

FINANCIAL PLAN

2012



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Annexes Issued Separately

- Annex B: Financial Details by Account and Explanatory Notes
This annex is issued separately for the screening at the Budget Committee.
- Annex C: CIS requirements - Submission to Working Group of National Technical Experts
This annex is issued separately for the screening at the Working Group.

INTRODUCTION BY GENERAL MANAGER

The NATO C3 Agency's mission is to enable NATO success through the unbiased provision of comprehensive C4ISR¹ capabilities. The Agency operates under a customer-funding regime².

Over the last two years (2010 - 2011), following the financial crisis, the Agency managed to right-size itself to the level needed for the future. It has decreased manpower; further promoted a culture of austerity in its expenditures; and became more efficient. However, the battle is not yet over. On the contrary, 2012 - the last year of its existence - will represent one of the most challenging in NC3A's 15-year history: increased work coming to the Agency; finite resources; supplementing our staff with contractors; and NATO Agency Reform implementation. NC3A responds to the priorities of NATO in close coordination with our sponsors, including the Strategic Commands, the Investment Committee (NATO Security Investment Programme), NATO and Nations, etc. For 2012, the output priorities of the Agency reflect the following Lisbon Critical Capabilities:

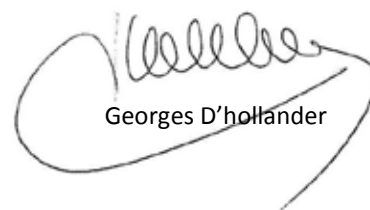
- Afghanistan Mission Network - the provision of CIS infrastructure for 2012, 2013 and beyond and Police Operational Mentor and Liaison Teams (POMLT) - will receive focused attention.
- Implementation of the CISA13 capability to replace the current FOC+ contract.
- Bi-SC AIS, especially implementation of Functional Service Areas for the Programme.
- Multinational initiatives in the domains of Joint Intelligence Surveillance and Reconnaissance (JISR) and Counter Improvised Explosive Devices (C-IED).
- NATO Computer Incident Response Capability (NCIRC FOC project).
- Extension of ALTBMD Programme (Active Layered Theatre Ballistic Missile Defence).
- New NATO HQ Network Infrastructure.

NC3A plans reflect a full year of operation for 2012 because disruption of capability implementation activities is not acceptable, as decided by the Nations. We expect that the customer-funding mechanism will continue beyond 1 July 2012. We anticipate the transition to the C&I Agency mid-year but will have to develop the transition detail when the C&I Agency General Manager is appointed and the new C&I Agency Charter is approved. Management considerations highlighted for 2012 include:

- The need to further prepare NC3A for the transition into the C&I Agency, while maintaining focus on delivery of required capabilities for NATO.
- Recognition of the urgent need (lessons learned from Afghanistan and emphasis by Nations) to improve technical and programmatic coherence within NATO and with the Nations. To now, this has not been adequately resourced through our funding model. Our approach to redress this situation is outlined in the plan.
- Continuing to implement an efficient Programme of Work responsive to sponsor requirements, while raising the quality of our deliverables and working practices.
- Remaining at the right-sized staffing level, following the reduction of 15% (110 posts and staff) through actions taken during 2010 and 2011. Where our work exceeds our capacity, we will supplement staff with expertise contracted from industry.

Our financial mandate is to break-even over time, though there is also an expectation from the Nations to gradually rebuild the level of Operating Fund. The FP 2012 will allow us to meet this expectation.

The Financial Plan 2012, including the Personnel Establishment, is recommended to the C3B for endorsement and subsequently to the Budget Committee for approval.



Georges D'hollander

¹ Consultation, Command, Control, Communications, Intelligence, Surveillance and Reconnaissance.

² NC3A operates under a customer-funding regime approved by the North Atlantic Council with no core funding. Work delivered to customers generates revenue/costs. The objective is to break-even over time, with annual surplus/deficits accruing to the Operating Fund. This provides some working capital and a buffer for potential deficits in net income.

1 FINANCIAL PLAN

1.1 SUMMARY

The NC3A Financial Plan and the companion document, the Consolidated Programme of Work (CPOW), published at the same time, are developed based on continuing to fulfil the tasks as part of the current mandate of NC3A, and cover a full year of activity. Specific incremental transition costs related to the implementation of the NATO C&I Agency are expected but have not been included in this plan because transition details are unknown at this time.

The NC3A Financial Plan 2012 follows on from right-sizing of the Agency (reduction of 110 staff) initiated formally in 2010, and implemented over 2010 and 2011. The financial plan for 2012 outlines:

- 1) Demand for NC3A services continues; funding is under constant pressure regarding priorities/value.
- 2) Based on experience, we know that the revenue from operations could be higher or lower than the estimated level. Accordingly, NC3A plans incorporate flexibility to changing funded demand.
- 3) The plan represents an appraisal of potential funding from all sources, including annual and multi-year potential commitments. NC3A will continue to operate on an internal stretch goal basis to both exceed break-even and to further rebuild the Operating Fund, should revenues be greater than planned figures. NC3A is also prepared, with reduction scenarios, to achieve break-even should revenues not be achievable. These scenarios are explained in the plan.
- 4) The plan foresees NC3A achieving a surplus, which meets an expectation from the Nations to gradually increase the fund based on a relatively risk-averse approach. Revenue from operations and hosting services of €93.9M represents an increase of €6.1M (7%) from the 2011 plan. Expenditures will be €93.1M, which leads to a positive net income of €0.8M to the Operating Fund.
- 5) Acquisition revenue for NSIP and Third Party totals €322.3M, a decrease of €2.7M (1%) from the 2011 plan. Expenditures will equal the revenues.
- 6) NC3A uses a charge-out rate to recover its costs and adjusts the rate annually. The rate change for 2012 is equal to our projected inflation factors.
- 7) The personnel establishment required providing the NATO civilian and military workforce capacity to deliver the CPOW totals 697 posts: no change from 2011. The reduction of 110 posts from the 2009 approved level and achieved in 2010 and 2011 is therefore maintained.
- 8) The Agency will continue a tight restriction on recruitment and remain at about the 620 full-time equivalent civilian and military staff level. This obliges additional focus on ways to integrate elements of a contracted workforce into delivery processes, while retaining unbiased procurements.
- 9) The Agency continues to hold back important but non-critical investments and to minimize O&M and other expenditures to retain flexibility to respond to financial challenges.

Taking a longer-term view over the years 2013 – 2015, NC3A recognizes that various factors may change the demand for its services. The conclusion of NC3A out of the multiple futures that may arise is that flexibility and agility are required as core competencies, additional to the traditional engineering and procurement excellence. This is particularly important during the implementation of NATO Agency Reform.

On 27 May, 2011 in accordance with the NATO C3 Organization's Charter, the C3 Board (C3B) approved management assumptions for 2012. The plan provides reference to the assumptions for transparency.

Figure 1³ Management Assumptions

³ Use of the term "figure" provides reference to Tables, Charts and Graphs which are grouped together in Section 5 of this Financial Plan 2012 for easy reference and display purposes.

1.2 REVENUE

NC3A anticipates that the Strategic Commands and the Investment Committee, for the NATO Security Investment Programme (NSIP) will remain NC3A's largest financial sponsors in terms of programmes of work.

All prospective work included in the CPOW and resulting revenue meets a relevance test of its consistency with the NC3A Mission and policy/technical conformance as per the NATO C3 Organization's Charter.

Revenue derives from analysis of the multi-year potential factored down by risk assessments that anticipate what potential of desired sponsor levels of ambition will actually be funded and be contracted with NC3A.

Figure 2 Evolution of Total Revenue

1.2.1 Multi-Year Order Book

The NC3A order book, which is the list of service contracts placed with NC3A by its sponsors, comprises annual and multi-year initiatives, typically IC funded procurements, and annual projects, mostly of the strategic commands POW. There are also important multi-year multi-national programmes underway.

NC3A assessed work planned for 2012, as described in the CPOW, and the likelihood of this work being contracted before or during the execution year. All work is organized into projects: each project is evaluated and a level of contracting and execution probability is attributed. Against these assessments, a coefficient is applied and the combined product of these factors forms the basis for the value of the revenue forecast, and resources required to deliver it for 2012.

Given the recent increase in funding and focus on support to NATO operations, the relative weight of future years work in our order book (i.e. beyond 2012) is about 30% of the Agency's €165M projected multi-year order book. This is despite predictions for 2010 and 2011 that revenues would not materialize at the conservatively planned amounts. NC3A discovered during the year that additional work was forthcoming from sponsors. Despite best planning and flexibility, when work comes to the Agency in the latter months of the year it may generate a carry-over to the following year.

The table below indicates the volume of work on NC3A's order book, reflecting its evolution and application to different points in time.

Planned Operations Revenue for 2012 and NC3A Order Book	
1. Multi-year work on the NC3A's order book on 1 January 2011	€ 88.0M
2. Multi-year work contracted from 1 January to 31 July 2011	+ € 65.0M
3. Additional multi-year work forecast to be contracted by 31 December 2011	+ € 12.4M
4. Subtotal – NC3A's multi-year order book in 2011 (lines 1 + 2 + 3)	€ 165.4M
5. Work forecast to be executed in 2011	- € 91.3M
6. Subtotal NC3A's multi-year order book on 1 January 2012 (line 4 – 5)	€ 74.1M
7. Multi-year work forecast to be contracted in 2012	+ € 83.8M
8. Subtotal – NC3A's multi-year order book in 2012 (lines 6 + 7 + 8)	€ 157.9M
9. Planned operational revenue for 2012	- € 93.9M
10. Total – NC3A's multi-year order book projected for 1 January 2013 (line 9 – 10)	€ 64.0M

Explanatory notes for the table above are as follows:

- Line 1: The Agency's order book on 1 January 2011 stood at €88.0M of multi-year work; the highest level ever reached for a calendar year start (1 January).
- Line 2: As of the end of July 2011, €65.0M of new multi-year work had been added to the order book.
- Line 3: A further €12.4M of multi-year work is forecast to be contracted before 31 December 2011 raising the order book's total to €165.4M by year end.
- Line 5: NC3A has, through a process of categorization and prioritization of its CPOW, in close coordination with its sponsors, set a stretch 2011 execution goal of €91.3M.
- Line 6: The above will leave €74.1M on the order book on 1 January 2012.
- Line 7: €83.8M of new multi-year work is forecast to be contracted in 2012 bringing the order book up to €157.9M. Included in this is €2.5M revenue generated by Host Agency Agreements and Shared Services. Hosted agencies pay their direct incremental cost, plus a fair share of NC3A support costs.
- Line 8: Total 2012 multi-year order book of €157.9M of which €104.0M is work that could be executed in year, as long as it is contracted on time and as resources are available.
- Line 10: Analysis of demand in NC3A's order book (including contracting risk mitigation) and the Agency's production capacity, has led management to aim for the delivery of 444 person-years of work. This corresponds to planned operational revenue of €93.9M.

1.2.2 Revenue from Operations

Revenue derives from the professional services of NC3A's staff in the areas of scientific, technological, analytical and acquisition services. Agency staff and contractors work closely with the sponsors, providing them with the services the sponsors contracted. For 2012, this equates to the execution of more than 500 projects involving 444 person-years of directly funded resources.

Revenue from operations for 2012 of €93.9M represents a 7% increase over the €87.8M planned for 2011 and is in line with the latest forecast for 2011 of €91.3M.

For reference, the revenue earned in 2010 totalled €95.3M, 1.5% higher than planned for 2012. There has been a decline in revenue from operations earned, since 2008, when the Agency recorded €102M of revenue from operations, the highest ever.

Management assessed the demand for 2012 and future years, recognizing that estimates of the demand may vary based on the resources allocated to sponsors by their respective resource committees/funding authorities. The table represents the latest information prepared in coordination with sponsors.

Sponsor {Figures in € millions}		Financial Plan 2011	Approved Planning Demand Range 2012	Financial Plan 2012
Allied Command Transformation		22.2	23.0 – 30.0	23.4
Allied Command Operations		10.7	14.0 – 16.0	15.5
NSIP	Allied Operations & Missions	14.5	17.0 – 19.0	12.5
	NNEC Implementation and Programme	13.4	15.5 – 20.0	14.2
NATO HQ C3 Staff		2.8	2.5 – 4.0	2.5
NATO Organizations & Nations		17.8	18.0 – 21.0	18.9
ALTBMD		4.4	5.0 – 7.0	4.4
Host Agency Services		2.0	2.0 – 2.5	2.5
Total		87.8	97.0 – 119.5	93.9

In May annually, NC3A provides the C3B a set of management assumptions over a range by metrics representing anticipated requirements and costs for the forthcoming year. The C3B approves the assumptions in terms of reality for forward planning. Further analysis results in the actual amounts included in plan, with explanations for transparency purposes.

The majority of NC3A revenue from operations is associated with the programmes of work of the strategic commands, funded by the Military Budget and with the NSIP funded by the Investment Committee. NC3A continues to respond to the challenge of assisting implementation of the Strategic Concept through its work among NATO Nations, through bi-lateral and multinational initiatives.

In the case of Allied Command Operations, the aggregated level of business remains high because it is envisaged that the demand from ISAF will continue over the next two years to be as strong as previous years, with several major projects, such as AMN 2012 and CISAF 2013, expected to be in execution throughout 2012. Significantly, there is some shift in the AOM programme of work from NSIP to Military Budget reflecting emphasis on operations and maintenance services, in addition to new investments.

Figure 3 Planned Operations Revenue by Sponsor Account
Figure 4 Evolution of Revenue by Sponsor Account
Figure 5 Evolution of Revenue by Funding Authority

1.2.3 Revenue from Hosting Services

NC3A hosts other NATO Agencies and entities, providing technical services as well as shared services such as buildings and facilities, information technology and information management, human resources, travel, legal, contracting/accounting and financial management support services.

In 2012, NC3A will continue to provide services to a full-strength Active Layered Theatre Ballistic Missile Defence Programme Office (ALTBMD PO), and the NATO Alliance Ground Surveillance Management Agency (NAGSMA). Effective third quarter 2011, it is expected, that NC3A will also support the International Project Office (IPO) for the second phase of the Tactical Communications System Project (TACOMS Plus). Additionally, NC3A manages Bâtiment Z, situated in the NATO Headquarters compound in Brussels, on behalf of the organizations located in the facility, and is reimbursed for a fair share of the costs. At this point, it is not considered that these NC3A support roles will be altered by the NATO Agencies Reform process.

The total revenue forecast from hosting services for 2012 is €2.5M, versus €2.0M planned for 2011, and €2.2M actual revenue in 2010.

1.2.4 Revenue from Acquisitions

Projected 2012 revenue from acquisitions totals €322.3M, in line with the figure for 2011 of €325.0M and a slight increase over the 2010 acquisitions revenue (€313.1M).

Revenue from acquisition activities represents value associated with the procurements executed by NC3A on behalf of other NATO entities and Nations of CIS products and services. Annual amounts vary significantly due to cash flow fluctuations and value of major projects.

Acquisition work stems from two areas:

- NSIP: based on a review of the 2nd Investment Committee 2011 Semi-Annual Financial Report (SAFR) as well as other projects and national initiatives still under development, it is estimated that the value of acquisitions planned to be executed by NC3A in 2012, as Host Nation under the scope of the NSIP, will amount to €205.5M. Some of the major projects include the provision of SHF/UHF space satellite communications (SATCOM Post 2000), the provision of communication and information systems (CIS) to the NATO Response Force (NRF) and the delivery of the Afghanistan Mission Network (AMN).
- Procurements for other parties, member Nations or NATO entities: are estimated to reach €116.8M. Significant projects in this portfolio are the procurement of air defence radar capacity for the Czech Republic, Hungary and Poland, and the outsourced provision of communications services in support of ISAF (CISAF11).

1.2.5 Total Revenue

NC3A revenue is the sum of the above three sources of revenue: operations, hosting services and acquisition.

Total planned revenue for 2012 is €416.2M, slightly up when compared to 2011 planned revenue of €412.8M. As noted earlier the change is attributable to operating revenue increase which is partially offset by a minor acquisition turnover decrease.

While NC3A continues to make progress in broadening its sponsor base and operational and acquisition revenue sources among NATO Nations, the majority of NC3A revenue will continue to be associated with the execution of procurements on behalf of the Investment Committee, under the auspices of the NSIP, managing a total portfolio value of about €2.4 billion.

1.3 EXPENDITURES

1.3.1 Expenditure for Operations

Expenditures for NC3A operations are those costs directly attributable to the execution and management of contracted projects: personnel, contracted workforce, investments, travel and portfolio management.

Production costs for 2012 are estimated at €62.5M, of which about 86% relate to staff personnel costs. Compared to the planned 2011 cost of operations of €58.1M, this represents an increase of 7.6%. This is exclusively due to the increase in the revenue from operations outlined in the revenue section above. It reflects the balance of billable staff person-years and costs associated with the contracted workforce. This represents a 11.2% decrease versus the reported 2010 actual cost of operations of €70.4M.

1.3.2 Operating Expenditures

These are general expenditures not attributable to specific projects. Personnel costs are mainly driven by inflation, the impact of the new pension scheme and application of the NATO Civilian Personnel Regulations compensation and benefit rules, which are outside NC3A influence.

The operating expenditures for 2012 are planned at €30.6M up 2.7% compared to €29.8M planned for 2011. This increase is mostly derived from expected inflation, 1.72% as per the latest OECD estimates, and changes in personnel costs, statutory salary adjustments and seniority. For reference, the indirect expenditures in 2010 were €33.4M, so the 2012 plan represents a decrease of 8%.

Besides personnel costs, which represent 81% of the operating costs, the other major category of costs relate to the operation and maintenance of the Agency's equipment and facilities, travel expenditures and the expenditures made in the learning and development of the Agency's staff. All of these categories have been budgeted using a zero base budgeting approach. All investments, major or minor, are reduced to the minimum required to ensure the smooth and continued running of the Agency's operations.

With respect to infrastructure and Host Nation support, the Agency and Host Nation, The Netherlands reviewed the security infrastructure requirements for the facilities in The Hague. Funding for the highest priority requirements is being sponsored by The Netherlands as Host Nation to the NSIP, with resolution anticipated during the fall of this year.

The output perspective provides a better understanding of the nature of services and support provided under general and administrative costs and provides better focus for the management team on the setting and funding of priorities. Examining planned operating expenditures on an output based view provides an understanding that not all of these costs represent NC3A "traditional overhead". In fact, in these costs include Agency staff focused on ensuring technical, programmatic, operations and acquisitions coherence. Additionally, there are some areas where, because it is not cost-efficient to directly charge the costs to a specific project, these services are centrally provided as shared resources. Examples include some output of the mechanical prototyping shop and the creative media group.

Figure 6 Planned Operating Expenditure by Category

In 2012, the general and administrative costs will represent 7.4% of the total Agency costs, including acquisition costs and 32.9% of the Agency operating costs (excluding acquisitions).

The Agency is committed to delivering its services with the most efficiency possible. This successful leveraging of the efficiencies gained is demonstrated by the analysis of the evolution of the support personnel cost versus the number of people supported (civilian staff, military staff, contractors, national technical experts, voluntary national contributions and supported entities) which has been consistently decreasing year over year.

Figure 7 Support Service Efficiency Evolution

1.3.3 Cost from Acquisitions

NC3A procures significant amounts of goods and services using funds provided by all its sponsors but principally, the NSIP (IC), where for acquisition projects, costs mostly parallel revenues.

The cost relating to goods and services procured on behalf of NATO entities or member Nations for 2012 is estimated at €322.3M.

These costs represent only the value of the acquisition and do not include the associated project service fees, which are accounted for as operational costs. This is because there is a loose correlation between the PSCs of a given year, and the acquisition cash flow. Most contract deliverables are implemented over many years with the contracting activity more intensive in the start-up than in the later years, where the work effort focuses on contract administration.

1.3.4 Total Expenditure

Planned expenditures for 2012 are forecast to be €415.4M, 1% higher than the planned expenditure for 2011 of €412.8M. As noted in the discussion on total revenue, this is because the forecast increase in the level of operating revenue is partially offset by a reduction in acquisition activity related to NC3A's role as procurement agent. In 2010, NC3A recorded total expenditures of €417.1M.

1.4 OPERATING FUND

1.4.1 Purpose and Modality

The approved policies and procedures of the sponsor funding financial regime authorize NC3A to retain an Operating Fund and regulate use of this fund which has three fundamental purposes:

1. To provide a source of working capital.
2. To provide a buffer fund as a source or repository of funds for deficits or surpluses.
3. To fund anticipatory commitments wherein NC3A uses approved procedures to undertake moderate risk and begins some work whilst awaiting formal sponsor approvals of proposals.

The mandate is to break-even over time. The Operating Fund is a repository for surpluses/deficits and increases or decreases, depending upon the NC3A realized annual surplus or deficit. The account is visible within the financial plan and disclosed in the financial statements.

If the Operating Fund should move into a deficit position, the responsibility of the NC3A Management is to take appropriate remedial action to stabilize and fix the situation. As NC3A is a NATO body, ultimate liability for the funding of the NC3A rests with the Nations.

The Budget Committee (BC) determines the optimum amount of the Operating Fund. The NC3A Financial Controller is responsible to recommend to the BC the size of the fund and planned annual action to increase or reduce its size for final decision by the BC in approving the plan. The governance rules dictate that changes can be made proactively by increasing or decreasing the overhead rate applied to NC3A projects (charged to sponsors) as approved by the BC during the screening of the Financial Plan.

1.4.2 Sources of Working Capital

NC3A's operating cash comes from a variety of sources including, advance payments for the acquisition work it executes in its role as Host Nation for the IC and for NATO Nations and Organizations projects and also advance payments from the main sponsors (ACT, ACO and NATO HQ) for the execution of their programmes of work. For example, ACT provides a standing advance of €4.0M whereas ACO provides an advance of about 30% of their annual POW at the start of each year.

An additional source is the Operating Fund providing the fund has sufficient cash available. At the current level, the Operating Fund is not now a viable source of working capital.

The significant advance payments result in a situation where normally NC3A has only management challenges with its cash levels, which it handles carefully, without reliance on the Operating Fund.

1.4.3 Fund Evolution

Operating Fund	Year-end Balance (as reported)	Months covered
2003	€ 4.8 M	0.8
2004	€ 4.6 M	0.8
2005	€ 5.1 M	0.7
2006	€ 6.8 M	0.8
2007	€ 10.5 M	1.6
2008	€ 15.5 M	1.8
2009	€ 12.3 M	1.4
2010	€ 3.8 M	0.5
2011 plan	€ 3.8 M	0.5
2012 plan	€ 4.6 M	0.6

To begin the customer-funding regime, NC3A was authorized to retain lapsed credits on prior years to fund the Operating Fund (about €1.5M) in lieu of initial fund investment by NATO.

Since then, the Operating Fund evolved as outlined in the table, with the major increases attributable to the transition to IPSAS accrual accounting (2006), a reconciliation of old accounts and a surplus reported in the Financial Statements for 2008.

The Financial Plan 2010 outlined that NC3A would incur a net deficit to implement the decision reducing the Operating Fund by €3.0M, as requested by the BC, and a further deficit to right-size the Agency, to respond to reduced revenue.

A two-year (2010 and 2011) financial “get well” plan was established to reflect a need to right-size the Agency and additional management reporting was implemented to better monitor revenue/costs.

In developing the plan for 2011, we understood that a priority should be given to increasing the Operating Fund so that it would have a realistic buffer against potential future events and to cover the value of bought, but not depreciated assets. For 2011, based on the revenue projection of €87.8M and while on the second year of the right-sizing, it was concluded not possible to also rebuild the fund unless NC3A over achieved its plan.

The NC3A Operating Fund was €3.8M as of 31 December 2010, with interim reporting for 2011 projecting a modest increase by year-end.

1.4.4 Recommendation for Operating Fund

The challenge in determining a recommended level for the Operating Fund is fundamentally a choice between retaining funds on deposit for an unforeseen future event; and utilizing them on an on-going basis. In recent years, working capital (cash and near cash) has not been a problem for NC3A, except once and that was quickly resolved. On the other hand, retaining an appropriate “just in case” amount represents prudent financial management.

A reasonable consideration is for the fund to be about 1 to 1.5 month’s turnover or approximately €10.0M instead of the 3 months recommended in the 1998 governance document. This conclusion reflects continued monitoring of the cash flow situation, an assumption the annual POW funding does not decline quickly, that sponsors continue to provide an accountable advance for working capital and pay invoices promptly, and that the amount of capital investments does not increase significantly.

The current level of the Operating Fund covers 0.6 months of Agency operations and is therefore insufficient to provide any source of working capital, but cash is not a problem. At this level, the fund is mainly encumbered by the value of assets purchased, but not depreciated. The Operating Fund is insufficient to fully cover the value of these assets and to provide a buffer against potentially significant unplanned future deficits.

As outlined in the 2011 Financial Plan, the intention in 2012 is to continue to rebuild the Operating Fund to a more suitable level of about €10.0M over the period from 2012 to 2015. The intention therefore, is to achieve the planned surplus of €0.8M and to potentially execute at a higher level than that planned in the Consolidated Programme of Work, retaining additional earned surplus towards rebuilding the fund.

On the basis that operating revenue remains in the range of €85-95M, the Financial Controller recommends that NC3A rebuilds the Operating Fund to a total of €10.0M, phased over a 3-5 year period.

1.5 RISK ASSESSMENT

Given the nature of its customer-funding regime, NC3A monitors and manages its financial affairs to fit the emerging reality. There are a variety of factors, many of which are beyond NC3A’s control, which affect its operations and those of its sponsors. Actual budget allocations to be authorized to sponsors by the resource committees are not yet decided, and will only be decided after the publication of this plan.

One of the underlying principles of NC3A operating under its customer-funding regime is that management has the flexibility to increase or decrease the NATO civilian workforce over time, based on the assessed demand for NC3A services and to balance resource requirements by temporary staff and contractors/consultants.

1.5.1 Risk: contracted revenue is insufficient

Overall, approximately 85% of the 2012 programme of work is low risk, being either already under contract, pending contract finalization or of a recurrent nature. The remaining 15% carry a moderate risk. As is normal in our funding regime, work firms up as the execution year approaches and sponsors receive their budget allocations. NC3A actively engages with sponsors, coordinating the preparation of programmes of work, as well as obtaining contractual assurance from our sponsors, under NATO rules.

NC3A assesses that, over the next year, the risk associated with its consolidated programme of work is low. While the demand for specific C4ISR capabilities in support of ISAF is expected to continue at pace for the next two years, and the implementation rate of NSIP-funded capability packages is anticipated to increase in 2012, there is some uncertainty surrounding the global economic outlook and NATO budgetary decisions have yet to be made for 2012.

In the event of unexpected reduction in the demand for the services of NC3A, the Agency retains an amount of flexibility which would still allow it to break-even.

1.5.2 Risk: contracted revenue exceeds capacity

Notwithstanding the assessment of continued high demand for the services of NC3A, in the absence of stronger multi-year commitment of C4ISR funding and awaiting the next phase of the NATO Agencies Reform, the Agency planning assumption is that the 110 staff reduction undertaken by the Agency since 2009 provides the baseline for the NATO civilian and military component of the Agency for 2012.

The intention of the Agency is to augment its production capacity with contracted workforce to the maximum extent possible, when justified by contracted revenue. Our approach is that increase in demand will be handled through a combination of prioritization, dynamic resource allocation and increased use of contractors.

1.5.3 Conclusions

For 2012, we are certain there is a need to remain at the level of 620 staff: neither higher, nor lower. As a result, the General Manager decided to recruit to replace staff if we fall below this figure, based upon his analysis of the specific needs of the situation. This will provide an appropriate balance of NC3A staff and contractors.

As risk mitigation, the Financial Controller monitors the break-even situation and holds back releasing expenditures on non-critical investments (IT, facilities, etc.). Ultimately, it may be possible to cut back if a situation develops with the revenue-generating side of the business. Time becomes very important in this regard, as the items would not be included in the plan if not considered warranted. Nevertheless, if necessary, NC3A is ready to modify its CPOW and Financial Plan to reflect material changes if they arise.

How well NC3A mitigates the known and unknown financial risks inherent in the current environment depends largely upon budget considerations within NATO, which will continue to be monitored closely. Evaluating known risks and taking into consideration scenarios that may arise prior to and during the upcoming year,

NC3A is confident that it can fulfil its responsibilities at this point to the sponsors and meet the provisions included in the financial plan.

Figure 8 Financial Risk Assessment

1.6 INFLATION AND CHARGE-OUT RATES

The customer-funded nature of the NC3A funding regime requires the price the Agency charges its customers be based on its total cost to serve. Applying service industry best practices, the NC3A develops its charge-out rates based on a standard labour cost by grade and an amount to recover the indirect (support) expenditures.

The standard labour cost is based on annual projected average costs of the civilian staff members in each grade⁴. The support costs, as with many professional service organizations in industry, are recovered by adding a fixed percentage figure to the standard labour costs.

Over time, the Agency has undertaken numerous initiatives to reduce its support costs. The objective being to foster efficiencies and optimize resources to achieve a sustainable balance between the number of staff and contractors working on the programmes of work and those providing essential support.

Portfolio and coherency management is a form of direct cost, which is partially implemented as a segmented overhead. Portfolio and coherency management comprises activities such as portfolio planning and reporting, architecture, information assurance and other forms of coherency, which benefit the project.

As per NATO guidance, the inflation index used is based on the macro economic projections published by Organization of Economic Cooperation and Development (OECD). According to the latest publication, the expected 2012 inflation for goods and services applicable to NC3A is 1.72%. This is higher than initial estimate included in the Management Assumptions of May 2011 as OECD raised their forecast.

NC3A is obligated to use approved NATO salary pay scales for each location. Therefore, additionally to the inflation on goods and services, the NC3A incurred inflation depends upon the NAC decision for salaries and benefits. This includes salary scale increases as well as step increases and pension contributions and other benefits. Increases on the personnel salary/benefit base in 2012 is 5.1%, resulting in a total weighted NC3A incurred inflation of 3.75%.

A daily price or charge-out rate is calculated by dividing the sum of direct and indirect cost per staff member by an average 186 productive billable days expected by staff members directly billable to projects. The hourly rate is obtained dividing the daily rate by 7.6 hours, as per NATO working day policy.

This same methodology is applied to contracted labour, only that the Agency charges the actual cost plus a recovery fee for the indirect costs incurred in contracting, hosting and supporting. In 2012, the Agency is harmonizing these recovery rates at 48.6%, which for contractors represents an increase up from 22.3%.

Given the aim of achieving financial break-even in 2012 the Agency charge-out rates for this period are 3.75% higher than 2011, the same as the incurred inflation.

Figure 9 Charge-out Rates 2005 – 2012

1.7 FINANCIAL RESULTS

With more opportunities than risks, and therefore more likely to be over-performed than under-achieved, the goal was to build a responsible plan that may allow the Agency to be a dynamic, financially sustainable and stable organization.

With total revenue of €416.2M, total operating expenditure of €384.8M and general and administrative costs of €30.6M, the 2012 financial performance objective is to achieve a surplus of €0.8M.

⁴ Civilian staff member costs include the personnel benefits entitled by the NATO Civilian Personnel Regulations (NCPs). NC3A does not charge any direct costs for military personnel.

1.8 TECHNICAL AND PROGRAMMATIC COHERENCE

1.8.1 Spending to Save - Investing in Coherency

NATO's experience in the acquisition of C4ISR capabilities for Afghanistan has repeatedly demonstrated the urgent need to improve coherence between capability areas both within NATO and with the Nations. Lack of coherence not only affects the timeliness and effectiveness of capabilities delivered to the war fighter, but also has a direct bearing on cost. NATO Common Funding programmes invest hundreds of millions of Euros per year in C4ISR, yet relatively little is spent on pan-NATO C4ISR coherency: no single 'customer' has this responsibility.

The need for improved technical and cross portfolio programmatic coherency in the delivery of C4ISR capabilities in support of the Alliance is well understood. The role of NC3A as Chief Architect for NATO C3⁵ in achieving this is also not disputed: the Nations supported the creation of a Chief Technology Officer (CTO) during the Agency's last realignment. Yet we have not yet adequately resource this critical enabling function.

A more recent external study⁶ by a small team of senior civilian and military figures endorsed the CTO requirement and recommended a number of areas for improvement, including: improved governance processes with authority to raise issues through the General Manager to the C3B and other bodies; a greater external role through cooperation with CTO/CIO figures in other agencies, nations and industry, and core funding in line with best practice elsewhere. The senior team saw three main roles for the CTO: managing the integration of capability portfolios to cost, time and performance throughout the lifecycle; improving C4ISR coherence across both NATO and national systems, including for deployed operations, and leveraging C4ISR technology innovations for NATO.

Managing the coherence to cost, time and performance across the lifecycle is broader than simply the CTO alone. Within the Agency, the responsibility is shared with the Chief Operating Officer (COO), but coherency across the lifecycle extends beyond the Agency, which only has authority for implementation of the so-called NATO owned capabilities. Nevertheless, the CTO is well placed to support this through the development and provision of architectural standards and roadmaps for change that acknowledge the importance of taking an enterprise-wide view of capability delivery across both NATO and the Nations.

In recent months, despite best efforts, it has become apparent that significant progress on cross-portfolio programmatic coherency cannot be made under the existent resource arrangements without a substantial uplift in Agency overheads or the introduction of an alternative funding mechanism. The customer funded regime does not provide an adequate funding stream nor offer a mechanism to fulfil this cross-cutting role of CTO. Commitment to a pragmatic and targeted investment in coherence is necessary in order to deliver tangible and realisable near-term benefits.

1.8.2 Progress in Coherence in 2011

In 2011, as part of its overhead, NC3A funded a small team comprising the CTO, three Chief Scientists and two Principal Scientists. The team was engaged:

- Providing technical governance of all the Agency's projects (through the project boards) including the review and approval of all price proposals, Type B Cost Estimates and customer deliverables.
- Supporting technical issues in high priority projects including the Afghanistan Mission Network, Air C2 Information Services and Intelligence Functional Services, as well as initiating a number of activities to more systematically improve technical coherence, including work on a C3 Architectural Framework (including its application to several project areas), introduction of technical Design Principles, and the development of improved software development processes, amongst others.
- Consulting with the Research and Technology Organization (RTO) community, the NATO Industrial Advisory Group (NIAG), Network Centric Operations Industry Consortium (NCOIC), Gartner and a number of national CTO/CIO offices.

⁵ The NC3O Charter [C-M(2005)0036, dated 27 April 2005] defines the role of NC3A as follows: "acting as the Chief Architect for NATO C3 [NC3A] is to perform central planning, systems design, integration, systems engineering, testing and technical support for assigned NATO C3 and other systems and installations.....".

⁶ Briefed by NC3A GM to the NC3 Board in May 2010.

Progress in coherence in 2011 demonstrated the challenges associated with providing routine coherency support to existing portfolios of work. It highlighted the scale of the task associated with systematically ensuring lifecycle coherence across organizational boundaries and for new capabilities.

1.8.3 Driving Coherence in 2012

The current funding model has not proved adequate to resource the CTO to drive more systematic technical and programmatic coherency initiatives within the Agency or to provide the architectural guidance and support to external stakeholders. The remainder of this year and 2012 are seen as key times to establish a new foundation for coherence in the C4ISR lifecycles, leading to major cost savings in the future.

In the absence of a single customer for coherence activities, for 2012, the Agency proposes to allocate a further three person-years of effort.

Over and above the existing activities, a number of key strategic initiatives are needed to drive the coherence process forward. These are illustrated below:

Objective	Benefits	Approach
1. Enable informed C4ISR investment decisions based on an authoritative view of the portfolio, supporting Agency, NATO and national decision makers.	Provides the information needed to move away from piecemeal implementation and to identify opportunities for cost-savings across the portfolio.	<ul style="list-style-type: none"> Develop the technical vision and strategy for NATO C4ISR. Maintain an overarching technical and programmatic roadmap for NATO C4ISR capability delivery. Provide portfolio investment analysis in support of key NATO decision making bodies.
2. Ensure interoperable and adaptable C4ISR capabilities across NATO and the Alliance.	Save costs of re-engineering for interoperability late in the life cycle and improves operational effectiveness.	<ul style="list-style-type: none"> Develop standardised design patterns and architectures that can be used by NATO and Nations when implementing C4ISR capabilities that support federated solutions in coalition operations.
3. Improved communications and guidance on NATO C4ISR policies, standards and architectural guidance.	<p>Improve interoperability and reduce programmatic overlap across the Alliance by providing the information needed to allow those implementing capabilities to do it "right" the first time.</p> <p>Save costs on overlap and rework.</p>	<ul style="list-style-type: none"> Consolidate and simplify the wealth of existing NATO C4ISR policies and standards into a series of coherent and understandable implementation guides and reference documents for use by NATO and the Nations. Develop a one-stop Internet portal to provide accessible C4ISR architectural and standards guidance to NATO and national communities of interest.
4. Deliver programmatic cost savings across NATO C4ISR delivery with target of 3:1 payback over two-year cycles.	Target of identifying cost savings and cost avoidance of €1.5M over two years.	<ul style="list-style-type: none"> Prioritisation of high-value and critical capability delivery programmes, followed by targeted interventions to identify opportunities to deliver savings through identifying programmatic redundancies, overlap, inconsistencies and opportunities for reuse and sharing of capabilities. Provide advice to relevant governance bodies⁷.
5. Improve efficiency and effectiveness of Agency's internal technical capability delivery processes.	<p>Increase productivity and quality of Agency deliverables through improved processes and supporting IT systems.</p> <p>Achieve gradual reduction in Agency project costs as efficiency improves.</p>	<ul style="list-style-type: none"> Develop strategy for, and manage implementation of, information technology within the Agency to enhance delivery of Agency objectives. Develop and own the business processes associated with the technical implementation of capabilities (such as systems engineering, software engineering, test and validation, etc.).

⁷ As currently established, the CTO lacks authority outside of the Agency. It cannot therefore mandate coherence across the lifecycle of the C4ISR portfolio, but only influence the approach during planning and implementation if resourced to do so. In this objective, the aim would therefore be to identify potential savings across the lifecycle and to offer this as advice to the appropriate NATO governance body. If the approach proves effective, there could be an argument for extending the mandate and authority of the CTO beyond the implementation phase in future years.

1.8.4 Conclusions and Way Ahead

Achieving lifecycle coherency across NATO C4ISR capability delivery is a huge challenge and assessing the cost-benefit of this is difficult. Nevertheless, the potential rewards are high.

A pragmatic approach is planned for 2012: to add three full-time equivalent resources to the number of CTO staff tasked to embark upon some of the strategic activities described in the table above; and to seek a resource allocation from all new major projects where CTO engagement may add long-term value. Additionally, the following will also be pursued to determine if funding might be made available on a more stable basis:

- 1) Reinforce the requirement to provide funding as a direct cost charged to major projects through the NSIP programme;
- 2) Obtain a portion of funding direct from the Nations via the Military Budget (new ring-fenced funding) in a similar way to the ALTBMD PO/NACMA Agency funding;
- 3) Renewed efforts to convince the Strategic Commands and/or the NATO HQ C3 Staff to divert some existing POW funding;
- 4) Increase the 'charge-out rate' for NC3A billable staff to fund a specific coherence programme.

The recommendation of NC3A is for 2012 to pursue the approach outlined above: engaging in discussions with the C3B, the BC and the IC on the potential for adopting options to provide more stable future funding.

1.9 PERSONNEL ESTABLISHMENT

1.9.1 Capacity Requirement

To deliver the estimated programmes of work, NC3A requires a workforce comprised of NATO civilian staff members, military members and contractors. Our analysis reflects a need for staffing above the right-sized workforce levels, with the increased capacity to be provided by contractors.

The intention is therefore to maintain the staff component at 620 full time equivalents (FTE) and to compensate the capacity gap with contracted workforce. This implements NC3A's plan to re-work the balance between the use of its own staff, which forms the backbone of the competence requirements, and the contracted workforce, obtained through industry, thus giving the Agency more flexibility in the execution of its programme of work.

(Figures in FTE)	Actual 2010	FP 2011	Approved Planning Range 2012	FP 2012
Total Demand	707	631	660 – 780	691
Workforce Capacity (civilian and military)	707	631	608 – 620	620
Contracted Capacity	19	14	3 – 50	26
Total Capacity	726	645	611 - 670	646

Relatively unique among NATO Agencies, the NC3A civilian, military and contractors are all required to provide detailed accounting of their utilization of time, whether billable or not. This includes reporting, mostly at the task level, time worked directly or indirectly on specific work, whether contributing to a project, programme, portfolio or other activities such as coordination, training, support tasks, etc.

1.9.2 Personnel Establishment (including military posts)

The NC3A Personnel Establishment reflects the NATO civilian and military posts required to meet the above mentioned productive capacity and supported population. The difference between the capacity workforce requirement, planned at 620 in 2012, and the Personnel Establishment is the lapse factor.

NC3A recommends a NATO civilian personnel establishment of 697 posts, the same as 2011. This represents a decrease of 110 posts (13.6%) compared to the personnel establishment approved for 2009. The Agency management is committed to maintain this PE as the basis of the right-sized Agency and to continue the increased emphasis on using contracted capacity.

(Figures in units)	Actual 2010	FP 2011	Approved Planning Range 2012	FP 2012
Personnel Establishment	785	697	697 (range n/a)	697

NC3A forecasts that the civilian staff, military staff and contractors directly involved in the production and delivery of its 2012 consolidated programme of work will equal 444 person-years (our basis for calculations). This forecast derives from the analysis of existing contracts, formal price proposals which are being considered by sponsors, and a forecast of additional forthcoming projects. This number reflects the two-year reduction of 110 posts achieved over the years of 2010 and 2011.

The NATO Defence Manpower Committee (NDMC) is the responsible authority for NC3A's military personnel establishment. NDMC authorized the military establishment at 57 posts.

The military PE includes fifty one (51) quota; six (6) non-quota posts of which one (1) non-quota post is currently filled by a NATO civilian as it was established as civilian/military.

Figure 10 Personnel Establishment 2012

1.9.3 Contracted Workforce

NC3A policy is that if there are direct person-year requirements in excess of the planned level of civilians and military staff members, the additional requirement will be met by additional civilian staff members or by contracted workers. Decisions are made following analysis of the cost-benefit, requirements and practicality of each situation.

Experience demonstrates that until now NC3A underestimated forward requests for its products and services. The reason is the sponsor-funding regime wherein NC3A has an annual break-even objective with zero profit margins on its work. This generates a requirement to estimate work annually and to risk rate the planned work and to configure the workforce on a conservative but hopefully realistic basis.

It is also important to stress that although a significant portion of the work is multi-year in nature, only a low percentage of work is contracted on a multi-year basis. Thus, while the NC3A balance of staff member to contracted workforce is particularly important for the long-term, at specific decision points more short-term approaches must be utilized. For example, when changes happen rapidly, the most flexible response is to increase or decrease the contracted workforce, and then to adjust over the next three years through rotation of the NATO civilian staff to re-balance.

The duration of contractors' contracts is routinely three (3) months, but they cost more than NATO civilians and reduce the continuity of NATO alliance knowledge which is important in much of the work of NC3A. Changing the mix of staff to contractors provides NC3A short-term flexibility. NC3A is committed to the use of contractors in line with the Nations' target considerations, working to preserve the continuity of critical Alliance knowledge.

At times NC3A requires that contractors, consultants or temporary staff remain for periods exceeding 180 days. In the case of temporary staff, there is a NCPR requirement for budget committee concurrence. The IBAN recommended that NC3A use contractors and consultants in lieu of temporary staff wherever possible and in the case of temporary staff to include the request within the annual financial plan so that the technical agreement of the budget committee is provided in advance, through approval of the financial plan. This reference is intended to fulfil this IBAN requirement to formally endorse the flexibility needed in the customer-funding financial regime.

NC3A applies resource management to the contract workforce to focus on flexibility and responsiveness to potential shortages in specific competency areas.

1.9.4 Number of Persons Supported

The number of persons supported is the total number of military and civilian staff, contractors and other personnel such as Voluntary National Contributions (VNC), National Technical Experts (NATEX) and Hosted Agencies' staff that are hosted and supported by the Agency. Over the past years, this number has risen faster than the number of supporting staff, thereby stretching NC3A resources and leveraging resources to achieve greater operating efficiency from financial and support perspectives.

(Figures in units)	Actual 2010	FP 2011	Approved Planning Range 2012	FP 2012
Number of Staff	707	631	608 – 620	620
Contractors	19	14	35 – 75	25
Temporary Staff and Consultants	5	13	10 – 12	13
NATEX & VNC	27	30	30 – 32	32
Shared Services	92	87	92 – 96	95
Total Supported	850	775	775 – 835	785

1.10 AUDIT

In 2011, after seven successive unqualified audit opinions, NC3A received a qualified audit opinion from the International Board of Auditors of NATO (IBAN) for its 2009 financial statements.

The qualification relates to an IPSAS compliance issue pertaining to the appropriateness and robustness of the acquisition revenue and expenses accrual process. As noted in the audit observation, this issue is neutral from a net operating surplus or deficit perspective.

As required by NAC decision, NC3A is committed to ensuring annual compliance to the IPSAS. NC3A is also committed to clear audit observations as quickly as practicable.

Further details regarding the 2009 audit observations and Agency corrective actions are included in the 2010 Financial Statements.

2 PROGRAMME OF WORK HIGHLIGHTS

The Consolidated Programme of Work (CPOW), details the portfolio of projects forecast for execution in 2012. CPOW work is composed of portfolios, programmes and projects from a sponsor base spanning the NATO Alliance's organizations and NATO Nations.

The estimated demand for NC3A's services in 2012, at 444 person-years, is approximately at the same level as in 2011 and is in line with the management assumptions approved to the C3 Board in May 2011.

The predicted volume remains an indicator of the NATO requirements and NC3A's success in providing a diverse range of support to a broad spectrum of sponsors. Candidate work is assigned to the portfolio of a Director Sponsor Account (DSA) and is tested for its consistency with the NC3A Mission and policy/technical conformance as per the C3 Organization's Charter.

Delivering Innovation

Some major 2012 efforts include:

- Continued support to ISAF, where the Afghanistan Mission Network, the Provision of CIS Infrastructure for post 2011 and the POMLT will receive a lot of attention
- Implementation of Functional Service Areas for the Bi-SC AIS Programme
- Multinational efforts in the domains of JISR and C-IED
- NATO Computer Incident Response Capability

Refer to CPOW for full list of projects for 2012.

At this point (July 2011) sponsors have started to submit programmes of work and budget estimates for 2012. The NC3A CPOW is the sum of what is expected to be funded by resource committees during the screening processes plus work contracted in previous years that is planned to be executed in 2012. Work already contracted and on the Agency's order book offers some flexibility in absorbing the effect of sudden changes of funding. NC3A is ready to modify its CPOW and Financial Plan to reflect material changes if they arise.

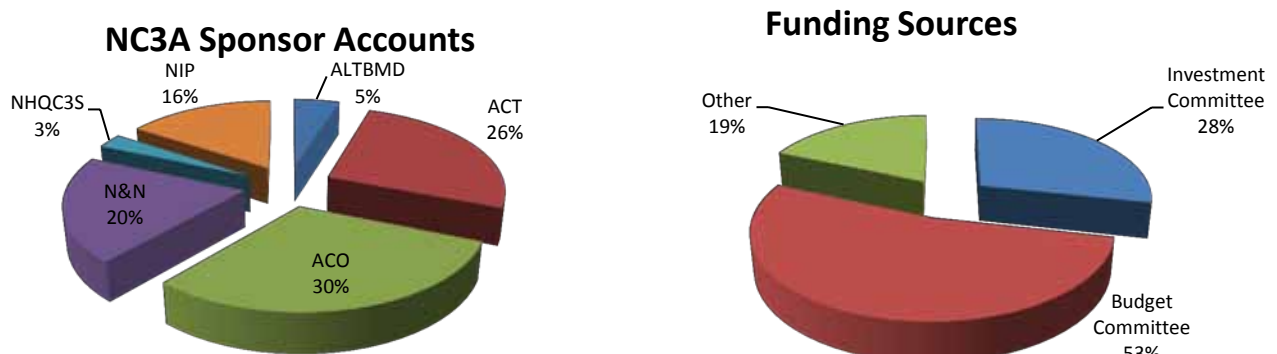


Figure 1. 2012 CPOW Breakdown

Allied Command Transformation (ACT)

NC3A continues to view itself as a strategic partner for ACT, supporting its role of NATO's leading agent for change. For 2012, the work forecast to be commissioned is organized in the following three portfolios:

- Research and Development Portfolio (R&D POW) is the means by which ACT investigates how existing technologies can resolve operational capability deficiencies. Some of the areas to be investigated by ACT in 2012 are: Information Assurance, Interoperability Standards, Information Exchange and Joint Intelligence Surveillance and Reconnaissance. Capability Requirement Enabler provides ACT with the necessary analytical support for capability planning which looks at operational shortfalls as well as medium and long-term requirements.

- Experimentation Portfolio (EPOW) builds from the R&D POW and enables ACT to experiment concepts in an operational-like scenario and environment, and then provides valuable inputs for the development of new capabilities based on the results of these experimentations. In 2012, some of the planned experimentations expected to be commissioned to NC3A are: deployable communication, information infrastructure services and interoperability.
- JWC and JFTC Portfolio supports the Joint Warfare Centre (JWC) and the Joint Force Training Centre (JFTC). One of the main elements of this portfolio is the support to the series of STEADFAST exercises, which aim at training Flag-level and senior NATO officers in the planning and conduct of NATO operations.

Allied Command Operations (ACO)

NC3A values its strategic relationship with ACO and its subordinate commands, providing support to NATO's operations through five broad areas:

- Support to ACO: is ACO's primary tool for bringing the Agency's scientific and technical capabilities to bear on C4ISR issues immediately affecting operations. ACO commissions work with NC3A such as support associated with the Tools for Operational Planning, Forces Activation and Simulation (TOPFAS) and the provision of a strategic assessment capability.
- Crisis Response Operations Portfolio: provides scientific services including Countering Improvised Explosive Device (CIED), Joint Intelligence Surveillance and Reconnaissance (JISR) and Geographic Systems; it also provides ACO's subordinate commands with in-theatre NC3A support, working side by side with HQ's staff. Main efforts will be with ISAF and support to NATO's Balkans operations.
- NSIP Alliance Operations and Mission: with NC3A as Host Nation for NSIP funded C4ISR capabilities required by operations. NC3A will lead critical projects required by ISAF such as Afghanistan Mission Network, CIS Support to ISAF and Police Operational Mentoring Liaison Teams (POMLT).
- Alliance Operations and Mission CIS Operations and Maintenance: the Alliance is increasingly relying on service contract to receive CIS support it requires in the field. This portfolio groups the projects delivering those services.
- Support to NCSA: NCSA requires NC3A's engineering capability to support in service systems in particular in the Functional Area Services (FAS).

NNEC and Implementation Programme

NC3A will be pressing forward with the implementation of several C4ISR related, NSIP funded Capability Packages (CP). CP implementation is managed through the NATO Network Enabled Capability (NNEC) and Implementation Programme (NIP). CPs implementation was significantly slowed down for the better part of 2009 and 2010. The pace of implementation has picked up in 2011 and will continue in 2012. Implementation of multiple projects stemming from capability packages associated with the Bi-Strategic Command Automated Information System (Bi-SC AIS) programme represents the largest effort. Projects supporting satellite communication, deployed communication & information system and communication infrastructure programmes will continue to deliver critical capabilities. In 2012, the acquisition and implementation of NATO Computer Incident Response Capabilities (NCIRC) will be at the top of the Agency's priorities. Contracting and engineering support to NACMA is part of this portfolio for greater programme coherence. Also very important is the work to acquire network infrastructure for the new NATO Headquarters; the plan is to get this project under contract in 2012.

NATO HQ C3 Staff POW

Support for the C3B and its associated sub-structure in various C3 domains such as Information Assurance, Communication infrastructure, spectrum management, information and community of interest services. The NATO HQ C3S account, through the Chief Technology Officer (CTO) is also responsible for the work commissioned from NATO HQ regarding NCIRC.

NATO and Nations POW/Projects

This sponsor account contributes to NATO's success by engaging NATO Nations (individually and regionally) and partner Nations, by enabling multinational projects, by supporting NATO multinational organizations and by facilitating cooperation with non-NATO international organizations. Over the last two years, an increased number of Nations (both members and partners) have been seeking cooperation arrangements with NC3A to further bilateral or multinational C4ISR capability development. The Agency has signed Memoranda of Understanding (MoU) with 15 Nations, including two partner Nations. Nine MoUs with NATO member Nations and three with partner Nations are currently in negotiation. Since 2008, the revenue from bilateral national projects has tripled and revenue from multinational projects has doubled. About 30 Nations are cooperating with the Agency.

For 2012, management forecasts a demand in excess of €20M; half of this work is already contracted and ready for execution.

Projects in the DSA-N&N help to provide more interoperability in a secure environment and promote "NATO-enabled" solutions – presenting NC3A as a platform for collaborative C4ISR capability development following the NATO Comprehensive C4ISR Approach. Synchronization is achieved with other DSAs and NATO bodies in order to achieve better coordination into funding, whether it is common, multinational, national, or via trust funds.

The NATO and Nations account is segmented into Nations (NATO and partners), multinational projects and NATO organizations. The Nations' segment is further divided into Western Region (WR), North Eastern Region (NER) and South Eastern Region (SER). NATO Nations form the core of these regions and partner Nations are gradually added, following NATO's policies, including Istanbul Cooperation Initiative, Mediterranean Dialogue to South Eastern Region and Contact Countries to Western Region. Afghanistan and Kosovo have been added to the South Eastern Region.

Active Layered Theatre Ballistic Missile Defence (ALTBMD)

In 2012, NC3A will continue to provide support to a full-strength ALTBMD Programme Office (ALTBMD PO) and its contracted workforce. An integrated test-bed facility provides state-of-the-art support for the acquisition of theatre missile defence capabilities for the Alliance.

3 FINANCIAL CONTROLLER CERTIFICATION

This is to certify that the NC3A Financial Plan 2012 is in accordance with the NATO Financial Regulations and the C3B and BC direction, which includes:

- 1) C-M(2004)0038, 8 Jun 2004: provides NATO Financial Regulations applicable to the NATO C3 Agency operating under an approved sponsor funding regime;
- 2) OCB(2004)0054-REV2 120, 17 May 2004: provides Financial Rules and Procedures approved by the BC;
- 3) C-M(98)28 Corrigendum, 18 May 1998 North Atlantic Council (NAC): provides approval 10 May 1998 of a report entitled "The Application of a Sponsor Funding Regime to the NATO C3 Agency";
- 4) AC/322-D(2006)0013-REV1: provides NC3O reporting requirements document approved by the C3B.

The Financial Plan of NC3A was prepared in accordance with the reporting requirements of the International Public Sector Accounting Standards (IPSAS) implemented by the International Public Sector Accounting Standards Board (IPSASB) of IFAC and based on International Accounting Standards (IAS) issued by the IAS Committee, as decided by the NATO Council in 2002, reference document PO(2002)109.

The Financial Plan 2012, including the Personnel Establishment, is recommended to the C3B for endorsement and to the BC for approval.



Paul Ballinger

Financial Controller / Director of Resources

4 CHARTS AND GRAPHS

FIGURE 1 MANAGEMENT ASSUMPTIONS

Key Parameters	Financial Plan 2011	Approved Planning Range 2012	Financial Plan 2012
Demand from Sponsors	87.8	97.0 - 119.5	€93.9M
Workforce	645	611 - 670	644 FTEs
NC3A Personnel Establishment	697	697 - 697	697 Posts
Total Number of Persons Supported	775	775 - 835	785 Persons
Composite Inflation Index	0.71%	1.45% - 1.45%	1.72%
Change in NC3A Charging Rate	8.0%	1.45% - 3.60%	3.75%
Support Service Cost Recovery Rate (Staff)	48.6%	48.6% - 52.0%	48.6%
Support Service Cost Recovery Rate (Contracted Work)	22.3%	22.3% - 25.0%	48.6%
Operating Revenue	87.8	87.8 - 98.3	€93.9M
Operating Costs	87.8	87.2 - 95.3	€93.1M
Net Change to Operating Fund	0.0	0.6 - 3.0	€0.8M
Operating Fund Balance	3.8	4.4 - 6.8	€4.6M

FIGURE 2 EVOLUTION OF TOTAL REVENUE

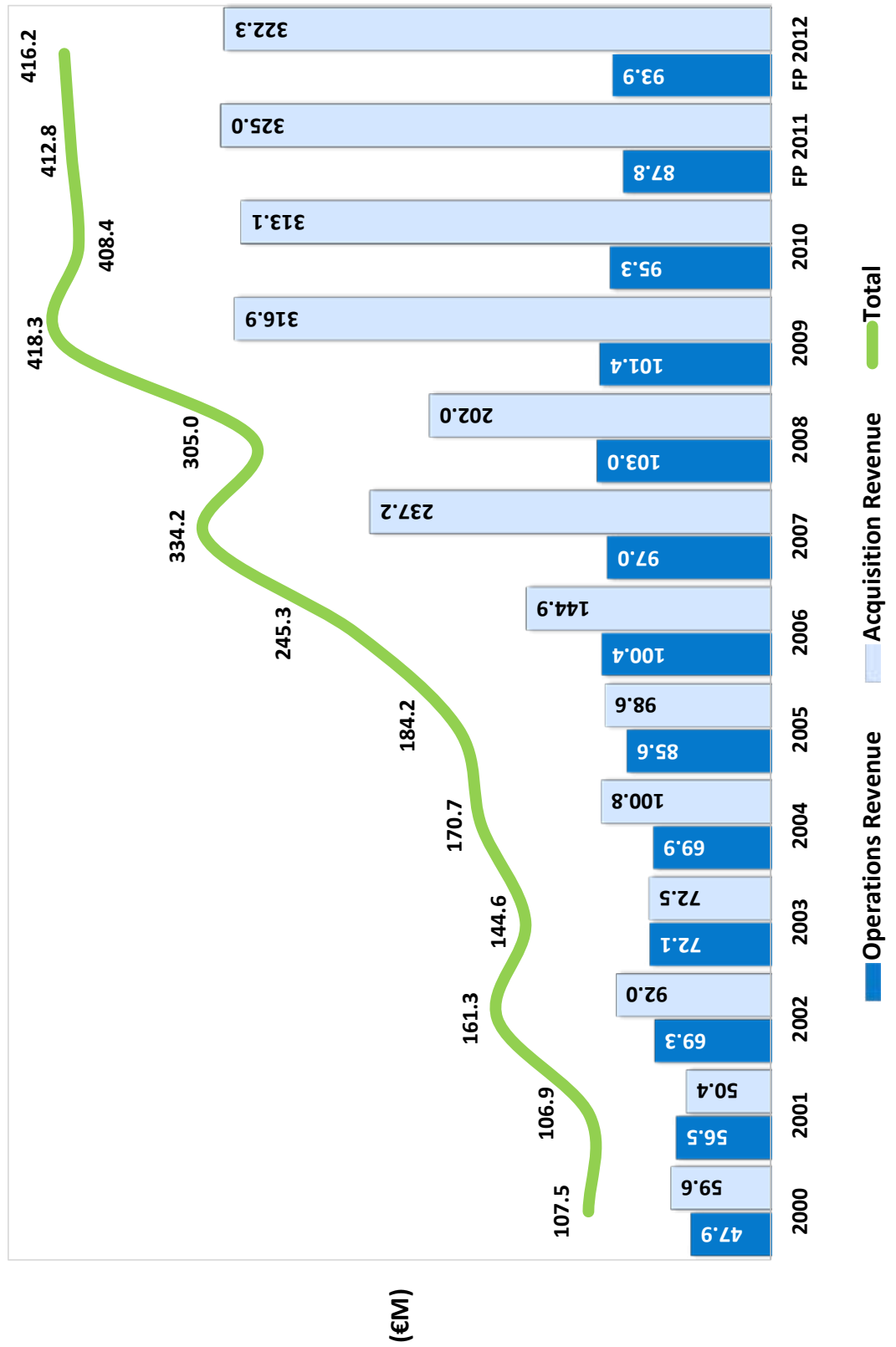


FIGURE 3 PLANNED OPERATIONS REVENUE BY SPONSOR ACCOUNT

Sponsor Account	Workforce (Person - Years)	Workforce Value (€)	Investment Value (€)	Travel Value (€)	Total Direct Value (€)	Total Support Services Recovery (€)	Estimated Total NC3A Revenue (€)
Allied Command Transformation	111	15,262,742	372,339	376,461	16,011,542	7,433,914	23,445,456
Research and Development Portfolio	83	11,402,111	278,154	281,232	11,961,497	5,553,457	17,514,954
Experimentation Portfolio	17	2,361,026	57,608	58,245	2,476,879	1,150,162	3,627,041
JWC & JFTC Portfolio	11	1,499,605	36,578	36,983	1,573,166	730,295	2,303,461
Allied Command Operations	140	16,743,785	964,904	975,584	18,684,273	9,319,385	28,003,658
Support to ACO	19	2,590,227	146,998	148,625	2,885,850	1,261,419	4,147,269
Crisis Response Operations	22	3,042,665	172,717	174,629	3,390,011	1,482,114	4,872,125
O&M Alliance Operations and Missions	12	1,090,622	71,754	72,548	1,234,924	789,828	2,024,752
Support to NCSA	20	2,791,736	158,498	160,253	3,110,487	1,360,096	4,470,583
NSIP Alliance Operations and Missions	67	7,228,535	414,937	419,529	8,063,001	4,425,928	12,488,929
NINEC Implementation and Programme	71	7,950,463	875,780	885,473	9,711,716	4,461,860	14,173,576
NATO HQ	12	1,635,933	38,973	39,404	1,714,309	796,686	2,510,995
IMS C3 POW	10	1,363,277	32,477	32,837	1,428,591	663,905	2,092,496
NATO Computer Incident Response Capability (NCIRC)	2	272,655	6,495	6,567	285,718	132,781	418,499
NATO Organizations & Nations	89	11,789,367	612,269	619,047	13,020,683	5,860,553	18,881,236
North Eastern Region	11	1,363,277	76,033	76,875	1,516,185	728,581	2,244,766
South Eastern Region	7	954,294	51,580	52,151	1,058,024	464,733	1,522,758
Western Region	10	1,363,277	73,685	74,501	1,511,464	663,905	2,175,368
Organizations	17	2,475,626	119,091	120,409	2,715,127	1,207,136	3,922,263
Multinational	44	5,632,892	291,880	295,111	6,219,883	2,796,199	9,016,081
ALTBMD	21	2,862,882	232,285	234,856	3,330,023	1,115,360	4,445,383
Operational Revenue	444	56,245,172	3,096,550	3,130,824	62,472,547	28,987,757	91,460,304
NC3A Host Agency Agreement Revenue						2,484,553	2,484,553
Total	444	56,245,172	3,096,550	3,130,824	62,472,547	31,472,310	93,944,857
Funding Sources							
Budget Committee	233	31,402,327	1,307,320	1,321,790	34,031,437	15,446,594	49,478,031
Investment Committee	139	15,529,105	1,296,052	1,310,397	18,135,555	8,887,746	27,023,301
Other Sources	72	9,313,740	493,178	498,637	10,305,556	7,137,970	17,443,526
Total	444	56,245,172	3,096,550	3,130,824	62,472,547	31,472,310	93,944,857

FIGURE 4 EVOLUTION OF REVENUE BY SPONSOR ACCOUNT

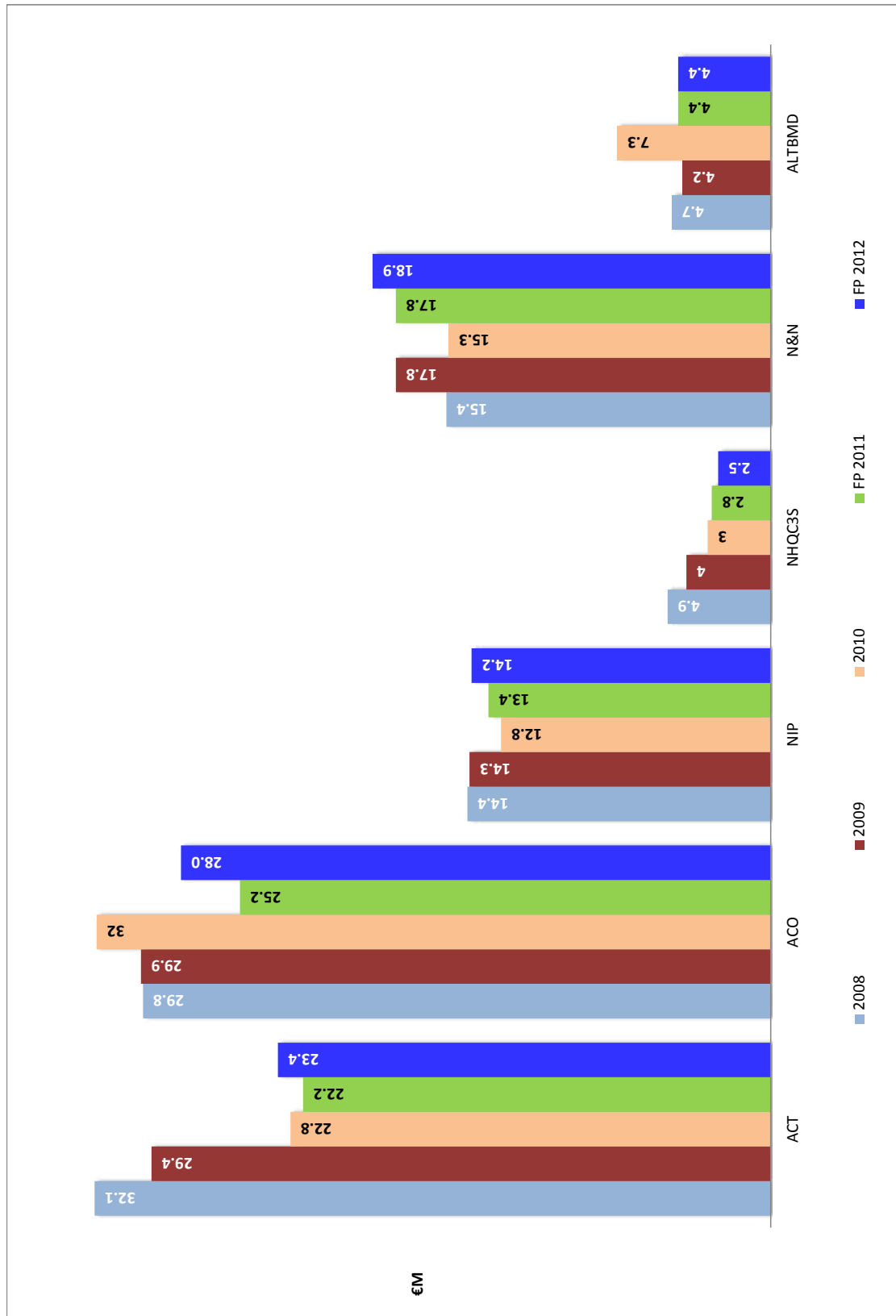


FIGURE 5 EVOLUTION OF REVENUE BY FUNDING AUTHORITY

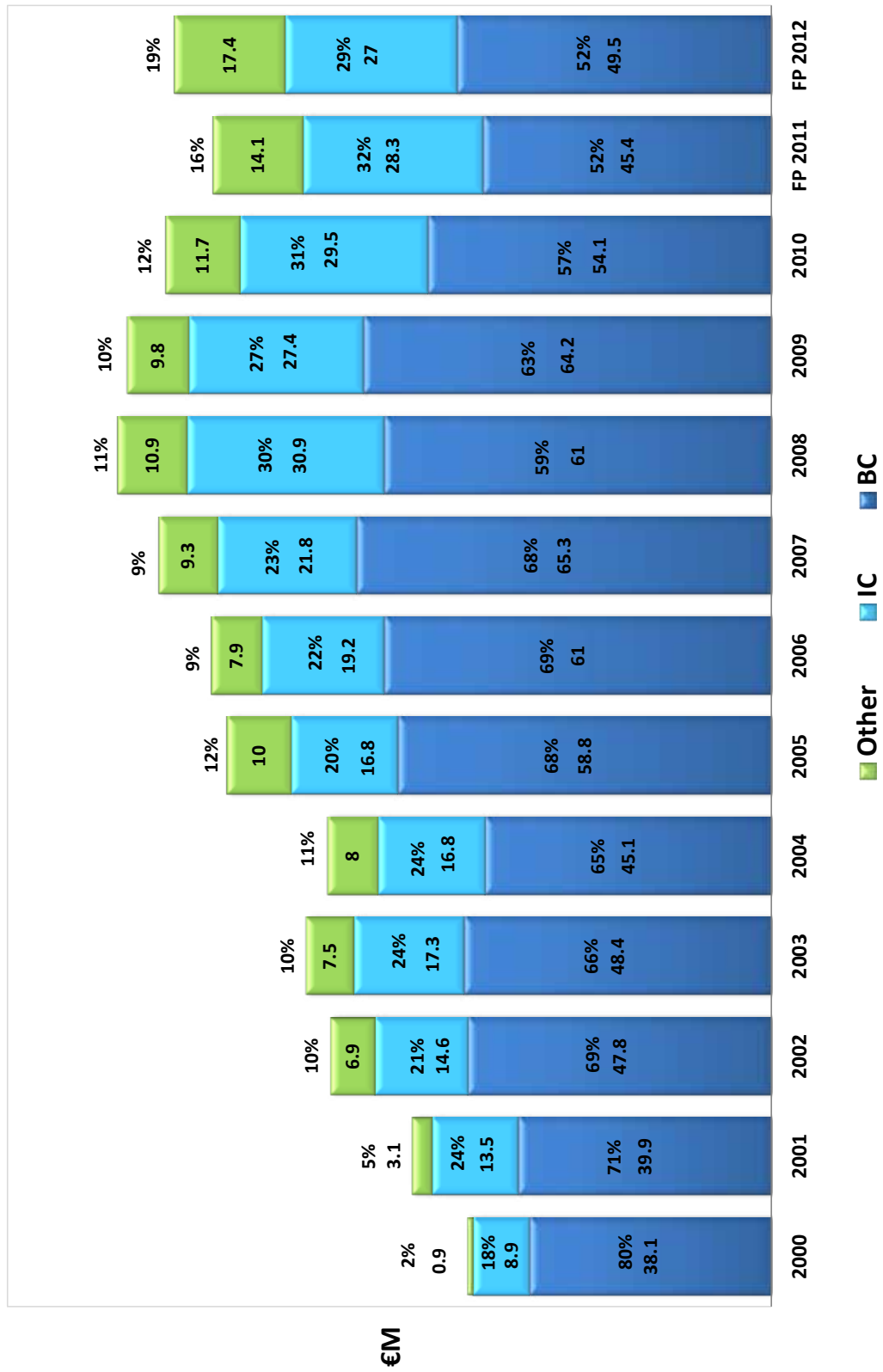


FIGURE 6 PLANNED OPERATING EXPENDITURE BY CATEGORY

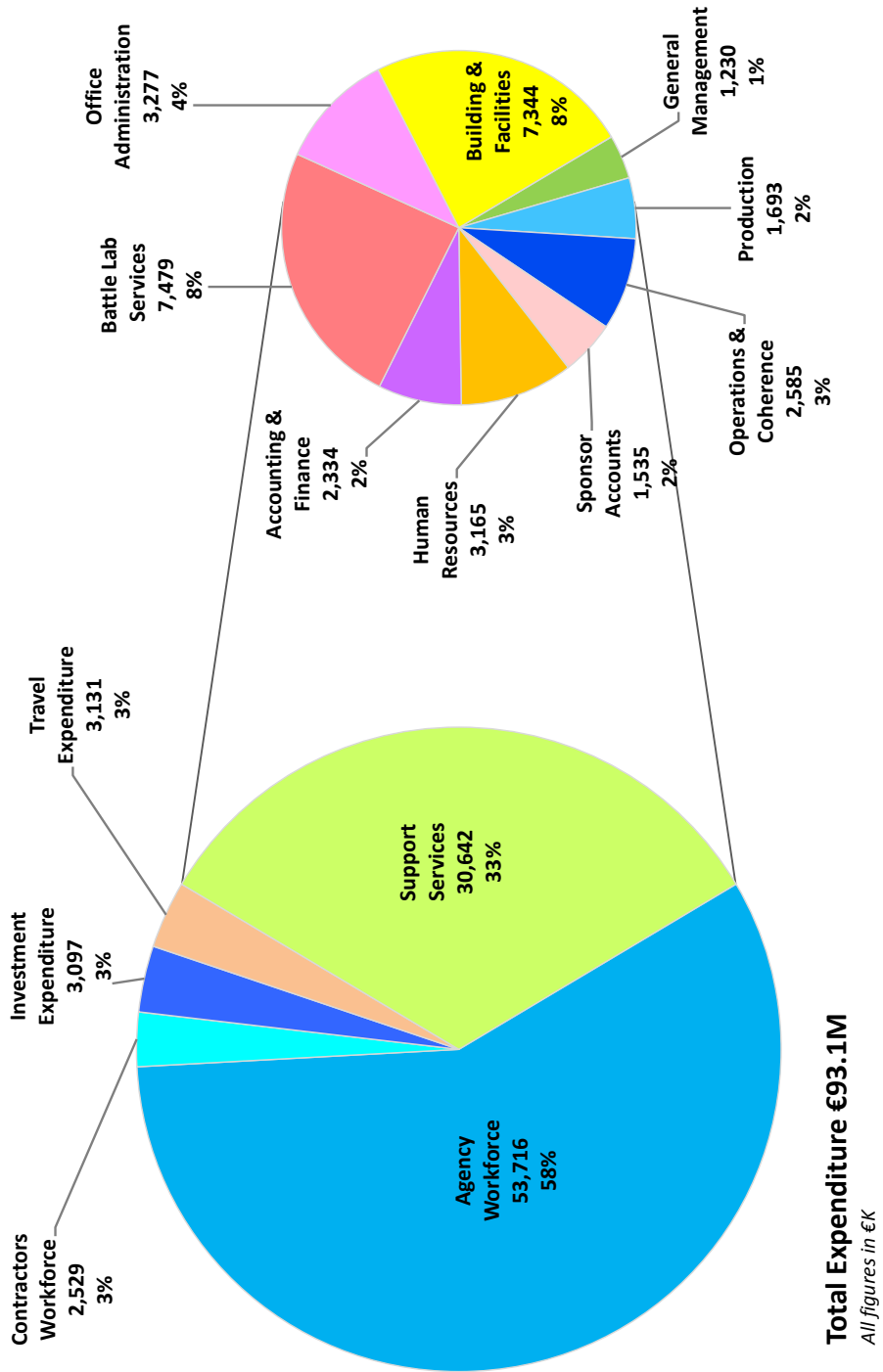


FIGURE 7 SUPPORT SERVICE EFFICIENCY EVOLUTION

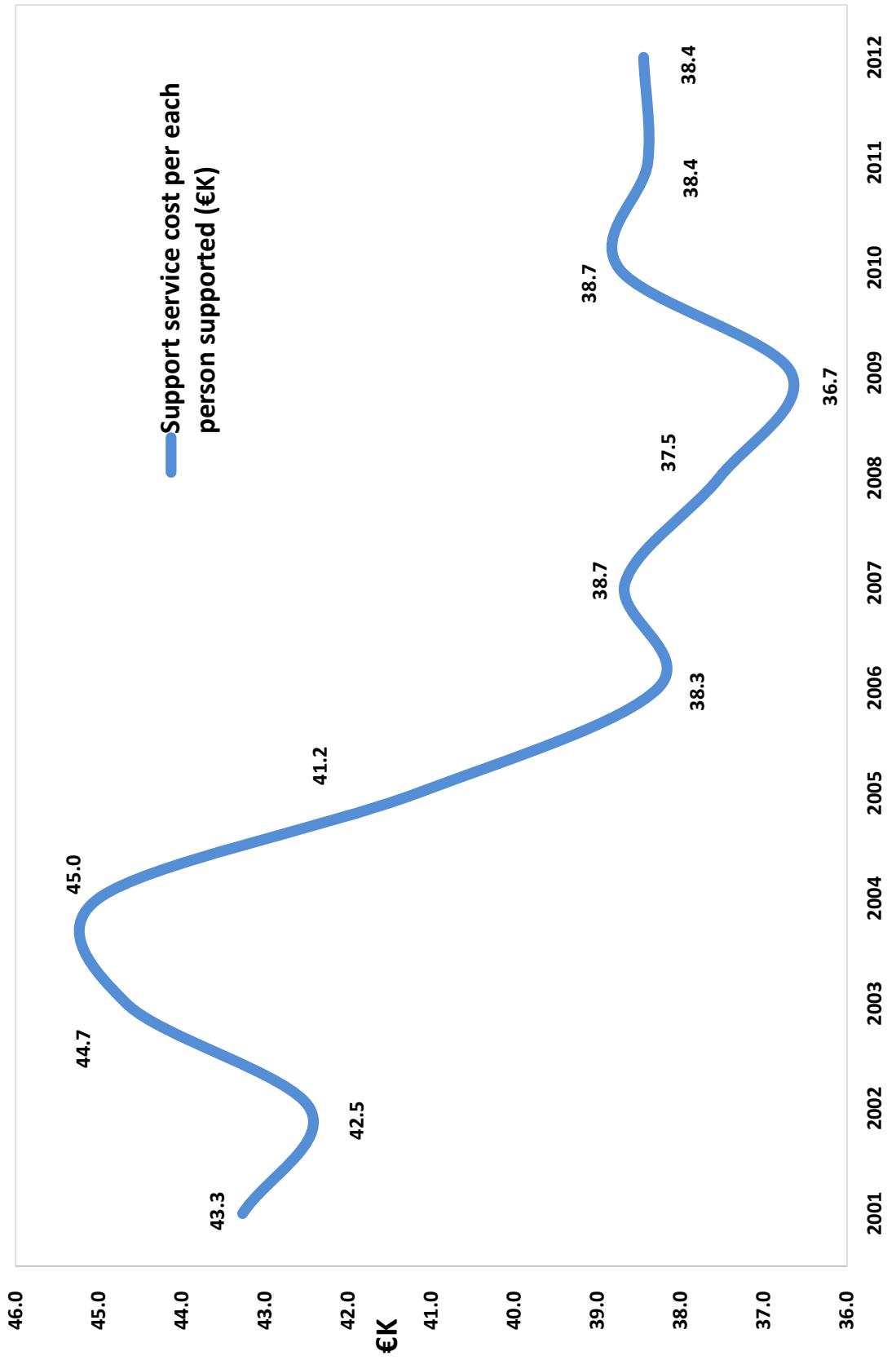
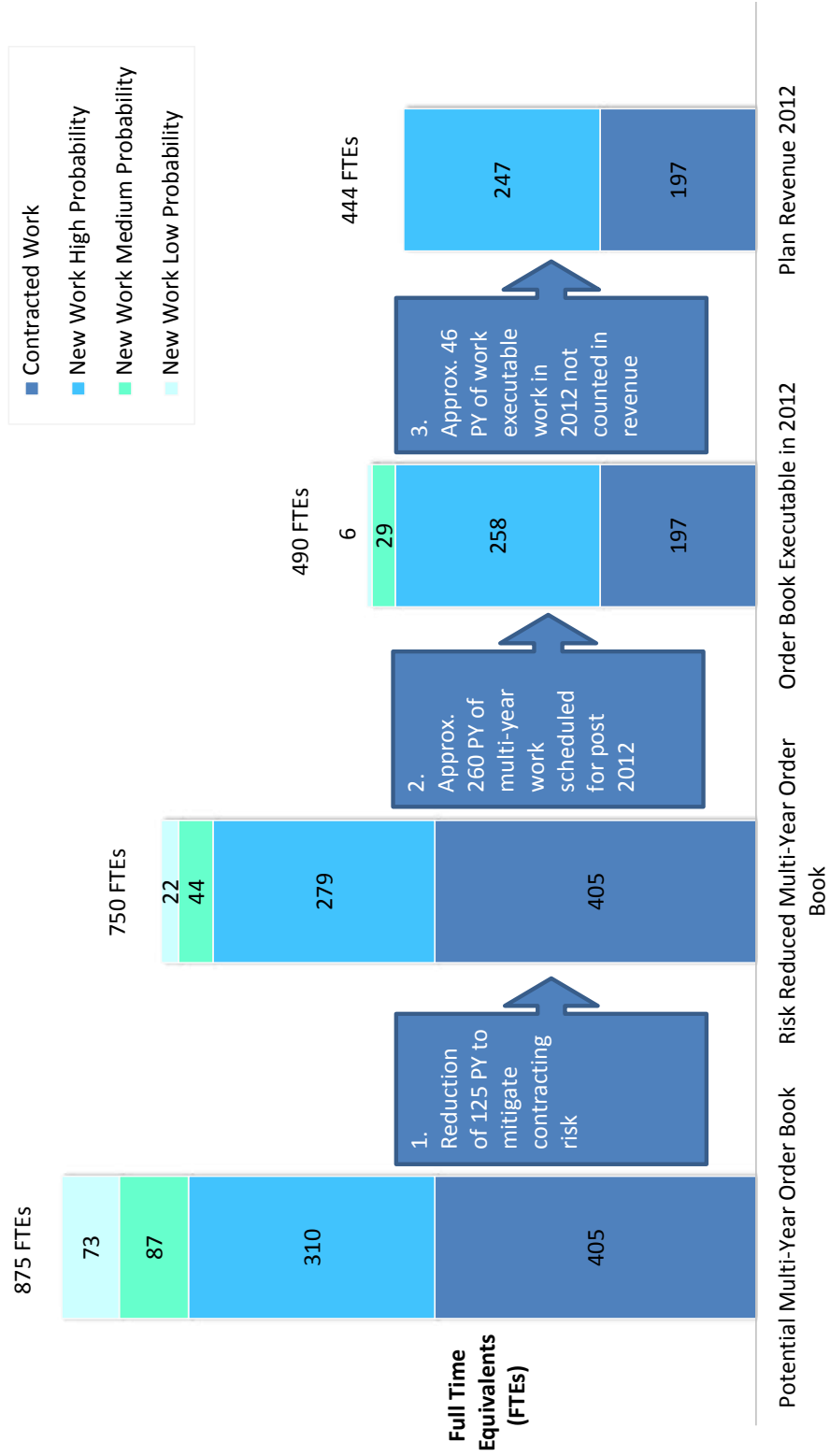


FIGURE 8 FINANCIAL RISK ASSESSMENT



* A comprehensive explanation of Risk Assessment process is provided in section 1.5

FIGURE 9 CHARGE OUT RATES 2005 – 2012

Grade <i>Figures in €</i>	2005	2006	2007	2008	2009	2010	2011	2012
A5	1,332	1,349	1,349	1,379	1,406	1,372	1,505	1,553
A4	1,153	1,168	1,168	1,194	1,217	1,213	1,309	1,349
A3	925	978	978	1,000	1,020	965	1,043	1,088
A2	709	740	740	756	771	757	812	859
B6	736	760	760	777	792	698	765	780
B5	602	574	574	586	598	646	688	718
B4	511	531	531	543	554	540	591	600
B3	460	472	472	483	492	475	511	528
Military*	431	427	385	388	390	367	428	441
% Weighted Avg. Change	--	1.40%	0.00%	2.20%	2.00%	-2.20%	8.00%	3.75%

(*) For military staff, NC3A charges Support Services Cost Recovery only.

FIGURE 10 PERSONNEL ESTABLISHMENT 2012

Grades	FP 2009	FP 2010	FP 2011	FP 2012 Total Planned Establishment	Changes from 2009 to 2012	Changes from 2010 to 2012	Changes from 2011 to 2012
A7	1	1	1	1	0	0	0
A6	8	8	8	8	0	0	0
A5	31	31	27	24	(7)	(7)	(3)
A4	180	166	153	146	(34)	(20)	(7)
A3	233	229	191	202	(31)	(27)	11
A2	47	46	32	31	(16)	(15)	(1)
LT3	1	1	0	0	(1)	(1)	0
B6	25	21	21	19	(6)	(2)	(2)
B5	73	70	66	68	(5)	(2)	2
B4	72	76	72	73	1	(3)	1
B3	54	52	43	43	(11)	(9)	0
B2	4	5	5	4	0	(1)	(1)
C5	1	1	1	1	0	0	0
C4	7	7	7	7	0	0	0
C3	15	15	14	14	(1)	(1)	0
Civilians	752	729	641	641	(111)	(88)	0
Military	55	56	56	56	1	0	0
Total	807	785	697	697	(110)	(88)	0

Note 1:

The total personnel establishment (PE) of NC3A is comprised of a military PE and a civilian PE. The approved military PE ceiling is 57 posts. This table displays the military complement at 56 posts due to one post being approved as civilian / military and currently being filled by civilian staff. This table excludes 6 VNC positions in the ALTBMD PO.

Note 2:

Of the 8 x A6 posts, six are currently filled. Two of the posts are filled by incumbents of other posts.

Of the 24 x A5 posts, twenty-two are currently filled. Two of the posts are not filled but the responsibilities and duties are being managed by other staff.

5 ANNEX A PRO-FORMA FINANCIAL TABLES

TABLE 1 INDIRECT OPERATING EXPENDITURES: OUTPUT BASED

		CASH						
(All amounts in 1000 EUR)		ACCRUAL						
	FTE	Invest- ment	Pers. Cost	O&M	Total Expend.	Deprec.	Total Expens.	Variance
Administration	12	0	1,194	36	1,230	0	1,230	0
General Management	12	0	1,194	36	1,230	0	1,230	0
Production	22	0	1,693	0	1,693	0	1,693	0
Production	22	0	1,693	0	1,693	0	1,693	0
Acquisition Coherence	6	0	621	0	621	0	621	0
Content Coherence	9	0	1,166	0	1,166	0	1,166	0
Programme Coherence	7	0	799	0	799	0	799	0
Operations & Coherence	21	0	2,585	0	2,585	0	2,585	0
ACO	4	0	235	0	235	0	235	0
ACT	3	0	502	0	502	0	502	0
NATO & Nations	3	0	342	300	642	0	642	0
NIP	3	0	156	0	156	0	156	0
Sponsor Accounts	12	0	1,235	300	1,535	0	1,535	0
Recruitment	4	0	335	137	472	0	472	0
Payroll & Benefits	6	0	457	1,234	1,692	0	1,692	0
Performance Management	1	0	57	0	57	0	57	0
Learning & Development	1	0	90	532	622	0	622	0
Policy & Advice	4	0	323	0	323	0	323	0
Human Resources	15	0	1,262	1,904	3,165	0	3,165	0
Policy & Advice	2	0	158	0	158	0	158	0
Financial Planning	2	0	190	0	190	0	190	0
Accounting & Control	11	0	1,292	0	1,292	0	1,292	0
Treasury, AP & AR	5	0	436	0	436	0	436	0
Travel Claims	2	0	150	0	150	0	150	0
Procurement Support	1	0	107	0	107	0	107	0
Accounting & Finance	22	0	2,334	0	2,334	0	2,334	0
Policy & Advice	3	0	327	0	327	0	327	0
Service Desk	5	0	358	0	358	0	358	0
Network & Core Services	12	0	1,319	1,339	2,658	66	2,724	66
Application Services	3	0	246	709	955	0	955	0
Capital & Investments	1	713	95	323	1,131	623	1,041	-89
Communication Services	2	0	180	348	527	0	527	0
Information Services	9	0	994	0	994	0	994	0
Registry	5	0	327	140	467	0	467	0
Library	1	0	75	0	75	0	75	0
Editing & Translation	0	0	0	10	10	0	10	0
Battle Lab Services	41	713	3,920	2,869	7,502	689	7,479	-23
Reproduction	2	39	191	0	230	0	191	-39
Graphics Support	2	0	178	0	178	4	182	4
Multimedia Support	2	0	168	209	377	0	377	0
Stores	4	0	315	105	420	65	485	65
Conferences Services	4	0	336	0	336	0	336	0
Travel Services	3	0	246	505	751	0	751	0
Contracting	3	0	273	0	273	0	273	0
Legal	4	0	489	0	489	0	489	0
Transport	0	0	23	55	78	9	87	9
Mechanical Prototyping	1	0	90	16	106	0	106	0
Office Administration	25	39	2,309	890	3,238	78	3,277	39
Buildings & Facilities	13	944	1,109	3,229	5,281	1,184	5,522	240
Security	19	0	1,356	0	1,356	0	1,356	0
Cleaning & Catering	1	0	68	398	466	0	466	0
Building & Facilities	33	944	2,533	3,626	7,104	1,184	7,344	240
TOTAL	202	1,695	19,065	9,626	30,386	1,951	30,642	256

TABLE 2 PRO-FORMA STATEMENT OF FINANCIAL POSITION

(All amounts in 1000 EUR)

	Actual	Plan	Plan	Inflation %	1.72%
	31-Dec-10	31-Dec-11	31-Dec-12	Variance	%
ASSETS					
Cash and cash equivalents	18,891	18,996	19,057	61	0.3%
Short-term investments	112,478	113,098	113,463	365	0.3%
Receivables from sponsors	32,191	32,368	32,472	104	0.3%
Other receivables	99	100	100	0	0.3%
Inventory	0	0	0	0	0.0%
Work in progress	3,620	3,640	3,652	12	0.3%
Prepayments and deposits	0	0	0	0	0.0%
Transitory assets accounts	-15	-16	-16	0	0.3%
Current assets	167,264	168,186	168,728	542	0.3%
Long-term receivables	0	0	0	0	0.0%
Long-term investments	0	0	0	0	0.0%
Other financial assets	0	0	0	0	0.0%
Infrastructure, plant and equipment	2,762	1,489	1,809	320	21.5%
Land and buildings	1,643	1,168	622	-546	-46.8%
Intangible assets	159	60	30	-30	-50.0%
Other non-financial assets	0	0	0	0	0.0%
Non-current assets	4,564	2,717	2,461	-256	-9.4%
TOTAL ASSETS	171,827	170,903	171,189	286	0.2%
LIABILITIES					
Tax and personnel related payables	949	944	941	-3	-0.3%
Retirement and pension plan related payables	26	26	26	0	-0.3%
Advances from customers	70,625	70,236	70,007	-229	-0.3%
Trade payables	89,307	88,814	88,525	-290	-0.3%
Other payables	4,198	4,175	4,161	-14	-0.3%
Short-term borrowings	0	0	0	0	0.0%
Current portion of borrowings	404	404	404	0	0.0%
Transitory liabilities accounts	0	0	0	0	0.0%
Current liabilities	165,508	164,598	164,063	-535	-0.3%
Long-term tax and personnel related payables	0	0	0	0	0.0%
Long-term pension plan related payables	0	0	0	0	0.0%
Long-term payables	0	0	0	0	0.0%
Long-term borrowings	0	0	0	0	0.0%
Provisions	2,572	2,558	2,549	-8	-0.3%
Non-current liabilities	2,572	2,558	2,549	-8	-0.3%
NET ASSETS/EQUITY					
Capital contributed by other government entities	0	0	0	0	0.0%
Prior year accumulated surpluses/(deficits)	11,869	3,747	3,747	0	0.0%
This year surplus/(deficit)	-8,122	0	830	830	0.0%
	3,747	3,747	4,577	830	22.2%
Minority interest	0	0	0	0	0.0%
Net Assets/Equity	3,747	3,747	4,577	830	22.2%
TOTAL LIABILITIES	171,827	170,903	171,189	286	0.2%

TABLE 3 PRO-FORMA STATEMENT OF FINANCIAL PERFORMANCE

(All amounts in 1000 EUR)

	Realized	Plan	Plan	Inflation %	1.72%
	2010	2011	2012	Variance	%
OPERATING ACTIVITIES					
Acquisitions	313,091	325,000	322,300	-2,700	-0.8%
Project Services	93,094	85,809	91,460	5,652	6.6%
Host Agency	2,234	2,011	2,485	474	23.5%
Operations	95,327	87,820	93,945	6,125	7.0%
Revenue from operating activities	408,419	412,820	416,245	3,425	0.8%
Cost of acquisitions	313,296	325,000	322,300	-2,700	-0.8%
Personnel	60,561	51,688	53,716	2,028	3.9%
Contractors and Consultants	3,065	2,240	2,529	289	12.9%
Travel	4,402	2,612	3,131	519	19.9%
Investments	3,791	1,523	3,097	1,573	103.3%
Cost of operations	71,818	58,063	62,473	4,409	7.6%
Provisions	-1,425	0	0	0	0.0%
Cost of operating activities	383,689	383,063	384,773	1,709	0.4%
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	24,730	29,756	31,472	1,716	5.8%
GENERAL AND ADMINISTRATIVE COSTS					
Personnel	23,333	19,728	21,429	1,701	8.6%
Operations and maintenance	6,756	7,360	7,262	-98	-1.3%
Depreciation and amortization	3,285	2,669	1,951	-718	-26.9%
General and administrative costs	33,373	29,756	30,642	886	3.0%
NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	-8,643	0	830	830	0.0%
FINANCIAL INCOME AND COSTS					
Foreign exchange gains	1,068	0	0	0	0.0%
Foreign exchange losses	-464	0	0	0	0.0%
Financial income	43	0	0	0	0.0%
Financial costs	-50	0	0	0	0.0%
Financial income and costs	597	0	0	0	0.0%
NET SURPLUS/(DEFICIT) BEFORE EXTRAORDINARY ITEMS	-8,047	0	830	830	0.0%
EXTRAORDINARY INCOME AND COSTS					
Extraordinary gains	5	0	0	0	0.0%
Extraordinary losses	-80	0	0	0	0.0%
Extraordinary income and costs	-75	0	0	0	0.0%
NET SURPLUS/(DEFICIT) FOR THE PERIOD	-8,122	0	830	830	0.0%

TABLE 4 PRO-FORMA CASH FLOW STATEMENT

(All amounts in 1000 EUR)

				Inflation %	1.72%
	Realized	Plan	Plan	Variance	%
	2009-10	2010-11	2011-12		
CASH FLOW FROM OPERATING ACTIVITIES					
Cash flow from operating and other activities					
Net surplus/(deficit) from operating activities	-8,643	0	830	830	0.0%
Depreciation and amortization	3,285	2,669	1,951	-718	-26.9%
Financial income and costs	-7	0	0	0	0.0%
Extraordinary income and costs	-75	0	0	0	0.0%
Total cash flow from operating and other activities	-5,441	2,669	2,781	112	4.2%
Decrease/(increase) Current assets					
Decr./ (incr.) Transitory assets accounts	-58	0	0	0	0.0%
Decr./ (incr.) Work in progress	161	-20	-12	8	-41.2%
Decr./ (incr.) Other receivables	-52	-31	0	30	-99.0%
Decr./ (incr.) Receivables from sponsors	83,056	-147	-104	43	-29.2%
Total decrease/(increase) Current assets	83,108	-198	-116	82	-41.2%
Increase/(decrease) Current liabilities					
Incr./ (decr.) Provisions	-1,722	-14	-8	6	-41.2%
Incr./ (decr.) Current portion of borrowings	-416	0	0	0	0.0%
Incr./ (decr.) Other payables	2,564	-23	-14	10	-41.2%
Incr./ (decr.) Trade payables	19	-492	-290	203	-41.2%
Incr./ (decr.) Advances from customers	-576	-389	-229	160	-41.2%
Incr./ (decr.) Retirement and pension plan related payables	-75	0	0	0	0.0%
Incr./ (decr.) Tax and personnel related payables	-84	-5	-3	2	-41.2%
Total increase/(decrease) Current liabilities	-291	-924	-544	381	-41.2%
NET CASH FLOW FROM OPERATING ACTIVITIES	77,376	1,547	2,121	575	37.2%
CASH FLOW FROM INVESTING ACTIVITIES					
Decr./ (incr.) Fixed assets	-1,318	-822	-1,695	-873	106.2%
Decr./ (incr.) Long-term receivables	0	0	0	0	0.0%
NET CASH FLOW FROM INVESTING ACTIVITIES	-1,318	-822	-1,695	-873	106.2%
CASH FLOW FROM FINANCING ACTIVITIES					
Incr./ (decr.) Long-term borrowings	0	0	0	0	0.0%
Incr./ (decr.) Net Assets/Equity	0	0	0	0	0.0%
NET CASH FLOW FROM FINANCING ACTIVITIES	0	0	0	0	0.0%
NET INCREASE/(DECREASE) CASH AND CASH	76,058	724	426	-298	-41.2%
EQUIVALENTS					
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	54,708	131,369	132,094	724	0.6%
Effect of foreign exchange rate changes	604	0	0	0	0.0%
CASH AND CASH EQUIVALENTS AT END OF PERIOD	131,369	132,094	132,520	426	0.3%

TABLE 5 PRO-FORMA STATEMENT OF CHANGES IN NET ASSETS/EQUITY

(All amounts in 1000 EUR)

	Accumulated Surpluses / (Deficits)	Total
BALANCE AT 31-DECEMBER-2010	3,747	3,747
Changes in accounting policy	0	0
Restated balance	3,747	3,747
Net increase/(decrease) of bookvalue of property, plant and equipment		0
Surplus/(deficit) on revaluation of property		0
Currency translation differences		0
Net increase/(decrease) of reserves	0	0
Net gains/(losses) not recognized in the Statement of Financial Performance		0
Net surplus for the period	0	0
BALANCE AT 31-DECEMBER-2011	3,747	3,747
Changes in accounting policy	0	0
Restated balance	3,747	3,747
Net increase/(decrease) of bookvalue of property, plant and equipment		0
Surplus/(deficit) on revaluation of property		0
Currency translation differences		0
Net increase/(decrease) of reserves	0	0
Net gains/(losses) not recognized in the Statement of Financial Performance	0	0
Net surplus for the period	830	830
BALANCE AT 31-DECEMBER-2012	4,577	4,577
NET CHANGE IN ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2012		830

TABLE 6 PRO-FORMA STATEMENT OF PROPERTY, PLANT & EQUIPMENT

(All amounts in 1000 EUR)

	Depr.%	ACQUISITION VALUE				DEPRECIATION				Inflation %	BOOK VALUE	
		Actual		Plan		Actual		Plan				
		31-Dec-10	2011	2012	31-Dec-12	31-Dec-10	2011	2012	31-Dec-12			
PROPERTY, PLANT AND EQUIPMENT												
ADP Equipment	33.3%	6,855	438	679	7,972	5,920	808	500	7,228	744		
Comms Equipment	33.3%	788	15	33	836	475	23	159	658	178		
Machinery	25.0%	403	5	70	478	300	91	29	420	58		
Installed Equipment	25.0%	3,027	10	834	3,871	1,936	677	535	3,148	723		
Office Furniture	25.0%	1,186	110	0	1,297	920	229	65	1,214	83		
Passenger Vehicles	25.0%	180	0	0	180	139	24	9	171	9		
Infrastructure, plant and		12,439	578	1,617	14,634	9,691	1,852	1,297	12,839	1,795		
Bâtiment Z BEL (IC Loan)	10.0%	5,936	0	0	5,936	4,795	719	507	6,021	-85		
Bâtiment Z BEL Other	20.0%	627	0	33	660	627	0	7	634	26		
NC3A Main Building NLD	10.0%	819	244	46	1,109	318	0	111	428	680		
Connecting Bridge NLD	20.0%	375	0	0	375	375	0	0	375	0		
Land and buildings		7,758	244	78	8,080	6,115	719	625	7,458	622		
Software Licences	33.3%	1,117	0	0	1,117	958	99	30	1,087	30		
Intangible assets		1,117	0	0	1,117	958	99	30	1,087	30		
TOTAL		21,314	822	1,695	23,831	16,764	2,669	1,951	21,384	2,447		



Location Brussels

Visiting Address

Bâtiment Z - Avenue du Bourget 140
B-1110 Brussels, Belgium

Mailing Address

Boulevard Léopold III, B-1110 Brussels, Belgium
Telephone +32 (0)2 707 4111
Fax +32 (0)2 707 8770

Location The Hague

Visiting Address

Oude Waalsdorperweg 61
2597 AK The Hague, The Netherlands

Mailing Address

P.O. Box 174, 2501 CD The Hague, The Netherlands
Telephone +31 (0)70 374 3000
Fax +31 (0)70 374 3239

www.nc3a.nato.int