



NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

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28 November 2025

**DOCUMENT
PO(2025)0341-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE SCIENCE
AND TECHNOLOGY ORGANISATION (STO)**

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 the STO, 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)0341.

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20 November 2025

**DOCUMENT
PO(2025)0341
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
SCIENCE AND TECHNOLOGY ORGANISATION (STO)**

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 Financial Statements of the Science and Technology Organisation (STO).
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 STO, 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
SCIENCE AND TECHNOLOGY ORGANISATION (STO)**

DECISION

Reference: IBA-A(2025)0076

(IBAN Audit Report)

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the Science and Technology Organisation (STO) for which IBAN issued an unqualified opinion on the Financial Statements and on compliance, with no new observations;
2. Recommends to Council to approve the public disclosure of the 2024 Financial Statements for the STO and the associated IBAN Audit Report.



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IBA-A(2025)0076
26 August 2025

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

Cc: NATO Permanent Representatives
Chair/NATO Chief Scientist, Science and Technology Board
Chair, Science and Technology Organisation Finance and Audit Sub-Group
Director, Centre for Maritime Research and Experimentation
Director, Science and Technology Collaboration Support Office
Financial Controller, International Military Staff/Science and Technology Organisation
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 the Science and Technology Organisation's (STO) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0010***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council.

IBAN's report sets out an unqualified opinion on the Financial Statements of the Science and Technology Organisation (STO) 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
Science and Technology Organisation (STO)
for the year ended 31 December 2024**

IBAN audited the Science and Technology Organisation (STO), which mission is to help position the Nations' and NATO's Science and Technology investments as a strategic enabler of the knowledge and technology advantage for the defence and security posture of NATO nations and partner Nations.

The STO comprises three executive bodies: the STO Office of the Chief Scientist (OCS) located in Brussels, Belgium, under the authority of the Chief Scientist; the STO Collaboration Support Office (CSO) located in Neuilly-sur-Seine, France, under the authority of its Director; and the STO Centre for Maritime Research and Experimentation (CMRE) located in La Spezia, Italy, under the authority of its Director.

The total expenses of STO for the year ended 31 December 2024 were EUR 45.2 million (EUR 38.5 million after restatement for the year ended 31 December 2023).

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

IBAN made no new observations and recommendations.

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 STO whose comments have been included, with the IBAN's position on those comments where necessary.

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to STO management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under STO executive responsibility.

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IBA-AR(2025)0010

26 August 2025

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
SCIENCE AND TECHNOLOGY ORGANISATION
(STO)
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 Science and Technology Organisation (STO), for the 12-month period ended 31 December 2024, issued under document reference STO-OCS(2025)0040, and submitted to IBAN on 31 March 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 STO 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 STO 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 31st 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 the NATO Financial Regulations, associated Financial Rules and Procedures 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, 26 August 2025



Sébastien Lepers
Chair

OBSERVATIONS AND RECOMMENDATIONS

IBAN made no new observations and recommendations.

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 STO whose comments have been included, with the IBAN's position on those comments where necessary.

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to STO management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under STO executive responsibility.

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 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>(1) STO FY 2023 IBA-AR(2024)0018, paragraph 1</p> <p>MATERIAL NON-COMPLIANCE FOR THE PROCUREMENT OF VESSELS' MAINTENANCE AND DRY-DOCKING THROUGH STO-CMRE'S CERTIFIED SHIP MANAGERS</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that STO:</p> <p>a) Request from the competent deviation authority, where appropriate, a waiver of</p>	<p>a) As per AC/323-D(2024)0031, the Science and Technology</p>	<p>Observation In-Progress</p>

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OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>the competitive procurement rules in favour of a sole-source contract with the certified ship management company.</p> <p>b) Ensure that the STO Financial Procedures comply with Article 32.2 of the NFRs and designate the powers to deviate from the strict application of competitive bidding for contracts with a value above EFL E.</p>	<p>Board (STB) - Finance & Audit Sub-Group (FASG) approved CMRE's waiver request for sole source contracting with the certified ship management company for the years 2024 and 2025.</p> <p>Closed.</p> <p>b) STO Financial Procedure AC/323-DS(2017)0003 (INV) has not been updated yet to comply with Article 32.2 of the NFRs and to designate the powers to deviate from the strict application of competitive bidding for contracts with a value above EFL E.</p> <p>In-Progress.</p>	
<p>(2) STO FY 2023 IBA-AR(2024)0018, paragraph 2</p> <p>MISSTATEMENTS IN THE RECOGNITION OF REVENUE AND EXPENSES RELATED TO FINANCIAL AND OPERATIONAL LIABILITIES IN THE STATEMENT OF FINANCIAL PERFORMANCE</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that STO-OCS and STO-CSO:</p> <p>a) Record revenue and expenses related to financial results, miscellaneous income and the reversal of accruals as revenue and expenses in the Statement of Financial Performance in accordance with the NAF (IPSAS 1 and IPSAS 3).</p>	<p>a) In the 2024 Financial Statements of STO, revenue and expenses related to financial results, miscellaneous income and the reversal of accruals have been recorded as revenue and expenses in the Statement of Financial Performance.</p> <p>IBAN will re-evaluate the accounting treatment chosen by the STO for miscellaneous and financial result, based on the clarification that the NAF will provide on the subject, and in particular the concept of distribution of the surplus and deficit related to unappropriated funds.</p> <p>Closed.</p>	<p>Observation Closed</p>

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OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>b) Comply with Article 31.2 of the NFRs relating to disclosures of short-term investment income in the annual financial statements.</p>	<p>b) Note 12 of the STO 2024 Financial Statements include a disclosure on short-term investment interest, along with comparative figures from the previous year. Closed.</p>	
<p>(3) STO FY 2022 IBA-AR(2023)0016, paragraph 1</p> <p>NEED TO IMPROVE THE CONTROL OVER THE ACCOUNTING OF ADVANCES AND COSTS FOR VESSELS' MAINTENANCE BY THE SHIP MANAGEMENT CONTRACTOR</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that STO-CMRE</p> <p>a) Establish a formal procedure with the ship management contractor using appropriate financial reporting statements to track the progress and costs of vessel maintenance work, in order to ensure the reliability of the assessment of costs to be recorded on an accrual basis at the end of the year;</p> <p>b) Obtain from the ship management contractor a summary invoice for the cost to be charged against the advances;</p> <p>c) Implement a standard operating procedure for controlling the costs declared by the ship management contractor, in accordance with audit provisions of the framework contract, based for example on a documented review of the sub-contractors' invoices.</p>	<p>a) Closed. IBA-AR(2024)0018</p> <p>b) Closed. IBA-AR(2024)0018</p> <p>c) A Standard Operating Procedure (SOP) related to the accounting and reconciliation process with the Ship Manager was established in October 2024 by STO-CMRE Closed.</p>	<p>Observation Closed</p>

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IBA-AR(2025)0010

**SCIENCE AND TECHNOLOGY ORGANISATION (STO) FORMAL COMMENTS ON
THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN)
POSITIONS**

STO made no formal comments on the report and previous years observations.

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.

Consolidated financial statements of the
NATO SCIENCE AND TECHNOLOGY ORGANIZATION
for the year ended 31 December 2024



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Introduction

1. The NATO Science & Technology Organization (STO) is a NATO organisation, with a Charter approved by the North Atlantic Council. The mission of the STO is to help position the Nations' and NATO's S&T investments as a strategic enabler of the knowledge and technology advantage for the defence and security posture of NATO Nations and partner Nations by:
 - a. Conducting and promoting S&T activities that augment and leverage the S&T capabilities and programmes of Nations and NATO in support of Alliance objectives;
 - b. Contributing to NATO's ability to influence security and defence related capability development and threat mitigation in NATO and partner Nations;
 - c. Delivering targeted and timely evidence-based advice in support of decision-making in NATO Nations and NATO.
2. According to the STO Charter, governance of the STO is vested in the Science & Technology Board (STB). The STO has three separate executive bodies:
 - a. Office of the Chief Scientist (OCS), located in the NATO Headquarters, Brussels, Belgium;
 - b. Collaboration Support Office (CSO), located in Neuilly-sur-Seine, France ; and
 - c. Centre for Maritime Research & Experimentation (CMRE), located in La Spezia, Italy.
3. Russia's unprovoked war on Ukraine, the NATO Strategic Concept, the Madrid, Vilnius and Washington Summits have put a new emphasis on S&T in NATO and so the STO. Heads of State and Government and Allies at NATO have identified S&T as a key strategic enabler to NATO. Immediately following the 2022 invasion of Ukraine, the NATO STB established the STO2030 Working Group (WG) to develop strategic guidance on the future direction of the STO towards 2030. The WG continued its work throughout 2024.
4. In 2024, the OCS has been leading on the revision of the NATO S&T Strategy. Per STO Charter (C-M(2012)0046,), the NATO STB, is tasked to develop, implement and update a long-term NATO S&T Strategy, as part of its responsibility for exercising unified governance over NATO S&T. In view of the heightened interest in S&T across the Alliance and in particular in NATO HQ, the STB mandated the revision of the NATO S&T Strategy to be delivered to the STB in spring 2025 for agreement. Subsequently, the Strategy will be submitted to Council for approval and Defence Ministers for endorsement in quarter two of 2025. In 2024, the continued significant changes in the political-military environment, taken together, have meant a further, significant, sustained increase in the demand for S&T products and services. The OCS has successfully delivered evidence-based advice to senior political and military leaders and policy-makers; and intensified its coordination across many stakeholders (Deputy Permanent Representatives Committee and the Military Committee, as well as International Military Staff, Allied Command Transformation, International Staff/Innovation, Hybrid and Cyber and Defence Investment, Joint Intelligence and Security Division). Driven by the ambitious NATO2030 agenda, the demand for S&T-based advice to leadership, such as on Climate Change, has grown and will continue to grow in the coming years. The Chief Scientist's programmatic budget was instrumental to continue to build S&T capacity in fledgling research areas, to seek knowledge and insights from

external sources, and to build tools that facilitate programme coordination and provide situational awareness of the evolving global S&T environment.

5. The CSO concentrated its efforts during 2024 on delivering an efficient executive and administrative support to the Collaborative Programme of Work (CPoW), thus directly enabling the CSO's vision to "Empower NATO's Technological Edge". Further, tasked by the NATO STB in the framework of the STO2030 study, the CSO started implementation of the 16 Action items approved by the STB as part of the CPoW 2024-2030 Strategy. The aim of this Strategy is to ensure that the S&T CPoW remains the "Forum of Choice for Collaborative Defence and Security S&T" for NATO Nations for the next 20 years and that its adapted and modernized structure and organization facilitates the research into new military capabilities with a view to deliver them faster to Nations' militaries and their war fighters.

6. In 2024, CMRE strengthened its role as a leader in maritime research and innovation for NATO and the nations. In April, it hosted the North Atlantic Council Permanent Representatives and the NATO Deputy Secretary-General, showcasing cutting-edge research and high-end future warfighting capabilities. In October, CMRE led major experimentation efforts at the ACT Innovation Continuum event, demonstrating multi-domain autonomous systems and the MAINSAIL situational awareness tool for the protection of Critical Undersea Infrastructures. At sea, it conducted its seventh Arctic expedition and successfully tested advanced sonar technologies for anti-submarine warfare. With over €36 million in revenue and a growing workforce, including 24 new hires and 62 visiting scientists, CMRE remains at the forefront of maritime research for the Alliance.

7. Nevertheless, despite the challenging circumstances, the STO and its composing activities and programmes were able to successfully contribute to the Alliance's overall objectives, its three core tasks and strengthened its Deterrence and Defence posture.



Dr Bryan Wells
NATO Chief Scientist
Chair, NATO Science and Technology Board



Mike HORGAN
GBRCV – Financial Controller
International Military Staff
Science & Technology Organisation

STO Statement of Internal Control

1. Scope of responsibility

The NATO Chief Scientist¹ together with the Directors of the CSO and CMRE, as Heads of the three Executive Bodies of the STO, collectively exercise overall responsibility for STO Risk Management and Internal Control systems, in accordance with NATO Financial Regulations (NFRs).

NFRs also state that the Financial Controller is responsible for the organisation and administration of the internal control system, which includes a responsibility to the Heads of NATO bodies for financial risk management standards according to Financial Rules and Procedures (FRPs) as well as establishing a system of internal financial and budgetary control.

Oversight is provided by the STB, supported by various subcommittees, who routinely scrutinize senior management reports on strategic operational matters.

2. Purpose of the internal control system

The internal control system is based on an iterative process designed to identify the principal risks to the achievement of objectives, and to evaluate the nature and extent of those risks and to manage them effectively. Internal control and risk management can only provide a reasonable assurance, so the effectiveness of the system is designed to manage and minimize rather than eliminate risk.

3. Internal control and risk frameworks

Internal directives cover all aspects of business operations at entity level for the OCS, CSO and CMRE. Internal directives also include STO financial operating procedures. At an organisational level, the STO Financial Procedures and Risk Management Policy support the STB Finance and Audit Sub-Group (FASG) with all financial, audit and risk aspects of the STB's governance.

In the financial domain, the finance and accounting system has built-in approval workflows, controls and verifications, which grant the necessary segregation of responsibilities, together with relevant audit trails, and ensures sufficient control as regards consistency and accuracy of financial transactions, and compliance to the NFRs.

The cultural and ethical values of the overall control environment are established by senior management. The promotion of ethical values includes the promulgation of the NATO-wide Code of Conduct Code of Conduct. STO internal communications are enhanced by strong reporting lines. The STO has extensive guidance on the management of information and communications. This promotes effective communications in pursuit of operational objectives, and in turn provides for effective functioning of internal control.

The overall structure of the STO incorporates clearly defined responsibilities and authorities in the pursuit of operational objectives. In this regard, the FASG mission is to prepare the decision-making process of the STB, pertaining to the financial, audit, and financial risk aspects in the governance of

¹ Leadership of the STO is exercised by a single authority, the Chief Scientist, in three roles: Chair of the STB; Head of the Office of the Chief Scientist (OCS); Senior scientific advisor to NATO.

the STO and the STO's executive bodies. Disclosures of any senior management related party transactions are registered annually.

4. Capacity to manage risks and establish effective internal controls

The STB acts as the Risk Champion by promoting and encouraging risk management at all levels of the STO from the top down. The STB ensures that major decisions are subject to a risk assessment and regularly reviews the most serious risks threatening the strategic objectives of the STO. The FASG Chair acts as the STO Risk Executive. He/she oversees the execution of this policy and the adoption of the overall risk process and is supported by the Financial Controller. The STO Risk Executive also monitors and advises stakeholders on the STO's internal control mechanisms. The FASG reviews and comments on the findings of internal audit and on the maturity and effectiveness of the STO risk management practices.

Risk identification and management is performed at entity-level and the STB is informed about financial risks affecting the STO. The STO entities reports at least biannually to the STB through the FASG on their financial business operations.

On financial matters for common-funded entities (OCS and CSO), financial requirements comprising the yearly budget proposals are screened and reviewed by the Nations. In addition, interim Budgetary Execution Reports are presented to, and reviewed by, the Budget Committee twice per year. For the customer-funded entity (CMRE), the financial execution and the annual financial plan (including charge-out rates) are submitted to and screened by FASG, which also sits biannually.

5. Review of adequacy and effectiveness of the internal control system

An evaluation of the adequacy and effectiveness of the STB financial governance was initiated during 2024 which was assessed by means of a self-assessment survey targeted at all applicable stakeholders. The financial governance self-assessment survey was designed around the principle guiding policies that direct STO financial activities, these included the Charter of the STO, the FASG Terms of Reference, and the NATO Guidelines on Corporate Governance. This review will be concluded during 2025.

The STO is subject to annual internal audit, as well as external audit from the International Board of Auditors for NATO (IBAN). External audits include examinations of internal controls and compliance with applicable rules and regulations.

6. Outcome of the review of adequacy and effectiveness of the internal control system

During 2024, the STO conducted the first iteration of an internally managed self-assessment survey. The outputs of this survey are still being assessed; however, early indications are that a high degree of financial governance is perceived to exist across the organisation, whilst there are potential areas for improvement. Areas for further analysis or improvement included: risk management entity oversight and consolidated risks; STO/STB and NATO budget alignment; integration of the Internal Audit function; CMRE long-term capital investment planning; and clarification of roles and responsibilities. These observations will be carried-forward to the STB in 2025 for further assessment and prioritization.

7. Annual confirmation by the Head of NATO Body and the Financial Controller

We confirm that an effective internal control system is maintained and operated by the STO in financial year 2024 and up to the date of these financial statements. We confirm that the internal control system provides reasonable assurance of the achievement of the following objectives: effectiveness and efficiency of operations; reliability of financial information; compliance with applicable rules and regulations; and safeguarding of assets.



Dr Bryan WELLS
NATO Chief Scientist
Chair, NATO Science and Technology Board



Mike HORGAN
GBRCV - Financial Controller
Science & Technology Organisation

STO Consolidated Statement of Financial Position

as at 31 December 2024

(in EUR)

	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents	2	24,784,733	15,499,642
Receivables	3	8,181,929	9,435,675
Prepayments	4	1,029,349	1,417,936
		<u>33,996,011</u>	<u>26,353,253</u>
Non-current assets			
Property, plant & equipment	5	3,722,308	3,624,114
		<u>3,722,308</u>	<u>3,624,114</u>
Total assets		<u>37,718,319</u>	<u>29,977,367</u>
Liabilities			
Current liabilities			
Payables	6	3,438,080	3,411,804
Deferred revenue	7	793,571	1,067,241
Advances	8	8,160,403	4,235,037
Other current liabilities	9	1,378,055	846,041
		<u>13,770,109</u>	<u>9,560,123</u>
Non-current liabilities			
Deferred revenue	10	596,942	721,223
		<u>596,942</u>	<u>721,223</u>
Total liabilities		<u>14,367,051</u>	<u>10,281,346</u>
Surplus/Deficit		3,655,247	6,115,142
Retained earnings		19,696,021	13,580,879
Total net assets	11	<u>23,351,268</u>	<u>19,696,021</u>
Total net assets and liabilities		<u>37,718,319</u>	<u>29,977,367</u>



Dr Bryan Wells
NATO Chief Scientist
Chair, NATO Science and Technology Board



Mike HORGAN
GBRCV – Financial Controller
Science & Technology Organisation

The notes on pages 12 to 27 form an integral part of these financial statements.

The financial statements were issued to the International Board of Auditors for NATO on 31 March 2025.

STO Consolidated Statement of Financial Performance

for the year ended 31 December 2024
(in EUR)

	Notes	<u>2024</u>	<u>2023 Restated</u>
Revenue			
Revenue	12	48,655,781	44,485,216
Financial revenue		199,411	117,652
Other revenue		34,426	11,681
Total revenue		<u>48,889,618</u>	<u>44,614,548</u>
Expense			
Personnel	13	23,025,629	20,453,091
Contractual supplies and services	14	21,227,063	16,689,525
Depreciation	5	933,742	1,209,512
Financial costs		47,937	147,278
Total expense		<u>45,234,371</u>	<u>38,499,406</u>
Surplus/(Deficit) for the period		<u>3,655,247</u>	<u>6,115,142</u>

STO Consolidated Cash Flow Statement

for the year ended 31 December 2024

(in EUR)

	Notes	2024	2023
Cash flow from operating activities			
Surplus/(Deficit)		3,655,247	6,115,142
Non-cash movements			
Depreciation	5	933,742	1,209,512
Effect of foreign exchange rate changes		(37,372)	28,712
Increase / (decrease) in payables		26,276	612,571
Increase / (decrease) in deferred revenue		(273,671)	647,370
Increase / (decrease) in advances		3,925,367	1,326,783
Increase / (decrease) in other current liabilities		532,014	178,358
Increase / (decrease) in deferred revenue		(124,281)	(12,339)
(Increase) / decrease in other current assets		388,586	(497,735)
(Increase) / decrease in receivables		1,253,747	(2,685,418)
Net cash flow from operating activities		<u>10,279,656</u>	<u>6,922,956</u>
Cash flow from investing activities			
Purchase of property plant and equipment	5	(1,031,937)	(2,640,328)
Net cash flow from investing activities		<u>(1,031,937)</u>	<u>(2,640,328)</u>
Cash flow from financing activities			
Cash in from IMS BG transfer		-	700,000
Cash out from IMS BG transfer		-	(700,000)
Net cash flow from financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>9,247,719</u>	<u>4,282,628</u>
Cash and cash equivalent at the beginning of the period		<u>15,499,642</u>	<u>11,245,726</u>
Effect of foreign exchange rate changes		<u>37,372</u>	<u>(28,712)</u>
Cash and cash equivalent at the end of the period	2	<u>24,784,733</u>	<u>15,499,642</u>

STO Consolidated Statement of Changes in Net Assets

for the year ended 31 December 2024
(in EUR)

	Commitments / Legal Obligations	Depreciation Reserve	Vessels Reserve	Net Equity Fund	General Reserve	Total
Balance at the end of the period 2022	1,269,213	1,459,737	2,210,850	3,500,000	5,141,079	13,580,879
Surplus/(deficit) for the period	1,673,981	1,443,155	(1,251,286)	-	4,249,292	6,115,142
Change in net assets/equity for the year ended 2023	1,673,981	1,443,155	(1,251,286)	-	4,249,292	6,115,142
Balance at the end of the period 2023	2,943,194	2,902,892	959,564	3,500,000	9,390,371	19,696,021
Surplus/(deficit) for the period	(580,624)	222,475	900,000	-	3,113,396	3,655,247
Change in net assets/equity for the year ended 2024	(580,624)	222,475	900,000	-	3,113,396	3,655,247
Balance at the end of the period 2024	2,362,570	3,125,367	1,859,564	3,500,000	12,503,767	23,351,268

Notes to the STO Consolidated Financial Statements

1. Significant accounting policies

1.1. Basis of preparation

These financial statements 2024 have been prepared in accordance with the NATO Accounting Framework (NAF). The NAF is based on International Public Sector Accounting Standards (IPSAS) as adapted by the North Atlantic Council. The financial statements comply with the financial requirements of the NFRs and the associated FRPs as well as with relevant STO directives and policies.

The financial statements have been prepared on a going-concern basis.

In accordance with Article 2 of the NFRs, the financial year covered by these financial statements is 1 January to 31 December 2024.

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

Figures in these financial statements are rounded to the nearest EUR and as a result, balancing totals may display minor discrepancies.

1.2. Accounting estimates and judgments

In accordance with IPSAS, the financial statements necessarily include amounts based on estimates and assumptions made by management and based on experience as well as on the most reliable information available. In exercising the judgements to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS.

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.

1.3. 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. For the 2024 financial statements, the accounting policies have been applied consistently throughout the reporting period.

1.4. Changes in pronouncements

The STO has not applied the following new IPSAS that has been issued but is not yet effective. The STO will continue to assess the impact of this new standard to be prepared for the implementation, if required.

<i>IPSAS</i>	<i>Name</i>	<i>Issue date</i>	<i>Effective date for periods beginning on or after</i>
<i>IPSAS 43</i>	<i>Leases</i>	<i>January 2022</i>	<i>01 January 2026*</i>

* PO(2024)0270 Effective implementation dates of new International Public Accounting Standards in NATO

For the following IPSAS that have been issued but are not yet effective, currently, it is not expected that the adoption of or updates to these standards will have a material impact on the financial statements of the STO in future periods.

<i>IPSAS</i>	<i>Name</i>	<i>Issue date</i>	<i>Effective date for periods beginning on or after</i>
<i>IPSAS 44</i>	<i>Non-current Assets Held for Sale and Discontinued Operations</i>	<i>May 2022</i>	<i>01 January 2026*</i>
<i>IPSAS 45</i>	<i>Property, Plant & Equipment</i>	<i>May 2023</i>	<i>01 January 2026*</i>
<i>IPSAS 46</i>	<i>Measurement</i>	<i>May 2023</i>	<i>01 January 2026*</i>
<i>IPSAS 47</i>	<i>Revenue</i>	<i>May 2023</i>	<i>01 January 2026</i>
<i>IPSAS 48</i>	<i>Transfer Expenses</i>	<i>May 2023</i>	<i>01 January 2026</i>
<i>IPSAS 49</i>	<i>Retirement Benefit Plans</i>	<i>November 2023</i>	<i>01 January 2026</i>
<i>IPSAS 50</i>	<i>Exploration and Evaluation of Mineral Resources</i>	<i>November 2024</i>	<i>01 January 2027</i>

* PO(2024)0270 Effective implementation dates of new International Public Accounting Standards in NATO

1.5. Foreign currency transactions

These financial statements are presented in EUR, which is the functional and reporting currency of the

STO. Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the transaction date. Monetary assets and liabilities which were denominated in foreign currencies at year-end are assessed for materiality and if material translated into EUR using the applicable NATO exchange rates as at 31 December 2024. Realized and unrealized gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

1.6. Consolidation

According to Article 25 of the Charter of the NATO STO, the NATO Chief Scientist, supported by the STO Financial Controller, shall submit consolidated annual financial statements to the STB and the IBAN.

The three bodies comprising STO each have a separate Head of NATO Body, and a separate budget or revenue stream. OCS and CSO are common-funded entities, while CMRE is customer-funded. None of the bodies has control over the others, as defined in IPSAS 35 - paragraphs 18-22.

Morale and Welfare Activities (MWA) such as sport, community service, retail and concessionary activities are only conducted by the CMRE. In accordance with the NAF departure from IPSAS 6, these activities are not consolidated into the respective financial statements of NATO reporting entities. More information on MWA is disclosed in note 22.

1.7. Services in-kind

The STO received services in-kind in the form of military personnel provided by the NATO nations. Such personnel are assigned to specific military positions on the Peacetime Establishments (OCS and CSO) and Personnel Establishment (CMRE) of the executive bodies and/or provided as voluntary contributions. This also includes military personnel assigned to the crew of the NATO Research Vessel (NRV) Alliance and the Coastal Research Vessel (CRV) Leonardo. In these financial statements, received services in-kind are not recognized.

1.8. Financial instruments

STO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts, deposit accounts, accounts receivable, provisions and cash transfers between NATO entities.

All the financial instruments are recognized in the Statement of Financial Position at their fair value.

Credit risk: In the normal course of business, STO incurs credit risk from trade receivables and transactions with banking institutions. The STO manages its exposure to credit risk by:

- Holding current account bank balances and short-term deposits with registered banking institutions with a high credit rating;
- Maintaining credit control procedures over receivables.

The maximum exposure as at 31 December 2024 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the Statement of Financial Position. Receivables considered doubtful or uncollectible are adequately accounted for. There is a very limited credit risk associated with the realization of these instruments.

Currency risk: The STO's exposure to foreign currency exchange risk is very limited, as most of its transactions are dealt with in euros. A limited number of transactions are accounted for in other currencies.

Liquidity risk: The liquidity risk is based on the assessment of whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities.

For OCS and CSO, there is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The accuracy of forecasting cash requirements as well as the delay in payment represent the main liquidity risk. For CMRE, liquidity risk is minimized by the cash available in the Net Equity Fund (NEF) and by the policy of requiring pre-payments and milestone payments from customers.

Interest rate risk: The organization is restricted from entering into borrowings and investments, and therefore there is no interest rate risk identified.

1.9. Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand and deposits held with banks.

1.10. Receivables

Receivables are stated at net realizable value after provision for doubtful and uncollectible debts. Receivables include amounts due from third parties, other NATO entities and/or staff members.

Contributions receivable are recognized when a call for contribution has been issued to the NATO member nations. No allowance for loss is recorded with respect to Allies' assessed contributions receivable except for exceptional and agreed technical reasons.

1.11. Prepayments

Prepayments and deposits are payments to suppliers, employees and other NATO entities in advance of the period to which they pertain.

1.12. Property, plant and equipment (PP&E)

PP&E with finite useful lives that are acquired separately are carried at initial cost less accumulated depreciation and any recognized impairment losses.

Depreciation is recognized on a straight-line basis over their estimated useful lives. Monthly depreciation is charged in the month of acquisition and nil in the month of disposal. 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. Property, plant and equipment is derecognized when no future economic benefit is expected. The cost and any related

accumulated depreciation are removed from the accounting records.

Property, plant and equipment are capitalized in the following categories:

Category	Useful life	Threshold
Mission equipment	3	50,000
AIS equipment	3	50,000
Vessels	2.5 - 5	200,000
Vehicles	5	10,000
Installed equipment	10	30,000

Assets purchased prior to the implementation of the NATO Accounting Framework

In accordance with the NAF adaptation of IPSAS 17, PP&E acquired prior to 1 January 2013 has been fully expensed and the STO does not foresee any grouping of assets. STO owns or controls approximately 100 assets purchased before 1 January 2013, amongst them the NRV Alliance and the CRV Leonardo. In accordance with the NATO Accounting Framework, the STO capitalizes improvements made to the assets on or after 1 January 2013 within the relevant equipment category.

The premises of the three entities are generally provided by the Host Nation at no cost or at a nominal charge. Leasehold improvements made after 1 January 2013 are capitalized in accordance with the STO accounting policies.

STO – Assets purchased prior to the implementation of the NATO Accounting Framework

In accordance with the NAF, PP&E acquired prior to 1 January 2013 has been fully expensed and the STO does not foresee any grouping of assets.

CMRE owns approximately 100 assets purchased before 1 January 2013.

- *Vessels*
 - *The NRV Alliance*
 - *The CRV Leonardo*
- *IT Equipment*
 - *Disaster recovery*
 - *Satellite communication system*
 - *Various workstations and servers*
- *Mission Equipment*
 - *Multiple types of autonomous vehicles*
 - *Towed acoustics arrays*
 - *Multiple types of sonar*
- *Vehicles (car and forklift)*
- *Machinery (shredding machine)*
- *Installed Equipment*
 - *Air condition systems for the new and old building*
 - *Uninterrupted Power Supply (UPS) systems*
 - *TV closed circuit system*

NATO Research Vessels

The NATO vessels NRV Alliance and CRV Leonardo are used to carry out the CMRE programme of work for its customers. The CMRE and its predecessor organizations acquired full operational control and beneficial ownership of these two NATO vessels in 1988 and 2002 respectively. Following a North Atlantic Council decision on 21 December 2015, custody of both vessels (on behalf of NATO) was transferred from the Supreme Allied Commander Transformation, to the CMRE with effect from 1 January 2016.

The vessels are operated by the Italian Navy under Italian flagging and Italian military crew as agreed in a memorandum of understanding between the CMRE and Italy.

Notwithstanding the formal transfer in custody effective 1 January 2016, both vessels have been under the full operational control of the CMRE since their introduction into service in 1988 and 2002. The transfer of custody on behalf of NATO was a non-adjusting event. The acquisition date of both vessels remains unchanged. These assets have been recorded in accordance with the accounting policy in outlined in paragraph 1.12. In accordance with the NAF, improvements made to the vessels on or after 1 January 2013 are capitalized within the relevant equipment category.

CMRE intends to operate the vessels for the foreseeable future. Costs related to a potential future divestment have therefore not been assessed nor accounted for. Any future divestment decision (sale, dismantling or donation) regarding these vessels requires formal approval from the North Atlantic Council upon recommendation from the Defence Policy and Planning Committee (Resources) and the Resource Policy and Planning Board.

1.13. Impairment of tangible and intangible assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate that they may be not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

1.14. Payables

Payables (including amounts due to other NATO entities) are recognized at their fair value. This includes estimates of accrued obligations for goods and services received but not yet invoiced.

1.15. Deferred revenue

For OCS and CSO, deferred revenue represents contributions from NATO member nations that have been called for current or prior year budgets but that have not yet been recognized as revenue.

For CMRE, deferred revenue represents revenue from customers for current or prior year activities for which goods have not been delivered or services have not been rendered at year-end.

1.16. Advances

For OCS and CSO, advances are contributions from Allies or third parties called or received, that are related to future budgets. Funds are called in advance of their need because the entity has no capital

that would allow it to pre-finance any of its activities.

For CMRE, advances from customers are either cash received as working capital or result from advance billing to customers where the rate of expenditure has fallen behind the agreed payment milestones.

1.17. Employee benefits – Post-employment benefits

STO employees participate either in the Defined Contribution Pension Scheme (DCPS) or in the Coordinated Pension Scheme (NATO Defined Benefit Plan).

The assets and liabilities for all of NATO's post-employment benefit schemes are accounted for centrally at NATO Headquarters by the International Staff (NATO IS) and therefore are not recognized in these financial statements.

- **Defined Contributions Pension Scheme:** The assets of the plan are held separately from those of STO in funds under the control of an independent Administrator. The STO is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognized as an expense when employees have rendered service entitling them to the contributions. The only obligation of STO with respect to the DCPS is to make the specified contributions.
- **Coordinated Pension Scheme:** Employees who joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme, which is a funded defined benefit plan. Under the plan and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 60.
- **Continued Medical Coverage:** Some qualifying retirees may also benefit from Continued Medical Coverage.

1.18. Net Assets

Net assets are the residual interest in the assets of the entity after deducting its liabilities.

NATO entities perform their activities on a no profit/no loss basis over the reporting period. However, this does not prohibit the realization of an operating surplus or deficit in the financial reporting period.

1.19. Revenue

Revenue comprises contributions from member nations and other customers to fund STO activities. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably.

For OCS and CSO, revenue is recognized in the Statement of Financial Performance in the year for which the contributions are used for their intended purpose as envisioned by the budgets. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognizes a liability until the condition is fulfilled.

For CMRE, revenue is recognized as goods and services are delivered to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Exchange rate revenue due to transactions in foreign currency, in accordance with IPSAS 4 – The Effects of Changes in Foreign Exchange Rates, is recognized as financial revenue.

The comparative figures for 2023 were restated in order to align the presentation of the financial revenue in the Statement of Financial Performance.

1.20. Financial costs

Bank charges and exchange rate losses due to transactions in foreign currency are recognized as finance costs in the Statement of Financial Performance.

The comparative figures for 2023 were restated in order to align the presentation of the financial costs in the Statement of Financial Performance.

2. Cash and cash equivalents

	(in EUR)	
	2024	2023
Current accounts	24,782,318	15,497,202
Petty cash	2,415	2,440
Total	24,784,733	15,499,642

Cash and cash equivalents are short-term liquid assets, held in EUR, GBP and USD. Deposits are held in interest bearing bank accounts in immediately available funds. For OCS and CSO, cash holdings are largely determined by the timing of contribution receipts from Allies, which arrive in two instalments, generally in April and November.

3. Receivables

	(in EUR)	
	2024	2023
Receivable from non consolidated NATO entities	2,597,469	3,697,519
Other receivables	1,052,306	1,992,617
Accrued revenue	4,726,292	3,745,539
Allowance for doubtful receivables	(194,137)	-
Total	8,181,929	9,435,675

Receivables from non-consolidated NATO entities are mainly invoices issued to ACT.

Other receivables include other customers and government reimbursements.

Accrued revenue primarily derives from services related to ACT.

Allowance for doubtful receivables represents an estimate of accounts receivable that will not be paid by customers.

4. Prepayments

	(in EUR)	
	2024	2023
Prepaid expenses	532,874	408,855
Advances to vendors	376,476	889,081
Security deposit	120,000	120,000
Total Prepayments	1,029,349	1,417,936

Prepaid expenses are amounts paid for expenses to be incurred or services to be rendered in the following financial years. The figure relates, for the most part, to CMRE prepaid insurance for the two vessels and software licences. The balance includes education advances paid to staff members for the following school year.

Advances to vendors are payments for which goods have not been received, or services have not been rendered.

Security deposit is an amount paid to the CMRE electricity supplier as a guarantee which will be returned to CMRE after the termination of the contract.

5. Property, plant and equipment

Cost	(in EUR)						
	Mission equipment	AIS equipment	Vehicles	Installed equipment	Vessels	Work in progress	Total
Balance at 1 January 2023	4,950,015	1,384,137	103,024	3,339,408	1,010,114	32,693	10,819,391
Addition	86,680	-	-	136,655	2,001,285	448,400	2,673,020
Adjustments in 2023	-	-	-	-	-	(32,693)	(32,693)
Balance at 31 December 2023	5,036,695	1,384,137	103,024	3,476,063	3,011,399	448,400	13,459,718
Additions in 2024	214,864	76,270	-	-	-	740,803	1,031,937
Adjustments in 2024	-	-	-	-	-	-	-
Balance at 31 December 2024	5,251,559	1,460,407	103,024	3,476,063	3,011,399	1,189,203	14,491,655
Accumulated Depreciation							
Balance at 1 January 2023	(4,881,418)	(1,263,514)	(60,225)	(1,904,251)	(516,685)	-	(8,626,093)
Depreciation expenses 2023	(75,874)	(120,623)	(15,139)	(337,221)	(660,654)	-	(1,209,511)
Balance at 31 December 2023	(4,957,292)	(1,384,137)	(75,364)	(2,241,472)	(1,177,339)	-	(9,835,604)
Depreciation expenses 2024	(100,698)	(21,314)	(9,483)	(348,107)	(454,140)	-	(933,742)
Balance at 31 December 2024	(5,057,990)	(1,405,451)	(84,847)	(2,589,579)	(1,631,480)	-	(10,769,347)
Net book value							
Balance at 31 December 2023	79,403	-	27,660	1,234,591	1,834,060	448,400	3,624,114
Balance at 31 December 2024	193,569	54,956	18,177	886,484	1,379,920	1,189,203	3,722,308

The depreciation charge for the year was 933,742 EUR (2023: 1,209,511 EUR)

Write-offs

In 2024, no write-offs met the disclosure criteria laid out in the NFRs.

6. Payables

	(in EUR)	
	2024	2023
Payable to suppliers	1,779,021	865,516
Accruals	1,452,662	2,369,750
Other payables	206,397	176,538
Total	3,438,080	3,411,804

Payables to suppliers are short-term liabilities to third parties directly related to the activities and operations of the STO. The average credit period on purchases is 30 days.

Accruals mainly relate to goods and services received before year-end and untaken leave.

Other payables mainly relate to pension schemes and insurance.

7. Deferred revenue

Deferred revenue of 793,571 EUR at year-end 2024 (2023: 1,067,241 EUR), is related to PoW activities (OCS and CSO) and associated commitments not fully delivered by suppliers (carried-forward) at 31 December 2024 due to delays from contractors unable to fulfil their deliveries as planned.

8. Advances

	(in EUR)	
	2024	2023
Advances from customers	597,580	611,024
Advance contributions	7,500,000	3,600,000
Other advances	62,823	24,013
Total	8,160,403	4,235,037

Advances from customers (applicable to CMRE) and contributions (applicable to OCS and CSO) are cash called or received related to future years' budgets. Following the budget increases for OCS and CSO, the contribution advances have increased accordingly

9. Other current liabilities

	(in EUR)	
	2024	2023
Lapsed budget authorisations	1,218,217	719,030
Operational result	34,426	49,664
Financial result	125,412	77,347
Other Current Liabilities	1,378,055	846,041

Other current liabilities include surplus funds to be returned to the nations. They include lapsed appropriations and miscellaneous income from operational and financial results.

Lapsed budget authorisations as at 31 December 2024 include a lapsed special carry forward of EUR 300,000 from 2023.

10. Deferred Revenue – Non-current liabilities

The non-current deferred revenue represents the net carrying amount of PP&E of OCS and CSO in an amount of 596,942 EUR (2023: 721,223 EUR). The revenue will be recognized in the same year as related depreciation expense.

11. Net Assets

The surplus of the period of 3,655,247 EUR increased the CMRE net assets, which are allocated as follows:

	Commitments / Legal Obligations	Depreciation Reserve	Vessels Reserve	Net Equity Fund	General Reserve	Total
Net Assets 31 December 2023	2,943,194	2,902,892	959,564	3,500,000	9,390,371	19,696,021
Net change in Vessels Reserve	-	-	900,000	-	-	900,000
Net change in PPE	-	222,475	-	-	-	222,475
Net change in Commitments	(580,624)	-	-	-	-	(580,624)
Net change in Net Equity Fund	-	-	-	-	-	-
Net change in General Reserve	-	-	-	-	3,113,396	3,113,396
Net Assets 31 December 2024	2,362,570	3,125,367	1,859,564	3,500,000	12,503,767	23,351,268
Net result of the period						3,655,247

Commitments/Legal Obligations

Commitments/ Legal Obligations represent the value of orders for goods and services placed in one financial year, but neither received nor invoiced until the following fiscal year(s).

Depreciation Reserve

The depreciation reserve represents the net book value of assets and a source of future depreciation

expense.

Vessels Reserve

The reserve is used to accumulate resources in current periods to fund future major vessel upkeep projects.

NRV Alliance and CRV Leonardo undergo one major and one minor upkeep on a five-year period cycle. At year-end, a contribution to the vessel reserve fund was made in the amount of 900,000 EUR in preparation for the next upkeep.

Net Equity Fund (NEF)

The STO Charter states that the governing board may establish a NEF to facilitate the CMRE operations. The fund was established to provide liquidity for projects, to act as a buffer for project gains and losses, and to be a source of funds for investments.

General Reserve

This represents the net accumulated surplus available for allocation in subsequent financial periods. In 2024, due to an expansion of the revenue, the general reserve increased by 3,113,396 EUR (2023 increased by 4,249,292 EUR).

12. Revenue

	2024	2023
Revenue from contributions	16,862,464	12,919,142
Revenue from services	31,953,155	31,655,102
Financial surplus/deficit	(125,412)	(77,347)
Other Revenue	(34,426)	(11,681)
Total	48,655,781	44,485,216

Revenue from contributions is revenue received from the member nations to fund the operational expenses of OCS and CSO.

Revenue from services is the revenue received from CMRE customers and projects funded from industries and other public organizations.

The result of the year to be returned to nations is the difference of non-budgetary revenue and expenses. The amount is part of the balance of payables to nations (note 7) at year end.

Financial revenue includes interest from the bank and term deposits, as well as foreign exchange gains. In 2024, term deposit interest in the amount of 133,935 EUR (2023: 82,296 EUR) was earned.

Other revenue is mainly miscellaneous revenue related to prior years.

13. Personnel

Employees are compensated for the service they provide in accordance with rules and amounts established by NATO. The compensation consists of basic salary, various allowances, health insurance,

pension plan and other benefits as agreed with each host nation and the protocols of NATO.

The Personnel Establishments of the STO entities as of 31 December 2024 are displayed in the table below.

	PE - Authorized			PE - Filled			VNC
	Mil	Civ	Total	Mil	Civ	Total	
CSO	11	41	52	10	40	50	1
OCS	4	8	12	2	7	9	-
CMRE	9	-	9	6	-	6	-
International Manpower Ceiling	24	49	73	18	47	65	1
CMRE - Customer funded positions	-	219	219	-	142	142	-
Total	24	268	292	18	189	207	1

The breakdown of salaries and other personnel related expenses is as follows:

	(in EUR)	
	2024	2023
Basic salary	15,083,794	13,688,224
Allowances	2,694,544	2,384,549
Employer's contribution to post-employment benefits	1,411,458	1,243,031
Employer's contribution to insurance	1,863,387	1,632,914
Consultant	1,287,957	973,625
Other allowances	446,199	414,454
Medical examination	32,986	23,527
Training	205,304	92,767
Total personnel expenses	23,025,629	20,453,091

Untaken leave

The balance of untaken leave at the end of 2024 is 2,208 days (2023: 1,598 days). The associated cost is recognized as an accrual of 876,135 EUR (2023: 655,532 EUR).

14. Contractual supplies and services

	(in EUR)	
	2024	2023
General support	2,805,781	2,338,784
Mission support	15,341,477	12,071,860
Travel	1,148,992	1,161,206
Grants and subsidies	1,294,384	969,112
Miscellaneous	46,488	43,737
Capital and investments	395,804	104,825
Allowance for doubtful receivables	194,137	-
Total Expenses	21,227,063	16,689,525

Contractual supplies and services include expenses required for STO activities: general administrative

costs, maintenance costs of buildings/grounds, communications and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses.

15. Contingent liabilities

In 2022, the Italian authorities re-issued a claim to the CMRE for contributions to the Italian National Health System. The claim covers all NATO entities in Italy and dates back to the 1980's. The NATO HQ legal services are aware of this matter, and the claims are suspended pending resolution of the issue between NATO and Italy. As of the date of the financial statements, the CMRE is not aware that the claim will be substantiated, and can make no estimate as to when this case will be resolved. There is a remote possibility of a future obligation and the CMRE assessment is that no settlement will be made.

In 2020, CMRE became aware of an invoice issued in 2019 in the amount of 213,000 EUR for repairs made to the NRV Alliance. CMRE's position is that these repairs, conducted in 2019, were a direct consequence of the supplier's defective workmanship when carrying out prior repairs in 2018. An initial court survey has indicated that CMRE would not be responsible for these costs. If further proceedings result in a liability, some or all of these costs may be reimbursed to CMRE through insurance proceeds. The final decision is expected in 2025.

16. Segment reporting

In accordance with IPSAS 18, the STO discloses segment information for its three executive bodies as provided in the STO Charter: CMRE, OCS and CSO. The inter-entity transactions have been eliminated at consolidation.

	(in EUR)									
	CMRE		CSO		OCS		CONSOLIDATION		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Segment revenue										
Revenue from contributions			9,851,392	7,885,284	6,851,235	4,944,830	-	-	16,702,627	12,830,114
Revenue from services	36,395,184	34,653,072	-	-	-	-	(4,442,030)	(2,997,970)	31,953,154	31,655,102
Financial revenue	60,544	30,796	138,431	86,014	435	841	-	-	199,411	117,652
Other revenue	-	-	34,426	11,681	-	-	-	-	34,426	11,681
Total segment revenue	36,455,728	34,683,888	10,024,249	7,982,979	6,851,670	4,945,671	(4,442,030)	(2,997,970)	48,889,618	44,614,548
Segment expenses										
Personnel costs	16,078,859	14,224,495	5,674,204	5,218,364	1,272,566	1,010,233	-	-	23,025,629	20,453,092
Contractual supplies and services	15,877,680	13,113,250	4,217,558	2,641,721	5,573,855	3,932,523	(4,442,030)	(2,997,970)	21,227,063	16,689,524
Depreciation and amortisation	809,460	1,093,211	124,282	116,301	-	-	-	-	933,742	1,209,512
Financial costs	34,483	137,770	8,205	6,593	5,249	2,915	-	-	47,937	147,278
Total segment expenses	32,800,482	28,568,726	10,024,249	7,982,979	6,851,670	4,945,671	(4,442,030)	(2,997,970)	45,234,371	38,499,406
Surplus/deficit for the year	3,655,247	6,115,142	-	-	-	-	-	-	3,655,247	6,115,142
Segment assets										
Segment assets	26,542,199	22,979,107	7,578,489	4,708,266	4,445,251	3,011,224	(847,620)	(721,229)	37,718,319	29,977,367
Segment liabilities	3,190,930	3,283,085	7,578,490	4,708,266	4,445,251	3,011,224	(847,620)	(721,229)	14,367,051	10,281,346

17. Related parties

The key management personnel of the STO, and the STB National Representatives, have no significant known related party relationships that could affect the operations of the STO. However, the STO Financial Controller is also the Financial Controller of the International Military Staff and the NATO Defense College. The STO, IMS and NDC are therefore related parties.

During the year, the STO entered into transactions with NATO entities outside the IMS Budget Group.

The fees charged for these transactions were an appropriate allocation of the costs incurred.

Key management personnel include the following officials:

Science and Technology Board	NATO National Representatives on STB
Office of the Chief Scientist	NATO Chief Scientist and STB Chair
Centre for Maritime Research and Experimentation	CMRE Director CMRE Deputy Director
Collaboration Support Office	CSO Director CSO Deputy Director

Remuneration of key management personnel

STO Board members do not receive remuneration or access to preferential benefits such as the entitlement to receive loans from NATO for their Board responsibilities.

CMRE and CSO key management personnel are remunerated in accordance with the applicable national or NATO pay scales. They do not receive from NATO any additional remuneration for Board responsibilities or access to preferential benefits such as the entitlement to receive loans over and above those available to all NATO personnel under the NATO Civilian Personnel Regulations.

	(in EUR)	
	2024	2023
Basic salaries	672,595	639,283
Allowances	94,276	42,705
Post-employment benefits	60,353	75,075
Employer's contribution to Insurance	77,826	71,479
Total	905,050	828,542

18. Representation allowance

Representation allowance is available to certain designated NATO high-level officials whose position entails responsibility for maintaining relationships of value to NATO. In 2024, three senior STO officials received representation allowance. The total entitlement was 24,325 EUR (2023: 24,325 EUR) and actual expenses were 12,541 EUR (2023: 11,112 EUR).

19. Morale and Welfare Activities (MWA)

The STO carried out MWA in 2024 for which a detailed annual special purpose report is presented to the relevant financial committee. Morale and welfare activity is an activity of a NATO body that enhances the quality of life, promotes cohesion and integrity, and/or contributes to the physical and mental wellbeing of eligible individuals. At the CMRE, the MWA mainly relate to common interest clubs, athletic and recreational activities.

The position of MWA at year-end is:

	(in EUR)	
	2024	2023
Cash and cash equivalents	284,268	271,527
Total liabilities including provisions and contingent liabilities	66,670	54,815

20. Events after the reporting date

There have been no other material events between the reporting date and the date the financial statements are authorized for issue that would affect the amounts recognized in these statements.

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Annex 1: Budget Execution Statements

The budgets cover the financial year from 1 January 2024 to 31 December 2024 and include the common funded elements of the STO. The initial budget and subsequent revisions are reviewed, approved and issued by the Budget Committee.

In accordance with the NFRs, all changes between the initial and the final budget due to transfers of appropriations were either authorised by the Budget Committee or were within the authority of the IMS/STO Financial Controller. These changes are presented in the Budget Execution Statement. The credits carried forward are presented in the Budget Execution Statement as required by the NATO Financial Regulations and the FRPs. They represent the unexpended balances at year-end for which there is a legal liability and are equal to the deferred revenue (see Note 7).

The Budget and the financial statements are not prepared on the same basis. In the financial statements only current year depreciation is recognized as an expense, while in the budget all noncurrent assets are fully expensed during the year.

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OFFICE OF THE CHIEF SCIENTIST

STATEMENT OF BUDGET EXECUTION AS OF 31 DECEMBER 2024

	Initial Budget	BA2	Transfers	BA3	Transfers	Final Budget	Expenses	Carry-Forward	Lapsed
BUDGET 907 (OCS) 2024									
Chapter 1	1,606,785	1,606,785	-	1,606,785	-	1,606,785	1,272,566	-	334,219
Chapter 2	5,409,350	5,409,350	-	5,409,350	-	5,409,350	5,331,825	12,712	64,813
TOTAL	7,016,135	7,016,135	-	7,016,135	-	7,016,135	6,604,391	12,712	399,033
BUDGET 907 (OCS) 2023									
Chapter 2	242,030	242,030	-	242,030	-	242,030	242,030	-	-
TOTAL	242,030	242,030	-	242,030	-	242,030	242,030	-	-
TOTAL BUDGET 907 (OCS)	7,258,165	7,258,165	-	7,258,165	-	7,258,165	6,846,421	12,712	399,033

OFFICE OF CHIEF SCIENTIST

(in EUR)

Total Expenses as per Budget Execution	6,846,421
Financial Costs	5,249
Total Expenses as per Financial Performance	6,851,670

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ANNEX 1
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COLLABORATION SUPPORT OFFICE

STATEMENT OF BUDGET EXECUTION AS AT 31 DECEMBER 2024

EURO	Initial Budget	Special Carry-Forward	Initial Budget (incl CF)	Transfers	BA2	Transfers	BA3	Transfers	Expenses	Carry-Forward	Lapsed
BUDGET 908 (CSO) 2024											
Chapter 71	6,189,320	-	6,189,320	(335,000)	5,854,320	-	5,854,320	-	5,651,767	63,151	139,402
Chapter 72	3,227,274	-	3,227,274	935,000	4,162,274	380,000	4,542,274	-	3,836,237	596,697	109,340
Chapter 73	1,250,000	-	1,250,000	(600,000)	650,000	(380,000)	270,000	-	-	1,720	268,280
TOTAL	10,666,594	-	10,666,594	-	10,666,594	-	10,666,594	-	9,488,004	661,568	517,022
BUDGET 908 (CSO) 2023											
Chapter 71	25,917	-	25,917	-	25,917	-	25,917	-	22,438	1,580	1,899
Chapter 72	269,165	-	269,165	-	269,165	-	269,165	-	268,902	-	263
Chapter 73	156,491	370,000	526,491	-	526,491	-	526,491	-	108,779	117,712	300,000
TOTAL	451,572	370,000	821,572	-	821,572	-	821,572	-	400,118	119,292	302,162
BUDGET 908 (CSO) 2022											
Chapter 71	3,640	-	3,640	-	3,640	-	3,640	-	3,640	-	-
Chapter 72	-	-	-	-	-	-	-	-	-	-	-
Chapter 73	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,640	-	3,640	-	3,640	-	3,640	-	3,640	-	-
TOTAL BUDGET 908 (CSO)	11,121,805	370,000	11,491,805	-	11,491,805	-	11,491,805	-	9,891,762	780,859	819,184

COLLABORATIVE SUPPORT OFFICE

(in EUR)

Total Expenses as per Budget Execution	9,891,762
Depreciation	124,282
Financial costs	8,205
Total Expenses as per Statement of Financial Performance	10,024,249

