11 December 2015

DOCUMENT
C-M(2015)0085-AS1

IBAN REPORT ON THE AUDIT OF THE NETMA FINANCIAL STATEMENTS FOR 2014

ACTION SHEET

On 10 December 2015, under the silence procedure, the Council noted the IBAN report IBA-AR(2015)27 attached to C-M(2015)0085 and agreed the RPPB recommendation regarding public disclosure.

(Signed) Alexander Vershbow
Deputy Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2015)0085.

7 December 2015

DOCUMENT
C-M(2015)0085
Silence Procedure ends:
10 Dec 2016 18:00

IBAN REPORT ON THE AUDIT OF THE NETMA FINANCIAL STATEMENTS FOR 2014

Note by the Deputy Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) report on the audit of the financial statements of the NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA) 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 25 November 2015, recommends to Council that the IBAN report on the audit of NETMA for the year 2014, together with the related financial statements, be made available to the public (Annex).

3. I consider that no further discussion regarding this report is required. Consequently, **unless I hear to the contrary by 18:00 hours on Thursday, 10 December 2015**, I shall assume that the Council has noted the IBAN report IBA-AR(2015)27 and agreed the RPPB recommendation regarding public disclosure.

(Signed) Alexander Vershbow

3 Annexes
1 Enclosure

Original: English

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RPPB DICLOSURE NOTICE

IBAN REPORT ON THE AUDIT OF THE NETMA FINANCIAL STATEMENTS FOR 2014

References: (A) IBA-A(2015)169 & IBA-AR(2015)27
(B) Cover letter to the 2014 NETMA Financial Statements – reference N/8301200N/28400000/150278/15/NU

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 NETMA Financial Statements. The unqualified audit report (reference (A)) will be forwarded to Council for notation, as per agreed procedures.

3. In reference (B), the NETMA Financial Controller and the Joint Steering Committee concludes that the 2014 NETMA 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 Council
by the International Board of Auditors for NATO (Board)
on the audit of the Financial Statements of the
NATO EF2000 and Tornado Development,
Production and Logistics Management Agency (NETMA)
for the year ended 31 December 2014

NETMA manages the NAMMO and NEFMO Production and Logistics Organisations programmes and their related budgets.

The Board audited the Financial Statements of the Administrative Budget of NETMA for the year ended 31 December 2014. The total expenditure in 2014 for the Administrative Budget amounted to EUR 43.7 million.

The Board issued an unqualified opinion on the NETMA Financial Statements and on compliance for the year ended 31 December 2014.

There are no observations or recommendations.

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INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF

THE NATO EF 2000 AND TORNADO DEVELOPMENT, PRODUCTION AND LOGISTICS MANAGEMENT AGENCY

(NETMA)

FOR THE YEAR ENDED 31 DECEMBER 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 NETMA, which comprised the Statement of Financial Position as at 31 December 2014, and the Statement of Financial Performance, the Cash Flow Statement and the Statement of Changes in Net Assets/Equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies. The Board also audited the Statement of Comparison of Budget and Actual Amounts 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 NETMA 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, 30 October 2015

Lyn Sachs
Chairman

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Enclosure to
C-M(2015)0085

NETMA

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2014

Contents

NETMA

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

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

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

FINANCIAL REPORT

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

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

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

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

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

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

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

FINANCIAL STATEMENTS

Schedule 1

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

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

Schedule 2

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

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

Schedule 3

INDIRECT CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014

(all amounts stated in thousands of Euros)

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

Schedule 4

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

(all amounts stated in thousands of Euros)

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

Schedule 5

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

(all amounts stated in thousands of Euros)

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

ANNEX A

Accounting Policies & Definitions

Basis of Preparation

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

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

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

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

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

Consolidation
The NETMA financial statements are not consolidated.

Significant Accounting Policies

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

Foreign Currency Transactions
The functional and reporting currency of NETMA is the EURO. Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were translated into Euro using the NATO rates of exchange that were applicable at 31 December 2014. Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

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

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

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

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

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

- <u>Currency risk</u>: The majority of transactions associated with the Administrative budget are contracted in Euros and in order to have the required funding, NETMA also asks Nations to provide their contributions in Euros. Therefore the exposure of financial instruments to foreign currency exchange risk associated with the Administrative budget is considered negligible.

- Liquidity risk: The liquidity risk is based on the assessment of whether the organisation will encounter difficulties in meeting its obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees contributions for the total approved budget. The accuracy of forecasts that result in the calls for contributions as well as the delay in receiving payments, represent the main liquidity risks.

- Credit risk: There is very limited credit risk as the contributing Nations generally have a high credit rating. The risk of financial loss due to a participating Nation's failure to raise funds is still assessed as very low. In the event that there is a shortage of funds by one or more Nations to meet financial obligations, other Nations will be expected to provide the necessary funding.

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

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

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

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

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

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

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

Office Furniture and Equipment: This includes items of office furniture, installed equipment (i.e. security installations and air conditioning units), and other miscellaneous office items (i.e. lamps, fans, projectors, printing equipment). Items in this category are depreciated on a straight line basis over a ten year period which equates to their useful life. It is assumed an item is fully depreciated with nil residual value at the end of its useful life.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNEX B

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* Amounts stated in thousands of Euros

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

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

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

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

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

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

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

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

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

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

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

The movement on Unearned Revenue can be reconciled as follows:

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

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

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

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

There are no provisions in 2014 for NETMA.

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

The accumulated surplus or (deficit) balance represents in year movements relating to PP&E. The surplus for 2014 results from in year depreciation charges totalling (-€160K) and recognition of new assets acquired and capitalised as PP&E (+€272K). Any surplus or deficit is transferred to Reserves at the close of each financial year.

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

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

ANNEX C

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

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

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

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

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

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

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

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

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

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

*Employee Benefits exclude Duty Travel costs

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

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

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

Related Party Disclosures

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

	2014	2013
Key Management Remuneration	905	896

*Amounts stated in thousands of Euros

Representation Allowance

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

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

*Amounts stated in thousands of Euros

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other charges include VAT expensed during the year.

ANNEX D

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

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

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

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

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

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

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

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

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

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

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

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

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

NETMA does not hold any inventory assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNEX E

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNEX F

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ANNEX G

Application of IPSAS

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