

NATO SANS CLASSIFICATION

13 novembre 2017

DOCUMENT
C-M(2017)0051-AS1

RAPPORTS
DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2016 DE LA NAGSMO
ET DE LA NAMEADSMO

NOTE SUR LA SUITE DONNÉE

Le 10 novembre 2017, au terme d'une procédure d'accord tacite, le Conseil a pris note des rapports, joints au C-M(2017)0051, que le Collège international des commissaires aux comptes de l'OTAN (IBAN) a établis suite à la vérification des états financiers 2016 de la NAGSMO et de la NAMEADSMO, et il a approuvé la communication au public du rapport annexé au C-M(2017)0051, des rapports de l'IBAN et des états financiers correspondants, en vertu de la politique agréée dans le PO(2015)0052.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2017)0051 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION

3 novembre 2017

DOCUMENT

C-M(2017)0051

Procédure d'accord tacite :

10 nov 2017 15:30

RAPPORTS

**DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2016 DE LA NAGSMO
ET DE LA NAMEADSMO**

Note du secrétaire général

1. On trouvera ci-joint les rapports que le Collège international des commissaires aux comptes de l'OTAN (IBAN) a établis suite à la vérification des états financiers 2016 de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) et de l'Organisation de gestion du système de défense aérienne élargie à moyenne portée de l'OTAN (NAMEADSMO).
2. L'IBAN a émis une opinion sans réserve sur les états financiers de la NAGSMO et de la NAMEADSMO ainsi qu'une opinion sans réserve sur la conformité.
3. Les rapports de l'IBAN ont été examinés par le Bureau de la planification et de la politique générale des ressources (RPPB) (voir annexe). Je ne pense pas que cette question nécessite un débat au Conseil. Par conséquent, **sauf avis contraire me parvenant d'ici au vendredi 10 novembre 2017 à 15h30**, je considérerai que le Conseil aura pris note de ces deux rapports de l'IBAN et aura approuvé la communication au public du rapport figurant en annexe, des deux rapports de l'IBAN et des états financiers correspondants, en vertu de la politique agréée dans le PO(2015)0052.

(signé) Jens Stoltenberg

1 annexe
6 pièces jointes

Original : anglais

NATO SANS CLASSIFICATION

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RAPPORTS
DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2016 DE LA NAGSMO
ET DE LA NAMEADSMO

Rapport du Bureau de la planification et de la politique générale des ressources
(RPPB)

Références :

- | | | |
|----|----------------|--|
| A. | IBA-AR(2017)20 | Rapport de l'IBAN sur la vérification des états financiers 2016 de la NAGSMO |
| B. | IBA-AR(2017)18 | Rapport de l'IBAN sur la vérification des états financiers 2016 de la NAMEADSMO |
| C. | IBA-AR(2017)19 | Rapport de l'IBAN sur la vérification des états financiers 2016 de la NAMEADSMO en liquidation |
| D. | C-M(2017)0025 | Règlement financier de l'OTAN |
| E. | C-M(2017)0011 | Règlement financier de la NAGSMO |

Introduction

1. Le présent document porte sur les observations formulées par l'IBAN dans ses rapports sur la vérification des états financiers 2016 de la NAGSMO¹ et de la NAMEADSMO².

Examen de la question

2. Le RPPB note que l'IBAN a émis une opinion sans réserve sur les états financiers de la NAGSMO (référence A) et de la NAMEADSMO (références B et C), ainsi qu'une opinion sans réserve sur la conformité.

3. Pour ce qui est de la NAGSMO, l'IBAN a constaté que l'Agence avait progressé sur la voie de la conformité avec le Règlement financier de l'OTAN (référence D), et en particulier avec les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne, mais que des mesures complémentaires étaient nécessaires. Suite à l'approbation par le Conseil d'une modification apportée au règlement financier de la NAGSMO (référence E), l'observation précédente relative aux avoirs de trésorerie détenus par la NAGSMO est désormais réglée.

4. La NAMEADSMO a changé de statut au cours de l'exercice 2016. Le 4 avril 2016, le Comité de direction de la NAMEADSMO a soumis au Conseil une demande officielle de mise en liquidation de l'entité. La demande a été approuvée et, le 1^{er} juillet 2016, la NAMEADSMO est devenue la « NAMEADSMO en liquidation », opérant sous la

¹ Organisation OTAN de gestion de la capacité alliée de surveillance terrestre.

² Organisation de gestion du système de défense aérienne élargie à moyenne portée de l'OTAN.

responsabilité d'un « bureau du liquidateur ». Par conséquent, deux séries d'états financiers ont été établies ; couvrant chacune une période de six mois, elles ont fait l'objet de rapports d'audit distincts. Au cours de l'audit, l'IBAN a recommandé que la méthode employée pour la préparation de l'état de l'exécution du budget soit modifiée. Il a par ailleurs fait le point sur la suite donnée aux observations formulées à l'issue d'audits précédents ; il a ainsi constaté que l'une avait été réglée et que l'autre, se rapportant à l'utilisation des fonds restant dans le programme, l'avait été partiellement.

5. Aucune autre intervention du RPPB n'est requise à ce stade concernant les rapports sur la vérification des états financiers 2016 de ces entités OTAN.

Recommandation

6. Le RPPB recommande au Conseil :
- a) de prendre note des rapports de l'IBAN indiqués en référence A, B et C, ainsi que du présent rapport ;
 - b) d'approuver la communication au public du présent rapport, des rapports de l'IBAN et des états financiers 2016 de la NAGSMO et de la NAMEADSMO, en vertu de la politique agréée dans le PO(2015)0052.

NATO SANS CLASSIFICATION

ANNEXE 1

**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers
de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre
(NAGSMO)
pour l'exercice clos le 31 décembre 2016**

Le Collège a procédé à la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) pour l'exercice clos le 31 décembre 2016. La NAGSMO a été créée au sein de l'OTAN pour l'acquisition du système central de la capacité alliée de surveillance terrestre (AGS). Elle est chargée de la gestion globale du programme AGS. Elle se compose d'un comité de direction, où sont représentés les pays participants, de divers sous-comités, et d'une agence de gestion OTAN, placée sous la responsabilité d'un directeur général.

En 2016, les dépenses relevant du budget administratif se sont élevées à 9,7 millions d'euros et les dépenses relevant du budget opérationnel à 36,9 millions d'euros et 67,3 millions de dollars des États-Unis.

Le Collège a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2016.

À l'issue de l'audit, le Collège a formulé une observation, assortie de recommandations. La principale constatation est présentée dans la lettre d'observations et de recommandations (annexe 3).

Elle peut être récapitulée comme suit :

Réalisation de progrès sur la voie de la conformité avec le Règlement financier de l'OTAN, et en particulier avec les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne

La NAGSMO a déclaré qu'elle n'avait pas de commentaire officiel à formuler au sujet du rapport.

NATO SANS CLASSIFICATION

22 août 2017

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DE L'ORGANISATION OTAN DE GESTION DE LA CAPACITÉ ALLIÉE
DE SURVEILLANCE TERRESTRE**

(NAGSMO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2016

**OPINION DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO), composés de l'état de la situation financière au 31 décembre 2016 et de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que d'un résumé des méthodes comptables importantes et de diverses notes explicatives. Le Collège a également vérifié les états de l'exécution du budget pour l'exercice clos le 31 décembre 2016.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et aux dispositions du Règlement financier de l'OTAN tels qu'ils ont été fixés par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

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

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière de la NAGSMO au 31 décembre 2016, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

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

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 22 août 2017

Hervé-Adrien Metzger
Président

22 août 2017

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS CONCERNANT

**L'ORGANISATION OTAN DE GESTION DE LA CAPACITÉ ALLIÉE
DE SURVEILLANCE TERRESTRE**

(NAGSMO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2016

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) pour l'exercice clos le 31 décembre 2016, et il a émis une opinion sans réserve à leur sujet, ainsi qu'une opinion sans réserve sur la conformité.

Observation et recommandations

À l'issue de l'audit, le Collège a formulé l'observation suivante :

1. Réalisation de progrès sur la voie de la conformité avec le Règlement financier de l'OTAN, et en particulier avec les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne.

Par ailleurs, le Collège a fait le point sur la suite donnée aux observations formulées lors de l'audit précédent, et il a noté que l'une était rendue caduque par l'observation faite pour l'exercice considéré et que l'autre avait reçu la suite voulue.

OBSERVATION ET RECOMMANDATIONS

1. REALISATION DE PROGRES SUR LA VOIE DE LA CONFORMITE AVEC LE REGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTROLE INTERNE, A LA GESTION DES RISQUES ET A L'AUDIT INTERNE

Contexte

1.1 Le Conseil de l'Atlantique Nord a approuvé la version révisée du Règlement financier de l'OTAN (NFR) en date du 4 mai 2015. Il s'agissait de la première révision de ce texte en plus de trente ans. Bien que l'article 36 de cette nouvelle version prévoie que le Règlement entre en vigueur dès son approbation (à savoir le 4 mai 2015), le Conseil a reconnu que l'on ne pouvait s'attendre à sa pleine application avant la fin de 2015. Par ailleurs, il est stipulé à l'article 4 que « le comité financier [...] adopte [...] une série de règles et procédures financières [FRP] qui donnent des orientations supplémentaires propres à assurer la bonne exécution du présent Règlement ».

1.2 Les dispositions du NFR révisé sont plus explicites que celles de la version précédente s'agissant de la gestion des risques (article 11), du contrôle interne (article 12), de l'audit interne (article 13) et de l'établissement d'une commission consultative sur l'audit (article 16). Selon ces dispositions, il faut définir des procédures de gestion des risques qui soient conformes aux critères d'efficacité, d'efficience et d'économie, mettre en place les fonctions de gestion nécessaires à un contrôle interne efficace, faire en sorte que les organismes OTAN disposent d'une fonction d'audit interne permanente, dotée de ressources suffisantes et exercée conformément aux normes d'audit interne reconnues au niveau international, et établir une commission consultative sur l'audit. De plus, l'article 3 stipule que, dans un souci de saine gestion financière et aux fins du respect de l'obligation de rendre compte, les états financiers et les déclarations sur le contrôle interne doivent être signés chaque année par le chef d'organisme OTAN et par le contrôleur des finances. L'article 25 permet quant à lui l'engagement de crédits budgétaires correspondant aux biens et services à fournir pendant l'exercice.

1.3 La nouvelle version du NFR est l'occasion pour les organismes OTAN de renforcer et de codifier leur cadre général de contrôle interne, y compris la gestion des risques. Elle prévoit aussi la mise en place de fonctions d'audit interne, l'objectif déclaré étant d'obtenir une capacité d'analyse approfondie de l'efficacité et de l'efficience des activités et des contrôles internes, y compris la gestion des risques. Il importe de souligner que le nouveau texte exige par ailleurs qu'un environnement de contrôle robuste soit en place pour la préparation des états financiers, de manière à garantir que les informations financières répondent aux normes les plus rigoureuses en termes de qualité et d'exactitude étant donné qu'elles sont désormais rendues publiques.

Observations

1.4 Le Collège a constaté que la NAGSMA avait continué de faire des progrès s'agissant de se conformer à la totalité des dispositions de la nouvelle version du NFR, mais il estime que davantage encore doit être fait pour y parvenir. Cette constatation n'a en fait rien de surprenant sachant que les FRP, plus détaillées, demandées à l'article 4 de la version révisée du NFR n'ont été approuvées qu'à la fin du mois de février 2016. Par ailleurs, les modifications apportées au NFR sont considérables, et le Collège reconnaît qu'il faudra un certain temps pour les appliquer correctement. La bonne application des dispositions devrait permettre à la NAGSMA de tirer de réels avantages de la nouvelle version du NFR et pas simplement de montrer qu'elle respecte les nouvelles exigences.

1.5 Compte tenu de ce qui précède, 2016 reste une année de transition pour la NAGSMA. Le Collège attend de la NAGSMA qu'elle se conforme pleinement au NFR en 2017. Il a une fois de plus décidé de rendre compte des progrès réalisés à l'égard de certains des articles révisés du NFR et de formuler des recommandations sur cette base. Les observations ainsi faites n'auront pas d'incidence sur l'opinion relative à la conformité pour l'exercice 2016.

1.6 Le Collège fait le point de la situation dans les domaines énumérés ci-après.

Article 3 – Responsabilité et obligation de rendre compte

1.6.1 Le Collège a constaté que le chef d'organisme OTAN et le contrôleur des finances avaient tous deux signé les états financiers de la NAGSMA.

Article 12 – Contrôle interne

1.6.2 Le Collège a constaté que la NAGSMA avait adopté le cadre de contrôle interne du COSO (*Committee of Sponsoring Organizations of the Treadway Commission*). Un certain nombre d'autres organismes OTAN, dont le Commandement allié Opérations (ACO), l'Organisation OTAN d'information et de communication (NCIO) et l'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA), l'ont aussi adopté. L'adoption d'un cadre spécifique, reconnu au niveau international et qui plus est adopté par d'autres organismes OTAN, constitue un grand pas en avant.

1.6.3 La NAGSMA n'ayant adopté le cadre COSO que récemment, elle doit encore mener à bien l'important travail d'évaluation et de consignation par écrit des diverses procédures de contrôle interne. Le Collège attend de la NAGSMA qu'elle réalise des progrès notables à cet égard au cours de l'exercice à venir. La consignation par écrit est indispensable pour montrer clairement à tous qu'un système complet de contrôle interne est en place. Tant que l'évaluation n'aura pas été menée à bien et que les documents voulus n'auront pas été produits, le Collège ne sera pas en mesure de déclarer qu'un

système complet de contrôle interne conforme à l'article 12 de la version révisée du NFR est bien en place.

Article 13 – Audit interne

1.6.4 Le Collège a constaté que le service d'audit interne extérieur auquel la NAGSMA fait appel n'avait pas encore pleinement évalué, dans l'ensemble de l'organisme, l'efficacité des contrôles internes pour ce qui est de la gestion des risques inhérents à la gouvernance, à l'exploitation et aux systèmes d'information, ainsi que le prévoit l'article 13. Cela tient en partie au fait que la NAGSMA, comme indiqué plus haut, n'a pas encore établi la documentation nécessaire concernant ses procédures de contrôle interne.

Article 16 – Commission consultative sur l'audit

1.6.5 Le Collège a constaté que la NAGSMA avait établi en 2017 une commission consultative sur l'audit, comme l'exige l'article 16. Cette commission ne s'est pas encore réunie.

Recommandations

1.7 Le Collège formule les recommandations ci-après :

- a) la NAGSMA devrait procéder, de manière systématique et détaillée, à l'évaluation de ses procédures de contrôle interne et à leur consignation par écrit, en vue d'une mise en conformité avec le cadre COSO, qu'elle vient d'adopter ;
- b) le service d'audit interne extérieur auquel la NAGSMA fait appel devrait évaluer pleinement le contrôle interne dans l'ensemble de l'organisme, et il devrait veiller à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que la NAGSMA respecte le cadre COSO.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue de son audit précédent. On en trouvera un récapitulatif dans le tableau ci-dessous.

Suites données aux observations antérieures

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
Rapport sur la vérification des états financiers de 2015 IBA-AR(2016)18, paragraphe 1 Nécessité de mesures complémentaires pour une pleine conformité avec la version révisée du Règlement financier de l'OTAN, et en particulier avec les articles relatifs au contrôle interne et à l'audit interne. Recommandation du Collège Les procédures de contrôle interne devraient être systématiquement étayées par des documents détaillés. De l'avis du Collège, il conviendrait d'adopter un cadre de contrôle interne spécifique, reconnu au niveau international, et une coordination devrait être assurée avec le responsable OTAN de la politique en matière d'information financière de façon à ce que l'on choisisse un cadre commun pour l'ensemble des organismes OTAN. La NAGSMA devrait veiller à ce que les activités d'audit interne soient suffisamment ciblées sur l'évaluation des contrôles internes dans l'ensemble de l'entité. Rapport sur la vérification des états financiers de 2015 IBA-AR(2016)18, paragraphe 2 Avoirs en caisse supérieurs au minimum requis pour couvrir les paiements prévus, contrairement aux prescriptions du règlement financier de l'OTAN Observation Aux termes de l'article 29.3 du NRF, « [l]e montant de chaque tranche est calculé de façon que le total des avoirs en caisse reste limité au minimum requis pour couvrir les paiements prévus jusqu'à la réception de la tranche suivante ». De plus, selon les règles et procédures financières de la NAGSMO, chaque appel de contributions est calculé, à la date de	La NAGSMA a soumis son règlement financier au Conseil, qui l'a approuvé. Aux termes de l'article 29.5, « compte tenu des cycles budgétaires nationaux, les pays peuvent également, à titre	Question rendue caduque par l'observation formulée à la section 1. Question réglée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
son lancement, de façon à produire une somme qui, majorée des avoirs de trésorerie ainsi que des arriérés à percevoir au titre d'appels précédents, suffira pour effectuer les paiements prévus durant la période que couvrira l'appel. Le Collège a constaté que la NAGSMO détenait des avoirs de trésorerie qui excédaient ses besoins de trésorerie pour l'exercice 2015. Le montant des avoirs de trésorerie s'est élevé en moyenne à 349 millions d'euros (calcul sur base des données mensuelles), soit environ 105 % des dépenses effectuées en 2015 (331 millions d'euros). Recommandation du Collège En l'absence de dérogation approuvée par le Conseil, le Collège recommande à la NAGSMO de se conformer à l'article 29.3 du NFR.	exceptionnel, effectuer des paiements anticipés pour s'acquitter de leurs obligations financières futures liées au programme ».	

NAGSMO 2016 FINANCIAL STATEMENTS



NATO UNCLASSIFIED



NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT AGENCY

NAGSMA



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NATO UNCLASSIFIED



NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT AGENCY

NAGSMA



NAGSMA/FC/L/(2017)002941

23 March 2017

International Board of Auditors for NATO

Attention: NAGSMO Board of Directors - Chairman and National Representatives

Subject: **NAGSMO Financial Statements - Year ending 31 December 2016**

Enclosed are the NAGSMO 2016 Financial Statements. Please note that the enclosed statements are subject to audit by the International Board of Auditors for NATO.

For the General Manager

Grazia M. D'Arcangelo
NAGSMA Financial Controller

Encl.: NAGSMO Financial Statements for the year ending 31 December 2016.

NATO UNCLASSIFIED

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These Financial Statements represent the consolidated activities of the NATO Alliance Ground Surveillance Management Organisation (NAGSMO) and its executive body NATO Alliance Ground Surveillance Management Agency (NAGSMA).

THE NATO ALLIANCE GROUND SURVEILLANCE PROGRAMME

NAGSMO is acquiring as an agent a NATO owned and operated Alliance Ground Surveillance (AGS) system that will give commanders an up-to-date picture of the situation on the ground throughout a wide area of interest. The AGS Core will be compliant with NATO Standardization Agreements (STANAGs) in order to ensure interoperability with interoperable national and NATO systems.

The AGS Core capability will enable the Alliance to perform persistent surveillance over wide areas from high-altitude, long-endurance (HALE), unmanned air platforms operating at considerable stand-off distances and in any weather or light condition. Using advanced radar sensors, the AGS Core will continuously detect and track moving objects throughout the observed areas, as well as providing radar imagery of areas and stationary objects.

The NAGSMO and its executive body NAGSMA are responsible for the procurement of the NATO AGS Core capability. The NAGSMA was established in September 2009, after all Participating Nations signed the AGS Programme Memorandum of Understanding.

In late 2011, NAGSMA completed negotiations of the AGS Core procurement contract which was subsequently approved by the Participating Nations. The AGS Programme contract award was signed on 20 May 2012 in the margins of the NATO Summit in Chicago. In parallel, all 28 NATO nations negotiated the AGS Programme's practical funding solution for the related Capability Package for the future operations and support of the system.

THE AGS CORE

The AGS Core will be an integrated system consisting of an air segment, a ground segment and a support segment.

The air segment will be based on the Block 40 version of the US RQ-4B Global Hawk high-altitude, long-endurance (HALE) unmanned aerial vehicle (UAV). The UAV will be equipped with the state-of-the-art Multi-Platform Radar Technology Insertion Program (MP-RTIP) ground surveillance sensor, and also with an extensive suite of communications and data links. The air segment will also include the ground-based UAV control stations, which will be located at the AGS Main Operating Base (MOB) at Sigonella Air Base, Italy.

The ground segment will consist of deployable ground stations in mobile and transportable and maritime configurations, and dedicated mission operations support facilities at the MOB. The ground segment entities will provide data link connectivity, data processing and exploitation capabilities, and interoperable interfaces between the AGS Core System and a

wide range of NATO and national Command, Control, Intelligence, Surveillance and Reconnaissance systems. This will enable the AGS Core to interconnect with and provide data to multiple deployed and non-deployed operational users in a flexible, timely and effective manner.

The AGS support segment provides items needed to train the air and ground segment operators and maintainers, to support the AGS System at its main operating base, and to enable maintenance and repair during deployed operations.

The AGS Core System will be supplemented by interoperable national airborne ground surveillance systems from NATO countries, as part of NATO's broader Joint Intelligence, Surveillance and Reconnaissance (JISR) capability.

NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION

The NATO Alliance Ground Surveillance Management Organisation (NAGSMO) is a NATO body

- created within the framework of NATO for the acquisition of the AGS Core System and established by the North Atlantic Council pursuant to Article IX 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 20 September 1951;
- to which the North Atlantic Council grants, within the framework of the NATO, a clearly defined organisational, administrative and financial status as specified below; and
- established with a view to meeting the NATO requirement, by Bulgaria, Czech Republic, Denmark, Estonia, Germany, Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Romania, Slovakia, Slovenia, and the United States of America in the field of implementation of the NATO AGS Programme described in the AGS Programme Memorandum of Understanding (PMOU).

In June 2010, Denmark announced her intent to withdraw from the AGS Programme, a process that under the terms of the PMOU came into effect on 31 March 2011. Subsequently, in July 2011, Canada also announced her intent to withdraw, effective as of 30 April 2012. Later in 2012 Denmark announced her interest and intent to re-join the AGS Programme. Denmark re-joined the AGS Programme in December 2012. Poland announced to the NAGSMO Board of Directors their interest in joining the AGS Programme in August 2012. An amendment to the PMOU was sent to Participating Nations for signature in August 2013. Poland signed the Amendment 1 to the AGS PMOU in April 2014. With the signature of all of the Participating Nations, the Amendment 1 to the AGS PMOU has come into effect on the 19th of June 2014.

The principal task of the NAGSMO is to ensure the planning and implementation of a harmonised AGS Programme, which satisfies the operational requirements, in accordance with the provisions of the PMOU, and with due regard to the NAGSMO Member States' views on political, economic, industrial and technological factors. NAGSMO shall assume the functions of overall management of the AGS Programme, including:

- overall governance of the AGS Programme;
- general administration of the NAGSMA and procurement of the AGS Core System;
- examination of all issues that might impact the AGS Programme;
- coordination, as necessary, of the policy and working methods of the NAGSMO Member States' services, such as quality assurance and auditing; and
- support integration of the AGS Core System with the NATO Joint Intelligence, Surveillance and Reconnaissance (JISR) architecture.

NAGSMO comprises a Board of Directors (BoD) with Representatives from the Participating Nations, and NAGSMA as the Executive Body, led by a General Manager (GM).

The diagram below depicts the NAGSMO and NAGSMA organizational structure in 2016.



NAGSMA and Service Support/Level Agreement

The NAGSMO BoD, represented by the NAGSMA GM, signed four formal agreements (an MOA, an SLA and SSA, and one Inter-Agency Arrangement) with the NATO IS, NCI Agency and NSPA, for support services in a number of areas necessary for the day to day operations of the Agency. In all respects of NAGSMA related activities, the GM and his staff remain fully accountable for the responsibilities assigned to them and make the final decisions on all matters related to the execution of NAGSMA's mandate. The SSA with NCI Agency includes support services in the area of accounting and financial support in accordance with the NATO Financial Regulations (NFRs).

NAGSMO Financial Management Procedures Document and Financial Rules and Procedures (FMPD-FRP)

The NAGSMO BoD approved the revised NAGSMO FMPD-FRP in June 2016 to comply with revised NATO Financial Regulations. The NAGSMO FMPD-FRP recognises the withdrawal of Canada and the re-entry of Denmark, the conversion parameters from Then-Year to Base-Year, the call for contribution structure and the proposed structure of the Operational Budget. The NAGSMO FMPD-FRP conforms to the provision of the NATO Financial Regulations.

NAGSMA 2016 Administrative Budget

In July 2015 NAGSMO BoD approved the 2016 NAGSMA Administrative Budget. 2016 Administrative Budget funded NAGSMA's expenditures from 1 January to 31 December 2016. In 2016 NAGSMA continued finding cost-effective manpower and increased performance solutions. It continued recruiting new staff members, and extended current staff contracts to end of 2018 in order to reach full personnel capacity, and to maintain needed support for the execution of the programme. Notwithstanding the efforts of the Agency, it has been challenging to recruit new and to keep current staff members in the Agency.

In 2016 NAGSMA's administrative expenditures were considerably lower than what had been anticipated. 53% of the total savings were in Chapter I. These savings were related to installation allowance, removal and basic salary. The expenditures for installation and removal were lower due to the extension of staff contracts. Savings in basic salary resulted from departures of three staff members and lower actual personnel strength than what was approved in the NAGSMA Staffing Plan 2016.

In Chapter II, Operations and Maintenance, the Agency successfully negotiated a Service Support Agreement and a Service Level Agreement with the NATO Communications and Information Agency for external administrative and IT support. It also received administrative and operational support from the NATO IS under the Memorandum of Agreement. 40% of savings in Chapter II were primarily related to a delayed move to the

New NATO HQ and no extension of Programme of Work with the NSPA in the areas of Logistics and Configuration Accounting System. The remaining 7% of administrative savings were in risk management.

NAGSMA 2016 Operational Budget

In July 2015 NAGSMO BoD approved the 2016 NAGSMA Operational Budget. The budget was approved to fund prime contract related AGS Core acquisition expenditures in 2016. The NAGSMA EUR Operational Budget was increased at no cost to Nations to cover Danish Industrial Participation, approved in December 2015 (NAGSMA-CON-0100).

In April 2012 the NAGSMO BoD approved the request by Estonia to apply Pre-PMOU Contributions (PPC) credits towards the 2013-2016 Financial Year (FY) Operational Budget. In November 2015 the NAGSMO BoD approved the requests of Germany and Italy to apply their PPC credits to 2016-2017 FY Operational Budgets. In June 2016 the NAGSMO BoD approved for Lithuania to apply their PPC credits to Lithuania's contribution to the NAGSMA Operational Budget.

The NAGSMO BoD authorized the USA Non-Financial Contributions (NFC) to be expensed from the Operational Budget from 2013 to 2017 upon confirmation of support costs incurred at Edwards Air Force base (EAFB). At the NAGSMO BoD meeting in March 2013 the NFC proposal from Italy was accepted and Italy was granted authorization to expense the Non-Financial Contributions for the airworthiness certification (AWC) efforts. In May 2016, the NAGSMO BoD approved additional funding for Italy's NFC. These costs have been expensed in 2016 based on the presentation of invoices from nations of the actual costs incurred in support of the programmatic needs.

Major Achievements FY 2016:

In 2016, the AGS Programme achieved the following important milestones:

- Mobile General Ground Station (MGGS) Formal Test & Verification activities continued in 2016: more than 50% of MGGS formal entity test (FET) events (6) were executed with success during 2016.
- MOS had the first positive formal test event.
- The TGGGS entity passed most of the Environmental FET test (expected to be finalized in 2017) while WBDL passed the complete set of Environmental FET tests.
- UAV and AVMC2 did very good progress finalizing almost all the Contractor Development Tests (CDT) activity, among the others:
 - NATO-01 successfully completed flight#02, flight#03 and flight#04
 - NATO-02 had its inaugural flight#01
- Provisioning conferences for the identification of spare parts continued in 2016. The peculiar support equipment list for the Air Vehicle Mission Command and Control

(AVMC2) was completed. The effort to identify spare parts for the rest of entities continues in 2017.

- In 2016 the parts and components manufacturing for all five aircrafts were completed (except for MP-RTIP Radars 4 and 5). All aircrafts were in the final assembly or test at Palmdale or Edwards Air Force Base (EAFB). Aircrafts NATO-01 and NATO-02 commenced flight testing. Delays in flight testing and placing remaining aircrafts to flight test readiness were primarily caused by software (SW) updates. Each new release of SW requires development and production re-testing.
- Both Deployable UAV Command and Control Elements (DUCE) were functionally complete (one at Palmdale, one at EAFB). AVMC2 was checked out at Rancho Bernardo before delivery and integration at the Main Operating Base (MOB) in Sigonella.
- About 90% of the MGGS subsystem Hardware items (MGEC, MGCC) were completed at the second level sub-contractors (RETIA, Konstrukta) and were accepted by Airbus Defence and Space.
- The retained development unit of the Mission Operations Support (MOS) was assembled in 2015 and is undergoing development testing in Turin. For the Transportable General Ground Station (TGGs) the development items/components were assembled/procured for verification testing, which also continues to take place in Turin. The Wide Band Data Link (WBDL) is in development testing and is delayed.
- Several training activities together with the NATO AGS Force took place in 2016. Among them were the NATO Test Team Training for UAV Maintenance and Communications Maintenance for AVMC2, Mission Common, Pilot Initial Qualification Training (IQT)/Mission Qualification Training (MQT), Surveillance Operator AVMC2 IQT/MQT, Surveillance Operator MGGS IQT/Human Mission Interface, IQT Deployment and MGGS IQT Deployment Training at MOB.
- Several meetings and Technical Working Groups were held in coordination with AGS Contractor and Programme Stakeholders such as: Integration Technical Interchange Meetings (TIM), User System Interface Working Groups (USIWGs), Operational User Groups (OUGs), System Safety WGs (SSWGs), AGS Interoperability Meetings, Verification Planning Working Groups (VPWGs), Air Worthiness Working Groups (AWWG) Communication & Information System, and Training TIMs, Q4 User Group Meetings, ICT Meetings (monthly), Training Integrated Product Team (IPT) Meetings, CIS IPT Meetings, Logistic IPT Meetings, Infrastructure IPTs (IB-IPTs), Supportability In-Process Review.
- The SATCOM FARM installation finally started in Sigonella, following the appointment of a qualified NAGSMA employee as “Health & Safety Coordinator” and “Work Director” to solve a long lasting dispute with the Contractor.
- Three Programme Management Reviews (PMRs) were conducted with the Prime Contractor and one was postponed to 2017.
- The AGS Logistics Information System (ALIS) Request for Proposals (RFP) evaluation was completed in September 2016. Finmeccanica/Leonardo (Leonardo) was selected

as the winning bidder. The ALIS contract was awarded to Leonardo in December 2016. In parallel, a mitigation action (Collaborative Environment Contract Change Proposal (CCP) No 003) to bridge the ALIS delay was contracted in 2016.

- The CCP for Initial – In Service Support (I-ISS) non-recurring I-ISS spare parts, warehousing and a correction to the Peculiar Support Equipment List was approved on 14 April 2016 as a Not-to-Exceed/Authorization-to-Proceed with Work Orders being raised as the spares lists are defined through the Pre-Assessment Meeting process. The Firm Fixed Price (FFP) proposal (for those Schedule of Services and Supplies (SSS) items that are subject to an FFP) was received 24 August 2016 and is undergoing audit and negotiation.
- The Engineering Change Proposal for the Link 16 installation (UAV P5 only) and four retrofit kits were approved on 5 February 2016 as a Not-to-Exceed/Authorization-to-Proceed. The Defence Contracting Management Agency's audit was completed and NAGSMA is preparing to negotiate the FFP.
- A contract with the Danish company TERMA was signed 20 September 2016 to design/develop/qualify/produce the Phase I of the Automatic Target Recognition/Identification (ATR/ATID) software.
- A contract with the Polish company EXENCE was signed on 6 December 2016 to design/develop/qualify/produce the NATO AGS Test System Environment software.
- The Proposal from NGISSII to support the System Level Performance Verification (SLPV) was rejected and the RFP was amended on 13 October 2016 to request only support for Pilots and Mission Planners for the scheduled duration of the SLPV (one-month).
- Proposals from the Polish companies PIT-RADWAR and ITWL for the CSOP/Backup SMARF and Battle Lab, respectively were received on 20 December 2016 and are undergoing review and audit.

NAGSMA Assets

Office space, including furniture, IT and other equipment is provided by the NCI Agency via the SSA.

NAGSMO & NAGSMA Acting as a Procurement Agent

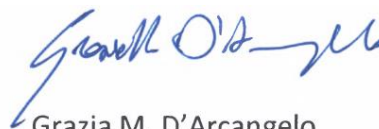
The North Atlantic Council (NAC) established NAGSMO by approving its Charter. The Charter clearly establishes that NAGSMO is a subsidiary body of NATO and states that the objective is to procure the AGS Core which will be owned, controlled and operated by NATO. NAGSMA is an entity acting as an agent with no control over the assets procured. The AGS Participating Nations reiterated the specific nature of the AGS Programme: temporary existence of the Agency and that the Agency will not own any asset. In order to comply with the NATO Accounting Framework, the end-user of AGS system will account for all NAGSMA procured assets in the future. NAGSMA will fully disclose and provide at the end of each reporting period to relevant end-user NATO entity all financial data regarding the assets procured. NAGSMA responded to this year's request for information that no assets were procured for the financial year ending in December 2016.

CERTIFICATION

1. The NAGSMO 2016 Financial Statements are submitted to the International Board of Auditors for NATO.
2. The Financial Statements will be audited in accordance with the following reference documents:
 - a. The NAGSMO FMPD-FRP conform to the NFRs, Part II as approved by the North Atlantic Council (NAC) in C-M(2015)0025.
 - b. PO(2002)109, dated 23 July 2002: the document from the NAC adopting IPSAS, including the accrual and going concern assumptions, as the applicable accounting standards for all NATO entities effective for the financial year of 2006.
 - c. The NATO Accounting Framework has been developed to provide minimum requirements for financial reporting for all NATO Reporting Entities following approval of C-M(2016)0023 by the North Atlantic Council on 29 April 2016 of an IPSAS-adapted accounting framework for the Alliance.
3. The NAGSMO Financial Statements are certified by the NAGSMA Financial Controller to the best of her knowledge and according to the applicable accounting standards to give a true and fair view of the assets, liabilities, financial position and financial performance of NAGSMO and to be in accordance with the books and records maintained by the NCI Agency and NAGSMA.
4. The NAGSMO Financial Statements may be disclosed to the general public.



James E. EDGE
NAGSMA General Manager



Grazia M. D'Arcangelo
NAGSMA Financial Controller

STATEMENT ON INTERNAL CONTROL

This statement of internal control applies to the Financial Statements of NAGSMA, as the executive body of NAGSMO, for the year ended 31 December 2016.

Scope of responsibility

- The General Manager acknowledges responsibility to maintain a sound system of internal control that supports the achievement of NAGSMA's mandate under its NATO Charter.
- The Financial Controller acknowledges responsibility for the correct use of funds made available to NAGSMA and for maintaining a sound system of internal control that supports the achievement of NAGSMA's goals and objectives, whilst safeguarding the public funds and assets.
- Funds received are recorded, accounted and managed through the NCI Agency core financial system.

The NAGSMO Board of Directors approved the NAGSMO Financial Management Procedures Document-Financial Rules and Procedures (FMPD-FRP) to provide guidance on the proper handling and reporting of public funds. The FMPD-FRP sets out the relevant financial rules and procedures in accordance with the NATO Financial Regulations, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Purpose of the System of Internal Control

The system of internal control is designed to ensure that NATO assets are used for the purposes intended and that the transactions relating to their usage reflect the highest standards of integrity to justify continued confidence of the AGS Programme Participating Nations.

The process within NAGSMA accords with the NAGSMO FMPD-FRP and has been in place for the year ending 31 December 2016 and up to the date of approval of the Financial Statements.

Risk and Control Framework

The NAGSMA system of internal control is based on an ongoing process designed to identify the key risks to the achievement of NAGSMA goals and objectives, to evaluate the nature and extent of those risks and to manage them efficiently and effectively.

NAGSMA is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

Since the NCI Agency carries out transactions on behalf of NAGSMA under the Service Support Agreement, NAGSMA's processes need to be compatible to the NCI Agency financial management system.

Review of Effectiveness

The Financial Controller has responsibility for reviewing the effectiveness of the system of internal control. The review is informed by:

- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- Periodic Internal Audits performed on selected areas of activity within the FCRM division; and
- Comments made by the external auditors in their management letters and other reports.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system. During 2016, no material instances of failure to the internal control system were reported that should be brought to your attention.



James E. EDGE
NAGSMA General Manager



Grazia M. D'Arcangelo
NAGSMA Financial Controller

NAGSMO – Statement of Financial Position
as at 31 December 2016
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX B	31-Dec-16	31-Dec-15
ASSETS			
Cash and cash equivalents	B01	358,284,643	332,241,018
Short-term investments	B02	0	0
Receivables	B03	36,378,945	59,589,270
Other current assets and prepayments	B04	138,665	116,186
Current assets		394,802,253	391,946,474
TOTAL ASSETS		394,802,253	391,946,474
LIABILITIES			
Payables	B05	3,670,674	470,254
Advances and deferred revenue	B06	246,067,627	387,731,675
Short term provisions	B07	138,665	116,186
Other current liabilities	B08	144,925,287	3,628,359
Current liabilities		394,802,253	391,946,474
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits)		0	0
Net Assets/Equity		0	0
TOTAL LIABILITIES		394,802,253	391,946,474

NAGSMO – Statement of Financial Performance
for the year ended 31 December 2016
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX C	2016	2015
REVENUE			
Revenue from non-exchange transactions	C01	9,738,884	9,428,643
Revenue		9,738,884	9,428,643
EXPENSES			
Personnel	C02	7,468,607	6,837,755
Contractual supplies and services	C03	2,270,277	2,590,888
Expenses		9,738,884	9,428,643
NET SURPLUS/(DEFICIT)		0	0
NET SURPLUS/(DEFICIT) ALLOCATION			
Reserves		0	0
Accumulated surpluses/(deficits)		0	0
Net surplus/(deficit) allocation		0	0

NAGSMO – Cash Flow Statement (Indirect Method)
for the year ended 31 December 2016
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX D	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operating and other activities			
Net surplus/(deficit)		0	0
Total cash flow from operating and other activities		0	0
Non-cash movements			
Decr./((incr.) Other current assets and prepayments		(22,479)	343,973
Decr./((incr.) Receivables		23,210,325	137,350,585
Decr./((incr.) Short-term investments		0	99,032,548
Total decrease/(increase) Current assets		23,187,846	236,727,106
Increase/(decrease) Current liabilities			
Incr./((decr.) Provisions		22,479	(8,436)
Incr./((decr.) Other current liabilities		141,296,928	1,064,494
Incr./((decr.) Payables		3,200,420	(12,990,382)
Incr./((decr.) Advances and deferred revenue		(141,664,048)	(101,061,694)
Total increase/(decrease) Current liabilities		2,855,779	(112,996,018)
NET CASH FLOW FROM OPERATING ACTIVITIES		26,043,625	123,731,088
NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
NET CASH FLOW FROM FINANCING ACTIVITIES		0	0
NET INCREASE/(DECREASE) CASH AND CASH EQUIVALENTS		26,043,625	123,731,088
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		332,241,018	208,509,930
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		358,284,643	332,241,018

**NAGSMO – Statement of Changes in Net Assets/Equity
for the year ended 31 December 2016
(all amounts in Euro)**

BALANCE AT 31-DECEMBER-2015	0
Net surplus for the period	0
BALANCE AT 31-DECEMBER-2016	0
NET CHANGE IN ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2016	0

All amounts in Euro)

Personnel

NAGSMO Budget Execution Statement - Operational Budget Total
for the year ended 31 December 2016
(All amounts in Euro equivalent)

Notes	Initial Authorisation	Mid Year - Review (MYR)	Final Approval - MYR	Transfers / Amendments	Final Authorisation	Net Commit-ment	Actual Expenses	Total Spend	Carry Forward	Lapsed
Annex F										
			MYR		FA					
AGS Core System Procurement										
2012 - AGS Core System Procurement	127,978	0	127,978	0	127,978	0	127,978	127,978	0	0
2014 - AGS Core System Procurement	19,931,531	0	19,931,531	0	19,931,531	11,648,964	6,115,642	17,764,606	11,648,964	2,166,925
2015 - AGS Core System Procurement	115,666,209	0	115,666,209	0	115,666,209	79,689,317	35,976,893	115,666,210	79,689,317	0
2016 - AGS Core System Procurement	232,080,000	6,700,000	238,780,000	400,000	239,180,000	51,222,965	55,752,429	106,975,394	51,222,965	132,204,605
TOTAL AGS Core System Procurement	367,805,718	6,700,000	374,505,718	400,000	374,905,718	142,561,245	97,972,942	240,534,188	142,561,245	134,371,530

ECB Rate avg. from Jan 1 2016 to Dec 31 2016 was 1.1069

NAGSMO Budget Execution Statement - Operational Budget (EUR part)
for the year ended 31 December 2016
All amounts in Euro

BL	Notes Annex F	Initial Authorisation	Mid Year - Review (MYR)	Final Approval - MYR	Transfers	Final Authorisation	Net Commit- ment	Expenses	Total Spend	Carry Forward	Lapsed
6604011			MYR			FA					
System Design, Development and Qualification											
	2014 - System Design, Development and Qualification	2,682,711	0	2,682,711	0	2,682,711	2,182,711	500,000	2,682,711	2,182,711	0
	2015 - System Design, Development and Qualification	15,330,603	0	15,330,603	0	15,330,603	8,584,980	6,745,623	15,330,603	8,584,980	0
	2016 - System Design, Development and Qualification	14,639,162	5,000,000	19,639,162	3,234,557	22,873,719	15,654,183	4,234,557	19,888,740	15,654,183	2,984,979
	Total System Design, Development and Qualification	32,652,476	5,000,000	37,652,476	3,234,557	40,887,033	26,421,874	11,480,180	37,902,054	26,421,874	2,984,979
Production											
	2014 - Production	1,374,166	0	1,374,166	0	1,374,166	1,374,166	0	1,374,166	1,374,166	0
	2015 - Production	24,063,662	0	24,063,662	0	24,063,662	9,949,193	14,114,469	24,063,662	9,949,193	0
	2016 - Production	10,795,331	723,686	11,519,017	1	11,519,018	8,264,963	0	8,264,963	8,264,963	3,254,055
	Total Production	36,233,159	723,686	36,956,845	1	36,956,846	19,588,322	14,114,469	33,702,791	19,588,322	3,254,055
Management Reserve											
	2014 - Management Reserve	1,367,684	0	1,367,684	0	1,367,684	0	(795,654)	(795,654)	0	2,163,338
	2015 - Management Reserve	3,985,172	0	3,985,172	0	3,985,172	1,269,777	2,715,395	3,985,172	1,269,777	0
	2016 - Management Reserve	21,379,555	(7,723,686)	13,655,869	(3,534,558)	10,121,311	416,209	1,108,869	1,525,077	416,209	8,596,234
	Total Management Reserve	26,732,411	(7,723,686)	19,008,725	(3,534,558)	15,474,167	1,685,986	3,028,610	4,714,595	1,685,986	10,759,572
CAFEX											
	2014 - CAFEX	20	0	20	0	20	0	0	0	0	20
	2015 - CAFEX	1,000	0	1,000	0	1,000	0	1,000	1,000	0	0
	2016 - CAFEX	1,510,000	2,000,000	3,510,000	0	3,510,000	213,385	400,577	613,961	213,385	2,896,039
	Total CAFEX	1,511,020	2,000,000	3,511,020	0	3,511,020	213,385	401,577	614,961	213,385	2,896,059
IISS											
	2016 - IISS	8,500,000	0	8,500,000	0	8,500,000	0	445,191	445,191	0	8,054,809
	Total IISS	8,500,000	0	8,500,000	0	8,500,000	0	445,191	445,191	0	8,054,809
ATR / ATID											
	2016 - ATR / ATID	0	6,700,000	6,700,000	400,000	7,100,000	0	7,100,000	7,100,000	0	0
	Total ATR / ATID	0	6,700,000	6,700,000	400,000	7,100,000	0	7,100,000	7,100,000	0	0
NCB											
	2016 - NCB	0	0	0	0	300,000	0	300,000	300,000	0	0
	Total NCB	0	0	0	0	300,000	0	300,000	300,000	0	0
	Total	105,629,066	6,700,000	112,329,066	400,000	112,729,066	47,909,566	36,870,026	84,779,592	47,909,566	27,949,473

NAGSMO Budget Execution Statement - Operational Budget (USD part)
for the year ended 31 December 2016
All amounts in USD

BL	6604010	Notes Annex F	Initial	Mid Year - Review	Final Approval -	Transfers	Final	Net Commitment	Expenses	Total Spend	Carry Forward	Lapsed
			Authorisation	(MYR)	MYR		Authorisation					
					MYR		FA					
System Design, Development and Qualification												
		2014 - System Design, Development and Qualification	10,819,194	0	10,819,194	0	10,819,194	3,722,930	7,096,264	10,819,194	3,722,930	0
		2015 - System Design, Development and Qualification	36,147,305	0	36,147,305	0	36,147,305	36,147,305	0	36,147,305	36,147,305	0
		2016 - System Design, Development and Qualification	15,527,906	(2,614,022)	12,913,884	26,587,145	39,501,029	10,622,245	28,502,978	39,125,223	10,622,245	375,806
		Total System Design, Development and Qualification	62,494,405	(2,614,022)	59,880,383	26,587,145	86,467,528	50,492,480	36,599,242	86,091,722	50,492,480	375,806
Production												
		2014 - Production	5,234,201	0	5,234,201	0	5,234,201	5,234,201	0	5,234,201	5,234,201	0
		2015 - Production	40,342,662	0	40,342,662	0	40,342,662	28,809,939	11,532,723	40,342,662	28,809,939	0
		2016 - Production	53,439,349	25,984,519	79,423,868	773,488	80,197,356	17,687,639	16,561,903	34,249,542	17,687,639	45,947,814
		Total Production	99,016,212	25,984,519	125,000,731	773,488	125,774,219	51,731,779	28,084,626	79,826,405	51,731,779	45,947,814
Management Reserve												
		2012 - Management Reserve	141,659	0	141,659	0	141,659	0	141,659	141,659	0	0
		2015 - Management Reserve	3,407,518	0	3,407,518	0	3,407,518	1,249,177	2,158,341	3,407,518	1,249,177	0
		2016 - Management Reserve	103,443,558	(13,629,876)	89,813,682	(26,587,145)	63,226,537	0	0	0	0	63,226,537
		Total Management Reserve	106,992,735	(13,629,876)	93,362,859	(26,587,145)	66,775,714	1,249,177	2,300,000	3,549,177	1,249,177	63,226,537
CAF												
		2014 - CAF	4,348	0	4,348	0	4,348	0	400	400	0	3,948
		2015 - CAF	115,637	0	115,637	0	115,637	80,692	34,945	115,637	80,692	0
		2016 - CAF	200,000	2,716,879	2,916,879	0	2,916,879	1,215,816	1,605,605	2,821,421	1,215,816	96,458
		Total CAF	319,985	2,716,879	3,036,864	0	3,036,864	1,296,508	1,640,950	2,937,458	1,296,508	99,406
ISS												
		2016 - ISS	21,380,000	(12,457,500)	8,922,500	(773,488)	8,149,012	0	0	0	0	8,149,012
		Total ISS	21,380,000	(12,457,500)	8,922,500	(773,488)	8,149,012	0	0	0	0	8,149,012
			290,203,337	0	290,203,337	0	290,203,337	104,769,944	67,634,818	172,404,762	104,769,944	117,798,575

Notes to the Financial Statements for the year ending 31 December 2016

Index Page

- A. Basis of Preparation and Accounting Policies
- B. Notes to the Statement of Financial Position
- C. Notes to the Statement of Financial Performance
- D. Notes to the Cash Flow Statement
- E. Notes to the Budget Execution Statement – Administrative Budget
- F. Notes to the Budget Execution Statement – Operational Budget
- G. General Notes to the Financial Statements

ANNEX A Basis of Preparation and Accounting Policies

A01 Basis of preparation

The financial statements of the NAGSMO, including NAGSMA being the executive body of the NATO Alliance Ground Surveillance Management Organisation (NAGSMO), have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) and based on International Financial Reporting Standards (IFRS/IAS), as adopted by the North Atlantic Council (NAC) in 2002. In 2013 and in 2016, the NAC approved an adaptation to IPSAS to better suit the specific requirements of the Alliance and an associated NATO Accounting Framework.

The financial statements have been prepared in accordance with the NATO Accounting Framework, the NATO Financial Regulations (NFRs) and the Financial Rules and Procedures (FRPs) and the relevant entity directives and policies.

In accordance with Article 2.1 of the NFRs, the financial year at NAGSMA begins on 1 January and ends on 31 December of the year.

The NAGSMO financial statements have been prepared on a going concern basis. During the Lisbon Summit in 2010 the Heads of State and Government approved the consolidation and rationalisation of the functions and programmes of the 14 NATO agencies into three agencies and the reorganisation of the military commands. NAGSMA is recognized as the NATO Procurement, Logistics and Support Organisation (NPLSO) in the framework of NATO Agencies' Reform initiative.

These financial statements represent the consolidated activities of the NATO Alliance Ground Surveillance Management Organisation (NAGSMO) and its executive body NAGSMA.

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

A02 Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management, based on historical experience as well as the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. The majority of goods and services are provided by third parties and other NATO entities; therefore, accrued expenses and the related revenue recognition are based on estimates. By nature, these estimates are subject to measurement uncertainty. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

A03 Significant Accounting Policies

Accounting as a Procurement Agent

IPSAS draws a distinction between transactions that an entity undertakes on its own behalf (principal) and those on behalf of others (agent). The distinction is whether the economic benefits arising from the procurement effort accrue to the entity or to the extent that a fee may be levied for providing an agency service.

Agency activities are those activities carried out by the reporting entity, but which are not its own activities. Where an entity undertakes agency activities, it is identified as the agent in relation to those activities.

NAGSMA is considered as a procurement agent in respect of its operations since:

- It was created for the sole purpose of procuring the AGS Core System on behalf of the AGS Participating Nations;
- It does not bear any inventory risk before or after the customer order;
- It does not bear the credit risk for the amounts receivable from the customer;
- It does carry out acceptance of goods and services on behalf of Nations/NATO;
- It does not receive a fixed fee per transaction or a stated percentage of the amount billed, as it is reimbursed for the running costs of the Agency via the Administrative Budget.

NAGSMA provides contract administration function to NAGSMO. NAGSMA acts as an agent in accordance with a mandate set by the NAGSMO Participating Nations in the PMOU, which defines the role of the Agency in the procurement of a NATO owned and operated core AGS capability. NAGSMO is as well considered an Agent in respect of its operations, as a subsidiary body of NATO, with the sole objective to procure the AGS Core which will be owned, controlled and operated by the 28 Nations of NATO. NAGSMO and its executive body NAGSMA do not have and will not have control in the future of the assets procured as per the criteria in the NATO Accounting Framework. Transactions are treated accordingly in the NAGSMO Financial Statements.

Foreign Currency Translation

The functional and reporting currency of NAGSMA is the EUR. Transactions in currencies other than EUR are translated into EUR at the prevailing NATO rates of exchange at the time of transaction. Monetary assets and liabilities denominated in currencies other than EUR are translated into EUR at the prevailing NATO year-end closing rate. Resulting foreign exchange unrealised gains and losses are recognised as Advances from Nations. Realised exchange differences are recognised as Payables to Nations in the Statement of Financial Position.

Financial Instruments

Financial instruments are recognised at the contract date and initially measured at fair value. Their subsequent measurement depends on their classification. Loans and receivables and other liabilities are not re-valued (except for changes in exchange rates which are included in

the Statement of Financial Performance). Financial instruments are not recognised on expiry or when all contractual rights and obligations are transferred.

Management is aware of the risks associated with financial instruments and is bound by NAGSMO's Financial Rules and Procedures to keep these risks very low. NAGSMA uses only non-derivative financial instruments as part of its normal operations, such as bank accounts, deposit accounts.

Currency risk: To limit the exposure to foreign currency exchange risk, NAGSMA is forecasting the yearly expected expenditures in foreign currencies. In order to have the required funding, NAGSMA asks the Participating Nations to provide their contributions in the necessary currencies.

Liquidity risk: The liquidity risk is based on the assessment of whether the organisation will encounter difficulties in meeting its obligation associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding 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 payment represents the main liquidity risks. There is a clause in the NAGSMO FMPD-FRP art. 28 Contributions, that deals with unpaid contributions giving the Agency the authority to determine the appropriate course of action in case of a delay or a non-payment and the financial consequences of such, borne by the Participating Nation.

Credit Risk: There is a very limited credit risk as the contributing Nations generally have a high credit rating. NAGSMA uses two banks to deposit its cash holdings. Credit ratings of those banks are as following:

DNB Bank ASA: A+ (S&P)

Banque et Caisse d'Épargne de l'État: AA+ (S&P)

Cash and Cash Equivalents

Cash and cash equivalents includes cash held with the bank in current and savings accounts.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectible debts. No allowance for loss is recorded with respect to Member States' assessed contributions receivable except for exceptional and agreed technical reasons.

Other Current Assets and Prepayments

Other current assets include prepayments which are payments in advance of the period to which it pertains as well as bank interest receivable at year-end.

Payables

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

Advances and Unearned Revenue

Advances are contributions called or received related to future years' budgets. Advances include future budget funding.

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.

Provisions and Contingent Liabilities

Provisions are recognised when NAGSMA has a present obligation as a result of a past event, and it is probable that NAGSMA will be required to settle that obligation. Provisions are measured at the General Manager'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 be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAGSMA.

Budget Execution Statement

The Board of Directors approves the annual budgets which include budgeted amounts for the administration of the Agency and Programme costs. Budgets may be subsequently amended by the Board of Directors or through the exercise of delegated authority. The budget execution statement provides a comparison of budgeted and actual amounts calculated on accrual basis.

Revenue and Expense Recognition

Revenue comprises contributions from Participating Nations to fund the entity's budgets. 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. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NAGSMA recognises a liability until the condition is fulfilled.

Revenue for the Administrative Budget

Contributions to the budget are initially recorded as advances from nations. They are recognised as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned in its approved budget.

Interest

Interest receivable is credited as payables to Participating Nations in the statement of financial position.

Representation Allowance

As from 1 June 2013, a summary of the operations related to the Representation Allowance are included in the Financial Statements. Transactions occurring in respect of Representation Allowance are expensed in the period to which they relate, and were paid directly from payroll.

Post-employment benefits

Defined Contribution Plans

NAGSMA employees are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). The assets of the plans are held separately from those of NAGSMA in funds under the control of trustees. NAGSMA is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognised as an expense when employees have rendered service entitling them to the contributions. The only obligation of NAGSMA with respect to the DCPS is to make the specified contributions.

Defined Benefit Plans

NAGSMA employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plans 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. No other post-retirement benefits are provided to these employees. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance. The assets and liability for NATO's Defined Benefit Plan are accounted for centrally at NATO Headquarters and therefore are not recognised in these financial statements.

ANNEX B Notes to the Statement of Financial Position

Notes Reference	Current Year	Prior Year											
	31-Dec-16	31-Dec-15											
The Statement of Financial Position details the assets and liabilities of NAGSMA as of 31 December.													
B01	Cash and cash equivalents	358,284,643	332,241,018										
Cash and Cash equivalents are short-term liquid assets. NAGSMA operates highly reliable and interest bearing bank accounts: an administrative and an operational account that have EUR and USD currency sub-accounts.													
B02	Short-term investments	0	0										
Short-term investments are bank deposits maturing in less than 3 months.													
B03	Receivables	36,378,945	59,589,270										
Accounts receivable are kept in separate sub-ledgers that provide detailed insight into the outstanding calls for contribution and provide accurate and up-to-date cash forecast information. The receivables as of 31 December 2016 are primarily outstanding calls for contributions towards the Administrative Budget 2017 and the Operational Budget 2017 which are not yet past their due date.													
The table below provides the overview of Receivables grouped by relevant maturity basket.													
<table><tr><td>Aging detail</td><td>0-30 days</td><td>31-60 days</td><td>above 60 days</td><td>TOTAL</td></tr><tr><td>Receivables @ 31/12/2016</td><td>29,059,651</td><td>7,317,886</td><td>1,408</td><td>36,378,945</td></tr></table>				Aging detail	0-30 days	31-60 days	above 60 days	TOTAL	Receivables @ 31/12/2016	29,059,651	7,317,886	1,408	36,378,945
Aging detail	0-30 days	31-60 days	above 60 days	TOTAL									
Receivables @ 31/12/2016	29,059,651	7,317,886	1,408	36,378,945									
B04	Other current assets and prepayments	138,665	116,186										
Other current assets match provisions for annual leave entitlements accrued but untaken at year-end.													

B05	Payables	3,670,674	470,254
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These short-term payables are open liabilities for goods and services received in 2016 such as consulting contracts, communication, travel and personnel related invoices. The increase is primarily due to 2016 accrued invoices related to the procurement effort.

B06	Advances and deferred revenue	246,067,627	387,731,675
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Advances from NATO entities	2,054,809	0
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Advances from Nations	54,264,446	201,352,557
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Deferred revenue	189,748,372	186,379,118
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Advances from NATO entities relate to NSIP contribution provided through NSPA for ALIS implementation, which is co-funded by NAGSMA.

Advances from Nations are funds called and/or received from Nations in respect of 2017 Administrative and Operational Budgets and unrealised exchange rate gains and losses. Advances include future budget funding.

Advances from Nations include the amounts designated for settlement of contractual claims made by main contractor and valued at the best estimate of 30 million USD provided by NAGSMA General Manager.

Deferred revenue comprises unspent funding from prior periods.

B07	Short-term provisions	138,665	116,186
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The provision includes annual leave entitlements accrued matched with Other current assets and prepayments.

Balance at 1 January 2016	116,186
Provision increase	22,479
Balance at 31 December 2016	138,665

B08	Other current liabilities	144,925,287	3,628,359
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Other payables mainly include lapsed credits 2016 and the 2016 financial result that will have to be refunded upon national decision. The increase is primarily caused by lapses of the 2016 Operational Budget funds.

B09	Contingent Liabilities
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Similarly as in the year 2015, NAGSMA has assumed certain liabilities related to UAV tests in the fiscal year of 2016. The UAV tests may create the liability that NAGSMA has indemnified its main contractor against at this stage of AGS Programme execution. This was negotiated within the AGS Core Contract in order to assure financial affordability of the AGS Programme. The costs in case of materialization of the contingent liability will be borne by NAGSMO Nations. The outcome of this matter cannot be presently determined and cannot be measured reliably.

ANNEX C Notes to the Statement of Financial Performance

Notes Reference	Current Year	Prior Year
	2016	2015
The Statement of Financial Performance details the revenue and expenses that NAGSMA incurred during the year ending 31 December.		
C01 Revenue from non-exchange transactions	9,738,884	9,428,643
Revenue represents funding from Nations for expenses incurred during the financial year.		
C02 Personnel	7,468,607	6,837,755
Personnel costs are for staff members hired under the NATO Civilian Personnel Regulations as well as for consultants and contractors. The figures represent the costs of personnel including basic salary, allowances, insurance and pension plan contributions.		
NAGSMA had 53 staff members at the year-end 2016 (2015: 53 staff members).		
The breakdown of wages, salaries and employee benefits is as follows:		
	Year ended 31/12/16	Year ended 31/12/15
	EUR	EUR
Employee benefits expense, consultants and contractors	6,881,361	6,313,772
Post-employment benefits (see note F01)		
for defined contribution pension scheme	564,767	518,419
for defined benefit pension scheme	0	0
Termination benefits	0	14,000
Provision for annual leave entitlements accrued	22,479	(8,436)
Total employee benefits expense	7,468,607	6,837,755
C03 Contractual supplies and services	2,270,277	2,590,888
Supplies and consumables are costs of goods and services used by NAGSMA associated with the general management and administrative activities under the SSA and SLA, such as information management, finance, human resources, building and facilities, security, travel expenses, etc. These costs are linked to the approved NAGSMA Staffing Plan. It also includes hospitality funds, communications services (i.e. telephones), NSPA and NATO Headquarters support (MOA).		

ANNEX D Notes to the Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method.

The Cash Flow Statement summarises the cash movements in and out of the Agency during the financial year.

ANNEX E Notes to the Budget Execution Statement – Administrative Budget

NAGSMO - Budget Execution Statement - Administrative Budget for the year ended 31 December 2016 (All amounts in Euro)

Notes Reference	Initial Authorisation	Mid Year Review (MYR)	Final Approval - MYR	Transfers	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Carry Forward	Lapsed
The Administrative Budget is prepared and presented using the accrual basis. The classification basis adopted for the Administrative Budget is to show expenditure in three chapters for Personnel costs, Contractual supplies and services costs as well as Capital and investment expenditure. The actual expenses presented in the budget execution statement include accruals (expenses for goods and services delivered before the year-end but not yet invoiced) and therefore reconcile to the expenses in the statement of financial performance after deducting the provision for annual leave entitlement of 22,479 EUR. The net commitments are those commitments for which a contractual obligation has been created before the year-end without the goods and services delivered before the year-end.										
E01	2015 - Personnel	0	0	0	0	0	(629)	(629)	0	629
The lapses from prior years result from unused accrual estimate for removal and medical examinations.										
E02	2016 - Personnel	9,071,468	0	9,071,468	0	9,071,468	0	7,446,757	7,446,757	1,624,711
Lapses are due to fewer individuals recruited than foreseen in the staffing plan, staff leaving the organization, unused consultancy, and savings in removal costs due to renewal of contracts of current staff members.										
E03	2015 - Contractual supplies and services	0	0	0	0	0	0	42,794	42,794	(42,794)
Reduction of lapses from prior years result from closing the NSPA support agreements and variance in accrual estimate and actual costs.										
E04	2016 - Contractual supplies and services	3,473,400	0	3,473,400	0	3,473,400	0	2,224,223	2,224,223	1,249,177
Lapses are primarily due to a delayed move to the New NATO HQ and use of internal resources to complete needed tasks for US and CSA and discontinuation of the Programme of Work with the NSPA.										
E05	2016 - Capital and investment budgeting	30,000	0	30,000	0	30,000	0	3,260	3,260	26,740
Lapses are due to capital investment covered through the Service Support and Level Agreements with the NCI Agency.										
E06	2016 - Budget contingencies	200,000	0	200,000	0	200,000	0	0	0	200,000
Lapses are due to unused contingencies.										

ANNEX F Notes to the Budget Execution Statement – Operational Budget

The accounting basis used in preparation and presentation of the Operational Budget is the same as the one used in the financial statements, the accrual basis for recording of the actual expenditures. Due to the Agency's role as an agent acting with no control over the assets being procured, it is not accounting for the operational budget expenditures as an asset under construction. Rather, it is expected that the end-user will account for the AGS Core System once the system will be transitioned to the end-user.

The classification basis adopted for the Operational Budget is to show expenditure for AGS Core System Procurement.

The exchange rate used to translate the USD portion of expenditure to the presentation currency EUR in the Operational Budget Total table is the average exchange rate in 2016 of 1.1069.

The Operational Budget is presented to Participating Nations in two currencies EUR and USD. The Budget Execution Statements by currency show the Budget's net commitments, expenditures and lapses by sub-categories, as presented to and approved by Participating Nations.

System Design, Development and Qualification

The AGS Core System Design, Development and Qualification covers the design and development for the AGS Core System. The Budget includes provisions for milestones which cover: Programme Design Review of the AGS Core System in accordance with the mandatory TRD requirements; Technical Interchange Meetings; the beginning of Critical Design Review and Working Group meetings and Programme design reviews.

Production

Contractual milestones under the production sub-category are related to production progress payments and advance procurement authority to meet the contract timeline for production of deliverable SSS items and related placement of purchase orders for long-lead-time items. Long lead items include parts, components, equipment and sub-assemblies that must be ordered by the Contractor well in advance of actual final assembly such as the structural carbon fibre and metal components, nacelles, communication equipment, navigation equipment.

Management Reserve

The Management Reserve was used to expense NAGSMO BoD approved Pre-PMOU Contributions (PPC), Non-Financial Contributions (NFC), the NAGSMA part of the ALIS co-funding of the Work Package 1 and Work Package 3 and NAGSMA Contract No NAGSMA-CON-0020 for the Collaborative Environment (a temporary solution for the ALIS interface system). The Management Reserve contains the amounts designated for settlement of

contractual claims made by main contractor and valued at the best estimate of 30 million USD provided by NAGSMA General Manager.

CAFX

Funds to provide items for the Prime Contractor in accordance with Contracting Authority Furnished Property. Commitments and expenditures for the NCI Agency were for the AGS Implementation Support and NATO CIS support to the AGS programme. The services included inspections and certifications of the Main Operating Base facilities and accreditation activities. CAFX funds were also used to procure equipment, support, and training, agreed in the Prime Contract through the Foreign Military Sales (FMS), TEMPEST testing of the UAV by the U.S. Navy's Certified TEMPEST Authority, and transportation of CAFX equipment already purchased through various FMS cases.

ATR/ATID

Danish funds committed and expensed for contractual milestones for the acquisition of the NATO AGS Automatic Target Recognition/ Automatic Target Identification Capability Development & Integration Phase I.

NCB

Expenditures comprise one contractual milestone was expensed for the acquisition of the NATO AGS Test System Environment Capability Phase I.

There are no commitments carried forward from 2012 and 2013. In December 2016, NAGSMO Finance Committee provided an exceptional extension of the carry forward of 2014 commitments for the Prime Contract milestones to be expensed in 2017. The exceptional carry forward consists of the Prime Contract milestones related to pilot training, technical manuals, training courseware, and Formal Test Plans.

Carry forwards from 2015 are related to Formal Test Plans, training courseware, training, AVMC2 and UAV Command and Control Element (UCE) System Level Performance Verification (SLPV), FCA/PCA reports, Factory Acceptance, MOS Formal Entity and TGGs D1 Formal Entity Test Readiness Review, Formal Entity TRR and other milestones.

Carry Forwards from 2016 primarily are the milestones related to MOB Site Installation and Activation Complete, Factory Acceptance, Production Acceptance, MOB Bridging Facilities Review, training, UAV Ferry Flights and other milestones.

The Table below represents the cumulative NAGSMA Operational budget per year from 2012 to 2016 expended, carried forward and lapsed in two currencies EUR and USD.

In 2016, part of the Operational Budget was lapsed due to delayed negotiations and finalization of contracts for Initial-In-Service-Support, Polish industrial participation, Contract Change Orders, Engineering Change Proposals, and other contractual obligations. In 2014, lapses are related to Italy's unused Non-Financial Contribution credit.

The Budgets are presented below by currency showing the actual expenditures, carry forward and lapses as of the 31.12.2016.

NAGSMA Operational Budget EUR

BL6604011	Budget	Actual Expenses	Carry Forward	Lapsed
2012	107,086,412	107,086,412	0	0
2013	137,794,865	137,794,865	0	0
2014	122,977,865	117,257,630	3,556,877	2,163,358
2015	109,014,294	89,210,344	19,803,950	0
2016	63,924,048	13,589,193	24,548,740	25,786,115
Total	540,797,484	464,938,444	47,909,566	27,949,473

NAGSMA Operational Budget USD

BL6604010	Budget	Actual Expenses	Carry Forward	Lapsed
2012	204,865,340	204,865,340	0	0
2013	238,445,262	238,445,262	0	0
2014	373,468,465	364,507,386	8,957,131	3,948
2015	169,456,878	103,169,765	66,287,113	0
2016	193,990,813	46,670,486	29,525,700	117,794,627
Total	1,180,226,758	957,658,239	104,769,944	117,798,575

Note to the table:

The Carry Forwards from the Financial Statements 2012-2015 which have been expended in 2016 have been added to the Actual Expenses of 2012, 2014 and 2015 respectively.

ANNEX G General Notes to the Financial Statements

G01 Related Party Disclosures

NAGSMO and NAGSMA have related party relationships with the Members of the NAGSMO Board of Directors and a number of other NATO bodies.

Transactions with NATO bodies

	Current Year	Prior Year
	2016	2015
	EUR	EUR
NATO Communications and Information Agency	1,279,698	1,585,940
NATO Support Agency	144,608	(21,263)
NATO International Staff	154,750	144,268
SHAPE	500	2,300
NATO School	900	0
	1,580,456	1,711,245

In 2016, the NCI Agency performed certain administrative services for NAGSMA under the Service Support and Service Level Agreements, NATO IS and NSPA performed other administrative services for NAGSMA, and SHAPE provided training support.

Additionally, NAGSMA as at 31st of December 2016 holds EUR 2,054,809 advance provided by NSPA as part of NSIP co-funding for ALIS implementation effort.

Compensation of key management personnel

The remuneration of Directors and other members of key management personnel (NATO civilian grade A5 and above) is determined by the NATO salary scales and was as follows during the year:

	Current Year	Prior Year
	2016	2015
	EUR	EUR
Basic salaries	723,839	706,285
Allowances	166,478	167,479
Post-employment benefits	72,441	70,659
Employer's contribution to Insurance	87,469	93,009
	1,050,227	1,037,432

The slight increase in compensation of key management personnel is primarily due to step increases.

	Current Year 2016	Prior Year 2015
Number of individuals at year-end on a full time equivalent basis		
General Manager	1	1
Programme Manager	0	1
Key management personnel	4	4
	5	6

G02 Representation Allowance

The purpose of the Representation Allowance is to help meet the reasonable representational expenses of certain designated high officials of the Organisation whose positions entail responsibility for establishing and maintaining relationships of value to NATO.

As from 1 June 2013, a new procedure is in place in respect of Representation Allowance; as all recipients are now reimbursed permitted expenses within the limits of their individual Representation Allowance allocation. All representation allowance disbursements for the 2016 reporting period were administered by the Agency.

Expenditures	EUR
Rental Supplement	2,673
Functions	0
Total	2,673
Entitlements	EUR
Representation Allowance annual entitlement	10,692
<i>of which: Rental Supplement annual entitlement</i>	2,673
Transactions	EUR
Rental Supplement January-December	2,673
Dinners and Luncheons	0
Total	2,673

G03 Approval of Financial Statements

The financial statements were approved by the Financial Controller and authorised to be issued on 23 March 2017.

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NATO Alliance Ground Surveillance
Management Organisation
(NAGSMO)

NAGSMO
NATO Headquarters
1110 Brussels
Belgium

NATO SANS CLASSIFICATION

ANNEXE 1

**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers de l'Organisation de gestion du système
de défense aérienne élargie à moyenne portée de l'OTAN (NAMEADSMO)
pour la période de six mois ayant pris fin le 30 juin 2016**

Le Collège a procédé à la vérification des états financiers de la NAMEADSMO, qui a pour objectif de diriger, de coordonner et d'exécuter le programme du système de défense aérienne élargie à moyenne portée (MEADS). Le MEADS est un système tactique de défense aérienne et de défense antimissile mobile et transportable capable de neutraliser toute une série de menaces aériennes, comme les attaques par missiles de croisière et par missiles balistiques tactiques.

Pour la période de six mois ayant pris fin le 30 juin 2016, les dépenses de la NAMEADSMO se sont établies à 7,6 millions de dollars des États-Unis (MUSD), soit 1,5 MUSD au titre du budget administratif et 6,1 MUSD au titre du budget opérationnel.

À l'issue de l'audit, le Collège a formulé une observation et émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour la période de six mois ayant pris fin le 30 juin 2016. L'observation suivante a été formulée :

1. Présentation incomplète des charges dans l'état de l'exécution du budget

Cette observation est développée dans la lettre d'observations et de recommandations (annexe 3). Le Collège a par ailleurs fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent ; il a ainsi constaté que l'une d'elles avait été réglée et que l'autre l'avait été partiellement.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Comité de direction de la NAMEADSMO en liquidation, dont les commentaires ont ensuite été intégrés dans la lettre.

Le Collège a adressé au bureau du liquidateur une lettre (IBA-AML(2017)11) contenant deux observations à l'intention de la direction de la NAMEADSMO en liquidation.

Le Collège appelle l'attention du Conseil sur la note 1 jointe aux états financiers, qui explique que, le 4 avril 2016, le Comité de direction de la NAMEADSMO a soumis au Conseil une demande officielle de mise en liquidation de l'entité. La demande a été approuvée et, le 1^{er} juillet 2016, la NAMEADSMO est devenue la « NAMEADSMO en liquidation », opérant sous la responsabilité d'un « bureau du liquidateur ». La période sur laquelle porte le compte rendu de la NAMEADSMO pour 2016 n'est ainsi que de six mois. Et de ce fait, les soldes de l'exercice précédent figurant dans certains documents, tels que l'état de la performance financière, le tableau des flux de trésorerie, l'état de l'exécution du budget et les notes correspondantes, ne permettent pas vraiment d'établir une comparaison, puisqu'ils portent quant à eux sur une période de douze mois. Le Collège n'a pas été amené à assortir son opinion d'une réserve du fait de cette situation.

22 août 2017

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DE L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE AÉRIENNE
ÉLARGIE À MOYENNE PORTÉE DE L'OTAN (NAMEADSMO)
POUR LA PÉRIODE DE SIX MOIS AYANT PRIS FIN LE 30 JUIN 2016**

OPINION
DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la NAMEADSMO, composés de l'état de la situation financière au 30 juin 2016, de l'état de la performance financière, de l'état des variations de l'actif net/de la situation nette et du tableau des flux de trésorerie pour la période de six mois ayant pris fin à cette date, ainsi que de notes explicatives jointes aux états financiers, y compris un résumé des méthodes comptables importantes. Le Collège a également vérifié l'état de l'exécution du budget pour la période de six mois ayant pris fin le 30 juin 2016.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et aux dispositions du Règlement financier de l'OTAN tels qu'ils ont été fixés par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables

faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

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

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière de la NAMEADSMO au 30 juin 2016, ainsi que de sa performance financière et de ses flux de trésorerie pour la période de six mois ayant pris fin à cette date.

Remarque

Le Collège appelle l'attention du Conseil sur la note 1 jointe aux états financiers, qui explique que, le 4 avril 2016, le Comité de direction de la NAMEADSMO a soumis au Conseil une demande officielle de mise en liquidation de l'entité. La demande a été approuvée et, le 1er juillet 2016, la NAMEADSMO est devenue la « NAMEADSMO en liquidation », opérant sous la responsabilité d'un « bureau du liquidateur ». La période sur laquelle porte le compte rendu de la NAMEADSMO pour 2016 n'est ainsi que de six mois. Et de ce fait, les soldes de l'exercice précédent figurant dans certains documents, tels que l'état de la performance financière, le tableau des flux de trésorerie, l'état de l'exécution du budget et les notes correspondantes, ne permettent pas vraiment d'établir une comparaison, puisqu'ils portent quant à eux sur une période de douze mois. Le Collège n'a pas été amené à assortir son opinion d'une réserve du fait de cette situation.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes

ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

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

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 22 août 2017

Hervé-Adrien Metzger
Président

22 août 2017

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE
AÉRIENNE ÉLARGIE À MOYENNE PORTÉE DE L'OTAN (NAMEADSMO)
POUR LA PÉRIODE DE SIX MOIS AYANT PRIS FIN LE 30 JUIN 2016**

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la NAMEADSMO (datés du 31 mars 2017) pour la période de six mois ayant pris fin le 30 juin 2016, et il a émis une opinion sans réserve à leur sujet, ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, le Collège a formulé une observation et une recommandation :

1. Présentation incomplète des charges dans l'état de l'exécution du budget

Le Collège a fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent, et il a constaté que l'une d'elles avait été réglée et que l'autre l'avait été partiellement.

Le Collège a par ailleurs adressé une lettre (IBA-AML(2017)11) au chef du bureau du liquidateur de la NAMEADSMO en liquidation.

OBSERVATIONS ET RECOMMANDATIONS**1. PRÉSENTATION INCOMPLÈTE DES CHARGES DANS L'ÉTAT DE L'EXÉCUTION DU BUDGET****Contexte**

1.1 Les rapports financiers des entités du secteur public visent à fournir aux utilisateurs des informations sur ces entités, au service de la transparence et de la prise de décisions.

1.2 Selon l'IPSAS 24, « une entité doit présenter une comparaison des montants inscrits au budget dont elle est tenue publiquement responsable et des montants réels [...]. La comparaison des montants inscrits au budget et des montants réels doit présenter séparément [...] : (a) les montants budgétaires initiaux et définitifs ; (b) les montants réels sur une base comparable [...]. En outre, les budgets peuvent se concentrer sur ou inclure des informations sur les engagements de dépenser des fonds à l'avenir et sur les variations de ces engagements ».

Observations

1.3 L'Agence de gestion du système de défense aérienne élargie à moyenne portée de l'OTAN (NAMEADSMA) a préparé l'état de l'exécution du budget selon la méthode de la comptabilité de caisse. Comme les autres documents composant les états financiers ont été préparés selon la méthode de la comptabilité d'exercice, la NAMEADSMA a procédé à un rapprochement de l'état de l'exécution du budget avec l'état de la performance financière et le tableau des flux de trésorerie, comme le veut l'IPSAS 24.

1.4 Le Collège a constaté que l'état de l'exécution du budget ne faisait pas apparaître le montant des charges correspondant aux produits et services reçus mais non payés au cours de la période considérée. En conséquence, la somme des charges et des engagements reportés sur la période suivante ne correspondait pas au montant total des crédits engagés. Les charges non indiquées dans l'état de l'exécution du budget s'élevaient à 1,18 million de dollars des États-Unis (MUSD). Elles figuraient toutefois dans l'état de la performance financière, et il en a été fait mention en tant qu'élément de rapprochement lors du rapprochement entre ce document et l'état de l'exécution du budget.

Recommandations

1.5 Le Collège recommande à la NAMEADSMO en liquidation de faire apparaître, dans l'état de l'exécution du budget, le montant total du budget exécuté (charges à payer et charges effectivement payées) et des engagements reportés. Si la NAMEADSMO en liquidation décide, à l'avenir, de préparer et de présenter l'état de l'exécution du budget selon la méthode de la comptabilité d'exercice, il faudra qu'elle signale ce changement de présentation dans les notes jointes aux états financiers.

Commentaires officiels de la NAMEADSMO

La NAMEADSMO ayant choisi d'établir l'état de l'exécution du budget selon la méthode de la « comptabilité de caisse », il était entendu que les seuls montants à mentionner en tant que « charges réelles » étaient ceux qui correspondaient aux biens et services reçus et effectivement payés.

Ensuite, la NAMEADSMO a décidé de ne pas tenir compte des charges à payer dans la colonne des reports de manière à se conformer aux dispositions de l'article 25.2 du Règlement financier de l'OTAN, qui stipule que « [l']autorisation qui a été engagée et au titre de laquelle des biens et des services ont été fournis, mais pas encore facturés lorsque l'exercice s'achève, est comptabilisée comme charge à payer, et l'engagement est réduit d'autant. Il n'y a pas report dans ce cas, l'autorisation ayant été utilisée aux fins auxquelles elle était destinée ».

Avec l'entrée en vigueur de cette nouvelle disposition, les entités tenues d'utiliser la méthode de la comptabilité de caisse ont été contraintes de modifier la présentation de l'état de l'exécution du budget. Les charges à payer ont néanmoins continué d'être mentionnées dans ce document (annexe I), mais dans la section consacrée au rapprochement entre l'état de l'exécution du budget et les autres documents, où apparaît le montant total des crédits engagés.

Cela dit, la recommandation finale du Collège constituant l'interprétation la plus aboutie du Règlement financier et des règles et procédures financières de l'OTAN, la NAMEADSMO veillera, à l'avenir, à tenir compte des charges à payer dans la colonne des reports de l'état de l'exécution du budget.

Position du Collège

Le Collège recommande que les charges à payer soient mentionnées dans une colonne à part, et non dans la colonne des reports comme il est proposé ci-dessus.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue des audits précédents. On en trouvera un récapitulatif dans le tableau ci-dessous.

Suites données aux observations antérieures

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
1. Rapport d'audit sur l'exercice 2015 – IBA-AR(2016)0007 Nécessité d'améliorer certains contrôles internes pour faire face aux risques auxquels la NAMEADSMO est exposée à l'approche de la phase de liquidation Le Collège a appelé l'attention des pays participants sur plusieurs risques liés à la dissolution prochaine de la NAMEADSMO : a. Approbation du budget : manque de clarté du processus ou de la documentation y afférente b. Absence de définition claire du mandat et des pouvoirs du futur liquidateur c. Manque de clarté quant à l'utilisation des fonds restant dans le programme	a. Mesures prises : Les décisions du Comité de direction ne sont plus approuvées selon la procédure d'accord tacite. État de la question : Question réglée. b. Mesures prises : Le bureau du liquidateur se conforme au Règlement financier de l'OTAN depuis le 1^{er} juillet 2016. État de la question : Question réglée. c. Mesures prises : La quasi-totalité des crédits relevant du budget opérationnel ont été engagés en 2016 pour la phase de liquidation. Au 31 décembre 2016, seuls quelque 1 MUSD n'avaient pas encore été engagés. Cependant, à la même date, des crédits d'un montant d'environ 5,3 MUSD, relevant du budget administratif, n'avaient pas été engagés. De fait, ces crédits avaient été réservés pour couvrir les besoins liés à la fermeture du bureau du liquidateur au cours des années suivantes. Le Comité de direction de la NAMEADSMO en liquidation est conscient de	Question partiellement réglée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
	l'existence de ces crédits et de l'usage qui en sera fait, et il le rappelle à chaque approbation de budget. État de la question : Question partiellement réglée.	
Commentaires officiels de la NAMEADSMO <i>La raison pour laquelle la question 1 c. n'est que « partiellement réglée » est que le financement de l'Agence/du bureau du liquidateur est fondé sur un mémorandum d'entente. Tous les fonds ont été fournis par les pays. Il n'est pas possible de les restituer et de solliciter un nouveau financement l'année suivante. Les crédits restants doivent servir à couvrir les besoins liés à la clôture du programme de conception et de développement et à la fermeture de l'Agence.</i>		
2. Rapport d'audit sur l'exercice 2015 – IBA-AR(2016)0007 Identification des donataires d'immobilisations corporelles	Toutes les recommandations ont été appliquées et prises en compte dans les formulaires de radiation de biens.	Question réglée.

North Atlantic Treaty Organization



NATO Medium Extended Air Defense System Management Organization



Financial Statements

For the period

01 Jan - 30 June 2016

1. Table of Contents

A. Overview of NATO MEADS Management Organization's Operations and Environment..	- 1 -
B. Statement of Financial Position.....	- 4 -
C. Statement of Financial Performance	- 5 -
D. Statement of Cash Flows	- 6 -
E. Statement of Changes to Net Assets/Equity.....	- 7 -
F. Notes to the Financial Statements	- 8 -
G. Report of Management.....	- 20 -
Annex I – Budget Execution	A I- 1 -
Annex II: Budget Calls and Receipts.....	A II- 1 -

A. Overview of NATO MEADS Management Organization's Operations and Environment

General description of the NATO MEADS Management Organization (NAMEADSMO)

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense System Management Organization (NAMEADSMO) is a NATO Development, Production and Logistics Organization (NPLO), a subsidiary body of NATO created by the North Atlantic Council. NAMEADSMO shares the international characteristics of NATO and the jurisdictional autonomy by virtue of Article 4 of the Ottawa Agreement. NAMEADSMO was created to provide direction, coordination and execution of all phases of the MEADS program as delineated by the participating Nations. The participating Nations (Participants) are Germany, Italy and the United States. NAMEADSMO is comprised of a Board of Directors (BoD), composed of one representative from each of the Participants, and the NATO MEADS Management Agency (NAMEADSMA).

The current phase of the MEADS program is financed by assessed contributions of the Participants in accordance with the terms stipulated in the Design and Development (D&D) Memorandum of Understanding (MoU), approved by Italy and the US in September 2004 and by Germany in April 2005, and the associated Financial Management Policy Document (FMPD). The FMPD specifies the financial management policies and the funding schedule for the MEADS D&D phase and delineates the Participants' annual cumulative financial ceilings which are the basis for the NAMEADSMO annual budgets. The budgets consist of the Administrative and Operational Budgets. Germany, Italy and the US (GE/IT/US) percentage shares of the total contribution ceiling are 25.2%, 16.7% and 58.1%, respectively, including a portion of non-financial contributions as defined in the FMPD. The total contribution ceilings for Germany and Italy for the Operational Budget (OB) were reached in 2013 and for the Administrative Budget (AB) in 2014. The US will not reach their contribution ceilings for either budget as it was noted with BoD decision D14/08 that "no additional US funds will be provided for the remainder of the MEADS program."

The original objectives of the MEADS program were to design, develop, procure and in-service support the MEADS system, based on the Participants' operational requirements for an anti-tactical ballistic missile (ATBM) and air defense system capability. In 2011, in the light of a cost increase, a replan effort was conducted, resulting in a reorientation from a D&D effort towards a Demonstration of Capability (DoC). The cumulative D&D costs incurred until 30 June 2016 reached a total of 2,601 M US Dollars and 1,416 M Euros.

On 4 April 2016, the BoD submitted a formal request to the North Atlantic Council (NAC) to place NAMEADSMO into Liquidation. This request was approved and became effective on 1 July 2016. Consequently, NAMEADSMA became the Office of the Liquidator.

The Office of the Liquidator is comprised of a Liquidator (GE), a Contract Specialist/Financial Controller (IT), a Business Financial Manager (GE), and Security Manager (US).

NAMEADSMO has no liens or encumbrances on the agency's assets.

NAMEADSMO has given no guarantees to third parties.

NAMEADSMO is located in Huntsville, Alabama, USA.

Role of the NATO MEADS Management Agency (NAMEADSMA)

NAMEADSMA is responsible for the planning, execution and overall management of the program with the goal to accomplish specific schedule, cost and performance objectives.

NAMEADSMA awarded a Letter Contract to MEADS International (MI), the prime contractor, for the initial six months of the D&D effort. The D&D contract was definitized 31 May 2005. This contract is incrementally funded annually. With Amendment 26, the fee structure of the contract was modified from a cost plus incentive fee/performance incentive fee contract to a cost plus fixed fee contract. The main D&D phase and MI main contract effort were completed on 31 December 2014 while “Data Archival” of all development documentation (drawings, reports, test results, etc.) and the distribution of the development residual material, as requested and agreed by the Participants, will last throughout 2016. Remaining contractual and administrative close out activities are expected to continue until final settlement.

NAMEADSMA also contracts with other contractors for ancillary efforts. Lockheed Martin has been engaged in a Cooperative Agreement for the realization of a Low Frequency Sensor. EuroMEADS (a sub-contractor of MEADS International) is retrofitting one of the two Multifunction Fire Control Radars (MFCR). MBDA-GE received a contract to fulfill a non-common requirement, funded by Germany only. MEADS, LLC provides support services for the D&D effort to the Agency, by conducting independent technical analyses of the MEADS Program system level performance, systems engineering activities, design, development, integration, fabrication, test, producibility, logistic, and programmatic activities.

After significant achievements recorded in 2013, (successful participation in the Joint Project Optic Windmill (JPOW) Theater Air-and-Missile Defense exercise, and accomplishment of an unprecedented simultaneous intercept of dual targets from opposite directions at White Sands Missile Range (WSMR)), the MEADS program continued along the same path of technical success. In the summer of 2014 a system capability demonstration was conducted in Pratica di Mare AFB (IT) which showed the versatility, interoperability and friendliness of use of the system. Tactical hardware, operated by soldiers from two nations, was connected through a network to other assets and simulation centers located in Sabaudia (IT), Taranto (IT) and El Paso, Texas (US). These simulation centers could operate in a simulated tactical scenario, demonstrating how easily the MEADS system could successfully operate with different systems (Patriot, SAMP-T, and PAAMS). Successful demonstrations of the MEADS MFCR at industrial facilities in PdM (IT) and Freinhausen (GE) followed. In September and December 2014, Design and Development Completion Reviews (DDCR) were held to summarize all achievements of the D&D phase. A final completion report summarizing achievements and capabilities demonstrated by the system was independently prepared by NAMEADSMA for the Participants. MEADS was confirmed to be a very flexible and interoperable system, capable to intercept with a single fire control sensor, targets from opposite azimuth directions and able to provide 360 degree defended coverage with a single fire unit.

Effective 1 July 2016, NAMEADSMA’s role changed to Liquidator. The purpose of the office is to complete all current NAMEADSMO business (including protection of the development result) and fulfill the open obligations of the organization in an effort to cease operations. NAMEADSMO changed into NAMEADSMO in Liquidation

Compliance with Financial Regulations

NAMEADSMO follows standardized rules and regulations approved by the NAC. Specifically, NAMEADSMO adheres to the NATO Financial Regulations (NFR) and Financial Rules and Procedures (FRP) and to the NATO Civilian Personnel Regulations (CPRs). Since the financial management of NAMEADSMO is separate and distinct from those of the International Staff or other NATO entities, NAMEADSMO also follows the NAMEADSMO Financial Rules and Regulations (FRRs), as approved by the NAMEADSMO Board of Directors. If a conflict between the NFR/FRP and NAMEADSMO FRR arises, the most recent NATO NFR/FRP will prevail.

NAMEADSMO's mission, strategies and how they relate to its financial position, financial performance and cash flows

NAMEADSMO does not have any objectives and strategies in relation to its financial position, performance and cash flows other than to have enough funding available to cover its administrative and operational costs. This is done while acting in the best interest of the three participating Nations, within the mission established by the NAMEADSMO Charter and the D&D MoU objectives, in accordance with guidance received from the BoD.

Risks and Uncertainties that affect NAMEADSMO's Financial Position and Performance

NAMEADSMO's performance is based on the MEADS program results and deliveries that can be achieved with the resources spent. As the MEADS program is close to the end the financial position of NAMEADSMO is not affected by any significant risk.

Assets/Liabilities in regard of other NATO bodies

NAMEADSMO does not have any assets or liabilities in respect of other NATO entities.

B. Statement of Financial Position as at 30 June 2016
(in equivalent US Dollars)

	Notes	<u>1 Jan-30 Jun 2016</u>	<u>2015</u>
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	2	23,070,739	36,144,283
Receivables	3	-	4,607
Prepayments	4	1,809	250,304
		<u>23,072,548</u>	<u>36,399,194</u>
<i>Non-Current Assets</i>			
Property, Plant and Equipment	5	-	-
Total Assets		<u>23,072,548</u>	<u>36,399,194</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable and Accruals	6	1,162,774	7,120,465
Deferred Revenue and Advances	7	21,909,774	29,278,729
		<u>23,072,548</u>	<u>36,399,194</u>
Total Liabilities		<u>23,072,548</u>	<u>36,399,194</u>

C. Statement of Financial Performance for the period 1 Jan - 30 June 2016
(in equivalent US Dollars)

	Notes	<u>1Jan-30Jun 2016</u>	<u>2015</u>
Revenue	10		
Operational		6,140,219	46,856,839
Administrative		1,523,420	3,671,926
Total Revenue		<u>7,663,639</u>	<u>50,528,765</u>
Expense	11, 12, 13		
Operational		6,140,219	46,856,839
Administrative		1,523,420	3,671,926
Total Expense		<u>7,663,639</u>	<u>50,528,765</u>
Net Result for the Year		<u>-</u>	<u>-</u>

D. Statement of Cash Flows for the period 1 Jan - 30 June 2016 (in equivalent US Dollars)

	<u>01 Jan-30 Jun 2016</u>	<u>2015</u>
<i>Operational Budget</i>		
Cash Receipts from Nation Contributions	-	-
Cash Paid to Contractors	(12,050,976)	(63,166,157)
Bank Interest Received	-	4,900
Bank Interest Paid to Nations	-	(106,579)
Other Cash Receipts	629,980	11,220,101
Other Cash Payments	(629,980)	(6,708,439)
Total Operational Budget	(12,050,976)	(58,756,174)
<i>Administrative Budget</i>		
Cash Receipts from Nation Contributions	-	189,878
Other Cash Receipts	4,607	-
Cash Paid to Suppliers and Employees	(1,282,032)	(3,647,513)
Other Cash Payments	-	(3,000)
Transfers between Budgets	-	(4,500,000)
Total Administrative Budget	(1,277,425)	(7,960,635)
Total Cash Flows from Operating Activities	(13,328,401)	(66,716,809)
Total Cash Flows from Investing Activities	-	-
Total Cash Flows from Financing Activities	-	-
Net Increase/Decrease in Cash	(13,328,401)	(66,716,809)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	254,857	(5,047,206)
Cash at Beginning of Period	36,144,283	107,908,298
Cash at End of Period	23,070,739	36,144,283

E. Statement of Changes to Net Assets/Equity for the period 1 Jan - 30 June 2016 (in equivalent US Dollars)

	Capital assets	Reserves	Accumulated surplus/deficit	Total
Balance at the end of the period 2014	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 2015	-	-	-	-
Balance at the end of the period 2015	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the period 1 Jan- 30 Jun 2016	-	-	-	-
Balance at 30 June 2016	-	-	-	-

F. Notes to the Financial Statements

Note 1. Significant Accounting Policies

Basis of preparation

The financial statements of NAMEADSMO have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and the NATO accounting framework, adopted by NAC in 2013-2015. The application of the NATO accounting framework has had no material impact on the disclosures or on the amounts recognised in the NAMEADSMO financial statements.

The financial statements comply with the accounting requirements of the NATO Financial Regulations (NFR) and Financial Rules and Procedures (FRP) and the relevant NAMEADSMO Financial Rules and Regulations. They are prepared on a non-going concern basis, in consideration of the events and decisions taken by the Participants.

In 2010 the United States decided to continue funding the MEADS program only through the D&D phase of the current MoU, hence no agreement could be reached for a subsequent Procurement Phase. In 2011 the scope of work was revised to maintain the total cost within the MoU limits, while still yielding meaningful results for Germany and Italy and a possible future option for the US.

Based on this situation, in 2012 the NAMEADSMO BoD requested a plan for the orderly transition to close out the Agency by mid-2014. Subsequently, in June 2014 the BoD approved a new plan to initiate the liquidation of the entity on 1 February 2015. On 4 April 2016, the BoD submitted a formal request to the NAC to place NAMEADSMO into Liquidation. This request was approved and became effective on 1 July 2016. Consequently, NAMEADSMO would become "NAMEADSMO in Liquidation", operating through a small "Office of the Liquidator".

Consequently, the reporting period changed from 12 months (previous Financial Statement 2015) to 6 months. Comparative amounts for certain statements such as the statement of financial performance, statement of financial position, cash flow statements, and related notes are not entirely comparable.

Accounting estimates and judgments

In accordance with IPSAS, the financial statements necessarily include amounts based on estimates and assumptions made by management and based on 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 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, revenue and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods are not likely to be significant to the financial statements.

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 in IPSAS 3. For the 30 June 2016 financial statements, the accounting policies have been applied consistently throughout the reporting period. There have been no changes in accounting policy during 2016.

Restatements

NAMEADSMO has not restated any balances.

Changes in pronouncements

Some new standards, alignments of standards and interpretations were issued but have not been applied by NAMEADSMO in preparing the financial statements:

IPSAS	Name	Effective date for periods beginning on or after
IPSAS 33	First-time Adoption of Accrual Based IPSASs	01 January 2017
IPSAS 34	Separate Financial Statements	01 January 2017
IPSAS 35	Consolidated Financial Statements	01 January 2017
IPSAS 36	Investments in Associates and Joint Ventures	01 January 2017
IPSAS 37	Joint Arrangements	01 January 2017
IPSAS 38	Disclosure of Interests in Other Entities	01 January 2017
IPSAS 39	Employee Benefits	01 January 2018
IPSAS 40	Public Sector Combinations	01 January 2019

None of these are expected to have a significant effect on the financial statements of NAMEADSMO.

Foreign Currency

These financial statements are presented in US Dollars (USD), which is NAMEADSMO's reporting currency. EURO (€) currency transactions are translated into equivalent USD at the average monthly NATO exchange rates, with the exception of foreign exchange transactions, which are converted at the daily exchange rate. Monetary assets and liabilities denominated in foreign currencies at period-end are translated into USD using the NATO exchange rates applicable at 30 June 2016. Resulting realized and unrealized gains and losses are recognized in the Statement of Financial Performance.

Financial Instruments disclosure/presentation

NAMEADSMO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, provisions and liabilities. Financial instruments are recognized in the Statement of Financial Position at fair value.

Financial risk factors

NAMEADSMO is minimally exposed to a variety of financial risks, including credit, liquidity and currency risks.

a. Credit risk

NAMEADSMA holds current bank account balances with registered banking institutions in the USA and Germany. Wells Fargo (US) and Sparkasse (Germany) have a very low long term credit risk rating. In accordance with Fitch, the following are the latest bank deposit ratings assigned:

- Wells Fargo Bank: AA+
- Sparkasse Koblenz: A+

b. Liquidity risk

NAMEADSMA does not expect to encounter any difficulty in meeting obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees funds for the total approved budget.

c. Currency risk

NAMEADSMA received contributions from the Participants in USD (\$) and EURO (€), based on the FMPD. Generally, expenses are paid in the same currency as the receipts. For the Operational Budget, total obligations for each currency may not match the available resources in the same currency, yielding some foreign exchange risk from fluctuations in currency rates. However, the BoD authorized foreign exchange money market operations, if necessary, to maintain adequate funding level in each currency to hedge this risk (decision D15/09). The exposure of financial instruments to foreign currency exchange risk associated with the Administrative Budget is insignificant as contributions and expenditure is made in USD only.

Revenue and Expense Recognition

Revenue comprises contributions from Participants to fund the entity's 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 revenue recognition is matched with the recognition of expenses. The different types of revenue within the entity are:

Administrative Budget

Administrative Budget contributions fund the costs of NATO contract personnel and the goods and services to be rendered toward the performance of tasks to be executed by the agency over an agreed period of time. Contributions are initially recorded as unearned revenue liabilities. They are recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as estimated in the Administrative Budget.

Operational Budget

NAMEADSMO considers itself to be the “construction manager” of a project which is the design and development of the MEADS system. Contract costs are recognized as incurred. The entity's construction activities and technical supervision have been contracted to the private sector, utilizing a cost plus fixed fee contract. Revenue related to cost reimbursement contracts is recognized by reference to the allowable costs incurred during the period. Contracts for the project are considered to be full cost recovery as funding of the authorized project is provided by the Participants in advance.

Budget Execution

Total budgetary resources are comprised of assessed contributions from the Participants. The budgets are Administrative (costs for agency personnel, supplies and services, furnishings and equipment), and Operational (costs associated with the MEADS system development and ancillary contracts). Costs are further categorized by chapters, items and sub-items within the separate budgets. In accordance with IPSAS 24, a Budget Execution Statement is presented in Annex I.

Cash Flow Statements

NAMEADSMO has elected to use the direct method of presentation in these financial statements, in accordance with IPSAS.

Financial Assets

The financial assets are cash and cash equivalents, accounts receivable and prepayments. They are measured at fair value. Bank deposits denominated in foreign currencies are translated to reporting currency at the closing date NATO exchange rate. Changes in fair value are recognized in the Statement of Financial Performance.

Financial Liabilities

The financial liabilities are accounts payable and accruals, and advances and unearned revenue from Participants. They are measured at fair value. Changes in fair value are recognized in the Statement of Financial Performance.

Receivables

Amounts receivable are stated at fair value in the Statement of Financial Position. No provision for doubtful debts is necessary as all receivables are deemed to be collectible.

Prepayments

Advance payments to vendors are reflected as prepayments in the Statement of Financial Position.

Accounts Payable and Accruals

Accounts Payable represent amounts for which goods and/or services, supported by an invoice, have been received by period-end but which remain unpaid. Accruals represent amounts for goods and/or services which are not yet supported by an invoice at period-end.

Deferred Revenue

Deferred revenue represents contributions from Participants and/or third parties that have been called for current or prior years' budgets but that have not yet been recognized as revenue.

Property, Plant and Equipment (PP&E)

PP&E is reported in the financial statements in accordance with NAMEADSMO's internal policy guidance for Property, Plant and Equipment for the Administrative Budget. PP&E is recognized in accordance with the criteria relating to control outlined in the NATO Accounting Framework.

After recognition as an asset, an item of PP&E is carried at its historical cost less any accumulated depreciation. Total cost consists of the asset purchase price plus any installation costs for bringing the asset to working condition for its intended use.

As allowed under the NATO Accounting Framework, NAMEADSMO uses capitalization thresholds based on its activities and size. These thresholds are lower than the agreed NATO thresholds in the framework.

NAMEADSMO uses the straight-line method of depreciation (calculated by dividing the cost equally over the asset's useful life) with a half-year rule to recognize assets with six months depreciation in the first year regardless of the date the asset was received. The half-year rule treats all property acquired during the year as being acquired exactly in the middle of the year. This means that only half of the full-year depreciation is allowed in the first year, with the remaining balance being deducted in the final year of the depreciation schedule, or the year that the property is disposed.

The estimated useful lives for asset classes applicable to NAMEADSMO are listed in the table below:

Asset Class	Depreciation Method	Useful Life Years	Capitalization Threshold Dollars (\$)	Notes
Leasehold Improvements	Straight-Line	40	65,000	Major Building Renovations
Furniture & Fixtures	Straight-Line	10	1,000	Per item cost
Communication Systems	Straight-Line	3	1,000	Per item cost
Automated Information Systems	Straight-Line	3	1,000	Per item cost
Major Software	Straight-Line	3	65,000	Acquired Externally

Note that for some items the useful life is longer than the estimated life of the Agency. The depreciation expense was adjusted in 2012 and again in 2013 to the estimated expected end of the life of the Agency. The final year of depreciation for all remaining assets was 2015.

Intangible Assets

NAMEADSMO does not have any intangible assets.

Retirement benefit plans: NATO Defined Contribution Pension Scheme (DCPS)

Contributions to the NATO defined contribution pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO International Staff (IS).

Retirement benefit plans: NATO Defined Benefit Scheme

Contributions to the NATO defined benefit scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO IS.

Provisions

Provisions are recognized when the entity has a legal or constructive obligation as a result of a 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.

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events whose 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 NAMEADSMO.

Reserves and Net Assets

NAMEADSMO operates on a “no profit, no loss” basis. As such, it does not have net assets; any surplus gained in the year becomes payable to the Participants while any deficit becomes a receivable from the Participants.

Comparative Figures

The end-year 2015 balances are disclosed. The reporting period between the previous Financial Statements 2015 (12 month) and these Financial Statements (6 months) are different due to the change of the Agency as stated in Section A. Comparative amounts for related notes are not entirely comparable.

Note 2. **Cash and Cash Equivalents****1 Jan – 30 Jun 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	5,259,754				10,170,649	16,119,956
Administrative		225,401		7,700	6,717,683	6,950,783
TOTAL	5,259,754	225,401	-	7,700	16,888,331	23,070,739

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	10,431,240	-	-	-	16,463,120	27,878,026
Administrative		229,026		8,158	8,029,073	8,266,257
TOTAL	10,431,240	229,026	-	8,158	24,492,193	36,144,283

The agency's cash includes deposits which are held in non-interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in USD (\$) and Euro (€) currencies.

Note 3. **Receivables****1 Jan – 30 Jun 2016:**

There are no receivables as at 30 June 2016.

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Advances						-
Accrued Receivables						-
Contract Receivables		-		-		-
Total Operational	-	-	-	-	-	-
Administrative						
Miscellaneous					4,607	4,607
Total Administrative		-		-	4,607	4,607
TOTAL	-	-	-	-	4,607	4,607

Note 4. **Prepayments****1 Jan – 30 Jun 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						-
Administrative					1,809	1,809
TOTAL	-	-	-	-	1,809	1,809

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational					250,304	250,304
Administrative					-	-
TOTAL	-	-	-	-	250,304	250,304

Note 5. Property, Plant and Equipment

The gross carrying amount and the accumulated depreciation at the beginning and end of the period can be seen in the table below. A reconciliation of the carrying amount at the beginning and end of the period is also displayed.

	Furniture & Fixtures		Communication Systems		Automated Information Systems		Major Software		Total	
Reporting Period	Jan-Jun 2016	2015	Jan-Jun 2016	2015	Jan-Jun 2016	2015	Jan-Jun 2016	2015	Jan-Jun 2016	2015
Gross Carrying Amount, opening	\$ 33,943	\$ 37,643	\$ 13,422	\$ 13,422	\$ 202,873	\$ 219,936	\$ -	\$ 850,128	\$ 250,238	\$ 1,121,129
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	(26,233)	(3,700)	(13,422)	-	(189,599)	(17,063)	-	(850,128)	(229,254)	(870,891)
Loss on Disposals	-	-	-	-	-	-	-	-	-	-
Gross Carrying Amount, closing	7,710	33,943	-	13,422	13,274	202,873	-	-	20,984	250,238
Accumulated Depreciation, opening	33,943	34,591	13,422	13,422	202,873	219,479	-	850,128	250,238	1,117,620
Depreciation	-	3,052	-	-	-	458	-	-	-	3,510
Disposals	(26,233)	(3,700)	(13,422)	-	(189,599)	(17,063)	-	(850,128)	(229,254)	(870,891)
Accumulated Depreciation, closing	7,710	33,943	-	13,422	13,274	202,873	-	-	20,984	250,238
Net Carrying Amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note 6. Accounts Payable and Accruals**1 Jan – 30 Jun 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	57,252	-		-	204,159	268,917
Accrued Expenses	385,189	-		-	346,142	781,830
Total Operational	442,442	-		-	550,302	1,050,747
Administrative						
Accounts Payable						-
Accrued Expenses		902		58	111,067	112,027
Total Administrative		902		58	111,067	112,027
TOTAL	442,442	902	-	58	661,368	1,162,774

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Invoices Payable	1,497,209	-		-	2,380,450	4,018,846
Accrued Expenses	1,509,863	-		-	1,358,128	3,010,371
Total Operational	3,007,072	-		-	3,738,578	7,029,217
Administrative						
Accounts Payable		460		56	37,532	38,048
Accrued Expenses					53,200	53,200
Total Administrative		460		56	90,732	91,248
TOTAL	3,007,072	460	-	56	3,829,310	7,120,465

Payables to contractors and suppliers include invoices received from suppliers but not yet paid and estimated accrued expenses. The continued decrease is due to the winding down of the program.

Note 7. Deferred Revenue and Advances**1 Jan – 30 Jun 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Deferred Revenue	4,980,312	-	-	-	9,620,347	15,253,578
Total Operational	4,980,312	-	-	-	9,620,347	15,253,578
Administrative						
Deferred Revenue		40,130		7,643	6,608,423	6,656,196
Total Administrative		40,130		7,643	6,608,423	6,656,196
TOTAL	4,980,312	40,130	-	7,643	16,228,770	21,909,774

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Advanced Contributions	-		-			-
Deferred Revenue	7,424,168	-	-	-	12,974,846	21,099,113
Total Operational	7,424,168	-	-	-	12,974,846	21,099,113
Administrative						
Advanced Contributions		-		-	-	-
Deferred Revenue		229,026		8,158	7,942,432	8,179,616
Total Administrative		229,026		8,158	7,942,432	8,179,616
TOTAL	7,424,168	229,026	-	8,158	20,917,278	29,278,729

Deferred revenue includes uncommitted funds and lapses that Participants have instructed remain on the program accounts rather than be returned to the respective national treasuries.

Note 8. Other Current Liabilities**1 Jan – 30 Jun 2016:**

There are no other current liabilities as the banks ceased to yield interest on the cash balances in 2015.

2015:

There are no other current liabilities as the banks ceased to yield interest on the cash balances in 2015.

Note 9. Provisions and Contingent Liabilities

NAMEADSMA does not have any provisions or contingent liabilities to report.

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Note 10. Revenue

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	1,885,592.45	-	-	-	3,986,257	6,140,219
Administrative		188,895		516	1,334,009	1,523,420
TOTAL	1,885,592	188,895	-	516	5,320,266	7,663,639

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	18,364,250	-	558,953	-	26,893,514	46,856,839
Administrative		524,499		987	3,146,440	3,671,926
TOTAL	18,364,250	524,499	558,953	987	30,039,954	50,528,765

Note 11. Expenses

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Prime Contract (MI)	546,566				2,397,568	3,012,813
Support (MEADS LLC+LFS+FMS)	77,005				841,652	929,164
Test and Target						-
MFCR#1 and MFCR#2	938,250				747,018	1,821,234
GE only items (GE ACO and TOC)	323,771					376,988
Miscellaneous					20	20
Total Operational	1,885,592	-	-	-	3,986,257	6,140,219
Administrative						
Personnel					1,027,236	1,027,236
Operating		188,895		516	306,773	496,185
Depreciation						-
Total Administrative		188,895		516	1,334,009	1,523,420
TOTAL	1,885,592	188,895	-	516	5,320,266	7,663,639

2015:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Prime Contract (MI)	10,879,774		-		18,847,403	29,993,301
Support (MEADS LLC+LFS+FMS)	1,031,000		317,655		4,297,643	5,758,632
Test and Target	-		-		(1,776)	(1,776)
MFCR#1 and MFCR#2	2,883,959		239,236		3,750,243	6,917,299
IT-Common Criteria and GE Rec	3,569,517		2,017		-	4,189,333
Miscellaneous			44			50
Total Operational	18,364,250	-	558,953	-	26,893,514	46,856,839
Administrative						
Personnel		388,164		-	2,406,707	2,794,871
Operating		136,335		987	736,223	873,545
Depreciation					3,510	3,510
Total Administrative		524,499		987	3,146,440	3,671,926
TOTAL	18,364,250	524,499	558,953	987	30,039,954	50,528,765

Administrative depreciation expense for 2015 includes depreciation expense and any loss on disposal of assets.

Note 12. Personnel Expenses

The figures disclosed below represent the costs of NATO personnel including salary, allowances, complementary insurance, and pension plan contributions. The amount for Personnel Expense in Note 11 is greater than the employee benefits expense defined in this note because Note 11 includes all Chapter 1 budget Personnel items such as recruitment/separation, home leave, contractor personnel expense, etc.

	1 Jan -30 Jun 2016	2015
Employee Benefits Expenses	811,638	2,374,150
Post Employment Benefits	55,102	173,014

NAMEADSMA does not accrue untaken leave. In accordance with CPR Article 42.3, untaken leave must be taken within the allowed time period or will be forfeited.

NAMEADSMA does not have any termination benefits because the Agency expects to honour all existing NATO personnel contracts.

NATO Pension Schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements. NATO IS manages these systems centrally on behalf of the other NATO entities.

Note 13. Leases

NAMEADSMA had an operational lease with BR Cummings Research Park Portfolio III, TIC-1, LLC, which was terminated on 31 May 2016. The obligated base lease payments from 1 January 2016 through 31 May 2016 totaled \$154,387. In addition, NAMEADSMA paid monthly operating expenses which were \$28,774. A new operational lease for smaller office space became effective with the same leasing company on 1 June 2016. The obligated base lease payments for 1 June 2016 through 30 April 2019 total \$107,530. Monthly operating expenses are estimated to be \$3,204 for the remainder of 2016. Future year operating expenses are yet to be determined.

The tenant retains the right to terminate and cancel the lease on 31 December 2017. In the event this right is exercised, the tenant must provide written notice no later than 1 October 2017, and remit an early termination fee in the amount of \$6,137 within thirty days of giving notice.

NAMEADSMA does not have any financial leases.

Note 14. Draw Down of Operations

As a result of the Participants' decisions, NAMEADSMA continued to draw down operations until 30 June 2016.

Consistent with previous years and to avoid any transportation and/or disposal cost, NAMEADSMA donated administrative property to charitable organizations with no revenue proceeds. In 2016, NAMEADSMA donated capital and non-capital assets whose total acquisition cost was \$576,417. These assets included office furnishings and IT equipment. The donations are in accordance with the FLCC decision FD10/02, 19 May 2015, which authorized the donation of surplus property assets in compliance with Article 17 of the NFRs.

For the purpose of the prime contract scope (D&D), the prime contractor and all sub-contractors separately maintain control and accountability of all material purchased or assembled. The Participants will continue to review an agreed upon dissolution process for D&D. NAMEADSMA's role in this process is to serve as a facilitator.

Note 15. Write-Off

In accordance with the NATO Financial Regulations (NFRs) Article 17 and the NAMEADSMO Financial Rules and Regulations (FRR Section VIII, 127), 41 capitalized items were written off in 2016 whose gross carrying amount was \$229,254 and whose net book value was zero. These assets included office furnishings, communication and automated information systems.

Note 16. Employee Disclosure

During 2016, there was no US government personnel detailed to the agency.

Note 17. Related Parties

NAMEADSMA is under direct control of NAMEADSMO's Board of Directors.

The key management personnel of NAMEADSMA and the BoD have no significant party relationships that could affect the operation of this reporting entity. Board members receive no remuneration and senior management is remunerated in accordance with the published NATO pay scales. Neither receives loans that are not available to all staff.

NATO IS, who deals with NATO pensions on behalf of other NATO entities, is a related party due to NAMEADSMA's pension plans being handled centrally at NATO HQ. NATO IS performed administrative support services for NAMEADSMA for the entire year 2016, for which a total fee of \$43,357 (€39,164) was charged and paid. Only half of this amount was accounted for NAMEADSMA (period 01Jan – 30 Jun 2016).

During first half of 2016, there were two key management personnel: the General Manager (acting) and the Director Business (acting). The aggregate remuneration of key management personnel includes salary, allowances, and complementary insurances and was as follows during the year:

	30 June 2016 (~2 people)	2015 (~2 people)
Aggregate Remuneration	194,727	396,767
Post-Employment Benefits (DCPS)	14,391	37,026

Note 18. Representation Allowance

There were no qualifying officials to receive Representation Allowance in 2016 (2015: \$3,757).

Note 19. Events after the Reporting Date

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

Effective 1 July 2016 NAMEASMO and NAMEADSMA entered the Liquidation phase and were renamed "NAMEADSMO in Liquidation" and "Office of the Liquidator", respectively. All NAMEADSMO assets and liabilities were subsumed.

G. Report of Management

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense Missile System Management Organization's (NAMEADSMO) Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the NATO accounting framework adopted by NAC in 2013. The Agency's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements.

The NAMEADSMO Financial Statements are approved and certified by the Liquidator and the Financial Controller respectively to the best of their knowledge and according to the applicable accounting standards to give a true and fair view, in all material respect, of the assets, liabilities, financial position and financial performance of NAMEADSMO and to be in accordance with the books and records maintained.



Nils Kusserow
Liquidator



Gianvito Greco
Financial Controller

Annex I – Budget Execution

The BoD approved the Administrative and Operational budgets for the entire year 2016 at the end of 2015. However, due to the transition of NAMEADSMO to NAMEADSMO in Liquidation, the BoD decided that the delta between the opening balance and the already approved OB 2016 and AB 2016 will be used by the Office of the Liquidator for the financial requirements through the end of the year 2016 (BoD Decision 22/02) including lapsed credits and credits to be carried forward.

The Budget Execution Statement is prepared on cash basis.

Statement of Budget Execution for the period 1 Jan – 30 Jun 2016

Equivalent USD	Budget	Budget Amendment 1	Budget Amendment 2	Final budget	Commitments	Jan-Jun 2016 Budget Actuals	Carry forward to OotL	BUDGET NOT COMMITTED/ NOT EXPENDED
Budget 2016 Operational								
Chapter 3	123,670	2,889,605	200,000	3,213,275	3,213,141	200,000	3,013,141	133
Total FY 2016	123,670	2,889,605	200,000	3,213,275	3,213,141	200,000	3,013,141	133
Budget 2016 Administrative								
Chapter 1 Personnel	1,541,500			1,541,500	960,620	946,020	14,600	499,664
Chapter 2 Admin/Svcs	751,300		14,000	765,300	281,483	281,483		453,005
Chapter 4 Investments	130,000	181,200		311,200	185,698	185,698		125,502
Total FY 2016	2,422,800	181,200	14,000	2,618,000	1,427,802	1,413,202	14,600	1,078,171
Budget 2015 Operational								
Chapter 3	12,134,724			12,134,724	12,134,724	5,794,559	5,639,723	-
Total FY 2015	12,134,724	-	-	12,134,724	12,134,724	5,794,559	5,639,723	-
Budget 2015 Administrative								
Chapter 1 Personnel	12,000			12,000	12,000	12,000		
Chapter 2 Admin/Svcs	41,200			41,200	41,200	41,200		
Chapter 4 Investments				-				
Total FY 2015	53,200	-	-	53,200	53,200	53,200	-	-
Budget 2014 Operational								
Chapter 3	12,542,691			12,542,691	12,542,691	6,225,416	5,940,910	
Total FY 2014	12,542,691	-	-	12,542,691	12,542,691	6,225,416	5,940,910	-
Total Operational	24,801,085	2,889,605	200,000	27,890,690	27,890,556	12,219,976	14,593,774	133
Total Administrative	2,476,000	181,200	14,000	2,671,200	1,481,002	1,466,402	14,600	1,078,171
Total all budgets	27,277,085	3,070,805	214,000	30,561,890	29,371,558	13,686,378	14,608,374	1,078,305

Explanation of Carry Forward and Budget Not Committed/Not Expended

Operational Budget:

In the Budget Execution Statement, the carry forward 30 June 2016 (NAMEADSMO) to 01 July 2016 (NAMEADSMO in Liquidation) for Chapter 3 (Design and Development) totals \$14,593,774 (in equivalent Dollars). This is mostly due to the elaborate close-out process of cost plus fixed fee contracts.

Administrative Budget:

Carry forward amount of \$14,600 is primarily due to funds committed in Chapter 1 – Personnel Expenses - for removals that have not yet been executed.

The amount for Budget not committed/Not expended are funds that were approved by the BoD for the entire year 2016 Administrative Budget but have not yet been obligated or spent.

Budget Transfers

For the Administrative Budget, transfers of credits between budget chapters can be made after approval of the BoD. The General Manager may authorize transfers within any chapter between items and among sub-items within an item concerning recurring expenditure and within any item concerning capital expenditure. In accordance with the NATO Financial Regulations (NFR III Art. 10), a statement of Administrative Budget budgetary transfers recorded in the first half of 2016 is presented in the table below. All other transfers were approved by the BoD by way of an amendment to the Administrative Budget.

Item	Name	2016 Transfers within AB
Budget 803 - 3 Nations (GE/IT/US)		
2743	Miscellaneous	(117)
2742	Insurance	117

For the Operational Budget, transfers of credits between budget chapters and items can be made after approval by the BoD. The General Manager may authorize transfers between sub-items within any chapter item. In 2016 there were no Operational Budget transfers authorized by the GM. All transfers were agreed on by way of an amendment to the Operational Budget approved by the BoD.

Budget Execution Reconciliations

- A.** Reconciliation of expenses in the Statement of Cash Flows to the actuals in the Budget Execution Statement. All Euro figures are in equivalent US dollars.

	Administrative	Operational
Statement of Cash Flow - Cash paid to Contractors/ Suppliers and Employees	\$ 1,282,032	\$ 12,050,976
Less:		
Euro payments at Nato Average Fx rate		(5,128,525)
Payment for Admin Expenses		(184,369)
Plus:		
Euro payments at MOU rate 1.19		5,489,735
Credit memos used for GE and US Dollar invoices		
Gains and losses on actual foreign exchange transactions		(9,601)
Payment for Admin Expenses	184,369	
Returns		1,758
BES Actuals	\$ 1,466,402	\$ 12,219,976

- B.** Reconciliation of the expenses in the Statement of Financial Performance to the actuals in the Budget Execution Statement. All Euro figures are in equivalent US dollars.

	Administrative	Operational
Statement of Financial Performance Expenses	\$ 1,523,420	\$ 6,140,219
Plus:		
Euro payments at MOU rate 1.19		5,295,765
Opening accruals	53,200	7,029,217
Closing receivables and prepaids	1,809	
Less:		
Euro payments at Nato Average Fx rate		(4,944,156)
Closing accruals	(112,027)	(1,050,747)
Opening receivables and prepaids		(250,304)
Miscellaneous Bank Fees		(20)
BES Actuals	\$ 1,466,402	\$ 12,219,976

Annex II: Budget Calls and Receipts

The Operational and Administrative Budget contributions are called based on cash requirements and within the FMPD schedule and limits. The Operational Budget reached the contribution ceiling in 2013, the Administrative Budget reached the contribution ceiling in 2014 and as such there were no calls made in 2016.

NATO SANS CLASSIFICATION

ANNEXE 1

**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers de l'Organisation de gestion du système
de défense aérienne élargie à moyenne portée de l'OTAN en liquidation
(NAMEADSMO en liquidation)
pour la période de six mois ayant pris fin le 31 décembre 2016**

Le Collège a procédé à la vérification des états financiers de la NAMEADSMO en liquidation, qui a pour objectif de diriger, de coordonner et d'exécuter le programme du système de défense aérienne élargie à moyenne portée (MEADS). Le MEADS est un système tactique de défense aérienne et de défense antimissile mobile et transportable capable de neutraliser toute une série de menaces aériennes, comme les attaques par missiles de croisière et par missiles balistiques tactiques.

Pour la période de six mois ayant pris fin le 31 décembre 2016, les dépenses de la NAMEADSMO en liquidation se sont établies à 4,9 millions de dollars des États-Unis (MUSD), soit 0,5 MUSD au titre du budget administratif et 4,4 MUSD au titre du budget opérationnel.

À l'issue de l'audit, le Collège a formulé une observation et émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour la période de six mois ayant pris fin le 31 décembre 2016. L'observation suivante a été formulée :

1. Présentation incomplète des charges dans l'état de l'exécution du budget

Cette observation est développée dans la lettre d'observations et de recommandations (annexe 3). Le Collège a par ailleurs fait le point sur la suite donnée à l'observation formulée à l'issue de l'audit précédent qui restait en souffrance ; il a ainsi constaté qu'elle avait été partiellement réglée.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à la NAMEADSMO en liquidation, dont les commentaires ont ensuite été intégrés dans la lettre.

Le Collège a adressé au bureau du liquidateur une lettre (IBA-AML(2017)12) contenant deux observations à l'intention de la direction de la NAMEADSMO en liquidation.

Le Collège appelle l'attention du Conseil sur la note 1 jointe aux états financiers, qui explique que, le 4 avril 2016, le Comité de direction de la NAMEADSMO a soumis au Conseil une demande officielle de mise en liquidation de l'entité. La demande a été approuvée et, le 1^{er} juillet 2016, la NAMEADSMO est devenue la « NAMEADSMO en liquidation », opérant sous la responsabilité d'un « bureau du liquidateur ». La période sur laquelle porte le compte rendu de la NAMEADSMO en liquidation pour 2016 n'est ainsi que de six mois. Les soldes présentés pour comparaison correspondent aux soldes de la NAMEADSMO avant liquidation, tels qu'arrêtés au 30 juin 2016. Le Collège n'a pas été amené à assortir son opinion d'une réserve du fait de cette situation.

22 août 2017

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DE L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE AÉRIENNE
ÉLARGIE À MOYENNE PORTÉE DE L'OTAN EN LIQUIDATION
(NAMEADSMO EN LIQUIDATION)
POUR LA PÉRIODE DE SIX MOIS AYANT PRIS FIN LE 31 DÉCEMBRE 2016**

OPINION
DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la NAMEADSMO en liquidation, composés de l'état de la situation financière au 31 décembre 2016, de l'état de la performance financière, de l'état des variations de l'actif net/de la situation nette et du tableau des flux de trésorerie pour la période de six mois ayant pris fin à cette date, ainsi que de notes explicatives jointes aux états financiers, y compris un résumé des méthodes comptables importantes. Le Collège a également vérifié l'état de l'exécution du budget pour la période de six mois ayant pris fin le 31 décembre 2016.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et aux dispositions du Règlement financier de l'OTAN tels qu'ils ont été fixés par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables

faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

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

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière de la NAMEADSMO en liquidation au 31 décembre 2016, ainsi que de sa performance financière et de ses flux de trésorerie pour la période de six mois ayant pris fin à cette date.

Remarque

Le Collège appelle l'attention du Conseil sur la note 1 jointe aux états financiers, qui explique que, le 4 avril 2016, le Comité de direction de la NAMEADSMO a soumis au Conseil une demande officielle de mise en liquidation de l'entité. La demande a été approuvée et, le 1er juillet 2016, la NAMEADSMO est devenue la « NAMEADSMO en liquidation », opérant sous la responsabilité d'un « bureau du liquidateur ». La période sur laquelle porte le compte rendu de la NAMEADSMO en liquidation pour 2016 n'est ainsi que de six mois. Les soldes présentés pour comparaison correspondent aux soldes de la NAMEADSMO avant liquidation, tels qu'arrêtés au 30 juin 2016. Le Collège n'a pas été amené à assortir son opinion d'une réserve du fait de cette situation.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine

financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

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

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 22 août 2017

Hervé-Adrien Metzger
Président

22 août 2017

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE
AÉRIENNE ÉLARGIE À MOYENNE PORTÉE DE L'OTAN EN LIQUIDATION
(NAMEADSMO EN LIQUIDATION)
POUR LA PÉRIODE DE SIX MOIS AYANT PRIS FIN LE 31 DÉCEMBRE 2016**

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la NAMEADSMO en liquidation pour la période de six mois ayant pris fin le 31 décembre 2016, et il a émis une opinion sans réserve à leur sujet, ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, le Collège a formulé une observation et une recommandation :

1. Présentation incomplète des charges dans l'état de l'exécution du budget

Le Collège a fait le point sur la suite donnée à l'observation formulée à l'issue de l'audit précédent qui restait en souffrance, et il a constaté qu'elle était partiellement réglée.

Le Collège a par ailleurs adressé une lettre (IBA-AML(2017)12) au chef du bureau du liquidateur de la NAMEADSMO en liquidation.

OBSERVATIONS ET RECOMMANDATIONS**1. PRÉSENTATION INCOMPLÈTE DES CHARGES DANS L'ÉTAT DE L'EXÉCUTION DU BUDGET****Contexte**

1.1 Les rapports financiers des entités du secteur public visent à fournir aux utilisateurs des informations sur ces entités, au service de la transparence et de la prise de décisions.

1.2 Selon l'IPSAS 24, « une entité doit présenter une comparaison des montants inscrits au budget dont elle est tenue publiquement responsable et des montants réels [...]. La comparaison des montants inscrits au budget et des montants réels doit présenter séparément [...] : (a) les montants budgétaires initiaux et définitifs ; (b) les montants réels sur une base comparable [...]. En outre, les budgets peuvent se concentrer sur ou inclure des informations sur les engagements de dépenser des fonds à l'avenir et sur les variations de ces engagements ».

Observations

1.3 La NAMEADSMO en liquidation a préparé l'état de l'exécution du budget selon la méthode de la comptabilité de caisse. Comme les autres documents composant les états financiers ont été préparés selon la méthode de la comptabilité d'exercice, la NAMEADSMO en liquidation a procédé à un rapprochement de l'état de l'exécution du budget avec l'état de la performance financière et le tableau des flux de trésorerie, comme le veut l'IPSAS 24.

1.4 Le Collège a constaté que l'état de l'exécution du budget ne faisait pas apparaître le montant des charges correspondant aux produits et services reçus mais non payés au cours de la période considérée. En conséquence, la somme des charges et des engagements reportés sur la période suivante ne correspondait pas au montant total des crédits engagés. Les charges non indiquées dans l'état de l'exécution du budget s'élevaient à 1,76 million de dollars des États-Unis (MUSD). Elles figuraient toutefois dans l'état de la performance financière, et il en a été fait mention en tant qu'élément de rapprochement lors du rapprochement entre ce document et l'état de l'exécution du budget.

Recommandations

1.5 Le Collège recommande à la NAMEADSMO en liquidation de faire apparaître, dans l'état de l'exécution du budget, le montant total du budget exécuté (charges à payer et charges effectivement payées) et des engagements reportés. Si la NAMEADSMO en liquidation décide, à l'avenir, de préparer et de présenter l'état de l'exécution du budget selon la méthode de la comptabilité d'exercice, il faudra qu'elle signale ce changement de présentation dans les notes jointes aux états financiers.

Commentaires officiels de la NAMEADSMO en liquidation

La NAMEADSMO en liquidation ayant choisi d'établir l'état de l'exécution du budget selon la méthode de la « comptabilité de caisse », il était entendu que les seuls montants à mentionner en tant que « charges réelles » étaient ceux qui correspondaient aux biens et services reçus et effectivement payés.

*Ensuite, la NAMEADSMO a décidé de ne pas tenir compte des charges à payer dans la colonne des reports de manière à se conformer aux dispositions de l'**article 25.2 du Règlement financier de l'OTAN**, qui stipule que « [l']autorisation qui a été engagée et au titre de laquelle des biens et des services ont été fournis, mais pas encore facturés lorsque l'exercice s'achève, est comptabilisée comme charge à payer, et l'engagement est réduit d'autant. **Il n'y a pas report** dans ce cas, l'autorisation ayant été utilisée aux fins auxquelles elle était destinée ».*

Avec l'entrée en vigueur de cette nouvelle disposition, les entités tenues d'utiliser la méthode de la comptabilité de caisse ont été contraintes de modifier la présentation de l'état de l'exécution du budget. Les charges à payer ont néanmoins continué d'être mentionnées dans ce document (annexe I), mais dans la section consacrée au rapprochement entre l'état de l'exécution du budget et les autres documents, où apparaît le montant total des crédits engagés.

Cela dit, la recommandation finale du Collège constituant l'interprétation la plus aboutie du Règlement financier et des règles et procédures financières de l'OTAN, la NAMEADSMO veillera, à l'avenir, à tenir compte des charges à payer dans la colonne des reports de l'état de l'exécution du budget.

Position du Collège

Le Collège recommande que les charges à payer soient mentionnées dans une colonne à part, et non dans la colonne des reports comme il est proposé ci-dessus.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue des audits précédents. On en trouvera un récapitulatif dans le tableau ci-dessous.

Suites données aux observations antérieures

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
1. Rapport d'audit sur l'exercice 2015 – IBA-AR(2016)0007 Nécessité d'améliorer certains contrôles internes pour faire face aux risques auxquels la NAMEADSMO est exposée à l'approche de la phase de liquidation Le Collège a appelé l'attention des pays participants sur plusieurs risques liés à la dissolution prochaine de la NAMEADSMO : a. Approbation du budget : manque de clarté du processus ou de la documentation y afférente b. Absence de définition claire du mandat et des pouvoirs du futur liquidateur c. Manque de clarté quant à l'utilisation des fonds restant dans le programme	a. Mesures prises : Les décisions du Comité de direction ne sont plus approuvées selon la procédure d'accord tacite. État de la question : Question réglée. b. Mesures prises : Le bureau du liquidateur de l'Agence de gestion du système de défense aérienne élargie à moyenne portée de l'OTAN (NAMEADSMA) se conforme au Règlement financier de l'OTAN depuis le 1^{er} juillet 2016. État de la question : Question réglée. c. Mesures prises : La quasi-totalité des crédits relevant du budget opérationnel ont été engagés en 2016 pour la phase de liquidation. Au 31 décembre 2016, seuls quelque 1 MUSD n'avaient pas encore été engagés. Cependant, à la même date, des crédits d'un montant d'environ 5,3 MUSD, relevant du budget administratif, n'avaient pas été engagés. De fait, ces crédits avaient été réservés pour couvrir les besoins liés à la fermeture du bureau du liquidateur au cours des	Question partiellement réglée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
	années suivantes. Le Comité de direction de la NAMEADSMO en liquidation est conscient de l'existence de ces crédits et de l'usage qui en sera fait, et il le rappelle à chaque approbation de budget. État de la question : Question partiellement réglée.	
Commentaires officiels de la NAMEADSMO en liquidation <i>La raison pour laquelle la question 1 c. n'est que « partiellement réglée » est que le financement de l'Agence/du bureau du liquidateur est fondé sur un mémorandum d'entente. Tous les fonds ont été fournis par les pays. Il n'est pas possible de les restituer et de solliciter un nouveau financement l'année suivante. Les crédits restants doivent servir à couvrir les besoins liés à la clôture du programme de conception et de développement et à la fermeture de l'Agence.</i>		

North Atlantic Treaty Organization



NATO Medium Extended Air Defense System Management Organization in Liquidation



Financial Statements For the period **01Jul 2016 - 31 December 2016**

1. Table of Contents

A. Overview of NATO MEADS Management Organization's Operations and Environment..	- 1 -
B. Statement of Financial Position.....	- 4 -
C. Statement of Financial Performance	- 5 -
D. Statement of Cash Flows	- 6 -
E. Statement of Changes to Net Assets/Equity.....	- 7 -
F. Notes to the Financial Statements	- 8 -
G. Report of Management.....	- 20 -
Annex I – Budget Execution	A I- 1 -
Annex II: Budget Calls and Receipts.....	A II- 1 -

A. Overview of NATO MEADS Management Organization's in Liquidation Operations and Environment

General description of the NATO MEADS Management Organization in Liquidation

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense System Management Organization (NAMEADSMO) is a NATO Development, Production and Logistics Organization (NPLO), a subsidiary body of NATO created by the North Atlantic Council. NAMEADSMO shares the international characteristics of NATO and the jurisdictional autonomy by virtue of Article 4 of the Ottawa Agreement. NAMEADSMO was created to provide direction, coordination and execution of all phases of the MEADS program as delineated by the participating Nations. The participating Nations (Participants) are Germany, Italy and the United States.

On 4 April 2016, the a Board of Directors (BoD) submitted a formal request to the North Atlantic Council (NAC) to place NAMEADSMO into Liquidation (NAMEADSMO i.L.). This request was approved and became effective on 1 July 2016.

Financial Statements for NAMEADSMO i.L. have been issued for the period 1 July – 31 December 2016. NAMEADSMO i.L. is comprised of a BoD, composed of one representative from each of the Participants, and the Office of the Liquidator which replaced the former NATO MEADS Management Agency (NAMEADSMA).

This current phase of liquidation for the MEADS program is financed along with the assessed contributions of the Participants in accordance with the terms stipulated in the Design and Development (D&D) Memorandum of Understanding (MoU), approved by Italy and the US in September 2004 and by Germany in April 2005, and the associated Financial Management Policy Document (FMPD). The FMPD specifies the financial management policies and the funding schedule set for the MEADS D&D phase and which also applies for the liquidation phase. It delineates the Participants' annual cumulative financial ceilings which are the basis for the NAMEADSMO i.L. annual budgets. The budgets consist of the Administrative and Operational Budgets. Germany, Italy and the US (GE/IT/US) percentage shares of the total contribution ceiling are 25.2%, 16.7% and 58.1%, respectively, including a portion of non-financial contributions as defined in the FMPD. No further contribution is envisioned by each Nation during the liquidation phase, as total contribution ceilings for Germany and Italy for the Operational Budget (OB) were reached in 2013 and for the Administrative Budget (AB) in 2014. The US will not reach their contribution ceilings for either budget as it was noted with BoD decision D14/08 that "no additional US funds will be provided for the remainder of the MEADS program."

The cumulative D&D costs incurred until 31 December 2016 reached a total of 2,603 M US Dollars and 1,419 M Euros.

The Office of the Liquidator is comprised of a Liquidator (GE), a Contract Specialist/Financial Controller (IT), a Business Financial Manager (GE), and Security Manager (US).

NAMEADSMO i.L. has no liens or encumbrances on the agency's assets.

NAMEADSMO i.L. has given no guarantees to third parties.

NAMEADSMO i.L. is located in Huntsville, Alabama, USA.

Role of the Office of the Liquidator

The Office of the Liquidator (OotL) is the successor of NAMEADSMA and is responsible for the planning, execution and overall management of the liquidation of the program with the goal to complete the ongoing effort, safeguard the development results and accomplish a successful close-out.

The OotL inherited all existing contracts awarded by the (former) NATO Agency NAMEADSMA throughout the D&D phase.

Contract legacy with NAMEADSMA can be explained as follows:

- a Prime Contract with MEADS International (MI), the prime contractor, definitized since 31 May 2005. This contract is incrementally funded annually. With Amendment 26, the fee structure of the contract was modified from a cost plus incentive fee/performance incentive fee contract to a cost plus fixed fee contract. The main D&D phase and MI main contract effort were completed on 31 December 2014 while “Data Archival” of all development documentation (drawings, reports, test results, etc.) and the distribution of the development residual material, as requested and agreed by the Participants, will last throughout 2016-2017. Remaining contractual and administrative close out activities will be carried out until final settlement.
- Ancillary contracts were also part of the open business transited to the OotL. Lockheed Martin was engaged in a cooperative agreement for the realization of a Low Frequency Sensor. EuroMEADS (a sub-contractor of MEADS International) was retrofitting one of the two Multifunction Fire Control Radars (MFCR). MBDA-GE received a contract to fulfill a non-common requirement, funded by Germany only. MEADS, LLC had been providing support services for the D&D effort to the Agency, by conducting independent technical analyses of the MEADS Program system level performance, systems engineering activities, design, development, integration, fabrication, test, producibility, logistic, and programmatic activities.
- Bailment agreements: preservation of German and Italian hardware in the US and in Italy. Items will be used as Government Furnished Equipment in a future contract or abandoned in place if contract is not awarded.

Compliance with Financial Regulations

NAMEADSMO i.L. follows standardized rules and regulations approved by the NAC. Specifically, NAMEADSMO i.L. adheres to the NATO Financial Regulations (NFRs) and Financial Rules and Procedures (FRPs) and to the NATO Civilian Personnel Regulations (CPRs). Since the financial management of NAMEADSMO i.L. is separate and distinct from those of the International Staff or other NATO entities, NAMEADSMO i.L. also follows the NAMEADSMO Financial Rules and Regulations (FRRs), as approved by the NAMEADSMO Board of Directors. If a conflict between the NFR/FRP and NAMEADSMO FRRs arises, the most recent NATO NFR/FRP will prevail.

Note that the BoD, with Decision D22/03, decided that the Liquidator has the discretion to modify processes and regulations of the NAMEADSMO FRR and Operating Instructions (OIs) to accommodate the OotL organization and requirements as long as these modifications are compliant with the NFR.

NAMEADSMO i.L.'s mission, strategies and how they relate to its financial position, financial performance and cash flows

NAMEADSMO i.L. does not have any objectives and strategies in relation to its financial position, performance and cash flows other than to have enough funding available to cover its administrative and operational costs. This is done while acting in the best interest of the three participating Nations, within the mission established by the NAMEADSMO Charter and the D&D MoU objectives, in accordance with guidance received from the BoD.

Risks and Uncertainties that affect NAMEADSMO i.L.'s Financial Position and Performance

NAMEADSMO i.L.'s performance is based on the MEADS program results and deliveries that can be achieved with the resources spent. As the MEADS program comes to an end the financial position of NAMEADSMO i.L. is not affected by any significant risk.

Assets/Liabilities in regard of other NATO bodies

NAMEADSMO i.L. does not have any assets or liabilities in respect of other NATO entities.

B. Statement of Financial Position as at 31 December 2016
(in equivalent US Dollars)

	Notes	<u>1Jul-31Dec 2016</u>	<u>1Jan - 30Jun 2016</u>
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	2	18,226,188	23,070,739
Receivables	3	-	-
Prepayments	4	-	1,809
		<u>18,226,188</u>	<u>23,072,548</u>
<i>Non-Current Assets</i>			
Property, Plant and Equipment	5	-	-
Total Assets		<u>18,226,188</u>	<u>23,072,548</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable and Accruals	6	1,573,672	1,162,774
Deferred Revenue and Advances	7	16,652,516	21,909,774
		<u>18,226,188</u>	<u>23,072,548</u>
Total Liabilities		<u>18,226,188</u>	<u>23,072,548</u>

**C. Statement of Financial Performance for the period 1 Jul – 31 Dec 2016
(in equivalent US Dollars)**

	Notes	<u>1Jul-31Dec2016</u>	<u>1Jan - 30Jun 2016</u>
Revenue	10		
Operational		4,408,984	6,140,219
Administrative		483,022	1,523,420
Total Revenue		<u>4,892,006</u>	<u>7,663,639</u>
 Expense	11, 12, 13		
Operational		4,408,984	6,140,219
Administrative		483,022	1,523,420
Total Expense		<u>4,892,006</u>	<u>7,663,639</u>
 Net Result for the Year		<u>-</u>	<u>-</u>

D. Statement of Cash Flows for the period 1 Jul – 31 Dec 2016 (in equivalent US Dollars)

	<u>1Jul-31Dec 2016</u>	<u>1Jan - 30Jun 2016</u>
<i>Operational Budget</i>		
Cash Paid to Contractors	(3,910,433)	(12,050,976)
Other Cash Receipts	-	629,980
Other Cash Payments	179,082	(629,980)
Total Operational Budget	(3,731,352)	(12,050,976)
<i>Administrative Budget</i>		
Other Cash Receipts	1,159	4,607
Cash Paid to Suppliers and Employees	(569,652)	(1,282,032)
Transfers between Budgets	(179,082)	-
Total Administrative Budget	(747,575)	(1,277,425)
Total Cash Flows from Operating Activities	(4,478,927)	(13,328,401)
Total Cash Flows from Investing Activities	-	-
Total Cash Flows from Financing Activities	-	-
Net Increase/Decrease in Cash	(4,478,927)	(13,328,401)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(365,623)	254,857
Cash at Beginning of Period	23,070,739	36,144,283
Cash at End of Period	18,226,189	23,070,739

**E. Statement of Changes to Net Assets/Equity for the period
1 Jul – 31 Dec 2016 (in equivalent US Dollars)**

	Capital assets	Reserves	Accumulated surplus/deficit	Total
Balance at the end of the period 2015	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 30 June 2016	-	-	-	-
Balance at the end of the period 1 Jan - 30 June 2016	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the period 1 Jul- 31 Dec 2016	-	-	-	-
Balance at 31 December 2016	-	-	-	-

F. Notes to the Financial Statements

Note 1. Significant Accounting Policies

Basis of preparation

The financial statements of NAMEADSMO i.L. have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and the NATO accounting framework, adopted by the NAC in 2013-2015. The application of the NATO accounting framework has had no material impact on the disclosures or on the amounts recognised in the NAMEADSMO i.L. financial statements.

The financial statements comply with the accounting requirements of the NFR and FRP and the relevant NAMEADSMO FRR. They are prepared on a non-going concern basis, in consideration of the decisions taken by the Participants.

As a legacy recap, in 2010 the United States decided to continue funding the MEADS program only through the D&D phase of the current MoU, hence no agreement could be reached for a subsequent procurement phase. In 2011 the scope of work was revised to maintain the total cost within the MoU limits, while still yielding meaningful results for Germany and Italy and a possible future option for the US.

Based on this situation, in 2012 the NAMEADSMO BoD requested a plan for the orderly transition to close out the Agency by mid-2014. Subsequently, in June 2014 the BoD approved a new plan to initiate the liquidation of the entity on 1 February 2015. In the end, the BoD submitted a formal request to the NAC to place NAMEADSMO into Liquidation on 4 April 2016. This request was approved and became effective on 1 July 2016. Consequently, NAMEADSMO became “NAMEADSMO in Liquidation”, operating through a small “Office of the Liquidator”.

Accounting estimates and judgments

In accordance with IPSAS, the financial statements necessarily include amounts based on estimates and assumptions made by management and based on 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 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, revenue and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods are not likely to be significant to the financial statements.

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 in IPSAS 3. For the 31 December 2016 financial statements, the accounting policies have been applied consistently throughout the reporting period. There have been no changes in accounting policy during 2016.

Restatements

NAMEADSMO i.L. has not restated any balances.

Changes in pronouncements

Some new standards, alignments of standards and interpretations were issued but have not been applied by NAMEADSMO i.L. in preparing the financial statements:

IPSAS	Name	Effective date for periods beginning on or after
IPSAS 33	First-time Adoption of Accrual Based IPSASs	01 January 2017
IPSAS 34	Separate Financial Statements	01 January 2017
IPSAS 35	Consolidated Financial Statements	01 January 2017
IPSAS 36	Investments in Associates and Joint Ventures	01 January 2017
IPSAS 37	Joint Arrangements	01 January 2017
IPSAS 38	Disclosure of Interests in Other Entities	01 January 2017
IPSAS 39	Employee Benefits	01 January 2018
IPSAS 40	Public Sector Combinations	01 January 2019

None of these are expected to have a significant effect on the financial statements of NAMEADSMO i.L..

Foreign Currency

These financial statements are presented in US Dollars (USD), which is NAMEADSMO i.L.'s reporting currency. EURO (€) currency transactions are translated into equivalent USD at the average monthly NATO exchange rates, with the exception of foreign exchange transactions, which are converted at the daily exchange rate. Monetary assets and liabilities denominated in foreign currencies at period-end are translated into USD using the NATO exchange rates applicable at 31 December 2016. Resulting realized and unrealized gains and losses are recognized in the Statement of Financial Performance.

Financial Instruments disclosure/presentation

NAMEADSMO i.L. uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, provisions and liabilities. Financial instruments are recognized in the Statement of Financial Position at fair value.

Financial risk factors

NAMEADSMO i.L. is minimally exposed to a variety of financial risks, including credit, liquidity and currency risks.

a. Credit risk

The OotL holds current bank account balances with registered banking institutions in the USA and Germany. Wells Fargo (US) and Sparkasse (Germany) have a very low long term credit risk rating. In accordance with Fitch, the following are the latest bank deposit ratings assigned:

- Wells Fargo Bank: AA/F1+
- Sparkasse Koblenz: A+

b. Liquidity risk

The OotL does not expect to encounter any difficulty in meeting obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees funds for the total approved budget.

c. Currency risk

The OotL continues to operate on the contributions received from the Participants in USD (\$) and EURO (€), based on the FMPD in prior years. Generally, expenses are paid in the same currency as the receipts. For the Operational Budget, total obligations for each currency may not match the available resources in the same currency, yielding some foreign exchange risk from fluctuations in currency rates. However, the BoD authorized foreign exchange money market operations, if necessary, to maintain adequate funding level in each currency to hedge this risk (decision D15/09). The exposure of financial instruments to foreign currency exchange risk associated with the Administrative Budget is insignificant as contributions and expenditure are made in USD only.

Revenue and Expense Recognition

Revenue comprises contributions from Participants to fund the entity's 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 revenue recognition is matched with the recognition of expenses. The different types of revenue within the entity are:

Administrative Budget

Administrative Budget contributions fund the costs of NATO contract personnel and the goods and services to be rendered toward the performance of tasks to be executed by NAMEADSMO i.L. over an agreed period of time. Contributions are initially recorded as unearned revenue liabilities. They are recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as estimated in the Administrative Budget.

Operational Budget

NAMEADSMO i.L. considers itself to be the “construction manager” of a project which was the design and development of the MEADS system. Contract costs are recognized as incurred. The entity's construction activities and technical supervision have been contracted to the private sector, utilizing a cost plus fixed fee contract. Revenue related to cost reimbursement contracts is recognized by reference to the allowable costs incurred during the period. Contracts for the project are considered to be full cost recovery as funding of the authorized project is provided by the Participants in advance.

Budget Execution

Total budgetary resources are comprised of assessed contributions from the Participants. The budgets are Administrative (costs for agency personnel, supplies and services, furnishings and equipment), and Operational (costs associated with the MEADS system development and ancillary contracts). Costs are further categorized by chapters, items and sub-items within the separate budgets. In accordance with IPSAS 24, a Budget Execution Statement is presented in Annex I.

The BoD with Decision D22/01 has decided that the ending balance of the NAMEADSMO budget, as of 30 June 2016 for OB and AB, including the credits to be carried forward, will be the opening balance of the Budget for NAMEADSMO i.L. on 01 July 2016.

The BoD, with Decision D22/02 decided that the delta between the opening balance and the already approved OB 2016 and AB 2016 budgets will be used by the OotL for the financial requirement through the end of the year 2016.

Cash Flow Statements

NAMEADSMO i.L. has elected to use the direct method of presentation in these financial statements, in accordance with IPSAS.

Financial Assets

The financial assets are cash and cash equivalents, accounts receivable and prepayments. They are measured at fair value. Bank deposits denominated in foreign currencies are translated to reporting currency at the closing date NATO exchange rate. Changes in fair value are recognized in the Statement of Financial Performance.

Financial Liabilities

The financial liabilities are accounts payable and accruals, and advances and unearned revenue from Participants. They are measured at fair value. Changes in fair value are recognized in the Statement of Financial Performance.

As consequence of the 1 July 2016 transition into liquidation, all NAMEADSMO assets and liabilities were subsumed into NAMEADSMO i.L. assets and liabilities.

Receivables

Amounts receivable are stated at fair value in the Statement of Financial Position. No provision for doubtful debts is necessary as all receivables are deemed to be collectible.

Prepayments

Advance payments to vendors are reflected as prepayments in the Statement of Financial Position.

Accounts Payable and Accruals

Accounts Payable represent amounts for which goods and/or services, supported by an invoice, have been received by period-end but which remain unpaid. Accruals represent amounts for goods and/or services which are not yet supported by an invoice at period-end.

Deferred Revenue

Deferred revenue represents contributions from Participants and/or third parties that have been called for current or prior years' budgets but that have not yet been recognized as revenue.

Property, Plant and Equipment (PP&E)

PP&E is reported in the financial statements in accordance with internal policy guidance for Property, Plant and Equipment for the Administrative Budget. No changes occurred with the criterion adopted by former NAMEADSMA's internal policy guidances. PP&E is recognized in accordance with the criteria relating to control outlined in the NATO Accounting Framework.

After recognition as an asset, an item of PP&E is carried at its historical cost less any accumulated depreciation. Total cost consists of the asset purchase price plus any installation costs for bringing the asset to working condition for its intended use.

As allowed under the NATO Accounting Framework, NAMEADSMO i.L. uses capitalization thresholds based on its activities and size. These thresholds are lower than the agreed NATO thresholds in the framework.

NAMEADSMO i.L. uses the straight-line method of depreciation (calculated by dividing the cost equally over the asset's useful life) with a half-year rule to recognize assets with six months depreciation in the first year regardless of the date the asset was received. The half-year rule treats all property acquired during the year as being acquired exactly in the middle of the year. This means that only half of the full-year depreciation is allowed in the first year, with the remaining balance being deducted in the final year of the depreciation schedule, or the year that the property is disposed.

The estimated useful lives for asset classes applicable to NAMEADSMO i.L. are listed in the table below:

Asset Class	Depreciation Method	Useful Life Years	Capitalization Threshold Dollars (\$)	Notes
Leasehold Improvements	Straight-Line	40	65,000	Major Building Renovations
Furniture & Fixtures	Straight-Line	10	1,000	Per item cost
Communication Systems	Straight-Line	3	1,000	Per item cost
Automated Information Systems	Straight-Line	3	1,000	Per item cost
Major Software	Straight-Line	3	65,000	Acquired Externally

Note that for some items the useful life is longer than the estimated life of the Agency. The depreciation expense was adjusted in 2012 and again in 2013 to the estimated expected end of the life of the Agency. The final year of depreciation for all remaining NAMEADSMO assets was 2015. Consequently, everything received by the NAMEADSMO i.L. - OotL, on 01 July 2016, is already fully depreciated to zero book value.

Intangible Assets

NAMEADSMO i.L. does not have any intangible assets.

Retirement benefit plans: NATO Defined Contribution Pension Scheme (DCPS)

Contributions to the NATO defined contribution pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO International Staff (IS).

Retirement benefit plans: NATO Defined Benefit Scheme

Contributions to the NATO defined benefit scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO IS.

Provisions

Provisions are recognized when the entity has a legal or constructive obligation as a result of a 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.

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events whose 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 NAMEADSMO i.L..

Reserves and Net Assets

NAMEADSMO i.L. operates on a “no profit, no loss” basis. As such, it does not have net assets; any surplus gained in the year becomes payable to the Participants while any deficit becomes a receivable from the Participants.

Comparative Figures

Due to pro-rating the 2016 into two semesters, one still under NAMEADSMO and one under the NAMEADSMO i.L., a comparison is provided on a 6 months basis against the last financial statements presented for the first half of 2016.

Note 2. Cash and Cash Equivalents

1 Jul – 31 Dec 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	3,902,047				7,957,438	12,022,981
Administrative		36,027		7,132	6,160,049	6,203,208
TOTAL	3,902,047	36,027	-	7,132	14,117,487	18,226,189

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	5,259,754				10,170,649	16,119,956
Administrative		225,401		7,700	6,717,683	6,950,783
TOTAL	5,259,754	225,401	-	7,700	16,888,331	23,070,739

The agency's cash includes deposits which are held in non-interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in USD (\$) and Euro (€) currencies.

Note 3. Receivables

1 Jul – 31 Dec 2016:

There are no receivables as at 31 December 2016.

1 Jan – 30 Jun 2016:

There are no receivables as at 30 June 2016.

Note 4. Prepayments

1 Jul – 31 Dec 2016:

There are no prepayments as at 31 December 2016.

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						-
Administrative					1,809	1,809
TOTAL	-	-	-	-	1,809	1,809

Note 5. Property, Plant and Equipment

The gross carrying amount and the accumulated depreciation at the beginning and end of the period can be seen in the table below. A reconciliation of the carrying amount at the beginning and end of the period is also displayed.

	Furniture & Fixtures		Communication Systems		Automated Information Systems		Major Software		Total	
Reporting Period	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2016
Gross Carrying Amount, opening	7,710	33,943	-	13,422	13,274	202,873	-	-	20,984	250,238
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	(1,315)	(26,233)	-	(13,422)	-	(189,599)	-	-	(1,315)	(229,254)
Loss on Disposals	-	-	-	-	-	-	-	-	-	-
Gross Carrying Amount, closing	6,395	7,710	-	-	13,274	13,274	-	-	19,669	20,984
Accumulated Depreciation, opening	7,710	33,943	-	13,422	13,274	202,873	-	-	20,984	250,238
Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	(1,315)	(26,233)	-	(13,422)	-	(189,599)	-	-	(1,315)	(229,254)
Accumulated Depreciation, closing	6,395	7,710	-	-	13,274	13,274	-	-	19,669	20,984
Net Carrying Amount	-	-	-	-	-	-	-	-	-	-

Note 6. Accounts Payable and Accruals**1 Jul – 31 Dec 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	1,057,694	-		-	-	1,102,011
Accrued Expenses	235,298	-		-	201,757	446,914
Total Operational	1,292,992	-	-	-	201,757	1,548,925
Administrative						
Accounts Payable						-
Accrued Expenses		79		138	24,530	24,747
Total Administrative		79		138	24,530	24,747
TOTAL	1,292,992	79	-	138	226,287	1,573,672

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	57,252	-		-	204,159	268,917
Accrued Expenses	385,189	-		-	346,142	781,830
Total Operational	442,442	-	-	-	550,302	1,050,747
Administrative						
Accounts Payable						-
Accrued Expenses		902		58	111,067	112,027
Total Administrative		902		58	111,067	112,027
TOTAL	442,442	902	-	58	661,368	1,162,774

Payables to contractors and suppliers include invoices received from suppliers but not yet paid and estimated accrued expenses. The continued decrease is due to the winding down of the program.

Note 7. Deferred Revenue and Advances**1 Jul – 31 Dec 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Advanced Contributions	-		-			-
Deferred Revenue	2,609,055	-	-	-	7,755,680	10,474,055
Total Operational	2,609,055	-	-	-	7,755,680	10,474,055
Administrative						
Advanced Contributions		-		-	-	-
Deferred Revenue		35,949		6,994	6,135,517	6,178,461
Total Administrative		35,949		6,994	6,135,517	6,178,461
TOTAL	2,609,055	35,949	-	6,994	13,891,198	16,652,516

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Deferred Revenue	4,980,312	-	-	-	9,620,347	15,253,578
Total Operational	4,980,312	-	-	-	9,620,347	15,253,578
Administrative						
Deferred Revenue		40,130		7,643	6,608,423	6,656,196
Total Administrative		40,130		7,643	6,608,423	6,656,196
TOTAL	4,980,312	40,130	-	7,643	16,228,770	21,909,774

Deferred revenue includes uncommitted funds and lapses that Participants have instructed remain on the program accounts rather than be returned to the respective national treasuries.

Note 8. Other Current Liabilities**1 Jul – 31 Dec 2016:**

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jul – 31 Dec 2016.

1 Jan – 30 Jun 2016:

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 30 Jun 2016.

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Note 9. Provisions and Contingent Liabilities

The OotL does not have any provisions or contingent liabilities to report.

Note 10. Revenue**1 Jul – 31 Dec 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	2,371,257.18	-	-	-	1,864,666	4,408,984
Administrative		9,468		648	472,906	483,022
TOTAL	2,371,257	9,468	-	648	2,337,572	4,892,005

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	1,885,592.45	-	-	-	3,986,257	6,140,219
Administrative		188,895		516	1,334,009	1,523,420
TOTAL	1,885,592	188,895	-	516	5,320,266	7,663,639

Note 11. Expenses**1 Jul – 31 Dec 2016:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Prime Contract (MI)					1,049,807	1,157,576
Support (MEADS LLC+LFS+FMS)	-				325,000	93,942
Test and Target						325,000
MFCR#1 and MFCR#2	1,491,799				288,103	1,857,254
GE only items (GE ACO & TOC)	879,458					975,212
Miscellaneous						-
Total Operational	2,371,257	-	-	-	1,662,909	4,408,984
Administrative						
Personnel					371,156	371,156
Operating		9,468		648	101,749	111,866
Total Administrative		9,468		648	472,906	483,022
TOTAL	2,371,257	9,468	-	648	2,135,815	4,892,006

1 Jan – 30 Jun 2016:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Prime Contract (MI)	546,566				2,397,568	3,012,813
Support (MEADS LLC+LFS+FMS)	77,005				841,652	929,164
Test and Target						-
MFCR#1 and MFCR#2	938,250				747,018	1,821,234
GE only items (GE ACO and TOC)	323,771					376,988
Miscellaneous					20	20
Total Operational	1,885,592	-	-	-	3,986,257	6,140,219
Administrative						
Personnel					1,027,236	1,027,236
Operating		188,895		516	306,773	496,185
Depreciation						-
Total Administrative		188,895		516	1,334,009	1,523,420
TOTAL	1,885,592	188,895	-	516	5,320,266	7,663,639

Note 12. Personnel Expenses

The figures disclosed below represent the costs of NATO personnel including salary, allowances, complementary insurance, and pension plan contributions. The amount for Personnel Expense in Note 11 is greater than the employee benefits expense defined in this note because Note 11 includes all Chapter 1 budget Personnel items such as recruitment/separation, home leave, contractor personnel expense, etc.

	31 Dec 2016 (1 person)	30 Jun 2016 (~2 people)
Employee Benefits Expenses	\$ 331,518	\$ 811,683
Post Employment Benefits	\$ 17,673	\$ 55,102

The OotL does not accrue untaken leave. In accordance with CPR Article 42.3, untaken leave must be taken within the allowed time period or will be forfeited.

The OotL does not have any termination benefits because the Agency expects to honour all existing NATO personnel contracts.

NATO Pension Schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements. NATO IS manages these systems centrally on behalf of the other NATO entities.

Note 13. Leases

The OotL has an operational lease for smaller office space with the BR Cumming Research Park Portfolio III, TIC 1, LLC, which terminates on 30 April 2019. The obligated base lease payments from 01 January 2017 through 30 April 2019 total \$86,672. In addition, the OotL pays monthly operating expenses which are estimated to be \$4,897 for 2017 and are yet to be determined for the remainder of this lease period.

The tenant retains the right to terminate and cancel the lease on 31 December 2017. In the event this right is exercised, the tenant must provide written notice no later than 1 October 2017, and remit an early termination fee in the amount of \$6,137 within thirty days of giving notice.

The OotL does not have any financial leases.

Note 14. Draw Down of Operations

As a result of the Participants' decisions, the OotL continues to draw down operations until the final settlement of the Close-out of the Program.

Consistent with previous years and to avoid any transportation and/or disposal cost, the OotL donated administrative property to charitable organizations/public institution with no revenue proceeds. From 01 July 2016 to 31 December 2016, the OotL donated capital and non-capital assets whose total acquisition cost was \$15,872. These assets included office furnishings and IT equipment. The donations are in accordance with the FLCC decision FD10/02, 19 May 2015, which authorized the donation of surplus property assets in compliance with Article 17 of the NFRs.

For the purpose of the prime contract scope (D&D), the prime contractor and all sub-contractors separately maintain control and accountability of all material purchased or assembled. The Participants will continue to review an agreed upon dissolution process for D&D. The OotL's role in this process is to serve as a facilitator.

Part of the draw down includes the distribution of the Nations' program assets.

In October 2016, NAMEADSMO i.L. – OotL – on behalf of the German government awarded a bailment agreement with Lockheed Martin Syracuse.

A bailment agreement is an agreement whereby one agrees to take physical possession of another one's property for safekeeping or other purposes, but does not take ownership of it, with the understanding it will be returned at a later date.

Under this agreement, industry is in possession of the property and responsible for all loss or damage of it during the bailment and until the end of the agreement. The value of the assets is approximately \$2.642M.

In March 2017, NAMEADSMO in Liquidation – OotL – on behalf of the Italian government entered into another bailment agreement with Leonardo SpA. This agreement follows the same provisions as for the one for Germany mentioned above. The value of the assets is approximately €2.658M (EUSD 2.769M at year-end rate 2016).

Germany and Italy have chosen this form of agreement to maintain and have their hardware ready as government furnished equipment for future programs.

Note 15. Write-Off

In accordance with the NATO Financial Regulations (NFRs) Article 17 and the NAMEADSMO Financial Rules and Regulations (FRR Section VIII, 127), 41 capitalized items were written off in 2016 whose gross carrying amount was \$1,315 and whose net book value was zero. These assets included office furnishings, communication and automated information systems.

Note 16. Employee Disclosure

During 2016, there was no US government personnel detailed to the agency.

Note 17. Related Parties

The OotL is under direct control of NAMEADSMO i.L.'s Board of Directors.

The key management personnel of the OotL and the BoD have no significant related party relationships that could affect the operation of this reporting entity. Board members receive no remuneration and the Liquidator is remunerated in accordance with the published NATO pay scales. Neither receives loans that are not available to all staff.

NATO IS, who deals with NATO pensions on behalf of other NATO entities, is a related party due to the OotL's pension plans being handled centrally at NATO HQ. NATO IS performed administrative support services for the OotL in 2016, for which a total fee of \$43,357 (€39,164) had been charged and paid. Only half of this amount was accounted for NAMEADSMO i.L. (period 01Jul-31Dec 2016).

During second half of 2016, there is one key management personnel: the Liquidator. The aggregate remuneration of key management personnel includes salary, allowances, and complementary insurances and was as follows for the period 01 Jul – 31 Dec 2016:

	31 Dec 2016 (1 person)	30 Jun 2016 (~2 people)
Aggregate Remuneration	\$ 91,030	\$ 194,727
Post-Employment Benefits (DCPS)	\$ -	\$ 14,391

Note 18. Representation Allowance

There were no qualifying officials to receive Representation Allowance in 2016.

Note 19. Events after the Reporting Date

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

Effective 16 February 2017 the contract with MEADS LLC was closed out. Furthermore, the contract relating to the MFCR#1 was amended and the overall contract ceiling decreased.

G. Report of Management

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense Missile System Management Organization in Liquidation's (NAMEADSMO i.L.) Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the NATO accounting framework adopted by NAC in 2013. The Agency's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements.

The NAMEADSMO i.L. Financial Statements are approved and certified by the Liquidator and the Financial Controller respectively to the best of their knowledge and according to the applicable accounting standards to give a true and fair view, in all material respect, of the assets, liabilities, financial position and financial performance of NAMEADSMO i.L. and to be in accordance with the books and records maintained.


Nils Kusserow
Liquidator


Gianvito Greco
Financial Controller

Annex I – Budget Execution

The BoD approved the Administrative and Operational budgets for the entire year 2016 at the end of 2015. However, due to the transition of NAMEADSMO to NAMEADSMO in Liquidation, the BoD decided that the delta between the opening balance and the already approved OB 2016 and AB 2016 will be used by the OotL for the financial requirements through the end of the year 2016 (BoD Decision 22/02) including lapsed credits and credits to be carried forward from the prior period.

The Budget Execution Statement is cash based, showing the budget expenditures from July through December 2016.

Statement of Budget Execution for the period 1 Jul – 31 Dec 2016

Equivalent USD	Carry Forward	Budgeted for Jan-Jun 2016	New requirement	Budget Amendment	Final budget	Commitments	Jul-Dec 2016 Budget Actuals	Carry forward	Lapses
Budget Jul-Dec 2016 Operational									
Chapter 3			2,285		2,285	2,285	-	2,152	133
Total FY 2016	-		2,285	-	2,285	2,285	-	2,152	133
Budget Jul-Dec 2016 Administrative									
Chapter 1 Personnel		81,215	499,664	(15,000)	565,880	452,371	429,071		113,508
Chapter 2 Admin/Svcs		30,812	453,005	15,000	498,817	135,581	134,134		363,235
Chapter 4 Investments			125,502		125,502	-			125,502
Total FY 2016	-	112,027	1,078,171	-	1,190,198	587,953	563,205	-	602,246
Budget Jan-Jun 2016 Operational									
Chapter 3	3,013,141				3,013,141	3,013,141	-	3,013,141	-
Total FY 2016	3,013,141		-	-	3,013,141	3,013,141	-	3,013,141	-
Budget Jan-Jun 2016 Administrative									
Chapter 1 Personnel	14,600				14,600	14,600	-	14,600	-
Total FY 2016	14,600		-	-	14,600	14,600	-	14,600	-
Budget 2015 Operational									
Chapter 3	5,639,723	700,443			6,340,166	6,340,166	2,698,642	294,828	1,813,001
Total FY 2015	5,639,723	700,443	-	-	6,340,166	6,340,166	2,698,642	294,828	1,813,001
Budget 2015 Administrative									
Total FY 2015	-		-	-	-	-	-	-	-
Budget 2014 Operational									
Chapter 3	5,940,910	376,365			6,317,275	6,317,275	1,324,210	-	4,786,341
Total FY 2014	5,940,910	376,365	-	-	6,317,275	6,317,275	1,324,210	-	4,786,341
Budget 2014 Administrative									
Total FY 2014	-		-	-	-	-	-	-	-
Total Operational Jul-Dec 2016	14,593,774	1,076,808	2,285	-	15,672,867	15,672,867	4,022,852	3,310,121	6,599,475
Total Administrative Jul-Dec 2016	14,600	112,027	1,078,171	-	1,204,798	602,553	563,205	14,600	602,246
Total all budgets	14,608,374	1,188,835	1,080,456	-	16,877,665	16,275,420	4,586,058	3,324,721	7,201,721

Explanation of Carry Forward and Lapsed Credits/Ending Balance

Operational Budget:

In the Budget Execution Statement, the total amount of the carry forward on 31 December 2016 for Chapter 3 (Design and Development) is \$3,310,121 (in equivalent Dollars) which mostly covers ongoing efforts for the MFCR#1 and German safeguarding activities. Lapses (\$6,599,475) are funds mostly allocated to the cost plus fixed fee contract with MEADS International which is in the process of being closed out. The funds would have been carried forward for the 3rd time and consequently lapsed.

Administrative Budget:

The carry forward amount of \$14,600 is primarily due to funds committed in Chapter 1 – Personnel Expenses – for a removal that has not yet occurred.

The lapsed credits are funds that were approved by the BoD for the entire year 2016 Administrative Budget but were not obligated or spent by the end of 2016.

Budget Transfers

For the Administrative Budget, transfers of credits between budget chapters can be made after approval of the BoD. The Liquidator may authorize transfers within any chapter between items and among sub-items within an item concerning recurring expenditure and within any item concerning capital expenditure. In accordance with the NATO Financial Regulations (NFR III Art. 10), a statement of Administrative Budget budgetary transfers recorded in the second half of 2016 is presented in the table below. All other transfers were approved by the BoD by way of an amendment to the Administrative Budget.

Item	Name	Transfers within AB (Jul-Dec 2016)
Budget 803 - 3 Nations (GE/IT/US)		
2743	Miscellaneous	(1,500)
2610	Hospitality	1,500
1110	Basic Salary	(12,800)
1125	Complementary Insurance	12,800

For the Operational Budget, transfers of credits between budget chapters and items can be made after approval by the BoD. The Liquidator may authorize transfers between sub-items within any chapter item. From 1 Jul through 31 Dec 2016 there were no Operational Budget transfers authorized by the Liquidator. All transfers were agreed by way of an amendment to the Operational Budget approved by the BoD.

Budget Execution Reconciliations

- A.** Reconciliation of expenses in the Statement of Cash Flows to the actuals in the Budget Execution Statement. All Euro figures are in equivalent US dollars.

	Administrative	Operational
Statement of Cash Flow - Cash paid to Contractors/ Suppliers and Employees	\$ 569,652	\$ 3,910,433
Less:		
Euro payments at Nato Average Fx rate		(1,697,222)
Returns	(1,159)	
Gains and losses on actual foreign exchange transactions	(5,288)	
Plus:		
Euro payments at MOU rate 1.19		1,809,641
BES Actuals	\$ 563,205	\$ 4,022,852

- B.** Reconciliation of the expenses in the Statement of Financial Performance to the actuals in the Budget Execution Statement. All Euro figures are in equivalent US dollars.

	Administrative	Operational
Statement of Financial Performance Expenses	\$ 483,022	\$ 4,408,984
Plus:		
Euro payments at MOU rate 1.19		1,809,641
Opening accruals	112,027	1,050,747
Less:		
Euro payments at Nato Average Fx rate	(5,288)	(1,697,222)
Closing accruals	(24,747)	(1,548,925)
Opening receivables and prepaids	(1,808)	
Adjustment for Accruals		(372)
BES Actuals	\$ 563,205	\$ 4,022,852

Annex II: Budget Calls and Receipts

The Operational and Administrative Budget contributions are called based on cash requirements and within the FMPD schedule and limits. The Operational Budget reached the contribution ceiling in 2013, the Administrative Budget reached the contribution ceiling in 2014 and as such there were no calls made in 2016 by the OotL.