	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

NATO UNCLASSIFIED

13 January 2016

DOCUMENT
C-M(2016)0002-AS1

**IBAN REPORT ON THE AUDIT OF THE 2014 FINANCIAL STATEMENTS OF THE
INTERNATIONAL MILITARY STAFF (IMS), THE NATO STANDARDISATION AGENCY
(NSA), PFP, MD, ICI AND OTHER MILITARY COOPERATION**

ACTION SHEET

On 12 January 2016, under the silence procedure, the Council noted the IBAN report IBA-AR(2015)14 and agreed the RPPB recommendation regarding public disclosure.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2016)0002.

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5 January 2016

DOCUMENT

C-M(2016)0002

Silence Procedure ends:

12 Jan 2016 – 18:00

**IBAN REPORT ON THE AUDIT OF THE 2014 FINANCIAL STATEMENTS OF THE
INTERNATIONAL MILITARY STAFF (IMS), THE NATO STANDARDISATION AGENCY
(NSA), PFP, MD, ICI AND OTHER MILITARY COOPERATION**

Note by the Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) report on the audit of the financial statements of the International Military Staff (IMS), the NATO Standardisation Agency (NSA), the IMS Budget Group - Partnership for Peace (PfP), the Mediterranean Dialogue (MD), the Istanbul Cooperation Initiative (ICI) and Other Military Cooperation (OMC) Financial Statements for the year ended 31 December 2014. The audit report sets out an unqualified opinion.
2. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB). In line with PO(2015)0052, the RPPB disclosure notice, agreed on 2 December 2015, recommends to Council that the subject audit report, together with the related 2014 financial statements, be made available to the public (see Annexes).
3. I consider that no further discussion regarding this report is required. Consequently, **unless I hear to the contrary by 18:00 hours on Tuesday, 12 January 2016**, I shall assume that the Council has noted the IBAN report IBA-AR(2015)14 and agreed the RPPB recommendation regarding public disclosure.

(Signed) Jens Stoltenberg

4 Annexes

1 Enclosure

Original: English

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RPPB DISCLOSURE NOTICE

**IBAN REPORT ON THE AUDIT OF THE 2014 FINANCIAL STATEMENTS OF THE
INTERNATIONAL MILITARY STAFF (IMS), THE NATO STANDARDISATION AGENCY
(NSA), PfP, MD, ICI AND OTHER MILITARY COOPERATION**

References: (A) IBA-A(2015)96 & IBA-AR(2015)14
(B) Cover letter to the 2014 IMS Financial Statements – IMSTAM(FC)-0051-2015

1. Council agreed with PO(2015)0052 that, in principle, unclassified IBAN audit reports, together with any related financial statements, should be made publicly available after they have been dealt with by Council.
2. The IBAN issued an unqualified audit opinion on the 2014 financial statements of the International Military Staff (IMS), the NATO Standardisation Agency (NSA), the IMS Budget Group - Partnership for Peace (PfP), the Mediterranean Dialogue (MD), the Istanbul Cooperation Initiative (ICI) and Other Military Cooperation (OMC) for 2014. The unqualified audit report (reference (A)) will be forwarded to Council for notation, as per agreed procedures.
3. In reference (B), the International Military Staff Financial Controller concludes that the 2014 Financial Statements can be disclosed.
4. With regard to public disclosure, the RPPB concludes that the subject IBAN report does not contain information which, according to NATO Policy on Disclosure of NATO Information, shall be withheld from public disclosure, and in line with the agreed policy in PO(2015)0052, therefore recommends that the Council agree to the public disclosure of the subject IBAN report and the related financial statements.

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**Summary Note for the Council by the International Board of Auditors for NATO
on the audit of the financial statements of the
NATO International Military Staff (IMS),
the NATO Standardisation Agency (NSA),
the IMS Budget Group – Partnership for Peace (PfP),
the Mediterranean Dialogue (MD), the Istanbul Cooperation Initiative (ICI)
and Other Military Cooperation (OMC)
for the year ended 31 December 2014**

Introduction

The International Military Staff (IMS) is the executive body of the Military Committee (MC), NATO's senior military authority. The IMS is tasked with ensuring that the policies and decisions of the MC are implemented. The IMS also prepares plans, initiates studies and recommends policy on matters of a military nature.

The component parts of the IMS Financial Statements are:

- The NATO Standardisation Agency (NSA): a single, integrated body composed of Military and Civilian staff headed by a Director. The mission of the NSA is to initiate, co-ordinate, and support and administer the standardisation activities conducted under the authority of the NATO Committee for Standardisation.
- The Partnership for Peace (PfP) Work Programme which operate under the framework of the NATO-wide Partnership for Peace program.
- The Mediterranean Dialogue (MD) which is intended to contribute to security and stability for the Alliance by developing a better mutual understanding and dispelling misconceptions.
- The Istanbul Cooperation Initiative (ICI) which was launched to offer cooperation in the broader Middle East region through practical cooperation and assistance in different areas, and specific activities.
- The Other Military Cooperation (OMC) activity reflects the evolving cooperation with Afghanistan, Pakistan and the African Union.

The above components are incorporated into one set of financial statements, which is the subject of this report.

The total authorisations of the IMS, NSA, PfP, MD, ICI and OMC for the year ended 31 December 2014 were EUR 24,2 million.

The Board issued an unqualified opinion of the 2014 financial statements and on compliance for the year ended 31 December 2014.

The Board also followed-up on the status of the previous year's audit observations and noted that all three observations were settled. These observations are summarised in Annex 4.

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE

**INTERNATIONAL MILITARY STAFF (IMS),
THE NATO STANDARDISATION AGENCY (NSA),
THE IMS BUDGET GROUP – PARTNERSHIP FOR PEACE (PfP),
THE MEDITERRANEAN DIALOGUE (MD),
THE ISTANBUL COOPERATION INITIATIVE (ICI) AND
OTHER MILITARY COOPERATION (OMC)**

FOR THE YEAR ENDED 31 DECEMBER 2014

**REPORT OF THE INTERNATIONAL BOARD OF AUDITORS
FOR NATO TO THE NORTH ATLANTIC COUNCIL**

Report on the Financial Statements

The International Board of Auditors for NATO (Board) audited the accompanying financial statements of the International Military Staff (IMS), incorporating the IMS, the NATO Standardisation Agency (NSA), the IMS Budget Group – Partnership for Peace (PfP), the Mediterranean Dialogue (MD), the Istanbul Cooperation Initiative (ICI) and the Other Military Cooperation (OMC) budget which comprised the Statement of Financial Position as at 31 December 2014, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The Board also audited the Statement of Budget Execution for the year ended 31 December 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the NATO Accounting Framework and the requirements of the NATO Financial Regulations as authorized by the North Atlantic Council (NAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which is conducted in accordance with our Charter and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on Financial Statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Military Staff (IMS), the NATO Standardisation Agency (NSA), and the IMS Budget Group – Partnership for Peace (PfP), the Mediterranean Dialogue (MD), the Istanbul Cooperation Initiative (ICI) and the Other Military Cooperation (OMC) budget as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

Report on Compliance

Management's Responsibility for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations as authorised by the North Atlantic Council (NAC).

Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, our responsibility includes expressing an opinion on whether the financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. This responsibility includes performing procedures to obtain reasonable assurance about whether the funds have been used for the settlement of authorised expenditure and whether their operations have been carried out in compliance with the financial and personnel regulations in force. Such procedures include the assessment of the risks of material non-compliance.

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

Opinion on Compliance

In our opinion, in all material respects the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 29 May 2015

Dr Charilaos Charisis
Chairman

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INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

**FOR THE INTERNATIONAL MILITARY STAFF (IMS),
THE NATO STANDARDISATION AGENCY (NSA),
THE IMS BUDGET GROUP – PARTNERSHIP FOR PEACE (PfP),
THE MEDITERRANEAN DIALOGUE (MD),
THE ISTANBUL COOPERATION INITIATIVE (ICI) AND
OTHER MILITARY COOPERATION (OMC)**

FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

The International Board of Auditors for NATO (Board) audited the International Military Staff (IMS) Budget Group Financial Statements (IMSTAM(FC)-011-2015-CORR1, dated 23 April 2015) for the year ended 31 December 2014, and issued an unqualified opinion on the financial statements and an unqualified opinion on compliance.

Observations and Recommendations

The Board had no current year observations to report.

FOLLOW-UP ON THE PREVIOUS YEAR'S AUDIT OBSERVATIONS

The Board also followed up on the status of three observations from the previous year's audit and noted that all of them were settled. The observations and their status are summarised in the table below.

STATUS OF THE PREVIOUS YEAR'S OBSERVATIONS

Observation/Recommendation	Comments	Status
<p>(1) 2013 IMS Budget Group Audit Report IBA-AR(2014)15 - Section 1: Lack of Compliance with New Regulations on the Representation Allowances</p> <p>In 2013, the North Atlantic Council (Council) with the PO(2013)0154 approved updated rules and procedures relating to the receipt and use of the Representation Allowances.</p> <p>The Board found that IMS Financial Controller issued an internal procedure (IMSTAM(FC)-077-2013-REV1) regarding the Representation Allowances. The procedures suggested in this document do not fully comply with PO(2013)0154 and there is no report on the Representation Allowances expenses regarding 2013, nor a disclosure in the financial statements.</p> <p>Recommendation For 2014 the IMS should develop and implement procedures in order to properly follow the newly issued regulations on the receipt and use of the Representation Allowances.</p>	<p>In January 2015 the IMS issued a detailed guideline on the receipt and use of the Representation Allowance which is in compliance with PO(2013)0154, and which has been implemented in practice in 2014. The IMS also included a disclosure on the total amount received by the recipients of the Representation Allowance.</p>	<p>Observation Settled.</p>

Observation/Recommendation	Comments	Status
<p>2) 2013 IMS Budget Group Audit Report IBA-AR(2014)15 - Section 2: Lack of Internal Audit Activities</p> <p>The services provided by internal audits include, among others, detecting and preventing fraud, testing internal controls, and monitoring compliance with applicable rules and regulations.</p> <p>The IMS does not have its own internal auditor function. Rather, internal audits were conducted at the IMS by the Internal Audit Service (IAS) of the International Staff. However, such audits by the IAS have not happened recently, and it is not known if and when it would continue. Furthermore, the IMS has not had an IT internal audit since the implementation of FinS.</p> <p>Recommendation The IMS should establish a regular cycle of internal audit. This can be done either by cooperating with the IS or with other NATO bodies.</p>	<p>In 2014 IMS has signed a contract with an external company to perform an IT audit in the accounting system (audit report will be soon delivered) and with NCIA for internal audit services.</p>	<p>Observation Settled.</p>
<p>3) 2013 IMS Budget Group Audit Report IBA-AR(2014)15 - Section 3: Excessive Average Treasury Holdings per the NATO Financial Regulations</p> <p>The Board found that the average monthly treasury holdings in 2013 (EUR 15.7 million) were seven and a half times one month's average expenditures (EUR 2.1 million), which is considered as excessive per the NFRs and FRPs. The circumstances having caused the excess were not reported to the Budget Committee.</p> <p>Recommendation The Board recommends that the IMS research the causes for the excessive treasury holdings as defined by the NFRs and FRPs. Improved liquidity analysis should be performed in the future to try to better estimate the timing of forecast expenditures. Also, future instances of excessive treasury holdings should be reported to the Budget Committee.</p>	<p>IMS has included in the 2014 Financial Statements a note on the excessive cash holdings together with reasoning for this excess.</p>	<p>Observation Settled.</p>

Comment of the Director General, International Military Staff

We concur with the IBAN assessment that the prior year observations should be considered settled.



INTERNATIONAL MILITARY STAFF
ETAT-MAJOR MILITAIRE INTERNATIONAL



23rd April 2015

IMSTAM(FC)-0011-2015-CORR 1

CHAIRMAN BUDGET COMMITTEE

IMS FINANCIAL STATEMENTS 2014, INCORPORATING:

**INTERNATIONAL MILITARY STAFF (IMS, BUDGET CODE 301)
NATO STANDARDIZATION AGENCY (NSA, BUDGET CODE 302)
PARTNERSHIP FOR PEACE (PfP, BUDGET CODE 504)
MEDITERRANEAN DIALOGUE (MD, BUDGET CODE 508)
ISTANBUL COOPERATION INITIATIVE (ICI, BUDGET CODE 514)
OTHER MILITARY COOPERATION (OMC, BUDGET CODE 524)**

1. Please find attached the corrected version of the IMS Financial Statements (FS) 2014 incorporating the IMS, NSA, PfP, MD, ICI and OMC. This version contains a corrected table of write-offs during the year (note 17). These Financial Statements replace the version dated 31st March in their entirety.
2. Information on the NATO-IRAQ Trust Fund is also included within these FS.

A handwritten signature in black ink, appearing to read 'P. Bontinck'.

P. BONTINCK
BELCV
Financial Controller
International Military Staff &
Science and Technology Organisation

Enclosure: IMS Financial Statements FY 2014

Copy To: MA DG IMS, DIRECTOR NSO, FC, RECORDS

Action Officer: Mr S. Lee, Principal Administrator (Finance) to FC IMS, (4593)

INTERNATIONAL MILITARY STAFF (IMS) FINANCIAL STATEMENTS 2014

**Incorporating
IMS (301), NSO (302), PfP (504), MD (508), ICI (514) and
OMC (524)**



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STATEMENT ON INTERNAL CONTROL

To : International Board of Auditors for NATO

Subject : **Management Representation relating to Financial Statements for the year ended 31 December 2014**

As the Director General, International Military Staff (IMS) and head of the NATO Standardisation Office (NSO) I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims, and objectives set by the North Atlantic Council and the Military Committee, whilst safeguarding the funds and assets for which I am responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage and reduce, rather than entirely eliminate, the risk of failure to achieve the organisation's policies, aims, and objectives; it can therefore provide reasonable but not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims, and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively, and economically. The system of internal control includes the following risk reduction measures:

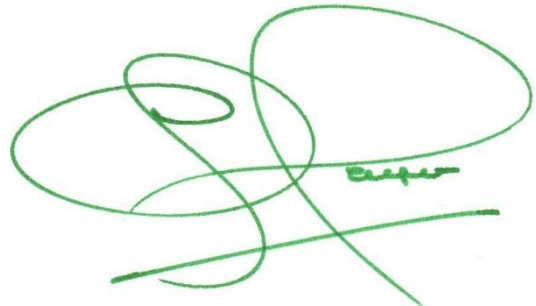
- a. The "outsourcing" of administrative tasks to the NATO International Staff (IS) where practical. This is also a measure of efficiency as it avoids the duplication of services. The tasks of guarding the premises, operating and maintaining the facilities, arranging for utilities, and administering entitlements and processing payrolls for civilian personnel are carried out by the relevant services of the IS and I am relying, in the first instance, on the internal review of these services as conducted by the IS Financial Controller;
- b. Eliminating the use of cash except for limited petty cash operations;
- c. The use of fully qualified staff. Staff working throughout the financial system are suitably qualified and trained. This includes having a sound understanding of their responsibilities in accordance with the NATO Financial Regulations and IMS Standard Operating Procedures;
- d. Separation of duties. Goods and services are requested (on behalf of end-users) by the relevant fund managers; procurement - using competition wherever possible - is effected by the Purchasing and Contracting Officer after approval by the Financial Controller, IMS. Invoices introduced by the fund managers are verified and approved for payment by the fiscal staff but payment is effected and bank records reconciled by separate staff members. This separation of duties is supported by the levels of delegation for decision making being appropriate to rank and experience;

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- e. Internal Audit. On a periodic basis, Internal Audit Service providers are asked to perform audits on behalf of the IMS Financial Controller. Transactions and vouchers are routinely re-examined on a sample basis by the Deputy Financial Controller.
- f. Periodic reporting. Three times a year, interim budgetary reports are presented to, and reviewed by, the Budget Committee.

According to the NATO Financial Regulations, the Financial Controller exercises in my name the responsibility for administration of the financial and budgetary control system. I have directed that the Financial Controller reports to me without delay any irregularities that cannot be resolved at his level. No such issues occurred in 2014.

The work of the IBAN also informs the system of internal control with any observations or comments it makes being acted upon to further improve processes. The IBAN report for the IMS Financial Statements 2013 issued an unqualified opinion as was the case for the preceding years.

A handwritten signature in green ink, consisting of a large, stylized 'S' followed by a horizontal line and a small flourish.

Sir Christopher Harper
Air Marshal
Director General
International Military Staff

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INTRODUCTION BY THE FINANCIAL CONTROLLER (FC)

1. The International Military Staff (IMS) is an international organisation created by the Ottawa Agreement and operating under the authority of the North Atlantic Council (NAC), and is domiciled in Belgium. The principal functions of the IMS are to support the Military Committee in its decision making process and to coordinate the implementation of its decisions.
2. The Financial Statements 2014 have been produced in accordance with the NATO Accounting Framework. This Accounting Framework is based on International Public Sector Accounting Standards (IPSAS), as adapted by NATO under C-M(2013)0039. The Financial Statements are also produced in accordance with the NATO Financial Regulations.
3. These Financial Statements incorporate six budgets covering the: IMS (Budget Code 301); NATO Standardisation Office (NSO, BC 302); Partnership for Peace (PfP, BC 504); Mediterranean Dialogue (MD, BC 508); Istanbul Cooperation Initiative (ICI, BC 514); and Other Military Cooperation (OMC, BC 524). The Statements also cover the NATO Iraq Trust Fund.
4. The statements reflect the financial position, the financial performance, the budget execution, the cash flow and the change in net assets for year 2014 compared to year 2013. Notes disclose the significant variations and changes, following the materiality principle. The statements also take into account comments made by the IBAN during their audits of prior years.
5. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organisation (STO) and the NATO Defence College (NDC). The IMS, STO and NDC are therefore related parties under a common Financial Controller.
6. In order to efficiently and effectively execute its budget the IMS has instructed the NDC and the STO to undertake certain outreach activities which are accounted for as Reimbursable Activities. Subject to the provisions of the applicable IPSAS, the revenue and expenditure made through the reimbursable budgets are fully accounted for in the IMS financial statements with corresponding entries in the separate NDC and STO financial statements.
7. As the NATO Accounting Framework is continuously evolving, compliance is a dynamic process that requires staff to keep updating their knowledge. Also it requires that the accounting tools are suitably maintained and, when appropriate, upgraded. An on-going challenge is that NATO entities undertake financial reporting in a consistent way. Therefore the OFC, maintains a dialogue with the other NATO entities and plays a full part in the NATO Accounting Working Group and the Working Group of Financial Controllers. The IMS OFC remains committed to developing its Financial Reporting expertise and producing Financial Statements fully compliant with the applicable standards and instructions as issued by Nations. The OFC will also continue to work openly and constructively with the IBAN.



P. BONTINCK
BELCV
Financial Controller
International Military Staff

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IMS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

(in euro)

		2014	2013	Difference
ASSETS				
Current Assets				
	Notes			
Cash and Cash Equivalents				
Petty Cash and Advances	3a	26,200	26,200	-
Current Bank Accounts	3b	12,269,145	11,908,602	360,543
Cash Equivalents	3c	1,935,196	4,026,618	(2,091,422)
Total Cash and Cash equivalents		14,230,541	15,961,420	(1,730,879)
Receivables				
Receivable Budget Increases	4a	80,000	-	80,000
Other Receivables	4b	48,006	165,739	(117,734)
Total Receivables		128,006	165,739	(37,734)
Prepayments and Miscellaneous Assets				
Non-Assigned Expenditures	5a	111,653	86,427	25,227
Advances and Prepayments	5b	907,372	929,253	(21,881)
Total Prepayments and Miscellaneous Assets		1,019,025	1,015,680	3,345
Non-current Assets				
Property Plant and Equipment				
AIS	6a	-	13,373	(13,373)
Communication Systems	6a	-	1,246,620	(1,246,620)
Furniture	6b	-	156	(156)
Transport Equipment	6c	128,308	113,380	14,928
Installed Equipment	6d	4,615	5,395	(780)
Total Property Plant and Equipment		132,923	1,378,923	(1,246,000)
TOTAL ASSETS		15,510,496	18,521,763	(3,011,267)
LIABILITIES				
Current Liabilities				
Payables				
Payable to Suppliers	7a	2,225,086	3,214,307	(989,221)
Other payables	7b	28,312	22,474	5,839
Total Payables		2,253,399	3,236,781	(983,382)
Unearned Revenue & Advances Contributions				
Unearned Revenue	8a	12,247,882	12,826,107	(578,225)
Liabilities Lapses Budget Authorisations	8b	628,050	903,202	(275,152)
Liabilities from Operational Results	8c	41,222	81,756	(40,534)
Liabilities from Financial Results	8d	43,058	94,993	(51,935)
Liabilities from Budget Decreases	8e	163,961	-	163,961
Total Unearned Revenue & Advances Contributions		13,124,174	13,906,059	(781,885)
Non-current Liabilities				
Provisions for PP&E	9	132,923	1,378,923	(1,246,000)
Total Provision for PP&E		132,923	1,378,923	(1,246,000)
TOTAL LIABILITIES		15,510,496	18,521,763	(3,011,267)

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IMS

STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2014

(in euro)

		2014	2013	Difference
	Notes			
Revenue				
Revenue from contributions	10a	23,624,378	24,917,026	(1,292,648)
Financial Revenue	10b	20,968	10,604	10,364
Revenue for Depreciation	10c	42,538	248,291	(205,753)
Total Revenue		<u>23,687,884</u>	<u>25,175,921</u>	<u>(1,488,037)</u>
Expenses				
Personnel	11a	(18,229,714)	(19,729,518)	(1,499,804)
Contractual Supplies and Services	11b	(5,394,663)	(4,618,639)	776,025
Capital and Investments Budgeting	11c	-	(568,870)	(568,870)
Finance Costs	11d	(20,968)	(10,604)	10,364
Depreciation	11e	(42,538)	(248,291)	(205,753)
Total Expenses		<u>(23,687,884)</u>	<u>(25,175,921)</u>	<u>(1,488,037)</u>
SURPLUS/DEFICIT FOR THE PERIOD	12	<u>0</u>	<u>0</u>	<u>0</u>

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IMS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	31/12/2014 Euro	31/12/2013 Euro
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Surplus/Deficit</i>	-	-
Non-cash movements		
Depreciation	42,538	248,291
Increase /(decrease) in payables	(983,382)	1,768,652
Increase/ (decrease) in other current liabilities	(781,885)	(2,537,307)
Decrease/ (Increase) in receivables	37,734	(69,769)
(Gains)/losses on sale of property, plant and equipment	(3,713)	-
(Gains)/losses on transfer of property, plant and equipment	1,259,991	
Increase/ (decrease) in other current assets	(3,345)	133,362
Increase/ (decrease) in Long-Term provisions	(1,246,000)	(248,292)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(1,678,063)</u>	<u>(705,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property plant and equipment	(61,315)	-
Proceeds from sale of property plant and equipment	8,500	-
Cash Advances	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(52,815)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
	31/12/14 Euro	31/12/13 Euro
Year-end cash on hand and balances with banks	14,230,541	15,961,420
Short term investments	-	-

Notes to the Cash Flow Statement

Cash and Cash Equivalents

Year-end cash equivalents consist of cash on hand and balances with banks.

Property, Plant and Equipment

During the period, payments of EUR 61,315 were made to purchase property, plant and equipment (ref note 6.c).

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2014

	All Cost Shares Euro	28 Nations (2012) Euro	28 Nations (2013) Euro	28 Nations (2014) Euro
BALANCE AT 31 DECEMBER 2013	-	-	-	-
CHANGE OF THE PERIOD	-	-	-	-
BALANCE AT 31 DECEMBER 2014	-	-	-	-

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IMS STATEMENT OF BUDGET EXECUTION AS AT 31 DECEMBER 2014 (Note 13)

EURO	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 301 (IMS)2014												
Chapter 1	16,401,386	(942,530)	15,458,856	295,000	15,753,856	30,137	15,783,993	3,091,122	12,687,914	15,779,036	3,091,122	4,957
Chapter 2	3,397,566	911,130	4,308,696	(450,000)	3,858,696	(106,585)	3,752,111	4,449	3,564,143	3,568,592	4,449	183,519
Chapter 3	28,050	31,400	59,450	-	59,450	(7,513)	51,937	22,518	28,819	51,337	22,518	600
TOTAL	19,827,002	-	19,827,002	(155,000)	19,672,002	(83,961)	19,588,041	3,118,089	16,280,877	19,398,965	3,118,089	189,076
BUDGET 302 (NSO)2014												
Chapter 1	2,360,876	(61,500)	2,299,376	-	2,299,376	-	2,299,376	7,197	2,163,381	2,170,578	7,197	128,798
Chapter 2	298,819	61,500	360,319	-	360,319	-	360,319	-	315,330	315,330	-	44,989
TOTAL	2,659,695	-	2,659,695	-	2,659,695	-	2,659,695	7,197	2,478,711	2,485,908	7,197	173,787
BUDGET 504 (PFP)2014												
Chapter 1	104,707	-	104,707	-	104,707	-	104,707	8,000	35,387	43,387	8,000	61,320
Chapter 2	594,479	-	594,479	-	594,479	(80,000)	514,479	47,687	422,207	469,894	47,687	44,585
TOTAL	699,186	-	699,186	-	699,186	(80,000)	619,186	55,687	457,595	513,282	55,687	105,904
BUDGET 508 (MD)2014												
Chapter 1	62,632	-	62,632	-	62,632	-	62,632	7,000	9,991	16,991	7,000	45,641
Chapter 2	461,273	-	461,273	-	461,273	-	461,273	20,486	424,183	444,669	20,486	16,604
TOTAL	523,905	-	523,905	-	523,905	-	523,905	27,486	434,174	461,660	27,486	62,245
BUDGET 514 (ICI)2014												
Chapter 1	31,861	-	31,861	-	31,861	-	31,861	20,000	-	20,000	20,000	11,861
Chapter 2	38,913	-	38,913	-	38,913	-	38,913	5,000	22,747	27,747	5,000	11,166
TOTAL	70,774	-	70,774	-	70,774	-	70,774	25,000	22,747	47,747	25,000	23,027
BUDGET 524 (OMC)2014												
Chapter 1	46,340	-	46,340	-	46,340	4,911	51,251	-	51,251	51,251	-	-
Chapter 2	351,385	-	351,385	-	351,385	75,089	426,474	9,412	400,109	409,521	9,412	16,953
TOTAL	397,725	-	397,725	-	397,725	80,000	477,725	9,412	451,360	460,772	9,412	16,953
TOTAL FY2014	24,178,287	-	24,178,287	(155,000)	24,023,287	(83,961)	23,939,326	3,242,871	20,125,463	23,368,334	3,242,871	570,992

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EURO	Initial Budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 301 (IMS)2013												
Chapter 1	3,401,792	-	3,401,792	-	3,401,792	-	3,401,792	995,659	2,401,161	3,396,820	995,659	4,972
Chapter 2	185,044	-	185,044	-	185,044	-	185,044	-	182,289	182,289	-	2,755
Chapter 3	33,213	-	33,213	-	33,213	-	33,213	-	32,496	32,496	-	717
TOTAL	3,620,048	-	3,620,048	-	3,620,048	-	3,620,048	995,659	2,615,946	3,611,605	995,659	8,443
BUDGET 302 (NSO)2013												
Chapter 2	1,693	-	1,693	-	1,693	-	1,693	-	1,678	1,678	-	16
TOTAL	1,693	-	1,693	-	1,693	-	1,693	-	1,678	1,678	-	16
BUDGET 504 (PFP)2013												
Chapter 1	1,666	-	1,666	-	1,666	-	1,666	-	1,666	1,666	-	-
Chapter 2	20,510	-	20,510	-	20,510	-	20,510	-	17,023	17,023	-	3,487
TOTAL	22,176	-	22,176	-	22,176	-	22,176	-	18,689	18,689	-	3,487
BUDGET 508 (MD)2013												
Chapter 1	1,510	-	1,510	-	1,510	-	1,510	-	1,510	1,510	-	-
Chapter 2	28,341	-	28,341	-	28,341	-	28,341	-	27,328	27,328	-	1,012
TOTAL	29,851	-	29,851	-	29,851	-	29,851	-	28,838	28,838	-	1,012
BUDGET 514 (ICI)2013												
Chapter 2	1,250	-	1,250	-	1,250	-	1,250	-	1,250	1,250	-	-
TOTAL	1,250	-	1,250	-	1,250	-	1,250	-	1,250	1,250	-	-
BUDGET 524 (OMC)2013												
Chapter 1	6,015	-	6,015	-	6,015	-	6,015	-	6,015	6,015	-	-
Chapter 2	8,876	-	8,876	-	8,876	-	8,876	-	8,876	8,876	-	-
TOTAL	14,891	-	14,891	-	14,891	-	14,891	-	14,891	14,891	-	-
TOTAL FY2013	3,689,910	-	3,689,910	-	3,689,910	-	3,689,910	995,659	2,681,292	3,676,951	995,659	12,958
BUDGET 301 (IMS)2012												
Chapter 1	891,689	-	891,689	-	891,689	-	891,689	-	847,589	847,589	-	44,100
TOTAL	891,689	-	891,689	-	891,689	-	891,689	-	847,589	847,589	-	44,100
BUDGET 302 (NSO)2012												
Chapter 1	23,848	-	23,848	-	23,848	-	23,848	-	23,848	23,848	-	-
TOTAL	23,848	-	23,848	-	23,848	-	23,848	-	23,848	23,848	-	-
BUDGET 524 (OMC)2012												
Chapter 2	7,500	-	7,500	-	7,500	-	7,500	-	7,500	7,500	-	-
TOTAL	7,500	-	7,500	-	7,500	-	7,500	-	7,500	7,500	-	-
TOTAL FY2012	923,037	-	923,037	-	923,037	-	923,037	-	878,937	878,937	-	44,100
TOTAL ALL BUDGETS	28,791,234	-	28,791,234	(155,000)	28,636,234	(83,961)	28,552,273	4,238,530	23,685,693	27,924,223	4,238,530	628,050

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NOTES

Note 1: Accounting Policies

A. Accounting Period

These Financial Statements are based on the accounting records of the IMS as of 31 December 2014. In accordance with Article 2 of the NFR, the financial year begins on 1 January and ends on 31 December of the year.

B. Reporting Currency

The functional and reporting currency used throughout these Financial Statements is the Euro (€).

C. Basis of preparation

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

There is an ongoing IMS review but this is unlikely to change the core mission of the IMS – support to the Military Committee.

On 1 July 2014, as agreed by Defense Ministers, the functions and activities of the NATO Standardization Agency (NSO) were transferred, without change, into a single integrated NATO HQ staff element named the NATO Standardization Office (NSO). DG IMS is the Head of the NATO Body (HONB) and the Peacetime Establishment Authority (PEA). The NSO is financed from the Military budget under a distinct and separate budget (code 302). The NSO reports to the Military Committee (MC) and to the Committee for Standardization (CS). Organizational governance is exercised by the MC and domain governance exercised by the CS.

D. Financial Reporting Framework

The Financial Statements have been produced in accordance with the NATO Accounting Framework. This Accounting Framework is based on International Public Sector Accounting Standards (IPSAS), as adapted by NATO under C-M(2013)0039. The Financial Statements are also produced in accordance with the NATO Financial Regulations (NFRs).

The accounting principles recognized as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period to ensure that the financial statements provide information that is

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relevant to the decision-making and reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting as well as the of the principle of the right balance between the benefits derived from the information and the costs of providing it as summarised in Appendix A of IPSAS 1.

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

There are no new IPSAS standards issued. The following IPSAS are not relevant for the IMS Financial Statements 2014: IPSAS 26 - Impairment of Cash-Generating Assets, IPSAS 27 – Agriculture. The following IPSAS have no material effect on the financial statements: IPSAS 5, IPSAS 6, IPSAS 7, IPSAS 8, IPSAS 10, IPSAS 11, IPSAS 16, IPSAS 18, IPSAS 32.

The IMS Financial Statements have also been prepared in accordance with the accounting requirements of the NFRs, the Financial Rules and Procedures (FRP), and the relevant entity directives and policies. Any instances of conflict between these rules procedures and directives, and the NATO Accounting Framework would be noted. In FY 2014 there were no such instances.

E. Changes in accounting policy

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 out in IPSAS 3. For the 2014 Financial Statements there were no changes in accounting policy.

F. Foreign currency transactions

Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were translated into Euro using the NATO rates of exchange that were applicable at 31 December 2014. Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Position and Performance. An assessment was made of all assets and liabilities in foreign currencies as of 31 December 2014. The amount of unrealised gains is negligible and deemed immaterial.

G. Consolidation

Consolidated financial statements include the financial results of the controlling entity and its controlled entities. When consolidation occurs inter-entity balances and transactions are eliminated. However, the IMS does not consolidate its financial statements. Although the bodies are linked by a common Financial Controller, the other IMS BG constituent bodies retain their operational independence. An IPSAS 6 adaptation is applicable according to C-M (2013)0039: Morale and Welfare Activities are not consolidated into the Financial Statements.

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H. Services in Kind

Services in-kind are services provided by individuals to public sector entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. An entity may, but is not required to, recognize services in-kind as revenue and as an asset, and a decrease in an asset and an expense upon consumption of the service in-kind. Due to many circumstances surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, IPSAS does not require the recognition of services in-kind.

I. Assets – Current Asset

The entity holds the following types of current assets.

a. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held with banks, pre-paid credit cards and other short term highly liquid investments.

b. Receivables

Receivables are stated at net realizable value, after provision for doubtful and uncollectible debts.

In accordance with IPSAS, receivables are broken down into amounts receivable from user charges, taxes, receivables from related parties, etc.

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

c. Inventories

IPSAS 12 defines inventories, establishes measurement requirements under the historical costs system and establishes disclosure requirements. The IMS Budget Group assesses inventories under IPSAS 12 and the outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, all inventories are fully expensed on receipt. This is the same approach as FS2007 onwards but this policy is reviewed each year for changes in materiality.

d. Prepayments

This reflects prepayments given to suppliers and to other NATO entities.

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J. Non Current Assets

In this category are included all assets invested for more than 12 months or receivable beyond 12 months from the closing date of the Financial Statements.

a. Financial Assets

Long term receivables from the nations for future payment of provisions are reported as a financial asset.

b. Property, plant and equipment.

Basic Principles:

- All property, plant and equipment is stated at historical cost less accumulated depreciation and any recognized impairment loss;
- No external evaluator to set values for assets;
- The capitalization threshold has been set at € 5,000 unless specifically stated otherwise;
- No grouping of assets;
- Depreciation is calculated on a straight-line basis; however the depreciable life of an asset is dependent on the particular category it is in.
- Full depreciation / amortization in the month of acquisition, and nil in the month of disposal.
- As an accounting principle, land cannot be depreciated.

For assets acquired on or after 1 January 2013 the NATO Accounting Framework as stated in C-M (2013)0039 is applied. For legacy assets the policy that was in force up to and including 31 December 2012 is applied.

The major differences are summarised in the following table:

	Before 31st December 2012	After 1st of January 2013
Recognition Criteria	IPSAS	IPSAS as adapted by C-M (2013)0039
Useful Life	As in C-M (2013)0039, except for vehicles (7 years), Communications and CIS (4 years), Networks (10 years)	As in C-M (2013)0039
Thresholds	€5,000 per item except for land and buildings (€100,000)	As in C-M (2013)0039

c. Impairment

The carrying values of Non Current Assets are reviewed for impairment if 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

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the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

d. Intangible Assets.

Prior to 31 December 2012, intangibles were reviewed on a case by case basis against IPSAS 31 requirements. The IMS had no intangibles that met the criteria for capitalization up to 31 December 2012.

Post 1 January 2013, the NATO Accounting Framework as stated in C-M (2013)0039 is applied, with the main difference being the recognition criteria.

There are no assets in 2014 that meet the recognition criteria for Intangible Assets.

K. Current liabilities

a. Payables

Payables are amounts due to third parties based on goods received or services provided unpaid. This includes an estimate of accrued obligation to third parties for goods and services received but not yet invoiced.

b. Unearned revenue and Advances.

Unearned revenue represents contributions from Nations and/or third parties that have been called for current or prior years budgets but that have not yet been recognised as revenue. 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. Advances are contributions received related to future year's budgets.

c. Employee Benefits – Post Employment benefits

IPSAS 25 prescribes the accounting treatment of the following employee benefits:

- Short-term benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits;
- Termination benefits.

Defined Contribution plans

Certain employees are members of the Provident Fund. Certain employees are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). The assets of the plans are held separately from those of IMS in funds under the control of independent trustees or an Administrator. The IMS 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 IMS with respect to the DCPS is to make the specified contributions.

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Defined Benefit plan

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. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance.

Continued Medical Coverage

Some qualifying retirees may also benefit from Continued Medical Coverage (CMC).

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

L. Non-Current Liabilities

a. Provisions – Long term Provisions for PP&E

Provisions are recognized when the entity has a legal or constructive obligation as a result of past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.

Long-term Provisions are non-current liabilities of uncertain value or timing.

They can also derive from the recognition of the fixed assets' present net value to be spent in the form of depreciation/amortization which is not due for at least one fiscal year and perhaps will not be settled until many years in the future.

b. *Contingent Liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the entity. A contingent liability is not recognised as a liability because it is yet to be confirmed whether there is a present obligation that could lead to a possible outflow of resources or a sufficiently reliable estimate of the obligation cannot be made.

M. Net Assets

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

N. Revenue and expense recognition

a. *Revenue*

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. Contributions when called are booked as unearned revenue and subsequently recognized as revenue when it is

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earned.

Revenue comprises contributions from Member Nations and other customers to fund the entity's budgets. It is recognized as revenue in the Statement of Financial Performance when such contributions are used for their intended purpose as envisioned by operational budgets. 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. 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.

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

Bank interests earned and accrued as of 31 December 2014, exchange rate revenue due to transactions in foreign currency and realized exchange rate revenue in accordance with the entity Policy IPSAS 4 - Effect of the foreign exchange rate - are recognized as financial revenue.

b. Expenses

Budgetary expenses are recognized when occurred. Accruing of expenses is based on the concept of accruing when goods and services are received. Bank charges, exchange rate losses due to transactions in foreign currency and realized exchange rate losses are recognized as financial expenses.

Bank charges, exchange rate losses due to transaction in foreign currency and realized exchange rate losses in accordance with IPSAS 4 – Effect of the foreign exchange rate are recognized as financial expenses.

O. Surplus or Deficit for the Period

In accordance with IMS Budget Group accounting policies revenue is recognized up to the amount of the matching expenses.

P. Trust Funds

The IMS manages the NATO-Iraq Trust Fund on behalf of the contributing nations. NATO recognises an asset when it controls access to the asset and gains economic benefit or service potential but matches this to an equal liability. The IMS does not recognise any expenditure or revenue in relation to the Trust Funds which it does not control in its Statements of Financial Performance.

Q. Other Issues – Related Party Disclosures

A formal process is followed to verify the existence or not of any related party relationships. All key personnel have to make a written declaration. Any such relationships have to be fully disclosed in the notes to the Financial Statements.

Note 2: Accounting Judgements and Estimates

In accordance with 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 the judgments to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions affect the amounts of assets, liabilities, revenues 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.

Notes to the Statement of Financial Position

Note 3 : Cash and Cash Equivalents

	31-Dec-14	31-Dec-13
Petty Cash and Advances		
Petty Cash	1,200	1,200
Advances	25,000	25,000
Total Petty Cash and Advances	26,200	26,200
Current Bank Accounts IMS	10,264,864	9,906,223
Current Bank Accounts NATO Iraq Trust	2,004,282	2,002,379
Cash Equivalents	1,935,196	4,026,618
Total Cash and Cash Equivalents	14,230,541	15,961,420

a. Petty Cash holdings are small amounts of cash kept in the International Military Staff (IMS) - € 700 and the NATO Standardization Office (NSO) - € 500 to pay for small expenses. The IMS has delegated some expenses to the office in Moscow (MLM) - € 25,000. Regularly the advance account holders report on their use of funds.

b. Current Bank Accounts are held in euros. Deposits are partly held in interest-bearing current bank accounts in immediately available funds. The accounts reflect the situation on the bank statements.

c. Cash Equivalents are held in euros and is the money invested on a short term deposit or business account. For cash and cash equivalents, there are restrictions on their use. The decrease is explained by routine allocation of funds between current bank accounts and interest bearing accounts based on the forecasted cash needs of the IMS.

d. With IBA-AR(2014)15 the IBAN stated that under NFR Article 13, average treasury holdings should not exceed six months average expenditure. The circumstances for holding cash in excess of this target should be reported to the Budget Committee.

e. The average cash holdings of the IMS were equivalent to 6.5 months expenditure in FY 2014 (7.5 months in FY 2013). Average cash holdings are largely determined by

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the timing of the receipt of national contributions. As per NFR Article 13.4, "calls are issued simultaneously for the budgets of all NATO Bodies". Typically 25% of funds are received in advance of the year, with the remaining 75% in March or April of the current year. Given that IMS monthly payments tend to be consistent, the average level of cash holdings at the IMS will remain at similar levels each year, subject to the profile and timing of national contributions.

Note 4 : Receivables

	31-Dec-14	31-Dec-13
Receivables Budget Increases		
Transfers to OMC Budget	80,000	0
Total Receivables Budget Increases	80,000	0
Other Receivables/Recoverables		
Receivables from Staff Members	815	875
VAT Receivable	933	10,348
Accrued Revenue	42,834	73,426
Receivables from Third Parties	3,424	81,091
Total Other Receivables/Recoverables	48,006	165,739
Total Receivables	128,006	165,739

a. Receivables Budget Increases

Due to lower level of participation of partners in PCM activities the funds were transferred from the PFP budget to cover the higher participation rate in the OMC tailored Defence Education Enhancement Program.

b. Other Receivables

Receivables from Staff Members include the private use of telephones for several staff members. VAT receivable relates to VAT refunds due from national tax offices. Accrued revenue consists of bank interest that is earned in 2014, but the cash is received in 2015. The decrease is explained by the lower interest rates and the reduced amount of cash. Receivables from third parties include several small invoices for procurement and services on behalf of third parties.

Note 5 : Prepayments and Miscellaneous Assets

	31-Dec-14	31-Dec-13
Non-Assigned Expenditures	111,653	86,427
Advances and Prepayments to suppliers	907,372	929,253
Total Prepayments and Miscellaneous Assets	1,019,025	1,015,680

a. The account "Non-Assigned Expenditures" is used for temporary posting of expenditures, which cannot be assigned yet to the appropriate expenditure account because they belong to the next fiscal year. The largest element is for instalments on education allowances that staff members have asked to cover the entire school year 2014-2015 (€ 108,669) under the Civilian Personnel Regulations (CPR). The remainder covers airplane tickets for missions starting in 2015.

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b. Advances and Prepayments are mainly in respect of advance payments made to suppliers and other entities. Since 2011, It includes the Advance Funds Request from NAMS/NSPA Software licenses support and maintenance (€ 230,110) and the contractually agreed Working capital deposit at the NCIA for the IMS POW (€ 663,000). These advances are yearly reviewed and adjusted according to the expected requirements for the year. The remainder is advances to MLM Moscow (€ 14,262).

Note 6: Property, Plant and Equipment

As of 1st of January 2013 an IPSAS 17 adaption is applicable according to C-M (2013)0039. This policy was applied for the Property Plant and Equipment acquired in 2014. The policy that was in place up to and including 31 December 2012 applies for the property plant and equipment acquired prior to 2013.

Opening balances have been calculated as of 1 January 2014 and all subsequent changes to arrive at the closing balance are disclosed below:

	AIS	Communication Systems	Furniture	Transport Equipment	Installed Equipment	Totals
Opening Balance	13,372	1,246,619	153	113,380	5,395	1,378,919
Additions	-	-	-	61,315	-	61,315
Disposals	13,372	1,246,619	-	4,782	-	1,264,773
Depreciation	-	-	153	41,605	780	42,538
Closing Balance	-	-	-	128,308	4,615	132,923
Gross Carrying Amount	137,323	1,931,229	9,193	298,640	7,800	2,384,184
Accumulated Depreciation	137,323	1,931,229	9,193	170,332	3,185	2,251,261
Net Carrying Amount	-	-	-	128,308	4,615	132,923

a. As of 1st of January 2014 with IMSTAM(FC)-0085-2014 all the AIS and Communication Systems assets have been transferred to the NCIA in accordance with C-M(2012)0049 and NCIA SOP 09.03.

b. The assets included under the furniture category are used for storing servers and other similar items.

c. Transport equipment includes the staff motor vehicles of the IMS and the NSO. Two new vehicles were recognized in 2014.

d. Installed equipment includes a machine that is used for binding in the IMS Registry Services.

More details are included in Annex 1.

Note 7: Payables

	31-Dec-14	31-Dec-13
Payables to Suppliers	159,068	984,525
Accruals	2,066,019	2,229,783
Total Payable to Suppliers	2,225,086	3,214,307
Payables to Staff Members	684	894
Other Payables	27,628	21,580
Total Other Payables	28,312	22,474
 Total Payables	 2,253,399	 3,236,781

a. At the end of 2013 two significant in amount invoices were received after the final payment processing date and hence the difference. This was not the case in 2014. The accruals have been split over two accounts. Account 231900 (€ 2,037,286) is the default AP accrual account used in the accounting system. The main components of the accruals are the IMS POW, the NCIA SLA, licenses and outreach activities. The assessed accruals have been charged to account 231950 (€28,733) in order to make the distinction at month end reconciliation between the sub ledger and general ledger. They include mostly education allowance and overtime for the IMS and NSO staff members.

b. Other Payables

Payables to Staff Members include insurance for interns and temporary staff approved but not paid out due to close of the year.

Other payables relates to the reimbursement of one staff member of the NSO by the US according to national rules. The NSO reimburses to the US the amounts that would have been paid if the employee was hired directly by the organization. This is based on an Agreement signed between NATO and the US (30-04-2008), according which US nationals may choose to be reimbursed according national rules. The payable covers October, November and December 2014.

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Note 8: Unearned Revenue and Advance Contributions

	31-Dec-14	31-Dec-13
Unearned Revenue		
Unearned Revenue (See also Note 10)	4,238,530	4,612,947
Unearned Revenue Trust Funds	2,009,352	2,013,160
Advanced Contributions for next FY	6,000,000	6,200,000
Total Unearned Revenue	12,247,882	12,826,107
Liabilities from Lapses	628,050	903,202
Liabilities from Operational Results	41,222	81,756
Liabilities from Financial Results	43,058	94,993
Liabilities from Budget Decreases		
Transfers IMS to NDC	75,000	
Transfers IMS to OCS	8,961	
Transfers PFP to OMC	80,000	
Total Liabilities from Budget Decreases	163,961	-

Total Unearned Revenue and Advance Contributions	13,124,174	13,906,059
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a. Unearned Revenue consists of contributions received or receivable, but for which corresponding expenses will be incurred after the reporting date. It is accounted for by type, budget and year in accordance with the IMS Budget Group policy. Unearned Revenue is equal to the carryforward and more detail can be found in the Budget Execution Statement.

The unearned revenue for trust funds is the corresponding liability for the cash received by nations to fund the NATO-Iraq Trust Fund. It also includes the accrued bank interest. See also Annex 2.

The Advanced Contributions are called for FY 2014 and represent 25% of the provisional BA1 for 2015.

b. The Liabilities from Lapses are the unspent balances at year end. The detailed information can be found on the budget execution statement. The majority is on 2014 credits and mainly explained by the postponement of O&M expenditures due to the move to the new NATO HQ, a higher than expected lapse rate on personnel expenses due to the ongoing IMS PE Review and the variability of expense patterns on outreach activities.

c. The Liabilities from Operational Results include the miscellaneous income (€ 17,169), which is composed of cash receipts relating to previous Budget Years. The main components are the sale of a written off vehicle (€ 8,500), the final calculation of education advance for 2012 and 2013 (€ 4,747) and a credit memo for office supplies (€ 1,920).

Additionally the accrual write-off (€ 24,052) i.e. where the invoice turned out to be lower than the estimated accrual amount, has been posted here. In accordance with IMS Budget Group policy the amount is shown separately for reason of clarity. It is accounted for by type, cost share, budget and year. All listed accrual write-off are related to FY 2014.

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d. The Liabilities from Financial Results are, after offsetting the expenses such as bank charges/realised losses, the net amount of bank interest received and realized gains generated during 2014. In accordance with IMS Budget Group policy the amount is shown separately for reason of clarity. The decrease in interest reflects lower market interest rates than in 2013. Details are provided in the following table.

Gross Bank Interest	57,317
Discounts Taken	207
Realized Exchange Rate Gains	6,502
Gross Amount due to Nations (1)	64,027
Bank Charges	6,612
Realised Exchange Rate Losses	14,356
Total Financial Expenses (2)	20,968
Total to be returned to Nations (1) – (2)	43,058

e. The Liabilities from Budget Decreases are the transfers out of the budget authorizations and not taken into account in the 2nd Call for Contribution 2014, i.e. after BA3.

Note 9: Non – Current Liabilities

Represents the Net Carrying amount of PP&E as of 31st December 2014. Similarly to the Current Unearned revenue it is owed to Nations, because the corresponding expenses have not been incurred yet. The liability is decreased with the annual depreciation and increased with any new acquisitions. A summary is provided below.

	AIS	Communication Systems	Furniture	Transport Equipment	Installed Equipment	Totals
Gross Carrying Amount	137,323	1,931,229	9,193	298,640	7,800	2,384,184
Accumulated Depreciation	137,323	1,931,229	9,193	170,332	3,185	2,251,261
Net Carrying Amount	-	-	-	128,308	4,615	132,923

Notes to the Statement of Financial Performance

Note 10: Revenue

	31-Dec-14	31-Dec-13
Revenue from Contributions	23,624,378	24,917,026
Bank Interest Revenue Recognized	20,968	8,819
Exchange Rate Gains Revenue Recognized	0	1,785
Revenue for Depreciation	42,538	248,291
Total Revenue (See also Note 10)	23,687,884	25,175,921

a. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. Contributions when called are booked as an advance under unearned revenue and subsequently recognised as revenue when it is earned. All revenue is recognised as revenue from exchange transactions and is matched with the incurred expenses against the International Military Staff Budget (301), NATO Standardisation Office Budget (302), Partnership for Peace

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Budget (504), Mediterranean Dialogue Budget (508), the Istanbul Cooperation Initiative Budget (514) and the Other Military Cooperation Budget (524).

b. Out of the EUR 57,317 gross bank interest only EUR 20,968 is recognized as revenue, because the bank interest earned and realized exchange rate gains are matched to the amount of financial expenses incurred. (See also Note 8d.)

c. Revenue for depreciation is matched with the depreciation expense for the year and accounted for as a reduction in Provisions for Property, plant and equipment.

Reconciliation between Budget Revenue and Unearned Revenue.

The table below explains to what extent the unearned revenue from previous years and the net calls made in 2014 for the annual budgets are recognized as budget operating revenue in the fiscal year. The remaining balance is unearned revenue for the funds that are carried forward to future years, payables for the annual budgets credits that are lapsed, payables for budget decreases and receivables for budget increases.

	31-Dec-14	31-Dec-13
Unearned Revenue opening balance		4,612,947
Contributions called for 2014		
Call 1 FC(CC)(2014)0012(MB-01) - GERMANY	18,133,715	
Call 2 FC(CC)(2014)0012 - GERMANY	5,889,572	
Total Contributions Called	24,023,287	
Budget expenses in 2014	(23,685,693)	
Lapses	(628,050)	
Budget increases	80,000	
Budget decreases	(163,961)	
Unearned revenue Closing Balance	4,238,530	

Note 11: Expenses

	31-Dec-14	31-Dec-13
Personnel	18,229,714	19,729,518
Contractual Supplies and Services	5,394,663	4,618,639
Capital and Investments	0	568,870
Finance Cost	20,968	10,604
Depreciation Expense	42,538	248,291
Total Expenses	23,687,884	25,175,921

a. All civilian and military personnel expenses as well as other non-salary related expenses, in support of common funded activities. The expenses are further broken down in the following table:

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	31-Dec-14	31-Dec-13
Employee Benefits	8,827,879	9,237,830
IMS POW	4,236,741	4,692,264
Admin Bill	3,831,602	3,692,406
Consultants and Contractors	549,838	850,999
MOUS	310,069	794,818
Outreach	251,983	254,094
Recruitment and Separation	95,878	50,686
Training	84,084	119,185
Other Costs	41,640	37,236
Total Expenses	18,229,714	19,729,518

The decrease of expenses in personnel expenses (Chapter 1) is explained by several factors. After the signature of 2014 SLA with the NCIA the salaries of two staff members, training as well as the reimbursement to Belgium for the manning of the NATO Comcentre have been charged to Chapter 2. There has been a slight decrease in the rate of completing work on the IMS POW resulting in overall lower expenses. The contractor costs for the technical upgrade to FinS Release 12 are of non recurrent nature.

b. Contractual Supplies and Services (Chapter 2) are expenses required for administrative support to the Military Committee. Includes expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communications and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. The expenses are further broken down in the following table:

	31-Dec-14	31-Dec-13
CIS	2,102,698	1,016,028
Outreach	1,493,373	1,658,865
Utilities, Maintenance and Furniture	917,209	1,093,978
Travel and Hospitality	553,530	590,485
Rent/Lease	158,156	111,360
Office Supplies and Reference		
Materials	112,812	104,727
Services	56,886	43,196
Total Expenses	5,394,663	4,618,639

The increase of expenses in Chapter 2 is mainly due to the signature of 2014 SLA, which shifts the focus from input based expenses, historically charged to Chapter 1 to output based CIS services that are chargeable to Chapter 2.

c. Capital and Investments expenditures on the statement of financial performance are items with a value above EUR 5,000 but which do not meet the control recognition criteria for assets as stated in C-M(2013)0039. There were no such items in 2014.

d. Finance costs include bank charges of (€6,612) and realized exchange rate losses of (€14,356). They are matched to financial revenue. (See also note 8d.)

e. The depreciation for 2014 calculated on a straight line basis and summarized below:

	AIS	Communication Systems	Furniture	Transport Equipment	Installed Equipment	Totals
Depreciation 2014	-	-	153	41,605	780	42,538
Depreciation 2013	16,688	192,422	919	37,482	780	248,291

Note 12: Surplus or deficit for the Period

In accordance with the IMS accounting policies revenue is recognized up to the amount of the matching expenses and therefore the result is zero, i.e. no surplus or deficit.

Notes to the Statement of Budget Execution

Note 13: Budget Execution Statement

The budget covers the financial year from 1 January 2014 to 31 December 2014 and includes the following budgets: 301 (IMS), 302 (NSO), 504 (PFP), 508 (MD), 514 (ICI), 524 (OMC).

In accordance with the NFRs, all the changes between the initial and the final budget which were due to reallocations, were either authorised by the Budget Committee or were within the authority of the IMS Financial Controller. These changes are presented in the Budget Execution Statement.

As required by the NATO Financial Regulations (NFR part II, Art 11Bis), the credits carried forward are presented in the Budget Execution Statement. They represent the unexpended balances at year end for which there is a legal liability or a Budget Committee decision and are equal to the closing Unearned Revenue (see also Note 7).

The initial 2014 budget was reviewed by the Budget Committee and issued in BC-BA(2014)0001 on the 20th of December 2013. Similarly the 2014 revised authorizations BA 2 and BA3 were issued in BC-BA(2014)0002 and BC-BA(2013)0003 on the 14th of July and 17th of October respectively.

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. The following table summarizes the differences.

	Financial Performance	Budget	Difference
Total Expenses	23,687,884	23,685,693	-2,191
Personnel	18,229,714	18,229,714	0
Contractual Supplies and Services	5,394,663	5,394,663	0
Capital and Investments	0	61,315	(61,315)
Depreciation Expense	42,538	0	42,538
Finance Cost	20,968	0	20,968
Difference			0

Note 14: Related Parties

The key management personnel includes: the DG IMS, Directors, and Heads of Independent Offices. They are all rotated, typically every three years, and with the exception of the Financial Controller, have only management oversight of routine operating and maintenance activities. The detailed work related to these tasks tends to be undertaken by staff officers. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organisation (STO) and the NATO Defence College (NDC). The IMS, STO and NDC are therefore related parties under a common Financial Controller.

The other key management personnel of the entity have no significant known related party relationships that could affect the operation of this reporting entity. Key management 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 normal rules. A specific statement on disclosure of Related Parties is signed by the key Management Personnel and retained for auditing purposes.

For areas such as recruitment and procurement any potential risks are mitigated as follows:

- the appropriate staffs, drawing on their professional competence, lead on carrying out the related day-to-day tasks rather than key personnel;
- there is segregation of duties eg. requirements definition is separate from the procurement and contracting function, and also a number internal actors are involved in staffing an issue for key personnel decision(s);
- maximum use is made of competition including advertising via the NATO website;
- documentation trails are maintained for all decisions and there are compliance checks against the relevant NATO regulations;
- the Internal Audit Service undertakes periodic independent reviews.

Note 15: Employee disclosure

Peacetime Establishment (PE)

	Total Approved PE - IMS	Filled Positions - IMS	Total Approved PE - NSO	Filled Positions - NSO
Civilians (MBC)	85	78	17	16
Military	328	369	27	24
Voluntary National Contribution (VNC)	19	18	-	-
National Manpower Overage (NMO)	36	33	-	-
Host Nation	67	57	-	-
PFP	7	3	-	-
Local Wage Rate (LWR)	1	1	-	-
Civilians (CBC)	13	12	-	-

The Total Approved PE figures are based on document MC 0500/2 Final. Filled Positions are extracted from the relevant IMS and NSO HR records.

Employee Benefits

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. Cash compensations are exempt from income tax in accordance with NATO Nations agreement.

Certain employees participate in the Provident Fund or the Defined Contribution Pension Scheme (DCPS) administered by NATO. Contributions to these Plans are limited to matching the employees' contributions for current service. Other employees participate in NATO's Defined Pension Scheme; a portion of their salaries is deducted and contributed to the annual financing of this Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. The assets and liabilities for the NATO's Defined Benefit Pension Scheme and the RMCF are accounted for centrally at NATO Headquarters by the International Staff and therefore are not recognised in these financial statements. Employee Benefits are summarised in the following table.

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	31-Dec-14	31-Dec-13
Employee Benefits	8,530,753.76	8,951,478.38
Providend Fund	8,776.80	8,803.20
DCPS	288,348.83	277,548.89
Total Expenses	8,827,879	9,237,830

Untaken Leave

The methodology for the calculation of untaken leave has been improved to allow the IMS better control over the data provided by the IS. The Balance of untaken leave at 31.12.2014 is 37 days for NSO and 328 days for IMS. There are management procedures in place in the IMS and NSO, ensuring that all leave is taken before 30th April the following year. Only in exceptional circumstances the outstanding balance is allowed to be carried forward; however it is forfeited if not taken by 31st of December. Normally at final departure there is no compensation for leave not taken, unless it has not been possible to take the leave entitlement due to supporting a Council approved operation/mission, or an extended period of sick leave. Measures are also taken to ensure that all staff takes their leave before their date of departure. The efficiency of these measures was proven in 2014, when no leave was paid at final departure.

Untaken leave is not recognized as a liability or expense for several reasons. The amount is immaterial. The probability that employees may leave before they use an accumulated leave entitlement is considered to be very low. Because of that the normal expectation is that untaken leave will not be paid and therefore it is not possible to reliably measure the expected cost.

Note 16: Financial Instruments

The IMS 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 loans 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, the IMS incurs credit risk from trade receivables and transactions with banking institutions. The IMS 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 2014 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the Statement of Financial Position. If receivables are considered uncollectible, they are adequately provided for. There is a very limited credit risk associated with the realization of these instruments.

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Currency risk: The IMS'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 paid to suppliers in foreign currencies.

Liquidity risk: The liquidity risk is based on the assessment whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The limited risks are primarily the validity of forecasts that result in the calls for contributions.

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

Note 17: Write-offs

In accordance with the NATO Financial Regulations (NFR Part II Art. 19), a statement of write-offs recorded in 2014 is presented in the following table.

Quantity	Description	Identity	Year of purchase	Original cost, EUR	Reason for write-off	Disposition
81	Comms Equipment	Miscellaneous	2007-2013	11,457	SLA	Transferred to NCIA
2500	Networks, workstations, monitors, servers, printers and notebooks	Miscellaneous	2007-2013	2,909,434	SLA	Transferred to NCIA
645	Workstations, monitors, servers, printers and notebooks	Miscellaneous	1999-2010	396,049	Non repairable	Destroyed
154	Furniture	Miscellaneous	1990-2012	10,398	Non repairable	Destroyed
1	Vehicle	AUDI A6	2008	25,061	Beyond economic life span	Sold
1	Vehicle	Opel Vivaro	2003	14,441	Non repairable	Sold

All property write-off transactions were within the authority of the IMS Financial Controller.

Note 18: Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term and are included in Contractual Supplies and Services expenses.

The IMS has 3 rental/lease contracts in 2014 that have been classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership. The classification has been based on the fact that the ownership is not transferred by the end of the lease term, the lease term is not for the majority of the item's estimated economic life and the leases do not contain a bargain purchase option. This approach is reviewed every year.

The following rental/lease contracts are included in Chapter 2 expenses:

- Contract IMS 2013-003/004/005 for copiers for a period of 3 years with a yearly cost of 29,886 EUR;
- Contract IMS 2012-004 for an armored vehicle signed January 2013 for a period of 3 years, with a yearly cost of 54,000 EUR;
- Contract IMS 2005-005 for portacabin rental commenced in 2005 and continued until September 2014. The monthly cost during 2014 was 3,996 EUR.

Note 19: MWA Activities

The regulation of MWAs is governed by PO(97)98 and MBC-DS(97)0023. In accordance with the NATO Accounting Framework (C-M(2013)0039), MWAs will not be consolidated into NATO entity Financial Statements.

MWA within the IMS Budget Group consists mainly of the provision of rationed items and fuel, and language training services. Total expenditures on MWA in 2014 amounted to approximately 830 KEUR. Each year a detailed financial report covering MWA transactions is submitted to the Budget Committee.

Note 20: Representation Allowance

Representation Allowance is available to certain designated NATO high officials whose position entails responsibility for maintaining relationships of value to NATO. Representation Allowance can be used to complement national funds and is made available to support social events and catering. In 2014 three senior IMS officials received Representation Allowances totalling EUR 34,145.

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ANNEX 1
IMS Non Current Asset Register

Asset Category	Asset Number - Description	Date Placed In Service	Retirement Date	Beginning Balance	Additions	Cost Retired	Net Cost	Accum	Current	Total Depreciation	Retired Depreciation	Net Depreciation	Net Book Value
AIS	DELL POWEREDGE R710	12-Nov-10	1-Jan-15	5,941		(5,941)	-	4,702	-	4,702	(4,702)	-	-
AIS	DELL POWEREDGE R710	12-Nov-10	1-Jan-15	5,941		(5,941)	-	4,702	-	4,702	(4,702)	-	-
AIS	DELL POWEREDGE R710	12-Nov-10	1-Jan-15	5,941		(5,941)	-	4,702	-	4,702	(4,702)	-	-
AIS	DELL Power Edge 2850	18-Nov-05	1-Jan-15	6,599		(6,599)	-	6,599	-	6,599	(6,599)	-	-
AIS	DELL Power Edge Xeon 2850	6-May-06	1-Jan-15	16,500		(16,500)	-	16,500	-	16,500	(16,500)	-	-
AIS	DELL PE 2950 Xeon	11-Sep-06	1-Jan-15	12,120		(12,120)	-	12,120	-	12,120	(12,120)	-	-
AIS	DELL PE 2950 Xeon 5160	6-Nov-06	1-Jan-15	6,087		(6,087)	-	6,087	-	6,087	(6,087)	-	-
AIS	DELL PE 2950 Xeon 5160	7-Dec-06	1-Jan-15	15,980		(15,980)	-	15,980	-	15,980	(15,980)	-	-
AIS	Nokia Firewall	24-Apr-07	1-Jan-15	9,051		(9,051)	-	9,051	-	9,051	(9,051)	-	-
AIS	Dell Server PV124T LT04-120 S	16-Apr-09	1-Jan-15	5,640		(5,640)	-	5,640	-	5,640	(5,640)	-	-
AIS	Dell Power Edge R710	1-Oct-10	1-Jan-15	29,703		(29,703)	-	24,134	-	24,134	(24,134)	-	-
AIS	Dell PowerEdge R710	21-Dec-10	1-Jan-15	17,822		(17,822)	-	13,736	-	13,736	(13,736)	-	-
Total AIS				137,323		(137,323)	-	13,736	-	13,736	(13,736)	-	-
Communication Systems	NSA LAN	23-Aug-05	1-Jan-15	39,564		(39,564)	-	33,296	-	33,296	(33,296)	-	-
Communication Systems	TELECONFERENCING SYSTEM	11-Nov-05	1-Jan-15	21,512		(21,512)	-	21,512	-	21,512	(21,512)	-	-
Communication Systems	VTC NHQC3S	7-Dec-11	1-Jan-15	13,395		(13,395)	-	6,977	-	6,977	(6,977)	-	-
Communication Systems	Bices Network	19-May-06	1-Jan-15	27,133		(27,133)	-	20,800	-	20,800	(20,800)	-	-
Communication Systems	C3S Network	6-Jul-06	1-Jan-15	12,656		(12,656)	-	9,495	-	9,495	(9,495)	-	-
Communication Systems	Crypto Network	18-Apr-07	1-Jan-15	27,174		(27,174)	-	18,340	-	18,340	(18,340)	-	-
Communication Systems	CISCO Switch Layer	3-Mar-08	1-Jan-15	5,583		(5,583)	-	5,583	-	5,583	(5,583)	-	-
Communication Systems	C3S Netwok	16-Dec-08	1-Jan-15	193,212		(193,212)	-	98,215	-	98,215	(98,215)	-	-
Communication Systems	Cabling	18-Dec-07	1-Jan-15	135,000		(135,000)	-	82,125	-	82,125	(82,125)	-	-
Communication Systems	ICT REC NR2	7-May-11	1-Jan-15	1,456,000		(1,456,000)	-	388,267	-	388,267	(388,267)	-	-
Total - Comm Systems				1,931,229		(1,931,229)	-	684,610	-	684,610	(684,610)	-	-
Furniture	L RAYONNAGE	4-Mar-04		9,193	-	-	9,193	9,039	153	9,193	-	9,193	-
Total - Furniture				9,193	-	-	9,193	9,039	153	9,193	-	9,193	-
Transport Equipment	L OPEL VIVARO COMBI	16-Dec-03	12-Nov-14	14,441	-	(14,441)	-	14,441	-	14,441	(14,441)	-	-
Transport Equipment	L AUDIA6	20-Apr-07		22,876	-	-	22,876	22,059	817	22,876	-	22,876	-
Transport Equipment	L VW PASSAT COMFORTLINE	30-Dec-07		19,639	-	-	19,639	17,067	2,572	19,639	-	19,639	-
Transport Equipment	L VW PASSAT COMFORTLINE	30-Jun-08		20,043	-	-	20,043	15,987	2,863	18,850	-	18,850	1,193
Transport Equipment	L AUDI MLM	4-Dec-08	13-Aug-14	25,061	-	(25,061)	-	18,199	2,088	20,287	(20,287)	-	-
Transport Equipment	L VOLSWAGEN TRANSPORTER MLM	30-Mar-09		17,858	-	-	17,858	12,331	2,551	14,882	-	14,882	2,976
Transport Equipment	L SKODA SUPERB	26-Jun-09		22,954	-	-	22,954	15,029	3,279	18,308	-	18,308	4,645
Transport Equipment	L SKODA SUPERB	26-Jun-09		22,954	-	-	22,954	15,029	3,279	18,308	-	18,308	4,645
Transport Equipment	L BMW 520D	16-May-11		29,758	-	-	29,758	11,337	4,251	15,588	-	15,588	14,170
Transport Equipment	L FORD MINIVAN	19-Sep-11		19,995	-	-	19,995	6,665	2,856	9,521	-	9,521	10,474
Transport Equipment	L Mercedes 200 CDI	24-Apr-12		30,624	-	-	30,624	7,656	4,375	12,031	-	12,031	18,593
Transport Equipment	L Mercedes 200 CDI	24-Apr-12		30,624	-	-	30,624	7,656	4,375	12,031	-	12,031	18,593
Transport Equipment	DUTY CAR FOR NATO MLM	6-Mar-14		-	32,496	-	32,496	-	5,416	5,416	-	5,416	27,080
Transport Equipment	NLO KYV DUTY CAR	29-Jul-14		-	28,819	-	28,819	-	2,882	2,882	-	2,882	25,937
Total - Transport Equipment				276,827	61,315	(39,502)	298,640	163,456	41,605	205,061	(34,729)	170,332	128,308
Installed Equipment	L BINDING MACHINE	31-Dec-10		7,800	-	-	7,800	2,405	780	3,185	-	3,185	4,615
Total - Installed Equipment				7,800	-	-	7,800	2,405	780	3,185	-	3,185	4,615
TOTALS				2,362,371	61,315	(2,108,054)	315,633	873,246	42,538	915,784	(733,074)	182,709	132,923

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ANNEX 2
NATO-Iraq Trust Fund Status as of 31st December 2014

FISCAL YEAR	IN COUNTRY COURSES	OUT OF COUNTRY COURSES			TOTAL
	EXPENSES	EXPENSES	SLOTS OFFERED	SLOTS TAKEN	
2005	€133,235	€1,494,235	123	200	€1,627,470
2006	€966,684	€1,553,815	444	253	€2,520,499
2007	€745,024	€1,230,390	223	197	€1,975,414
2008	€2,900,068	€1,105,880	230	208	€4,005,948
2009	€200,557	€1,263,332	220	208	€1,463,889
2010	€218,647	€1,737,842	412	336	€1,956,489
2011	€44,135	€1,733,875	468	420	€1,778,010
2012		€23,366	23	15	€23,366
2013		€176,359	42	42	€176,359
2014		€10,340 ¹			€10,340
TOTAL	€5,208,350	€10,329,434			€15,537,784

NATO-IRAQ TRUST FUND STATUS AS OF 31 DEC 2014	
FUNDS DONATED²	€17,176,421
INTEREST EARNED³	€370,716
FUND USED	€15,537,784
FUND AVAILABLE	€2,009,352

¹ Iraqi expert visit to NATO HQ Brussels

² No funds were donated in 2014

³ The net accrued interest for 2014 was EUR 5,071. The cash is received in 2015.