NORTH ATLANTIC COUNCIL

CONSEIL DE L'ATLANTIQUE NORD

NATO UNCLASSIFIED

18 February 2019

NOTICE
PDN(2019)0006

PUBLIC DISCLOSURE NOTICE

Public Disclosure of Current NATO Information
IBAN Audits of Financial Statements of
the New NATO Headquarters

Reference: (a) C-M(2018)0076-AS1

1. On 21 December 2018, the Council approved, under silence procedure in reference (a), the public disclosure of the Resource Policy and Planning Board (RPPB) report attached to C-M(2018)0076, the redacted 2017, 2016 and 2015 financial statements of the new NATO Headquarters and the associated IBAN audit reports (IBA-A(2018)0092; IBA-A(2018)0008, and IBA-A(2018)0007).

(Signed)
Ineke Deserno
NATO Archivist

Action Officer: Nicholas Nguyen
Original: English

10 December 2018

NOTICE
AC/335-N(2018)0050-AS1

RESOURCE POLICY AND PLANNING BOARD

IBAN AUDIT ON THE 2017, 2016 AND 2015 FINANCIAL STATEMENTS OF THE NEW NATO HEADQUARTERS (NNHQ)

ACTION SHEET

Note by the Secretary

On 10 December 2018, under the silence procedure, the RPPB approved the report at Annex 1 to AC/335-N(2018)0050 for consideration by the Council.

(Signed) L. HAYES

Note: This Action Sheet is part of and should be attached to the subject Notice as the top sheet.

Original: English

03 December 2018

NOTICE
AC/335-N(2018)0050
Silence Procedure ends:
10 Dec 2018 17:00

RESOURCE POLICY AND PLANNING BOARD

IBAN AUDIT ON THE 2017, 2016 AND 2015 FINANCIAL STATEMENTS OF THE NEW NATO HEADQUARTERS (NNHQ)

Note by the Chairman

1. I attach a draft RPPB report on the International Board of Auditors for NATO (IBAN) audits of the 2017, 2016 and 2015 financial statements of NNHQ. The IBAN audits set out unqualified opinions on both the 2017 financial statements and compliance for NNHQ and qualified opinions on the financial statements and compliance for financial years 2015 and 2016.

2. I do not believe this report requires formal discussion in the RPPB. Agreement to this report will therefore be assumed unless comments to the contrary are received by **17:00 on Monday 10 December 2018** after which it will be submitted to Council for notation and approval of the RPPB's recommendations on public disclosure.

(Signed) Marek Powalski

1 Annex

Action Officer: R. Green, Ext. 4324
Original: English

IBAN AUDIT ON THE 2017, 2016 AND 2015 FINANCIAL STATEMENTS OF THE NEW NATO HEADQUARTERS (NNHQ)

Report by the Resource Policy and Planning Board (RPPB)

References:

A.	IBA-A(2018)0092	IBAN Audit on the 2017 Financial Statements of NNHQ
B.	IBA-A(2018)0008	IBAN Audit on the 2016 Financial Statements of NNHQ
C.	IBA-A(2018)0007	IBAN Audit on the 2015 Financial Statements of NNHQ

INTRODUCTION

1. This report covers the audits of the 2017, 2016 and 2015 financial statements of NNHQ submitted by the IBAN (reference A-C) which set out unqualified opinions on the financial statements and compliance for financial year 2017 and qualified opinions on the financial statements and compliance for financial years 2015 and 2016.

OBSERVATIONS

2. 2017 Audit Report: The IBAN found that significant progress was made by NNHQ in 2017: only one observation was identified by IBAN and all four observations from previous years were settled. The new observation in 2017 was that estimates of accrued expenses provided by Belgium's Project Management Team (PMT) were unreliable. The IBAN noted the amount initially reported by the PMT, €40.8 million of expenses incurred during 2017, but not yet billed to NNHQ, was incorrect. The amount was later reduced by the PMT to €28.8 million and corrected by the International Staff (IS) Office of the Financial Controller (OFC). The IBAN recommends the OFC obtain supporting documentation to substantiate the estimates of accrued expenses provided by the PMT.

3. The IS FC projects this observation will be settled with the issuance of the 2018 financial statements.

4. 2016 and 2015 Audit Reports: The IBAN did not identify any new observations in its audit on the 2016 financial statements. The audit opinion on the 2016 restated financial statements was qualified due to the lack of reliability and comparability of the 2015 financial data included in the 2016 financial statements. Four observations remained outstanding and two of these continued to impact the audit opinion on compliance. The IS Financial Controller agreed with all the recommendations proposed by the IBAN.

4.1. During the audit on the 2015 financial statements the IBAN made five observations; one of which affected the audit opinion on both the financial statements and on compliance; three other observations impacted the audit opinion on compliance; and one observation did not impact the audit opinion.

4.2. The main problem the IBAN encountered during the audit on the 2015 financial statements, and the observation that impacted the audit opinion on the financial statements and on compliance, was the inability to obtain sufficient and appropriate audit evidence to enable the IBAN to conclude that the financial statements were free from material misstatement. The IBAN also found material differences between the financial statements and the balances reported in the new Enterprise Resource Planning (ERP) system that was just being introduced by the IS at the time. The IBAN was provided with better details and information for the 2016 financial statements but highlighted that problems remained with the lack of full transparency and availability of the accounting data for all accounting transactions in the ERP system. In particular, the IBAN found that there was no multi-level review process to ensure overall quality of the financial statements and their compliance with applicable reporting frameworks.

4.3. The specific accounting issues identified by the IBAN in the audit on the 2015 financial statements were largely due to challenges encountered during the first months of use of the new ERP system. The issues identified by the IBAN were taken into account by the IS OFC and adjustments were made in 2016 and 2017.

4.4. The IBAN identified three observations that impacted the audit opinion on compliance on the 2015 financial statements. Firstly, the financial statements were not issued within the timeframe required in the NATO Financial Regulations. The 2016 financial statements were also issued late. Secondly, no statement of internal control (SIC) was issued with the 2015 financial statements; this observation was settled as a SIC was issued with the 2016 financial statements. Thirdly, the IBAN found the IS did not perform monthly reconciliations of cash balances between the accounting system and bank statements during 2015; this continued to be an audit observation and a basis for qualification on compliance on the 2016 financial statements.

4.5. Additionally, the IBAN found significant delays in providing required information for the conduct of the audit. This observation did not impact the audit opinion.

DISCUSSION

5. The RPPB is pleased with the progress made by NNHQ from 2015 to 2017. The IS OFC has come a long way: implementing the ERP system, training and recruiting the appropriate staff, and effectively updating the financial reporting processes. The RPPB notes the improvements made in several areas in comparison with the weaknesses outlined in the audits on the 2015 and 2016 financial statements (reference B and C).

CONCLUSION

6. The issues identified by the IBAN in their audit on the 2015 and 2016 financial statements of the New NATO Headquarters were primarily due to challenges involved in ERP implementation and persistent staffing issues in the Office of the Financial Controller. The challenges associated with ERP implementation were steadily addressed. No new audit issues were identified by the IBAN in the 2016 financial statements which present fairly the financial position of the New NATO Headquarters as of 31 December 2016, and of its financial performance and its cash flows for the year ended. One new observation was identified in 2017, but it did not impact the audit opinion and was largely out of the control of the Office of the Financial Controller. The IBAN issued NNHQ unqualified opinions on the financial statements and on compliance for financial year 2017.

RECOMMENDATIONS

7. The RPPB recommends that Council:

7.1. note the IBAN reports at references A-C;

7.2. endorse the conclusion at paragraph 6; and,

7.3. agree to the public disclosure of this report, the redacted 2017, 2016 and 2015 financial statements of NNHQ and associated IBAN audit reports.

North Atlantic Treaty Organization
Organisation du Traité de l'Atlantique Nord
International Board of Auditors
Collège International des Commissaires aux Comptes

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IBA-A(2018)0092
27 August 2018

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

Cc: Assistant Secretary General, Executive Management Division
Financial Controller, International Staff (IS)
Chairman, Resource Policy & Planning Board (RPPB)
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (Board) Auditor's Report and Letter of Observations and Recommendations on the audit of the New NATO Headquarters (NNHQ) Restated Financial Statements for the year ended 31 December 2017 - IBA-AR(2018)0026***

The Board submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

The Board's report sets out an unqualified opinion on the restated financial statements of the New NATO Headquarters and on compliance for the financial year 2017.

Yours sincerely,

(Signed) Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

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Summary Note for Council
by the International Board of Auditors for NATO (Board)
on the audit of the Restated Financial Statements of the
New NATO Headquarters (NNHQ)
for the year ended 31 December 2017

At the Washington Summit, in April 1999, the Heads of State and Government of NATO countries formally decided to build a new NATO Headquarters in Brussels to meet the Alliance's needs in the twenty-first century. The North Atlantic Council, upon recommendation of the Civil Budget Committee, approves the budget for the new NATO Headquarters. It is funded from national contributions based on a specific cost-share agreement among the NATO nations.

The total overall budget is EUR 1.179 billion

Budget authorisations for 2017 totalled EUR 148.5 million, of which EUR 86.2 million relates to the 2017 budget and EUR 62.4 million relates to credits brought-forward from prior year budgets.

The total valuation of the New NATO Headquarters under construction as of 31 December 2017 was recorded for an amount of EUR 1,060 million.

The Board issued an unqualified opinion on the New NATO Headquarters Restated Financial Statements and on compliance for the year ended 31 December 2017.

During the audit, the Board made one observation with recommendation. This observation does not impact the audit opinion.

1. Unreliable estimate of accrued expenses from Host Nation.

The Board also followed up on the status of observations from previous years' audits and noted that all observations were settled.

The Auditor's Report (Annex 2) and the Letter of Observations and Recommendations (Annex 3) were issued to the International Staff, who had no factual or formal comments.

ANNEX 2
IBA-AR(2018)0026

27 August 2018

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE RESTATED FINANCIAL STATEMENTS OF THE

THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Report on the Restated Financial Statements

The International Board of Auditors for NATO (Board) audited the accompanying Restated Financial Statements of the New NATO Headquarters (NNHQ), which comprised the Statement of Financial Position as at 31 December 2017, the Statement of Financial Performance, the Statement of Change in Net Assets and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board also audited the Budget Execution Statement for the year ended 31 December 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of Financial Statements is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion on Restated Financial Statements

In our opinion, the restated financial statements present fairly, in all material respects, the financial position of NNHQ as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

Report on Compliance

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Opinion on Compliance

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

Brussels, 27 August 2018

(Signed) Hervé-Adrien Metzger
Chairman

ANNEX 3
IBA-AR(2018)0026

27 August 2018

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The International Board of Auditors for NATO (Board) audited the New NATO Headquarters (NNHQ) Restated Financial Statements for the year ended 31 December 2017, and issued an unqualified opinion on the financial statements and on compliance.

Observation and Recommendation

The Board's audit resulted in one observation and recommendation.

This observation does not impact the audit opinion:

1. Unreliable estimate of accrued expenses from Host Nation.

The Board also followed up on the status of the observations from the previous year's audit and found that all four observations were settled.

The Board also issued a Management Letter (reference IBA-AML(2018)0014) to the Assistant Secretary General Executive Management Division of the International Staff with observations for management's attention.

This Letter of Observations and Recommendations was formally cleared with the International Staff who had no factual or formal comments.

OBSERVATION AND RECOMMENDATION

1. UNRELIABLE ESTIMATE OF ACCRUED EXPENSES FROM HOST NATION

Reasoning

1.1 According to Article 34 of the NATO Financial Regulations (NFRs), NATO bodies shall prepare financial statements on an accrual basis of accounting. Appropriated funds which were committed and for which goods and services were rendered, but the invoice was not received by the end of the financial year, shall be recorded as an accrued liability and the commitment shall be reduced.

1.2 For the NNHQ, accrued expenses relates to work completed up to 31 December 2017 under the responsibility of the Host Nations - Belgium and its Project Management Team (PMT) and the NATO Communication Information Agency (NCIA).

1.3 For Financial purposes, Host Nations must provide to the International Staff (IS) an estimate of expected invoices for work completed in 2017 but not yet invoiced and paid.

Observation

1.4 In its annual letter, dated 21 March 2018, PMT reported a total amount of EUR 40.8 million related to invoices to be received for work completed before 31 December 2017 (construction work, Audio-visual equipment etc.). A total amount of EUR 40.8 million of accrued expenses was recorded as part of the value of assets under construction in the 2017 NNHQ Financial Statements.

1.5 The Board found that as of March 2018, an amount of only EUR 2.3 million was invoiced related to work completed in 2017. Three months later, as of end of June 2018, the total invoices paid for 2017 work amounted to EUR 15.5 million. This led to an overestimation of accrued expenses by EUR 25.3 million.

1.6 Following the Board's concern over the lack of substantiated, auditable documentation for the initial estimated figure of EUR 40.8 million, the PMT reduced the estimated amount of accrued expenses from EUR 40.8 million to EUR 28.8 million. Therefore, the IS issued Restated NNHQ Financial Statements on 18 July 2018 (FC(2018)0049-REV2).

Recommendation

1.7 The Board recommends the IS obtains documentation and substantiation for the estimates of accrued expenses provided by the PMT.

FOLLOW-UP OF PREVIOUS YEAR'S OBSERVATIONS

The Board reviewed the status of the observation and recommendation arising from the previous report. The observation and its status are summarised in the table below.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(1) NEW NHQ FY 2015 **IBA-AR(2017)28, paragraph 1** **INABILITY TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE** **Board's recommendation** The Board recommends using a trial balance, generated by the ERP system, as a main source for the preparation of the financial statements. The preparer of the financial statements should keep detailed supporting working papers in order to be able to support any balance presented or information disclosed in the financial statements (e.g. EUR 280.7 million balance in Note 16 to the financial statements). Moreover, the IS must be able to provide for each asset / liability account in the ERP system a breakdown of detail in order to properly follow-up the balance. The Board recommends improving the transparency and availability of the accounting data by recording all individual accounting transactions in the ERP system and using standard workflows for routine transactions. In situations when aggregated data is entered in the accounting program, underlying supporting details (summaries, listings, calculations, etc.) should be available within the ERP and should be subject to proper verification and approval within the system. The Board recommends implementing the multi-level financial statements review process in order to ensure the overall quality of the issued financial statements and their compliance with applicable reporting frameworks.	Better details and information was provided for the 2017 Financial Statements. The Board found documented multi-level review process to ensure overall quality of the financial statements and their compliance with applicable reporting frameworks. Some transactions were related to the clean-up of 2016 financial year, but with clear explanation and/or justification.	Observation **Settled**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(2) NEW NHQ FY 2015 **IBA-AR(2017)28, paragraph 2** **LATE ISSUANCE OF THE FINANCIAL STATEMENTS** **Board's recommendation** The Board recommends that, in future, the financial statements be submitted by 31 March, in accordance with the deadline in the NFR's.	The 2017 initial financial statements were issued on 31 March 2018 as required by the NFR's.	Observation **Settled**.
(3) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 4** **NO REGULAR RECONCILIATION ON BANK BALANCES** **Board's recommendation** The Board recommends performing and documenting regular monthly cash reconciliations, which will help to identify misstatements (if any) on a timely basis. This should include signatures of the preparer and the reviewer.	Bank balances were regularly reconciled during 2017.	Observation **Settled**.
(4) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 5** **SIGNIFICANT DELAYS IN PROVIDING INFORMATION REQUIRED FOR THE AUDIT** **Board's recommendation** The Board recommends that the IS Office of Financial Control provide required information to the Board in a timely manner. In order to meet the Board's deadlines, less flexibility will be provided in future audits.	Complementary information and clarification were provided in a timely manner.	Observation **Settled**.

NATO NEW HQ
FINANCIAL STATEMENTS

For the year ended
31 December 2017

Annexes

(Signed) Jens STOLTENBERG
Secretary General

Stephane CHAGNOT
(Signed) Financial Controller

NATO NEW HQ
Statement of financial position

As at 31 December 2017

(All amounts in EUR)

	Notes	Current Year 2017	Prior Year 2016	Variance CY-PY
Assets				
Current assets				
Cash and cash equivalents	3&4	46,271,773.49	47,467,999.34	-1,196,225.85
Short term investments	3&4	45,600,731.22	45,300,001.11	300,730.11
Receivables	5	16,046,108.33	774,888.19	15,271,220.14
Prepayments	6	35,452,140.82	64,008,770.31	-28,556,629.49
Other current assets	7	870,972.38	9,368,142.14	-8,497,169.76
Inventories	2	0.00	0.00	0.00
		144,241,726.24	**166,919,801.09**	**-22,678,074.85**
Non-current assets				
Receivables				
Property, plant & equipment	8	1,060,427,743.29	932,220,757.26	128,206,986.03
Intangible assets			0.00	0.00
Other non-current assets			0.00	0.00
		1,060,427,743.29	**932,220,757.26**	**128,206,986.03**
Total assets		**1,204,669,469.53**	**1,099,140,558.35**	**105,528,911.18**
Liabilities				
Current liabilities				
Payables	9	3,561,765.19	2,187,871.71	1,373,893.48
Deferred revenue	10	82,491,855.79	134,034,498.80	-51,542,643.01
Advances	11	28,818,516.39	20,266,158.50	8,552,357.89
Short term provisions	13			
Other current liabilities	12	29,369,588.87	10,431,272.08	18,938,316.79
		144,241,726.24	**166,919,801.09**	**-22,678,074.85**
Non-current liabilities				
Payables				
Long term provisions	13		0.00	0.00
Deferred revenue	14	1,060,427,743.29	932,220,757.26	128,206,986.03
Other non-current liabilities			0.00	0.00
		1,060,427,743.29	**932,220,757.26**	**128,206,986.03**
Total liabilities		**1,204,669,469.53**	**1,099,140,558.35**	**105,528,911.18**
Net assets				
Capital assets		0.00	0.00	0.00
Reserves		0.00	0.00	0.00
Current year Surplus / (Deficits)		0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year		0.00	0.00	0.00
Total net assets/ equity	17	**0.00**	**0.00**	**0.00**

ANNEX 2 to
FC(2018)0049- REV2

NATO NEW HQ
Statement of financial performance

As at 31 December 2017

(All amounts in EUR)

	Notes	Current Year 2017	Prior Year 2016	Variance
Revenue	15			
Non exchange revenue		8,896,116.28	3,560,762.23	5,335,354.05
Exchange revenue		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Financial revenue		0.00	0.00	0.00
Total revenue		**8,896,116.28**	**3,560,762.23**	**5,335,354.05**
Expenses	16			
Personnel		1,721,386.46	2,854,865.78	-1,133,479.32
Contractual supplies and services		7,057,255.47	671,008.14	6,386,247.33
Depreciation and amortization		8,923.91	0.00	8,923.91
Impairment		0.00	0.00	0.00
Provisions		32,835.72	0.00	32,835.72
Other expenses		0.00	0.00	0.00
Finance costs		75,714.72	34,888.31	40,826.41
Total expenses		**8,896,116.28**	**3,560,762.23**	**5,335,354.05**
Surplus/(Deficit) for the period	17	**0.00**	**0.00**	**0.00**

ANNEX 3 to
FC(2018)0049- REV2

INTERNATIONAL STAFF
Statement of cash flow
As at 31 December 2017
(All amounts in EUR)

	Notes	2017	2016
Cash flow from operating activities	18		
Surplus/(Deficit)		-	
Non-cash movements			
Depreciation/ Amortisation			-
Impairment		-	
Increase /(decrease) in payables		1,373,893.48	(608,171.21)
Increase/ (decrease) in other current liabilities		(24,051,968.33)	(62,585,021.45)
Increase/ (decrease) in provisions		-	-
(Gains)/losses on sale of property, plant and equipment		-	-
Decrease/ (increase) in receivables		(15,271,220.14)	226,321.96
Decrease/ (increase) in other current assets		37,053,799.25	(44,536,400.18)
Increase/ (decrease) in other non-current liabilities		128,206,986.03	184,663,149.03
Net cash flow from operating activities		**127,311,490.29**	**77,159,878.15**
Cash flow from investing activities	18		
Purchase of property plant and equipment / Intangible assets		(128,206,986.03)	(184,663,149.03)
Proceeds from sale of property plant and equipment			
Net cash flow from investing activities		**(128,206,986.03)**	**(184,663,149.03)**
Cash flow from financing activities	18		
Net cash flow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents	18	**(895,495.74)**	**(107,503,270.88)**
Cash, cash equivalent and short term investments at the beginning of the period		92,768,000.45	200,271,271.33
Cash, cash equivalent and short term investments at the end of the period		91,872,504.71	92,768,000.45

NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2017

(in EUR)

	Accumulated surpluses/(deficits)
Balance at 31 December 2015	**0.00**
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	**0.00**
Balance at 31 December 2016	**0.00**

Balance at 31 December 2016	**0.00**
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	**0.00**
Balance at 31 December 2017	**0.00**

(1) fixed assets in progress

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2017
n= 2017

(in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2017)0070	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01 01	Basic salaries and related expenses	4,190,419 00	0 00	4,190,419 00	4,190,419 00	694,964 97	3,495 454 03	0 00
01 02	Temporary staff and consultants	0 00	0 00	0 00	0 00	253,582 38	-253 582 38	0 00
01 03	Statutory travel	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n	4,190,419 00	0 00	4,190,419 00	4,190,419 00	948,557 35	3,241,861 65	0 00
	Carried forward							
	Financial year n-1	3,010,200 75	0 00	3 010,200 75	3 010,200 75	1,627,840 35	1 382,200 40	0 00
	Financial year n-2	748 492 92	0 00	748,492 92	748,482 92	1,208,553 01	-460,060 09	0 00
	Financial year n-3	50 864 38	0 00	50,864 38	50 864 38	50,000 05	864 33	0 00
	Financial year n-4	16 217 63	0 00	16 217 63	16 217 63	50,081 90	-33,864 27	0 00
	Financial year n-5	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-6	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-7	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-8	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-9	0 00	0 00	0 00	0 00	0 00	0 00	0 00
		8 016 194 68	0 00	8 016,194 68	8 016,194 68	3 885,132 66	4,131 062 02	0 00
II.	OPERATING COSTS							
02 01	Official missions	352 98	0 00	352 98	352 98	56 76	295 82	0 00
02 02	Administrative support	0 00	0 00	0 00	0 00	0 00	0 00	0 00
02 03	Hospitality	0 00	0 00	0 00	0 00	0 00	0 00	0 00
02 04	Telecommunications	0 00	0 00	0 00	0 00	0 00	0 00	0 00
02 05	Operating costs	8,082,247 32	0 00	8,082,247 32	8 082,247 32	1 130,290 21	6,951,957 11	0 00
02 06	Construction Site Guard	0 00	0 00	0 00	0 00	0 00	0 00	0 00
02 07	Materials Procurement	0 00	0 00	0 00	0 00	0 00	0 00	0 00
02 10	Miscellaneous and unforeseen	0 00	0 00	0 00		0 00	0 00	0 00
	Financial year n	8 082 600 00	0 00	8 082,600 00	8 082 600 00	1 130,346 97	6 952 253 03	0 00
	Carried forward							
	Financial year n-1	5,447 311 38	0 00	5,447 311 38	5 447 311 38	5 473,768 48	-26,457 08	0 00
	Financial year n-2	39 484 78	0 00	39,484 78	39 484 78	1,226,708 86	-1,187,224 08	0 00
	Financial year n-3	31 398 55	0 00	31,398 55	31,398 55	13,432 40	17 984 15	0 00
	Financial year n-4	49,573 79	0 00	49 573 79	49,573 79	50,094 60	-520 81	0 00
	Financial year n-5	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-6	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-7	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-8	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-9	0 00	0 00	0 00	0 00	0 00	0 00	0 00
		13 650 366 50	0 00	13 650 366 50	13 650 366 50	7,894 351 29	5 756 015 21	0 00
III.	INTELLECTUAL SERVICES							
03 01	Consultants & studies	707,085 00	0 00	707,085 00	707,085 00	545,085 00	162,000 00	0 00
03 02	Project management team	8,980,561 00	0 00	8,980,561 00	8 980,561 00	2,511,340 00	6,469 221 00	0 00
03 04	Concept design team	0 00	0 00	0 00	0 00		0 00	0 00
03 05	Overall CDT fees on addit Constr W	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n	9 687,646 00	0 00	9 687,646 00	9 687,646 00	3 056,425 00	6 631,221 00	0 00
	Carried forward							
	Financial year n-1	691,384 74	0 00	691 384 74	691,384 74	293,617 02	397 767 72	0 00
	Financial year n-2	315,404 50	0 00	315 404 50	315,404 50	715,575 89	-400,171 39	0 00
	Financial year n-3	899 280 00	0 00	899,280 00	899,280 00	44 375 18	854 904 82	0 00
	Financial year n-4	256,560 05	0 00	256,560 05	256,560 05	14 201 00	242,359 05	0 00
	Financial year n-5	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-6	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-7	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-8	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-9	0 00	0 00	0 00	0 00	0 00	0 00	0 00
		11 850 275 29	0 00	11 850 275 29	11 850 275 29	4 124 194 00	7 726 081 29	0 00
IV.	CONSTRUCTION WORKS							
04 01	Works Requirements	38 421,983 00	0 00	38 421,983 00	38 421,983 00	20,120,902 10	18,301 080 90	0 00
	Financial year n	38,421 983 00	0 00	38,421,983 00	38 421,983 00	20,120,902 10	18,301 080 90	0 00
	Carried forward							
	Financial year n-1	7,597 787 10	0 00	7,597 787 10	7,597 787 10	5 613,324 14	1 984 262 96	0 00
	Financial year n-2	20,105,308 00	0 00	20,105,308 00	20,105,308 00	5,471,771 54	14,633,536 46	0 00
	Financial year n-3	7,387 89	0 00	7 387 89	7 387 89	879,078 67	-871,690 78	0 00
	Financial year n-4	308,383 39	0 00	308,383 39	308,383 39	490,355 39	-181,972 00	0 00
	Financial year n-5	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-6	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-7	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-8	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-9	0 00	0 00	0 00	0 00	0 00	0 00	0 00
		66 498 859 38	0 00	66,498,859 38	66,498 859 38	32,383 641 84	34,115,217 54	0 00
V.	SPECIAL EQUIPMENT							
05 01	Special equipment	25,789 291 00	0 00	25,789,291 00	25,789 291 00	14 561,366 10	11,227,924 90	0 00
	Financial year n	25,789 291 00	0 00	25,789,291 00	25,789,291 00	14 561 366 10	11,227,924 90	0 00
	Carried forward							
	Financial year n-1	20,614 370 49	0 00	20,614,370 49	20 614 370 49	13 627 089 99	6 987,280 50	0 00
	Financial year n-2	770,677 88	0 00	770,677 88	770,577 78	978 538 65	-207,960 88	0 10
	Financial year n-3	1 345,859 00	0 00	1,345,859 00	1 345 859 00	1 345 859 00	0 00	0 00
	Financial year n-4	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-5	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-6	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-7	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-8	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-9	0 00	0 00	0 00	0 00	0 00	0 00	0 00
		48,520,198 35	0 00	48,520,198 35	48,520,198 25	30 512 953 74	18,007,244 51	0 10
	GRAND TOTAL							
	Financial year n	86,171 939 00	0 00	86,171,939 00	86,171,939 00	39,817 597 52	46 354 341 48	0 00
	Carried forward							
	Financial year n-1	37,361 054 46	0 00	37 361,054 46	37 361 054 46	26 635 939 96	10,725,114 50	0 00
	Financial year n-2	22 039 268 06	0 00	22,039,268 06	22,039 267 96	9 601,147 95	12 438,120 01	0 10
	Financial year n-3	2,334 887 82	0 00	2 334,887 82	2 334 887 82	2 132,845 30	202,042 52	0 00
	Financial year n-4	828,744 86	0 00	828,744 86	828,744 86	812,742 89	16 001 97	0 00
	Financial year n-5	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-6	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-7	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-8	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	Financial year n-9	0 00	0 00	0 00	0 00	0 00	0 00	0 00
	GRAND TOTAL	148,535,894 20	0 00	148,535,894 20	148,535,894 10	78 800,273 62	69,735,620 48	0 10

ANNEX 5 to
FC(2018)0049-REV2

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2018
n= 2018

(In EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2015)0087	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01 01	Basic salaries and related expenses	5,303,000.00	0.00	5,303,000.00	5,303,000.00	2,374,438.56	2,928,561.44	0.00
01 02	Temporary staff and consultants	542,000.00	0.00	542,000.00	542,000.00	460,360.49	81,639.51	0.00
01 03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	5,845,000.00	0.00	5,845,000.00	5,845,000.00	2,834,799.05	3,010,200.95	0.00
	Carried forward							
	Financial year n-1	1,824,147.64	0.00	1,824,147.64	1,824,147.64	1,075,654.72	748,492.92	0.00
	Financial year n-2	100,870.39	0.00	100,870.39	100,870.39	50,006.01	50,864.38	0.00
	Financial year n-3	59,819.27	0.00	59,819.27	59,819.27	41,601.64	18,217.63	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		7,829,837.30	0.00	7,829,837.30	7,829,837.30	4,004,061.42	3,825,775.88	0.00
II.	OPERATING COSTS							
02 01	Official missions	5,000.00	0.00	5,000.00	5,000.00	1,521.53	3,478.47	0.00
02 02	Administrative support	152,000.00	0.00	152,000.00	152,000.00	152,000.00	0.00	0.00
02 03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02 04	Telecommunications	14,000.00	4,000.00	18,000.00	18,000.00	0.00	18,000.00	0.00
02 05	Operating costs	6,897,000.00	-4,000.00	6,893,000.00	6,893,000.00	2,095,083.87	4,797,916.13	0.00
02 06	Construction Site Guard	7,344,896.00	0.00	7,344,896.00	7,344,896.00	6,710,697.42	634,198.58	0.00
02 07	Materials Procurement	0.00	0.00	0.00	0.00		0.00	0.00
02 10	Miscellaneous and unforeseen	0.00	0.00	0.00		0.00	0.00	0.00
	Financial year n	14,412,896.00	0.00	14,412,896.00	14,412,896.00	8,959,302.82	5,453,593.18	0.00
	Carried forward							
	Financial year n-1	3,970,837.50	0.00	3,970,837.50	3,970,837.50	3,944,314.65	26,522.85	0.00
	Financial year n-2	40,858.22	0.00	40,858.22	40,858.22	13,153.32	27,704.90	0.00
	Financial year n-3	180,348.06	0.00	180,348.06	180,348.06	130,774.27	49,573.79	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		18,604,939.78	0.00	18,604,939.78	18,604,939.78	13,047,545.06	5,557,394.72	0.00
III.	INTELLECTUAL SERVICES							
03 01	Consultants & studies	2,865,281.00	0.00	2,865,281.00	2,865,281.00	2,450,281.00	415,000.00	0.00
03 02	Project management team	3,056,227.00	0.00	3,056,227.00	3,056,227.00	2,779,842.26	276,384.74	0.00
03 04	Concept design team	5,406,586.00	0.00	5,406,586.00	5,406,586.00	5,406,586.00	0.00	0.00
03 05	Overall CDT fees on addit Constr W	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	11,328,094.00	0.00	11,328,094.00	11,328,094.00	10,636,709.26	691,384.74	0.00
	Carried forward							
	Financial year n-1	6,000,475.08	0.00	6,000,475.08	6,000,475.08	5,685,070.58	315,404.50	0.00
	Financial year n-2	2,426,480.10	0.00	2,426,480.10	2,426,480.10	1,527,200.10	899,280.00	0.00
	Financial year n-3	1,119,156.42	0.00	1,119,156.42	1,119,156.42	862,596.37	256,560.05	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		20,874,207.60	0.00	20,874,207.60	20,874,207.60	18,711,576.31	2,162,629.29	0.00
IV.	CONSTRUCTION WORKS							
04 01	Works Requirements	58,426,786.00	0.00	58,426,786.00	58,426,786.00	50,828,998.90	7,597,787.10	0.00
	Financial year n	58,426,786.00	0.00	58,426,786.00	58,426,786.00	50,828,998.90	7,597,787.10	0.00
	Carried forward							
	Financial year n-1	88,399,533.57	0.00	88,399,533.57	88,399,533.57	68,234,225.57	20,165,308.00	0.00
	Financial year n-2	8,093,463.91	0.00	8,093,463.91	8,093,463.91	8,086,076.02	7,387.89	0.00
	Financial year n-3	2,290,722.89	0.00	2,290,722.89	2,290,722.89	1,982,329.50	308,393.39	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		157,210,506.37	0.00	157,210,506.37	157,210,506.37	129,131,629.99	28,078,876.38	0.00
V.	SPECIAL EQUIPMENT							
05 01	Special equipment	43,985,183.00	0.00	43,985,183.00	43,985,183.00	23,370,812.51	20,614,370.49	0.00
	Financial year n	43,985,183.00	0.00	43,985,183.00	43,985,183.00	23,370,812.51	20,614,370.49	0.00
	Carried forward							
	Financial year n-1	17,479,391.44	0.00	17,479,391.44	17,479,391.44	16,708,813.56	770,577.88	0.00
	Financial year n-2	2,662,163.99	0.00	2,662,163.99	2,662,163.99	1,316,204.99	1,345,959.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		64,126,738.43	0.00	64,126,738.43	64,126,738.43	41,395,831.06	22,730,907.37	0.00
	GRAND TOTAL							
	Financial year n	133,997,959.00	0.00	133,997,959.00	133,997,959.00	96,630,622.54	37,367,336.46	0.00
	Carried forward							
	Financial year n-1	117,674,385.23	0.00	117,674,385.23	117,674,385.23	95,648,079.10	22,026,306.13	0.00
	Financial year n-2	13,323,836.61	0.00	13,323,836.61	13,323,836.61	10,992,640.44	2,331,196.17	0.00
	Financial year n-3	3,648,046.64	0.00	3,648,046.64	3,648,046.64	3,017,303.78	626,744.86	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	268,642,229.48	0.00	268,642,229.48	268,642,229.48	206,288,645.66	62,353,583.82	0.00

EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT 2017 FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

In 1999, Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (HQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO/Belgium MOU, signed on 8 December 2004.

NCIA acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the IS Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management, coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation.

A Transition Office within the IS Executive Management Division was created in 2011 to manage the practical and organisational aspects of the transition from the current headquarters to the new one.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

The overall programme budget ceiling is EUR 1,179 million.

NOTE 2: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The New NATO Headquarters financial statements have been prepared in accordance with the NATO Accounting Framework as approved by nations under C-M(2013)0039 on 26 July, 2013 (which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance) and with the NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP).

Basis of preparation

These statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. The New NATO Headquarters Project will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2017 financial statements of the New NATO Headquarters Project Office:

IPSAS 5: Borrowing Costs.

IPSAS 6: Consolidated and Separate Financial

IPSAS 7: Investments in Associates.

IPSAS 8: Interests in Joint Ventures

IPSAS 10: Financial Reporting in Hyperinflationary Economies

IPSAS 11: Construction Contracts

IPSAS 16: Investment Property

IPSAS 18: Segment reporting

IPSAS 21: Impairment of non-cash generating assets

IPSAS 26: Impairment of Cash-Generating Assets

IPSAS 27: Agriculture

IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the indirect method.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy

None to report.

Reclassification of financial statements of previous years

None to report.

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include work in progress, provisions, accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign currency transactions

The New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in Non-Current Liabilities.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties.

All the financial instruments are recognised in the statement of financial position at their fair value.

The New NATO Headquarters Project is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the New NATO Headquarters Project credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

ING Bank Credit Ratings as at 22/02/2018

	Fitch	Moody's	S&P
Short term	F1	NA	A2

The New NATO Headquarters Project's outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts or to late payment of Nations' contributions.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

Cash and cash equivalents

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

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions, are reported separately.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectable debts.

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements and to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Inventories

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

Criteria that may indicate control of an asset
The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
The legal title is in the name of the NATO Reporting Entity.
The asset is physically located on the premises or locations used by the NATO Reporting Entity.
The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates

The NNHQ Project will capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The NNHQ Project will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets (Property, Plant & Equipment and Intangible Assets)

2012 was the first year during which construction works related to the nationally funded elements were performed. These works are recognized as non-current assets (PPE: Property, Plant and Equipment) held on behalf of third parties, at least during the construction period. The reasoning stems from a number of factors. The NHQ building constitutes a coherent and global building whose purpose is to bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not really exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding cost shares cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, or to sell their premises. Additionally, at this stage of the project it is difficult to accurately distinguish the value between these common and nationally funded components. However, their inclusion provides useful and clear information which contributes to financial transparency.

In the future, an ability to limit physical access may justify an exclusion from NATO PPE. Until then, as currently, common funded and nationally funded construction works will be managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment until such a time as the building is operational and the related building parts are handed over to the nations concerned. It should be noted that this approach does not apply to the national fit-out segment, for which four nations have decided to act separately. The impact on previous years' financial statements is not material as no related works had been performed and therefore no fixed assets were recognised.

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 17 Property Plant and Equipment. It is described as follows:

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Depreciation life	Method
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€ 30,000	10 years	Straight line
Machinery	€ 30,000	10 years	Straight line
Vehicles	€ 10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€ 50,000	3 years	Straight line
Furniture	€ 30,000	10 years	Straight line
Communications	€ 50,000	3 years	Straight line
Automated information Systems	€ 50,000	3 years	Straight line

In the case of the New NATO Headquarters Project to date, PPE is work in progress. Depreciation will start after acceptance of the completed work.

The principles of valuing and depreciating fixed assets are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the future NNHQ.

Intangible Assets:

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

The NNHQ Project will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ will have the flexibility to expense specific items.

The NNHQ Project will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the NNHQ Project will not capitalise the following types of intangible assets in its financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

The NNHQ Project will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

The NNHQ may consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.

The NNHQ Project will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

Impairment of fixed assets:

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Position (during the construction process) in the year concerned.

Current liabilities

Payables

Payables are amounts due to Nations in relation with budget rules and services provided, or to third parties based on goods received or services provided but unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

Payables due to Nations include in particular the surplus as per the NATO Financial Regulations. In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Nations agreed that financial closure would take place only when the Project has been fully realised. Consequently, it was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the standard NATO Financial Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus - remain on the entity's accounts.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (national funds) are held in cash or as receivables if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (national funds).

As a consequence of the recognition of the nationally funded elements as non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities under funds managed for third parties. The uncollected amount appears as a receivable.

Advances and Deferred Revenue

Deferred Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. Voluntary advances made by outside of the call for contributions process are accounted as funds managed for third parties.

Revenue and expense recognition

All the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office, qualify to be capitalized as PPE Work in Progress. This includes personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress are recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue is recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office.

The task of the Transition Office is to plan and execute the transition from the current NATO HQ to the new NATO HQ. Its purpose is to transform the way NATO HQ operates to make best use of the facilities and technologies in the new NATO HQ; to relocate staff, NATO agencies and national delegations; and to return the current NATO HQ campus to Belgium. Transition Office related costs consist mainly in salaries of its staff and the costs of consultancy services to determine the best ways to conduct operations in the new building. Therefore they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office costs are expended rather than capitalized.

In the future, after the transfer of the building to the NATO International Staff, earned revenue will be progressively recognised from this long term unearned revenue, in an amount equal to annual depreciation of the related PPE, Intangible Assets etc. of the building, as future economic benefits and service potential will flow to the NATO International Staff when the building is operational.

Non-budgetary contributions called from Nations corresponding to the nationally funded construction works are treated as Long Term Unearned Revenue in an amount equal to the estimation of works completed.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations are based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. They are considered as a liability for long term unearned revenue funding assets in progress.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts are held in EUR. Deposits are held in interest-bearing bank current accounts, immediately available.

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings other than what is needed for the project.

NOTE 4: CASH MANAGED FOR THIRD PARTIES

To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, the IS Office of Financial Control has issued separate contribution calls for the fit-out and for nationally funded parts of the Project. The planning foresees that the Nations make payments in advance of the quarterly payment request. A matching liability is posted against the amount of cash held on behalf of the Nations concerned and of the amount of uncollected related contributions called for the nationally funded construction works.

These funds also includes amounts relating to anticipated contributions made by some nations.

There are also funds from Eurocontrol as its contribution to works for a secure pedestrian access between its headquarters and the NNHQ site.

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable from member Nations are funds requested from the Nations to finance the Common Funded Budget, the Nationally Funded component and the Fit-Out. Usually a single call is issued at the beginning of the year for each component.

Other Receivables from Nations concern amounts due for cases other than contributions to the NNHQ budget or nationally funded elements.

Other Receivables relate to miscellaneous amounts due to the Project (e.g. reimbursement of operating costs, insurance claims, advances to staff for education allowances etc.).

The increase in receivables is due to the issuance at the end of 2017 of an additional call for contributions linked to the increase in the planning ceiling.

NOTE 6: PREPAYMENTS

Receivables from the PMT relate to advance payments made to the PMT which are not regularised at year end as they do not correspond to works completed. The terms of the MOU prevent the Host Nation from pre-financing any aspect of the Project. On a cash basis, at year end 2017, PMT held EUR 33,913,997.37 received from NHQPO as advance payments (EUR 62,366,505 at year end 2016). On an accruals basis, including provisions, taking into account amounts due by PMT, the net advance to be regularised amounted to EUR 31,278,209.37 (EUR 47,843,960 at year end 2016).

Similarly, at year end 2017, NHQPO has advanced funds to the NCIA in an amount of EUR 4,173,931.45 (EUR 16,164,810.31 at year end 2016) on an accruals basis.

Prepayments to suppliers (i.e. other than the two Host Nations mentioned above) amounted to EUR 0 (EUR 0 at year end 2016).

NOTE 7: OTHER CURRENT ASSETS

Corresponds essentially to reciprocal bank transactions between the New NATO HQ Project and NATO International Staff accounts, and transactions to be regularised. There is also a provision related to the potential receivable side of staff untaken leave (EUR 32,835.72).

NOTE 8: NON-CURRENT ASSETS

Costs charged as PPE Work in Progress cover the common funded PPE and the nationally funded construction works held on behalf of the member Nations which at this stage of the project are considered not separable from the overall amount of fixed assets.

Although parts of the building and its systems have been handed over from the PMT to NATO International Staff during 2017, the hand over process was not complete by end 2017; elements still remained in the hands of the PMT and of the NCIA. NATO International Staff did not yet benefit from the service potential of the building at year end 2017. The final acceptance of the building is supposed to take place on 30 November 2018. Therefore the related PPE valuation remains on the books of the NNHQ as Work In Progress. The transfer to the International Staff books will be done when the hand over is complete or when depreciation begins which is considered to be as from date of the first official meeting in the new premises. This approach also ensures greater visibility and completeness of information, as it can be connected to the budgetary process of the NNHQ..

The following tables reconcile works related PPE amounts at the beginning and at the end of 2017 (and of 2016).

(amounts in EUR)	Carrying Amount end 2016	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2017
COMMON FUNDED						
Personnel (chapter 1)	20.756.606	1.655.603				22.412.209
Operating Costs (chapter 2)	49.055.622	1.784.553				50.840.175
Professional fees (chapter 3)	126.827.696	10.502.778				137.330.474
Works (chapter 4)	567.966.416	68.864.412				636.830.828
Special Equipment (chapter 5)	7.384.627	4.190.509				11.575.136
SUB-TOTAL COMMON FUNDED	**771.990.967**	**86.997.855**	**0**	**0**	**0**	**858.988.822**
NATIONALLY FUNDED		0				
Works	95.840.593	3.184.723				99.025.316
SUB-TOTAL NATIONALLY FUNDED	**95.840.593**	**3.184.723**	**0**	**0**	**0**	**99.025.316**
TOTAL	**867.831.560**	**90.182.578**	**0**	**0**	**0**	**958.014.138**

(amounts in EUR)	Carrying Amount end 2015	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2016
COMMON FUNDED						
Personnel (chapter 1)	18,835,664	1,920,942				20,756,606
Operating Costs (chapter 2)	37,335,984	11,719,638				49,055,622
Professional fees (chapter 3)	116,949,744	9,877,952				126,827,696
Works (chapter 4)	465,517,971	102,448,445				567,966,416
Special Equipment (chapter 5)	648,180	6,736,447				7,384,627
SUB-TOTAL COMMON FUNDED	**639,287,542**	**132,703,425**	**0**	**0**	**0**	**771,990,967**
NATIONALLY FUNDED		0				
Works	77,666,447	18,174,146				95,840,593
SUB-TOTAL NATIONALLY FUNDED	**77,666,447**	**18,174,146**	**0**	**0**	**0**	**95,840,593**
TOTAL	**716,953,989**	**150,877,571**	**0**	**0**	**0**	**867,831,560**

For 2017, included is an amount of EUR 29,112,000 corresponding to accrued costs estimated by the PMT for invoices it had not yet received but relating to completed works end 2017.

The following table reconciles the ANWI Assets amounts at the beginning and at the end of 2017 (and of 2016).

(amounts in EUR)	Carrying Amount end 2016	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2017
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	12,222,447	2,853,557				15,076,004
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	52,166,751	35,170,851				87,337,602
TOTAL COMMON FUNDED	**64,389,198**	**38,024,408**	**0**	**0**	**0**	**102,413,606**

(amounts in EUR)	Carrying Amount end 2015	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2016
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	10,633,566	1,588,881				12,222,447
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	19,970,053	32,196,698				52,166,751
TOTAL COMMON FUNDED	**30,603,619**	**33,785,579**	**0**	**0**	**0**	**64,389,198**

A series of contracts have been entered into in relation to non-current assets, mainly by the PMT and the NCIA as Host Nations, and for smaller amounts by NHQPO. The main open contractual commitments, excluding short term non-works related contracts (such as for security and guard services), are the following.

The main construction contract including Passive Network Infrastructure was let in June 2010, at the price set in January 2010 of approximately MEUR 360 (MEUR 438 including National Funding). This base price does not include adjustments for price revisions. Further to a claim introduced end 2013 and settled in 2014, an agreement was reached to pay additional MEUR 85 and to extend the construction period by 4.5 months. In 2017, further to the revised financial assessment for the completion of the NNHQ the amount was increased by MEUR 20. This takes the total of authorised contingencies approved to PMT for the main construction contract including passive network to MEUR 194.

The main construction contract was let in June 2010, at the price set in January 2010 of approximately MEUR 360 (MEUR 438 including National Funding). This base price does not include adjustments for price revisions. Further to a claim introduced end 2013 and settled in 2014, an agreement was reached to pay additional MEUR 85 and to extend the construction period by 4.5 months.

The Concept Design Team contract was transferred to the PMT and has an LTPB planned cost of MEUR 85,845 which represents a reduction of MEUR 1.9 from the previous LPTB.

The PMT awarded in 2013 the contract for the Electronic Security System in an amount of MEUR 14.9 (2013 value). The 4.5 month extension agreed with the general construction contractor implied an estimated EUR 1.54 million additional cost and further to the revised cost to complete exercise an additional MEUR 1.99 was authorised in 2017 . Regarding the contract for the Audio Visual Infrastructure in an initial amount of MEUR 26.4 (2013 value), estimated additional costs of MEUR 1.280 were agreed to compensate the 4.5 months delay and additional MEUR 1.8 in 2017 further to the revised cost to complete assessment .

In 2013, NCIA awarded the contract for the Active Network Infrastructure in the amount of MEUR 79.766 and MEUR 2.010 for Independent Validation and Verification Services. In order to achieve savings, a reduction in scope of KEUR 500 was agreed by the DPRC and an estimated additional cost of MEUR 1.500 was agreed to compensate the 4.5 months delay. As a consequence of the delays and the revised cost to complete, the amount of the Active Network Infrastructure contract is now MEUR 84,507.

Contracts were awarded by NHQPO for Furniture Supply (MEUR 8.9) and for Business Data and Applications Migration (MEUR 5.4 in the revised LTPB).

There are Project Support and Engineering Fees for NCIA in relation to the Active Network Infrastructure, in an estimated amount of MEUR 18 and MEUR 0.9 respectively.

The MOU between NATO and the Host Nation provides that management fees (National Administrative Expenses, NAE) equal to 3% of the works will be paid (LTPB total amount: MEUR 22.434).

NOTE 9: PAYABLES

Payables and accrued expenses may be to commercial suppliers, staff, Member Nations and other NATO bodies.

Payable to suppliers

Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

Payable to personnel

Payable to personnel relates to amounts due to staff in relation to remuneration of interns or temporary staff, travel expenses and hospitalities (EUR 1,372.47 end 2017; EUR 4,392.75 end 2016).

Payable to Nations

End 2017, payables to Nations due for the Construction Surveillance Technical Team relating to reimbursement to those Nations who provided personnel to the Team during the year were EUR 0 (EUR 80,105 end 2016). Most of those Nations have opted for direct payment, one has opted for deductions from its contributions.

A payable of EUR 1,513,305.90 (EUR 1,513,305.90 end 2016) is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government. This amount can be used by the United States by applying it against its annual Project contribution.

Payable to other NATO bodies

This includes amounts received from NATO bodies in support of projects funded by the Civil Budget.

Accruals

Accrued expenses correspond to the estimated accrual obligation to third parties for goods and services received but not yet invoiced

NOTE 10: DEFERRED REVENUE

Deferred Revenue from Budgetary Appropriations

Deferred Revenue from budgetary appropriations corresponds to contributions called in relation to approved budgets up to 2017 but for which corresponding expenses will be incurred after the reporting date of 31 December 2017. The Unearned Revenue includes principally those amounts of contributions which will be spent in subsequent years on the New NATO Headquarters Project budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations (and the specific waiver thereto applicable to this project) and advances made to the PMT and the NCIA.

Other Deferred Revenue

There are also National Funds corresponding to funds managed on behalf of Nations outside of the standard call for Common Funded budgetary contributions process which are the counterpart of specific contributions called from Nations to meet the Project's payment for the Fit-Out or for Nationally Funded elements.

NOTE 11: ADVANCES

Advances Related to the Budgetary Process

Up to 2013 there were no such advances received as there had not been calls for advance budgetary contributions. However, when setting up the funding framework related to the settlement of the claim introduced end 2013, it was agreed that Nations could opt for providing funding beyond what was needed for the part corresponding to the 2014 budget. This has resulted in EUR 20,768,632 being called. This amount was allocated to the calls issued in 2017, 2016 and in 2015 and to additional contributions.

At the time of the call for contributions related to the 2017 Revised Budget, some Nations requested to pay advances (total amount EUR 18,814,083.00).

Other Advances

Nations may, in addition, make ad hoc voluntary additional contributions in relation to the Common Funded budget (EUR 316,924.50 end 2017), to their Nationally Funded component (EUR 9,245,956.12 end 2017; end 2016 EUR 20,526,852.92) or to their Fit-Out.

NOTE 12: OTHER CURRENT LIABILITIES:

Other Current Liabilities linked to the budget process

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are normally deducted from the contributions due from Nations in the call of the following year.

Receipts linked to interest, foreign exchange difference gain and bank charges are normally deducted from the contributions due by Nations in the following year.

The standard budgetary process provides that amounts corresponding to the current year budgetary surplus (lapsed credits + net interests + miscellaneous income) are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. Nations may also decide that part or all of the budgetary surplus is made available for use in future years. In the case of the NNHQ Project member nations have decided that this rule would not apply until completion of the project and that all available appropriations at the end of each year would be carried forward. Consequently calls for contributions are equal to the gross amount of the approved budget with no deductions for any surplus.

Project Accumulated Surplus

Project Accumulated Surplus resulting from previous years' budget execution, which amounted to EUR 13,339,622.00 end 2013, remained until then in the entity's accounts in accordance with the specific budget funding rules approved by Nations, according to which surpluses are not returned to contributing Nations before the completion of the project.

This amount can be broken down into the following components:

(cumulative amounts since the beginning of the project until 2013)

lapsed credits (including frozen)	12,213,702.50
net overcall (minus = undercall)	-4,588,528.69
interest earned	5,700,330.32
miscellaneous income	14,117.87
Total	13,339,622.00

When assessing, end 2014, the funding impact of the settlement of the claim with the contractor and related additional costs, Nations decided to use the surplus as of end 2013 and to allocate it as a resource in order to reduce contributions to be called in this respect. As a consequence, end 2014, the surplus available from previous years was nil.

Since then the surplus is limited to net financial revenue and miscellaneous revenue.

Other Current Liabilities linked to Accrued Costs

An amount of EUR 29,112,000 corresponds to accrued costs incurred by the PMT to completion of the works and for which no budget transactions have been registered yet, nor payments claimed by the PMT to the NHQPO.

NOTE 13: NON CURRENT LIABILITIES: PROVISIONS

Provisions end 2016 related to design fees. There were no provisions end 2017.

Concerning design fees, the provision related to additional studies and/or modifications done by the CDT in 2009, at the request of the PMT. An original estimate was made for EUR 2 million concerning 2009. Further to various settlements and minor adjustments, the related provision was assessed at EUR 1.000 million at year end 2015. The remaining settlement finally amounted to EUR 582,358.60.

NOTE 14: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

For common funded PPE and Intangible Assets, the amount originates from budget contributions.

Funding provided for the nationally funded elements matching completed related works is also considered long term unearned revenue during the construction period. A specific accounting treatment may have to be determined when the related building parts are operational and the corresponding assets are transferred to the national delegations.

NOTE 15: REVENUE

Budgetary revenue is matched to recognised expenses relating to the activities of the Transition Office.

Any interest gained is attributed to the funding of the construction itself and is therefore not recognised in the statement of financial performance.

NOTE 16: EXPENSES

The only expenses recognised are those related to the Transition Office. They consist mainly of the salaries of staff, administrative expenses and miscellaneous consultancy studies conducted in order to optimize the use of the future building. Consultancy services are included under the item "salaries" to be consistent with the budget breakdown, which explains the changes from year to year (Transition Office staffing remaining almost unchanged).

Banking costs are not recognised as expenses but are deducted from interests earned.

NOTE 17: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 18: CASH FLOW STATEMENT

The cash flow statement is presented following the indirect method.

NOTE 19: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New Headquarters Project is governed by the following:

a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
d. Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

- NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the New NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).

- National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,

- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The initial budget in NATO corresponds to the credits that are initially authorised by the North Atlantic Council annually at the end of the previous financial year. During the year the budget is adjusted as required. The final authorisation is the credit situation as reported at the end of the financial year including approved budgetary increases/decreases and transfers approved by the IS Financial Controller (between Chapters of the New NATO HQ budget up to 5% of the credits initially granted for the receiving chapter) or by the Budget Committee.

There are two types of credits: Cash Credits (CC) are approved credits against which payments can be made during the budget year; Contract Authority Credits (CA) are approved credits to enter into a legal obligation for multi-year contracts. No payment may be made against CA prior to its conversion into CC.

The New NATO Headquarters Project 2017 initial budget authorization for the Common Funded part amounted to EUR 55,335,242. In addition, an amount of EUR 62,363,955 related to credits carried over from the previous financial years. The National Funding component for 2017 was approved in the amount of EUR 516,950. The Fit-Out programme was foreseen at EUR 766,290 to which changes could be done depending on nations' involvement in the furniture programme.

In December 2017, as a consequence of delays in the delivery of the NNHQ buildings and systems, the overall budget ceiling was increased from EUR 1.124 million to EUR 1.179. Accordingly the Common Funded budget was revised to the total amount of EUR 86,171,939, an increase of EUR 30,836,647. The National Funding component remained unchanged. The Fit-Out programme was increased by EUR 553,025.

It should be noted that the credits approved for 2017, as for previous budget years, do not correspond to the full extent of the annual costs, including for Salaries and Operations and Maintenance. Credits carried forward from previous years were used, with the agreement of Nations, to fund 2017 commitments and expenses.

Budget execution statements for 2017 and 2016 are provided at Annex 4.

The Revised LTPB 2017-2018 (DPRC-N(2017)0076 and COR1) is shown in Addendum 1 at the end of these notes.

Reconciliation of the Budget Execution Statement and the Financial Performance Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:

Chapter I: Personnel Expenses
Chapter II: Operating Expenses
Chapter III: Intellectual Services
Chapter IV: Demolition/Construction Works
Chapter V: Special Equipment

However, in these financial statements all costs, with the exception of those relating to the Transition Office, are considered as investing activities.

The New NATO HQ budget, like all the other NATO budgets, contains budget chapters and items corresponding to capital expenditure. The latter result in increases of non-current assets (essentially PPE) and in changes to the level of advances made to the Host Nations given the specific operating model of the NNHQ Project concerning the construction of the building and its IT systems.

All budget expenses related to the Host Nations are, in practice, advances. In this respect, the budget execution remains largely cash based and, concerning the relation with the Host Nations, does not correspond to an accruals approach, contrary to the spirit of the changes introduced by the new NATO Financial Regulations applicable to the other NATO entities as from 2015. The previous approach continued to be applied to the NNHQ Budget. Prepayments to suppliers, in the context of the standard accounts payable process, are not taken into account for the purpose of this reconciliation.

Concerning the budget execution statement, it must be noted that the approved budget concerns exclusively the Common Funded component of the building. The Nationally Funded component is not strictly speaking a budget (see below) but, the execution of its expenses in a quasi-budget context does result in increases of the related non-current assets and changes in related cash advances to the Host Nations.

Also, carried forward credits, in the case of the NNHQ Project, correspond to unused funds (see Council derogation above); only budget expenses have a financial impact. As a consequence the reconciliation of the budget execution statement should be made between the budget expenses on one side, and, on the other side, the statement of financial performance, changes in the level of non-current assets and of advances to Host Nations, taking into account the distinction between the Common Funded and the Nationally Funded components. Such is the purpose of the table below.

The table below reconciles the budget execution with statement of financial performance for 2017. It shows that an absolute reconciliation could not be made by an immaterial amount.

Reconciliation of Budget to Financial Performance

BUDGET EXECUTION		Common Funded	National Funded	Total
Total budget (including Carry-forward from Previous year)	(a)	148.535.894.20	516.950.00	149.052.844.20
Credits Carried Forward in Following Year	(b)	69.735.620.48	0.00	69.735.620.48
Budget Execution Expenses	(c) = (a-b)	78.800.273.72	516.950.00	79.317.223.72

RECONCILIATION		Common Funded	National Funded	Total
Financial Performance Expenses (excluding Depreciation and Financial costs)	(d)	8.778.641.93		8.778.641.93
Increase in Non-Current Assets	(e)	125.022.263.03	3.184.723.00	128.206.986.03
Change in Advances to Host Nations	(f)	-25.888.856.49	-2.667.773.00	-28.556.629.49
Other Elements	(g)	-29.112.000.00		-29.112.000.00
Sub-Total	(h) = (d+e+f+g)	78.800.048.47	516.950.00	79.316.998.47
Difference to Budget Expenses	(c-h)	225.25	0.00	225.25

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component (excluding Fit-Out). Related expenses are apportioned using physical criteria (such as surface, number of parking spaces) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses.

(amounts in EUR)

	Up to 2012	2013	2014	2015	2016	2017	Cumulative
Approved Amounts	37,790,467	12,756,605	25,327,510	21,211,531	1,422,252	516,950	99,025,315
Cash advances	12,000,000	27,099,999	26,500,000	16,000,000	16,908,366	516,950	99,025,315
Expenses	11,423,370	22,126,329	22,168,519	21,948,229	18,174,145	3,184,723	99,025,315

Fit-Out

Operations related to the Fit-Out of national delegations are not executed in the context of a budget framework; they result in outflows of cash to the PMT for settlement of related invoices.

NOTE 20: WRITE-OFFS

Nothing to report.

NOTE 21: LEASES

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium should decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

The New NATO Headquarters Project does not have any financial leases.

NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 23: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

NOTE 24: CONTINGENT ASSETS

Nothing to report.

NOTE 25: EMPLOYEE DISCLOSURE

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

At 31 December 2017, New NATO Headquarters Project Office had an approved Personnel Establishment of 17 positions (24 for 2016) funded by its budget. Seven positions related to the Transition Office. For administrative and project management purposes the post of Building Z Project Manager is attached to the HQPO but has a specific funding mechanism with no impact on the New NATO Headquarters project.

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the three Pension Schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

Nine staff members participate in the DCPS administered by NATO (nineteen end 2016). The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. Three employees participate in the DBPS: a deduction of 9.5% of their salaries is made and contributed to the annual financing of this Plan (four end 2016). In addition, the New NHQPO budget makes a monthly matching contribution to the DBPS equal to 19% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the NHQPO has neither DBPS nor DCPS liability for its staff members. Also, during 2016, one staff member was employed on reimbursable basis with an agreement between NATO-IS and the United States. The individual was paid and accrues pension rights under a United States pension scheme.

The contributions for pensions paid are as follows.

	2017			2016		
amounts in EUR	Staff	Employer	Total	Staff	Employer	Total
Provident Fund	-	-	-	-	-	-
Co-ordinated Pension Scheme	20,132.01	40,264.02	60,396.03	18,097.89	36,195.78	54,293.67
Defined Contribution Pension Scheme	95,459.57	132,454.97	227,914.54	120,837.33	181,255.99	302,093.32
TOTAL	**115,591.58**	**172,718.99**	**288,310.57**	**138,935.22**	**217,451.77**	**356,386.99**

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally expanded to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. For these financial statements, untaken leave is specifically reported if its monetary value is more than 10% of the total annual leave entitlement. The cost of untaken leave days is usually absorbed during the year through the monthly salaries; leave to be taken carried forward into the next year constitutes a liability towards the future and would notionally require funding from Participating Nations.

NOTE 26: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The DPRC took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the DPRC are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project are the Director of the NHQPO and his Deputy. They are remunerated in accordance with their respective NATO grades, respectively A6 and A5.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 27: RELATED PARTIES

NATO Bodies

For administrative purposes the NHQPO is attached to the NATO International Staff Defense Investment Division and the Transition Team to Executive Management Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project.

In 2017, NATO International Staff charged the NHQPO an amount of EUR 207,301 for administrative support costs (EUR 187,474 in 2016). The specific operating costs related to the PMT (around EUR 4,000) are absorbed by the Civil Budget in exchange of the occupancy of the CDH building by the International Staff

The NCI Agency is the Host Nation in charge of equipping the New NATO HQ with modern and cost effective Information and Communication Technologies solutions, to include voice, video and data management, processing and storage through the Active Network Infrastructure (ANWI) project, for an authorized amount of MEUR 90,505 including contingencies. Additional MEUR 9,705 have been authorised by DPRC to Host Nation NCIA up to 31 December 2017 from the 5% Host Nation contingencies and 5% additional contingencies.

An amount of MEUR 18.090 is approved in the LTPB for NCIA Project Service Costs for ANWI representing an increase of MEUR 5,974 from the previous LTPB. NCIA provided also some specific consultancy services (EUR 0.866 million approved in the LTPB).

The IS acts also as a Host Nation concerning the procurement of Furniture (MEUR 20.5 in the LTPB) and the Business Data and Applications Migration Project (MEUR 4.105 in the LTPB). The IS receives no related remuneration fees.

Member Nations

NATO Security Investment Programme (NSIP) procedures are the management process for the New NATO HQ. Belgium is the Host Nation for the construction, the passive network infrastructure, the building management system, the electronic security system and audio visual infrastructure. In exchange for this service, Belgium receives fees (National Administrative Expense (NAE) equal to 3% of works) the total amount of which is estimated EUR 22.434 million over the duration of the project.

The DPRC agreed that Construction Surveillance Technician Team required to support the construction project should be manned by personnel from Nations on a reimbursable basis.

Each delegation's fit-out is the financial responsibility of the Nation concerned. Twenty four Nations agreed to the have their delegations' fit-out undertaken by the PMT. Specific advance contributions are requested from the Nations concerned to cover the related costs (C-M(2006)0096). The other four Nations have decided to have their fit-out done nationally without the intervention by the PMT.

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List of Acronyms:

DPRC: Deputy Permanent Representatives Committee
HN: Host Nation.
IS: International Staff
LTPB: Long Term Program Budget
MOU: Memorandum of Understanding
NCIA: NATO Communication and Information Agency
NSIP: NATO Security Investment Programme
OFC: International Staff Office of Financial Control
PMT: Project Management Team
PPE: Property, Plant and Equipment

2017-2018 LONG TERM PROGRAMME BUDGET (REVISION SEPTEMBER 2017)

SUMMARY OF COMMON AND NATIONAL FUNDING REQUIREMENTS (CF + NF) (EXCLUDING FIT-OUT) PER CISI AND PER YEAR - IN KEUR-

Chapter Item Sub-Item (CISI)	Description of requirements	Actuals 2000-2015	Actuals 2016	Revised 2017	Request 2018	CF	NF	(CF + NF) TOTAL CASH FLOW	CURRENT LTPB	CHANGES
CHAPTER I PERSONNEL COSTS										
01-01 to 01-03	Personnel costs (except Transition Management)	18,511	2,775	1,899	275	23,460	0	23,460	23,460	0
01-01 to 01-03	Transition Support Office - NATO Staff Posts	3,772	720	791	1,258	6,542	0	6,542	5,134	1,408
01-01-06-00	Transition Management - Staff Restructuring	0	1,000	1,500	294	2,794	0	2,794	2,500	294
01-01-04-01	Transition Management - Staff Training	1,203	1,689	0	38	2,929	0	2,929	2,891	38
01-02-02-00	Transition Support Office - Consultants	2,115	492	0	0	2,607	0	2,607	2,607	0
	Sub-total I	**25,601**	**6,676**	**4,190**	**1,865**	**38,332**	**0**	**38,332**	**36,592**	**1,740**
CHAPTER II OPERATING EXPENSES										
02-01 to 02-10	Operat. Exp. excl. Security / Renovat. Works / Trans.Mgmt	6,255	400	350	0	7,005	0	7,005	6,655	350
02-01-00-01	Transition Management - Travel costs	65	5	0	0	70	0	70	70	0
02-02-00-00	Transition Management - Admin Support to IS	184	42	0	125	351	0	351	226	125
02-05-01-01	Transition Management - Operat. & Mainten. overlap costs	0	4,374	4,000	7,778	16,152	0	16,152	8,374	7,778
02-05-02-00	Renovation of buildings A2/A12 on new construction site	749	0	0	0	749	0	749	749	0
02-05-03-00	Transition Management - Disposal of current HQ site	340	829	2,750	181	4,100	0	4,100	3,919	181
02-05-04-00	Transition Management - New HQ LAUNCH	340	2,076	983	230	3,628	0	3,628	2,153	1,475
02-05-10-00	Security Equipment for Site Guards	109	0	0	0	109	0	109	109	0
02-06-00-00	Site Security Guards labour	35,891	7,545	0	0	43,436	0	43,436	45,236	-1,800
	Sub-total II	**43,932**	**15,270**	**8,083**	**8,314**	**75,600**	**0**	**75,600**	**67,491**	**8,109**

CHAPTER III INTELLECTUAL SERVICES										
03-01-01-00	Construction Security Planning	99	0	0	0	99	0	99	99	0
03-01-02-00	Geotechnical Survey of Site	326	0	0	0	326	0	326	326	0
03-01-03-00	Environmental Impact Study	206	0	0	0	206	0	206	206	0
03-01-04-00	Legal consultant - PMT	490	60	90	0	640	0	640	640	0
03-01-04-01	Legal consultant - NATO	150	0	0	0	150	0	150	150	0
03-01-05-00	Stability & Quality Control	1,600	0	0	0	1,600	0	1,600	1,605	-5
03-01-06-00	Fire & Physical Safety Control	689	0	0	0	689	0	689	689	0
03-01-07-00	Furniture Programme Management	378	0	0	0	378	0	378	450	-72
03-01-08-00	Cost and Change Management	4,677	298	0	0	4,975	0	4,975	5,005	-30
03-01-08-01	Data Management System	1,127	85	88	0	1,301	0	1,301	1,301	0
03-01-08-02	Encryptors/Collaboration Tools NCIA	706	15	0	0	721	0	721	866	-145
03-01-09-00	Technical Consultancy IBAN	74	0	0	0	74	0	74	74	0
03-01-10-00	Web Site Design	22	0	0	0	22	0	22	22	0
03-01-11-00	Topographic & Blast Study	88	0	0	0	88	0	88	88	0
03-01-12-00	Miscellaneous Consulting - NATO	1,294	0	0	0	1,294	0	1,294	1,298	-4
03-01-12-01	Specialized consulting - PMT	94	0	0	0	94	0	94	94	0
03-01-13-00	ICT Consultancy	1,196	0	0	0	1,196	0	1,196	1,218	-23
03-01-13-01	ICT - Programme Management -	3,490	400	162	0	4,052	0	4,052	4,052	0
03-01-14-00	Surveillance of Works	8,779	2,407	367	0	11,553	0	11,553	11,233	320
03-01-15-00	SITE/Plant Laboratory Testing	105	0	0	0	105	0	105	105	0
03-01-16-00	Logistics Study	60	0	0	0	60	0	60	60	0
03-01-18-00	Space Management Consulting	238	0	0	0	238	0	238	238	0
03-02-00-00	Belgian PMT National Admin Expenses (NAE)	17,639	2,000	2,525	270	22,434	0	22,434	21,676	758
03-02-01-00	ICT - ANWI NCIA Fees	10,635	1,000	6,455	0	18,090	0	18,090	12,116	5,974
	ICT- ANWI Engineering Services	810	56	0	0	866	0	866	866	0
03-03-00-00	IADC	1,008	0	0	0	1,008	0	1,008	1,008	0
03-03-02-00	JURY HONORAIRES	85	0	0	0	85	0	85	85	0
03-03-03-00	UIA HONORAIRES	126	0	0	0	126	0	126	126	0
03-03-04-00	INDEMNISATION POUR NON RETENUES	1,370	0	0	0	1,370	0	1,370	1,370	0
03-04-00-00	Concept Desitn Fees + Amendments	80,730	5,007	0	108	85,845	0	85,845	87,745	-1,900
03-05-00-00	Overall fees on additional Contingencies	36	0	0	0	36	0	36	686	-650
	Sub-total III	**138,326**	**11,328**	**9,688**	**378**	**159,720**	**0**	**159,720**	**155,497**	**4,223**

CHAPTER IV CONSTRUCTION WORKS AND ASSOCIATED COSTS										
04-01-01-00	Demolition works - Lot 1	9,589	0	0	0	9,589	0	9,589	9,589	0
04-01-02-00	Construction Works (CF+NF)excl.PNWI	400,398	14,623	4,579	1,257	344,710	76,147	420,858	420,858	0
	Contingencies on Construction Works authorised to PMT	152,268	4,861	**27,896**	**5,000**	178,279	11,746	190,025	171,056	18,969
	Annual revision	40,369	0	0	0	31,941	8,428	40,369	40,369	0
04-01-02-00	Passive Network Infrastructure (PNWI) (CF+NF)	13,212	4,217	0	0	15,137	2,292	17,429	17,429	0
	Contingencies on PNWI works	752	1,253	**1,654**	0	3,544	115	3,658	2,425	1,233
	Annual revision	1,537	127	0	0	1,367	297	1,664	1,664	0
04-01-02-02	Additional Contingencies of construction works and PNWI (on DPRC release)	9,855	0	**3,185**	**8,651**	21,691	0	21,691	10,434	11,257
04-01-02-03	Potential Changes of Scope (on DPRC release)	0	0	0	0	0	0	0	370	-370
04-01-02-04	Transition Programme Contingencies on DPRC release	0	0	**542**	0	542	0	542	1,447	-905
04-01-02-05	Transition Programme Contingencies on DPRC release for one-time requirements	0	2,384	0	0	2,384	0	2,384	2,384	0
04-01-02-01	Electronic Security Systems (ESS) [CF]	7,952	6,913	0	0	14,865	0	14,865	14,865	0
	Contingencies (ESS)	3,287	1,558	**314**	0	5,159	0	5,159	3,167	1,992
	Annual revision (ESS)	452	215	0	0	667	0	667	667	0
04-01-03-00	Audiovisual (AV) Equipment	11,516	14,009	521	385	26,431	0	26,431	26,431	0
	Contingencies (AV)	1,973	**2,434**	**209**	0	4,616	0	4,616	2,852	1,764
	Annual revision (AV)	590	710	39	38	1,377	0	1,377	1,377	0
04-01-04-00	Construction of Mock-ups	300	0	0	0	300	0	300	300	0
04-01-05-00	Construction Security Programme-Equipment	844	**103**	0	0	946	0	946	1,032	-86
04-01-06-00	Construction Surveillance Team (CST) on reimbursable basis	11,125	6,200	0	0	17,325	0	17,325	17,325	0
04-01-07-00	Connection of utilities (sewage,elec,gas,water)	**980**	0	0	0	980	0	980	1,050	-70
	Sub-total IV	**666,999**	**59,607**	**38,939**	**15,331**	**681,851**	**99,025**	**780,876**	**747,092**	**33,784**
CHAPTER V SPECIAL EQUIPMENT										
05-01-01-00	ICT - Active Network Infrastructure	37,168	27,000	**21,939**	0	86,107	0	86,107	79,766	6,341
	ICT- Independent Verification & Validation	1,815	195	0	0	2,010	0	2,010	2,010	0
	ICT- 5% Contingencies HN	3,208	780	0	0	3,988	0	3,988	3,988	0
	ICT- 5% Contingencies NATO	3,208	280	500	0	3,988	0	3,988	3,988	0
	ICT- Programme contingencies	7,472	**145**	2,000	0	9,617	0	9,617	10,775	-1,158
05-01-02-00	ICT - Application Migration	2,352	**2,553**	**350**	**124**	5,379	0	5,379	4,405	974
05-01-03-00	Furniture either internal or external (loose)	0	8,900	0	0	8,900	0	8,900	8,900	0
	Contingencies on Furniture Programme	0	1,200	0	0	1,200	0	1,200	1,200	0
	Contingencies on Furniture under DPRC	0	400	0	0	400	0	400	400	0
05-01-03-00	Sports or recreational equipment	0	0	0	0	0	0	0	0	0
05-01-04-00	Relocation costs and movement of furniture	502	1,087	1,000	**278**	2,867	0	2,867	2,087	780
05-01-05-00	Non-Fixed Equipment	0	0	0	0	0	0	0	0	0
	Sub-total V	**55,726**	**42,539**	**25,789**	**402**	**124,457**	**0**	**124,457**	**117,519**	**6,938**
	GRAND TOTAL	**930,584**	**135,420**	**86,689**	**26,291**	**1,079,959**	**99,025**	**1,178,984**	**1,124,190**	**54,794**

NATO UNCLASSIFIED

IBA-A(2018)0008
9 February 2018

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

Cc: Assistant Secretary General, Executive Management Division
Financial Controller, International Staff (IS)
Chairman, Resource Policy & Planning Board (RPPB)
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (Board) Auditor's Report and Letter of Observations and Recommendations on the audit of the New NATO Headquarters (NHQ) Restated Financial Statements for the year ended 31 December 2016 - IBA-AR(2017)34***

The Board submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

The Board's report sets out a qualified opinion on the restated financial statements of the New NATO Headquarters and a qualified opinion on compliance for the financial year 2016.

Yours sincerely,

(Signed) Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

Boulevard Léopold III - B-1110 Bruxelles - Belgique
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ANNEX 1

Summary Note for Council
by the International Board of Auditors for NATO (Board)
on the audit of the Restated Financial Statements of the
New NATO Headquarters (NHQ)
for the year ended 31 December 2016

At the Washington Summit, in April 1999, the Heads of State and Government of NATO countries formally decided to build a new NATO Headquarters in Brussels to meet the Alliance's needs in the twenty-first century. The North Atlantic Council, upon recommendation of the Civil Budget Committee, approves the budget for the new NATO Headquarters. It is funded from national contributions based on a specific cost-share agreement among the NATO nations.

The total overall budget is EUR 1.124 billion

Budget authorisations for 2016 totaled EUR 268.6 million, of which EUR 133.9 million relates to the 2016 budget and EUR 134.7 million relates to credits brought-forward from prior year budgets.

The total valuation of the New NATO Headquarters under construction as of 31 December 2016 was recorded for an amount of EUR 932.2 million.

The Board issued a qualified opinion on the New NATO Headquarters Restated Financial Statements and on compliance for the year ended 31 December 2016.

The reason for the qualified opinion is that the comparative information included in the 2016 restated financial statements is the same as was issued in the 2015 restated financial statements, except for minor reclassifications. The Board issued a qualified opinion on those 2015 restated financial statements and as a result, the audit opinion on the 2016 restated financial statements is qualified due to the lack of reliability and comparability of the 2015 comparative information.

The Board also qualified its opinion on compliance due to late issuance of the financial statements and the lack of regular bank reconciliations.

The Board followed up on the status of observations from previous years' audits and noted that four observations remained outstanding and one observation was settled. Two observations continued to impact the audit opinion on compliance.

The International Staff's formal comments are contained in the Appendix of Annex 3.

9 February 2018

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE RESTATED FINANCIAL STATEMENTS OF THE NEW NATO HEADQUARTERS (NNHQ) FOR THE YEAR ENDED 31 DECEMBER 2016

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

Report on the Restated Financial Statements

The International Board of Auditors for NATO (Board) was engaged to audit the accompanying Restated Financial Statements of the New NATO Headquarters, which comprised the Statement of Financial Position as at 31 December 2016, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board was also engaged to also audit the Statements of Budgetary Operations and Credit Transfers authorized by the Financial Controller for the year ended 31 December 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the NATO Accounting Framework and the requirements of the NATO Financial Regulations as authorized by the North Atlantic Council (NAC).

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of Financial Statements is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

Basis for Qualified Opinion on the Restated Financial Statements

The comparative information included in the 2016 restated financial statements is the same as was issued in the 2015 restated financial statements, except for minor reclassifications. The Board issued a qualified opinion on those 2015 restated financial statements and as a result, the audit opinion on the 2016 restated financial statements is qualified due to the lack of reliability and comparability of the 2015 comparative information

Qualified Opinion on the Restated Financial Statements

In our opinion, except for the effects and possible effects of the matters described in the *Basis for Qualified Opinion on the Restated Financial Statements* the Restated Financial Statements present fairly, in all material respects the financial position of the New NATO Headquarters as of 31 December 2016, and of its financial performance and its cash flows for the year ended and are in accordance with the NATO Accounting Framework.

Report on Compliance

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Compliance

The NATO Financial Regulations require the financial statements to be submitted for audit to the Board by the Financial Controller no later than 31 March following the end of the financial year. The financial statements of the New NATO Headquarters for the year ended 31 December 2016 were initially submitted on 19 May 2017 and the restated Financial Statements, signed by the Secretary General and the Financial Controller, were eventually issued on 4 December 2017.

The Board also found that bank balances were not being reconciled during 2016. This represents a material weakness in internal control over financial reporting.

Qualified Opinion on Compliance

In our opinion, except for the possible effect of the matters described in the *Basis for Qualified Opinion on Compliance* in all material respects the financial transactions and information reflected in the Restated Financial Statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 9 February 2018

(Signed) Hervé-Adrien Metzger
Chairman

ANNEX 3
IBA-AR(2017)34

9 February 2018

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The International Board of Auditors for NATO (Board) audited the New NATO Headquarters (NNHQ) restated Financial Statements for the year ended 31 December 2016, and issued a qualified opinion on those financial statements and on compliance.

Observations and Recommendations

During the audit, the Board identified material differences between the Budget Execution Statement and balances presented in the Statement of Financial Position and Performance that could not be explained by the IS. Further, the Statement of Cash Flow was incorrect. Based on the Board findings, the IS issued restated financial statement for 2016 on the 4th of December 2017 correcting some of the errors identified by the Board.

The Board did not identify any current year observations other than those identified during the follow-up of the prior year's observations. The Board found that four observations remained outstanding and one observation was settled. Two observations continue to impact the audit opinion on compliance.

The Board also issued a management letter (reference IBA-AML(2017)17) to the International Staff (IS), Financial Controller.

The Board received factual and formal comments from the IS. Where deemed necessary, the Board amended its draft report to take into account the factual comments. The IS's formal comments are contained in the Appendix to Annex 3.

FOLLOW-UP OF PREVIOUS YEAR'S OBSERVATIONS

The Board reviewed the status of the observation and recommendation arising from the previous report. The observation and its status are summarised in the table below.

Status of previous year's observations

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(1) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 1** **INABILITY TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE** **Board's recommendation** The Board recommends using a trial balance, generated by the ERP system, as a main source for the preparation of the financial statements. The preparer of the financial statements should keep detailed supporting working papers in order to be able to support any balance presented or information disclosed in the financial statements (e.g. EUR 280.7 million balance in Note 16 to the financial statements). Moreover, the IS must be able to provide for each asset / liability account in the ERP system a breakdown of detail in order to properly follow-up the balance. The Board recommends improving the transparency and availability of the accounting data by recording all individual accounting transactions in the ERP system and using standard workflows for routine transactions. In situations when aggregated data is entered in the accounting program, underlying supporting details (summaries, listings, calculations, etc.) should be available within the ERP and should be subject to proper verification and approval within the system. The Board recommends implementing the multi-level financial statements review process in order to ensure the overall quality of the issued financial statements and their compliance with applicable reporting frameworks.	Better details and information have been provided for the 2016 Financial Statements. Yet, a lack of full transparency and availability of the accounting data for all individual accounting transactions in the ERP system remain. The Board found that there was no documented multi-level review process to ensure overall quality of the financial statements and their compliance with applicable reporting frameworks.	Observation **Outstanding**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
(2) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 2** **LATE ISSUANCE OF THE FINANCIAL STATEMENTS** **Board's recommendation** The Board recommends that, in future, the financial statements be submitted by 31 March, in accordance with the deadline in the NFR's.	The 2016 initial financial statements were again issued late, this year on 19 May 2017. Restated financial statements were issued on 4 December 2017. This continues to be a basis for qualification on compliance.	Observation **Outstanding**.
(3) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 3** **NO STATEMENT OF INTERNAL CONTROL WAS ISSUED** **Board's recommendation** The Board recommends that the IS provide the Board the signed Statement on Internal Control along with the signed Financial Statements in due time, as per the requirements of the NFRs.	A Statement of Internal Control was issued	Observation **Settled**.
(4) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 4** **NO REGULAR RECONCILIATION ON BANK BALANCES** **Board's recommendation** The Board recommends performing and documenting regular monthly cash reconciliations, which will help to identify misstatements (if any) on a timely basis. This should include signatures of the preparer and the reviewer.	Bank balances were not regularly reconciled during 2016 and this continues to be a basis for qualification on compliance.	Observation **Outstanding**.
(5) New NHQ FY 2015 **IBA-AR(2017)28, paragraph 5** **SIGNIFICANT DELAYS IN PROVIDING INFORMATION REQUIRED FOR THE AUDIT** **Board's recommendation** The Board recommends that the IS Office of Financial Control provide required information to the Board in a timely manner. In order to meet the Board's deadlines, less flexibility will be	Some improvements were noted, but some delays still existed. With the issuance of Restated Financial Statements	Observation **Outstanding**.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
provided in future audits.	on 4 December 2017 some complementary information and clarification was provided.	

INTERNATIONAL STAFF (IS) FORMAL COMMENTS ON THE LETTER OF OBSERVATIONS AND RECOMMENDATIONS AND THE INTERNATIONAL BOARD OF AUDITORS (BOARD) POSITIONS

Formal comment of the International Staff

The trial balance of the ERP is the main source for the preparation of the financial statements. The recommendations are agreed.

FOLLOW-UP OF PREVIOUS YEAR'S OBSERVATIONS
Audit Report 2015 Financial Statements - IBA-AR(2017)28
Late Issuance of the Financial Statements

The recommendation is agreed. The issuance of the financial statements was impacted by specific circumstances linked to difficulties encountered with the new ERP and more generally understaffing of the IS OFC.

NATO NEW HQ
FINANCIAL STATEMENTS

For the year ended
31 December 2016

Annexes

(Signed) Jens STOLTENBERG
Secretary General

(Signed) Stephane CHAGNOT
Financial Controller

ANNEX 1 to
FC(2017)080-REV1

NEW NATO HQ
Statement of financial position

As at 31 December 2016

(All amounts in EUR)

	Notes	Current Year 2016	Prior Year 2015	Variance CY-PY
Assets				
Current assets				
Cash and cash equivalents	3 & 4	47,467,999.34	200,271,271.33	-152,803,271.99
Short term investments	3 & 4	45,300,001.11	0.00	45,300,001.11
Receivables	5	774,888.19	1,001,210.15	-226,321.96
Prepayments	6	64,008,770.31	28,178,260.60	35,830,509.71
Other current assets	7	9,368,142.14	662,251.67	8,705,890.47
Inventories	2	0.00	0.00	0.00
		166,919,801.09	**230,112,993.75**	**-63,193,192.66**
Non-current assets				
Receivables	5	0.00	0.00	0.00
Property, plant & equipment	8	932,220,757.26	747,557,608.23	184,663,149.03
Intangible assets	8	0.00	0.00	0.00
Other non-current assets	8	0.00	0.00	0.00
		932,220,757.26	**747,557,608.23**	**184,663,149.03**
Total assets		**1,099,140,558.35**	**977,670,601.98**	**121,469,956.37**
Liabilities				
Current liabilities				
Payables	9	-2,187,871.71	-2,796,042.92	608,171.21
Deferred revenue	10	-134,034,498.80	-179,093,519.01	45,059,020.21
Advances	11	-20,266,158.50	-47,712,936.61	27,446,778.11
Short term provisions		0.00	0.00	0.00
Other current liabilities		-10,431,272.08	-510,495.21	-9,920,776.87
		-166,919,801.09	**-230,112,993.75**	**63,193,192.66**
Non-current liabilities				
Payables	12	0.00	0.00	0.00
Long term provisions	13	0.00	-1,000,000.00	1,000,000.00
Deferred revenue	14	-932,220,757.26	-746,557,608.23	-185,663,149.03
Other non-current liabilities		0.00	0.00	0.00
		-932,220,757.26	**-747,557,608.23**	**-184,663,149.03**
Total liabilities		**-1,099,140,558.35**	**-977,670,601.98**	**-121,469,956.37**
Net assets				
Capital assets		0.00	0.00	0.00
Reserves		0.00	0.00	0.00
Current year Surplus / (Deficits)		0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year		0.00	0.00	0.00
				0.00
Total net assets/ equity	17	**0.00**	**0.00**	**0.00**

ANNEX 2 to
FC(2017)080-REV1

NEW NATO HQ
Statement of financial performance

As at 31 December 2016
(All amounts in EUR)

	Notes	Current Year 2016	Prior Year 2015	Variance CY-PY
Revenue	15			
Non exchange revenue		-3,560,762.23	-1,450,902.56	-2,109,859.67
Exchange revenue		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Financial revenue		0.00	0.00	0.00
				0
Total revenue		**-3,560,762.23**	**-1,450,902.56**	**-2,109,859.67**
Expenses	16			
Personnel		2,854,865.78	1,124,541.14	1,730,324.64
Contractual supplies and services		671,008.14	326,361.42	344,646.72
Depreciation and amortization		0.00	0.00	0.00
Impairment		0.00	0.00	0.00
Provisions		0.00	0.00	0.00
Other expenses		0.00	0.00	0.00
Finance costs		34,888.31	0.00	34,888.31
Total expenses		**3,560,762.23**	**1,450,902.56**	**2,109,859.67**
Surplus/(Deficit) for the period	17	**0.00**	**0.00**	**0.00**

ANNEX 3 to
FC(2017)080-REV1

NEW NATO HQ
Statement of cash flow
As at 31 December 2016
(All amounts in EUR)

	Notes	2016	2015
	18		
Cash flow from operating activities			
Surplus/(Deficit)		-	-
Non-cash movements			
Depreciation/ Amortisation		-	-
Impairment		-	-
Increase /(decrease) in payables		(608,171.21)	748,717.16
Increase/ (decrease) in other current liabilities		(62,585,021.45)	(6,583,375.21)
Increase/ (decrease) in provisions		-	-
(Gains)/losses on sale of property, plant and equipment			-
Decrease/ (increase) in other current assets		(44,536,400.18)	8,816,770.58
Decrease/ (Increase) in receivables		226,321.96	22,365,513.68
Increase/ (decrease) in other non-current liabilities		184,663,149.03	172,092,073.86
Net cash flow from operating activities		**77,159,878.15**	**197,439,700.07**
Cash flow from investing activities			
Purchase of property plant and equipment / Intangible assets		(184,663,149.03)	(172,092,073.87)
Proceeds from sale of property plant and equipment		-	-
Net cash flow from investing activities		**(184,663,149.03)**	**(172,092,073.87)**
Cash flow from financing activities			
Net cash flow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**(107,503,270.88)**	**25,347,626.20**
Cash and cash equivalent at the beginning of the period		200,271,271.33	174,923,645.13
Cash and cash equivalent at the end of the period		92,768,000.45	200,271,271.33

NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2016

(in EUR)

	Accumulated surpluses/(deficits)
Balance at 31 December 2014	**0.00**
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	**0.00**
Balance at 31 December 2015	**0.00**

Balance at 31 December 2015	**0.00**
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	**0.00**
Balance at 31 December 2016	**0.00**

(1) fixed assets in progress

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2016
n= 2016

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS					BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expenses	5,303,000.00	0.00	5,303,000.00	5,303,000.00	2,374,438.56	2,928,561.44	0.00
01.02	Temporary staff and consultants	542,000.00	0.00	542,000.00	542,000.00	460,360.69	81,639.31	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	5,845,000.00	0.00	5,845,000.00	5,845,000.00	2,834,799.25	3,010,200.75	0.00
	Carried forward:							
	Financial year n-1	1,824,147.64	0.00	1,824,147.64	1,824,147.64	1,075,654.72	748,492.92	0.00
	Financial year n-2	100,870.39	0.00	100,870.39	100,870.39	50,006.01	50,864.38	0.00
	Financial year n-3	59,819.27	0.00	59,819.27	59,819.27	43,601.64	16,217.63	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		7,829,837.30	0.00	7,829,837.30	7,829,837.30	4,004,061.62	3,825,775.68	0.00
II.	OPERATING COSTS							
02.01	Official missions	5,000.00	0.00	5,000.00	5,000.00	1,521.53	3,478.47	0.00
02.02	Administrative support	152,000.00	0.00	152,000.00	152,000.00	152,000.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	14,000.00	4,000.00	18,000.00	18,000.00	0.00	18,000.00	0.00
02.05	Operating costs	6,697,000.00	-4,000.00	6,693,000.00	6,693,000.00	1,895,083.87	4,797,916.13	0.00
02.06	Construction Site Guard	7,544,896.00	0.00	7,544,896.00	7,544,896.00	6,910,697.42	634,198.58	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	6,281.80	-6,281.80	0.00
02.10	Miscellaneous and unforeseen	0.00	0.00	0.00		0.00	0.00	0.00
	Financial year n	14,412,896.00	0.00	14,412,896.00	14,412,896.00	8,965,584.62	5,447,311.38	0.00
	Carried forward:							
	Financial year n-1	3,970,837.50	0.00	3,970,837.50	3,970,837.50	3,931,352.72	39,484.78	0.00
	Financial year n-2	40,858.22	0.00	40,858.22	40,858.22	9,461.67	31,396.55	0.00
	Financial year n-3	180,348.06	0.00	180,348.06	180,348.06	130,774.27	49,573.79	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		18,604,939.78	0.00	18,604,939.78	18,604,939.78	13,037,173.28	5,567,766.50	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2016
n= 2016

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	2,865,281.00	0.00	2,865,281.00	2,865,281.00	2,450,281.00	415,000.00	0.00
03.02	Project management team	3,056,227.00	0.00	3,056,227.00	3,056,227.00	2,779,842.26	276,384.74	0.00
03.04	Concept design team	5,406,586.00	0.00	5,406,586.00	5,406,586.00	5,406,586.00	0.00	0.00
03.05	Overall CDT fees on addit Constr W	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	11,328,094.00	0.00	11,328,094.00	11,328,094.00	10,636,709.26	691,384.74	0.00
	Carried forward:							
	Financial year n-1	6,000,475.08	0.00	6,000,475.08	6,000,475.08	5,685,070.58	315,404.50	0.00
	Financial year n-2	2,426,480.10	0.00	2,426,480.10	2,426,480.10	1,527,200.10	899,280.00	0.00
	Financial year n-3	1,119,158.42	0.00	1,119,158.42	1,119,158.42	862,598.37	256,560.05	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		20,874,207.60	0.00	20,874,207.60	20,874,207.60	18,711,578.31	2,162,629.29	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	58,426,786.00	0.00	58,426,786.00	58,426,786.00	50,828,998.90	7,597,787.10	0.00
	Financial year n	58,426,786.00	0.00	58,426,786.00	58,426,786.00	50,828,998.90	7,597,787.10	0.00
	Carried forward:							
	Financial year n-1	88,399,533.57	0.00	88,399,533.57	88,399,533.57	68,234,225.57	20,165,308.00	0.00
	Financial year n-2	8,093,463.91	0.00	8,093,463.91	8,093,463.91	8,086,076.02	7,387.89	0.00
	Financial year n-3	2,286,722.89	0.00	2,286,722.89	2,286,722.89	1,980,329.50	306,393.39	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		157,206,506.37	0.00	157,206,506.37	157,206,506.37	129,129,629.99	28,076,876.38	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2016
n= 2016

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS					BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
V.	**SPECIAL EQUIPMENT**							
05.01	Special equipment	43,985,183.00	0.00	43,985,183.00	43,985,183.00	23,370,812.51	20,614,370.49	0.00
	Financial year n	43,985,183.00	0.00	43,985,183.00	43,985,183.00	23,370,812.51	20,614,370.49	0.00
	Carried forward:							
	Financial year n-1	17,479,391.44	0.00	17,479,391.44	17,479,391.44	16,708,813.58	770,577.86	0.00
	Financial year n-2	2,662,163.99	0.00	2,662,163.99	2,662,163.99	1,316,204.99	1,345,959.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		64,126,738.43	0.00	64,126,738.43	64,126,738.43	41,395,831.08	22,730,907.35	0.00
	GRAND TOTAL							
	Financial year n	133,997,959.00	0.00	133,997,959.00	133,997,959.00	96,636,904.54	37,361,054.46	0.00
	Carried forward:							
	Financial year n-1	117,674,385.23	0.00	117,674,385.23	117,674,385.23	95,635,117.17	22,039,268.06	0.00
	Financial year n-2	13,323,836.61	0.00	13,323,836.61	13,323,836.61	10,988,948.79	2,334,887.82	0.00
	Financial year n-3	3,646,048.64	0.00	3,646,048.64	3,646,048.64	3,017,303.78	628,744.86	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	268,642,229.48	0.00	268,642,229.48	268,642,229.48	206,278,274.28	62,363,955.20	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2015
n= 2015

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expenses	3,710,000.00	-67,509.59	3,642,490.41	3,642,490.41	2,314,814.34	1,327,676.07	0.00
01.02	Temporary staff and consultants	600,000.00	38,423.87	638,423.87	638,423.87	141,952.30	496,471.57	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	4,310,000.00	-29,085.72	4,280,914.28	4,280,914.28	2,456,766.64	1,824,147.64	0.00
	Carried forward:							
	Financial year n-1	727,532.40	1,076.90	728,609.30	728,609.30	627,738.91	100,870.39	0.00
	Financial year n-2	264,597.49	-11,190.57	253,406.92	253,406.92	193,587.65	59,819.27	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		5,302,129.89	-39,199.39	5,262,930.50	5,262,930.50	3,278,093.20	1,984,837.30	0.00
II.	OPERATING COSTS							
02.01	Official missions	7,000.00	67.10	7,067.10	7,067.10	5,778.80	1,288.30	0.00
02.02	Administrative support	42,000.00	0.00	42,000.00	42,000.00	42,000.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	14,000.00	0.00	14,000.00	14,000.00	4,322.51	9,677.49	0.00
02.05	Operating costs	111,000.00	29,018.62	140,018.62	140,018.62	45,167.59	94,851.03	0.00
02.06	Construction Site Guard	7,800,000.00	0.00	7,800,000.00	7,800,000.00	3,959,979.32	3,840,020.68	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	25,000.00	0.00	25,000.00	25,000.00	0.00	25,000.00	0.00
	Financial year n	7,999,000.00	29,085.72	8,028,085.72	8,028,085.72	4,057,248.22	3,970,837.50	0.00
	Carried forward:							
	Financial year n-1	5,411,955.62	-1,076.90	5,410,878.72	5,410,878.72	5,370,020.50	40,858.22	0.00
	Financial year n-2	546,478.17	11,190.57	557,668.74	557,668.74	377,320.68	180,348.06	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		13,957,433.79	39,199.39	13,996,633.18	13,996,633.18	9,804,589.40	4,192,043.78	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2015
n= 2015

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	2,547,361.00	0.00	2,547,361.00	2,547,361.00	1,415,701.92	1,131,659.08	0.00
03.02	Project management team	2,870,000.00	0.00	2,870,000.00	2,870,000.00	797,379.00	2,072,621.00	0.00
03.04	Concept design team	2,796,195.00	0.00	2,796,195.00	2,796,195.00	0.00	2,796,195.00	0.00
03.05	Overall CDT fees on addit Constr W	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	8,213,556.00	0.00	8,213,556.00	8,213,556.00	2,213,080.92	6,000,475.08	0.00
	Carried forward:							
	Financial year n-1	6,224,264.55	0.00	6,224,264.55	6,224,264.55	3,797,784.45	2,426,480.10	0.00
	Financial year n-2	2,061,090.85	0.00	2,061,090.85	2,061,090.85	941,932.43	1,119,158.42	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		16,498,911.40	0.00	16,498,911.40	16,498,911.40	6,952,797.60	9,546,113.60	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	115,110,729.00	0.00	115,110,729.00	115,110,729.00	26,711,195.43	88,399,533.57	0.00
	Financial year n	115,110,729.00	0.00	115,110,729.00	115,110,729.00	26,711,195.43	88,399,533.57	0.00
	Carried forward:							
	Financial year n-1	72,280,882.45	0.00	72,280,882.45	72,280,882.45	64,187,418.54	8,093,463.91	0.00
	Financial year n-2	13,239,405.82	0.00	13,239,405.82	13,239,405.82	10,952,682.93	2,286,722.89	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		200,631,017.27	0.00	200,631,017.27	200,631,017.27	101,851,296.90	98,779,720.37	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2015
n= 2015

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS					BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
V.	**SPECIAL EQUIPMENT**							
05.01	Special equipment	17,856,653.00	0.00	17,856,653.00	17,856,653.00	377,261.56	17,479,391.44	0.00
	Financial year n	17,856,653.00	0.00	17,856,653.00	17,856,653.00	377,261.56	17,479,391.44	0.00
	Carried forward:							
	Financial year n-1	25,861,529.00	0.00	25,861,529.00	25,861,529.00	23,199,365.01	2,662,163.99	0.00
	Financial year n-2	2,109,788.00	0.00	2,109,788.00	2,109,788.00	2,109,788.00	0.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		45,827,970.00	0.00	45,827,970.00	45,827,970.00	25,686,414.57	20,141,555.43	0.00
	GRAND TOTAL							
	Financial year n	153,489,938.00	0.00	153,489,938.00	153,489,938.00	35,815,552.77	117,674,385.23	0.00
	Carried forward:							
	Financial year n-1	110,506,164.02	0.00	110,506,164.02	110,506,164.02	97,182,327.41	13,323,836.61	0.00
	Financial year n-2	18,221,360.33	0.00	18,221,360.33	18,221,360.33	14,575,311.69	3,646,048.64	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	282,217,462.35	0.00	282,217,462.35	282,217,462.35	147,573,191.87	134,644,270.48	0.00

EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT 2016 FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

In 1999 Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (HQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO/Belgium MOU, signed on 8 December 2004.

NCIA acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the IS Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management; coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation.

A Transition Office, within the IS Executive Management Division, was created in 2011 to manage the practical and organisational aspects of the transition from the current headquarters to the new one.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

The overall programme budget ceiling is EUR 1,124 million.

NOTE 2: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The New NATO Headquarters financial statements have been prepared in accordance with the NATO Accounting Framework as approved by nations under C-M(2013)0039 on 26 July, 2013 (which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance) and with the NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP).

Basis of preparation

These statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. The New NATO Headquarters Project will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2016 financial statements of the New NATO Headquarters Project Office:

IPSAS 5: Borrowing Costs.

IPSAS 6: Consolidated and Separate Financial

IPSAS 7: Investments in Associates.

IPSAS 8: Interests in Joint Ventures

IPSAS 10: Financial Reporting in Hyperinflationary Economies

IPSAS 11: Construction Contracts

IPSAS 16: Investment Property

IPSAS 18: Segment reporting

IPSAS 21: Impairment of non-cash generating assets

IPSAS 26: Impairment of Cash-Generating Assets

IPSAS 27: Agriculture

IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the indirect method.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy and Reclassification of financial statements of previous years

None to report.

Reclassification of financial statements of previous years

Some items of the statement of financial position (mainly current liability accounts) have been readjusted compared to 2015.

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include work in progress, provisions, accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign currency transactions

The New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December 2016.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in Non-Current Liabilities.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties.

All the financial instruments are recognised in the statement of financial position at their fair value.

The New NATO Headquarters Project is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its Budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December 2016 is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the New NATO Headquarters Project credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

ING Bank Credit Ratings as at 07/02/2017

	Fitch	Moody's	S&P
Short term	F1	NA	A2

The New NATO Headquarters Project's outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

Cash and cash equivalents

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

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions are reported separately.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectable debts.

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements but not to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Inventories

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

Criteria that may indicate control of an asset
The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
The legal title is in the name of the NATO Reporting Entity.
The asset is physically located on the premises or locations used by the NATO Reporting Entity.
The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates

The NNHQ Project will capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The NNHQ Project will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets (Property, Plant & Equipment and Intangible Assets)

2012 was the first year during which construction works related to the nationally funded elements were performed. These works are recognized as non-current assets (PPE: Property, Plant and Equipment) held on behalf of third parties, at least during the construction period. The reasoning stems from a number of factors. The NHQ building constitutes a coherent and global building whose purpose is to bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not really exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding cost shares cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, and to sell their premises. Additionally, at this stage of the project it is difficult to accurately distinguish the value between these common and nationally funded components. However, their inclusion provides useful and clear information which contributes to financial transparency.

This does not preclude that in the future, an ability to limit physical access will exist, which could then justify an exclusion from NATO PPE. Until then, as currently, common funded and nationally funded construction works will be managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment until such a time as the building is operational and the related building parts are handed over to the nations concerned. It should be noted that this approach does not apply to the national fit-out segment, for which four nations have decided to act separately. The impact on previous years' financial statements is not material as no related works had been performed and therefore no fixed assets were recognised.

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 17 Property Plant and Equipment. It is described as follows:

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold.

Capitalization thresholds relevant to the financial statement are as follow:

Category	**Threshold**	**Depreciation life**	**Method**
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€ 30,000	10 years	Straight line
Machinery	€ 30,000	10 years	Straight line
Vehicles	€ 10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€ 50,000	3 years	Straight line
Furniture	€ 30,000	10 years	Straight line
Communications	€ 50,000	3 years	Straight line
Automated information Systems	€ 50,000	3 years	Straight line

In the case of the New NATO Headquarters Project to date PPE is work in progress. Depreciation will start after acceptance of the completed work.

The principles of valuing and depreciating fixed assets are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the future NNHQ.

Intangible Assets:

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

The NNHQ Project will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ will have the flexibility to expense specific items.

The NNHQ Project will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the NNHQ Project will not capitalise the following types of intangible assets in their financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

The NNHQ Project will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

The NNHQ may consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.

The NNHQ Project will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

Impairment of fixed assets:

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Position (during the construction process) in the year concerned.

Current liabilities

Payables

Payables are amounts due to Nations in relation with budget rules and services provided, or to third parties based on goods received or services provided they remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

Payables due to Nations include in particular the surplus as per the NATO Financial Regulations. In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Nations agreed that financial closure would take place only when the Project has been fully realised. Consequently, it was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the standard NATO Financial

Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus - remain on the entity's accounts.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (National Funds) are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (national funds).

As a consequence of the recognition of the nationally funded elements as Project's non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities under funds managed for third parties. The uncollected amount appears as a receivable.

Advances and Unearned Revenue

Unearned Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. Voluntary advances made by outside of the call for contributions process are accounted as funds managed for third parties.

Revenue and expense recognition

All the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office, qualify to be capitalized as PPE Work in Progress. This includes personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress are recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue is recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office.

The task of the Transition Office is to plan and execute the transition from the current NATO HQ to the new NATO HQ. Its purpose is to transform the way NATO HQ operates to make best use of the facilities and technologies in the new NATO HQ; to relocate staff, NATO agencies and national delegations; and to return the current NATO HQ campus to Belgium. Transition Office related costs consist mainly in salaries of its staff, and at this stage in consultancy services on best ways to conduct the operations in the new building. It is therefore considered that they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office costs should be expended rather than capitalized.

In the future, after the transfer of the building to the NATO International Staff, earned revenue will be progressively recognised from this long term unearned revenue, in an amount equal to annual depreciation of the related PPE, Intangible Assets etc. of the building, as future economic benefits and service potential will flow to the NATO International Staff when the building is operational.

Non-budgetary contributions called from Nations corresponding to the nationally funded construction works are treated as Long Term Unearned Revenue in an amount equal to the estimation of works completed.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations are based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. They are considered as a liability for long term unearned revenue funding assets in progress.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts are held in EUR. Deposits are held in interest-bearing bank current accounts, immediately available.

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings other than what is needed for the project.

NOTE 4: CASH MANAGED FOR THIRD PARTIES

To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, the IS Office of Financial Control has opened bank accounts in the names of NATO member Nations. Interest earned is credited to the specific bank account of the Nation concerned. These are extra-budgetary funds belonging to the Nations concerned. Separate contribution calls are made for the fit-out and for nationally funded parts of the Project. The planning foresees that the Nations make payments in advance of the quarterly payment request. A matching liability is posted against the amount of cash held on behalf of the Nations concerned and of the amount of uncollected related contributions called for what concerns the nationally funded construction works.

These funds also includes amounts relating to anticipated contributions made by some nations.

There are also funds from Eurocontrol as their contribution to works for a secure pedestrian access between their headquarters and the NNHQ site.

The total amount of cash held at the end of the year on the specific bank accounts of the nations or entities concerned may not match the value of funds held on behalf of the third parties because of voluntary advances made on the bank account for Common Funded operations, or of contributions not received on the appropriate bank account, etc. The breakdown of these bank accounts by country and entity is the following.

FUNDS MANAGED FOR THE ACCOUNT OF THIRD PARTIES Bank Balances at Year End			
		end 2016	end 2015
US MISSION FUNDS	EUR	5,383,501.34	16,703,274.17
ALBANIA NEW SITE DEL	EUR	94,314.04	326,598.85
BELGIUM NEW SITE DEL F.O.	EUR	6,172,041.15	6,562,078.07
BULGARIA NEW SITE DEL F.O.	EUR	440,728.08	6,562,078.07
CANADA NEW SITE DEL	EUR	125,889.91	482,666.41
CROATIA NEW SITE DEL	EUR	262,501.77	774,099.01
CZECH REP.NEW SITE DEL F.O.	EUR	489,298.35	501,452.99
DENMARK NEW SITE DEL F.O.	EUR	152,731.59	797,539.87
ESTONIA NEW SITE DEL F.O.	EUR	387,910.74	338,762.45
FRANCE NEW SITE DEL	EUR	104,359.84	604,755.04
GERMANY NEW SITE DEL F.O.	EUR	637,079.49	942,255.68
GREECE NEW SITE DEL F.O.	EUR	281,821.92	688,222.94
HUNGARY NEW SITE DEL F.O.	EUR	435,708.99	494,411.49
ICELAND NEW SITE DEL F.O.	EUR	110,261.38	121,298.66
ITALY NEW SITE DEL F.O.	EUR	4,438,305.18	13,225,230.05
LATVIA NEW SITE DEL F.O.	EUR	348,260.31	1,034,361.61
LATVIA NEW HQ	EUR	655,260.79	654,997.42
LITHUANIA NEW SITE DEL F.O.	EUR	525,972.81	429,354.53
LUXEMBOURG NEW SITE DEL F.O.	EUR	247,617.43	202,808.15
NETHERLANDS NEW SITE F.O.	EUR	166,747.25	557,741.99
NORWAY NEW SITE DEL F.O.	EUR	470,342.03	569,558.53
POLAND NEW SITE DEL F.O.	EUR	436,797.30	629,628.30
PORTUGAL NEW SITE DEL F.O.	EUR	419,170.79	538,558.66
ROMANIA NEW SITE DEL F.O.	EUR	425,924.39	566,828.16
SLOVAKIA NEW SITE DEL F.O.	EUR	399,730.25	499,545.92
SLOVENIA NEW SITE DEL F.O.	EUR	361,457.69	435,439.17
SPAIN NEW SITE DEL F.O.	EUR	473,877.74	566,537.23
TURKEY NEW SITE DEL F.O.	EUR	760,577.49	795,978.83
U.K. NEW SITE DEL	EUR	54,997.08	481,330.35
U.S.A NEW SITE DEL	EUR	1,745,326.86	3,729,314.35
NHQ EUROCONTROL	EUR	2,042.72	1,945.77
NEW HQ FIT-OUT	EUR	3,797.98	3,718.12
MONTENEGRO NEW SITE DEL F.O.	EUR	646,586.00	
TOTAL	**EUR**	**27,660,940.68**	**60,822,370.84**

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable from member Nations are funds requested from the Nations to finance the Common Funded Budget, the Nationally Funded component and the Fit-Out. Usually a single call is issued at the beginning of the year for each component.

Other Receivables from Nations concern amounts due for other cases than contributions to the NNHQ budget or nationally funded elements.

Other Receivables relate to miscellaneous amounts due to the Project (e.g. reimbursement of operating costs, insurance claims, advances to staff for education allowances etc.).

NOTE 6: PREPAYMENTS

Receivables from the PMT relate to advance payments made to the PMT which are not regularised at year end as they do not correspond to works completed. The terms of the MOU prevent the Host Nation from prefinancing any aspect of the Project. On a cash basis, at year end 2016, PMT held EUR 62,366,505 received from NHQPO as advance payments (EUR 20,569,321 at year end 2015). On an accruals basis, including provisions, taking into account amounts due by PMT, the net advance to be regularised amounted to EUR 47,843,960 (EUR 13,315,682.69 at year end 2015).

Similarly, at year end 2015, NHQPO has advanced funds to the NCIA in an amount of EUR 16,164,810.31 (EUR 14,848,460.61 at year end 2015) on an accruals basis.

Prepayments to suppliers (i.e. other than the two Host Nations mentioned above) amounted to EUR 0 (EUR 14,117.30 at year end 2015).

Prepayments	2016	2015	Variance
PMT Common Funded	45,176,187.00	9,382,131.00	35,794,056.00
PMT Nationally Funded	2,667,773.00	3,933,551.69	- 1,265,778.69
NCIA	16,164,810.31	14,848,460.61	1,316,349.70
Sub-Total Host Nations	**64,008,770.31**	**28,164,143.30**	**35,844,627.01**
Suppliers	-	14,117.30	- 14,117.30
TOTAL	**64,008,770.31**	**28,178,260.60**	**35,830,509.71**

NOTE 7: OTHER CURRENT ASSETS

Corresponds essentially to reciprocal bank transactions between the New NATO HQ Project and NATO International Staff accounts.

NOTE 8: NON-CURRENT ASSETS

Costs charged as PPE Work in Progress cover the common funded PPE and the nationally funded construction works held on behalf of the member Nations which at this stage of the project are considered not separable from the overall amount of fixed assets.

The following tables reconcile PPE amounts at the beginning and at the end of 2016 (and of 2015).

(amounts in EUR)	Carrying Amount end 2015	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2016
COMMON FUNDED						
Personnel (chapter 1)	18,835,664	1,920,942				20,756,606
Operating Costs (chapter 2)	37,335,984	11,719,638				49,055,622
Professional fees (chapter 3)	116,949,744	9,877,952				126,827,696
Works (chapter 4)	465,517,971	98,060,101				563,578,071
Special Equipment (chapter 5)	648,180	6,736,447				7,384,627
SUB-TOTAL COMMON FUNDED	**639,287,542**	**128,315,080**	**0**	**0**	**0**	**767,602,622**
NATIONALLY FUNDED		0				
Works	77,666,447	18,174,146				95,840,593
SUB-TOTAL NATIONALLY FUNDED	**77,666,447**	**18,174,146**	**0**	**0**	**0**	**95,840,593**
TOTAL	**716,953,989**	**146,489,226**	**0**	**0**	**0**	**863,443,215**

(amounts in EUR)	Carrying Amount end 2014	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2015
COMMON FUNDED						
Personnel (chapter 1)	16,735,689	2,099,975				18,835,664
Operating Costs (chapter 2)	27,162,632	10,173,352				37,335,984
Professional fees (chapter 3)	107,929,470	9,020,274				116,949,744
Works (chapter 4)	349,297,777	116,220,194				465,517,971
Special Equipment (chapter 5)	161,928	486,252				648,180
SUB-TOTAL COMMON FUNDED	**501,287,496**	**138,000,046**	**0**	**0**	**0**	**639,287,542**
NATIONALLY FUNDED		0				
Works	55,718,218	21,948,229				77,666,447
SUB-TOTAL NATIONALLY FUNDED	**55,718,218**	**21,948,229**	**0**	**0**	**0**	**77,666,447**
TOTAL	**557,005,714**	**159,948,275**	**0**	**0**	**0**	**716,953,989**

The following table reconciles the ANWI Assets amounts at the beginning and at the end of 2016 (and of 2015).

(amounts in EUR)	Carrying Amount end 2015	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2016
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	10,633,566	5,977,226				16,610,792
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	19,970,053	32,196,698				52,166,751
TOTAL COMMON FUNDED	**30,603,619**	**38,173,924**	**0**	**0**	**0**	**68,777,543**

(amounts in EUR)	Carrying Amount end 2014	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2015
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	10,392,278	241,288				10,633,566
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	8,067,542	11,902,511				19,970,053
TOTAL COMMON FUNDED	**18,459,820**	**12,143,799**	**0**	**0**	**0**	**30,603,619**

A series of contracts have been entered into in relation to non-current assets, mainly by the PMT and the NCIA as Host Nations, and for smaller amounts by NHQPO. The main open contractual commitments, excluding non-works related contracts with a short term (such as for security and guard services), are the following.

The main construction contract was let in June 2010, at the price set in January 2010 of approximately MEUR 360 (MEUR 438 including National Funding). This base price does not include adjustments for price revisions. Further to a claim introduced end 2013 and settled in 2014, an agreement was reached to pay additional MEUR 85 and an extension of the construction period of 4.5 months.

The amounts below do not include any potential impact from the delay of the move date.

The Concept Design Team contract was transferred to the PMT and has an LTPB planned cost of MEUR 89.045, with no impact by the claim.

The PMT awarded in 2013, the contract for the Electronic Security System in an amount of MEUR 14.9 (2013 value). The 4.5 month extension agreed with the general construction contractor implied an estimated EUR 1.540 million additional cost. Regarding the contract for the Audio Visual Infrastructure in an initial amount of MEUR 26.4 (2013 value), an estimated additional costs of MEUR 1.280 was agreed to compensate the 4.5 months delay.

In 2013, NCIA awarded the contract for the Active Network Infrastructure in the amount of MEUR 79.766 and MEUR 2.010 for Independent Validation and Verification Services. In order to achieve savings a reduction in scope of KEUR 500 was agreed by the DPRC and an estimated additional cost of MEUR 1.500 was agreed to compensate the 4.5 months delay.

Contracts were awarded by NHQPO for Furniture Supply (MEUR 8.9) and for Business Data and Applications Migration (MEUR 4.1).

There are Project Support and Engineering Fees for NCIA in relation to the Active Network Infrastructure, in an estimated amount of EUR 13.0 million.

The MOU between NATO and the Host Nation provides that management fees (National Administrative Expenses, NAE) equal to 3% of the works will be paid (LTPB total amount: MEUR 21.583).

NOTE 9: PAYABLES

Payables and accrued expenses may be to commercial suppliers, staff, Member Nations and other NATO bodies.

Payable to suppliers

Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

Payable to personnel

Payable to personnel relates to amounts due to staff in relation to remuneration of interns or temporary staff, travel expenses and hospitalities.

Payable to Nations

An amount of EUR 80,105 (EUR 903,947 end 2015) was payable to Nations for the Construction Surveillance Technical Team relating to reimbursement to those Nations who provided personnel to the Team during financial year 2016 or before. Most of those Nations have opted for direct payment, one has opted for deductions from its contributions.

A payable of EUR1,513,305.90 (EUR 1,437,652.07 end 2015) is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government. This amount can be used by the United States by applying it against its annual Project contribution.

Payable to other NATO bodies

This includes amounts received from NATO bodies in support of projects funded by the Civil Budget.

Accruals

Accrued expenses correspond to the estimated accrual obligation to third parties for goods and services received but not yet invoiced

NOTE 10: DEFERRED REVENUE

Unearned Revenue from Budgetary Appropriations

Unearned Revenue from budgetary appropriations corresponds to contributions called in relation to approved budgets up to 2016 but for which corresponding expenses will be incurred after the reporting date of 31 December 2016. The Unearned Revenue includes principally those amounts of contributions which will be spent in subsequent years on the New NATO Headquarters Project budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations (and the specific waiver thereto applicable to this project) and advances made to the PMT and the NCIA.

Other Unearned Revenue

There are also National Funds corresponding to funds managed on behalf of Nations outside of the standard call for Common Funded budgetary contributions process which are the counterpart of specific contributions called from Nations to meet the Project's payment for the Fit-Out or for Nationally Funded elements.

NOTE 11: ADVANCES

Advances Related to the Budgetary Process

Up to 2013 there were no such as advances received as there had not been calls for advance budgetary contributions. However, when setting up the funding framework related to the settlement of the claim introduced end 2013, it was agreed that Nations could opt for providing funding beyond what was needed for the part corresponding to the 2014 budget. This has resulted in EUR 20,768,632 being called. Further to the allocation of these amounts to the calls issued in 2016 and in 2015 and to additional contributions, the open amount end 2016 was EUR 458,461.90 (end 2015: EUR 8,630,461.10).

Other Advances

Nations may, in addition, make ad hoc voluntary additional contributions (EUR 20,526,852.92) in relation to the Common Funded budget, to their Nationally Funded component or to their Fit-Out.

NOTE 12: OTHER CURRENT LIABILITIES:

Other Current Liabilities linked to the budget process

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are normally deducted from the contributions due from Nations in the call of the following year.

Receipts linked to interest, foreign exchange difference gain and bank charges are normally deducted from the contributions due by Nations in the following year.

The standard budgetary process provides that amounts corresponding to the current year budgetary surplus (lapsed credits + net interests + miscellaneous income) are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. Nations may also decide that part or all of the budgetary surplus is made available for use in future years. In the case of the NNHQ Project member nations have decided that this rule would not apply until completion of the project and that all available appropriations at the end of each year would be carried forward. Consequently calls for contributions are equal to the gross amount of the approved budget with no deductions for any surplus.

Project Accumulated Surplus

Project Accumulated Surplus resulting from previous years' budget execution, which amounted to EUR 13,339,622.00 end 2013, remained until then in the entity's accounts in accordance with the specific budget funding rules approved by Nations, according to which surpluses are not returned to contributing Nations before the completion of the project.

This amount can be broken down into the following components:

(cumulative amounts since the beginning of the project until 2013)

lapsed credits (including frozen)	12,213,702.50
net overcall (minus = undercall)	-4,588,528.69
interest earned	5,700,330.32
miscellaneous income	14,117.87
Total	13,339,622.00

When assessing, end 2014, the funding impact of the settlement of the claim with the contractor and related additional costs, Nations decided to use the surplus as of end 2013 and to allocate it as a resource in order to reduce contributions to be called in this respect. As a consequence, end 2014, the surplus available from previous years was nil.

Since then the surplus is limited to net financial revenue and miscellaneous revenue.

NOTE 13: NON CURRENT LIABILITIES : PROVISIONS

Provisions relate to design fees.

Concerning design fees, the provision relates to additional studies and/or modifications done by the CDT in 2009, at the request of the PMT. An original estimate was made for EUR 2 million concerning 2009. Further to various settlements and minor adjustments the related provision was assessed at EUR 1.000 million at year end 2015. The remaining settlement finally amounted to EUR 582,358.60

NOTE 14: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

For common funded PPE and Intangible Assets, the amount originates from budget contributions.

Funding provided for the nationally funded elements matching completed related works is also considered long term unearned revenue during the construction period. A specific accounting treatment may have to be determined when the related building parts are operational and the corresponding assets are transferred to the national delegations.

NOTE 15: REVENUE

Budgetary revenue is matched to recognised expenses relating to the activities of the Transition Office.

Any interest gained is attributed to the funding of the construction itself and is therefore not recognised in the statement of financial performance.

NOTE 16: EXPENSES

The only expenses recognised are those related to the Transition Office. They consist mainly of the salaries of staff, administrative expenses and miscellaneous consultancy studies conducted in order to optimize the use of the future building. Consultancy services) are included under the item "salaries" to be consistent with the budget breakdown, which explains the changes from year to year (Transition Office staffing remaining almost unchanged).

Banking costs are not recognised as expenses but are deducted from interests earned.

NOTE 17: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 18: CASH FLOW STATEMENT

The cash flow statement is presented following the indirect method.

NOTE 19: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New Headquarters Project is governed by the following:

a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
d. Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

- NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the New NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).

- National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,

- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The initial budget in NATO corresponds to the credits that are initially authorised by the North Atlantic Council annually at the end of the previous financial year. During the year the budget is adjusted as required. The final authorisation is the credit situation as reported at the end of the financial year including approved budgetary increases/decreases and transfers approved by the IS Financial Controller (between Chapters of the New NATO HQ budget up to 5% of the credits initially granted for the receiving chapter) or by the Budget Committee.

There are two types of credits: Cash Credits (CC) are approved credits against which payments can be made during the budget year; Contract Authority Credits (CA) are approved credits to enter into a legal obligation for multi-year contracts. No payment may be made against CA prior to its conversion into CC.

The New NATO Headquarters Project 2016 initial budget authorization, for the Common Funded part, amounted to EUR 133,997,959, in addition, an amount of EUR 134,644,270.48 related to credits carried over from the previous financial years. The National Funding component for 2016 was approved in the amount of EUR 1,422,252. The Fit-Out programme was foreseen at EUR 5,255,097 to which changes could be done depending on nation's involvement in the furniture programme.

It should be noted that the credits approved for 2016, as for previous budget years, do not correspond to the full extent of the annual costs, including for Salaries and Operations and Maintenance. Credits carried forward from previous years were used, with the agreement of Nations, to fund 2016 commitments and expenses.

Budget execution statements for 2016 and 2015 are provided at Annex 4.

The LTPB 2017-2018 (DPRC-D(2016)0004-REV2(INV)) is shown in Addendum 1 at the end of these notes.

Reconciliation of the Budget Execution Statement and the Financial Performance Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:

Chapter I: Personnel Expenses
Chapter II: Operating Expenses
Chapter III: Intellectual Services
Chapter IV: Demolition/Construction Works
Chapter V: Special Equipment

However, in these financial statements all costs, with the exception of those relating to the Transition Office, are considered as investing activities.

The New NATO HQ budget, like all the other NATO budgets, contains budget chapters and items corresponding to capital expenditure. The latter result in increases of non-current assets (essentially PPE) and in changes to the level of advances made to the Host Nations given the specific operating model of the NNHQ Project concerning the construction of the building and its IT systems. All budget expenses related to the Host Nations are, in practice, advances. Prepayments to suppliers, in the context of the standard accounts payable process, are not taken into account for the purpose of this reconciliation. Concerning the budget execution statement, it must be noted that the approved budget concerns exclusively the Common Funded component of the building. The Nationally Funded component is not strictly speaking a budget (see below) but, the execution of its expenses in a quasi-budget context does result in increases of the related non-current assets and changes in related cash advances to the Host Nations. Also, carried forward credits, in the case of the NNHQ Project, correspond to unused funds (see Council derogation above); only budget expenses have a financial impact. As a consequence the reconciliation of the budget execution statement should be made between the budget expenses on one side, and, on the other side, the statement of financial performance, changes in the level of non-current assets and of advances to Host Nations, taking into account the distinction between the Common Funded and the Nationally Funded components. Such is the purpose of the table below. It shows that an absolute reconciliation could not be made by an amount of EUR 82,795 which corresponds to un-identified cut-off issues between 2015 and 2016 financial years and to the impact of issues encountered in the context of the first years of implementation of the ERP.

The item "Other Elements" in the table below corresponds to adjustments that have to be made to take into account the following cases: + EUR 695,124 of security services incurred during 2015 which were capitalized in 2015 but wrongly allocated against the 2016 budget, and - EUR 1,624,927 which had been properly recorded as 2014 budget transactions but had not been taken into account in the valuation of PPE at that time and were regularized in 2016.

The table below reconciles the budget execution with statement of financial performance.

Reconciliation of Budget Execution to Financial Performance				
BUDGET EXECUTION		**Common Funded**	**Nationally Funded**	**Total**
Total Budget (including carried-forward from previous year)	(a)	268,642,229.48	16,908,366.00	**285,550,595.48**
Credits Carried Forward in Following Year	(b)	62,363,955.20	0.00	**62,363,955.20**
Budget Execution Expenses	(c) = (a-b)	206,278,274.28	16,908,366.00	**223,186,640.28**
RECONCILIATION		**Common Funded**	**Nationally Funded**	**Total**
Financial Performance Expenses (excluding financial costs)	(d)	3,525,873.92		**3,525,873.92**
Increase in Non-Current Assets	(e)	166,489,003.03	18,174,146.00	**184,663,149.03**
Change Increase (Decrease) in Advances to Host Nations	(f)	37,110,405.70	-1,265,778.69	**35,844,627.01**
Other Elements	(g)	-929,803.00		**-929,803.00**
Sub-Total	(h)=(d+e+f+g)	206,195,479.65	16,908,367.31	**223,103,846.96**
Difference to Budget Expenses	(c-h)	82,794.63	-1.31	**82,793.32**

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component (excluding Fit-Out). Related expenses are apportioned using physical criteria (such as surface, number of parking spaces) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses.

						(amounts in EUR)
	Up to 2012	2013	2014	2015	2016	Cumulative
Approved Amounts	37,790,467	12,756,605	25,327,510	21,211,531	1,422,252	98,508,365
Cash advances	12,000,000	27,099,999	26,500,000	16,000,000	16,908,366	98,508,365
Expenses	11,423,370	22,126,329	22,168,519	21,948,229	18,174,145	95,840,592

Fit-Out

Operations related to the Fit-Out of national delegations are not executed in the context of a budget framework; they result in outflows of cash to the PMT for settlement of related invoices.

NOTE 20: WRITE-OFFS

Nothing to report.

NOTE 21: LEASES

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium would decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

The New NATO Headquarters Project does not have any financial leases.

NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 23: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

NOTE 24: CONTINGENT ASSETS

Nothing to report.

NOTE 25: EMPLOYEE DISCLOSURE

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

At 31 December 2016, New NATO Headquarters Project Office had an approved Personnel Establishment of 24 positions (24 for 2015) funded by its budget. Seven positions related to the Transition Office. For administrative and project management purposes the post of Building Z Project Manager is attached to the HQPO but has a specific funding mechanism with no impact on the New NATO Headquarters project.

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the three Pension Schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

Nineteen staff members participate in the DCPS administered by NATO. The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. Four employees participate in the DBPS: a deduction of 9.5% of their salaries is made and contributed to the annual financing of this Plan. In addition, the New NHQPO budget makes a monthly matching contribution to the DBPS equal to 19% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the NHQPO has neither DBPS nor DCPS liability for its staff members. Also, one staff member is employed on reimbursable basis with an agreement between NATO-IS and the United States. The individual is paid and accrues pension rights under a United States pension scheme.

The contributions for pensions paid are as follows:

	2016			2015		
amounts in EUR	**Staff**	**Employer**	**Total**	**Staff**	**Employer**	**Total**
Provident Fund	-	-	-	-	-	-
Co-ordinated Pension Scheme	18,097.89	36,195.78	54,293.67	32,657.66	65,315.32	97,972.98
Defined Contribution Pension Scheme	120,837.33	181,255.99	302,093.32	129,342.12	167,226.41	296,568.53
TOTAL	**138,935.22**	**217,451.77**	**356,386.99**	**161,999.78**	**232,541.73**	**394,541.51**

Untaken leave by NHQPO staff is not considered material and is therefore not recognised.

One staff member is employed on a reimbursable basis with an agreement between NATO-IS and the United States. The salary is paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the post occupied by the staff member. The individual accrues pension rights under a United States pension scheme.

NOTE 26: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The DPRC took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the DPRC are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project are the Director of the NHQPO and his Deputy. They are remunerated in accordance with their respective NATO grades, respectively A6 and A5.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 27: RELATED PARTIES

NATO Bodies

For administrative purposes the NHQPO is attached to the NATO International Staff Defense Investment Division and the Transition Team to Executive Management Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project.

In 2016, NATO International Staff charged the NHQPO an amount of EUR 187,474 for administrative support costs (EUR 167,928.05 in 2015) and EUR 6,956.86 for common operating costs (EUR 7,015.19 in 2015). The specific operating costs related to the PMT (around EUR 4,000) are absorbed by the Civil Budget in exchange of the occupancy of the CDH building by the International Staff

The NCI Agency is the Host Nation in charge of equipping the New NATO HQ with modern and cost effective Information and Communication Technologies solutions, to include voice, video and data management, processing and storage through the Active Network Infrastructure (ANWI) project, for an estimated cost of MEUR 100.527 including contingencies (5% Host Nation contingencies, 5% additional contingencies and MEUR 10,775 ICT Programme contingencies; the two last ones are subject to DPRC approval).

An amount of EUR 12.116 million is approved in the LTPB for NCIA Project Service Costs for ANWI. NCIA provided also some specific consultancy services (EUR 0.866 million approved in the LTPB).

At the end of financial year 2015, the position of the project towards NCIA was a net advance receivable in an amount of MEUR 16.1 (MEUR 14.8 at year-end 2015).

The IS acts also as a Host Nation concerning the procurement of Furniture (MEUR 20.5 in the LTPB) and the Business Data and Applications Migration Project (MEUR 4.105 in the LTPB). The IS receives no related remuneration fees.

Member Nations

NATO Security Investment Programme (NSIP) procedures are the management process for the New NATO HQ. Belgium is the Host Nation for the construction, the passive network infrastructure, the building management system, the electronic security system and audio visual infrastructure. In exchange for this service, Belgium receives fees (National Administrative Expense (NAE) equal to 3% of works) the total amount of which is estimated EUR 21.583 million over the duration of the project.

The DPRC agreed that Construction Surveillance Technician Team required to support the construction project should be manned by personnel from Nations on a reimbursable basis.

Each delegation's fit-out is the financial responsibility of the Nation concerned. Twenty four Nations agreed to the have their delegations' fit-out undertaken by the PMT. Specific advance contributions are requested from the Nations concerned to cover the related costs (C-M(2006)0096). The other four Nations have decided to have their fit-out done nationally without the intervention by the PMT.

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List of Acronyms:

DPRC: Deputy Permanent Representatives Committee
HN: Host Nation.
IS: International Staff
LTPB: Long Term Program Budget
MOU: Memorandum of Understanding
NCIA: NATO Communication and Information Agency
NSIP: NATO Security Investment Programme
OFC: International Staff Office of Financial Control
PMT: Project Management Team
PPE: Property, Plant and Equipment

2017-2018 LONG TERM PROGRAMME BUDGET (REVISION MARCH 2017)

SUMMARY OF COMMON AND NATIONAL FUNDING REQUIREMENTS (CF + NF) (EXCLUDING FIT-OUT) PER CISI AND PER YEAR - IN KEUR-

Chapter Item Sub-Item (CISI)	Description of requirements	Actuals 2000-2015	Actuals 2016	Approved 2017	Forecast 2018	CF	NF	(CF + NF) TOTAL CASH FLOW	CURRENT LTPB	CHANGES
CHAPTER I PERSONNEL COSTS										
01-01 to 01-03	Personnel costs (except Transition Management)	18,511	2,776	1,899	275	23,460	0	23,460	22,585	875
01-01 to 01-03	Transition Support Office - NATO Staff Posts	3,772	720	641	0	5,134	0	5,134	4,552	581
01-01-06-00	Transition Management - Staff Restructuring	0	1,000	1,500	0	2,500	0	2,500	2,500	0
01-01-04-01	Transition Management - Staff Training	1,203	1,689	0	0	2,891	0	2,891	2,836	56
01-02-02-00	Transition Support Office - Consultants	2,115	492	0	0	2,607	0	2,607	2,607	0
	Sub-total I	**25,601**	**6,676**	**4,040**	**275**	**36,592**	**0**	**36,592**	**35,080**	**1,512**
CHAPTER II OPERATING EXPENSES										
02-01 to 02-10	Operat. Exp. excl. Security / Renovat. Works / Trans.Mgmt	6,256	400	0	0	6,655	0	6,655	5,955	700
02-01-00-01	Transition Management - Travel costs	65	5	0	0	70	0	70	70	0
02-02-00-00	Transition Management - Admin Support to IS	184	42	0	0	226	0	226	226	0
02-05-01-01	Transition Management - Operat. & Mainten. overlap costs	0	4,374	4,000	0	8,374	0	8,374	8,374	0
02-05-02-00	Renovation of buildings A2/A12 on new construction site	749	0	0	0	749	0	749	749	0
02-05-03-00	Transition Management - Disposal of current HQ site	340	829	2,750	0	3,919	0	3,919	3,829	90
02-05-04-00	Transition Management - New HQ LAUNCH	0	1,723	430	0	2,153	0	2,153	1,738	415
02-05-10-00	Security Equipment for Site Guards	109	0	0	0	109	0	109	109	0
02-06-00-00	Site Security Guards labour	37,691	7,545	0	0	45,236	0	45,236	41,636	3,600
	Sub-total II	**45,392**	**14,918**	**7,180**	**0**	**67,491**	**0**	**67,491**	**62,686**	**4,805**
CHAPTER III INTELLECTUAL SERVICES										
03-01-01-00	Construction Security Planning	99	0	0	0	99	0	99	99	0
03-01-02-00	Geotechnical Survey of Site	326	0	0	0	326	0	326	326	0
03-01-03-00	Environmental Impact Study	206	0	0	0	206	0	206	206	0
03-01-04-00	Legal consultant - PMT	490	60	90	0	640	0	640	640	0
03-01-04-01	Legal consultant - NATO	150	0	0	0	150	0	150	250	-100
03-01-05-00	Stability & Quality Control	1,605	0	0	0	1,605	0	1,605	1,590	15
03-01-06-00	Fire & Physical Safety Control	689	0	0	0	689	0	689	689	0
03-01-07-00	Furniture Programme Management	450	0	0	0	450	0	450	450	0
03-01-08-00	Cost and Change Management	4,707	298	0	0	5,005	0	5,005	4,955	50
03-01-08-01	Data Management System	1,127	85	88	0	1,301	0	1,301	1,301	0
03-01-08-02	Encryptors/Collaboration Tools NCIA	851	15	0	0	866	0	866	816	50
03-01-09-00	Technical Consultancy IBAN	74	0	0	0	74	0	74	74	0
03-01-10-00	Web Site Design	22	0	0	0	22	0	22	22	0
03-01-11-00	Topographic & Blast Study	88	0	0	0	88	0	88	88	0
03-01-12-00	Miscellaneous Consulting - NATO	1,298	0	0	0	1,298	0	1,298	1,298	0
03-01-12-01	Specialized consulting - PMT	94	0	0	0	94	0	94	94	0
03-01-13-00	ICT Consultancy	1,218	0	0	0	1,218	0	1,218	1,218	0
03-01-13-01	ICT - Programme Management -	3,490	400	162	0	4,052	0	4,052	3,992	60
03-01-14-00	Surveillance of Works	8,859	2,007	367	0	11,233	0	11,233	11,053	180
03-01-15-00	SITE/Plant Laboratory Testing	105	0	0	0	105	0	105	105	0
03-01-16-00	Logistics Study	60	0	0	0	60	0	60	60	0
03-01-18-00	Space Management Consulting	238	0	0	0	238	0	238	238	0
03-02-00-00	Belgian PMT National Admin Expenses (NAE)	16,895	2,000	2,511	270	21,676	0	21,676	21,583	93
03-02-01-00	ICT - ANWI NCIA Fees	10,635	1,000	481	0	12,116	0	12,116	12,116	0
	ICT- ANWI Engineering Services	810	56	0	0	866	0	866	866	0
03-03-00-00	IADC	1,008	0	0	0	1,008	0	1,008	1,008	0
03-03-02-00	JURY HONORAIRES	85	0	0	0	85	0	85	85	0
03-03-03-00	UIA HONORAIRES	126	0	0	0	126	0	126	126	0
03-03-04-00	INDEMNISATION POUR NON RETENUES	1,370	0	0	0	1,370	0	1,370	1,370	0
03-04-00-00	Concept Desitn Fees + Amendments	82,230	5,407	0	108	87,745	0	87,745	87,545	200
03-05-00-00	Overall fees on additional Contingencies	686	0	0	0	686	0	686	686	0
	Sub-total III	**140,091**	**11,328**	**3,699**	**378**	**155,497**	**0**	**155,497**	**154,949**	**548**

CHAPTER IV CONSTRUCTION WORKS AND ASSOCIATED COSTS										
04-01-01-00	Demolition works - Lot 1	9,589	0	0	0	9,589	0	9,589	9,589	0
04-01-02-00	Construction Works (CF+NF)excl.PNWI	400,398	14,623	4,579	1,257	344,710	76,147	420,858	420,858	0
	Contingencies on Construction Works authorised to PMT	151,530	4,861	14,665	0	159,310	11,746	171,056	168,956	2,100
	Annual revision	40,369	0	0	0	31,941	8,428	40,369	40,369	0
04-01-02-00	Passive Network Infrastructure (PNWI) (CF+NF)	13,212	4,217	0	0	15,137	2,292	17,429	17,429	0
	Contingencies on PNWI works	618	1,253	554	0	2,310	115	2,425	2,425	0
	Annual revision	1,537	127	0	0	1,367	297	1,664	1,664	0
04-01-02-02	Additional Contingencies of construction works and PNWI (on DPRC release)	10,341	0	93	0	10,434	0	10,434	19,363	-8,929
04-01-02-03	Potential Changes of Scope (on DPRC release)	370	0	0	0	370	0	370	370	0
04-01-02-04	Transition Programme Contingencies on DPRC release	0	352	1,095	0	1,447	0	1,447	2,495	-1,048
04-01-02-05	Transition Programme Contingencies on DPRC release for one-time requirements	0	2,384	0	0	2,384	0	2,384	2,384	0
04-01-02-01	Electronic Security Systems (ESS) [CF]	7,952	6,913	0	0	14,865	0	14,865	14,865	0
	Contingencies (ESS)	1,648	1,230	289	0	3,167	0	3,167	1,917	1,250
	Annual revision (ESS)	452	215	0	0	667	0	667	667	0
04-01-03-00	Audiovisual (AV) Equipment	11,516	14,009	521	385	26,431	0	26,431	26,431	0
	Contingencies (AV)	826	2,026	0	0	2,852	0	2,852	2,602	250
	Annual revision (AV)	590	710	39	38	1,377	0	1,377	1,377	0
04-01-04-00	Construction of Mock-ups	300	0	0	0	300	0	300	300	0
04-01-05-00	Construction Security Programme-Equipment	852	180	0	0	1,032	0	1,032	1,032	0
04-01-06-00	Construction Surveillance Team (CST) on reimbursable basis	11,125	6,200	0	0	17,325	0	17,325	17,325	0
04-01-07-00	Connection of utilities (sewage,elec,gas,water)	1,050	0	0	0	1,050	0	1,050	1,050	0
	Sub-total IV	**664,276**	**59,301**	**21,835**	**1,680**	**648,067**	**99,025**	**747,092**	**753,469**	**-6,377**
CHAPTER V SPECIAL EQUIPMENT										
05-01-01-00	ICT - Active Network Infrastructure	37,168	27,000	15,598	0	79,766	0	79,766	79,766	0
	ICT- Independent Verification & Validation	1,815	195	0	0	2,010	0	2,010	2,010	0
	ICT- 5% Contingencies HN	3,208	780	0	0	3,988	0	3,988	3,988	0
	ICT- 5% Contingencies NATO	3,208	280	500	0	3,988	0	3,988	3,988	0
	ICT- Programme contingencies	7,472	1,303	2,000	0	10,775	0	10,775	11,275	-500
05-01-02-00	ICT - Application Migration	2,352	2,053	0	0	4,405	0	4,405	4,105	300
05-01-03-00	Furniture either internal or external (loose)	0	8,900	0	0	8,900	0	8,900	8,900	0
	Contingencies on Furniture Programme	0	1,200	0	0	1,200	0	1,200	1,200	0
	Contingencies on Furniture under DPRC	0	400	0	0	400	0	400	675	-275
05-01-03-00	Sports or recreational equipment	0	0	0	0	0	0	0	200	-200
05-01-04-00	Relocation costs and movement of furniture	0	1,087	1,000	0	2,087	0	2,087	1,600	487
05-01-05-00	Non-Fixed Equipment	0	0	0	0	0	0	0	300	-300
	Sub-total V	**55,224**	**43,197**	**19,098**	**0**	**117,519**	**0**	**117,519**	**118,007**	**-488**
	GRAND TOTAL	**930,584**	**135,420**	**55,852**	**2,333**	**1,025,165**	**99,025**	**1,124,190**	**1,124,190**	**0**

NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES

NATO UNCLASSIFIED

IBA-A(2018)0007
9 February 2018

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

Cc: Assistant Secretary General, Executive Management Division
Financial Controller, International Staff (IS)
Chairman, Resource Policy & Planning Board (RPPB)
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (Board) Auditor's Report and Letter of Observations and Recommendations on the audit of the New NATO Headquarters (NHQ) Restated Financial Statements for the year ended 31 December 2015 - IBA-AR(2017)28***

The Board submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

The Board's report sets out a qualified opinion on the restated financial statements of the New NATO Headquarters and a qualified opinion on compliance for the financial year 2015.

Yours sincerely,

(Signed) Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

Boulevard Léopold III - B-1110 Bruxelles - Belgique
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ANNEX 1

Summary Note for Council
by the International Board of Auditors for NATO (Board)
on the audit of the Restated Financial Statements of the
New NATO Headquarters (NHQ)
for the year ended 31 December 2015

At the Washington Summit, in April 1999, the Heads of State and Government of NATO countries formally decided to build a new NATO Headquarters in Brussels to meet the Alliance's needs in the twenty-first century. The North Atlantic Council, upon recommendation of the Civil Budget Committee, approves the budget for the new NATO Headquarters. It is funded from national contributions based on a specific cost-share agreement among the NATO nations.

The total overall budget is EUR 1.124 billion

Budget authorisations for 2015 totaled EUR 282.2 million, of which EUR 153.5 million relates to the 2015 budget and EUR 128.7 million relates to credits brought-forward from prior year budgets.

The total valuation of the New NATO Headquarters under construction as of 31 December 2015 was recorded for an amount of EUR 747.5 million.

During the audit, the Board identified five observations. One observation impacts the audit opinion on both the financial statements and on compliance:

1. Inability to obtain sufficient and appropriate audit evidence.

Three observations impact the audit opinion on compliance:

2. Late issuance of the financial statements,
3. No statement on Internal Control was issued,
4. No regular reconciliation of bank balances.

One observation does not impact the audit opinion:

5. Significant delays in providing information required for the audit.

These findings are summarised in the Letter of Observations and recommendations (Annex 3).

The International Staff's formal comments are contained in the Appendix of Annex 3.

ANNEX 2
IBA-AR(2017)28

9 February 2018

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE RESTATED FINANCIAL STATEMENTS OF THE NEW NATO HEADQUARTERS (NNHQ) FOR THE YEAR ENDED 31 DECEMBER 2015

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

Report on the Restated Financial Statements

The International Board of Auditors for NATO (Board) was engaged to audit the accompanying restated Financial Statements of the New NATO Headquarters, which comprised the Statement of Financial Position as at 31 December 2015, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board was also engaged to audit the Statements of Budgetary Operations and Credit Transfers authorized by the Financial Controller for the year ended 31 December 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the NATO Accounting Framework and the requirements of the NATO Financial Regulations as authorized by the North Atlantic Council (NAC).

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of Financial Statements is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

Basis for Qualified Opinion on the Restated Financial Statements

The Board made multiple attempts to obtain supporting data necessary for the performance of audit procedures. However, some of the data was not provided and therefore the Board was unable to perform part of the planned audit procedures. The Board did not receive the requested supporting details for the following items of the Statement of Financial Position:

- Other current assets (EUR 0.6 million);
- Payables (EUR 1.3 million);
- Unearned revenues (EUR 180.5 million);
- Other current liabilities (EUR 0.5 million).

Therefore, sufficient and appropriate audit evidence could not be obtained to conclude that the Statement of Financial Position and the Statement of Financial Performance are free from material misstatement. Accordingly, we were unable to determine whether any adjustments might have been found necessary in those statements.

Further, the Board found material differences between the financial statements and balances reported in the new Enterprise Resource Planning system.

Qualified Opinion on the Restated Financial Statements

In our opinion, except for the effects and possible effects of the matters described in the *Basis for Qualified Opinion on the Restated Financial Statements* the restated Financial Statements present fairly, in all material respects the financial position of the New NATO Headquarters as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

Report on Compliance

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Compliance

The matters described in the *Basis for Qualified Opinion on the Revised Financial Statements* also provide the Basis for Qualified Opinion on Compliance.

The NATO Financial Regulations require the financial statements to be submitted for audit to the Board by the Financial Controller no later than 31 March following the end of the financial year. The Financial Statements of the New NATO Headquarters for the year ended 31 December 2015, though, were only submitted on 15 July 2016 with restated Financial Statements issued on 4 December 2017. The initial Financial Statements were not signed by the NATO Secretary General.

The NATO Financial Regulations also require the Statement on Internal Control to be signed annually by the NATO Secretary General and the Financial Controller. However, no Statement on Internal Control was issued for 2015.

The Board also found that bank balances were not being reconciled during 2015. This represents a material weakness in internal control over financial reporting.

Qualified Opinion on Compliance

In our opinion, except for the possible effect of the matters described in the *Basis for Qualified Opinion on Compliance* in all material respects the financial transactions and information reflected in the restated Financial Statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 9 February 2018

(Signed) Hervé-Adrien Metzger
Chairman

ANNEX 3
IBA-AR(2017)28

9 February 2018

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The International Board of Auditors for NATO (Board) audited the New NATO Headquarters (NNHQ) restated Financial Statements for the year ended 31 December 2015, and issued a qualified opinion on those financial statements and on compliance.

Observations and Recommendations

The Board identified material differences between the Budget Execution Statement and balances presented in the Statement of Financial Position and Performance that could not be explained by the IS. Further, the Statement of Cash Flow was broadly incorrect. Based on the Board findings, the IS issued restated financial statement on the 4th of December 2017 correcting some of the errors identified by the Board.

During the audit, the Board identified five observations. One observation impacts the audit opinion on both the financial statements and on compliance:

1. Inability to obtain sufficient and appropriate audit evidence.

Three observations impact the audit opinion on compliance:

2. Late issuance of the financial statements,
3. No statement on Internal Control was issued,
4. No regular reconciliation of bank balances.

One observation does not impact the audit opinion:

5. Significant delays in providing information required for the audit.

The Board also issued a management letter (reference IBA-AML(2017)15) to the International Staff (IS) Financial Controller.

The Board received factual and formal comments from the IS. Where deemed necessary, the Board amended its draft report to take into account the factual comments. The IS's formal comments are contained in the Appendix to Annex 3.

OBSERVATIONS AND RECOMMENDATIONS

1. INABILITY TO OBTAIN SUFFICIENT AND APPROPRIATE AUDIT EVIDENCE

Reasoning

1.1 Article 12 of the NFRs requires that the Secretary General ensures the necessary internal management functions are in place in the NATO International Staff (IS) to support effective internal control, designed to provide reasonable assurance that the NATO body will achieve its objectives. These include the following: verify the accuracy and reliability of accounting data and records, establish and maintain comprehensive accounting records of all assets and liabilities, and adequate audit trails and data confidentiality, integrity and availability in information systems.

1.2 The Board's Charter states that it shall undertake its audits in accordance with the auditing standards of the International Organisation of Supreme Audit Institutions. These auditing standards require the Board to obtain sufficient and appropriate audit evidence to support its opinions.

1.3 Disclosure notes are included in the financial statements to provide additional information for the reader to better understand the balances presented in the Statement of Financial Position, Statement of Financial Performance, Statement of Change in Net Assets/Equity and the Budget Execution Statement.

Observations

1.4 The Board made multiple attempts to obtain supporting detail from the IS necessary for the performance of its audit procedures. However, some detail was not provided by the IS and therefore the Board was unable to perform planned audit procedures on these areas. The Board did not receive the requested supporting details for the following items of the Statement of Financial Position:

- Other current assets (EUR 0.6 million);
- Payables (EUR 1.3 million);
- Unearned revenues (EUR 180.5 million);
- Other current liabilities (EUR 0.5 million).

1.5 The Board also found that the year-end balance of EUR 180.5 million for unearned revenues is incorrectly calculated. Unearned revenues should have included budget carried forward to the next year, i.e., EUR 134.6 million as stated in the Budget Execution Statement. However, the IS calculation has taken EUR 136.6 million as the amount carried forward. An amount of EUR 1.4 million for United States Refundable Staff was wrongly recorded as unearned revenues instead of payables. In addition to the above, an amount of EUR 14.2 million was incorrectly recorded as unearned revenues instead of advances. Furthermore, the Board could not reconcile the amount of EUR 14.2 million of advances.

1.6 In general, the financial statements did not match to the balances in the new Enterprise Resource Planning (ERP) system. There were variances of EUR 13.3 million for receivables, EUR 0.66 million for other current assets, EUR 0.68 million for payables, EUR 3 million for unearned revenue, EUR 2.6 million for Advances, and EUR 0.21 million for other current liabilities. These variances were offset by maintaining suspense and balancing accounts in the system for an amount of EUR 13.5 million and an internal bank transfer account of EUR 0.9 million that the Board was unable to audit. Support for such variances was generally lacking, making it very difficult and time-consuming to audit.

1.7 To further complicate the accounting, a significant number of transactions during the year were not captured within the ERP system on a transaction-by-transaction basis. Rather, the account transactions were aggregated outside of the system and subsequently manually entered into the ERP. Keeping accounting records outside the ERP system significantly deteriorated the availability and transparency of the accounting data and underlying supporting documentation. This significantly increased the risk over the integrity of the accounting records and the financial statements. In addition, not following standard ERP workflows for individual routine transactions increases the risk of insufficient segregation of duties and as a result, the risk of errors and fraud.

Recommendation

1.8 The Board recommends using a trial balance, generated by the ERP system, as a main source for the preparation of the financial statements. The preparer of the financial statements should keep detailed supporting working papers in order to be able to support any balance presented or information disclosed in the financial statements. Moreover, the IS must be able to provide for each asset / liability account in the ERP system a breakdown of detail in order to properly follow-up the balance.

1.9 The Board also recommends improving the transparency and availability of the accounting data by recording all individual accounting transactions in the ERP system and using standard workflows for routine transactions. In situations when aggregated data is entered in the accounting program, underlying supporting details (summaries, listings, calculations, etc.) should be available within the ERP and should be subject to proper verification and approval within the system.

1.10 Lastly, the Board recommends implementing the multi-level financial statements review process in order to ensure the overall quality of the issued financial statements and their compliance with applicable reporting frameworks.

2. LATE ISSUANCE OF THE FINANCIAL STATEMENTS

Reasoning

2.1 For the 2015 financial statements, Article 35 of the NATO Financial Regulations (NFRs) states that: *"An annual financial statement for each NATO body, consolidated where applicable and appropriate, shall be submitted for audit to the International Board of Auditors for NATO by the financial controller not later than 31st March following the end of the financial year."*

Observation

2.2 The financial statements of the New NATO HQ were received by the Board on 15 July 2016, more than three months later than the requirements of the NFR's. Furthermore, the financial statements were not signed by the Secretary General. This does not enable the Board to properly plan and carry out its financial statement audits and to report its results to the Council on a timely basis. This limits, in part, the usefulness of the financial statements.

2.3 Restated financial statements were issued by the IS on the 4th of December 2017 correcting material errors in the note disclosure and the Cash Flow Statement identified by the Board during its audit.

Recommendation

2.4 The Board recommends that, in future, the financial statements be submitted by 31 March, in accordance with the deadline in the NFRs.

3. NO STATEMENT ON INTERNAL CONTROL WAS ISSUED

Reasoning

3.1 According to NFR paragraphs 3.1 and 3.2, the Secretary General is responsible and accountable for sound financial management and shall put in place the necessary governance arrangements to ensure and maintain this. This shall include, but is not limited to, the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources. The adherence to the above is confirmed annually by signature of the Financial Statements, and the Statement on Internal Control. Both documents should be signed by the Head of the NATO body and the financial controller.

Observation

3.2 No signed Statement on Internal Control was issued to the Board for the New NATO Headquarters' 2015 Financial Statements.

Recommendation

3.3 The Board recommends that the IS provide the Board the signed Statement on Internal Control along with the signed Financial Statements, as per the requirements of the NFRs.

4. NO REGULAR RECONCILIATION OF BANK BALANCES

Reasoning

4.1 According to paragraph VI 4) (c) of the NATO Financial Rules and Procedures, the Financial Controller shall ensure that all accounts are reconciled and verified on a regular basis, and all activities with financial implications, including multinational and non-appropriated fund activities, be controlled by periodic inspection.

Observation

4.2 The Board found that the IS did not perform monthly reconciliations of cash balances between the accounting system and bank statements for 2015. Monthly reconciliations can only be performed after all bank transactions have been recorded and reconciled in the ERP. This did not happen because there were a significant amount of unreconciled and unprocessed bank transactions in the ERP in 2015.

Recommendation

4.3 The Board recommends performing and documenting regular monthly cash reconciliations, which will help to identify misstatements (if any) on a timely basis. This should include signatures of the preparer and the reviewer.

5. SIGNIFICANT DELAYS IN PROVIDING INFORMATION REQUIRED FOR THE AUDIT

Reasoning

5.1 The Board follows the International Standards of Supreme Audit Institutions (ISSAIs). ISSAI 1260, *Communications with those Charged with Governance*, requires the auditor to communicate significant difficulties encountered during the audit.

Observation

5.2 During the audit of the 2015 financial statements, there were significant delays in the IS Office of Financial Control providing required information for the audit. Furthermore, some of the information requested was never received. This does not enable the Board to properly carry out its audit and resulted in significant delays reporting the results to the Council. This limits the usefulness of the financial statements.

Recommendation

5.3 The Board recommends that the IS Office of Financial Control provide required information to the Board in a timely manner.

INTERNATIONAL STAFF (IS) FORMAL COMMENTS ON THE LETTER OF OBSERVATIONS AND RECOMMENDATIONS AND THE INTERNATIONAL BOARD OF AUDITORS (BOARD) POSITIONS

OBSERVATION 1:
INABILITY TO OBTAIN SUFFICIENT AND APPROPRIATE AUDIT EVIDENCE

Formal comment of the International Staff

The recommendations are agreed. The issues mentioned on the 1.4 -1.8 were adjusted during 2016 and taken into account in the 2016 financial statements. These were largely due to the issues encountered during the first months of use of the ERP.

OBSERVATION 2:
LATE ISSUANCE OF THE FINANCIAL STATEMENTS

Formal comment of the International Staff

The recommendation is agreed. The issuance of the financial statements was impacted by specific circumstances linked to difficulties encountered with the new ERP and more generally understaffing of the IS OFC.

OBSERVATION 3:
NO STATEMENT ON INTERNAL CONTROL WAS ISSUED

Formal comment of the International Staff

Agreed. A Statement of Internal Control was issued with the 2016 financial statements.

OBSERVATION 4:
NO REGULAR RECONCILIATION OF BANK BALANCES

Formal comment of the International Staff

Agreed.

OBSERVATION 5:
SIGNIFICANT DELAYS IN PROVIDING INFORMATION REQUIRED FOR THE AUDIT

Formal comment of the International Staff

Agreed.

NEW NATO HEADQUARTERS

FINANCIAL STATEMENTS AT 31/12/2015
FINANCIAL YEAR 2015

Annexes

(Signed) Jens STOLTENBERG
Secretary General

(Signed) Stephane CHAGNOT
Financial Controller

ANNEX 1 to
FC(2016)076-REV1

NEW NATO HEADQUARTERS
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

(All amounts in Euro)

	Notes	Current Year 2015	Prior Year 2014	Variance CY - PY
ASSETS				
CURRENT ASSETS				
Cash	3	953.28	299.06	654.22
Current bank accounts	3 & 4	200,270,318.05	174,923,346.07	25,346,971.98
Cash equivalents	3	-	-	-
Receivables	5	1,001,210.15	23,366,723.83	-22,365,513.68
Prepayments	6	28,178,260.60	37,425,165.25	-9,246,904.65
Other Current Assets	6	662,251.67	232,117.60	430,134.07
Inventories	2	-	-	-
Total Current Assets		**230,112,993.75**	**235,947,651.81**	**-5,834,658.06**
NON CURRENT ASSETS				
Receivables	5	-	-	-
Property, Plant and Equipment	7	747,557,608.23	575,465,534.36	172,092,073.87
Land and buildings	18	-	-	-
Intangible assets	7	-	-	-
Total Non Current Assets		**747,557,608.23**	**575,465,534.36**	**172,092,073.87**
TOTAL ASSETS		**977,670,601.98**	**811,413,186.17**	**166,257,415.81**
LIABILITIES				
Current Liabilities				
Payables	8	1,358,390.85	609,673.69	748,717.16
Unearned Revenue	9	180,531,171.08	181,669,143.92	-1,137,972.84
Advances	9	47,712,936.61	53,439,125.71	-5,726,189.10
Short Term Provisions	10	-	-	-
Other Current Liabilities	9	510,495.21	229,708.48	280,786.73
Total Current Liabilities		**230,112,993.75**	**235,947,651.80**	**-5,834,658.05**
NON CURRENT ASSETS				
Long Term Provisions	10	1,000,000.00	1,073,000.00	-73,000.00
Non Current Deferred Revenue	11	746,557,608.23	574,392,534.37	172,165,073.86
Other Non Current Liabilities	11	-	-	-
Total Non Current Assets		**747,557,608.23**	**575,465,534.37**	**172,092,073.86**
TOTAL LIABILITIES		**977,670,601.98**	**811,413,186.17**	**166,257,415.81**

ANNEX 2 to
FC(2016)076-REV1

NEW NATO HEADQUARTERS
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 31 December 2015
(All amounts in EUR)

	Notes	Current Year 2015	Prior Year 2014	Variance CY - PY
Revenue	12			
Revenue from non exchange transactions		1,450,902.56	1,670,036.89	-219,134.33
Financial Revenue		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Total Revenue		**1,450,902.56**	**1,670,036.89**	**-219,134.33**
Expenses	13			
Wages, salaries and employee benefits		1,124,541.14	1,571,880.89	-447,339.75
Services, supplies and consumables used		326,361.42	98,156.00	228,205.42
Financial Costs			0.00	0.00
Other expenses			0.00	0.00
Total Expenses		**1,450,902.56**	**1,670,036.89**	**-219,134.33**
Surplus/Deficit for the period	14	**0.00**	**0.00**	**0.00**

ANNEX 3 to
FC(2016)076-REV1

NEW NATO HEADQUARTERS
Statement of cash flow
For the Year Ended 31 December 2015

	(All amounts in Euro)	
	2015	**2014**
Cash flow from operating activities		
Surplus/(Deficit)	0.00	0.00
Non-cash movements		
Depreciation/ Amortisation	0.00	0.00
Impairment	0.00	0.00
Increase /(decrease) in payables	748,717.16	-36,815,856.96
Increase/ (decrease) in other current liabilities	-6,583,375.21	88,477,899.74
Increase/ (decrease) in provisions	0.00	700.36
(Gains)/losses on sale of property, plant and equipment	0.00	0.00
Decrease/ (increase) in other current assets	8,816,770.58	9,910,477.95
Decrease/ (Increase) in receivables	22,365,513.68	-12,831,712.07
Increase/ (decrease) in other non current liabilities	172,092,073.86	197,245,203.28
Net cash flow from operating activities	**197,439,700.07**	**245,986,712.30**
Cash flow from investing activities		
Purchase of property plant and equipment / Intangible assets	-172,092,073.87	-197,245,203.28
Proceeds from sale of property plant and equipment	0.00	0.00
Net cash flow from investing activities	**-172,092,073.87**	**-197,245,203.28**
Cash flow from financing activities		
Net cash flow from financing activities	0.00	0.00
Net increase/(decrease) in cash and cash equivalents	25,347,626.20	48,741,509.02
Cash and cash equivalent at the beginning of the period	174,923,645.13	126,182,136.11
Cash and cash equivalent at the end of the period	200,271,271.33	174,923,645.13

NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2015

(in EUR)

	Accumulated surpluses/(deficits)
Balance at 31 December 2014	**0.00**
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performa	0.00
Net for the period	**0.00**
Balance at 31 December 2015	**0.00**

(1) fixed assets in progress

ANNEX 5 to
FC(2016)076-REV1

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2015
n= 2015

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expense	3,710,000.00	-67,509.59	3,642,490.41	3,642,490.41	2,314,814.34	1,327,676.07	0.00
01.02	Temporary staff and consultants	600,000.00	38,423.87	638,423.87	638,423.87	141,952.30	496,471.57	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	4,310,000.00	-29,085.72	4,280,914.28	4,280,914.28	2,456,766.64	1,824,147.64	0.00
	Carried forward:							
	Financial year n-1	727,532.40	1,076.90	728,609.30	728,609.30	627,738.91	100,870.39	0.00
	Financial year n-2	264,597.49	-11,190.57	253,406.92	253,406.92	193,587.65	59,819.27	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		5,302,129.89	-39,199.39	5,262,930.50	5,262,930.50	3,278,093.20	1,984,837.30	0.00
II.	OPERATING COSTS							
02.01	Official missions	7,000.00	67.10	7,067.10	7,067.10	5,778.80	1,288.30	0.00
02.02	Administrative support	42,000.00	0.00	42,000.00	42,000.00	42,000.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	14,000.00	0.00	14,000.00	14,000.00	4,322.51	9,677.49	0.00
02.05	Operating costs	111,000.00	29,018.62	140,018.62	140,018.62	45,167.59	94,851.03	0.00
02.06	Construction Site Guard	7,800,000.00	0.00	7,800,000.00	7,800,000.00	3,959,979.32	3,840,020.68	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	25,000.00	0.00	25,000.00	25,000.00	0.00	25,000.00	0.00
	Financial year n	7,999,000.00	29,085.72	8,028,085.72	8,028,085.72	4,057,248.22	3,970,837.50	0.00
	Carried forward:							
	Financial year n-1	5,411,955.62	-1,076.90	5,410,878.72	5,410,878.72	5,370,020.50	40,858.22	0.00
	Financial year n-2	546,478.17	11,190.57	557,668.74	557,668.74	377,320.68	180,348.06	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		13,957,433.79	39,199.39	13,996,633.18	13,996,633.18	9,804,589.40	4,192,043.78	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2015
n= 2015

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS					BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	2,547,361.00	0.00	2,547,361.00	2,547,361.00	1,415,701.92	1,131,659.08	0.00
03.02	Project management team	2,870,000.00	0.00	2,870,000.00	2,870,000.00	797,379.00	2,072,621.00	0.00
03.04	Concept design team	2,796,195.00	0.00	2,796,195.00	2,796,195.00	0.00	2,796,195.00	0.00
03.05	Overall CDT fees on addit Constr V	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	8,213,556.00	0.00	8,213,556.00	8,213,556.00	2,213,080.92	6,000,475.08	0.00
	Carried forward:							
	Financial year n-1	6,224,264.55	0.00	6,224,264.55	6,224,264.55	3,797,784.45	2,426,480.10	0.00
	Financial year n-2	2,061,090.85	0.00	2,061,090.85	2,061,090.85	941,932.43	1,119,158.42	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		16,498,911.40	0.00	16,498,911.40	16,498,911.40	6,952,797.80	9,546,113.60	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	115,110,729.00	0.00	115,110,729.00	115,110,729.00	26,711,195.43	88,399,533.57	0.00
	Financial year n	115,110,729.00	0.00	115,110,729.00	115,110,729.00	26,711,195.43	88,399,533.57	0.00
	Carried forward:							
	Financial year n-1	72,280,882.45	0.00	72,280,882.45	72,280,882.45	64,187,418.54	8,093,463.91	0.00
	Financial year n-2	13,239,405.82	0.00	13,239,405.82	13,239,405.82	10,952,682.93	2,286,722.89	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		200,631,017.27	0.00	200,631,017.27	200,631,017.27	101,851,296.90	98,779,720.37	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2015
n= 2015

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS					BUDGETARY SURPLUS	
		BUDGET (ref.) C-M(2014)0064	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
V.	SPECIAL EQUIPMENT							
05.01	Special equipment	17,856,653.00	0.00	17,856,653.00	17,856,653.00	377,261.56	17,479,391.44	0.00
	Financial year n	17,856,653.00	0.00	17,856,653.00	17,856,653.00	377,261.56	17,479,391.44	0.00
	Carried forward:							
	Financial year n-1	25,861,529.00	0.00	25,861,529.00	25,861,529.00	23,199,365.01	2,662,163.99	0.00
	Financial year n-2	2,109,788.00	0.00	2,109,788.00	2,109,788.00	2,109,788.00	0.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		45,827,970.00	0.00	45,827,970.00	45,827,970.00	25,686,414.57	20,141,555.43	0.00
	GRAND TOTAL							
	Financial year n	153,489,938.00	0.00	153,489,938.00	153,489,938.00	35,815,552.77	117,674,385.23	0.00
	Carried forward:							
	Financial year n-1	110,506,164.02	0.00	110,506,164.02	110,506,164.02	97,182,327.41	13,323,836.61	0.00
	Financial year n-2	18,221,360.33	0.00	18,221,360.33	18,221,360.33	14,575,311.69	3,646,048.64	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	282,217,462.35	0.00	282,217,462.35	282,217,462.35	147,573,191.87	134,644,270.48	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014
n= 2014

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) PO(2014)0706	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	**PERSONNEL COSTS**							
01.01	Basic salaries and related expense	2,220,000.00	0.00	2,220,000.00	2,220,000.00	1,678,044.74	541,955.26	0.00
01.02	Temporary staff and consultants	300,000.00	0.00	300,000.00	300,000.00	114,422.86	185,577.14	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	2,520,000.00	0.00	2,520,000.00	2,520,000.00	1,792,467.60	727,532.40	0.00
	Carried forward:							
	Financial year n-1	1,269,614.90	328,281.08	1,597,895.98	1,597,895.98	1,333,298.49	264,597.49	0.00
	Financial year n-2	354,100.00	-257,558.65	96,541.35	96,541.35	96,541.35	0.00	0.00
	Financial year n-3	239,102.94	-1,433.69	237,669.25	237,669.25	237,669.25	0.00	0.00
	Financial year n-4	74,192.79	-69,288.74	4,904.05	4,904.05	4,904.05	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		4,457,010.63	0.00	4,457,010.63	4,457,010.63	3,464,880.74	992,129.89	0.00
II.	**OPERATING COSTS**							
02.01	Official missions	10,000.00	0.00	10,000.00	10,000.00	0.00	10,000.00	0.00
02.02	Administrative support	41,000.00	0.00	41,000.00	41,000.00	0.00	41,000.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	14,000.00	0.00	14,000.00	14,000.00	146.39	13,853.61	0.00
02.05	Operating costs	63,000.00	0.00	63,000.00	63,000.00	6,465.50	56,534.50	0.00
02.06	Construction Site Guard	7,165,000.00	0.00	7,165,000.00	7,165,000.00	1,899,061.42	5,265,938.58	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	25,000.00	0.00	25,000.00	25,000.00	371.07	24,628.93	0.00
	Financial year n	7,318,000.00	0.00	7,318,000.00	7,318,000.00	1,906,044.38	5,411,955.62	0.00
	Carried forward:							
	Financial year n-1	2,456,737.72	3,145,371.29	5,602,109.01	5,602,109.01	5,055,630.84	546,478.17	0.00
	Financial year n-2	3,417,901.35	-2,930,220.70	487,680.65	487,680.65	487,680.65	0.00	0.00
	Financial year n-3	111,429.95	-88,400.78	23,029.17	23,029.17	23,029.17	0.00	0.00
	Financial year n-4	267,340.80	-126,749.81	140,590.99	140,590.99	140,590.99	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		13,571,409.82	0.00	13,571,409.82	13,571,409.82	7,612,976.03	5,958,433.79	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014
n= 2014

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref.) PO(2014)0706	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	4,172,850.00	0.00	4,172,850.00	4,172,850.00	2,683,327.55	1,489,522.45	0.00
03.02	Project management team	2,420,000.00	0.00	2,420,000.00	2,420,000.00	1,728,797.00	691,203.00	0.00
03.04	Concept design team	6,500,000.00	0.00	6,500,000.00	6,500,000.00	3,142,460.90	3,357,539.10	0.00
03.05	Overall CDT fees on addit Constr V	686,000.00	0.00	686,000.00	686,000.00	0.00	686,000.00	0.00
	Financial year n	13,778,850.00	0.00	13,778,850.00	13,778,850.00	7,554,585.45	6,224,264.55	0.00
	Carried forward:							
	Financial year n-1	6,369,813.97	1,519,440.98	7,889,254.95	7,889,254.95	5,828,164.10	2,061,090.85	0.00
	Financial year n-2	504,216.75	-180,274.21	323,942.54	323,942.54	323,942.54	0.00	0.00
	Financial year n-3	38,405.78	-38,405.78	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	372,823.51	-297,411.01	75,412.50	75,412.50	75,412.50	0.00	0.00
	Financial year n-5	120,000.00	-95,000.00	25,000.00	25,000.00	25,000.00	0.00	0.00
	Financial year n-6	211,000.00	-75,153.98	135,846.02	135,846.02	135,846.02	0.00	0.00
	Financial year n-7	120,337.27	0.00	120,337.27	120,337.27	120,337.27	0.00	0.00
	Financial year n-8	854,350.00	-733,196.00	121,154.00	121,154.00	121,154.00	0.00	0.00
	Financial year n-9	147,292.00	-100,000.00	47,292.00	47,292.00	47,292.00	0.00	0.00
		22,517,089.28	0.00	22,517,089.28	22,517,089.28	14,231,733.88	8,285,355.40	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	189,966,664.00	0.00	189,966,664.00	189,966,664.00	117,685,781.55	72,280,882.45	0.00
	Financial year n	189,966,664.00	0.00	189,966,664.00	189,966,664.00	117,685,781.55	72,280,882.45	0.00
	Carried forward:							
	Financial year n-1	25,016,737.00	4,120,174.30	29,136,911.30	29,136,911.30	15,897,505.48	13,239,405.82	0.00
	Financial year n-2	4,105,694.53	-3,274,393.73	831,300.80	831,300.80	831,300.80	0.00	0.00
	Financial year n-3	845,780.57	-845,780.57	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	200,000.00	0.00	200,000.00	200,000.00	200,000.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		220,134,876.10	0.00	220,134,876.10	220,134,876.10	134,614,587.83	85,520,288.27	0.00

NEW NATO HEADQUARTERS

BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014
n= 2014

in EUR)

CHAPTER Article		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET (ref) PO(2014)0706	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
V.	**SPECIAL EQUIPMENT**							
05.01	Special equipment	25,989,203.00	0.00	25,989,203.00	25,989,203.00	127,674.00	25,861,529.00	0.00
	Financial year n	25,989,203.00	0.00	25,989,203.00	25,989,203.00	127,674.00	25,861,529.00	0.00
	Carried forward:							
	Financial year n-1	2,109,788.00	0.00	2,109,788.00	2,109,788.00	0.00	2,109,788.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		28,098,991.00	0.00	28,098,991.00	28,098,991.00	127,674.00	27,971,317.00	0.00
	GRAND TOTAL							
	Financial year n	239,572,717.00	0.00	239,572,717.00	239,572,717.00	129,066,552.98	110,506,164.02	0.00
	Carried forward:							
	Financial year n-1	37,222,691.59	9,113,267.65	46,335,959.24	46,335,959.24	28,114,598.91	18,221,360.33	0.00
	Financial year n-2	8,381,912.63	-6,642,447.29	1,739,465.34	1,739,465.34	1,739,465.34	0.00	0.00
	Financial year n-3	1,234,719.24	-974,020.82	260,698.42	260,698.42	260,698.42	0.00	0.00
	Financial year n-4	714,357.10	-493,449.56	220,907.54	220,907.54	220,907.54	0.00	0.00
	Financial year n-5	120,000.00	-95,000.00	25,000.00	25,000.00	25,000.00	0.00	0.00
	Financial year n-6	411,000.00	-75,153.98	335,846.02	335,846.02	335,846.02	0.00	0.00
	Financial year n-7	120,337.27	0.00	120,337.27	120,337.27	120,337.27	0.00	0.00
	Financial year n-8	854,350.00	-733,196.00	121,154.00	121,154.00	121,154.00	0.00	0.00
	Financial year n-9	147,292.00	-100,000.00	47,292.00	47,292.00	47,292.00	0.00	0.00
	GRAND TOTAL	288,779,376.83	0.00	288,779,376.83	288,779,376.83	160,051,852.48	128,727,524.35	0.00

EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT 2015 FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

In 1999 Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (HQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO/Belgium MOU, signed on 8 December 2004.

NCIA acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the IS Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management; coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation.

A Transition Office, within the IS Executive Management Division, was created in 2011 to manage the practical and organisational aspects of the transition from the current headquarters to the new one.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

The overall programme budget ceiling is EUR 1,124 million.

NOTE 2: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The financial statements of the New NATO Headquarters Project have been prepared on the basis of the NATO Financial Regulations, of the IPSAS (International Public Sector Accounting Standards) specifications, which the North Atlantic Council approved for adoption on 17 July 2002, and of the NATO Accounting Framework approved under C-M(2013)0039 on 26 July, 2013, which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance.

Implementation of IPSAS

Up to 2014, the accounting system used by New NATO Headquarters Project was a budgetary driven accounting system. It can be deemed as a hybrid system which is essentially budget and cash based.

In the financial system, commitments are recorded for budget execution and control purposes, in accordance with NATO Financial Regulations. Commitment of credits is defined as the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Payments linked to those commitments are recorded when the settlement of invoices is due. The unexpended balances of committed credits may be carried forward to the following financial years. Transformational entries for accruals were made based on an analysis of the commitments carried-forward at year-end, and on information provided by the Host Nations, in particular in order to determine the value of fixed assets work in progress. Contributions are registered as unearned revenue on the date they are called and revenue is recognized afterwards on the basis of expenditure.

The New NATO Headquarters Project financial statements are currently compliant with IPSAS, and its NATO approved adaptations, using the transformational method described above. The New NATO Headquarters Project is transitioning to full transactional accrual accounting with the implementation of an integrated Enterprise Resource Planning (ERP) as from 2015. These financial statements still rely on information provided by the Host Nations, in particular in order to determine the value of fixed assets work in progress

Basis of preparation

The financial statements have been prepared in accordance with the accounting requirements of the NATO Financial Regulations (NFR) and the Financial Rules and Procedures (FRP) including the specific changes approved for this project by the North Atlantic Council.

These statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. The New NATO Headquarters Project will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2015 financial statements of the New NATO Headquarters Project Office:

IPSAS 5: Borrowing Costs.

IPSAS 6: Consolidated and Separate Financial

IPSAS 7: Investments in Associates.

IPSAS 8: Interests in Joint Ventures

IPSAS 10: Financial Reporting in Hyperinflationary Economies

IPSAS 11: Construction Contracts

IPSAS 16: Investment Property

IPSAS 18: Segment reporting

IPSAS 21: Impairment of non-cash generating assets

IPSAS 26: Impairment of Cash-Generating Assets

IPSAS 27: Agriculture

IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the indirect method.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy and Reclassification of financial statements of previous years

The cash-flow statement is presented using the indirect method when in the past it was done using the direct method.

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include work in progress, provisions, accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign currency transactions

The New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December 2015.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in Non-Current Liabilities.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties.

All the financial instruments are recognised in the statement of financial position at their fair value.

The New NATO Headquarters Project is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its Budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December 2014 is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the New NATO Headquarters Project credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

ING Bank	Credit Ratings as at 29/03/2016		
	Fitch	Moody's	S&P
Short term	F1	P1	A1

The New NATO Headquarters Project's outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

Cash and cash equivalents

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

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions are reported separately.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectable debts.

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements but not to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Inventories

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

Criteria that may indicate control of an asset
The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
The legal title is in the name of the NATO Reporting Entity.
The asset is physically located on the premises or locations used by the NATO Reporting Entity.
The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates

The NNHQ Project will capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The NNHQ Project will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets (Property, Plant & Equipment and Intangible Assets)

2012 was the first year during which construction works related to the nationally funded elements were performed. These works are recognized as non-current assets (PPE: Property, Plant and Equipment) held on behalf of third parties, at least during the construction period. The reasoning stems from a number of factors. The NHQ building constitutes a coherent and global building whose purpose is to bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not really exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding cost shares cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, and to sell their premises. Additionally, at this stage of the project it is difficult to accurately distinguish the value between these common and nationally funded components. However, their inclusion provides useful and clear information which contributes to financial transparency.

This does not preclude that in the future, an ability to limit physical access will exist, which could then justify an exclusion from NATO PPE. Until then, as currently, common funded and nationally funded construction works will be managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment until such a time as the building is operational and the related building parts are handed over to the nations concerned. It should be noted that this approach does not apply to the national fit-out segment, for which four nations have decided to act separately. The impact on previous years' financial statements is not material as no related works had been performed and therefore no fixed assets were recognised.

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 17 Property Plant and Equipment. It is described as follows:

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold.

Capitalization thresholds relevant to the financial statement are as follow:

Category	**Threshold**	**Depreciation life**	**Method**
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€ 30,000	10 years	Straight line
Machinery	€ 30,000	10 years	Straight line
Vehicles	€ 10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€ 50,000	3 years	Straight line
Furniture	€ 30,000	10 years	Straight line
Communications	€ 50,000	3 years	Straight line
Automated information Systems	€ 50,000	3 years	Straight line

In the case of the New NATO Headquarters Project to date PPE is work in progress. Depreciation will start after acceptance of the completed work.

The principles of valuing and depreciating fixed assets are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the future NNHQ.

Intangible Assets:

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

The NNHQ Project will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ will have the flexibility to expense specific items.

The NNHQ Project will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the NNHQ Project will not capitalise the following types of intangible assets in their financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

The NNHQ Project will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

The NNHQ may consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.

The NNHQ Project will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

Impairment of fixed assets:

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Position (during the construction process) in the year concerned.

Current liabilities

Payables

Payables are amounts due to Nations in relation with budget rules and services provided, or to third parties based on goods received or services provided they remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

Payables due to Nations include in particular the surplus as per the NATO Financial Regulations. In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Nations agreed that financial closure would take place only when the Project has been fully realised. Consequently, it was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the standard NATO Financial Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus - remain on the entity's accounts.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (National Funds) are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (national funds).

As a consequence of the recognition of the nationally funded elements as Project's non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities under funds managed for third parties. The uncollected amount appears as a receivable.

Advances and Unearned Revenue

Unearned Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. Voluntary advances made by outside of the call for contributions process are accounted as funds managed for third parties.

Revenue and expense recognition

All the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office, qualify to be capitalized as PPE Work in Progress. This includes personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress are recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue is recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office.

The task of the Transition Office is to plan and execute the transition from the current NATO HQ to the new NATO HQ. Its purpose is to transform the way NATO HQ operates to make best use of the facilities and technologies in the new NATO HQ; to relocate staff, NATO agencies and national delegations; and to return the current NATO HQ campus to Belgium. Transition Office related costs consist mainly in salaries of its staff, and at this stage in consultancy services on best ways to conduct the operations in the new building. It is therefore considered that they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office costs should be expended rather than capitalized.

In the future, after the transfer of the building to the NATO International Staff, earned revenue will be progressively recognised from this long term unearned revenue, in an amount equal to annual depreciation of the related PPE, Intangible Assets etc. of the building, as future economic benefits and service potential will flow to the NATO International Staff when the building is operational.

Non-budgetary contributions called from Nations corresponding to the nationally funded construction works are treated as Long Term Unearned Revenue in an amount equal to the estimation of works completed.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations are based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. They are considered as a liability for long term unearned revenue funding assets in progress.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts are held in EUR. Deposits are held in interest-bearing bank current accounts, immediately available.

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings other than what is needed for the project.

NOTE 4: CASH MANAGED FOR THIRD PARTIES

To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, the IS Office of Financial Control has opened bank accounts in the names of NATO member Nations. Interest earned is credited to the specific bank account of the Nation concerned. These are extra-budgetary funds belonging to the Nations concerned. Separate contribution calls are made for the fit-out and for nationally funded parts of the Project. The planning foresees that the Nations make payments in advance of the quarterly payment request. A matching liability is posted against the amount of cash held on behalf of the Nations concerned and of the amount of uncollected related contributions called for what concerns the nationally funded construction works.

These funds also include an amount of EUR 29,358,271.59 (EUR 31,232,576.91 end 2014) relating to anticipated contributions made by two nations.

There are also funds from Eurocontrol as their contribution to works for a secure pedestrian access between their headquarters and the NNHQ site EUR 1,945.77 (EUR 236,019.68 end 2014).

The total amount of cash held at the end of the year on the specific bank accounts of the nations or entities concerned may not match the value of funds held on behalf of the third parties because of voluntary advances made on the bank account for Common Funded operations, or of contributions not received on the appropriate bank account, etc. The breakdown of these bank accounts by country and entity is the following.

FUNDS MANAGED FOR THE ACCOUNT OF THIRD PARTIES Bank Balances at Year End			
		end 2015	end 2014
US MISSION FUNDS	EUR	16,703,274.17	30,579,230.39
ALBANIA NEW SITE DEL	EUR	326,598.85	218,106.00
BELGIUM NEW SITE DEL F.O.	EUR	6,562,078.07	401,561.40
BULGARIA NEW SITE DEL F.O.	EUR	556,988.92	667,847.72
CANADA NEW SITE DEL	EUR	482,666.41	329,588.43
CROATIA NEW SITE DEL	EUR	774,099.01	291,810.28
CZECH REP.NEW SITE DEL F.O.	EUR	501,452.99	536,977.84
DENMARK NEW SITE DEL F.O.	EUR	797,539.87	227,125.59
ESTONIA NEW SITE DEL F.O.	EUR	338,762.45	395,850.75
FRANCE NEW SITE DEL	EUR	604,755.04	329,176.36
GERMANY NEW SITE DEL F.O.	EUR	942,255.68	637,150.91
GREECE NEW SITE DEL F.O.	EUR	688,222.94	459,567.30
HUNGARY NEW SITE DEL F.O.	EUR	494,411.49	535,232.59
ICELAND NEW SITE DEL F.O.	EUR	121,298.66	97,819.33
ITALY NEW SITE DEL F.O.	EUR	13,225,230.05	630,859.47
LATVIA NEW SITE DEL F.O.	EUR	1,034,361.61	1,676,742.76
LATVIA NEW HQ	EUR	654,997.42	653,346.52
LITHUANIA NEW SITE DEL F.O.	EUR	429,354.53	482,050.06
LUXEMBOURG NEW SITE DEL F.O.	EUR	202,808.15	218,976.45
NETHERLANDS NEW SITE F.O.	EUR	557,741.99	375,267.57
NORWAY NEW SITE DEL F.O.	EUR	569,558.53	610,049.98
POLAND NEW SITE DEL F.O.	EUR	629,628.30	422,762.24
PORTUGAL NEW SITE DEL F.O.	EUR	538,558.66	343,438.59
ROMANIA NEW SITE DEL F.O.	EUR	566,828.16	525,106.57
SLOVAKIA NEW SITE DEL F.O.	EUR	499,545.92	399,638.26
SLOVENIA NEW SITE DEL F.O.	EUR	435,439.17	189,677.97
SPAIN NEW SITE DEL F.O.	EUR	566,537.23	379,293.59
TURKEY NEW SITE DEL F.O.	EUR	795,978.83	715,109.76
U.K. NEW SITE DEL	EUR	481,330.35	323,216.19
U.S.A. NEW SITE DEL	EUR	3,729,314.35	2,781,367.49
NHQ EUROCONTROL	EUR	1,945.77	236,019.68
NEW HQ FIT-OUT	EUR	3,718.12	2,280.00
TOTAL	**EUR**	**54,817,281.69**	**46,672,248.04**

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable from member Nations amount to EUR 1,001,210.15 (EUR 23,366,723.83 end 2014) are funds requested from the Nations to finance the Common Funded Budget, the Nationally Funded component and the Fit-Out. One Call was issued in January 2015 (FC(CC)(2015)0001(NHQ-CF-NF-01) concerning the Common Funded component in a total amount of EUR 153,489,938. Another call was issued in January 2015 (FC(CC)(2015)0001(NHQ-CF-NF-01) in a total amount of EUR 36,474,265 (EUR 21,211,531 for construction and EUR 15,033,790 for Fit-Out 2015 and a revision to Fit-Out 2014 of EUR 228,944).

Other Receivables from Nations concern amounts due for other cases than contributions to the NNHQ budget or nationally funded elements.

Other Receivables relate to miscellaneous amounts due to the Project (e.g. reimbursement of operating costs, insurance claims, advances to staff for education allowances etc.).

NOTE 6: PREPAYMENTS

Receivables from the PMT relate to advance payments made to the PMT which are not regularised at year end as they do not correspond to works completed. The terms of the MOU prevent the Host Nation from prefinancing any aspect of the Project. On a cash basis, at year end 2015, PMT held EUR 20,569,321 received from NHQPO as advance payments (EUR 40,082,085 at year end 2014). On an accruals basis, including provisions, taking into account amounts due by PMT, the net advance to be regularised amounted to EUR 13,315,682.69 (EUR 36,143,185.27 at year end 2014).

Similarly, at year end 2015, NHQPO has advanced funds to the NCIA in an amount of EUR 14,848,460.61 (EUR 1,281,979.98 at year end 2014) on an accruals basis.

Prepayments to suppliers (i.e. other than the two Host Nations mentioned above) amounted to EUR 14,117.30 at year end 2015.

Prepayments	2015	2014	Variance
PMT Common Funded	9,382,131.00	26,261,404.58	- 16,879,273.58
PMT Nationally Funded	3,933,551.69	9,881,780.69	- 5,948,229.00
NCIA	14,848,460.61	1,281,979.98	13,566,480.63
Sub-Total Host Nations	**28,164,143.30**	**37,425,165.25**	**- 9,261,021.95**
Suppliers	14,117.30	-	14,117.30
TOTAL	**28,178,260.60**	**37,425,165.25**	**- 9,246,904.65**

NOTE 7: NON-CURRENT ASSETS

As of 31 December 2015, the costs charged as PPE Work in Progress amounted to EUR 716,953,989. This overall amount covers the common funded PPE, and the nationally funded construction works held on behalf of the member Nations which at this stage of the project are considered not separable from the overall amount of fixed assets.

The following table reconciles PPE amounts at the beginning and at the end of 2015.

(amounts in EUR)	Carrying Amount end 2014	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2015
COMMON FUNDED						
Personnel (chapter 1)	16,735,689	2,099,975				18,835,664
Operating Costs (chapter 2)	27,162,632	10,173,352				37,335,984
Professional fees (chapter 3)	107,929,470	9,020,274				116,949,744
Works (chapter 4)	349,297,777	116,220,194				465,517,971
Special Equipment (chapter 5)	161,928	486,252				648,180
SUB-TOTAL COMMON FUNDED	**501,287,496**	**138,000,046**	**0**	**0**	**0**	**639,287,542**
NATIONALLY FUNDED		0				
Works	55,718,218	21,948,229				77,666,447
SUB-TOTAL NATIONALLY FUNDED	**55,718,218**	**21,948,229**	**0**	**0**	**0**	**77,666,447**
TOTAL	**557,005,714**	**159,948,275**	**0**	**0**	**0**	**716,953,989**

The following table reconciles the ANWI Assets amounts at the beginning and at the end of 2015 (and of 2014).

(amounts in EUR)	Carrying Amount end 2014	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2015
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	10,392,278	241,288				10,633,566
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	8,067,542	11,902,511				19,970,053
TOTAL COMMON FUNDED	**18,459,820**	**12,143,799**	**0**	**0**	**0**	**30,603,619**

A series of contracts have been entered into in relation to non-current assets, mainly by the PMT and the NCIA as Host Nations, and for smaller amounts by NHQPO. The main open contractual commitments, excluding non-works related contracts with a short term (such as for security and guard services), are the following.

The main construction contract was let in June 2010, at the price set in January 2010 of approximately MEUR 360 (MEUR 438 including National Funding). This base price does not include adjustments for price revisions. Further to a claim introduced end 2013 and settled in 2014, an agreement was reached to pay additional MEUR 85 and an extension of the construction period of 4.5 months.

The Concept Design Team contract was transferred to the PMT and has an LTPB planned cost of MEUR 89.045, with no impact by the claim.

The PMT awarded in 2013, the contract for the Electronic Security System in an amount of MEUR 14.9 (2013 value). The 4.5 month extension agreed with the general construction contractor implied an estimated EUR 1.540 million additional cost. Regarding the contract for the Audio Visual Infrastructure in an initial amount of MEUR 26.4 (2013 value), an estimated additional costs of MEUR 1.280 was agreed to compensate the 4.5 months delay.

In 2013, NCIA awarded the contract for the Active Network Infrastructure in the amount of MEUR 79.766 and MEUR 2.010 for Independent Validation and Verification Services. In order to achieve savings a reduction in scope of KEUR 500 was agreed by the DPRC and an estimated additional cost of MEUR 1.500 was agreed to compensate the 4.5 months delay.

Contracts were awarded by NHQPO for Furniture Supply (MEUR 8.9) and for Business Data and Applications Migration (MEUR 4.1).

The MOU between NATO and the Host Nation provides that management fees (National Administrative Expenses, NAE) equal to 3% of the works will be paid (LTPB total amount: MEUR 21.271).

NOTE 8: PAYABLES

Project Accumulated Surplus resulting from previous years' budget execution, which amounted to EUR 13,339,622.00 end 2013, remained until then in the entity's accounts in accordance with the specific budget funding rules approved by Nations, according to which surpluses are not returned to contributing Nations before the completion of the project.

This amount can be broken down into the following components:

(cumulative amounts since the beginning of the project until 2013)

lapsed credits (including frozen)	12,213,702.50
net overcall (minus = undercall)	-4,588,528.69
interest earned	5,700,330.32
miscellaneous income	14,117.87
Total	13,339,622.00

When assessing the funding impact of the settlement of the claim with the contractor and related additional costs, Nations decided to use the surplus as of end 2013 and to allocate it as a resource in order to reduce contributions to be called in this respect. As a consequence, end 2014, the surplus available from previous years was nil.
The table below summarizes the evolution of unused funds since the inception of the Project:

(amounts in EUR)

	Budget Authorization (a)	Called (b)	Use of previous years' surplus (c)	Undercalled (d)=(a)-(b)-(c)	Lapsed credits (e)	Frozen credits (f)	Surplus from unused funds (g)=(d)+(e)+(f)	Interests earned (h)	Miscellaneous (i)	TOTAL SURPLUS (l)=(g)+(h)+(i)-(c)
2000	643,283.70	643,283.70	0.00	0.00	204,307.89	0.00	204,307.89	0.00	0.00	204,307.89
2001	3,933,128.24	3,729,855.55	0.00	-203,272.69	1,265,094.73	0.00	1,061,822.04	25,126.17	0.00	1,086,948.21
2002	8,300,600.00	7,009,344.00	0.00	-1,291,256.00	1,696,187.11	4,013,000.00	4,417,931.11	133,512.75	211.61	4,551,655.47
2003	2,932,000.00	2,932,000.00	0.00	0.00	1,402,526.02	0.00	1,402,526.02	186,678.59	1,468.05	1,590,672.66
2004	3,237,600.00	3,237,600.00	0.00	0.00	851,273.08	0.00	851,273.08	161,479.12	0.00	1,012,752.20
2005	9,453,000.00	6,359,000.00	0.00	-3,094,000.00	486,836.32	0.00	-2,607,163.68	221,371.00	0.00	-2,385,792.68
2006	19,297,936.00	19,297,936.00	0.00	0.00	155,186.50	0.00	155,186.50	146,486.45	7,167.96	308,840.91
2007	40,716,097.00	40,716,097.00	0.00	0.00	654.15	0.00	654.15	616,483.57	0.00	617,137.72
2008	15,833,900.00	15,833,900.00	0.00	0.00	58,532.98	0.00	58,532.98	1,556,979.64	0.00	1,615,512.62
2009	12,104,500.00	12,104,500.00	0.00	0.00	270,459.93	0.00	270,459.93	217,922.35	37.1	488,419.38
2010	38,701,000.00	38,701,000.00	0.00	0.00	62,314.59	0.00	62,314.59	297,105.21	5,233.15	364,652.95
2011	72,023,000.00	72,023,000.00	0.00	0.00	1,747,329.20	0.00	1,747,329.20	844,547.56	0.00	2,591,876.76
2012	107,052,000.00	107,052,000.00	0.00	0.00	0.00	0.00	0.00	930,722.14	0.00	930,722.14
2013	118,421,323.00	118,421,323.00	0.00	0.00	0.00	0.00	0.00	361,915.77	0.00	361,915.77
2014	239,572,717.00	226,233,095.00	13,339,622.00	0.00	0.00	0.00	0.00	228,391.68	1,172.04	-13,110,058.28
TOTAL	692,222,084.94	674,293,934.25	13,339,622.00	- 4,588,528.69	8,200,702.50	4,013,000.00	7,625,173.81	5,928,722.00	15,289.91	229,563.72

The National Funds item corresponds to funds managed on behalf of Nations outside of the standard call for Common Funded budgetary contributions process. They are the counterpart of specific contributions from Nations to meet the Project's payment for the fit-out, for nationally funded elements, and of voluntary advances towards future common funded budgets. They are matched with cash held on specific bank accounts, cash held for common funding when voluntary advances were made and with receivables related to nationally funded elements.

An amount of EUR 903,947 (EUR 556,685.00 end 2014) was payable to Nations for the Construction Surveillance Technical Team relating to reimbursement to those Nations who provided personnel to the Team during financial year 2014 or before. Most of those Nations have opted for direct payment, one has opted for deductions from its contributions.

A payable of EUR 1,437,652.07 (EUR 1,310,942.00 end 2014) is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government. This amount is partially used by the United States by applying it against its annual Project contribution.

Other Payables include EUR 1,347.68 left form an initial EUR 235,000 contribution made by Eurocontrol for works between their headquarters and the NNHQ and related interest as per agreement.

NOTE 9: UNEARNED REVENUE AND ADVANCES RELATED TO THE BUDGETARY PROCESS

Unearned Revenue from Budgetary Credits

Unearned Revenue from budgetary credits corresponds to contributions called in relation to approved budgets up to 2015 but for which corresponding expenses will be incurred after the reporting date of 31 December 2015. The Unearned Revenue includes principally those amounts of contributions which will be spent in subsequent years on the New NATO Headquarters Project budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations and advances made to the PMT and the NCIA.

Advances Related to the Budgetary Process

Up to 2013 there were no such as advances received as there had not been calls for advance budgetary contributions. However, when setting up the funding framework related to the settlement of the claim introduced end 2013, it was agreed that Nations could opt for providing funding beyond what was needed for the part corresponding to the 2014 budget. This has resulted in EUR 20,768,632 being called. Further to the allocation of these amounts to the call issued in 2015 and to an additional contribution, the open amount end 2015 was EUR 8,378,587.20.

NOTE 10: PROVISIONS

Provisions relate to design fees.

Concerning design fees, the provision relates to additional studies and/or modifications done by the CDT in 2009, at the request of the PMT. An original estimate was made for EUR 2 million concerning 2009. Further to various settlements and minor adjustments the related provision is currently assessed at EUR 1.000 million.

A provision was booked in 2013, in relation to the claim introduced by the general construction contractor end 2013. The claim was settled end 2014 and related provision is no longer required. The negotiations conducted by PMT resulted in an overall agreement of EUR 87,253,982 - covering past and future expenses - which was funded by Nations through an adjustment of the Long Term Programme Budget requiring a specific call for contributions issued end 2014.

NOTE 11: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

For common funded PPE and Intangible Assets, the amount originates from budget contributions.

Funding provided for the nationally funded elements matching completed related works is also considered long term unearned revenue during the construction period. A specific accounting treatment may have to be determined when the related building parts are operational and the corresponding assets are transferred to the national delegations.

NOTE 12: REVENUE

Budgetary revenue is matched to recognised expenses relating to the activities of the Transition Office.

Any interest gained is attributed to the funding of the construction itself and is therefore not recognised in the statement of financial performance.

NOTE 13: EXPENSES

The only expenses recognised are those related to the Transition Office. They consist mainly of the salaries of staff, administrative expenses and miscellaneous consultancy studies conducted in order to optimize the use of the future building. Consultancy services KEUR 204 (KEUR 946 in 2014) are included under the item "salaries" to be consistent with the budget breakdown, which explains the decrease from 2014 to 2015 (Transition Office staffing remaining almost unchanged).

Banking costs are not recognised as expenses but are deducted from interests earned.

NOTE 14: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 15: CASH FLOW STATEMENT

The cash flow statement is presented following the indirect method.

NOTE 16: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New NATO Headquarters Project is governed by the following:

a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
d. Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

- NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the New NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).

- National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,

- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The initial budget in NATO corresponds to the credits that are initially authorised by the North Atlantic Council annually at the end of the previous financial year. During the year the budget is adjusted as required. The final authorisation is the credit situation as reported at the end of the financial year including approved budgetary increases/decreases and transfers approved by the IS Financial Controller (between Chapters of the New NATO HQ budget up to 5% of the credits initially granted for the receiving chapter) or by the Budget Committee.

There are two types of credits: Cash Credits (CC) are approved credits against which payments can be made during the budget year; Contract Authority Credits (CA) are approved credits to enter into a legal obligation for multi-year contracts. No payment may be made against CA prior to its conversion into CC.

The New NATO Headquarters Project 2015 initial budget authorization, for the Common Funded part, amounted to EUR 153,489,938, in addition, an amount of EUR 128,727,524.35 related to credits carried over from the previous financial years. The National Funding component for 2015 was approved in the amount of EUR 21,211,531. The Fit-Out programme was established at EUR 15,033,790.

It should be noted that the credits approved for 2015, as for previous budget years, do not correspond to the full extent of the annual costs, including for Salaries and Operations and Maintenance. Credits carried forward from previous years were used, with the agreement of Nations, to fund 2015 commitments and expenses.

Budget execution statements for 2015 and 2014 are provided at Annex 5 and Annex 6.

The LTPB 2016-2018 (DPRC-D(2015)0001) is shown in Addendum 1 at the end of these notes.

Reconciliation of the Budget Execution Statement and the Cash Flow Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:
Chapter I: Personnel Expenses
Chapter II: Operating Expenses
Chapter III: Intellectual Services
Chapter IV: Demolition/Construction Works
Chapter V: Special Equipment

However, in these financial statements all costs, with the exception of those relating to the Transition Office, are considered as investing activities.

The New NATO HQ budget, like all the other NATO budgets, contains budget chapters and items corresponding to capital expenditure. The latter result in increases of non-current assets (essentially PPE) and in changes to the level of advances made to the Host Nations given the specific operating model of the NNHQ Project concerning the construction of the building and its IT systems. All budget expenses related to the Host Nations are, in practice, advances. Prepayments to suppliers, in the context of the standard accounts payable process, are not taken into account for the purpose of this reconciliation. Concerning the budget execution statement, it must be noted that the approved budget concerns exclusively the Common Funded component of the building. The Nationally Funded component is not strictly speaking a budget (see below) but the execution of its expenses in a quasi-budget context does result in increases of the related non-current assets and changes in related cash advances to the Host Nations. Also, carried forward credits, in the case of the NNHQ Project, correspond to unused funds (see Council derogation above); only budget expenses have a financial impact. As a consequence the reconciliation of the budget execution statement should be made between the budget expenses on one side, and, on the other side, the statement of financial performance, changes in the level of non-current assets and of advances to Host Nations, taking into account the distinction between the Common Funded and the Nationally Funded components. Such is the purpose of the table below. It shows that an absolute reconciliation could not be made by an amount of EUR 13,639 which corresponds to un-identified cut-off issues between 2014, 2015 and 2016 financial years and to the impact of issues encountered in the context of the first year of implementation of the ERP.

The item "Other Elements" corresponds to adjustments that have to be made to take into account the following cases: - EUR 695,124 of security services incurred during 2015 were capitalized in 2015 but wrongly allocated against the 2016 budget.

The table below reconciles the budget execution with statement of financial performance.

Reconciliation of Budget Execution to Financial Performance				
BUDGET EXECUTION		**Common Funded**	**Nationally Funded**	**Total**
Total Budget (including carried-forward from previous year)	(a)	282,217,462.35	16,000,000.00	**298,217,462.35**
Credits Carried Forward in Following Year	(b)	134,644,270.48	0.00	**134,644,270.48**
Budget Execution Expenses	(c) = (a-b)	147,573,191.87	16,000,000.00	**163,573,191.87**
RECONCILIATION		**Common Funded**	**Nationally Funded**	**Total**
Financial Performance Expenses (excluding financial costs)	(d)	1,450,902.56		**1,450,902.56**
Increase in Non-Current Assets	(e)	150,143,845.00	21,948,229.00	**172,092,074.00**
Change Increase (Decrease) in Advances to Host Nations	(f)	-3,312,792.95	-5,948,229.00	**-9,261,021.95**
Other Elements	(g)	-695,124.00		**-695,124.00**
Sub-Total	(h)=(d+e+f+g)	147,586,830.61	16,000,000.00	**163,586,830.61**
Difference to Budget Expenses	(c-h)	-13,638.74	0.00	**-13,638.74**

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component (excluding Fit-Out). Related expenses are apportioned using physical criteria (such as surface, number of parking spaces) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses.

Nationally Funded component					
				(amounts in EUR)	
	Up to 2012	2013	2014	2015	Cumulative
Approved Amounts	37,790,467	12,756,605	25,327,510	21,211,531	97,086,113
Cash advances	12,000,000	27,099,999	26,500,000	16,000,000	81,599,999
Expenses	11,423,370	22,126,329	22,168,519	21,948,229	77,666,447

Operations related to the Fit-Out of national delegations are not executed in the context of a budget framework; they result in outflows of cash to the PMT for settlement of related invoices.

NOTE 17: WRITE-OFFS

Nothing to report.

NOTE 18: LEASES

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium would decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

The New NATO Headquarters Project does not have any financial leases.

NOTE 19: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 20: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

NOTE 21: CONTINGENT ASSETS

Nothing to report.

NOTE 22: EMPLOYEE DISCLOSURE

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

At 31 December 2015, New NATO Headquarters Project Office had an approved Personnel Establishment of 24 positions (23 for 2014) funded by its budget, of which one was vacant end 2015. Seven positions related to the Transition Office. For administrative and project management purposes the post of Building Z Project Manager is attached to the HQPO but has a specific funding mechanism with no impact on the New NATO Headquarters project.

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the three Pension Schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

Nineteen staff members participate in the DCPS administered by NATO. The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. Four employees participate in the DBPS: a deduction of 9.5% of their salaries is made and contributed to the annual financing of this Plan. In addition, the New NHQPO budget makes a monthly matching contribution to the DBPS equal to 19% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the NHQPO has neither DBPS nor DCPS liability for its staff members. Also, one staff member is employed on reimbursable basis with an agreement between NATO-IS and the United States. The individual is paid and accrues pension rights under a United States pension scheme.

The contributions for pensions paid are as follows:

	2015			2014		
amounts in EUR	Staff	Employer	Total	Staff	Employer	Total
Provident Fund	-	-	-	-	-	-
Co-ordinated Pension Scheme	32,657.66	65,315.32	97,972.98	34,342.98	68,685.96	103,028.94
Defined Contribution Pension Scheme	129,342.12	167,226.41	296,568.53	91,810.39	137,715.88	229,526.27
TOTAL	**161,999.78**	**232,541.73**	**394,541.51**	**126,153.37**	**206,401.84**	**332,555.21**

Untaken leave by NHQPO staff is not considered material and is therefore not recognised.

One staff member is employed on a reimbursable basis with an agreement between NATO-IS and the United States. The salary is paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the post occupied by the staff member. The individual accrues pension rights under a United States pension scheme.

NOTE 23: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The DPRC took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the DPRC are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project are the Director of the NHQPO and his Deputy. They are remunerated in accordance with their respective NATO grades, respectively A6 and A5.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 24: RELATED PARTIES

NATO Bodies

For administrative purposes the NHQPO is attached to the NATO International Staff Defense Investment Division and the Transition Team to Executive Management Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project.

In 2015, NATO International Staff charged the NHQPO an amount of EUR 167,928.05 for administrative support costs (EUR 113,290 in 2014) and EUR 7,015.19 for common operating costs (EUR 6,797.10 in 2014). The specific operating costs related to the PMT (around EUR 4,000) are absorbed by the Civil Budget in exchange of the occupancy of the CDH building by the International Staff

The NCI Agency is the Host Nation in charge of equipping the New NATO HQ with modern and cost effective Information and Communication Technologies solutions, to include voice, video and data management, processing and storage through the Active Network Infrastructure (ANWI) project, for an estimated cost of MEUR 101.027 including contingencies (5% Host Nation contingencies, 5% additional contingencies and MEUR 11.275 ICT Programme contingencies; the two last ones are subject to DPRC approval).

An amount of EUR 12.116 million is approved in the LTPB for NCIA Project Service Costs for ANWI. NCIA provided also some specific consultancy services (EUR 0.866 million approved in the LTPB).

At the end of financial year 2015, the position of the project towards NCIA was a net advance receivable in an amount of MEUR 14.8 (MEUR 1.3 at year-end 2013).

The IS acts also as a Host Nation concerning the procurement of Furniture (MEUR 20.5 in the LTPB) and the Business Data and Applications Migration Project (MEUR 4.105 in the LTPB). The IS receives no related remuneration fees.

Member Nations

NATO Security Investment Programme (NSIP) procedures are the management process for the New NATO HQ. Belgium is the Host Nation for the construction, the passive network infrastructure, the building management system, the electronic security system and audio visual infrastructure. In exchange for this service, Belgium receives fees (National Administrative Expense (NAE) equal to 3% of works) the total amount of which is estimated EUR 21.272 million over the duration of the project.

The DPRC agreed that Construction Surveillance Technician Team required to support the construction project should be manned by personnel from Nations on a reimbursable basis.

Each delegation's fit-out is the financial responsibility of the Nation concerned. Twenty four Nations agreed to the have their delegations' fit-out undertaken by the PMT. Specific advance contributions are requested from the Nations concerned to cover the related costs (C-M(2006)0096). The other four Nations have decided to have their fit-out done nationally without the intervention by the PMT.

* * * * *

List of Acronyms:

DPRC: Deputy Permanent Representatives Committee
HN: Host Nation.
IS: International Staff
LTPB: Long Term Program Budget
MOU: Memorandum of Understanding
NCIA: NATO Communication and Information Agency
NSIP: NATO Security Investment Programme
OFC: International Staff Office of Financial Control
PMT: Project Management Team
PPE: Property, Plant and Equipment

II SUMMARY OF COMMON AND NATIONAL FUNDING REQUIREMENTS (CF + NF) (EXCLUDING FIT-OUT) PER CISI AND PER YEAR - IN KEUR-
[Including Salary Adjustment / Inflation / Annual Revision & Contingencies]

Chapter Item Sub-Item (CISI)	Description of requirements	Actuals 2000-2014	Budget Approved 2015	Budget Request 2016	Forecast 2017	Forecast 2018	CF	NF	(CF + NF) TOTAL CASH FLOW
CHAPTER I	PERSONNEL COSTS								
01-01 to 01-03	Personnel costs (except Transition Management)	16,411	2,000	2,000	1,899	275	22,585	0	22,585
01-01 to 01-03	Transition Support Office - NATO Staff Posts	2,481	710	720	641	0	4,552	0	4,552
01-01	Transition Management - Staff Restructuring	0	0	1,000	1,500	0	2,500	0	2,500
01-01-04-01	Transition Management - Staff Training	143	1,100	1,683	0	0	2,926	0	2,926
01-02-02-00	Transition Support Office - Consultants	1,615	500	442	0	0	2,557	0	2,557
	Sub-total I	20,650	4,310	5,845	4,040	275	35,120	0	35,120
CHAPTER II	OPERATING EXPENSES								
02-01 to 02-10	Operat. Exp. excl. Security / Renovat. Works / Trans Mgmt	5,453	102	400	0	0	5,955	0	5,955
02-01-00-01	Transition Management - Travel costs	60	5	5	0	0	70	0	70
02-02-00-00	Transition Management - Admin Support to IS	142	42	42	0	0	226	0	226
02-05-01-01	Transition Management - Operat. & Mainten. overlap costs	0	0	4,374	4,000	0	8,374	0	8,374
02-05-02-00	Renovation of buildings A2/A12 on new construction site	749	0	0	0	0	749	0	749
02-05-03-00	Transition Management - Disposal of current HQ site	250	50	1,014	3,000	0	4,314	0	4,314
02-05-04-00	Transition Management - New HQ LAUNCH	0	0	1,033	180	0	1,213	0	1,213
02-05-10-00	Security Equipment for Site Guards	109	0	0	0	0	109	0	109
02-06-00-00	Site Security Guards labour	26,291	7,800	7,545	0	0	41,636	0	41,636
	Sub-total II	33,053	7,999	14,413	7,180	0	62,645	0	62,645
CHAPTER III	INTELLECTUAL SERVICES								
03-01-01-00	Construction Security Planning	99	0	0	0	0	99	0	99
03-01-02-00	Geotechnical Survey of Site	326	0	0	0	0	326	0	326
03-01-03-00	Environmental Impact Study	206	0	0	0	0	206	0	206
03-01-04-00	Legal consultant - PMT	490	0	60	90	0	640	0	640
03-01-04-01	Legal consultant - NATO	150	100	0	0	0	250	0	250
03-01-05-00	Stability & Quality Control	1,760	0	0	68	12	1,840	0	1,840
03-01-06-00	Fire & Physical Safety Control	689	0	0	0	0	689	0	689
03-01-07-00	Furniture Programme Management	440	10	0	0	0	450	0	450
03-01-08-00	Cost and Change Management	4,657	0	298	152	0	5,107	0	5,107
03-01-08-01	Data Management System	980	147	85	88	0	1,301	0	1,301
03-01-08-02	Encryptors/Collaboration Tools NCIA	741	60	0	0	0	801	0	801
03-01-09-00	Technical Consultancy IBAN	74	0	15	0	0	89	0	89
03-01-10-00	Web Site Design	22	0	0	0	0	22	0	22
03-01-11-00	Topographic & Blast Study	88	0	0	0	0	88	0	88
03-01-12-00	Miscellaneous Consulting - NATO	1,298	0	0	0	0	1,298	0	1,298
03-01-12-01	Specialized consulting - PMT	224	0	0	200	0	424	0	424
03-01-13-00	ICT Consultancy (NATO Specific NCIA)	1,110	108	0	0	0	1,218	0	1,218
03-01-13-01	ICT - Programme Management - NCIA	2,830	600	400	162	0	3,992	0	3,992
03-01-14-00	Constant Surveillance of Works	7,157	1,522	2,007	367	0	11,053	0	11,053
03-01-15-00	SITE/Plant Laboratory Testing	105	0	0	0	0	105	0	105
03-01-16-00	Logistics Study	60	0	0	0	0	60	0	60
03-01-18-00	Data Sheet Consulting (Space Management)	238	0	0	0	0	238	0	238
03-02-00-00	Belgian PMT National Admin Expenses (NAE)	15,502	1,000	2,000	2,640	130	21,272	0	21,272
03-02-01-00	ICT - ANWI NC3A Fees	8,985	1,650	1,000	481	0	12,116	0	12,116
	ICT- ANWI Engineering Services	590	220	56	0	0	866	0	866
03-03-00-00	IADC, JURY HONORAIRES, UIA & INDEMNITIES	2,589	0	0	0	0	2,589	0	2,589
03-04-00-00	CDT Fees + Amendments	79,234	2,796	5,407	1,372	236	89,045	0	89,045
03-05-00-00	Overall fees on additional Contingencies	686	0	0	0	0	686	0	686
	Sub-total III	131,330	8,214	11,328	5,620	378	156,870	0	156,870

CISI	Description	Actuals 2000-2014	Budget Approved 2015	Budget Request 2016	Forecast 2017	Forecast 2018	CF	NF	(CF + NF) TOTAL CASH FLOW
CHAPTER IV	**CONSTRUCTION WORKS AND ASSOCIATED COSTS**								
04-01-01-00	Demolition works - Lot 1	9,589	0	0	0	0	9,589	0	9,589
04-01-02-00	Construction Works (CF+NF)excl.PNWI, ESS, AV	330,311	70,087	14,623	4,579	1,257	344,710	76,147	420,858
	Contingencies authorised to PMT	116,281	32,175	4,217	2,797	0	143,723	11,746	155,469
	Annual revision	38,284	3,059	0	0	0	32,915	8,428	41,343
04-01-02-00	Passive Network Infrastructure (PNWI) (CF+NF)	9,861	3,351	4,217	0	0	15,137	2,292	17,429
	Contingencies (5% of PNWI works)	493	125	1,253	0	0	1,757	115	1,871
	Annual revision	1,260	252	127	0	0	1,342	297	1,640
04-01-02-02	Additional Contingencies (5% of construction works and PNWI) (without revisions) (on DPRC release) per MOU Art 6 d.3.	0	19,270	0	11,689	0	30,959	0	30,959
04-01-02-03	Potential Changes of Scope (5% of Construction works and PNWI) (on DPRC release) (without revisions)	0	895	2,003	0	0	2,898	0	2,898
04-01-02-04	Transition Programme Contingencies on DPRC release	0	0	1,400	0	0	1,400	0	1,400
04-01-02-01	Electronic Security Systems (ESS) [CF]	7,952	0	6,913	0	0	14,865	0	14,865
	Contingencies (ESS)	398	0	1,230	289	0	1,917	0	1,917
	Annual revision	452	0	215	0	0	667	0	667
04-01-03-00	Audiovisual Equipment[CF]-TBCE C-M(2010)0036 Apr 2010	4,747	6,769	14,009	521	385	26,431	0	26,431
	Contigencies (AV equipment)	237	338	2,026	0	0	2,602	0	2,602
	Annual revision	590	0	710	39	38	1,377	0	1,377
04-01-04-00	Construction of Mock-ups	300	0	0	0	0	300	0	300
04-01-05-00	Construction Security Programme-Equipment (on site)	852	0	180	0	0	1,032	0	1,032
04-01-06-00	CST Team on reimbursable basis	11,125	0	6,200	0	0	17,325	0	17,325
04-01-07-00	Connection of utilities (sewage,elec,gas,water)	1,050	0	0	0	0	1,050	0	1,050
	Sub-total IV	**533,783**	**136,322**	**59,324**	**19,914**	**1,680**	**651,998**	**99,025**	**751,024**
CHAPTER V	**SPECIAL EQUIPMENT**								
05-01-01-00	ICT - Active Network Infrastructure	32,139	5,029	27,000	15,598	0	79,766	0	79,766
	ICT- IV&V	1,415	400	195	0	0	2,010	0	2,010
	ICT- 5% Contingencies HN	629	2,579	780	0	0	3,988	0	3,988
	ICT- 5% Contingencies NATO	629	2,579	280	500	0	3,988	0	3,988
	ICT- Programme contingencies	1,810	5,662	1,803	2,000	0	11,275	0	11,275
05-01-02-00	ICT - Application Migration	445	1,607	2,053	0	0	4,105	0	4,105
05-01-03-00	Furniture either internal or external (loose)	0	0	8,900	0	0	8,900	0	8,900
	Contingencies on Furniture Programme	0	0	1,200	0	0	1,200	0	1,200
	Contingencies on Furniture under DPRC	0	0	1,200	0	0	1,200	0	1,200
05-01-03-00	Sports or recreational equipment (loose)	0	0	200	0	0	200	0	200
05-01-04-00	Relocation costs and movement of (loose) furniture	0	0	600	1,000	0	1,600	0	1,600
05-01-05-00	Non-Fixed Equipment	0	0	300	0	0	300	0	300
	Sub-total V	**37,067**	**17,857**	**44,510**	**19,098**	**0**	**118,532**	**0**	**118,532**
	GRAND TOTAL	**755,883**	**174,701**	**135,420**	**55,852**	**2,333**	**1,025,165**	**99,025**	**1,124,190**