



NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

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10 March 2025

**DOCUMENT
PO(2025)0055-AS1**

**IBAN AUDIT REPORT ON THE 2023 FINANCIAL STATEMENTS OF NATO
HELICOPTER MANAGEMENT ORGANIZATION (NAHEMO)**

ACTION SHEET

On 10 March 2025, under the silence procedure, the Council noted the RPPB report and the IBAN Audit Report attached to PO(2025)0055, approved the conclusions and recommendations in the RPPB report, and approved the public disclosure of the 2023 Financial Statements of NAHEMO, the associated IBAN Audit Report and the RPPB report.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0055.

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24 February 2025

DOCUMENT

PO(2025)0055

Silence Procedure ends:

10 Mar 2025 - 17:30

To: Permanent Representatives (Council)

From: Secretary General

**IBAN AUDIT REPORT ON THE 2023 FINANCIAL STATEMENTS OF NATO
HELICOPTER MANAGEMENT ORGANIZATION (NAHEMO)**

1. I attach the Resource Policy and Planning Board (RPPB) report on the International Board of Auditors for NATO (IBAN) Audit Report on the resubmitted 2023 Financial Statements of the NATO Helicopter Management Organization (NAHEMO).
2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 17.30 on Monday, 10 March 2025**, I shall assume the Council noted the RPPB report and the IBAN Audit Report, approved the conclusions and recommendations in the RPPB report, and approved the public disclosure of the 2023 Financial Statements of NAHEMO, the associated IBAN Audit Report and the RPPB report.

(Signed) Mark RUTTE

1 Annex
2 Enclosures

Original: English



IBAN AUDIT REPORT ON THE 2023 FINANCIAL STATEMENTS OF NATO HELICOPTER MANAGEMENT ORGANIZATION (NAHEMO)

Report by the Resource Policy and Planning Board

References:

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|----|------------------|---|
| A. | IBA-AR(2024)0031 | IBAN Audit Report on the Financial Statements of the NATO Helicopter Management Organization (NAHEMO) for the year ended 31 December 2023 |
| B. | C-M(2015)0025 | NATO Financial Regulations (NFRs) |
| C. | PO(2017)0355 | NAHEMO Financial Regulations (NAHEMO FRs) |
| D. | C-M(2016)0023 | NATO Accounting Framework (NAF) |
| E. | PO(2015)0052 | Wales Summit tasker on transparency and accountability |

INTRODUCTION

1. This report by the Resource Policy and Planning Board (RPPB) addresses the IBAN Audit Report on the 2023 resubmitted Financial Statements of the NATO Helicopter Management Organization (NAHEMO). IBAN issued an unqualified opinion on the resubmitted Financial Statements and on compliance for the year ended 31 December 2023 (reference A).

2. The RPPB acknowledges that the observations highlighted in the IBAN Audit Report have been discussed and dealt with by the participating Nations, represented on the NAHEMO Steering Committee (SC), which is the relevant governing body. The RPPB is mandated under Article 15 of the NATO Financial Regulations (reference B), to examine the IBAN Audit Report and to provide comments and recommendations to Council as required.

AIM

3. This report highlights key issues in the IBAN Audit Report with the aim to enable the RPPB to reflect on strategic challenges resulting from the audit of financial statements of NATO entities and to recommend courses of action to Council as applicable, in order to improve transparency, accountability and consistency.

OBSERVATIONS AND RPPB VIEW

4. During the audit, IBAN made three observations and recommendations for NAHEMO. They relate to the need to strengthen internal controls over the preparation of financial statements, non-compliance with NAHEMO's Financial Regulations (reference C) relating to appropriated funds' commitments under the Administrative Budget (AB), and on the absence of disclosure of contract authority information regarding the AB to the NAHEMO SC. These observations and recommendations did not impact the audit opinion on the Financial Statements and on compliance.

4.1. Observation 1: The RPPB supports IBAN's recommendation that NAHEMO strengthen internal controls over the preparation of financial statements, including by

implementing compensatory controls where necessary, to provide a basis for obtaining a reasonable assurance that financial statements are in compliance with the NATO Accounting Framework (reference D) and NAHEMO Financial Regulations. In addition, NAHEMO should continue its efforts to improve the level of competence, knowledge, skills, and abilities of personnel responsible for the preparation of financial statements, including through appropriate training, with the aim of fully reinternalising this function, and assess the risks associated with its financial reporting activities and functions and update the risk register accordingly.

4.2. Observation 2: The RPPB supports IBAN's recommendation that NAHEMO comply with NAHEMO Financial Regulations relating to the controls, approval and audit trail of commitments of appropriated funds under the AB. In this respect, NAHEMO should ensure that AB's commitments are properly formalised through formal purchase orders and contracts with suppliers, authorised by the appropriate delegated authority and traceable in the financial system. Moreover, NAHEMO should strengthen the overall internal controls related to the commitment-to-payment process and authorisation.

4.3. Observation 3: The RPPB supports IBAN's recommendation that NAHEMO, for the AB, provide the NAHEMO SC with information on the contract authorities, in accordance with Article 38 of the NAHEMO Charter.

5. The observations are detailed in document at reference A. Additionally, IBAN followed up on the status of observations and recommendations from previous years' audits and found that two remain in-progress and three were closed (out of the closed observations one was superseded by current year observation 1).

6. Following IBAN's adverse opinion on the 2022 Financial Statements of NAHEMO and qualified opinion on compliance (ref. IBA-AR(2023)0024), and subsequent Council's invitation to NAHEMO to provide the implementation report on the actions taken (ref. PO(2024)0103), in order to implement the recommendations set out in the NAHEMO action plan, during 2024 NAHEMO regularly provided the RPPB with reports on the status of NAHEMO Financial Statements and Compliancy Improvement Project. The RPPB welcomes the remedial actions taken by NAHEMO to implement in-progress observations and recommendations that resulted in IBAN's unqualified opinion on the resubmitted 2023 Financial Statements and on compliance.

7. However, the RPPB notes that NAHEMO resubmitted its financial statements to correct material misstatements identified by IBAN, and that without these corrections, the NAHEMO 2023 Financial Statements would have included material errors, leading to a qualified audit opinion on the Financial Statements. The Head of Financial Reporting Policy (HFRP) raised the topic of the resubmissions of financial statements at the Working Group of Financial Controllers held in November 2024. Due to the increasing number of resubmissions in the last years, the HFRP emphasized the importance of strengthening internal controls NATO-wide in order to limit such cases.

CONCLUSIONS

8. IBAN issued an unqualified opinion on the 2023 NAHEMO resubmitted Financial Statements and on compliance. Three observations and recommendations were raised for NAHEMO. Three previous years' observations and recommendations were closed and two remain in-progress.

9. The RPPB supports IBAN's recommendation that NAHEMO strengthen internal controls over the preparation of financial statements, ensure full compliance with NAHEMO's FRs relating to appropriated funds' commitments under the AB, and disclose contract authority information regarding the AB to the NAHEMO SC. The RPPB reminds that the resubmission of the NAHEMO 2023 Financial Statements to correct material misstatements shows that progress is still needed in strengthening internal controls over the financial reporting process. The RPPB notes that the HFRP raised the topic of the resubmissions of financial statements at the Working Group of Financial Controllers, and also emphasized the importance of strengthening internal controls NATO-wide in order to limit such cases.

10. Following IBAN's adverse opinion on NAHEMO 2022 Financial Statements, the RPPB welcomes the significant efforts made by NAHEMO to implement in-progress observations and recommendations that resulted in IBAN's unqualified opinion on the resubmitted 2023 Financial Statements and on compliance.

RECOMMENDATIONS

11. The Resource Policy and Planning Board recommends that Council:

11.1. note this report and the IBAN Audit Report at reference A;

11.2. approve the conclusions at paragraphs 8 to 10;

11.3. approve the public disclosure of the 2023 Financial Statements for NAHEMO, its associated IBAN Audit Report and this report in line with agreed policy at reference E.



International Board of Auditors for NATO
Collège international des auditeurs externes de l'OTAN

Brussels - Belgium



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IBA-A(2024)0146
11 December 2024

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

Cc: NATO Permanent Representatives
Chair, NATO Helicopter Management Organization (NAHEMO) Steering Committee
General Manager, NATO Helicopter Management Agency (NAHEMA)
Division Leader, Administrative Division, NATO Helicopter Management Organization (NAHEMA)
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the NATO Helicopter Management Organization's (NAHEMO) Financial Statements for the year ended 31 December 2023 – IBA-AR(2024)0031***

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

IBAN's report sets out an unqualified opinion on the resubmitted Financial Statements of the NATO Helicopter Management Organization's (NAHEMO) and on compliance for financial year 2023.

Yours sincerely,

Radek Visinger
Chair

Attachments: As stated above.

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**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
NATO Helicopter Management Organisation (NAHEMO)
for the year ended 31 December 2023**

The International Board of Auditors for NATO (IBAN) audited the NATO Helicopter Management Organization (NAHEMO) resubmitted Financial Statements for the year ended 31 December 2023. NAHEMO is a NATO subsidiary body established with a view to meet the NH90 Helicopters requirements of France, Germany, Italy, The Netherlands and Belgium. NAHEMO consists of a Steering Committee (SC) composed of representatives of the Participants with the responsibility of the overall management of the programme and of the Agency called NAHEMA. The Agency is located in Aix-en-Provence (France).

For 2023 NAHEMO reported in the resubmitted Financial Statements operational and administrative budget expenditures amounting respectively to EUR 1,263.3 million and EUR 15.6 million.

IBAN issued an unqualified opinion on the resubmitted Financial Statements and on compliance for the year ended 31 December 2023.

IBAN made three observations and recommendations. These observations do not impact the audit opinion on the resubmitted Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.
2. Non-compliance with NAHEMO's Financial Regulations relating to appropriated funds' commitments under the Administrative Budget (AB).
3. Absence of disclosure of contract authority information regarding the Administrative Budget to the NAHEMO Steering Committee.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that two remain in progress and three were closed.

The Audit Report was issued to NAHEMO whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2024)0031

11 December 2024

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
NATO HELICOPTER MANAGEMENT ORGANISATION
(NAHEMO)**

FOR THE YEAR ENDED 31 DECEMBER 2023

PUBLICLY DISCLOSED - PDN(2025)0028 - MIS EN LECTURE PUBLIQUE

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INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL

Financial Statements

Opinion on the Financial Statements

The International Board of Auditors for NATO (IBAN) has audited the resubmitted Financial Statements of NAHEMO, for the 12 month period ended 31 December 2023, issued under document reference NH/ADM/ACC-1/03957/2024, and resubmitted to IBAN on 28 November 2024. These Financial Statements comprise the Statement of Financial Position as at 31 December 2023, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12 month period ended 31 December 2023, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12 month period ended 31 December 2023.

In our opinion, the Financial Statements give a true and fair view of the financial position of NAHEMO as at 31 December 2023, and of its financial performance, its cash flows and budget execution for the 12 month period ended 31 December 2023, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 2000-2899).

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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

Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs.

The Financial Statements of NAHEMO are drawn up in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards consistent with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards consistent with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance

Opinion on Compliance

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899).

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

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The General Manager is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorised expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 11 December 2024



Radek Visinger
Chair

OBSERVATIONS AND RECOMMENDATIONS

IBAN made three observations and recommendations. These observations do not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.
2. Non-compliance with NAHEMO's Financial Regulations relating to appropriated funds' commitments under the Administrative Budget (AB).
3. Absence of disclosure of contract authority information regarding the Administrative Budget to the NAHEMO Steering Committee.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that two remain in progress and three were closed.

1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

Reasoning

1.1 According to Article 35.1 of the NAHEMO Financial Regulations (NAHEMO FRs) *"An annual financial statement for NAHEMA, 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 of March following the end of the financial year."*

1.2 According to the NATO Accounting Framework (NAF), IPSAS 1, *"the Financial Statements shall present fairly the Financial Position, Financial Performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS."*

1.3 Article 6 of the NAHEMO FRs requires the Financial Controller to exercise the responsibility of budgeting, accounting and reporting activities of the NAHEMO. This includes being responsible for the financial internal control system established, and for the preparation of the Financial Statements in accordance with the NAF.

1.4 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the Financial Statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that financial statements are in compliance with the applicable financial reporting framework.

1.5 Article 12.2 of the NAHEMO FRs provides that in order to meet the desired internal control standards, the Financial Controller shall establish and maintain comprehensive accounting records of all assets and liabilities. Article 12.3 also states that internal control activities shall include (but not be limited to) adequate audit trails and data confidentiality, integrity and availability in information systems.

1.6 IPSAS 41 *“Financial Instruments”* defines as a financial liability *“any liability that is [...] a contractual obligation to deliver cash or another financial asset to another entity”*. One principle of the standard is that: *“An entity shall recognize a financial asset or a financial liability in its financial position when, and only when, the entity becomes party to the contractual provisions of the instrument”*. Examples provided by application guidance AG16 applying the above principle are:

- a) *“Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash.”*
- b) *Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognized until at least one of the parties has performed under the agreement. For example, an entity that receives a firm order does not generally recognize an asset (and the entity that places the order does not recognize a liability) at the time of the commitment but, instead, delays recognition until the ordered goods or services have been shipped, delivered or rendered”.*

1.7 Therefore, the terms of the contract between the parties specify the conditions required for an obligation to be payable.

1.8 The NATO Code of Conduct (ON2022)0004) reaffirms the principles of transparency and accountability in its preamble, and that *“skills, competencies, professionalism and integrity are key to helping the Organization to fulfil its core mission and goals”*. As such NATO Staff professionalism encompasses maintaining *“the highest level of competence in [their] assigned areas and strive for continuous improvement of [their] knowledge, skills, and abilities.”*

Observations

1.9 IBAN found several misstatements, some of them material, in the primary statements, disclosure notes and the annex of the NAHEMO 2023 Financial Statements first submitted to IBAN on 31 March 2024. Most of these misstatements were corrected in the resubmission of the Financial Statements to IBAN on 28 November 2024. Without these corrections, the NAHEMO 2023 Financial Statement would have included material errors leading to a qualified audit opinion on the Financial Statements.

1.10 The main misstatements are listed below:

- a) Material misclassification between the Operational Budget (OB) and Administrative Budget (AB) of interests earned related to OB on short term investment amounting to EUR 0.49 million. In addition, interest revenue on AB amounting to EUR 0.06 million was mistakenly recognised in the Statement of Financial Position instead of the Statement of Financial Performance because NAHEMO's updated accounting policy was not consistent with NAHEMO acting as principal on AB.
- b) Several incorrect and materially misleading disclosures notes related to the agent vs principal status of NAHEMO respectively for OB and AB activities.
- c) Material overstatement of EUR 0.63 million in the revenue flows disclosed in the reconciliation table of unearned revenue on AB in Note 9 of the Financial Statements. Furthermore, the reconciliation in the table was misleading as the opening and closing balances were not presented consistently with an impact of EUR 1.05 million.
- d) Error in the disclosure related to staff counts and turnover in the note 11.1 "*Employee expenses*".
- e) Misclassification of AB Human Resources (HR) support services costs amounting to EUR 0.06 million in "*other employees benefit*" personnel expenses account in the Statement of Financial Performance and note 11.1.
- f) Misleading presentation of costs on a cash basis due to the lack of allocation of changes in accruals by expense category in the Statement of Financial Performance.
- g) Incorrect disclosure in note 11.3 of the Financial Statements related to "*accrued expenses*" due to an inversion of current year and previous year balances. This note was removed from the resubmitted Financial Statements.
- h) Unclear explanations regarding opening restatements and changes of "*Current Trade and other payables*" in note 8 of the Financial Statements and note 6 of Annex 1:
- i) Partial or missing mandatory statement as per Article 57 of NAHEMO's Financial Rules and Procedures (NAHEMO FRPs) related to "*Contributions from Nations*" disclosure.
- j) Underestimation by EUR 12.36 million of the total amount of invoices received and not validated before the end of 2023 reported in the note "*Additional information on the BES OB 2023*" in Annex 1.
- k) Missing disclosure of Representation Allowance in the Financial Statements as required by Council decision PO(2013)0154.

- l) Material misstatements in AB Budget Execution Statement (BES) 2023 presentation and disclosure of opening carry forward, commitment and expenditure due to an incorrect implementation of the opening restatement of accruals in the amount of EUR 1.33 million.
- m) Overstatement of the 2023 commitments carried forward totalling EUR 0.05 million.
- n) Absence of information related to OB Trade Payables cancelled at the start of January 2024, for a total amount of EUR 7.8 million.
- o) Incorrect disclosure relating to the authorisation for the establishment of the OB *“operating fund”* in the note of Annex 1.

1.11 The resubmitted Financial Statements addressed almost all of the above misstatements found by IBAN, with the exception of posting invoices awaiting validation amounting to EUR 14.24 million in the accounting system at 31 December 2023.

1.12 This is because NAHEMO, in note 3.3.2.3 to the Financial Statements, updated its accounting policy by specifying a criterion for recognising OB Trade Payables based on the date the invoice is validated by NAHEMO's Contracts Section, rather than the date the invoice is received.

1.13 IBAN considers that this accounting policy does not comply with the principles set out in IPSAS 41, as the past event giving rise to the obligation should not be the administrative validation of the invoice by the Contracts Section, but rather the terms and conditions set out in the contract.

1.14 For the Operational Budget (OB), since NAHEMO acts as an agent, the payment obligation from a contractual perspective, and consequently the recognition of the liability, is not contingent on the timing of NAHEMO's internal administrative validation processing of the invoice. Therefore, any invoice should be deemed payable at the date of its receipt.

1.15 In this context, due to delays in the invoice internal administrative validation process, some invoices received at year end were not recognised as OB Trade Payables in the Statement of Financial Position.

1.16 However, we consider that paragraph 3 of Annex 1 in the Financial Statements offers an acceptable level of financial information to the readers regarding the pending validation of invoices for the year ended 31 December 2023, amounting to EUR 14.24 million. For comparison, this amount was EUR 27 million as of 31 December 2022.

1.17 This financial year, NAHEMO contracted the services of an external consulting firm to provide assistance for the preparation of the financial statements. This assistance included to provide:

- a) advice and recommendations regarding financial reporting;
- b) feedback on draft accounting policies;
- c) proposals for improving the internal controls as well as the preparation, review and reporting processes of the Financial Statements according to IBAN remarks and requirements;
- d) IPSAS training courses to NAHEMA employees.

1.18 Going forward, NAHEMO needs to continue to improve its level of competence, knowledge, skills, and abilities in financial reporting and accounting, in order to fully re-internalise this function.

1.19 Finally, the NAHEMO's risk register still does not mention any risks relating to financial activities, the organisation of the financial function or internal control procedures for financial operations, including the preparation of NAHEMO's financial statements.

Recommendations

1.20 IBAN recommends that NAHEMO:

- a) Strengthen its internal controls over the preparation of financial statements, including implementing compensatory controls where necessary. This will help to provide a basis for obtaining a reasonable assurance that the financial statements comply with the NATO Accounting Framework and NAHEMO Financial Regulations (NAHEMO FRs).
- b) Continue its efforts to improve the level of competence, knowledge, skills, and abilities of personnel responsible for the preparation of the financial statements, including through appropriate trainings, with the aim of fully re-internalising this function.
- c) Assess the risks associated with its financial reporting activities and functions and update the risk register accordingly.

2. NON-COMPLIANCE WITH NAHEMO'S FINANCIAL REGULATIONS RELATING TO APPROPRIATED FUNDS' COMMITMENTS UNDER THE ADMINISTRATIVE BUDGET (AB)

Reasoning

2.1 Article 6 of the NAHEMO Financial Regulations (NAHEMO FRs) requires the Financial Controller to exercise the responsibility of budgeting, accounting and

reporting activities of the NATO entity. This includes being responsible for the financial internal control system established and the preparation of the financial statements in accordance with NATO Accounting Framework.

2.2 Article 12.2 of the NAHEMO FRs provides that *“in order to meet the desired internal control standards, the Financial Controller has to establish: a) system of internal financial and budgetary control, embracing all aspects of financial management including transactions for which appropriations have been approved; b) designate and formally delegate authority to officials who may disburse and receive funds on his/her behalf; [...]”*

2.3 In addition, Article 12.3 also states that internal control activities shall include (but not be limited to) *“adequate audit trails and data confidentiality, integrity and availability in information systems.”*

2.4 As per Article 25.1 of the NAHEMO FRs *“On approval of the annual and supplementary budget, the General Manager, subject to the concurrence of the Financial Controller, is: a) authorized to enter into commitments for goods and services to be rendered during the financial year; [...]”*

2.5 NAHEMO FRs glossary defines:

- a) Commitment as the: *“The advance acceptance and recording of legal obligations against: (a) appropriations for the current financial year; and, (b) contract authority for future financial years.”*
- b) Legal Obligation as: *“An obligation that derives from: (a) a contract (through its explicit or implicit terms); (b) legislation; (c) other operation of law.”*

2.6 The NAHEMO Financial Rules and Procedures (NAHEMO FRPs) article 30.1 provides that *“Funds are not to be expended without prior commitment and authorization. Commitments of funds may be entered into only for those purposes specifically authorized in the approved budget or in accordance with paragraph 9 and only to the extent to which funds have been allotted.”*

2.7 Article 31 and following of the NAHEMO FRPs relating to *“Commitment for Purchases and Services”* also state:

- a) Article 31.1: *“Staff Members authorized to request the commitment of funds for purchases and services: General Manager; Deputy General Manager; Division Leaders, “A grade Staff” appointed by the General Manager”.*
- b) Article 31.2: *“Control of Request for Commitment of Funds:” The principle to be adopted in all cases is that the expenditure requested is necessary in the interest of NAHEMA within the appropriate budgetary limits and in accordance with relevant financial and administrative rules and instructions.*

It is responsibility of the Section Leader Finance to assure that: funds are available; the correct budget item is charged; the request is made in accordance with the provisions of NAHEMO Financial Rules and Procedures and of other internal administrative procedures established by NAHEMA.

It is responsibility of the Financial Controller to certify with a visa that the request for commitment has formal viability”

- c) Article 31.3: *“Approval of the commitment of funds”: “All commitments shall be approved by the General Manager. The approval of the commitment constitutes the authorization for expend”*
- d) Article 31.4: *“Following the General Manager expenditure authorization, either directly or through possible delegation of authority, the procedure for the approval of payments will apply. The Administration Division will record the commitment and start the procurement, as applicable (goods, tickets, etc.).”*

2.8 These provisions also apply to commitment for Travel Authorisations, Hospitality Expenses, Salary and Allowances

2.9 Article 5 of the NAHEMA Internal Directive NID-A-010 related to *“Delegation of authority for placing contracts and purchase orders related to the Administrative Budget”* establishes that *“the General Manager delegates his authority for placing contracts and purchase orders for the provision of goods and services in the frame of the NAHEMA Administrative Budget to Administration Division Leader (DLA) up to level 2xB (40,000EUR VAT excluded) [...]”*

2.10 In addition, Article 6 states that *“[...] Up to 40,000 EUR, DLA can sign the purchase order. Above 40,000 EUR, only the General Manager can sign the purchase order, as per NAHEMO Charter.”*

Observations

2.11 We found several instances of non-compliance with NAHEMO’s FRs and FRPs relating to the control, approval and audit trail of commitments of appropriated funds under the Administrative Budget (AB):

- a) Expenses totalling EUR 109,853 were incurred and paid without any signed contract or Purchase Order (PO).
- b) POs for expenses totalling EUR 166,184 in 2023 were not approved by the proper delegated authority in accordance with NAHEMO’s internal directives.

2.12 In addition, the opening restatement of accruals includes EUR 46,374 of expenses for services that was incurred in 2022 in excess of available budget appropriations and without proper authorisation. This does not comply with the provisions of article 31.2 of the NAHEMO FRPs relating to *the “Control of Request for*

Commitment of Funds". This expenditure from the previous year was ultimately paid using 2023 appropriations. It therefore creates discrepancies in the reconciliation of the 2023 Budget Execution Statement (BES) to the Statement of Financial Performance, which are explained in notes 3 and 5 of Annex 1.

2.13 The above-mentioned issues are due to internal control deficiencies in the commitment-to-payment process, particularly due to the lack of an integrated process within the accounting and budgetary information systems for verifying the availability of funds and authorising commitments.

Recommendations

2.14 IBAN recommends that NAHEMO:

- a) Comply with NAHEMO's Financial Regulations (NAHEMO FRs) relating to the controls, approval and audit trail of commitments of appropriated funds under the Administrative Budget (AB).
- b) Ensure that AB's commitments are properly formalised through formal purchase orders (POs) and contracts with suppliers, authorised by the appropriate delegated authority and traceable in the financial system.
- c) Strengthen the overall internal controls related to the commitment-to-payment process and authorisation.

3. ABSENCE OF DISCLOSURE OF CONTRACT AUTHORITY INFORMATION REGARDING THE ADMINISTRATIVE BUDGET TO THE NAHEMO STEERING COMMITTEE

Reasoning

3.1 As per the NAHEMO Charter, Section IV "*Arrangements and Contracts*" Article 11 "[...] However, the Steering Committee shall not: a) delegate its authority to the General Manager to conclude arrangements or contracts beyond the purview of routine management and business intercourse, except on a case by case basis; b) authorise the General Manager to conclude international arrangements."

3.2 Section IX "*NAHEMA*", Article 32 "*General Manager*" states that: "*The General Manager will within the authority delegated to him by the Steering Committee be responsible for the execution of the Programme. This will include in particular: [...] (m) exercise contracting authority as delegated to him;*"

3.3 Section X "*Financial Management*", Article 38 provides: "*(e) Any authority to conclude contracts or make financial commitments, expenditures which will take place in future years shall be separately cited in the budget*".

3.4 Article 25.1 of the NAHEMO Financial Rules (NAHEMO FRs) states that: *“On approval of the annual and supplementary budget, the General Manager, subject to the concurrence of the Financial Controller, is: (a) authorized to enter into commitments for goods and services to be rendered during the financial year; [...] authorized to enter into contract authority to incur legal obligations in the current financial year for the provision of goods and services for contracts in future financial years. These legal obligations will be reflected as commitments in future years and not against appropriated funds in the current financial year; [...]”*.

3.5 Article 11 of the NAHEMO Financial Rules and Procedures (NAHEMO FRPs) establishes: *“On the approval of the annual or supplementary budget estimates, the General Manager is authorized to: [...] enter into commitments within the total amount of the approved contract authority for the purpose for which such contract authority has been granted.”*

3.6 The NAHEMO FRs and FRPs do not provide with delegation of authority tied to financial limits for placing contracts and purchase orders. However, the NAHEMA Internal Directive NID-A-010 establishes that *“the General Manager delegates his authority for placing contracts and purchase orders for the provision of goods and services in the frame of the NAHEMA Administrative Budget to (the) Administration Division Leader (DLA) up to level 2xB (40,000EUR VAT excluded) [...]”*. In addition, Article 6 states that *“[...] Up to 40,000 EUR, DLA can sign the purchase order. Above 40,000 EUR, only the General Manager can sign the purchase order, as per NAHEMO Charter”*.

3.7 Based on the above we understand that the General Manager (GM) of NAHEMA does not have a financial limit for signing contract and therefore the Steering Committee (SC) is not required to approve a commitment or a contract authority.

3.8 However, as stipulated by Article 38 of the Charter, the SC needs to be informed of signed commitments and expenditures that will take place in the future, (i.e. contract authorities), as part of the budget submission.

Observations

3.9 We found that NAHEMO did not provide the SC along with the Administrative Budget (AB) submission of 2023 (approved in December 2022) and of 2024 (approved in December 2023), a list of existing contract authorities in force and delegated to the GM. However, such information was provided to each Nation for the Operational Budget (OB).

3.10 NAHEMO estimates the total contract authority initial amount for contracts still active in 2023 and beyond at EUR 6.7 million for those signed before 2023 and EUR 0.7 million for those signed in 2023. However, based on the information provided by NAHEMO, we were unable to confirm the accuracy of these amounts.

Recommendations

3.11 IBAN recommends that NAHEMO, for the Administrative Budget, provide the Steering Committee with information on the contract authorities, in accordance with Article 38 of the NAHEMO Charter.

FOLLOW-UP OF PREVIOUS YEARS’ OBSERVATIONS

IBAN followed up on the status of observations from the previous years’ audit. The observations and recommendations, the actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
(1) NAHEMO FY 2022 IBA-AR(2023)0024, paragraph 1 PERVASIVE, MATERIAL MISTATEMENTS IN THE FINANCIAL STATEMENTS AND THE STATEMENTS OF BUDGET EXECUTION IBAN’s Recommendation IBAN recommends that NAHEMO: a) strengthen internal controls over the preparation of the financial statements and implement appropriate standard operating procedures in order to ensure that the financial statements are free of material errors and comply with the NATO Accounting Framework and NAHEMO Financial Regulations. b) continue its efforts to improve the level of competence, knowledge, skills, and abilities of personnel responsible for the preparation of the financial statements, including through appropriate trainings. c) improve the configuration of the	Superseded by Observation 1	Observation Closed.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
accounting system to facilitate the preparation of the financial statements and address promptly any technical problems relating to the accounting system. d) assess the risks associated with its financial reporting activities and functions and update the risk register accordingly.		
(2) NAHEMO FY 2022 IBA-AR(2023)0024, paragraph 2 NAHEMO DID NOT SUBMIT ITS FINANCIAL STATEMENTS WITHIN THE DEADLINE STIPULATED BY THE NAHEMO FINANCIAL REGULATIONS IBAN's Recommendation IBAN recommends that NAHEMO strengthen its financial reporting processes in order to submit its financial statements within the deadline set by the NAHEMO Financial Regulations.	NAHEMO 2023 Financial Statements were submitted within the deadline set by the NAHEMO Financial Regulations.	Observation Closed.
(3) NAHEMO FY 2021 IBA-AR(2022)0019, paragraph 2 NEED TO REVIEW AND UPDATE NAHEMO'S FINANCIAL REGULATORY FRAMEWORK IBAN's Recommendation Taking into account the fact that NAHEMO acts as a principal for its Administrative Budget and as an agent for its Operational Budget, IBAN recommends NAHEMO to: a) review the provisions of its Financial Regulations for the purpose of avoiding de facto non-compliance or a persistent doubt regarding its compliance, and obtain resolution by the appropriate governing body in accordance with Article 7.1 of the NAHEMO FRs, and if required by a Council-approved deviation of the NAHEMO FRs; b) clarify in the NAHEMO FRPs the financial statements disclosure requirements for the Statement of Budget Execution of the Administrative Budget where NAHEMO is principal and of the	a) b) The NAHEMO FRs were revised. A draft was prepared in July 2024 and submitted for endorsement by the Financial Administrative Committee. This new set of NAHEMO FRs do not impact the NAHEMO's 2023 Financial Statements. At the time of the audit, the final version of these FRs had not yet been approved. Therefore, on the basis of the draft, we cannot conclude whether NAHEMO's FRs and their implementation will take into account our recommendation.	Observation In-Progress.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
Operational Budget where NAHEMO is an agent.		
(4) NAHEMO FY 2021 IBA-AR(2022)0019, paragraph 3 IMPROVEMENT NEEDED IN THE FINANCIAL POLICY AND DISCLOSURE OF THE STATEMENT OF BUDGET EXECUTION OF THE OPERATIONAL BUDGET IBAN's Recommendation Given the fact that NAHEMO is an agent for its Operational Budget, IBAN recommends NAHEMO to strengthen the disclosure requirements for the Statement of Budget Execution of the Operational Budget by clarifying these in the NAHEMO FRPs. The budgetary disclosure requirements for multi-annual and multi-national programmes should provide the Nations with relevant financial information to assist in the governance of the programme budgeting and funding.	Similar to the action taken for the previous recommendation, IBA-AR(2022)0019, paragraph 2, the NAHEMO FRs were revised. A draft version was prepared in July 2024 and submitted for endorsement by the Financial Administrative Committee. This new set of NAHEMO FRs do not impact the NAHEMO's 2023 Financial Statements. At the time of the audit, the final version of these FRs had not yet been approved. Therefore, on the basis of the draft, we cannot conclude whether NAHEMO's FRs and their implementation will take into account our recommendation.	Observation In-Progress.
(5) NAHEMO FY 2016 IBA-AR(2017)29, paragraph 2 LACK OF RELIABLE AND COORDINATED PROCESSES FOR CAPITALISING ASSETS AND UPDATING ASSET REGISTER IBAN's Recommendation IBAN recommends NAHEMA to update and maintain complete and accurate asset registers, in line with Article 12 of the NFRs. These registers need to be properly controlled at the appropriate level and regular property counts should be performed to keep the registers accurate and reliable.	The data and the register were reviewed and corrected as part of the preparation of the 2023 Financial Statements. Extensive corrections have also been implemented to update the registers at the 2022 year-end. In addition, a new internal	Observation Closed.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
IBAN also recommends NAHEMA to put in place reliable and coordinated processes to ensure that new assets acquired are capitalized as PP&E or Intangible Assets.	directive was signed by the General Manager, setting out tasks, responsibilities, procedures.	

**NATO HELICOPTER MANAGEMENT ORGANISATION
(NAHEMO) FORMAL COMMENTS ON THE AUDIT REPORT AND THE
INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS**

**OBSERVATION 1:
NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF
THE FINANCIAL STATEMENTS**

NAHEMOS's Formal Comments

Agreed.

NAHEMA acknowledges the remark and has already put in place actions IOT improve the control and mitigate the risk related to the Financial Statements. The following new Internal Directives are already effective:

- 1. "NAHEMA End of Year Financial Statements Processes" - NID-A-036 dated 25/07/2024;*
- 2. "Property accounting and control" – NID-A-023 dated 03/09/2024.*

All personnel in the Finance Section attended an IPSAS course arranged by DELOITTE in June 2024.

Furthermore, the risk register has been updated with the current evaluation of the financial risks.

**OBSERVATION 2:
NON-COMPLIANCE WITH NAHEMO'S FINANCIAL REGULATIONS RELATING
TO APPROPRIATED FUNDS' COMMITMENTS UNDER THE ADMINISTRATIVE
BUDGET (AB)**

NAHEMO's Formal Comments

Agreed.

NAHEMA acknowledges the remark and has recognised this aspect as a critical point. IOT solve and mitigate the situation described, a new Internal Directive (ID) is ready to become effective starting from 01/01/2025. The purpose of this ID is to establish a new procedure providing guidance to the Fund Managers, Authorize Requestors, Contract Officers and Fiscal Officer.

As a further step, the new ID on the procurement related to the Administrative Budget will be aligned to the new procedure.

**OBSERVATION 3:
ABSENCE OF DISCLOSURE OF CONTRACT AUTHORITY INFORMATION
REGARDING THE ADMINISTRATIVE BUDGET TO THE NAHEMO STEERING
COMMITTEE**

NAHEMO's Formal Comments

Agreed.

A Contract Authority has been presented and approved by the Nations during the last Community Steering Committee meeting held in November 2024.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

**(1) NAHEMO FY 2022
IBA-AR(2023)0024, paragraph 1**

**PERVASIVE, MATERIAL MISTATEMENTS IN THE FINANCIAL STATEMENTS
AND THE STATEMENTS OF BUDGET EXECUTION**

NAHEMO's Formal Comments

Agreed

Superseded by new Observation 1.

**(2) NAHEMO FY 2022
IBA-AR(2023)0024, paragraph 2**

**NAHEMO DID NOT SUBMIT ITS FINANCIAL STATEMENTS WITHIN THE
DEADLINE STIPULATED BY THE NAHEMO FINANCIAL REGULATIONS**

NAHEMO's Formal Comments

Agreed

As stated by IBAN, NAHEMO 2023 Financial Statements were submitted within the deadline set by the NFRs.

(3) NAHEMO FY 2021
IBA-AR(2022)0019, paragraph 2

NEED TO REVIEW AND UPDATE NAHEMO'S FINANCIAL REGULATORY FRAMEWORK

NAHEMO's Formal Comments

Agreed

During the last Financial Administrative Committee (FAC) held in October 2024, the new updated version of the NAHEMO Financial Rules & Procedures (FR&P) has been submitted to the FAC members for their endorsement. Two Nations have requested to amend some articles and for this reason, the new version will be approved and become effective in Q1 of 2025.

(4) NAHEMO FY 2021
IBA-AR(2022)0019, paragraph 3

IMPROVEMENT NEEDED IN THE FINANCIAL POLICY AND DISCLOSURE OF THE STATEMENT OF BUDGET EXECUTION OF THE OPERATIONAL BUDGET

NAHEMO's Formal Comments

Agreed

Similar to the status in recommendation No. 3.

(5) NAHEMO FY 2016
IBA-AR(2017)29, paragraph 2

LACK OF RELIABLE AND COORDINATED PROCESSES FOR CAPITALISING ASSETS AND UPDATING ASSET REGISTER

NAHEMO's Formal Comments

Agreed

NAHEMO improved the process for capitalising assets and updating the asset register. As IBAN recognized, a new Internal Directive was signed. The data in the Asset Register were reviewed and corrected.

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

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NAHEMA

"UNITE TO SUCCEED"



NATO HELICOPTER D&D PRODUCTION AND
LOGISTICS MANAGEMENT AGENCY

REVISED RESUBMITTED
NAHEMO FINANCIAL STATEMENTS FOR
FINANCIAL YEAR 2023

PUBLICLY DISCLOSED - PDN(2025)0028 - MIS EN LECTURE PUBLIQUE

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Corporate information

The "NATO Helicopter for the 1990s Design and Development, Production and Logistics Management Organization" (NAHEMO) is a North Atlantic Treaty Organisation (NATO) body. NAHEMO was established to meet the requirements of the French Republic, the Federal Republic of Germany, the Republic of Italy and the Kingdom of The Netherlands for the Design and Development, Production and In-Service Support of a NATO Helicopter for the 1990s (NH90). The NATO Council approved the NAHEMO Charter on 7 February 1992.

NAHEMO consists of the Steering Committee (SC), composed by the representatives of the participating Nations, and the NATO Helicopter Management Agency (NAHEMA).

On 8 June 2000, the Memorandum of Understanding (MoU) for the Production (P) Phase of the NH90 including Production Investment (PI) and Initial In-Service Support (ISS) was signed. With the signature of the Addendum No. 1 to the MoU on 21 June 2001, Portugal joined the Programme.

On 17 July 2004 the NH90 Community MoU (CMoU) between NAHEMO Nations and Nordics Standard Helicopter Programme (NSHP), Finland, Norway and Sweden, was signed with the aim to provide support in standardization, qualification and interoperability to the Nordics.

On 23 December 2004 the NH90 ISS MoU between NAHEMO Nations was signed to set out the framework for the In-Service Support Phase of the NH90 Programme. With the signature of the amendment No. 1 Belgium on 25 October 2006 was admitted to the ISS MoU.

On 12 June 2007, Belgium joined the Programme becoming the fifth NAHEMO Nation. Australia joined the CMoU in 2008.

On 29 May 2013 the amendment No. 4 to the CMoU was signed for the admission of the Kingdom of Spain and New Zealand.

In 2014 Portugal decided to withdraw and the Addendum 6 to the NAHEMO Charter was brought in force on 16 January 2015. The modification to the MoU dealing with the same issue was brought into force in October 2017.

In 2022 Norway has announced to leave the NH90 Programme and is dealing with NATO Helicopter Industries (NHI) to dissolve the Norwegian Production contract.

In 2023 Australia also officially decided to leave the Programme and put in place a constructive exit strategy. NAHEMA is working on the process providing all the efforts to close all the active contracts for Norway and Australia.

For years 2023 and after, NAHEMO continues the main objectives:

- Ensuring the delivery of serviceable and sustainable NH90 helicopters (production and retrofits);
- Ensuring the fleet homogeneity in terms of software through the Software Release contracts;
- Putting into service the contracted capacities, developing new operational capabilities;
- Increasing an effective and efficient In-Service Support;
- Developing the affordability and cost-efficiency of the Programme; and
- Further developing the efficiency of the NH90 Programme Organization.

In 2023, NAHEMO achieved the following main Operational activities in order to support the above-mentioned goals:

- Preparation and signature of international agreements and relevant amendments to Programme Arrangements and Programme Decisions under the existing MoUs among Nations;
- Preparation and execution of the Budgets;
- Preparation of Statements of Work, negotiation and awarding of contracts;
- Assessment of the achievement of technical Milestones of the awarded contracts;
- Assessment of invoices and execution of payments;
- Management of the NH90 Programme duties including qualification of the NH90 variants, configuration management and quality assurance;

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- Continued implementation of the NAHEMA digitalization;
- Spain's joining of the In-Service Support Frame Contract;
- Signature of the Service Ordering Agreement for implementation of the Software on the NH90 and associated On-Site Support Services; and
- Signature of the Contract Amendment No. 35 to purchase 8 additional helicopters for France.

Concerning the NAHEMA financial and administrative processes and procedures, the NATO Financial Regulations (NFRs) are the basis for the NAHEMA Financial Regulations (NAHEMA FRs) and NAHEMA Financial Rules and Procedures (NAHEMA FRPs), latest version respectively March 2017 and 20th October 2017.

NAHEMA is maintaining two different budget types:

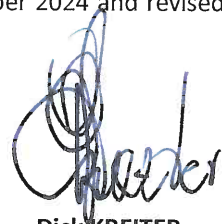
- The Administrative Budget (AB) for the administrative costs of NAHEMA; and
- The consolidation of 10 Operational Budgets (OB) for the programme costs, which are composed of the following three chapters:
 - Chapter 1: expenditures related to Design and Development activities for France (FRA), Germany (DEU), Italy (ITA) and the Netherlands (NLD) under the legal framework of the Design & Development MoU;
 - Chapter 2: expenditures related to Production Investment, Production, Integrated Logistics Support and Initial In-Service Support for FRA, DEU, ITA, NLD under the legal framework of the PI/P MoU and for Belgium (BEL) under the BEL Production MoU; and
 - Chapter 3: expenditures related to In-Service Support activities for all NH90 Community Nations (NAHEMA and non-NAHEMA) under the legal framework of the CMoU.

Based on the audit results of the Financial Statements 2022, NAHEMA has started a comprehensive improvement programme in order to augment control and improve compliancy.

The Financial Statements on pages 1 to 31 and the Annex 1 hereto were issued to the International Board of Auditors for NATO (IBAN) on 28th March 2024, resubmitted for improvements on 5 November 2024 and revised resubmitted on 28 November 2024.



Michael KOHLHAAS
General Manager



Dick KREITER
Financial Controller

Statement of Financial Position (SoFPos)

(In thousands EUR)	Notes	For the years ending per December 31		
		2023	2022 (restated)	2022 (initial)
ASSETS				
Non-current assets				
Property, plant and equipment	4	3,159	2,894	1,473
Intangible assets	5	672	295	145
Total non-current assets		3,831	3,189	1,618
Current assets				
Cash and cash equivalents (AB)	6	3,278	2,385	2,751
Cash and cash equivalents (OB)	6	797,213	821,322	820,986
Nations contribution receivables (AB)	7	93	1,073	1,970
Nations contribution receivables (OB)	7	281,051	158,700	159,035
VAT receivables (AB)	7	926	631	604
Other receivables (AB)	7	-	146	-
Other receivables (OB)	7	6,002	6,020	18
Total current assets		1,088,563	990,277	985,364
TOTAL ASSETS		1,092,394	993,466	986,982
LIABILITIES				
Current liabilities				
Trade payables (AB)	8	85	3	(139)
Accrued liabilities (AB)	8	202	1,373	5
Other payables (AB)	8	68	2	164
Trade payables (OB)	8	7,820	40,432	34,425
Other payables (OB)	8	21,832	1,381	1,702
Nations contribution payables (AB)	8	2,004	361	325
Nations contribution payables (OB)	8	1,055,330	944,450	944,206
Unearned revenue (AB)	9	170	1,202	3,597
Advances received (AB)	9	1,052	1,073	1,073
VAT payables		-	-	624
Total current liabilities		1,088,563	990,277	985,982
TOTAL LIABILITIES		1,088,563	990,277	985,982
NET ASSETS/ EQUITY				
Accumulated surplus/(deficit)	1.5	3,189	275	197
Surplus/(deficit) for the period		701	2,916	803
Distributions to Nations		(59)	(2)	-
Total equity		3,831	3,189	1,000
TOTAL EQUITY AND LIABILITIES				
		1,092,394	993,466	986,982

The accompanying notes form an integral part of these Financial Statements.

Statement of Financial Performance (SoFPerf)

(In thousands EUR)	Notes	For the years ending per December 31		
		2023	2022 (restated)	2022 (initial)
Revenue				
Revenue from Nation contributions	10	15,555	16,839	14,817
Financial revenue		62	2	2
Total revenue		15,617	16,841	14,819
Expenses				
Personnel (chapter 1 AB)	11.1	(12,797)	(11,978)	(11,880)
Operating expenses (chapter 2 AB)	11.2	(2,515)	(4,716)	(3,336)
Other operating expenses (chapter 3 AB)	11.2	(244)	(141)	(141)
Capitalised expenses	4: 5	1,157	3,223	1,606
Depreciation and amortization	4: 5	(514)	(310)	(262)
Finance expenses		(3)	(3)	(3)
Total expenses		(14,916)	(13,925)	(14,016)
Surplus/(deficit) for the period		701	2,916	803

The accompanying notes form an integral part of these Financial Statements.

Statement of Changes in Net Assets/Equity

<i>(in thousands EUR)</i>	Notes	Accumulated surplus/ (deficit)	Total net assets/ equity
Initial balance as at January 1, 2022		197	197
<i>Adjustments to opening balance sheet</i>	1.5	78	78
Restated balance as at January 1, 2022		275	275
Initial surplus/ (deficit) for the period		803	803
<i>Adjustments to surplus/ (deficit) for the period</i>	1.5	2,113	2,113
Adjusted surplus/ (deficit) for the period		2,916	2,916
Distribution to Nations		(2)	(2)
Restated Balance as at December 31, 2022		3,189	3,189
Surplus/ (deficit) for the period		701	701
Distributions to Nations		(59)	(59)
Balance at December 31, 2023		3,831	3,831

The accompanying notes form an integral part of these Financial Statements.

Statement of Cash Flows

(in thousands EUR)	For the years ending per December 31		
	2023	2022 (Restated)	2022 (Initial)
Cash flow from operating activities			
Surplus/(deficit) for the period	701	2,916	803
Distribution to Nations	(59)	(2)	-
Alignment of opening balance 2022 with closing balance 2021		78	
Adjustments for:			
Depreciation and amortisation costs	514	310	262
Operating cash flow before movements in working capital	1,156	3,302	1,065
Movements in working capital:			
Decrease/(increase) in receivables from Nations (AB)	980	237	(660)
Decrease/(increase) in receivables from Nations (OB)	(122,350)	(28,000)	(28,333)
Decrease/(increase) in VAT receivables (AB)	(295)	(392)	(365)
Decrease/(increase) in Other receivables (OB)	18	(6,020)	(18)
Decrease/(increase) in Other receivables (AB)	146	(146)	-
Increase/(decrease) in trade and other payables (AB)	(1,023)	1,195	(152)
Increase/(decrease) in trade and other payables (OB)	(12,160)	1,813	(3,874)
Increase/(decrease) in payables to Nations (AB)	1,644	(1,940)	(1,975)
Increase/(decrease) in payables to Nations (OB)	110,880	259,329	259,084
Increase/(decrease) in unearned revenue (AB)	(1,032)	(1,777)	618
Increase/(decrease) in advanced payments received (AB)	(22)	(828)	(828)
Increase/(decrease) in VAT payables	-	(261)	363
Net cash flow from operating activities	(22,058)	226,512	224,925
Cash flow from investing activities			
Purchase of property, plant and equipment	(1,157)	(3,223)	(1,605)
Net cash flow from investing activities	(1,157)	(3,223)	(1,605)
Net increase/(decrease) in cash and cash equivalents	(23,215)	223,289	223,320
Cash and cash equivalents at the beginning of year	823,706	600,417	600,417
Effect of foreign exchange rate changes	-	-	-
Cash and cash equivalents at the end of year	800,491	823,706	823,737

The accompanying notes form an integral part of these Financial Statements.

Notes to the Financial Statements

1 General information

1.1 Accounting period

These 2023 Financial Statements are based on the accounting records of NAHEMO as of 31 December 2023. In accordance with Article 2.1 of the NFRs¹, the financial year (FY) at NAHEMO begins on 1 January and ends on 31 December of the year.

1.2 Reporting currency

The functional and reporting currency used throughout these Financial Statements is the Euro (EUR). All call for funds and contributions are made in Euro.

1.3 Basis of preparation

These Financial Statements of NAHEMO, including NAHEMA being the executive body, have been prepared in accordance with the NATO Accounting Framework² (NAF), which is an adapted version of the International Public Sector Accounting Standards ('IPSAS') as issued by the International Public Sector Accounting Standards Board (IPSASB), the NAHEMO FRs³, the NAHEMO FRPs⁴ and other relevant entity directives and policies.

The NAHEMO Financial Statements have been prepared on a going-concern basis, which means that those in charge with governance believe NAHEMA will continue to exist for at least twelve months from the date the Financial Statements are issued. These Financial Statements represent the consolidated activities of NAHEMO and its executing agency NAHEMA.

1.4 New and revised standards not yet adopted

The new and amended IPSAS standards and interpretations that have been issued, but are not effective yet, are disclosed below. In compliance with the NAF, NAHEMO intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The following IPSAS standards are effective as of January 1, 2025 (earlier application is permitted):

- **IPSAS 43 Leases:** IPSAS 43 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.
- **IPSAS 44 Non-current Assets Held for Sale and Discontinued Operations:** IPSAS 44 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. IPSAS 44 includes additional public sector requirements, in particular, the disclosure of the fair value of assets held for sale that are measured at their carrying amounts, when the carrying amount is materially lower than their fair value.
- **IPSAS 45 Property, Plant and Equipment:** IPSAS 45 updates principles drawn from current IPSAS 17 *Property, Plant and Equipment* by adding new guidance for heritage assets, infrastructure assets, and measurement of property, plant and equipment.
- **IPSAS 46 Measurement:** IPSAS 46 provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. It brings in generic guidance on fair value for the first time, and introduces current operational value, a public sector specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets.

The following IPSAS standards are effective as of January 1, 2026 (earlier application is permitted):

¹ NATO Financial Regulations, C-M(2015)0025, 24 April 2015

² NATO Accounting Framework, C-M(2016)0023, 21 April 2016

³ NAHEMO Financial Regulations, edition 2016 version 2, March 2017

⁴ NAHEMO Financial Rules and Procedures, version 1.2, 20 October 2017

- **IPSAS 47 Revenue and IPSAS 48 Transfer Expenses:** IPSAS 47 is a single source for revenue accounting guidance in the public sector, whereas IPSAS 48 provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities.
- **IPSAS 49 Retirement Benefit Plans:** IPSAS 49 establishes comprehensive accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members.

1.5 Restatement of comparative figures 2022

During the prior year audit conducted by IBAN, several errors and misstatements were uncovered in the Financial Statements 2022, which are now reflected as comparative figures in the current year's Financial Statements. These errors primarily originated from the inaccurate inclusion of revenue and expense items in the financial result of the period, leading to misstatements within the net assets/equity (NAE) position. Furthermore, incorrect value-added taxes (VAT) treatment affected the financial results and distorted the gross presentation on the Statement of Financial Position (SoFPos). Additionally, missteps were made in adjusting prior year misstatements without considering their respective impact on the corresponding revenue recognition, and there was an underestimation of expenses to be accrued and to be capitalised as assets. To address these issues, adjustments have been implemented to rectify the errors and misstatements, which are reflected in the restated comparative figures for 2022. A detailed description of these adjustments is provided below.

1.5.1 Reconciliation of restated net assets/equity

Misstatements were identified during the financial audit procedures conducted last year, affecting both the NAE position and the financial result of the year. In this context, the only temporary impact visible on the NAE position stems from the net effect of expense capitalisation and the subsequent depreciation/amortisation costs of these capitalized assets. It is important to note that this effect is transient, as the positive impact on NAE from capitalised expenses is offset over time by the negative impact of depreciation/amortisation costs. Consequently, the NAE position represents a temporary balance that diminishes over time, eventually returning to zero once NAHEMO has fully depreciated or amortised its capitalised (in)tangible assets.

However, due to several errors and misstatements in the Financial Statements 2022, the NAE position was inconsistent at year-end 2022, prompting a thorough assessment and subsequent adjustments to correct the comparative figures for the FY 2022. The table below outlines the adjustments made to NAE, further details are provided for each adjustment.

<i>(in thousands EUR)</i>	Ref.	Total net assets/ equity
Opening balance as at January 1, 2022 (as presented in 2022 Financial Statements)		197
<i>Alignment of opening balance 2022 with closing balance 2021</i>	<i>Adjustment 1</i>	78
Adjusted opening balance as at January 1, 2022 (closing balance as at December 31, 2021)		275
Initial surplus/ (deficit) for the period		803
<i>Revenue recognition based on total amount of eligible expenses incurred</i>	<i>Adjustment 2</i>	706
<i>Adjustments related to miscellaneous (misc.) income</i>	<i>Adjustment 3</i>	(165)
<i>Recognition of leasehold improvements and other assets</i>	<i>Adjustment 4</i>	1,570
<i>Recognition of interest income</i>		2
Total adjustments to surplus/ (deficit) for the period		2,113
Adjusted surplus/ (deficit) for the period		2,916
Distributions to Nations		(2)
Restated Balance as at December 31, 2022		3,189

1.5.1.1 Adjustment 1 - Alignment of opening balance 2022 with closing balance 2021

For the FY 2022, there was a misalignment between the opening balance of NAE position as presented in the 2022 Financial Statements and the closing balance of FY 2021. This discrepancy arose due to a manual correction made in the resubmitted version of the 2021 Financial Statements, following IBAN's recommendation, which was not reflected in the accounting system. As a result, the opening balance for FY 2022 did not reconcile with the closing balance of FY 2021. To rectify this, revisions were made to align the opening balance of FY 2022 with the closing balance of FY 2021 in the 2023

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Financial Statements. No new adjustments were made; rather, the figures presented in the 2023 Financial Statements were revised to ensure alignment of the opening balance of the NAE position for FY 2022 (from 197 KEUR to 275 KEUR).

1.5.1.2 Adjustment 2 - Revenue recognition based on total amount of eligible expenses incurred (AB)

Typically, eligible AB expenses incurred during the period lead to the recognition of corresponding AB revenue at year end. Due to an oversight, expenses totalling 706 KEUR, incurred as part of the 2022 AB execution and related to the 2020 budget, were mistakenly excluded from the revenue recognition calculation. Consequently, the reported revenue was understated by 706 KEUR. To rectify this, we adjusted the 2022 comparative figures by recognising an additional revenue of 706 KEUR and correcting the unearned revenue liability, which was previously overstated.

1.5.1.3 Adjustment 3 - Adjustments related to miscellaneous (misc.) income (AB and OB)

Revenue 2022 was overstated by 165 KEUR due to various transactions which were incorrectly recorded as miscellaneous (misc.) income. The 165 KEUR can be further broken down into three incorrect transactions:

1. A misc. income entry of 335 KEUR was recorded for cash receipts related to the OB onto the AB bank account. However, this entry wasn't properly reconciled at year end 2022 with the OB receivable position, leaving outstanding OB receivables and funds incorrectly reflected in AB cash balances. Adjustments were made to reverse the misc. income impact, clear outstanding receivables, and transfer funds appropriately.
2. A debit of 220 KEUR was recorded in misc. income, against a receivable position, due to the inconsistent accounting treatment of funds transferred between the administrative and operational bank accounts. Adjustments were made to reverse the misc. income impact, clear the outstanding receivable, and correct the funds transfer.
3. 50 KEUR in credit notes received over AB operating expenses were incorrectly registered as misc. income, leading to double-counting revenue in the SoFPerf. To rectify this, misc. income was reversed, operating expenses decreased, and revenue recognition adjusted.

1.5.1.4 Adjustment 4 - Recognition of leasehold improvements and other assets (AB)

Following IBAN recommendations and upon reviewing AB operating expenses 2022, a considerable portion of costs related to leasehold improvements for the new premises, as well as other expenses resulting from software development and acquisition of IT equipment, were found not to be capitalised in line with the NAF.

To address this, the expenses that had to capitalised were reversed in the SoFPerf as a separate adjustment and recognised as fixed assets (property, plant and equipment and intangible assets). Additionally, the costs resulting from accumulated depreciation and amortisation were factored in, leading to a net adjustment of 1,569 KEUR.

1.5.1.5 Impact of restatements on the revenue recognition process

Revenue recognition occurs at the end of each FY, contingent upon the confirmation of eligible operating expenses incurred during the period. As such, the revenue recognition process is intricately tied to the amount of operating expenses and accrued operating expenses accounted for within a given year.

Accordingly, it is imperative to consider the implications for revenue recognition when making adjustments to expenses or accrued expenses. Any modifications to these expenses indirectly impact the revenue to be recognised for the period, as revenue recognition is dependent on the expense amounts incurred.

Consequently, careful consideration has been given to adjusting operating and accrued expenses in the comparative figures to ensure a corresponding adjustment to revenue when applicable. This ensures alignment with NAHEMO accounting principles and policies. For this reason, only a specific subset of adjustments made to the 2022 NAHEMO accounts have a lasting impact on the NAE position and are reflected in the restatement of the 2022 opening NAE position.

1.5.2 Adjustment of accounting flow for reimbursable VAT (AB)

NAHEMO is considered a VAT-exempt international organisation. However French VAT is levied on certain expenses, which can be reimbursed to NAHEMO by the French Ministry of Finance or the French Ministry of Defence depending on the type of transaction. This reimbursement process ensures that all VAT paid has a neutral effect on the NAHEMO surplus/deficit of the period, with VAT being treated as a temporary receivable towards the French government.

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Previously, VAT receivable was accounted for as an expense in the SoFPerf during the FY. At year-end closing, only the portion of VAT related to paid purchase invoices was recognised as a receivable with a corresponding credit on unearned revenue. This complex accounting treatment posed several challenges, creating an incorrect presentation in the Financial Statements. Additionally, it resulted in accrual-based accounting for VAT, prone to misstatements when not all positions were correctly offset or adjusted manually.

Incorrect offsetting led to VAT in certain FYs impacting the surplus/deficit of the period, accumulating into the NAE position of NAHEMO. Furthermore, the unearned revenue account, holding available funds for the AB, was distorted due to incorrect VAT clearing on this account and an additional overstated position on the VAT receivable account.

Upon careful assessment, the prior year's VAT flows revealed incorrect impacts on the NAE position, unearned revenue, and VAT receivables within the accounting system. Consequently, the accounting flow for VAT was redesigned to avoid its impact on the SoFPerf and directly recognise it as a receivable in the SoFPos. Refer to [note 7.2.1](#) for further details on the VAT receivable position as of year-end 2023.

1.5.3 Adjustment for accrued and capitalised expenses (AB)

Upon relocating and entering into a lease agreement for its new premises, NAHEMO undertook significant leasehold improvements to adapt the offices to its needs. A significant portion of these leasehold improvements, including high-security investments and tailored interior fittings, met the recognition criteria outlined by the NAF. However, initially, most of the related costs were expensed through operating expenses instead of being capitalised, which was incorrect given their expected long-term economic value.

Additionally, many of these improvement works were completed or partially completed before year-end 2022 but were only invoiced in the next period. Consequently, neither the related assets/ assets under construction, nor the corresponding budgetary expenses were correctly reflected within the appropriate FY. Similarly, expenses for other items such as software development, IT equipment purchases, and others were not appropriately capitalised or accrued for in the respective FYs.

In the restated figures, a comprehensive review of operating expenses for both FYs 2022 and 2023 was conducted to reallocate and adjust expenses within the correct FYs, and correct 2022 accruals when necessary. Expenses incurred in 2022 were also assessed against capitalisation criteria, with qualifying expenses being capitalised. Depreciation and amortisation rates were applied in line with NAHEMO accounting policies as of the moment asset additions became available for use. Assets identified as only becoming available for use in 2023, were capitalised as Assets under Construction (AuC) at year-end 2022.

For detailed information considering the amount and magnitude of the adjustments made, refer the relevant (in) tangible assets notes ([4](#) and [5](#)).

2 Significant accounting judgements and estimates

In accordance with the NAF, as an adapted version of IPSAS, the Financial Statements necessarily include amounts based on estimates and assumptions by management, based on historical experience as well as the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses for the AB. Most goods and services are provided by third parties and other NATO entities. Therefore, accrued expenses and the related revenue recognition are based on estimates. By nature, these estimates are subject to measurement uncertainty. Actual results could differ from those estimates. Changes in estimates are reflected in the period(s) in which they become known.

3 Significant accounting policies

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

3.1 Accounting as a Procurement Agent (OB)

IPSAS draws a distinction between transactions that an entity undertakes on its own behalf (principal) and those on behalf of others (agent). The distinction is whether the economic benefits or service potential arising from the procurement effort accrue to the entity or to the extent that a fee may be levied for providing an agency service. Agency activities are those activities carried out by the reporting entity, but which are not its own activities. Where an entity undertakes agency activities, it is identified as the agent in relation to those activities.

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As stated in Article 1 of NAHEMO FRPs: "In the management of the NH90 Programme NAHEMO acts as an agent for its member States and therefore it is not exposed to risks or rewards of the Programme. Operational assets are controlled by Nations or Industry".

This status is also applicable since:

- It was created for the sole purpose of managing the programme on behalf of the participating Nations;
- It does not bear any inventory risk before or after the Nation's order;
- It does not bear the credit risk for the amounts receivable from the Nation;
- It does carry out acceptance of goods and services on behalf of the participating Nations; and
- It does not receive a fixed fee per transaction, or a stated percentage of the amount billed, as it is reimbursed for the running costs of the Agency via the AB.

As per the criteria in the NAF, NAHEMO and its executive body NAHEMA, do not have and will not have control in the future over the assets procured, such as helicopters, training media, Aircraft Ground Equipment and spares. Transactions are treated accordingly in the NAHEMO Financial Statements.

The revenues and expenditures in relation to the NH90 Programme are excluded from the SoFPerf. Liabilities for accrued expenses for the OB and assets procured on behalf of the participating Nations are excluded from the SoFPos.

3.2 Accounting as a Procurement Principal (AB)

NAHEMO is considered principal for the AB, which covers expenditure (personnel, operating and capital expenditure) related to the internal organization and functioning of NAHEMA, its executive agency. NAHEMO undertakes this AB expenditure on its own behalf to execute the day-to-day operations of the entity that enables NAHEMO to fulfil its obligations as agent over the OB.

3.3 Financial Instruments

3.3.1 Financial assets

At initial recognition, NAHEMO classifies cash and cash equivalents, as well as receivables, as financial assets at amortised cost. Financial assets at amortised cost are included in current assets, except for those with maturity of more than 12 months from the reporting date. Financial assets are recognised at the contract date and initially measured at fair value. The fair value of a financial asset on initial recognition is normally the transaction price (unless the transaction is not at arm's length). Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method.

NAHEMO recognises and measures an impairment loss for expected credit losses on financial assets that are measured at amortised cost. The expected credit loss (ECL) is the present value of the difference between the contractual cash flows and the cash flows that NAHEMO expects to receive. For assets at amortised cost, the asset's carrying amount is reduced by the amount of the impairment loss which is recognised in the SoFPerf.

3.3.1.1 Cash and cash equivalents

Cash and cash equivalents held by NAHEMO includes petty cash, current bank accounts and deposits held with banks.

3.3.1.2 Receivables

Contribution receivables from participating Nations are recognized when a call for contribution has been issued to the Nations. No allowance for loss is recorded with respect to participating Nations' assessed contributions receivable, except for exceptional and agreed technical reasons.

3.3.2 Financial liabilities

Financial liabilities are classified as current liabilities, except for those with maturity of more than 12 months from the reporting date

3.3.2.1 Unearned revenue

Unearned revenue represents contributions, for the AB, from participating Nations that have been called for current or prior years' budgets but which have not yet been recognised as revenue. Funds are called in advance of their need because the entity has no capital that would allow it to pre-finance any of its activities.

Any remaining balance on the unearned revenue at year end corresponds to the budgetary carry forwards, that are expected to be effectively expensed the following FY. In case the budget was overestimated, the excess portion on the unearned revenue balance is lapsed, which transfers the funds as payables to the respective Nations.

3.3.2.2 Payables to Nations

Payables to Nations for the AB are amounts owed to the participating Nations, and include budgetary lapses.

Payables to Nations for the OB, include contributions from participating Nations that have been called for current or prior years' budgets, but have not been used yet to cover transactions for the execution of the OB. Furthermore, the OB payables to Nations also include budgetary lapses and received but unallocated contributions from participating Nations.

3.3.2.3 Trade payables

Payables are amounts due to third parties for goods received or services provided that remain unpaid as of reporting date. Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount. In accordance with IPSAS 41 – Financial instruments, liabilities are recognised when there is a present obligation arising from a past event, which for the OB is the validation by the contract section of the service rendered. The transaction is recorded as a payable/expense within the general ledger only upon this validation.

3.3.2.4 Advances

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

3.4 Property, plant and equipment

Property, plant and equipment (PP&E) are recognised when they are assets controlled by NAHEMO. The NAF (IPSAS 17 adapted) establishes criteria as to assist in assessing the level of control that any NATO Reporting Entity has for reporting assets in its Financial Statements. As indicated in note [3.1](#) "Accounting as a Procurement Agent", NAHEMO and its executive body NAHEMA do not have control over the assets procured on behalf of the Participating Nations, in context of the OB, such as helicopters, training media, AGE and spares.

All property, plant and equipment acquired via the AB, and over which NAHEMO has control, are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to NAHEMO and its cost can be measured reliably. Repairs and maintenance costs are charged to the SoFPerf during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite useful life. Assets under construction (AuC) are not depreciated, as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

PP&E have been capitalised in accordance with the capitalisation thresholds and depreciation rates as specified within the NAF. The (sub) categorisation has been tailored to the specific asset classes held by NAHEMO as included within the table below:

Category	Capitalisation Threshold	Useful life	Depreciation method
Furniture	€30,000	10 years	Straight line
Vehicles	€10,000	5 years	Straight line
IT equipment	€50,000	3-5 years	Straight line

3.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable (i.e. it is capable of being separated or divided from the Entity, e.g. by being sold, transferred, licensed, rented,

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or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Entity intends to do so), or arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the Entity or from other rights and obligations).

Acquired intangible assets that are controlled by NAHEMO are stated at historical cost less accumulated amortisation and impairment losses. Internally developed intangible assets are capitalised when the relevant criteria of the NAF (IPSAS 31 adapted) are met and the expenses relate solely to the development phase of the asset. The capitalisable costs include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

The intangible assets have been capitalised in accordance with the capitalisation thresholds and depreciation rates as specified within the NAF. The (sub) categorisation has been tailored to the specific asset classes held by NAHEMO as included within the table below:

Category	Capitalisation Threshold	Useful life	Depreciation method
Bespoke software	€50,000	3-5 years	Straight line
Off-the-shelf software	€50,000	3-5 years	Straight line

3.6 Impairment of non-financial assets

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through amortisation or depreciation (as applicable). Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, on a regular basis. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

In FY 2023 NAHEMO has not recognised any impairment losses.

3.7 Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

3.7.1 Finance Leases

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee. When entering a finance lease as a lessee, the assets acquired under the finance lease are recognised as assets and the associated lease obligations as liabilities as from the commencement of the lease term. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Over the period of the lease term, the assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The minimum lease payments are apportioned between the finance charge (the interest element) and the reduction of the outstanding liability (the capital element).

3.7.2 Operating Leases

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the SoFPerf on a straight-line basis over the lease term with neither a leased asset nor a leasing liability presented in the balance sheet.

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3.7.3 Leasehold improvements

Leasehold improvements are improvements to property not owned by the party making these investments and are defined as the enhancements paid for by a tenant to leased space. As per the NAF (IPSAS 17 adapted), the work undertaken by NAHEMO in this context can only be recognized as an asset when the expenditure improves the condition of the asset, measured over its total life, beyond its most recently assessed standard of performance.

Based on these criteria, expenditures that are considered improvements to leased assets are capitalised. They include specific costs incurred for the fitting out of the premises and the implementation of security infrastructure meeting NATO requirements. Moveable equipment or office furniture that is not attached to the leased property is not considered as leasehold improvements and is instead capitalised as part of the related PP&E category. In addition, painting works are considered part of the normal maintenance and are expensed.

Subsequent to initial recognition as an asset, leasehold improvements are carried at cost less any accumulated depreciation and any accumulated impairment losses. The determination of the depreciation rate considers the lease term of the asset.

Over the period of the lease term, the leasehold improvements are depreciated over the shorter of the asset's useful life and the lease term.

3.8 Provisions

Provisions are recognised when NAHEMO has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenses expected to be required to settle the present obligation at the reporting date.

In FY 2023 NAHEMO has not recognised any provisions.

3.9 Employee benefits

NAHEMO provides a set of benefits (emoluments and social security) to employees. For accounting purposes these have to be classified into short-term and post-employment benefits.

3.9.1 Short-term employee benefits

Short-term employee benefits are those benefits due to be settled before 12 months after the end of the reporting period in which employees rendered the service, such as: salaries, annual and paid sick leaves, and other short-term allowances. Short-term employee benefits are recognised as an expense when the related service is provided.

3.9.2 Post-employment benefits

NAHEMO grants a set of post-employment benefits to employees, which include retirement, invalidity and survival pensions provided under a Defined Contribution Pension Scheme (DCPS) administered by NATO.

3.10 Revenue and expenses recognition

Transactions and events related to the NAHEMO AB are recognised in the Financial Statements in the period to which they relate.

3.10.1 Revenue

Revenue comprises contributions from Nations to fund the NAHEMO AB. Revenue is recognised to the extent that it is probable that economic benefits or service potential will flow to NAHEMO, and the revenue can be measured reliably.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NAHEMO recognises a liability until the condition is fulfilled. Conditions are considered fulfilled when the contributions are used for their intended purpose, as envisioned by the participating Nations, and the total amount of eligible expenses incurred during the period is confirmed at year end.

Accordingly, contributions to the NAHEMO AB are booked as a liability, unearned revenue, when initially called and subsequently recognised as revenue when it is earned.

3.10.2 Expenses

NAHEMO AB expenses are accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of goods delivered and services rendered to NAHEMO in the period. By analogy, if a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

3.11 Financial income and expenses

As NAHEMO acts as an agent on behalf of the participating Nations for the OB, thus has no performance obligations in the execution of the Programme and consequently transactions are only recognised as flows in the SoFPos, the net effect of any interest income received or bank charges and interest expenses, referred to as financial expenses, incurred is reflected in the SoFPos. This amount is recorded as a payable when interest income exceeds financial expenses, or as a receivable when financial expenses exceed interest income.

For the AB, as all related items of income and expenses must be included in the surplus or deficit of the reporting period, any financial income or financial expenses shall be recognised within the SoFPerf. In accordance with Art. 43.3 of the NAHEMO FRPs, *"Interests earned on operational and administrative funds shall be credited to the nations in the way to be defined by them"*.

3.12 Net assets/ equity

The capitalisation of fixed assets under the AB creates a temporary surplus in the SoFPerf, as AB assets are financed by the participating Nations based on the budget of the year. The initial expense is included within the AB, and thus included within the revenue recognition. The capitalised expenditure, assets, however are accounted for in the SoFPos in the year of acquisition and depreciated/amortised in the SoFPerf, which are excluded from the AB, over the useful life of the asset.

This results in a temporary difference which is accumulated over the NA/E balance resulting from the net effect in the SoFPerf between the capitalisation and the related depreciation/amortisation of the asset. Once the asset has been fully depreciated, the impact on NA/E is also eliminated.

3.13 Cash Flow Statement

Cashflow information is used to provide a basis for assessing the ability of NAHEMO to generate cash and cash equivalents, and its needs to utilise those cash flows. The cash flow statement is prepared using the indirect method. This means that the surplus/deficit for the FY is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cash flows.

The cash flow statement reports cash flows during the period classified by operating, investing and financing activities. Operating activities are the activities of NAHEMO that are not investing or financing activities. These are the majority of the activities performed. Investing activities are the acquisition and disposal of intangible assets, PP&E and other investments which are not included in cash equivalents. Financing activities are activities that result in changes in the size of the reporting entity.

3.14 Budget Execution Statement (Annex 1)

In line with the NAHEMO FRPs, Article 8, the Finance and Administrative Committee (FAC) endorses the AB, which includes budgeted amounts for the administration of the Agency. The AB is approved by the SC.

The Administrative Budget Execution Statement (AB BES) provides a comparison of budgeted and actual amounts calculated on accrual basis. The classification basis adopted for the AB reflects the expenditure of the period in three chapters for personnel costs, contractual supplies and services costs as well as capital and investment expenditure.

The actual expenses presented in the AB BES include accruals (expenses for goods and services delivered before the year-end but not yet invoiced) and therefore reconcile to the expenses in the SoFPerf, except for the acquisition of (in)angible assets. The net AB open commitments are those commitments for which a contractual obligation has been created before year-end without the goods and services being delivered before the year-end.

The NAHEMO FRPs, Article 16, stipulates that each OB is approved by the concerned Nation's Joint Executive Committee Financial Procedures (JEC FPs). Each Nation is requested to endorse the national contributions to the proposed OB, presenting an estimate of the Programme costs for the budget period. Expenditure in respect of the OB can be found in

the Operational Budget Execution Statement (OB BES) on a modified cash basis, which deviates from a pure cash basis by incorporating the impact of in-system validated invoices unpaid at year-end.

4 Property, plant and equipment

The below table provides a movement schedule of the tangible assets capitalised by NAHEMA. The comparative figures (2022) have been restated based on revision of investments made in prior year that fulfilled the capitalisation requirements as set out by the NAF (IPSAS 17 adapted).

<i>(In thousands EUR)</i>	Leasehold improvements	Furniture	IT equipment	Vehicles	Assets under Construction	Total
Acquisition cost						
As at January 1, 2022	-	-	206	11	-	217
Additions	1,859	551	233	-	277	2,920
Disposals	-	-	-	-	-	-
As at December 31, 2022 (restated)	1,859	551	439	11	277	3,137
Accumulated depreciations and impairments						
As at January 1, 2022	-	-	-	-	-	-
Depreciations	117	18	101	7	-	243
Disposals	-	-	-	-	-	-
As at December 31, 2022 (restated)	117	18	101	7	-	243
Carrying amount as at December 31, 2022 (restated)	1,742	533	338	4	277	2,894
Carrying amount as at December 31, 2022 (initial)	617	526	325	5	-	1,473
Acquisition cost						
As at January 1, 2023	1,859	551	439	11	277	3,137
Additions	459	-	229	-	8	696
Disposals	(12)	-	-	-	-	(12)
Transfers	277	-	-	-	(277)	-
As at December 31, 2023	2,583	551	668	11	8	3,821
Accumulated depreciations and impairments						
As at January 1, 2023	117	18	101	7	-	243
Depreciation	230	55	132	4	-	421
Disposals	(2)	-	-	-	-	(2)
As at December 31, 2023	345	74	233	11	-	662
Carrying amount as at December 31, 2023	2,238	478	435	-	8	3,159

The following explanation provides further insight in the largest additions made during FYs 2022 and 2023.

The relocation of NAHEMA to its new premises, which started during 2022, still has a large effect on the capitalised costs during 2023. Leasehold improvements related to the interior fittings of the new premises of NAHEMA for an amount of 391 KEUR were capitalised. A portion of 277 KEUR of this amount was transferred from assets under construction, related to IT and electrical system setup within the new premises.

Additionally, for leasehold improvements, an amount of 190 KEUR was capitalised related to the update of the datacentre located at the new premises. Furthermore, an addition of 90 KEUR was made for the replacement of floor coverings which also resulted in a disposal of 12 KEUR for the removed floor covering. The remaining 65 KEUR is related to smaller improvement works done during the year.

The investment of 229 KEUR within IT equipment was done to replace large batch of obsolete or outdated IT equipment. The obsolete items have been or are fully depreciated but not yet formally written off as per year-end 2023.

During 2023, no indicators or triggering events for an impairment of any tangible assets has been noticed.

The notable rise in leasehold improvements for the restated comparative figures 2022 can be attributed to the recognition of additional refurbishment works undertaken and completed at NAHEMA's new premises during 2022. Furthermore, adjustments have been made to the presentation to offer a more precise categorisation of asset classes within tangible assets, notably including 'leasehold improvements' which constitute a substantial portion of the total tangible assets balance as of 2022. Moreover, the 'assets under construction' category has been added to allow for separate recognition of assets not yet available for use per closing date (and for which depreciation has not started yet as of the year-end).

5 Intangible assets

The below table provides a movement schedule of the intangible assets capitalised by NAHEMA. The comparative figures (2022) have been restated based on revision of investments made in prior year that fulfilled the capitalisation requirements as set out by the NAF (IPSAS 31 adapted).

<i>(In thousands EUR)</i>	Bespoke software	Off the shelf software (licenses)	Total
Acquisition cost			
As at January 1, 2022	-	58	58
Additions	287	17	304
Disposals	-	-	-
As at December 31, 2022 (restated)	287	75	362
Accumulated amortisations and impairments			
As at January 1, 2022	-	-	-
Amortisation	28	39	67
Disposals	-	-	-
As at December 31, 2022 (restated)	28	39	67
Carrying amount as at December 31, 2022 (restated)	259	36	295
Carrying amount as at December 31, 2022 (initial)	118	27	145
Acquisition cost			
As at January 1, 2023	287	75	362
Additions	467	3	470
Disposals	-	-	-
As at December 31, 2023	754	78	832
Accumulated amortisations and impairments			
As at January 1, 2023	28	39	67
Amortisations	78	15	93
Disposals	-	-	-
As at December 31, 2023	106	54	160
Carrying amount as at December 31, 2023	648	24	672

The following explanation provides further insight in the largest additions made during 2022 and 2023.

During 2023 the further development of the internal contract tool that started in 2022 was continued through the release of several update versions. The tool underwent improvements and was made available for use after each update, resulting in development costs of 228 KEUR being capitalised during the financial year. Moreover, an additional 219 KEUR was capitalised for update works performed over the NATO cybersecurity systems applicable at NAHEMA. Additionally, smaller scale projects were undertaken during the financial year, amounting to a total of 21 KEUR.

No impairment has been recognised in 2023 as the recoverable amount of the intangible assets is considered higher than the carrying amount.

The significant increase in intangible assets in the restated comparatives 2022, includes a key restatement of 270 KEUR related to the development of the internal contract tool (bespoke software). The initial phase of the development was completed during 2022, after which several improvement releases were performed. Furthermore, an additional 17 KEUR related to improvements made to the invoicing software was capitalised during 2022. Note that most of these custom developed tools have been delivered in several updates mainly as of second semester, for which amortisation of 2022 has been prorated.

6 Cash and cash equivalents

The following table provides an overview of all cash in-hand available at NAHEMA.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
<i>Current bank accounts per Nation (OB)</i>			
Australia	7,922	9,579	9,579
Belgium	68,095	55,006	55,006
Germany	76,734	56,311	56,311
Finland	914	1,091	1,091
France	85,037	323,657	323,657
Italy	521,116	350,297	350,297
The Netherlands	26,473	17,314	16,978
Norway	9,339	7,248	7,248
New Zealand	1,461	696	696
Portugal	13	14	14
Other current accounts	109	109	109
Total current bank accounts (OB)	797,213	821,322	820,986
Current bank accounts (AB)	3,277	2,384	2,750
Petty cash	1	1	1
Total cash and cash equivalents	800,491	823,707	823,737

Deposits held on interest bearing current bank accounts are immediately available funds and are all held in euro. The bank accounts include funds made available by the contributing Nations for the execution of the administrative and Operational Budget.

The cash and cash equivalents held on current accounts do not contain any restrictions and are all held at trustable European banks with an A-credit rating.

Within the restated comparative figures 2022, a bank reconciliation error of 30 KEUR over the AB bank account, that caused a discrepancy between the Financial Statements and the actual cash position per year-end of FY 2022, was resolved. Furthermore, a reclassification of 335 KEUR was performed for an erroneous receipt of cash, related to the OB, on the AB bank account.

7 Current trade and other receivables

The following table provides a split in the current assets over the contribution receivables for both the Administrative and Operational Budget, and other receivables.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
<i>Contributions receivable from Nations related to AB</i>			
Germany	-	1,073	1,073
France	93	-	933
Portugal	-	-	(36)
Total receivables from Nations (AB)	93	1,073	1,970
<i>Contributions receivable from Nations related to OB</i>			
France	281,000	158,700	158,700
New Zealand	51	-	-
The Netherlands	-	-	335
Total receivables from Nations (OB)	281,051	158,700	159,035
<i>Other current assets</i>			
VAT receivables (AB)	926	631	604
Other receivables (AB)	-	146	-
Other receivables (OB)	6,002	6,020	18
Total other current assets	6,928	6,797	622
Total current trade and other receivables	288,072	166,571	161,627

7.1 Contributions from member nations

Contributions are called from participating Nations when funding is needed to meet the obligations as set out within the AB and OB.

7.1.1 Receivables from Nations related to the AB funding

The Nations contributing to the NAHEMA AB are the NAHEMO Nations (Belgium, France, Germany, Italy and The Netherlands) and the Non-NAHEMO Nations (Australia, Finland, New Zealand, Norway, Spain and Sweden).

The annual administrative costs of NAHEMA are established in the following way. The Non-NAHEMO Nations contribute in accordance with the number of FTE they use in NAHEMA, multiplied by a rate. The rest of the AB is contributed by the NAHEMO Nations by which Belgium contributes a fixed amount and the other NAHEMO Nations contribute the rest. However, the amount is limited by the ceiling established in the Production MoU. This ceiling is adjusted annually based on prevailing economic conditions (including the evolution of NATO salaries and index “*Indice mensuel des prix à la consommation*” published in the “*Bulletin mensuel de l’INSEE*”). In 2023, the AB was set at 16,570 KEUR.

The following table provides a reconciliation between the opening and closing balance for the contributions from Nations received for the AB.

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Reconciliation of contributions from Nations received 2023 (AB)		<i>(In thousands EUR)</i>
Opening balance contribution receivables from Nations, as at January 1, 2023		-
Opening balance advances called to CFF 2023 issued in 2022, as at January 1, 2023		1,073
Total receivables from Nations balance as at January 1, 2023		1,073
Total call for funds 2023		15,220
Advances to CFF 2024 issued in 2023		1,052
Total called funds in 2023		16,272
Received funds 2023		(15,127)
Received advances to CFF 2023 issued in 2022		(1,073)
Received advances to CFF 2024 issued in 2023		(1,052)
Total funds received in 2023		(17,253)
Receivables from Nations balance (incl. advances) as at December 31, 2023		93

The total AB approved by the SC amounted to 16,294 KEUR to be financed with contributions. At the end of 2023, there was still a remaining amount of 93 KEUR to be paid by one NAHEMO Nation. In 2023, the NAHEMO Nations contributed together 11,903 KEUR, from which an amount of 126 KEUR was used from the 2021 lapsed funds to offset contributions. The Non-NAHEMO Nations contributed 4,298 KEUR.

The comparative figures for the current assets have been restated to reflect certain discrepancies within the initial 2022 figures. For the contributions from Nations to the AB, 933 KEUR stated as a receivable from France, is related to the reimbursement of VAT paid to France. However, within the initial figures the presentation on a gross basis was incorrectly performed, considering the VAT receivable and VAT payable positions and therefore adjusted within the restated figures. Furthermore, the negative receivable of 36 KEUR for Portugal has been reclassified to the payables account.

7.1.2 Receivables from Nations related to OB funding

The following table provides a reconciliation between the opening and closing balance for the contributions from Nations received for the OB.

Reconciliation of contributions from Nations received 2023 (AB)		<i>(In thousands EUR)</i>
Opening balance contribution receivable from Nations OB		158,700
Total receivables from Nations balance as at January 1, 2023		158,700
Total call for funds 2023		1,374,185
Total called funds in 2023		1,374,185
Received funds 2023		(1,251,834)
Total funds received in 2023		(1,251,834)
Receivables from Nations balance as at December 31, 2023		281,051

During FY 2023, the OB was funded by the NAHEMO Nations for 1,222,557 KEUR and by the Non-NAHEMO Nations for 29,277 KEUR. This results in a total funding of 1,263,344 KEUR. Per year-end 2023, the outstanding receivable to France for 281,000 KEUR is related to five calls for funds.

Within the comparative figures (2022), a receivable of 335 KEUR from The Netherlands, related to the OB, has been adjusted as the amount was initially received onto the AB bank account by which the outstanding receivable was not correctly offset with this cash receipt.

7.2 Other receivables

7.2.1 Receivables VAT reimbursement

NAHEMO is considered a VAT-exempt international organisation. In accordance with the MoU's for the NH90 Programme, French VAT can be levied on invoices sent to NAHEMO. Based on several criteria such as a monetary threshold, type of expense, etc., as set out within the MoU's, it is determined whether VAT is considered reimbursable or not. If the VAT is reimbursable, it is paid back by the French Ministry of Finance (MoF). For the non-reimbursable VAT, the 35th Financial

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Administrative Committee Meeting, held on 16-18 October 2018, decided that these amounts will be compensated by the French Ministry of Defence (MoD). The reimbursement of VAT can be called to the respective French Ministries only when the underlying invoice has been paid.

Therefore, VAT is reflected as a receivable position on the SoFPos, as all VAT will effectively be reimbursed. Per year-end 2023, 319 KEUR of VAT paid during 2022 and 600 KEUR of VAT paid during 2023 has been called for reimbursement to the French MoF and MoD. The remaining VAT receivable of 7 KEUR is related to invoices not paid per year-end.

7.2.2 Receivables by Suppliers

A reclassification has been performed for both 2023 and 2022 (restated) related to a supplier credit note, PIP contract amendment 23 signed on 10 June 2015, for the remaining receivable balance of 6,002 KEUR.

Furthermore, a reclassification, within the restated comparatives, from current liabilities to current assets was made for 146 KEUR, related to supplier debit balances.

8 Current Trade and other payables

The following table provides a split in the current liabilities for both the Administrative and Operational Budget.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
Payables to Nations			
Payables to Nations related to AB	2,004	361	325
Payables to Nations related to OB	1,055,330	944,450	944,206
Total payables to Nations	1,057,334	944,811	944,531
Other current liabilities			
Trade payables (AB)	85	3	(139)
Accrued liabilities (AB)	202	1,373	5
Interest payables (AB)	61	2	-
Other payables (AB)	7	-	164
VAT payables (AB)	-	-	624
Total trade and other payables (AB)	355	1,378	654
Trade payables (OB)	7,820	40,432	34,425
Interest payables (OB)	21,832	1,381	1,673
Other payables (OB)	-	-	29
Total trade and other payables (OB)	29,652	41,813	36,127
Total current trade and other payables	1,087,341	988,002	981,312

8.1 Payables to nations

8.1.1 Payables to AB funding nations in respect of AB

Following the MoU cost sharing agreement and the NAHEMO's SC decisions made over the AB funding, the uncommitted funds at year end are lapsed back towards the respective Nations (FRA, DEU, ITA and NLD) based on a predetermined allocation key. These lapsed funds typically aren't reimbursed directly in cash. Instead, they are offset against future calls for funds in subsequent budget years.

The following table provides a split of the AB payables to Nations balances for the current and comparative, initial and restated, years.

<i>(In thousands EUR)</i>	31/12/2023	31/12/2022 (restated)	31/12/2022 (initial)
Net balance AB lapses prior to current year	77	5	127
Current year lapses	1,770	199	198
Portugal 2013-14 lapses	35	35	-
DCPS Overpayment reimbursement 2020	122	122	-
Total Payables to Nations related to AB	2,004	361	325

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During 2023, a total amount of 1.770 KEUR has been lapsed consisting of lapsed funds from budget years 2021, 2022 and 2023 for respectively 494 KEUR, 124 KEUR and 1,152 KEUR. Additionally, from the total prior year's net balance of AB lapses, for a total of 204 KEUR, an amount of 127 KEUR was used as funding during 2023 which results in a net ending position of 77 KEUR.

Several rectifications were made to the AB lapses position for FY 2022. First a reclassification from miscellaneous payables to AB lapses was performed for a reimbursement received from the NATO Defined Contribution Pension Scheme (DCPS) during 2020, for an amount of 122 KEUR. Furthermore, a reclassification of negative receivables to the AB lapses for an amount of 35 KEUR related to Portugal was made as Portugal left the Program in 2014 and these funds do not longer present any outstanding commitments. Lastly, several smaller rectifications made led to an accumulated adjustment of prior year AB lapses of 122 KEUR.

8.1.2 Payables to OB funding Nations in respect of OB

During 2023, the funds called exceeded the expenditures covered in context of the OB, resulting in a net increase of 110,875 KEUR in the OB payables, which includes unused call funds from current or prior year's budgets, budgetary lapses and received but unallocated contributions.

8.2 Trade and other payables

8.2.1 Related to Administrative Budget (AB)

Total AB trade and other payables include AB trade payables, accrued liabilities towards suppliers, as well as other payables related to bank interest and VAT. A significant increase within the accrued liabilities for the restated comparative figures is related to leasehold improvements and other investments performed and available for use within 2022 for total amount of 1,017 KEUR. Additionally, 356 KEUR was accrued for other services or goods completed in 2022.

Moreover, adjustments have been applied to the restated comparative figures 2022, totalling 43 KEUR, related to the closure of long outstanding miscellaneous payables, which have been transferred to lapsed amounts for AB budget, as they were connected to operating expenses included within the AB budget. Also, a reclassification for a DCPS reimbursement of 122 KEUR was made towards the AB lapses. For more info see [note 8.1.1](#) above.

Lastly, due to the redefinition of the VAT accounting treatment, the VAT payable position has been cleared and is now presented on a net basis as VAT receivable. For further information, refer to the restatement note ([1.5](#)) above.

8.2.2 Related to Operational Budgets (OB)

During 2023, OB interest payables have risen sharply due to a strong increase in interest rates earned on OB cash balances ([note 6](#)). The net effect of interest received in 2023 and bank charges incurred is recognised as interest payables. The decrease of 292 KEUR within the 2022 restated comparative figures for interest payables is attributed to the adjustments performed on the prior year's net interest expense position, which were incorrectly included within the surplus/deficit of the respective reporting period.

The comparative figures for trade payables have been restated for which the largest adjustment is related to a reclassification of a supplier credit note for an amount of 6,002 KEUR, refer to [note 7.2.2](#) for more information.

9 Unearned revenue and advances

The following table discloses the unearned revenue and advanced payments received in context of the AB.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
Unearned revenue (AB)	170	1,202	3,597
Advanced payments received (AB)	1,052	1,073	1,073
Total unearned revenue	1,222	2,275	4,670

Within the restated comparatives a significant decrease within the closing balance of unearned revenue can be explained by the recognition of additional accrued expenses in 2022 for 1,368 KEUR, an additional recognition in revenue for 706 KEUR which was incorrectly excluded from prior year's revenue and a justification through lapsing an amount of 321 KEUR which was incorrectly carried forward as an available credit.

During 2023, an advanced payment of 1,052 KEUR was received from Germany related to the AB 2024.

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The below table provides a reconciliation between opening and closing balance of the unearned revenue account, for the AB of FY 2023.

Reconciliation of unearned revenue (AB) 2023		<i>(In thousands EUR)</i>
Unearned revenue balance as at January 1, 2023		1,202
advanced funding received as at January 1, 2023		1,073
Total unearned revenue balance as at January 1, 2023		2,275
Total call for funds 2023		16,293
Advances to CFF 2023 issued in 2022		(1,073)
Total net call for funds in 2023		15,220
Expenditure of the period (2023) as per AB BES		(16,726)
Variance of accrued expenditure		1,171
Lapsed 2023		(1,770)
Total expenditure and lapses movement in 2023		(17,325)
Advanced calls 2024 issued in 2023		1,052
Unearned revenue balance (incl. advances) as at December 31, 2023		1,222

For FY 2023, the net called funds amounts to 15,220 KEUR. The advances received during 2022 are excluded as they are already included within the opening balance of 2,275 KEUR. The called funding is used to cover the expenditure made during 2023, amounting to 16,726 KEUR, and is adjusted for the expenses which were already accrued during 2022 to avoid double counting. Furthermore, an amount of 1,770 KEUR is lapsed back towards the participating Nations as these are funds which no longer present any outstanding commitments.

Lastly, an advanced call for fund was issued in 2023 for 1,052 KEUR with respect to the AB of 2024 to Germany.

10 Revenue

The following table provides a split within the revenue recognition of 2022-2023 for the AB.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
Revenue recognition - OPEX	16,726	15,484	14,665
Revenue recognition - accrued expenses	(1,171)	1,355	(13)
Financial income	62	2	2
Miscellaneous income	-	-	165
Total unearned revenue	15,617	16,841	14,819

The eligible operating expenses ([note 11](#)) incurred during the year on an accrual basis, as shown in the AB BES, lead to revenue recognition during the period. Through this process, revenue is recognised (being transferred from the unearned revenue liability account as reflected in [note 9](#)).

The decrease in revenue recognition of the period related to accrued expenses results from the effect of the reversal of prior year's accrual, 1,373 KEUR, which is significantly larger than the current year accrual of 202 KEUR. The reversal of the prior year's accrual offsets the actual expenses incurred during 2023 and decreases the recognised revenue for the current year. This adjustment ensures that revenue recognised last year over the accrued amount is not double counted, thereby preventing redundancy in revenue recognition tied to the same expense.

A key adjustment to the restated comparative figures for 2022 pertains to the recognition of 706 KEUR of revenue, which was initially omitted from the initial figures. Other key adjustments relate to the recognition of additional revenue alongside the revised accrued expenses, primarily made in the context of the capitalisation of leasehold improvement works. Additionally, adjustments were made to credit notes received, initially posted as miscellaneous income for a total of 165 KEUR, to be reflected directly on the related expenses. This adjustment is essential to prevent double counting of revenue, both through revenue recognition over the overstated expense and as miscellaneous income (see [note 1.5.1](#) above).

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11 Expenses

Expenses made during the FY in context of the AB are considered to present the costs of the day-to-day operations of NAHEMA to be able to fulfil its commitments in context of the OB, i.e. the role of an intermediate agent between the Nations and industry for the NH 90 Programme.

Below a detailed split is performed per nature of expense as defined by the AB (chapters 1-3). These include employee costs, operational costs and investments made. Additionally, we must take into consideration the reversal effect on the SoFPerf for the capitalised expenses, to avoid redundancy, and include the accrued expenses for services rendered or goods delivered during 2023.

11.1 Employee expenses (Chapter 1)

The following table provides a split of the employee costs included within chapter 1 of the AB.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
Employee salaries and wages	10,463	9,638	9,613
Insurance and medical costs	901	832	832
Pension costs	996	924	924
Installation and removal costs	197	308	309
Training and event costs	51	60	52
Other employee benefits	189	216	150
Total employee expenses	12,797	11,978	11,880

As defined within the MoU's, employees are staffed at NAHEMA based on a rotation scheme for 3-5 years. All employees are staffed full time. Per closing of 2022, 72 employees were staffed at NAHEMA. Due to the rotation scheme, 11 new positions were filled in 2023 of which 2 positions were filled internally by existing employees and for the remaining 9 positions, new employees joined NAHEMA. Therefore, the number of employees per closing 2023 is 72.

The increase in salaries and wages and related costs can be explained by the indexation of 6.1% during 2023.

Installation and removal costs relate to the rotation of personnel during the year. Staff members leaving or joining NAHEMA need to move their personal belongings as they need to relocate to the region of Aix-en-Provence for their employment period. These moving costs are covered by NAHEMA. Fluctuations in these costs are mainly linked to the number of people leaving or joining.

Other employee benefits include expenses made for hiring and termination of employees, expenses for personnel management and other related personnel support costs.

Costs for shared services for payroll administration for FY 2023 and 2022, 54 KEUR and 56 KEUR respectively, are classified as "other employee benefits" under Chapter 1. As of FY 2024, these type of costs will be classified under Chapter 2.

11.2 Operating expenses (Chapter 2 and 3)

The following table provides an overview of all expenses that were made in context of the day-to-day operations and investments made at NAHEMA.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022 (restated)	December 31, 2022 (initial)
Leasehold improvement works	471	2,726	1,663
Facility rent and expenses	943	686	696
installed equipment investments	505	489	272
Professional service fees	396	598	497
Travel and meeting expenses	139	159	150
Office materials and services	53	47	47
Company car expenses	3	4	4
Other office expenses	5	7	7
Total OPEX Chapter 2	2,515	4,716	3,336
Small office furniture	4	-	-
IT equipment	229	137	137
Security equipment	11	4	4
Total OPEX Chapter 3	244	141	141
Total operating expenses	2,759	4,85799	3,487

The leasehold improvements, installed equipment and IT equipment accounts are considered investments done by NAHEMA, for which most items met the recognition criteria for capitalisation ([note 4](#) and [5](#)). These amounts are offset in NAHEMA accounts via the “*Capitalised expenses*” adjustment in the SoFPerf for a total amount of 1,157 KEUR in 2023 and 3,223 KEUR in 2022 (although they represent a spending of the period in the AB BES). This gross presentation of capitalisation expense is necessary, as the total operating expenses (chapter 1-3) align with the AB BES and form therefore the basis for the AB revenue recognition.

The increase in rent and facility expenses is primarily caused by an increase in the rent paid due to reallocation to NAHEMA’s new premises. As NAHEMA moved to their new premises during summer 2022, the effect of this increased rental price is only reflected for one semester within the comparative figures.

The decrease in professional service fees for 202 KEUR is related to one-off consulting services made during 2022 for the redesign of the datacentre and overall improvements to the new premises.

A presentation reclassification has been performed respectively for periods 2022 and 2023 for an amount of 25 KEUR and 55 KEUR, related to consultancy services included on budget item line for the facility rent and expenses. These costs have been transferred accordingly to the professional services in the detailed breakdown.

11.2.1 Future operational lease commitments

The rent of the building “La Pomone” is an operating lease contract foreseen to end on June 26, 2032. In line with the NAF (IPSAS 13), the lease payments, i.e., monthly rent, are recognised as an expense within the SoFPerf.

The following table below provides an overview of the future minimum lease payments (excl. costs of services), under non-cancellable operating leases, for the rent of this building.

<i>(In thousands EUR)</i>	<= 1 year	> 1 and <= 5 year leases	> 5 years	Total
Lease payments building “La Pomone”	611	3,131	5,962	9,704
Total	611	3,131	5,962	9,704

Management assumes that the current lease term will not change, therefore the calculation of minimum future lease payments is based upon expected lease term of 10 years. No discount rate has been applied over the future lease payments exceeding 1 year for the purpose of this calculation.

12 Employee benefits

The costs in AB chapter 1 are for staff members hired under the NATO Civilian Personnel Regulations as well as for consultants and contractors. For the split of these employee costs refer to [note 11.1](#) above.

NATO UNCLASSIFIED

Employees in NAHEMA are compensated for the services they provide in accordance with rules and entitlements established by NATO. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each host Nation and the Protocols of NATO. Cash compensations are exempt from income tax in accordance with NATO Nations agreement.

In general, different pension plans may apply to NATO employees: defined benefit plan and defined contribution plan. However, all NAHEMA personnel are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). NAHEMA is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognised as an expense when employees have rendered service entitling them to the contributions. The only obligation of NAHEMA with respect to the DCPS is to make the specified contributions.

13 Related party disclosures

In accordance with the NAF (IPSAS 20)), parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. Disclosure is required of the existence of related party relationships, where control exists, and the information about transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

All NAHEMA personnel have completed a declaration stating that they have no related party relationships that could affect the operation of this reporting entity. Additionally, National Heads of Delegations as well as Joint Executive Committee Members have completed a declaration stating that they have no related party relationships that could affect the operation of this reporting entity.

NAHEMA senior management is remunerated in accordance with published NATO pay scales and does not receive loans that are not available to all staff.

Per year-end December 31, 2023, key management personnel included the following five members:

- GENERAL MANAGER (grade A7);
- DEPUTY GENERAL MANAGER (grade A6);
- ADM DIVISION LEADER / FINANCIAL CONTROLLER (grade A6);
- SYS DIVISION LEADER (grade A6);
- LOG DIVISION LEADER (grade A6);

The aggregated remuneration of key management personnel is disclosed within the table below.

<i>(In thousands EUR)</i>	December 31, 2023	December 31, 2022
Basic salaries	898	849
Allowances	140	123
Post-employment benefits	101	95
Employers' contribution to insurance	93	86
Total expenses key management	1,232	1,153

A salary adjustment of 6.1% is applicable as of January 1, 2023.

14 Representation allowances

As agreed upon by the Council decision PO(2013)0154 on June 1, 2013, a summary of the operations related to the representation allowances shall be disclosed within the FS.

The purposes of these representation allowances is to cover those expenses made for dinners, luncheons and receptions, which are hosted at the recipient's home or another venue to establish or maintain valuable relationships to NATO with designated high officials. Furthermore, the representation allowances may also support work or training-related team events. The representation allowances however, are not intended for hosting NATO staff.

During both current and prior year, 2023 and 2022 respectively, no representation allowance expenses have been made by NAHEMO.

15 Financial instruments disclosure

Management is aware of the risks associated with financial instruments and is bound by NAHEMO FRPs' to keep these risks very low. NAHEMA uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts, deposit accounts and accounts receivable and payable.

NAHEMA is restricted from entering into borrowings and investments. NAHEMA's management has considered the following types of risks related to its financial assets and liabilities:

- **Foreign currency exchange risk:** NAHEMA is not exposed to foreign currency exchange risk because all contributions and payments are made in EURO;
- **Liquidity risk:** The liquidity risk is based on the assessment whether the organisation will encounter difficulties in meeting its obligation associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The accuracy of forecasts that result in the calls for contributions as well as the delay in payment represents the main liquidity risks. In the event that a shortage is foreseen in the funds available to meet payments, NAHEMA should warn the respective Nations as early as possible in accordance with Art. 28 of the NAHEMO FMPD-FRP;
- **Credit Risk:** There is a low credit risk as the contributing nations generally have a high credit rating. NAHEMA's management does not believe that its Nations credit positions will directly impact on their ability to meet NAHEMA's funding commitments. As described in [note 6](#) "Cash and cash equivalents", the cash held on current accounts does not contain any restrictions and is held at trustable European banks with an A-credit rating; and
- **Price Risk:** There is a low price risk for NAHEMA resulting from programme price increases as participating Nations are contractually bound to meet such price changes, and NAHEMA itself is not exposed to this price risk.

16 Bank guarantees

NAHEMA's building rental contracts include one bank guarantee ("cautionnement bancaire") with Credit Agricole Corporate and Investment Bank in favour of société ATLANTIQUE MURS REGIONS S.C.P.I. for 157 KEUR.

17 Events after reporting date

In Accordance with NAF (IPSAS 14), reporting entities are required to disclose any event, both favourable and unfavourable, which occurs between the reporting date and the date when the FS are authorized for issue.

There have been no events between reporting date and the date when the FS were authorized for issue that would have a material effect on the amounts recognized within the FS of 2023.

LIST OF ACRONYMS

AB	Administrative Budget
AB BES	Administrative Budget Execution Statement
AuC	Assets under Construction
BE	Budget Execution
BR	Budget Reconciliation
BY	Budget Year
CMoU	Community Memorandum of Understanding
CFW	Carry Forward
ECL	Expected credit loss
FS	Financial Statements
FTE	Full Time Equivalent
FY	Financial Year
FRPs	Financial Rules and Procedures
GBV	Gross Booking Value
IBAN	International Board of Auditors for NATO
ISS	Initial In-Service Support
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISS	In-Service Support
JEC	Joint Executive Committee
MoD	Ministry of Defence
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NAE	Net Assets / Equity
NAHEMA	NATO Helicopter Management Agency
NAHEMO	NATO Helicopter for the 1990s Design and Development, Production and Logistics Management Organization
NAHEMO FRs	NAHEMO Financial Regulation
NAHEMO FRPs	NAHEMO Financial Rules and Procedures
NATO	North Atlantic Treaty Organization
NFR	NATO Financial Regulations
NHI	NATO Helicopter Industries
NH90	NATO Helicopter for the 1990s
NSHP	Nordics Standard Helicopter Programme
OB	Operational Budget
OB BES	Operational Budget Execution Statement
P	Production
PI	Production Investment
PI-P	Production-Investment, Production
SC	Steering Committee
SoFPerf	Statement of Financial Performance
SoFPos	Statement of Financial Position
VAT	Value-Added Tax

NATIONS ABBREVIATIONS

AUS	Australia
BEL	Belgium
DEU	Germany
FIN	Finland
FRA	France
ITA	Italy
NLD	The Netherlands
NOR	Norway
NZL	New Zealand
SWE	Sweden