deficits)</b>	<b>910</b>	<b>(43)</b>

The accumulated surplus balance represents in year movements relating to PP&E and operational activities. This surplus represents the new additions to the IT Asset Register in 2024 as described in note B4. This surplus / (deficit) is transferred to reserves at the close of each financial year.

**10. Reserves**

	2024	2023
Non-current asset reserve	88	131
<b>Total</b>	<b>88</b>	<b>131</b>

The non-current asset reserve represents the nation's equity in PP&E and intangible assets. IT & Communications equipment assets are capitalised and accounted for at their net carrying amount (i.e. gross historical purchase costs less accumulated depreciation / amortisation). At the end of 2024, the asset reserve reduced by the accumulated deficit of €43K, resulting in an opening Net Assets balance as at 1<sup>st</sup> January 2025 of €88K.

## C. Notes to Statement of Financial Performance

(in thousands of Euros, unless otherwise stated)

### 1. Revenue

	2024	2023
National contributions	57,169	53,317
National contributions to be called for	0	0
Other reimbursements	(3,020)	(1,556)
<b>Total</b>	<b>54,149</b>	<b>51,761</b>

National contributions represents the funds provided by nations to support NETMA in fulfilling its objectives under the administrative budget. Funding is normally called for in advance on a quarterly basis.

Other reimbursements includes recoveries from nations in support of the overall NETMA Programme, the movement on unearned revenue representing the surplus or deficit of revenue over expenditure in the financial year and recoveries from staff employed by the agency.

### Expenses

#### 2. Personnel

	2024	2023
Pay and Overtime	28,437	27,997
Allowances	5,295	5,425
Pension	3,418	3,346
Medical and Insurance	5,245	4,903
Travel	1,149	1,744
Other	(94)	136
<b>Total</b>	<b>43,450</b>	<b>43,552</b>

Personnel expenses include civilian and military personnel expenses as well as other non-salary related expenses. The amounts include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel, for other salary related and non-salary related allowances including overtime, medical examinations, recruitment, installation, removal and for contracted consultants and training.

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 basic salary, staff contribution is 8% of basic salary and the Additional Voluntary Contribution is up to 5% of basic salary. Pension costs are predominantly for those members in the DCPS. The scheme is administered and accounted for centrally by NATO International Staff (IS).

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

At the year-end, NETMA has 253 established posts. A breakdown of wages, salaries and employee benefits is provided below. Costs remained largely consistent in 2024.

	2024	2023
Employee benefits expense	38,468	37,734
Post employee benefits		
For defined contribution pensions scheme	3,418	3,346
Untaken leave accrued	509	591
<b>Total employee benefits expense</b>	<b>42,395</b>	<b>41,671</b>

**Untaken leave**

Untaken leave at year-end may be carried over to the following year. Under normal circumstances, NETMA takes measures to ensure all carried over leave is taken by 30<sup>th</sup> April of the following year in accordance with the CPRs.

**Key Management Renumeration**

NETMA is led by four directors, one for each participating Nation. They are remunerated in line with NATO pay scales as are all other NETMA staff.

	2024	2023
Key management remuneration	1,099	1,085

**Representation allowance**

(stated in Euros)

Representation Allowance has been utilised by the GM in line with the post entitlement, as per EM(2024)0130 dated 16th April 2024. Expenditure on the representation allowance by the qualifying officials totalled €4,100 and is broken out below.

	2024	2023
Rent supplement	3,173	3,173
Hospitality expenses	927	5,230
<b>Total</b>	<b>4,100</b>	<b>8,402</b>

**Contractual supplies and services***3. Buildings and maintenance*

	2024	2023
Building costs	2,631	1,871
Security costs	878	805
Other costs	408	328
<b>Total</b>	<b>3,917</b>	<b>3,003</b>

Building costs include rent of the Agency's accommodation, utilities and cleaning. 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.

For the current accommodation, NETMA signed a contract on 27<sup>th</sup> September 2013 to lease the new office building to 30<sup>th</sup> November 2024. Although a firm price was 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 included an option to extend the lease for a further two periods of 5 years. During 2022 the first option to extend the lease to 2029 was agreed.

In accordance with IPSAS 13 Leases, the table below details obligations under the operating leases as at 31 December 2024).

	2024	2023
<b>Buildings:</b>		
Not later than one year	1,143	1,143
Later than one year and not later than five years	4,477	4,572
Later than five years	0	1,048
<b>Utilities:</b>		
Not later than one year	453	356
Later than one year and not later than five years	1,813	1,425
Later than five years	0	327

#### 4. IT services

	2024	2023
Communication	123	107
Information technology support	5,532	5,052
<b>Total</b>	<b>5,655</b>	<b>5,159</b>

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

#### 5. Depreciation and amortisation

	2024	2023
Depreciation	161	71
Amortisation	46	9
<b>Total</b>	<b>207</b>	<b>80</b>

PP&E and intangible assets are depreciated/amortised on a straight-line basis on NETMA's General Asset Assumptions. The depreciation/amortisation charge relates to IT and Communication Equipment assets capitalised by NETMA.

#### 6. Finance costs

	2024	2023
Foreign exchange gain / (loss)	(0)	(0)
Other charges	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

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. While some Euro : GBP/USD exchange rate fluctuations were experienced in 2024, due to the low value of GBP/USD transactions made only immaterial values were incurred in 2024.

Other charges include bank charges incurred on NETMA bank accounts for transactions mainly attributed to cross border payroll allotments (€10K).

**D. Notes to Statement of Cash Flow**

(in thousands of Euros)

***Cash flow from operating activities******1. Surplus / (deficit)***

	2024	2023
Surplus / (deficit)	910	(43)
<b>Total</b>	<b>910</b>	<b>(43)</b>

This represents the surplus/deficit from normal operating activities after interest, depreciation and financial charges such as exchange differences arising from transactions. The previous year's balance is transferred from surplus/deficit into Nation Reserves in the following year.

***Non-cash movements******2. Depreciation / amortisation***

	2024	2023
Depreciation and amortisation	207	80
<b>Total</b>	<b>207</b>	<b>80</b>

This represents the annual depreciation/amortisation on NETMA Assets which is calculated on a straight-line basis. This is greater in 2024 due to additional assets being capitalised in 2024 as referenced in Note B4.

***3. Increase / (decrease) in payables***

	2024	2023
Payables to suppliers	0	0
Other payable	110	1,131
<b>Total</b>	<b>110</b>	<b>1,130</b>

The movement on payables in 2024 represents an increase in the outstanding liabilities for 2024. The increase in other payables is attributable to a higher lapsed credit value to be returned to nations in 2024 compared to the 2023 Statement of Budget Execution.

***4. Increase / (decrease) in advances***

	2024	2023
Advance contributions	2,534	13,397
<b>Total</b>	<b>2,534</b>	<b>13,397</b>

The movement in advance contributions year on year shows advances from 2022 being satisfied in 2023 and advances in 2024 expected to be satisfied in 2025.

**5. Increase / (decrease) in operating lease liability**

	2024	2023
Operating lease liability	(1)	(298)
<b>Total</b>	<b>(1)</b>	<b>(298)</b>

This reflects the movement created by the operating lease liability explained at Note B8.

**6. (Increase) / decrease in prepayments**

	2024	2023
Prepayments	(313)	(302)
<b>Total</b>	<b>(313)</b>	<b>(302)</b>

Prepayments represents payments made for services received partly in 2024 and beyond the reporting period. These include IT licences and school fees.

**7. Increase / (decrease) in unearned revenue and other liabilities**

	2024	2023
Unearned revenue and other liabilities	1,159	846
<b>Total</b>	<b>1,159</b>	<b>846</b>

Unearned revenue represents the excess of national contributions and miscellaneous revenue over expenditure on the NETMA program to date. This has increased in 2024 due to contributions received carried forward into 2025. Other liabilities represent the excess of accumulated non-budgetary funds received over its associated expenditure to date.

**8. (Increase) / decrease in receivables**

	2024	2023
National contributions	(2,534)	(13,397)
VAT	(216)	(117)
Other receivables	(12)	(26)
<b>Total</b>	<b>(2,763)</b>	<b>(13,540)</b>

The decrease in national contributions receivable is explained in both Note B2 and D4, it relates to the value of national contributions called for the administration budget for 2024, not yet received at the reporting date. The increase in VAT receivable relates to monies owed from the German VAT office regarding VAT reclaimable expenditure in 2024 which is higher than in 2023. Other receivables relate to prepayments in year for school fees and IT licenses, the Spanish telephone line and monies owed from NETMA Staff members.

**Cash flow from investing activities****9. Purchase of property plant and equipment / intangible assets**

	2024	2023
Asset additions	(1,117)	(36)
<b>Total</b>	<b>(1,117)</b>	<b>(36)</b>

Asset additions represents the expenditure relating to hardware, software and consultancy costs which met the required criteria for capitalisation in line with IPSAS 17 Property, Plant and Equipment & IPSAS 31 Intangible Assets . The 2024 addition is attributed to the purchase of nine new assets described in Note B4.

## E. Notes to Statement of Budget Execution

### 1. Budget analysis - 2024

	2024 Budget	2024 Expenditure
Chapter 1	45,335	43,741
Chapter 1 including 2023 carry forward	<u>45,352</u>	<u>43,758</u>

There was an underspend of €1.6M against the budget 2024 due to vacancies of posts or filling posts later than expected. Therefore, allowance and removal costs were also lower than expected.

	2024 Budget	2024 Expenditure
Chapter 2	5,648	3,894
Chapter 2 including 2023 carry forward	<u>5,663</u>	<u>3,909</u>

Through tight cost control, especially for running costs, NETMA was able to underspend against the allocated budget of 2024. In addition, €1.5M of 2024 budget not yet spent in 2024 will be carried forward into 2025 for projects including the security systems and infrastructure.

	2024 Budget	2024 Expenditure
Chapter 3	7,858	6,676
Chapter 3 including 2023 carry forward	<u>8,081</u>	<u>6,896</u>

Ongoing IT-Consultancy projects with contracts from 2024 will be carried forward into 2025 reducing lapsed credits from 2024. Ongoing difficulties in the supply and logistics chain for IT Hardware made some procurement unachievable. Therefore, this procurement was postponed to the following budget year.

	2024 Budget	2024 Expenditure
Chapter 4	<u>(280)</u>	<u>(343)</u>

The reimbursement to NETMA from Austrian Liaison Officers and Saudi-Arabia Liaison Officers, based on real costs for resources, were higher than calculated when setting the 2024 budget. Additionally the received bank interest for NETMA was higher than expected in 2024.

For all of the above the return of the lapsed credits will be agreed with nations in 2025.

### 2. Reconciliation between Statement of Financial Performance and Statement of Budget Execution:

	2024
<b>SCHEDULE 2: FINANCIAL PERFORMANCE EXPENSES</b>	<b>53,239</b>
- Movement in accruals including non-budget items	82
- Movement in deferred expenses	369
- Asset additions less depreciation/amortisation	910
- Finance costs: gains / (losses) translation adjustment	0
- Operating Lease Expense	1
<b>CASH PAYMENTS</b>	<b>54,602</b>
- Revenue received in year	(354)
- Non-common payments excl. from budget	-29
<b>ACTUAL BUDGET CASH PAYMENTS</b>	<b>54,220</b>

## F. Contingent Liabilities / Provisions

NETMA has no contingent liabilities or provisions.

## G. Related Parties Disclosure

The key management personnel of NETMA have no significant related party relationships that could affect the operation of NETMA. Board members receive no remuneration and senior management is remunerated in accordance with the published NATO pay scales. Both do not receive loans that are not available to all staff.

## H. Write-Off and Donations

In accordance with the NATO Financial Regulations, where a global statement of write-offs and donations shall be reported in the Annual Financial Statements NETMA can report that 437 items were submitted and approved for write-off/strike-off through the NETMA Internal Audit section in 2024 in accordance with NETMA delegated authorities. These write-offs/strike-offs are effected when items are deemed surplus to requirements, obsolete, damaged beyond economic repair or lost.

## I. Morale and Welfare Activities (MWA)

(stated in Euros)

In line with the requirements of C-M(2019)0026(INV), the following disclosures regarding the MWA are made:

Cash and Cash Equivalents (Euros) : €17,067

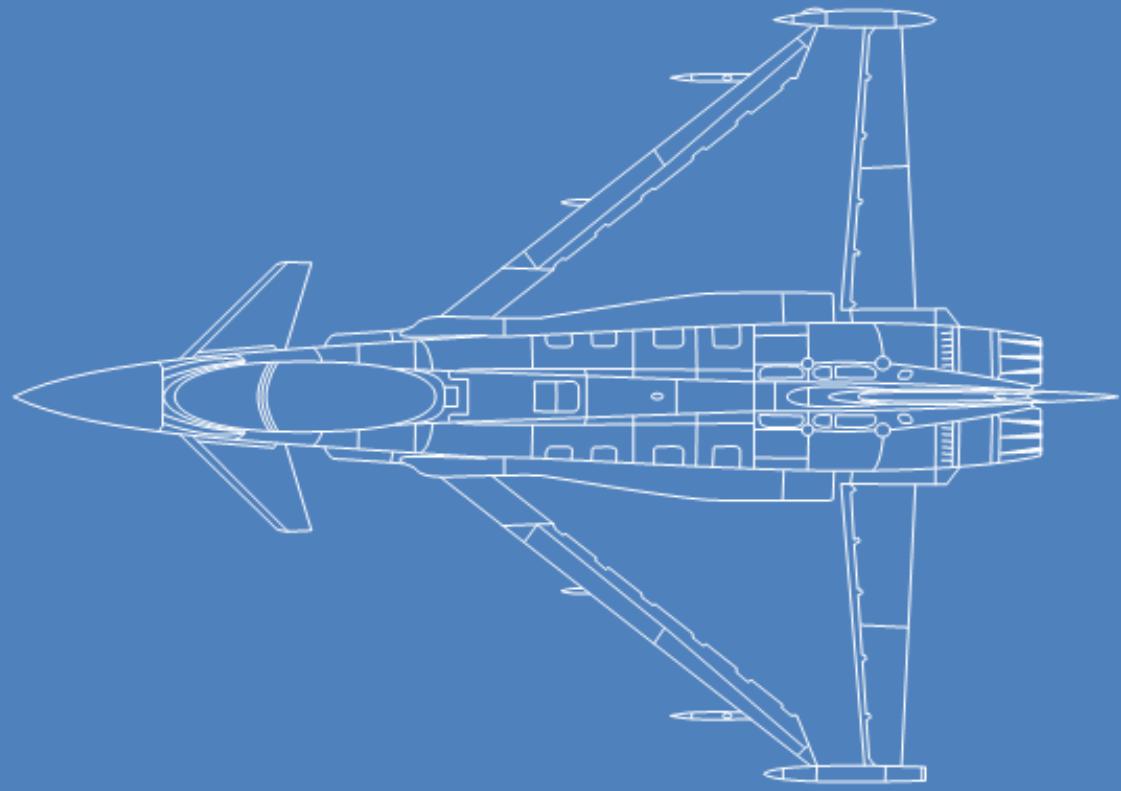
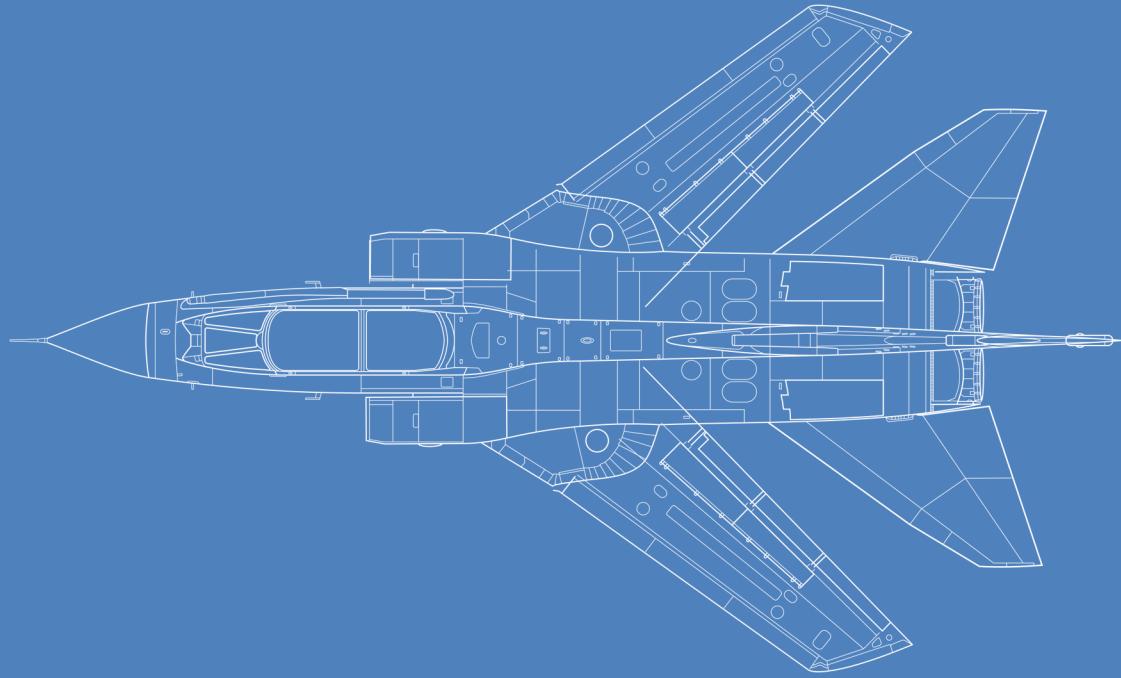
Liabilities: €0

Full-time equivalent personnel directly supporting MWA as of year-end: Zero

The statement of Internal Control within the Annual Financial Statements includes MWA activities.



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