

# FINANCIAL STATEMENTS

AND

# REPORT OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2004



DOCUMENTATION  
for the 36th Session of the Assembly in 2007

**FINANCIAL STATEMENTS AND  
REPORT OF THE EXTERNAL AUDITOR  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

**FOREWORD BY THE SECRETARY GENERAL**

1. The financial statements of the International Civil Aviation Organization for the year ended 31 December 2004 are presented under twelve different Funds or groups of Funds as indicated below. The magnitude of the financial operations, in terms of expenditures incurred, is indicated below against each Fund or group of Funds, and a summary is provided in Figure 1.

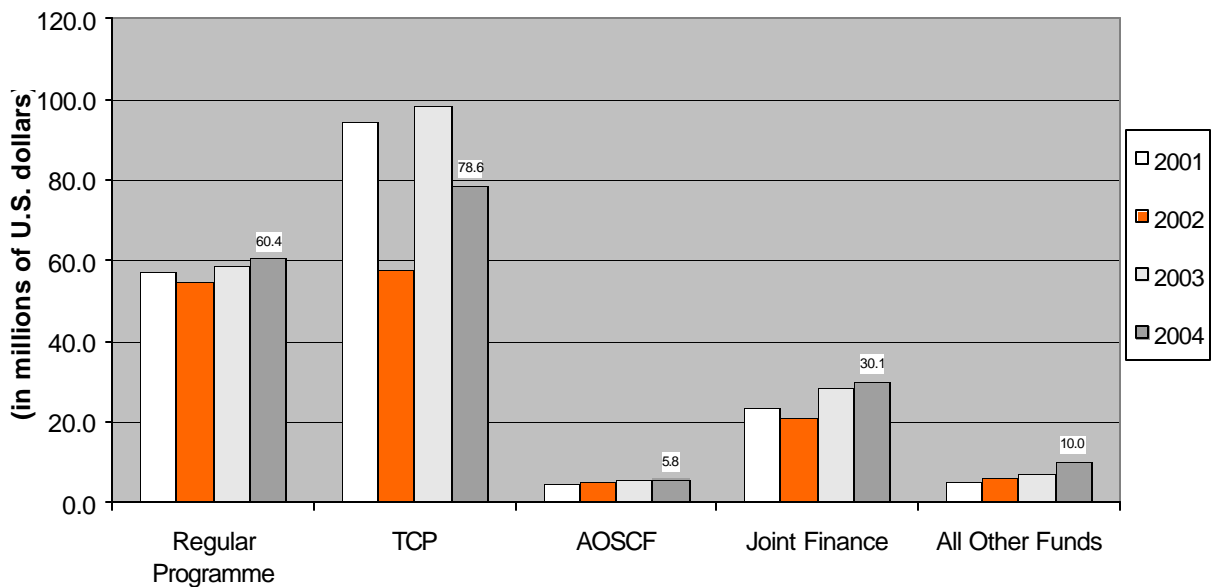
	<u>Total Expenditure</u> <u>(in United States dollars)</u>	
	<u>2004</u>	<u>2003</u>
1) Regular Programme (Funds appropriated by the Assembly or by the Council)	60 443 892	58 363 096
2) Joint Financing (Funds for the Joint Support of the Air Navigation Services)	30 052 486	28 239 912
3) Administrative and Operational Services Cost (Fund for the administration and operation of programmes of technical co-operation)	5 754 343	5 387 851
4) United Nations Development Programme (Funds mainly contributed by governments to UNDP under cost-sharing arrangements)*	9 739 106	7 160 327
5) Trust and Management Service Agreements (Funds provided by various contributors for technical co-operation projects executed by ICAO)*	53 354 346	40 468 588
6) Civil Aviation Purchasing Service (Funds provided by various contributors for civil aviation purchases on their behalf)*	15 512 984	50 862 367
7) Aviation Security Trust (Funds provided by various contributors for the improvement of aviation security)	4 427 287	2 592 111
8) ICAO Universal Safety Oversight Audit Programme (Funds provided by various contributors for safety oversight audits)	237	10 752
9) ICAO Objectives Implementation Mechanism (Funds provided by various contributors for technical co-operation)*	112 535	68 902
10) Special Accounts/Funds	1 965 288	1 836 949
11) International Financial Facility for Aviation Security Fund	132 398	97 641
12) Other (Funds not falling under any of the above categories)*	<u>3 444 753</u>	<u>2 672 293</u>
Total	<u>184 939 655</u>	<u>197 760 789</u>

\* Excluding the administrative overhead charges.

2. Summary information relating to income, expenditures, assets and liabilities on the main ICAO Funds and the combined total of all Funds is shown in Statements I and II.

3. A comparison of overall expenditures, in millions of United States dollars, for all ICAO activities during the last four years is provided in Figure 1 below.

**FIGURE 1**  
**TOTAL EXPENDITURES - ALL FUNDS COMPARISONS**  
**AS AT 31 DECEMBER**



4. **REGULAR PROGRAMME**

4.1 **Appropriations.** The 33<sup>rd</sup> Session of the Assembly in 2001, under Resolution A33-23, Clause A 2), voted appropriations in the amount of \$ 60 456 000 for 2004. Details of appropriations, transfers, expenditure and unobligated balances of appropriations by Major Programme are given in Statement IV on page 12. The budgetary results for 2004 may be summarized as follows:

Original appropriations	\$ 60 456 000
Carried over from 2003	2 524 077
Carried over to 2005	<u>(1 978 299)</u>
Revised appropriations	61 001 778
Total expenditure	<u>60 443 892</u>
Unobligated balance of appropriations	<u>\$ 557 886</u>

4.2 **Income.** The appropriations for the year 2004 approved by the 33rd Session of the Assembly were to be financed by assessments on Contracting States in the amount of \$ 50 500 000, Miscellaneous Income estimated at \$ 4 327 000, and cash surplus of \$ 5 629 000. The actual results are given in Statement I on page 9 and the following comments apply:

- a) Assessments on Contracting States for 2004 amounted to \$ 50 530 300, including an assessment of \$ 30 300 from a new Contracting State.
- b) Miscellaneous Income amounted to \$ 5 787 016 compared with the estimate of \$ 4 327 000.

4.3 **Surplus.** The total cumulative surplus as at 31 December 2004, as reflected in Statement V, amounted to \$ 15 773 154, as compared to \$ 14 389 238 in 2003. This is comprised of assessments receivable from Contracting States of \$ 12 790 042 and cash surplus of \$ 2 983 112 as at 31 December 2004 (deficit of \$ 232 015 as at 31 December 2003). A reduction in the assessments receivable by \$ 1 831 211 in 2004 as compared to 2003 as presented in Statement V, and budget savings of approximately \$ 558 000, contributed largely to the cash surplus position of 2004.

4.4 **Cash Balances.** The cash balance held in the General Fund as at 31 December 2004 amounted to \$ 18 521 004 (including the balance in the Working Capital Fund) and is reflected in Statement II.

4.5 **Forward Purchase of Currency.** In order to reduce the effect of currency fluctuations between the United States and Canadian dollars on the budget and to assist in eliminating the issue of forecasting currency exchange rates in the budget, the Organization entered into forward purchase contracts for Canadian dollars. The total value of the contracts amounted to \$ 151 212 000 Canadian dollars (costing U.S.\$ 97 177 403) for delivery during the period 4 January 2002 to 1 December 2004. During 2004, the balance of \$ 50 710 000 Canadian dollars was received at an actual cost of U.S.\$ 32 596 041.

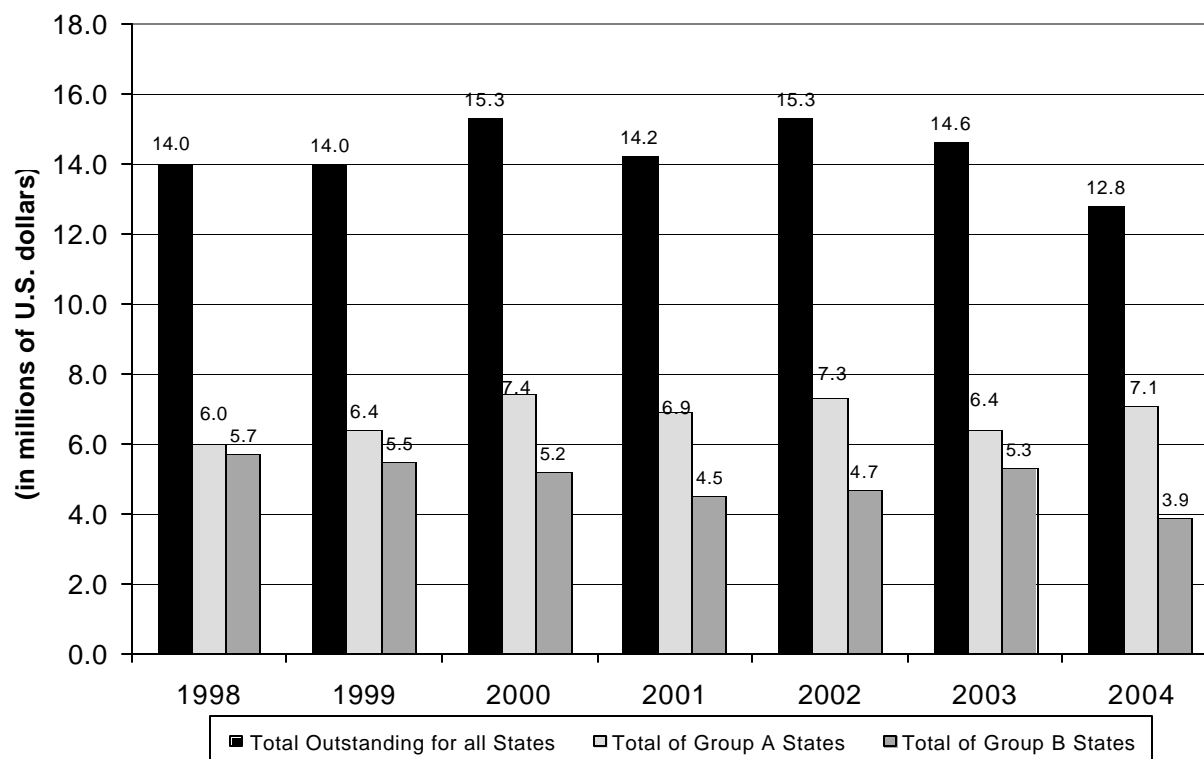
## 5. **REGULAR PROGRAMME - STATUS OF CONTRIBUTIONS**

5.1 As stated in paragraph 4.2 a) above, assessed contributions for 2004 amounted to \$ 50 530 300; during the course of the year, \$ 48 894 518 was received, and \$ 1 635 782 remained outstanding at the year end against the current year's assessments. At the beginning of the year, \$ 14 621 253 was receivable from States in respect of 2003 and prior years; payment of \$ 3 466 993 was received, leaving a balance outstanding of \$ 11 154 260. The assessments receivable for all years totalled \$ 12 790 042 as at 31 December 2004. Details are provided in Schedules A and B. The percentage of receipts of contributions for the last four years in relation to the amount assessed was in excess of 95 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each of the years since 1998.

5.2 Of the total outstanding contributions of \$ 12 790 042 as at 31 December 2004, \$ 253 173 pertained to States represented on the Council. As of the same date, outstanding contributions of Group B States, those in arrears for three full years or more, amounted to \$ 3 919 030, representing a marked improvement of \$ 1 366 262 since the end of the year 2003, when the balance was \$ 5 285 292.

5.3 As at 31 December 2004, 37 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior years' arrears. The note on Schedule B indicates the States that had not complied with the terms of their agreements at 31 December 2004.

**FIGURE 2**  
**ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES**  
**AS AT 31 DECEMBER**



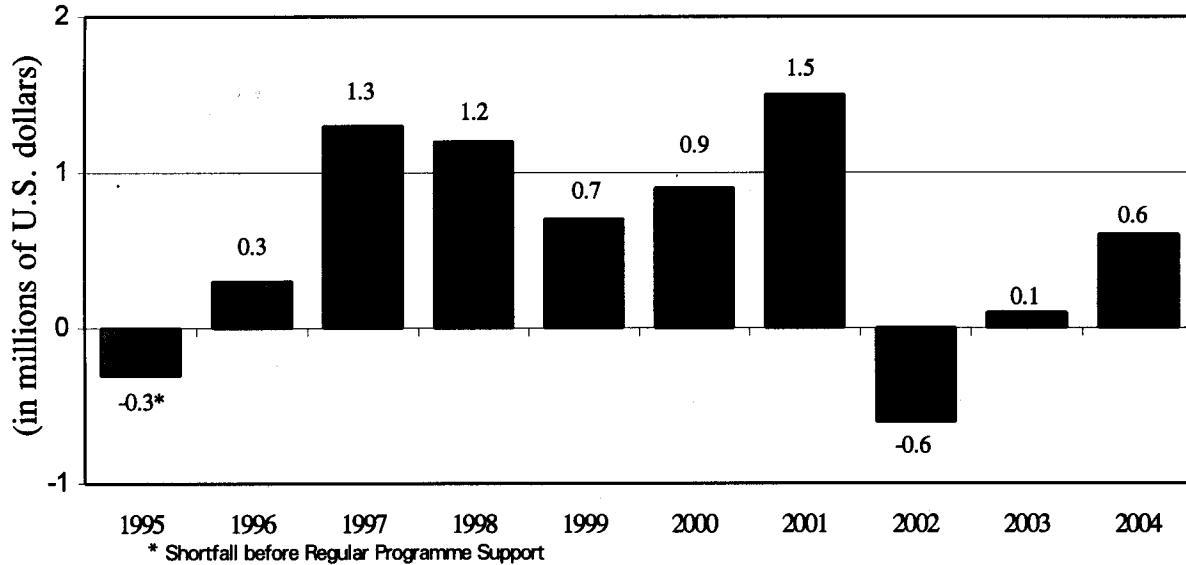
**6. ADMINISTRATIVE AND OPERATIONAL SERVICES COST FUND (AOSCF)**

6.1 The AOSCF is utilized to meet the costs of administration and operations of the Technical Cooperation Programme (TCP), and is primarily financed from administrative overhead charges on UNDP, CAPS, Trust Fund and MSA projects.

6.2 As shown in Figure 1, total expenditures for the Technical Co-operation Programme (TCP) in 2004 amounted to \$ 78 606 436, compared with \$ 98 491 282 in 2003. There was an increase in the recovery of overhead fees and support costs, which constitute the primary source of income for the AOSCF. During 2004, a significant portion of AOSCF revenue was earned on equipment implementation for which payments are made directly by governments to suppliers and which are therefore not reflected as expenditure in the Technical Cooperation Programme. The AOSCF income for 2004 was \$ 6 310 666, an increase of \$ 806 903 (15%) compared with 2003, and higher than the indicative income budget presented to the 33<sup>rd</sup> Session of the Assembly by \$ 2 532 666. The actual AOSCF expenditure, on the other hand, amounted to \$ 5 754 343, compared to the indicative budget presented to the 33<sup>rd</sup> Session of the Assembly of \$ 4 521 000. This amount includes non-budgeted losses on exchange for operational projects of \$ 228 479. The AOSCF fully recovered its costs for the year 2004 and also earned net income of \$ 556 323.

6.3 After taking into consideration the excess income of \$ 556 323, the accumulated surplus of the AOSCF increased from \$ 7 133 973 in 2003 to \$ 7 668 990 in 2004. From this amount, \$ 2.0 million has been reserved for transfer to the ICT Fund to finance part of the cost of modernizing ICAO's financial system, in accordance with Assembly Resolution A35-32.

**FIGURE 3**  
**AOSCF SHORTFALLS AND SURPLUS AS AT 31 DECEMBER\*\***



\*\* Note that the above amounts do not include the expenditure for improving the efficiency and effectiveness of TCB.


**7. THE INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY (IFFAS)**

Pursuant to Assembly Resolution A33-10, the Council, in the 167<sup>th</sup> Session held on 4 December 2002, established an International Financial Facility for Aviation Safety (IFFAS) and approved the IFFAS Administrative Charter. IFFAS operates under the purview of the Council, and in accordance with its Administrative Charter and the Assembly Resolution A33-10 (*Establishment of an International Financial Facility for Aviation Safety*).


The balance of funds in IFFAS as at 31 December 2004 amounted to \$ 1 842 481, compared to \$ 1 492 280 at the end of 2003.

**8. CERTIFICATION AND APPROBATION:**

The Statements included in this annual report are certified:

  
Salleppan Kandasamy  
Chief, Finance Branch

The Statements included in this annual report are approved:

  
Taïeb Chérif  
Secretary General

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS FOR THE PERIOD ENDING**  
**31 DECEMBER 2004**

	<b>Page</b>
<b>AUDIT OPINION</b> .....	7
Statement I - Statement of Income and Expenditure and Changes in Fund Balances .....	9
Statement II - Statement of Assets, Liabilities and Fund Balances .....	10
Statement III - Statement of Cash Flow.....	11
Statement IV - Statement of Appropriations.....	12
Statement V - Statement of Cumulative Surplus.....	13
<b>REGULAR PROGRAMME</b>	
Schedule A - Assessments on Contracting States for the Financial Year 2004 .....	14
Schedule B - Assessments Receivable From Contracting States in Respect of All Financial Years.....	17
Schedule C - Contributions Received in Advance.....	19
<b>SPECIAL ACCOUNTS/FUNDS</b>	
Schedule D - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	20
<b>JOINT FINANCING FUNDS</b>	
Schedule E - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	22
Schedule E.1 - Schedule of Assessments, Balances Receivable and Credits to Contracting Governments, in respect of Danish & Icelandic Joint Financing Agreements.....	23
<b>UNITED NATIONS DEVELOPMENT PROGRAMME</b>	
Schedule F - Schedule of the Status of Funds.....	25
Schedule F.1 - Expenditure by Country and Region.....	26
<b>TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS</b>	
Schedule G - Schedule of Income, Expenditure and Fund Balances .....	27
<b>CIVIL AVIATION PURCHASING SERVICE FUNDS</b>	
Schedule H - Schedule of Income, Expenditure and Fund Balances .....	29
<b>AVIATION SECURITY TRUST FUND</b>	
Schedule I - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	30
<b>ICAO UNIVERSAL SAFETY OVERSIGHT AUDIT PROGRAMME FUND</b>	
Schedule J - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	31
<b>ICAO OBJECTIVES IMPLEMENTATION MECHANISM FUND</b>	
Schedule K - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	32
<b>INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY FUND</b>	
Schedule L - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	33
<b>OTHER FUNDS</b>	
Schedule M - Schedule of Income, Expenditure, Assets, Liabilities and Fund Balances .....	34
<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	36
<b>REPORT OF THE EXTERNAL AUDITOR</b> .....	53





## OPINION OF THE EXTERNAL AUDITOR

To the Assembly of the  
International Civil Aviation Organization

I have audited the statement of assets, liabilities and fund balances of the International Civil Aviation Organization (ICAO) as at 31 December 2004, and the statements of income and expenditure and changes in fund balances, cash flow for ICAO's funds, surplus and appropriations for the regular programme general fund and supporting schedules for the year then ended. These financial statements are the responsibility of the Secretary-General. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency and conforming with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2004 and the results of its operations and changes in fund balances, cash flows for the ICAO's funds, surplus and appropriations for the regular programme general fund for the year then ended in accordance with the International Civil Aviation Organization's accounting policies set out in Notes 2 of the financial statements. As required by the Financial Regulations, I report that, in our opinion, these principles has been applied, except for the change in the method of accounting for forward currency purchase contracts as explained in Note 3-regular programme to the financial statements on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the International Civil Aviation Organization that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the International Civil Aviation Organization's Financial Regulations and legislative authority.

In accordance with Article XIII of the Financial Regulations, I have also issued a long-form report on my audit of the International Civil Aviation Organization.

Sheila Fraser, FCA  
Auditor General of Canada  
External Auditor of the ICAO

Montreal, Canada  
16 May 2005

*This page intentionally left blank*

*See hard copy for  
letter from External Auditor  
Statements and Schedules  
(pages 9 to 34)*

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES

FOR THE PERIOD ENDING 31 DECEMBER 2004

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Administrative and Operational Services Cost Fund		Special Accounts/ Funds		Sub-total ICAO Funds		Joint Financing Funds		United Nations Development Programme		Trust Funds and Management Service Agreements		Civil Aviation Purchasing Service Funds		ICAO Mechanisms (1)		Other Funds (2)		Eliminations		Total		
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	
<b>INCOME</b>																									
Assessed Contributions (Schedules A and E)	50 530	50 360					50 530	50 360	387	436													50 917	50 796	
Contributions					125	150	125	150					62 112	55 353	22 772	47 367	3 526	2 075	354	377			88 889	105 322	
Earmarked Contributions																	923	2 040	389				1 312	2 040	
Other Income																									
Sale of publications	4 143	4 109					4 143	4 109															4 143	4 109	
Funds received under inter-organization arrangements											14 646	14 259											14 646	14 259	
Administrative overhead	8	21	5 940	4 631			5 948	4 652													(5 948)	(4 652)			
Interest income	137	205	84	71	95	81	316	357	15	13			1 202	674	462	221	128	62	61	49			2 184	1 376	
User charge / Administrative fee revenues									31 639	26 168									1 267	2 774			32 906	28 942	
Other	1 499	1 432	286	802	1 164	1 496	2 949	3 730					1 082	876	119	551	472	303					4 622	5 460	
<b>TOTAL INCOME</b>	<b>56 317</b>	<b>56 127</b>	<b>6 310</b>	<b>5 504</b>	<b>1 384</b>	<b>1 727</b>	<b>64 011</b>	<b>63 358</b>	<b>32 041</b>	<b>26 617</b>	<b>14 646</b>	<b>14 259</b>	<b>64 396</b>	<b>56 903</b>	<b>23 353</b>	<b>48 139</b>	<b>5 049</b>	<b>4 480</b>	<b>2 071</b>	<b>3 200</b>	<b>(5 948)</b>	<b>(4 652)</b>	<b>199 619</b>	<b>212 304</b>	
<b>EXPENDITURE</b>																									
Salaries and common staff costs	52 284	49 254	5 317	4 609	1 026	825	58 627	54 688									2 551	1 476	539	582			61 717	56 746	
General operating expenses	5 942	6 297	45	71	335	485	6 322	6 853											55	50			6 377	6 903	
Travel	929	1 551	91	86	104	43	1 124	1 680									1 582	922	61	63			2 767	2 665	
Equipment	382	567	14	8	353	116	749	691			4 842	831	24 757	14 075	15 119	50 357	64	79					45 531	66 033	
Meetings	770	464					770	464															770	464	
Expert and other personnel costs											3 991	4 315	24 962	24 093			29						28 982	28 408	
Subcontracts													1 016	714	114	251							2 303	1 981	
Training											549	654	892	1 001			79	36					1 520	1 691	
Administrative overhead charges											722	521	4 839	2 591	370	1 515	9	4	8	21	(5 948)	(4 652)			
Service costs									29 913	28 031									2 701	1 905			32 614	29 936	
Other	137	230	287	69	147	368	571	667	140	209	357	344	555	586	280	254	235	158	221	170			2 359	2 388	
<b>SUBTOTAL</b>	<b>60 444</b>	<b>58 363</b>	<b>5 754</b>	<b>4 843</b>	<b>1 965</b>	<b>1 837</b>	<b>68 163</b>	<b>65 043</b>	<b>30 053</b>	<b>28 240</b>	<b>10 461</b>	<b>7 681</b>	<b>58 194</b>	<b>43 060</b>	<b>15 883</b>	<b>52 377</b>	<b>4 549</b>	<b>2 675</b>	<b>3 585</b>	<b>2 791</b>	<b>(5 948)</b>	<b>(4 652)</b>	<b>184 940</b>	<b>197 215</b>	
<b>UNUSUAL ITEM</b>																									
Shortfall of Reimbursement from Vietnam (Note 6 - AOSCF)				545				545																545	
<b>TOTAL EXPENDITURE</b>	<b>60 444</b>	<b>58 363</b>	<b>5 754</b>	<b>5 388</b>	<b>1 965</b>	<b>1 837</b>	<b>68 163</b>	<b>65 588</b>	<b>30 053</b>	<b>28 240</b>	<b>10 461</b>	<b>7 681</b>	<b>58 194</b>	<b>43 060</b>	<b>15 883</b>	<b>52 377</b>	<b>4 549</b>	<b>2 675</b>	<b>3 585</b>	<b>2 791</b>	<b>(5 948)</b>	<b>(4 652)</b>	<b>184 940</b>	<b>197 760</b>	
<b>NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>(4 127)</b>	<b>(2 236)</b>	<b>556</b>	<b>116</b>	<b>(581)</b>	<b>(110)</b>	<b>(4 152)</b>	<b>(2 230)</b>	<b>1 988</b>	<b>(1 623)</b>	<b>4 185</b>	<b>6 578</b>	<b>6 202</b>	<b>13 843</b>	<b>7 470</b>	<b>(4 238)</b>	<b>500</b>	<b>1 805</b>	<b>(1 514)</b>	<b>409</b>			<b>14 679</b>	<b>14 544</b>	
<b>BALANCE OF FUNDS</b>																									
Adjustment of prior year's unliquidated obligation/expenditure	250	191	8	3	8	6	266	200									47	17					313	217	
Transfers to/from other funds (Statement V)	(914)	(1 364)	(29)		943	(746)	(2 110)	(2 110)					102	18	(92)	(18)	(10)	1 055		1 055					
Refund of contributions/transfer of Fund balances													(3 690)	(4 684)	(561)	(271)	(9)	(3)	(308)	(15)			(4 568)	(4 973)	
Reserved surplus for derivative asset	10 976						10 976																10 976		
Fund balances, beginning of period	29 611	33 020	7 134	7 015	6 925	7 775	43 670	47 810	(2 440)	(817)	(16 021)	(22 599)	30 762	21 585	(3 674)	853	8 184	5 310	5 526	4 077			66 007	56 219	
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>35 796</b>	<b>29 611</b>	<b>7 669</b>	<b>7 134</b>	<b>7 295</b>	<b>6 925</b>	<b>50 760</b>	<b>43 670</b>	<b>(452)</b>	<b>(2 440)</b>	<b>(11 836)</b>	<b>(16 021)</b>	<b>33 376</b>	<b>30 762</b>	<b>3 143</b>	<b>(3 674)</b>	<b>8 712</b>	<b>8 184</b>	<b>3 704</b>	<b>5 526</b>			<b>87 407</b>	<b>66 007</b>	

(1) The ICAO Mechanisms comprise the Aviation Security Trust Fund (Schedule I), ICAO Universal Safety Oversight Audit Programme Fund (Schedule J) and the ICAO Objectives Implementation Mechanism Fund (Schedule K).

(2) The Other Funds comprise the IFFAS Fund (Schedule L) and Other Funds (Schedule M).

The accompanying notes and schedules are an integral part of the financial statements.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
AS AT 31 DECEMBER 2004

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Administrative and Operational Services Cost Fund		Special Accounts/ Funds		Sub-total ICAO Funds		Joint Financing Funds		United Nations Development Programme		Trust Funds and Management Service Agreements		Civil Aviation Purchasing Service Funds		ICAO Mechanisms (1)		Other Funds (2)		Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>ASSETS</b>																								
Cash and term deposits	18 521	16 320	5 123	5 703	7 774	7 463	31 418	29 486	909	1 429	232	1 690	57 212	44 954	19 260	34 864	9 536	7 048	3 981	5 865			122 548	125 336
Accounts receivable:																								
Assessed contributions receivable from Contracting States (Schedule B)	12 800	14 634					12 800	14 634															12 800	14 634
Inter-fund balances	804	665	1 315	1 661	115	398	2 234	2 724	1	49	5 740	3 706	1 500	943	191	2 490	71	1 701	113	39	(9 850)	(11 652)	10 336	9 253
Receivables and advances	4 430	3 949	533	689	142	398	5 105	5 036	2 586	993	2 394	2 604	165	105		3	68	21	18	491				
Recoverable from Regional Bodies : AFCAC and LACAC (Note 5 - Regular Programme)	1 418	1 651					1 418	1 651															1 418	1 651
Other assets	53	107	1 542				1 595	107															1 595	107
Derivative asset ( Note 3 - Regular Programme)	10 976						10 976																10 976	
Land and Buildings, at cost	1 065	1 065					1 065	1 065															1 065	1 065
<b>TOTAL ASSETS</b>	<b>50 067</b>	<b>38 391</b>	<b>8 513</b>	<b>8 053</b>	<b>8 031</b>	<b>8 259</b>	<b>66 611</b>	<b>54 703</b>	<b>3 496</b>	<b>2 471</b>	<b>8 366</b>	<b>8 000</b>	<b>58 877</b>	<b>46 002</b>	<b>19 451</b>	<b>37 357</b>	<b>9 675</b>	<b>8 770</b>	<b>4 112</b>	<b>6 395</b>	<b>(9 850)</b>	<b>(11 652)</b>	<b>160 738</b>	<b>152 046</b>
<b>LIABILITIES</b>																								
Contributions received in advance (Schedule C)	2 995	2 016					2 995	2 016										14					2 995	2 030
Unliquidated obligations	2 054	1 562	46	119	391	28	2 491	1 709			3 170	372	16 665	9 578	4 106	36 295	231	214	26	17			26 689	48 185
Accounts payable	2 971	2 547	260	119	17	91	3 248	2 757			16 943	21 056	4 847	3 071	11 850	3 578	52	52	60	62			37 000	30 576
Due to Regional Bodies : ECAC (Note 5 - Regular Programme)	1 026	358					1 026	358															1 026	358
Inter-fund balances	5 225	2 297	510	661	328	1 215	6 063	4 173	1	41	89	2 593	2 447	2 591	352	1 158	680	306	218	790	(9 850)	(11 652)		
Credits to contracting/servicing Governments (Schedule E)									3 947	4 870									104				4 051	4 870
Other credit balances and provisions			28	20			28	20					1 542										1 570	20
<b>TOTAL LIABILITIES</b>	<b>14 271</b>	<b>8 780</b>	<b>844</b>	<b>919</b>	<b>736</b>	<b>1 334</b>	<b>15 851</b>	<b>11 033</b>	<b>3 948</b>	<b>4 911</b>	<b>20 202</b>	<b>24 021</b>	<b>25 501</b>	<b>15 240</b>	<b>16 308</b>	<b>41 031</b>	<b>963</b>	<b>586</b>	<b>408</b>	<b>869</b>	<b>(9 850)</b>	<b>(11 652)</b>	<b>73 331</b>	<b>86 039</b>
<b>BALANCE OF FUNDS</b>																								
Represented by:																								
Contributed capital relating to land and buildings	1 065	1 065					1 065	1 065															1 065	1 065
Appropriations carried forward (Statement IV)	1 978	2 524					1 978	2 524															1 978	2 524
Cumulative Surplus (Statement V)	15 773	14 389					15 773	14 389															15 773	14 389
Reserved Cash Surplus (Note 10 - Regular Programme)		5 629						5 629																5 629
Working Capital Fund	6 004	6 004					6 004	6 004															6 004	6 004
Reserved Surplus ( Note 3 - Regular Programme, Note 3 - Special Accounts / Funds, Note 5 - AOSCF)	10 976		2 000	1 803	1 055	5 870	14 779	1 055			(11 836)	(16 021)	33 376	30 762	3 143	(3 674)	8 712	8 184	3 704	5 526			14 779	1 055
Balance of Funds			5 669	7 134	5 492	5 870	11 161	13 004	(452)	(2 440)	(11 836)	(16 021)	33 376	30 762	3 143	(3 674)	8 712	8 184	3 704	5 526			47 808	35 341
<b>TOTAL BALANCE OF FUNDS</b>	<b>35 796</b>	<b>29 611</b>	<b>7 669</b>	<b>7 134</b>	<b>7 295</b>	<b>6 925</b>	<b>50 760</b>	<b>43 670</b>	<b>(452)</b>	<b>(2 440)</b>	<b>(11 836)</b>	<b>(16 021)</b>	<b>33 376</b>	<b>30 762</b>	<b>3 143</b>	<b>(3 674)</b>	<b>8 712</b>	<b>8 184</b>	<b>3 704</b>	<b>5 526</b>			<b>87 407</b>	<b>66 007</b>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>	<b>50 067</b>	<b>38 391</b>	<b>8 513</b>	<b>8 053</b>	<b>8 031</b>	<b>8 259</b>	<b>66 611</b>	<b>54 703</b>	<b>3 496</b>	<b>2 471</b>	<b>8 366</b>	<b>8 000</b>	<b>58 877</b>	<b>46 002</b>	<b>19 451</b>	<b>37 357</b>	<b>9 675</b>	<b>8 770</b>	<b>4 112</b>	<b>6 395</b>	<b>(9 850)</b>	<b>(11 652)</b>	<b>160 738</b>	<b>152 046</b>

(1) The ICAO Mechanisms comprise the Aviation Security Trust Fund (Schedule I), ICAO Universal Safety Oversight Audit Programme Fund (Schedule J) and the ICAO Objectives Implementation Mechanism Fund (Schedule K).

(2) The Other Funds comprise the International Financial Facility for Aviation Safety Fund (Schedule L) and Other Funds (Schedule M).

The accompanying notes and schedules are an integral part of the financial statements.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDING 31 DECEMBER 2004**

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Administrative and Operational Services Cost Fund		Special Accounts/ Funds	
	2004	2003	2004	2003	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Net excess (shortfall) of income over expenditure (Statement I)	( 4 127)	( 2 236)	556	116	( 581)	( 110)
(Increase) decrease in contributions receivable	1 834	705				
(Increase) decrease in other accounts receivable	( 248)	( 654)	156	( 53)	256	( 240)
(Increase) decrease in other assets	54	( 75)	( 1 542)			
(Increase) decrease in inter-fund balances receivable	( 139)	426	346	( 1 314)	283	3 665
Increase (decrease) in contributions received in advance	979	( 1 157)				
Increase (decrease) in unliquidated obligations	492	280	( 73)	( 50)	363	( 111)
Increase (decrease) in accounts payable	1 092	( 1 253)	141	43	( 74)	( 70)
Increase (decrease) in inter-fund balances payable	2 928	( 3 253)	( 151)	( 949)	( 887)	733
Less : Interest income	( 137)	( 205)	( 84)	( 71)	( 95)	( 81)
Increase(decrease) in derivative asset (Note 3 - Regular Programme)	10 976					
Other adjustments to reserves and fund balances (Note 3 - Regular Programme)	( 10 976)					
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2 728</b>	<b>( 7 422)</b>	<b>( 651)</b>	<b>( 2 278)</b>	<b>( 735)</b>	<b>3 786</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Plus: Interest income	137	205	84	71	95	81
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>137</b>	<b>205</b>	<b>84</b>	<b>71</b>	<b>95</b>	<b>81</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Savings on or cancellation of prior periods' obligations	250	191	8	3	8	6
Transfers (to)/from other funds	( 914)	( 1 364)	( 29)		943	( 746)
Other credit balances and provisions			8	10		
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>( 664)</b>	<b>( 1 173)</b>	<b>( 13)</b>	<b>13</b>	<b>951</b>	<b>( 740)</b>
<b>NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS</b>	<b>2 201</b>	<b>( 8 390)</b>	<b>( 580)</b>	<b>( 2 194)</b>	<b>311</b>	<b>3 127</b>
<b>CASH AND TERM DEPOSITS, BEGINNING OF PERIOD</b>	<b>16 320</b>	<b>24 710</b>	<b>5 703</b>	<b>7 897</b>	<b>7 463</b>	<b>4 336</b>
<b>CASH AND TERM DEPOSITS, END OF PERIOD</b>	<b>18 521</b>	<b>16 320</b>	<b>5 123</b>	<b>5 703</b>	<b>7 774</b>	<b>7 463</b>

The accompanying notes and schedules are an integral part of the financial statements.

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND  
STATEMENT OF APPROPRIATIONS  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(expressed in thousands of United States dollars)

STATEMENT IV

	Appropriations					Expenditure			Balance
	Original (A33-23A) \a	Carried over from prior year \b	Transfers between Major Programmes	Carried over to following year \c	Revised	Disbursements	Unliquidated obligations	Total	
<b>General Policy and Direction</b>	1 437	494	( 193)	( 50)	1 688	1 508	53	1 561	127
<b>Air Navigation</b>	8 765	730	( 401)	( 53)	9 041	8 779	231	9 010	31
<b>Air Transport</b>	4 750	252	( 306)	( 46)	4 650	4 508	107	4 615	35
<b>Legal</b>	810	8	82		900	851	41	892	8
<b>Regional and Other Programmes</b>	15 411	85	1 133	( 12)	16 617	16 177	417	16 594	23
<b>Administrative Support</b>	22 726	180	51		22 957	21 930	1 024	22 954	3
<b>Finance, External Relations / Public Information and Programmes Evaluation, Audit and Management Review</b>	3 479	179	( 366)	( 140)	3 152	2 769	170	2 939	213
<b>Universal Safety Oversight Audit Programme</b>	1 016	3		( 1)	1 018	890	10	900	118
	58 394	1 931		( 302)	60 023	57 412	2 053	59 465	558
<b>Universal Safety Oversight Audit Programme funded by cash surplus</b>	2 062	593		(1 676)	979	978	1	979	
<b>TOTAL</b>	60 456	2 524		(1 978)	61 002	58 390	2 054	60 444	558

\a Includes appropriations funded by cash surplus of \$ 5 629 000 (A33-23, A-3(c)).

\b Approved by the Council at its 170th and 172nd Sessions (C-DEC 170/11 and C-DEC 172/18).

\c Approved by the Council at its 173rd Session (C-DEC 173/9).

- 12 -

The accompanying notes and schedules are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND  
STATEMENT OF CUMULATIVE SURPLUS  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(expressed in thousands of United States dollars)

Cumulative Surplus	2004	2003
Balance of cumulative Surplus at beginning of year	14 389	14 167
i) Excess (shortfall) of income over expenditure	(4 127)	(2 236)
ii) Adjustment to prior year's expenditures	( 74)	90
iii) Write-off	( 5)	( 31)
iv) Cancellation of prior year's unliquidated obligations	329	132
v) Appropriations carried over from prior year	2 524	3 355
vi) Appropriations carried over to following year	(1 978)	(2 524)
vii) Transfer to Special Accounts - Incentive for Settlement of Arrears (A33-27)	( 914)	(1 364)
viii) Transfer from/(to)Reserved Cash Surplus (A33-23B) (Note 10 - Regular Programme)	5 629	2 800
Balance of cumulative Surplus at end of year (Statement II)	15 773	14 389

Cash Surplus/(Deficit)	2004	2003
Balance of cumulative Surplus at end of year	15 773	14 389
Non-cash Surplus for balance of outstanding assessed contributions receivable (Schedule B and Note 4 - Regular Programme)	12 790	14 621
Cash Surplus/(Deficit)	2 983	( 232)

The accompanying notes and schedules are an integral part of the financial statements.

## SCHEDULE A

- 14 -

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS ON CONTRACTING STATES FOR THE GENERAL FUND  
FOR THE FINANCIAL YEAR 2004 AND BALANCES RECEIVABLE  
AS AT 31 DECEMBER 2004

Contracting States		(in United States dollars)			
<u>Assembly Resolutions A33-26 and A33-23A</u>	<u>2004</u>	<u>Assessments</u>	<u>Contributions Received</u>	<u>Balances Receivable</u>	
Afghanistan	0.06	30 300	3 631	26 669	
Albania	0.06	30 300	30 300		
Algeria	0.07	35 350	35 350		
Andorra	0.06	30 300	30 300		
Angola	0.06	30 300		30 300	
Antigua and Barbuda	0.06	30 300		30 300	
Argentina	0.86	434 300	434 300		
Armenia	0.06	30 300		30 300	
Australia	1.62	818 100	818 100		
Austria	0.75	378 750	378 750		
Azerbaijan	0.06	30 300	30 300		
Bahamas	0.06	30 300	30 300		
Bahrain	0.06	30 300	30 300		
Bangladesh	0.06	30 300		30 300	
Barbados	0.06	30 300	30 300		
Belarus	0.06	30 300		30 300	
Belgium	0.92	464 600	464 600		
Belize	0.06	30 300	30 300		
Benin	0.06	30 300	30 300		
Bhutan	0.06	30 300	30 300		
Bolivia	0.06	30 300	30 300		
Bosnia and Herzegovina	0.06	30 300		30 300	
Botswana	0.06	30 300	30 300		
Brazil	1.98	999 900	999 900		
Brunei Darussalam	0.06	30 300		30 300	
Bulgaria	0.06	30 300	30 300		
Burkina Faso	0.06	30 300	30 300		
Burundi	0.06	30 300	30 300		
Cambodia	0.06	30 300		30 300	
Cameroon	0.06	30 300	30 300		
Canada	2.24	1 131 200	1 131 200		
Cape Verde	0.06	30 300		30 300	
Central African Republic	0.06	30 300	30 300		
Chad	0.06	30 300	30 300		
Chile	0.29	146 450	10 000	136 450	
China	1.52	767 600	767 600		
Colombia	0.24	121 200	121 200		
Comoros	0.06	30 300	30 300		
Congo	0.06	30 300	30 300		
Cook Islands	0.06	30 300	30 300		
Costa Rica	0.06	30 300	30 300		
Côte d'Ivoire	0.06	30 300	30 300		
Croatia	0.06	30 300	30 198	102	
Cuba	0.06	30 300	30 300		
Cyprus	0.06	30 300	30 300		
Czech Republic	0.16	80 800	80 800		
Democratic People's Republic of Korea	0.06	30 300	30 300		
Democratic Republic of the Congo	0.06	30 300	30 300		
Denmark	0.55	277 750	277 750		
Djibouti	0.06	30 300		30 300	
Dominican Republic	0.06	30 300	30 300		
Ecuador	0.06	30 300	30 300		
Egypt	0.17	85 850	85 850		
El Salvador	0.06	30 300		30 300	
Equatorial Guinea	0.06	30 300	30 300		
Eritrea	0.06	30 300	30 300		
Estonia	0.06	30 300	30 300		
Ethiopia	0.06	30 300	30 300		
Fiji	0.06	30 300	30 300		
Finland	0.43	217 150	217 150		
France	5.27	2 661 350	2 661 350		
Gabon	0.06	30 300	30 300		
Gambia	0.06	30 300	30 300		
Georgia	0.06	30 300		30 300	
Germany	7.55	3 812 750	3 812 750		



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

REGULAR PROGRAMME  
ASSESSMENTS ON CONTRACTING STATES FOR THE GENERAL FUND  
FOR THE FINANCIAL YEAR 2004 AND BALANCES RECEIVABLE  
AS AT 31 DECEMBER 2004

(in United States dollars)

Contracting States <u>Assembly Resolutions A33-26 and A33-23A</u>	2004	Assessments	Contributions Received	Balances Receivable
Ghana	0.06	30 300	30 300	
Greece	0.44	222 200	222 200	
Grenada	0.06	30 300	30 300	
Guatemala	0.06	30 300	30 300	
Guinea	0.06	30 300	30 300	
Guinea-Bissau	0.06	30 300		30 300
Guyana	0.06	30 300	30 300	
Haiti	0.06	30 300		30 300
Honduras	0.06	30 300	29 038	1 262
Hungary	0.12	60 600	60 600	
Iceland	0.06	30 300	30 300	
India	0.39	196 950	196 950	
Indonesia	0.24	121 200	121 200	
Iran, Islamic Republic of	0.24	121 200	20	121 180
Iraq	0.09	45 450		45 450
Ireland	0.28	141 400	141 400	
Israel	0.47	237 350	237 350	
Italy	3.69	1 863 450	1 863 450	
Jamaica	0.06	30 300	30 300	
Japan	14.22	7 181 100	7 181 100	
Jordan	0.06	30 300	30 300	
Kazakhstan	0.06	30 300	30 300	
Kenya	0.06	30 300	30 300	
Kiribati	0.06	30 300	30 300	
Kuwait	0.17	85 850	85 850	
Kyrgyzstan	0.06	30 300		30 300
Lao People's Democratic Republic	0.06	30 300	30 300	
Latvia	0.06	30 300	30 300	
Lebanon	0.06	30 300	30 300	
Lesotho	0.06	30 300	30 300	
Liberia	0.06	30 300	30 300	
Libyan Arab Jamahiriya	0.06	30 300		30 300
Lithuania	0.06	30 300	30 300	
Luxembourg	0.24	121 200	121 200	
Madagascar	0.06	30 300	30 300	
Malawi	0.06	30 300		30 300
Malaysia	0.54	272 700	272 700	
Maldives	0.06	30 300	30 300	
Mali	0.06	30 300	30 300	
Malta	0.06	30 300	30 300	
Marshall Islands	0.06	30 300	30 300	
Mauritania	0.06	30 300	30 300	
Mauritius	0.06	30 300	30 300	
Mexico	0.92	464 600	464 600	
Micronesia, Federated States of	0.06	30 300		30 300
Monaco	0.06	30 300	30 300	
Mongolia	0.06	30 300	30 300	
Morocco	0.10	50 500		50 500
Mozambique	0.06	30 300	27 300	3 000
Myanmar	0.06	30 300		30 300
Namibia	0.06	30 300		30 300
Nauru	0.06	30 300		30 300
Nepal	0.06	30 300	30 300	
Netherlands	1.92	969 600	969 600	
New Zealand	0.36	181 800	181 800	
Nicaragua	0.06	30 300	30 300	
Niger	0.06	30 300	30 300	
Nigeria	0.06	30 300	30 300	
Norway	0.50	252 500	252 500	
Oman	0.08	40 400	40 400	
Pakistan	0.16	80 800	80 800	
Palau	0.06	30 300		30 300
Panama	0.06	30 300	30 300	
Papua New Guinea	0.06	30 300		30 300
Paraguay	0.06	30 300	30 300	

**SCHEDULE A**  
**(continued)**

- 16 -

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

REGULAR PROGRAMME  
ASSESSMENTS ON CONTRACTING STATES FOR THE GENERAL FUND  
FOR THE FINANCIAL YEAR 2004 AND BALANCES RECEIVABLE  
AS AT 31 DECEMBER 2004

(in United States dollars)

Contracting States <u>Assembly Resolutions A33-26 and A33-23A</u>	2004	Assessments	Contributions Received	Balances Receivable
Peru	0.09	45 450	45 450	
Philippines	0.17	85 850	81 644	4 206
Poland	0.31	156 550	156 550	
Portugal	0.40	202 000	202 000	
Qatar	0.06	30 300	30 300	
Republic of Korea	2.36	1 191 800	1 079 339	112 461
Republic of Moldova	0.06	30 300	30 300	
Romania	0.06	30 300	30 300	
Russian Federation	0.82	414 100	414 100	
Rwanda	0.06	30 300	20 851	9 449
Saint Lucia	0.06	30 300	30 300	
Saint Vincent and the Grenadines	0.06	30 300	15 099	15 201
Samoa	0.06	30 300	30 300	
San Marino	0.06	30 300	30 300	
Sao Tome and Principe	0.06	30 300		30 300
Saudi Arabia	0.61	308 050	308 050	
Senegal	0.06	30 300	30 300	
Serbia and Montenegro	0.06	30 300		30 300
Seychelles	0.06	30 300		30 300
Sierra Leone	0.06	30 300	30 300	
Singapore	1.14	575 700	575 700	
Slovakia	0.06	30 300	30 300	
Slovenia	0.06	30 300	30 300	
Solomon Islands	0.06	30 300	30 300	
Somalia	0.06	30 300		30 300
South Africa	0.53	267 650	267 650	
Spain	1.99	1 004 950	1 004 950	
Sri Lanka	0.06	30 300	30 300	
Sudan	0.06	30 300	30 127	173
Suriname	0.06	30 300	30 300	
Swaziland	0.06	30 300		30 300
Sweden	0.76	383 800	383 800	
Switzerland	1.22	616 100	616 100	
Syrian Arab Republic	0.07	35 350		35 350
Tajikistan	0.06	30 300		30 300
Thailand	0.57	287 850	287 850	
The former Yugoslav Republic of Macedonia	0.06	30 300	30 300	
Togo	0.06	30 300	30 300	
Tonga	0.06	30 300	30 300	
Trinidad and Tobago	0.06	30 300	30 300	
Tunisia	0.06	30 300	30 300	
Turkey	0.44	222 200	222 200	
Turkmenistan	0.06	30 300	30 300	
Uganda	0.06	30 300	30 300	
Ukraine	0.06	30 300	30 300	
United Arab Emirates	0.36	181 800	181 800	
United Kingdom	5.26	2 656 300	2 656 300	
United Republic of Tanzania	0.06	30 300	30 300	
United States	25.00	12 625 000	12 625 000	
Uruguay	0.06	30 300	30 300	
Uzbekistan	0.06	30 300	77	30 223
Vanuatu	0.06	30 300		30 300
Venezuela	0.19	95 950		95 950
Viet Nam	0.06	30 300	30 300	
Yemen	0.06	30 300	30 300	
Zambia	0.06	30 300	21 444	8 856
Zimbabwe	0.06	30 300	30 300	
Sub-total	100.00	<u>50 500 000</u>	<u>48 894 518</u>	<u>1 605 482</u>
<u>New Contracting State</u>				
Saint Kitts and Nevis	C-DEC 167/4	0.06	30 300	30 300
TOTAL		<u>50 530 300</u>	<u>48 894 518</u>	<u>1 635 782</u>

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES  
IN RESPECT OF ALL FINANCIAL YEARS AS AT 31 DECEMBER 2004

(in United States dollars)

<u>Contracting States</u>	<u>General Fund</u>			<u>Working Capital Fund</u>	<u>Total Balances Receivable</u>
	<u>2004 (Schedule A)</u>	<u>Prior years</u>	<u>Total</u>		
<b><u>GROUP A (cf.note)</u></b>					
Belarus (1)	30 300	63 233	93 533		93 533
Benin (1)		152 387	152 387		152 387
Bosnia and Herzegovina (1)	30 300	30 198	60 498		60 498
Burkina Faso		157 573	157 573		157 573
Burundi		38 206	38 206		38 206
Cambodia (1)	30 300	241 659	271 959		271 959
Central African Republic (1)		320 730	320 730		320 730
Chad (1)		364 965	364 965		364 965
Comoros		463 274	463 274		463 274
Congo (1)		364 328	364 328		364 328
Cook Islands		119 053	119 053		119 053
Côte d'Ivoire (1)		122 256	122 256		122 256
Democratic Republic of the Congo		280 053	280 053		280 053
El Salvador (1)	30 300	165 523	195 823		195 823
Gabon		109 112	109 112		109 112
Gambia		292 589	292 589		292 589
Grenada		260 247	260 247		260 247
Guinea (1)		206 833	206 833		206 833
Kazakhstan		331 297	331 297		331 297
Kyrgyzstan (1)	30 300	223 738	254 038		254 038
Liberia (1)		278 753	278 753		278 753
Madagascar (1)		56 741	56 741		56 741
Malawi (1)	30 300	101 990	132 290		132 290
Mali		220 895	220 895		220 895
Mauritania (1)		243 446	243 446		243 446
Nicaragua		697	697		697
Niger		56 881	56 881		56 881
Paraguay		28 237	28 237		28 237
Republic of Moldova		156 594	156 594		156 594
Rwanda (1)	9 449	90 332	99 781		99 781
Sao Tome and Principe (1)	30 300	396 213	426 513		426 513
Seychelles (1)	30 300	90 125	120 425		120 425
Sierra Leone (1)		301 947	301 947		301 947
Solomon Islands		176 248	176 248		176 248
Suriname		89 905	89 905		89 905
Uruguay		114 019	114 019		114 019
Zambia (1)	8 856	100 172	109 028		109 028
<b>Total Group A</b>	<b>260 705</b>	<b>6 810 449</b>	<b>7 071 154</b>		<b>7 071 154</b>
<b><u>GROUP B (cf.note)</u></b>					
Antigua and Barbuda	30 300	406 867	437 167	981	438 148
Djibouti	30 300	459 176	489 476	1 080	490 556
Georgia	30 300	341 668	371 968	3 600	375 568
Guinea-Bissau	30 300	520 007	550 307	1 080	551 387
Iraq	45 450	1 132 298	1 177 748	2 400	1 180 148
Nauru	30 300	263 918	294 218		294 218
Somalia	30 300	477 384	507 684	1 080	508 764
Tajikistan	30 300	60 162	90 462		90 462
<b>Total Group B</b>	<b>257 550</b>	<b>3 661 480</b>	<b>3 919 030</b>	<b>10 221</b>	<b>3 929 251</b>

**SCHEDULE B**  
**(continued)**

- 18 -

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES  
IN RESPECT OF ALL FINANCIAL YEARS AS AT 31 DECEMBER 2004

(in United States dollars)

<u>Contracting States</u>	<u>General Fund</u>			<u>Working Capital Fund</u>	<u>Total Balances Receivable</u>
	<u>2004 (Schedule A)</u>	<u>Prior years</u>	<u>Total</u>		
<b>GROUP C (cf.note)</b>					
Angola	30 300	284	30 584		30 584
Armenia	30 300	30 198	60 498		60 498
Cape Verde	30 300	30 198	60 498		60 498
Libyan Arab Jamahiriya	30 300	14 518	44 818		44 818
Micronesia, Federated States of	30 300	33 554	63 854		63 854
Myanmar	30 300	2 837	33 137		33 137
Saint Kitts and Nevis	30 300	29 998	60 298		60 298
Vanuatu	30 300	29 862	60 162		60 162
Total Group C	242 400	171 449	413 849		413 849
<b>GROUP D (cf.note)</b>					
Afghanistan	26 669		26 669		26 669
Bangladesh	30 300		30 300		30 300
Brunei Darussalam	30 300		30 300		30 300
Chile	136 450		136 450		136 450
Croatia	102		102		102
Haiti	30 300		30 300		30 300
Honduras	1 262		1 262		1 262
Iran, Islamic Republic of	121 180		121 180		121 180
Morocco	50 500		50 500		50 500
Mozambique	3 000		3 000		3 000
Namibia	30 300		30 300		30 300
Palau	30 300		30 300		30 300
Papua New Guinea	30 300		30 300		30 300
Philippines	4 206		4 206		4 206
Republic of Korea	112 461		112 461		112 461
Saint Vincent and the Grenadines	15 201		15 201		15 201
Serbia and Montenegro	30 300		30 300		30 300
Sudan	173		173		173
Swaziland	30 300		30 300		30 300
Syrian Arab Republic	35 350		35 350		35 350
Uzbekistan	30 223		30 223		30 223
Venezuela	95 950		95 950		95 950
Total Group D	875 127		875 127		875 127
-former Socialist Federal Republic of Yugoslavia *		510 882	510 882		510 882
TOTAL	1 635 782	11 154 260	12 790 042	10 221	12 800 263

Note (1): States which had not met their obligations according to the terms of their agreements at 31 December 2004

Group A: These States have concluded agreements with the Council to liquidate their arrears over a period of years.

Group B: States with contributions in arrears of three full years or more which have not concluded agreements with the Council to liquidate their arrears

Group C: States with contributions in arrears for less than three full years.

Group D: States with contributions outstanding only for the year 2004.

\* The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND  
CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2004

(in United States dollars)

Argentina	12 077
Bahamas	4 497
Belgium	247
Brazil	1
Canada	1 448 872
Cuba	349
Equatorial Guinea	130
Finland	263 882
Guyana	614
Kenya	3 430
Marshall Islands	1 199
Mauritius	41 555
Peru	9 555
Senegal	23 023
Singapore	740 338
Sweden	443 453
Switzerland	500
Togo	130
Tonga	1 040
	<hr/>
	<u>2 994 892</u>

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**SPECIAL ACCOUNTS/ FUNDS**  
**SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2004**

(in United States dollars)

	Air Navigation Cost Recovery Account	Air Transport Cost Recovery Account	Conference and Other Facilities Fund	Electronic Publishing Account	English Standard Language Project Account	Incentive for Settlement of Arrears	Information and Communication Technology (ICT) Fund
<b>INCOME AND EXPENDITURE</b>							
<b>INCOME</b>							
Contributions							
Other Income							
Interest income	213	2 179	6 271	5 994	71	41 814	34 627
Other			327 443				
Rental of facilities							
Revenue - generating activities		92 960		400 605			
<b>TOTAL INCOME</b>	<u>213</u>	<u>95 139</u>	<u>333 714</u>	<u>406 599</u>	<u>71</u>	<u>41 814</u>	<u>34 627</u>
<b>EXPENDITURE</b>							
Salaries and common staff costs	2 484	54 062	233 896	200 692	19 229	96 178	301 384
General operating expenses			64 221			125 367	7 134
Travel			7 507	5 167	2 030	20 994	5 399
Equipment			1 729	17 400		287 873	40 500
Other		32 454	8 687			136	
<b>TOTAL EXPENDITURE</b>	<u>2 484</u>	<u>86 516</u>	<u>307 353</u>	<u>231 946</u>	<u>21 259</u>	<u>530 548</u>	<u>354 417</u>
Net excess (shortfall) of income over expenditure	<u>( 2 271)</u>	<u>8 623</u>	<u>26 361</u>	<u>174 653</u>	<u>( 21 188)</u>	<u>( 488 734)</u>	<u>( 319 790)</u>
<b>BALANCE OF FUNDS</b>							
Adjustment of prior year's unliquidated obligation/expenditure			3 185		4 427		
Transfers to/from other funds	12 978	18 251				913 976	
Fund balance, beginning of period	5 865	132 725	520 753	382 263	16 977	2 896 757	2 661 862
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<u>16 572</u>	<u>159 599</u>	<u>550 299</u>	<u>556 916</u>	<u>216</u>	<u>3 321 999</u>	<u>2 342 072</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>							
<b>ASSETS</b>							
Cash and term deposits	18 950	176 327	511 934	520 086	2 246	3 748 437	2 397 876
Accounts receivable							
Inter-fund balances		747	8 498	63 308			21 206
Receivables	25	14 661	52 909	687		19 944	3 111
<b>TOTAL ASSETS</b>	<u>18 975</u>	<u>191 735</u>	<u>573 341</u>	<u>584 081</u>	<u>2 246</u>	<u>3 768 381</u>	<u>2 422 193</u>
<b>LIABILITIES</b>							
Unliquidated obligations			1 903			372 904	15 754
Accounts payable			5 981	10 573		851	
Inter-fund balances	2 403	32 136	15 158	16 592	2 030	72 627	64 367
<b>TOTAL LIABILITIES</b>	<u>2 403</u>	<u>32 136</u>	<u>23 042</u>	<u>27 165</u>	<u>2 030</u>	<u>446 382</u>	<u>80 121</u>
<b>BALANCE OF FUNDS</b>							
<b>Represented by:</b>							
Cumulative Surplus	16 572	159 599	550 299	556 916	216	1 518 844	2 342 072
Reserved Surplus (Note 3 - Special Accounts/Funds)						1 803 155	
<b>TOTAL BALANCE OF FUNDS</b>	<u>16 572</u>	<u>159 599</u>	<u>550 299</u>	<u>556 916</u>	<u>216</u>	<u>3 321 999</u>	<u>2 342 072</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>18 975</u>	<u>191 735</u>	<u>573 341</u>	<u>584 081</u>	<u>2 246</u>	<u>3 768 381</u>	<u>2 422 193</u>

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
SPECIAL ACCOUNTS/ FUNDS  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

	Language	Language	Preparatory	Safety Oversight	Special	TCB	TOTAL	
	Proficiency	Services	Commission	Audit	Public	Efficiency/	2004	2003
	Fund	Account	of the	Services	Information	Effectiveness		
			International	Account	Projects	Fund		
			Registry		Account			
<b>INCOME AND EXPENDITURE</b>								
<b>INCOME</b>								
Contributions			125 350				125 350	150 000
Other Income								
Interest income	142	327	2 584	95	795		95 112	80 529
Other								
Rental of facilities							327 443	755 288
Revenue - generating activities	26 800	168 292		85 455	62 449		836 561	741 558
<b>TOTAL INCOME</b>	<b>26 942</b>	<b>168 619</b>	<b>127 934</b>	<b>85 550</b>	<b>63 244</b>		<b>1 384 466</b>	<b>1 727 375</b>
<b>EXPENDITURE</b>								
Salaries and common staff costs	643	15 202	75 696	18 892	7 902		1 026 260	824 904
General operating expenses		110 458	28 000				335 180	485 072
Travel	3 228	4 875	10 351	51 608			103 652	42 502
Equipment							353 280	116 116
Other	5 129		3 833		18	94 930	146 916	368 355
<b>TOTAL EXPENDITURE</b>	<b>9 000</b>	<b>130 535</b>	<b>117 880</b>	<b>70 500</b>	<b>7 920</b>	<b>94 930</b>	<b>1 965 288</b>	<b>1 836 949</b>
Net excess (shortfall) of income over expenditure	17 942	38 084	10 054	15 050	55 324	(94 930)	(580 822)	(109 574)
<b>BALANCE OF FUNDS</b>								
Adjustment of prior year's unliquidated obligation/expenditure							7 612	6 897
Transfers to/from other funds					(31 229)	28 978	942 954	(746 607)
Fund balance, beginning of period		6 340	167 546		59 002	75 092	6 925 182	7 774 465
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>17 942</b>	<b>44 424</b>	<b>177 600</b>	<b>15 050</b>	<b>83 097</b>	<b>9 140</b>	<b>7 294 926</b>	<b>6 925 181</b>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>								
<b>ASSETS</b>								
Cash and term deposits	21 149	59 574	201 111	33 875	82 758		7 774 323	7 462 660
Accounts receivable								
Inter-fund balances		11 530			249	9 140	114 678	398 471
Receivables	27	50 444	249	44	108		142 209	398 369
<b>TOTAL ASSETS</b>	<b>21 176</b>	<b>121 548</b>	<b>201 360</b>	<b>33 919</b>	<b>83 115</b>	<b>9 140</b>	<b>8 031 210</b>	<b>8 259 500</b>
<b>LIABILITIES</b>								
Unliquidated obligations					18		390 579	28 220
Accounts payable		72					17 477	91 214
Inter-fund balances	3 234	77 052	23 760	18 869			328 228	1 214 885
<b>TOTAL LIABILITIES</b>	<b>3 234</b>	<b>77 124</b>	<b>23 760</b>	<b>18 869</b>	<b>18</b>		<b>736 284</b>	<b>1 334 319</b>
<b>BALANCE OF FUNDS</b>								
<b>Represented by:</b>								
Cumulative Surplus	17 942	44 424	177 600	15 050	83 097	9 140	5 491 771	5 869 991
Reserved Surplus (Note 3 - Special Accounts/Funds)							1 803 155	1 055 190
<b>TOTAL BALANCE OF FUNDS</b>	<b>17 942</b>	<b>44 424</b>	<b>177 600</b>	<b>15 050</b>	<b>83 097</b>	<b>9 140</b>	<b>7 294 926</b>	<b>6 925 181</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>21 176</b>	<b>121 548</b>	<b>201 360</b>	<b>33 919</b>	<b>83 115</b>	<b>9 140</b>	<b>8 031 210</b>	<b>8 259 500</b>

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

JOINT FINANCING FUNDS  
 SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
 FOR THE PERIOD ENDING 31 DECEMBER 2004

( in United States dollars )

	Danish	Icelandic	TOTAL	
	Joint Financing Agreement Fund	Joint Financing Agreement Fund	2004	2003
<b>INCOME AND EXPENDITURE</b>				
<b>INCOME</b>				
Assessed Contributions (Schedule E.1)	302 460	84 694	387 154	435 948
Other Income				
Interest income	5 248	9 403	14 651	12 595
User charge	5 836 326	25 802 887	31 639 213	26 168 171
<b>TOTAL INCOME</b>	<b>6 144 034</b>	<b>25 896 984</b>	<b>32 041 018</b>	<b>26 616 714</b>
<b>EXPENDITURE</b>				
Services Costs				
Estimated service costs for current year	6 025 817	22 247 901	28 273 718	27 018 806
Settlement of service costs for prior year	( 321 990)	1 961 466	1 639 476	1 011 614
Other				
Other expenses		151	151	182
Exchange adjustments	139 141		139 141	209 310
<b>TOTAL EXPENDITURE</b>	<b>5 842 968</b>	<b>24 209 518</b>	<b>30 052 486</b>	<b>28 239 912</b>
Net excess (shortfall) of income over expenditure	301 066	1 687 466	1 988 532	(1 623 198)
<b>BALANCE OF FUNDS</b>				
Fund balance, beginning of period	(1 583 455)	( 856 698)	(2 440 153)	( 816 955)
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>(1 282 389)</b>	<b>830 768</b>	<b>( 451 621)</b>	<b>(2 440 153)</b>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>				
<b>ASSETS</b>				
Cash and term deposit	244 745	664 617	909 362	1 428 927
Accounts receivable				
Inter-fund balances	854	20	874	49 091
Advances to servicing Governments		2 586 034	2 586 034	992 514
<b>TOTAL ASSETS</b>	<b>245 599</b>	<b>3 250 671</b>	<b>3 496 270</b>	<b>2 470 532</b>
<b>LIABILITIES</b>				
Inter-fund balances		1 018	1 018	40 850
Credits to contracting/servicing Governments				
Credits to contracting Governments (Schedule E.1)	184 690	2 418 885	2 603 575	3 027 750
Credit to servicing Governments	1 343 298		1 343 298	1 842 085
<b>TOTAL LIABILITIES</b>	<b>1 527 988</b>	<b>2 419 903</b>	<b>3 947 891</b>	<b>4 910 685</b>
<b>BALANCE OF FUNDS</b>				
Represented by:				
Balance of Funds	(1 282 389)	830 768	( 451 621)	(2 440 153)
<b>TOTAL BALANCE OF FUNDS</b>	<b>(1 282 389)</b>	<b>830 768</b>	<b>( 451 621)</b>	<b>(2 440 153)</b>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>	<b>245 599</b>	<b>3 250 671</b>	<b>3 496 270</b>	<b>2 470 532</b>



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

IN RESPECT OF DANISH JOINT FINANCING AGREEMENT  
FOR THE PERIOD ENDING 31 DECEMBER 2004

( in Danish Kroner )

	Balances at beginning of period (Credits)	Assessments for 2004	Contributions received	Transfer from Icelandic Joint Financing Agreement	Balances at end of period (Credits)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Belgium		( 170 632)			( 170 632)
Canada	( 277 440)	42 791			( 234 649)
Cuba	( 6 134)	1 438			( 4 696)
Denmark	( 14 955)	10 814			( 4 141)
Egypt	( 8 021)	2 184			( 5 837)
Finland	( 30 428)	3 129			( 27 299)
France		204 737		204 737	
Germany	( 106 626)	216 090		109 464	
Greece	( 34 870)	( 2 693)			( 37 563)
Iceland	( 20 452)	7 971			( 12 481)
Ireland		6 492		6 492	
Italy		51 538		51 538	
Japan	( 61 709)	17 060			( 44 649)
Kuwait	( 14 823)	7 100			( 7 723)
Netherlands		43 815	43 815		
Norway	( 2 287)	14 507		12 220	
Russian Federation	( 95 849)	( 6 943)			( 102 792)
Slovakia		313	313		
Spain		( 25 173)			( 25 173)
Sweden	( 16 561)	16 042			( 519)
Switzerland		( 34 844)			( 34 844)
United Kingdom	( 693 400)	394 295			( 299 105)
United States	( 940 231)	1 023 803		83 572	
	<u>(2 323 786)</u>	<u>1 823 834</u>	<u>44 128</u>	<u>468 023</u>	<u>(1 012 103)</u>
Equivalent in U.S. dollars	<u>( 370 620)</u>	<u>302 460</u>	<u>10 040</u>	<u>106 490</u>	<u>( 184 690)</u>

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS  
 IN RESPECT OF ICELANDIC JOINT FINANCING AGREEMENT  
 FOR THE PERIOD ENDING 31 DECEMBER 2004

( in United States dollars )

	Balances at beginning of period (Credits)	Assessments for 2004	Contributions received	Transfer to Danish Joint Financing Agreement	Balances at end of period (Credits)
Belgium	( 4 509)	3 448			( 1 061)
Canada	( 231 636)	7 484			( 224 152)
Cuba	( 3 482)	19			( 3 463)
Denmark	( 14 681)	662			( 14 019)
Egypt	( 5 055)	145			( 4 910)
Finland	( 19 063)	270			( 18 793)
France	( 125 041)	4 097		34 071	( 86 873)
Germany	( 218 648)	5 787		17 926	( 194 935)
Greece	( 24 004)	416			( 23 588)
Iceland	( 51 924)	1 980			( 49 944)
Ireland	( 33 328)	1 477		1 080	( 30 771)
Italy	( 38 332)	1 878		8 576	( 27 878)
Japan	( 24 496)	345			( 24 151)
Kuwait	( 8 042)	152			( 7 890)
Netherlands		3 867	3 867		
Norway	( 15 119)	362		2 027	( 12 730)
Russian Federation	( 32 230)	957			( 31 273)
Slovakia		( 2)			( 2)
Spain	( 17 232)	1 026			( 16 206)
Sweden	( 27 420)	644			( 26 776)
Switzerland	( 44 633)	3 770			( 40 863)
United Kingdom	( 508 125)	11 996			( 496 129)
United States	(1 210 130)	33 914		93 738	(1 082 478)
	<u>(2 657 130)</u>	<u>84 694</u>	<u>3 867</u>	<u>157 418</u>	<u>(2 418 885)</u>

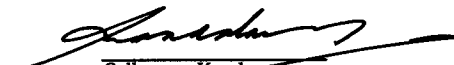
INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME  
SCHEDULE OF THE STATUS OF FUNDS  
FOR THE PERIOD ENDING 31 DECEMBER 2004


(in United States dollars)

	<u>2004</u>	<u>2003</u>
<b>OPERATING FUND</b>		
Fund balance at beginning of year	(16 020 616)	(22 598 468)
Add:		
Cash drawings from UNDP	16 600 000	19 860 000
Inter-office vouchers, on hand		1 647 877
Project Clearing Account	(2 028 451)	
Other charges/credits (net)		(7 434 353)
Miscellaneous income and exchange adjustments	73 593	261 398
Miscellaneous items charged/refunded to UNDP	196	(75 827)
	<u>14 645 338</u>	<u>14 259 095</u>
	<u>(1 375 278)</u>	<u>(8 339 373)</u>
Deduct:		
Expenditure during the year (Schedule F.1)		
For projects		
Disbursements	6 569 024	6 745 598
Unliquidated obligations	3 170 082	372 344
Support costs	721 663	520 916
	<u>10 460 769</u>	<u>7 638 858</u>
Support Services for Policy and Programme Development		42 385
	<u>10 460 769</u>	<u>7 681 243</u>
Fund balance at end of year	<u><b>(11 836 047)</b></u>	<u><b>(16 020 616)</b></u>
<b>REPRESENTED BY:</b>		
Cash in banks, on hand and in transit	232 038	1 690 141
Due from other Funds	5 740 189	3 705 952
Accounts receivable and sundry debit balances	2 393 762	2 604 180
	<u>8 365 989</u>	<u>8 000 273</u>
Less:		
Due to other Funds	89 167	2 593 387
Accounts payable and sundry credits balances	16 942 787	21 055 158
Unliquidated obligations - current year	3 170 082	372 344
	<u>20 202 036</u>	<u>24 020 889</u>
Fund balance at end of year	<u><b>(11 836 047)</b></u>	<u><b>(16 020 616)</b></u>

Certified:

  
Salleppan Kandasamy  
Chief, Finance Branch

Approved:

  
Taleb Cherif  
Secretary General

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME  
EXPENDITURE BY COUNTRY AND REGION  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

COUNTRY

Botswana	(4 663)
Colombia	(388 402)
Democratic Republic of the Congo	(4 687)
Ecuador	6 356 586
Equatorial Guinea	23 044
Ethiopia	1 300
Indonesia	367 495
Lebanon	(5 714)
Peru	(4 754)
Republic of Korea	5 187
Somalia	3 085 822
	<hr/>
Country Total	9 431 214

REGION

Latin American and the Caribbean	307 892
-------------------------------------	---------

**SUB-TOTAL**

9 739 106

**Support costs**

721 663

**GRAND TOTAL**

10 460 769

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

Fund	Balance as at 01.01.2004	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2004
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGANISTAN MSA*	101 546	209 970	1 220	367 847	12 798			( 67 909)
ARGENTINA MSA *	( 27 070)	5 449 950	15 699	3 309 584	228 060	4 365	( 601 592)	1 303 708
ARGENTINA (DA)	202 064		2 813					204 877
BAHAMAS (DCA)	72 168		1 050					73 218
BANGLADESH	14 727		205					14 932
BARBADOS	71 235		1 021	3 091	389			68 776
BOLIVIA	566 650	1 312 702	52	1 273 012	109 813		( 30 534)	466 045
BOSNIA AND HERZEGOVINA	1 025 924		11 607	540 784	37 999			458 748
BRAZIL (CART) MSA *	113 348		3 237	( 6 323)	( 642)			123 550
BRAZIL (SSA) MSA *	140 341		5 285					145 626
BRAZIL (DAC) MSA *	2 956 001	6 911 815	444 689	7 079 111	277 358	( 103 597)		2 852 439
BRAZIL (DECEA) MSA *	1 927 087	3 473 552	736 564	2 847 025	120 485	( 76 128)		3 093 565
BRAZIL (ITCM) MSA *	( 112 750)		1 382	122 897	476	179 725		( 55 016)
CHINA	31 900		456					32 356
COCESNA	28 644		225	812	81	( 27 976)		
COLOMBIA MSA*		55 000	364	17 757	888			36 719
COMMISSION OF THE EUROPEAN COMMUNITIES	13 138		137				( 13 275)	
COSCAP (NA) EC GRA MSA*	153 783		971	141 850	9 930			2 974
COSCAP (SA) EC GRA MSA*	16 423		179					16 602
COSCAP (SEA) EC GRA MSA*	( 7 205)	43 753	620	2 180	218			34 770
CYPRUS MSA*		4 990	53	11 774	1 164	10 000		2 105
CZECH REPUBLIC MSA *	48 261	111 259	12 796	6 860	8			165 448
DEM. REPUBLIC OF CONGO MSA*	547 059	1 209 290	11 879	631 562	169 071			967 595
DOMINICAN REPUBLIC MSA *	308 728	2 905 970	45 660	2 625 670	285 051			349 637
ECUADOR	8 315	51 990	281	47 724	4 772			8 090
EAST AFRICAN COMMUNITIES (REG.EIB) MSA*	952 707		13 661	224 967	29 109			712 292
EAST AFRICAN COMMUNITIES (KENYA) MSA*	107 062		1 492					108 554
EQUATORIAL GUINEA MSA*	( 1 847)	422 584	4 034	11 136	1 114			412 521
FIJI MSA*	15 729		12				( 15 741)	
GERMANY (ASSOCIATE EXPERTS SCHEME)	55 595	85 190	926	58 840	7 061			75 810
GHANA MSA*	14 105		49	11 795	1 180			1 179
GREECE MSA *	927 265		10 132	577 173	63 364			296 860
GUATEMALA MSA *	42 546		627	34 021	4 333			4 819
GUYANA (EC)	15 779		242	( 900)				16 921
GUYANA (GTV)	10 498		146		( 82)			10 726
HAITI	45 470		874	35 090	4 562			6 692
INDIA MSA*	104 873	582 440	8 098	45 008	4 501			645 902
IRAQ MSA *	36 556		518					37 074
IRAQ	39 020							39 020
ITALY (ASSOCIATE EXPERTS SCHEME)	( 39 535)	234 070	974	71 523	5 207			118 779
LAOS PEOPLE'S DEMOCRATIC REPUBLIC MSA*	18 397		256					18 653
LATVIA	32 327		478	( 2 008)	( 261)			35 074
LEBANON MSA *	94 034	900 240	8 846	356 482	36 372			610 266
LESOTHO	11 909		167					12 076
LESOTHO (CAD)	98 426		1 371					99 797
LIBYAN ARAB JAMAHIRIYA	77 757		734	31 635	3 163			43 693
MACAU	87 836	149 990	1 372	825	107			238 266
MALDIVES	17 922		30				( 17 952)	
MALDIVES MSA*		48 790	288	30 740	3 074			15 264
MEXICO	3 187	89 990	361	25 658	2 567			65 313
MEXICO MSA*	( 4 792)	63 025	147	55 600	2 700			80
MONGOLIA	15 899		221					16 120
MOROCCO (ONDA)	59 174		711					59 885
NEPAL MSA*		194 540	902	118 340	11 764			65 338
NIGERIA MSA*	11 742	233 798	824	7 208	721			238 435

(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

Fund	Balance as at 01.01.2004	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2004
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
NIGERIA (FAAN) MSA *	174 611		2 504	( 4 935)	( 642)			182 692
NIGERIA (NAMA) MSA *	254 741		2 995	45 315	5 891		( 129 906)	76 624
NIGERIA (NCAT)	14 005		195					14 200
NORWAY (ASSOCIATE EXPERTS SCHEME)	27 182		378					27 560
OMAN	219 221	253 490	3 932	353 708	35 371	102		87 666
PANAMA	182 757	15 010 856	73 601	13 240 134	409 283	( 14 534)		1 603 263
PANAMA MSA*	( 186 378)	2 799 990	99 020	2 615 448	52 147			45 037
PANAMA (DGAC) MSA *	381 251	327 671	3 060	449 600	41 756		( 97 591)	123 035
PERU MSA*	1 007 521	4 808 570	6 067	4 160 947	341 933	( 44 650)	( 5 616)	1 269 012
PERU (MEE) MSA*	10 577		30	1 541	700	( 2 323)	( 6 043)	
PHILIPPINES	251 494		2 613	93 518	12 151		( 70 000)	78 438
PHILIPPINES MSA *	19 387		250	3 323	432			15 882
PHILIPPINES (TRAINAIR) MSA *	75 425		781	38 617	5 015			32 574
REGIONAL MSA*	32 308		538	901	89			31 856
REGIONAL (AIRBUS) MSA*	1 061	50 000	256	( 8 475)	( 847)			60 639
REGIONAL (ASIA)	382 261	309 950	6 592	316 043	31 583	( 25 000)		326 177
REGIONAL (AFRICA) MSA*	72 920	525 890	3 558	236 130	23 533			342 705
REGIONAL (BOEING)	73 940	50 000	919	49 245	4 925			70 689
REGIONAL (BOEING) MSA*	49 565	50 000	1 628	6 138	614			94 441
REGIONAL (CAFAC) MSA*	51 635	651 168	1 445	25 113	3 232			675 903
REGIONAL (CASP-ASIA/PACIFIC)			1 117	6 458	643	135 224		129 240
REGIONAL (CASP-SA&SEA)	100 816	35 000	950	1 402	140	( 135 224)		
REGIONAL (COSCAP) UEMOA MSA*	139 895	184 784	2 896	9 675	968			316 932
REGIONAL (DPKO)	38 331		569	( 2 429)	( 243)			41 572
REGIONAL (EGNOS)	51 813	10 687	851	24 592	1 844	27 976		64 891
REGIONAL (LATIN AMERICA)	780 598	624 560	11 873	447 242	44 711	44 650		969 728
REGIONAL (REDDIG)	402 398	388 904	4 765	370 546	28 795	10 123		406 849
REGIONAL (SOUTH ASIA) (COSCAP)	757 936	149 850	8 641	358 672	46 627	49 395		560 523
REGIONAL (SOUTH EAST ASIA) (COSCAP)	296 437	159 935	3 984	245 988	31 923	90 000		272 445
REGIONAL (SOUTH AMERICA)	14 393		165			( 10 123)		4 435
REGIONAL (WFP) MSA *	29 152		406					29 558
REPULIC OF KOREA (CAB)	2 428	20 172	108	30 240	3 931	26 121		14 658
ROMANIA MSA*	40 032	119 970	1 085	109 931	10 959			40 197
SAUDI ARABIA (GCCC)	170 415			2 585 862	38 783	2 746 667		292 437
SAUDI ARABIA MSA *	7 321 394	3 626 667	565 714	3 440 070	344 000	( 2 746 667)	( 69 412)	4 913 626
SINGAPORE	139 172	73 575	1 661	70 927	7 093			136 388
SOMALIA	704 121	4 072 721	30 758				( 2 600 000)	2 207 600
SRI LANKA	218 123		2 491	( 3 025)	( 518)	( 48 590)	( 30 300)	145 267
SRI LANKA MSA*		21 490	136	15 626	1 563			4 437
SUDAN	26 114		271			( 26 385)		
SUDAN MSA*	7 480		158			26 385		34 023
SWEDEN MSA*	5 853	29 210	76	25 861	2 586			6 692
SYRIAN ARAB REP. (AL-MEZZAH AIRPORT) MSA *	78 271		640	60 886	6 089			11 936
SYRIAN ARAB REPUBLIC (DGCA) MSA *	310 482	7 098	2 636	191 160	19 107			109 949
THAILAND (MTC)	46 631		690	16 312	2 121			28 888
THAILAND MSA*	3 759 764	1 488 280	53 363	1 834 397	182 759			3 284 251
THAILAND (THAI AIRWAYS ) MSA*	149 236		758	122 847	12 285			14 862
UNMIK-KOSOVO MSA*	512 055	867 990	9 123	559 954	55 976			773 238
UNITED ARAB EMIRATES MSA *	209 756	306 431	4 659	287 273	28 727			204 846
VENEZUELA MSA*		29 990	152		1 542 152			( 1 512 010)
VIETNAM	12 756		177					12 933
VIETNAM MSA *	18 435		331	3 399	340			15 027
YEMEN	15 237		212	26	3			15 420
LUMP-SUM CONTRACTS (Note 1.1 - Other TCP Funds)	149 880	298 513	2 419	190 020	19 000	14 534	( 850)	255 476
OTHER MSA AND TRUST FUNDS **	107 275	13 690	2 447	11 773	1 373	( 1 926)	( 1 034)	107 306
<b>TOTAL</b>	<b>30 762 121</b>	<b>62 112 000</b>	<b>2 283 582</b>	<b>53 354 346</b>	<b>4 839 378</b>	<b>102 144</b>	<b>( 3 689 846)</b>	<b>33 376 277</b>

\* Management Service Agreements

\*\* Summary of forty-four funds with either year end balances or transactions during the year of less than ten thousands dollars.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**CIVIL AVIATION PURCHASING SERVICE FUNDS**  
**SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2004**

(in United States dollars)

Fund	Balance as at 01.01.2004	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2004
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGHANISTAN	31 122		535					31 657
BANGLADESH	213 971		2 972				( 6 393)	210 550
BOLIVIA	5 638	5 680	67	7 407	741			3 237
BRAZIL	( 1 056)	8 112 782	7 402	8 019 976	81 081		( 14 158)	3 913
CAPE VERDE	145 455		3 793	( 126 058)	( 1 181)			276 487
CUBA	4 117	7 536	84	7 200	432			4 105
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	3 479		878	( 59 398)	( 1 782)			65 537
EGYPT	6 856			7 875	785			( 1 804)
INDIA	11 297		162					11 459
LESOTHO	140 940		1 935	2 650	265			139 960
LIBYAN ARAB JAMAHIRIYA	48 390		620	14 963	1 496			32 551
LIBYAN ARAB JAMAHIRIYA (CAD)	16 001		223					16 224
LIBYAN ARAB JAMAHIRIYA (CAHI)	11 226		166					11 392
LIBYAN ARAB JAMAHIRIYA (LAA)	18 624		260	80	8			18 796
MALDIVES	5 215		9				( 5 224)	
MOZAMBIQUE	35 753		372	18 739	1 124			16 262
MYANMAR	662 740		10 348	( 190)	( 7)	( 90 000)		583 285
NIGERIA (NAMA)	39 997		557					40 554
PAKISTAN	19 800		206					20 006
PERU	58 464	37 335	5 504	14 703	955	2 323		87 968
REGIONAL CAEP ET STUDY	144 276	8 961	1 044	114 517	6 837			32 927
SIERRA LEONE	15 271		213					15 484
SUDAN		599 058	7 195	491 035	21 544			93 674
SURINAME	1 374		79	3 000	300			( 1 847)
SYRIAN ARAB REPUBLIC	(6 010 549)	10 450 256	310 463	3 750 911	130 865		( 534 606)	333 788
TRINIDAD AND TOBAGO	559 915	623 306	30 860	1 211 048	51 094			( 48 061)
UGANDA	6 614		92					6 706
UNMIK KOSOVO	91 586	2 926 829	194 867	2 034 473	75 562			1 103 247
UNITED REPUBLIC OF TANZANIA	12 869		179					13 048
YEMEN	21 133		360					21 493
OTHER CAPS FUNDS *	5 227		110	53		( 4 467)		817
<b>TOTAL</b>	<b>(3 674 255)</b>	<b>22 771 743</b>	<b>581 555</b>	<b>15 512 984</b>	<b>370 119</b>	<b>( 92 144)</b>	<b>( 560 381)</b>	<b>3 143 415</b>

\* Summary of eight funds with year end balances and transactions during the year of less than five thousands dollars.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**AVIATION SECURITY TRUST FUND**  
**SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2004**

(in United States dollars)

	AVIATION SECURITY PLAN OF ACTION								OTHER EARMARKED AVSEC FUNDS				TOTAL		
	EARMARKED TRAINING PROGRAMME	ENHANCED MECHANISM	FRANCE JPO	FRANCE PROTOCOLE EXPERT	KOREA EXPERT	NETHERLANDS	UNITED KINGDOM	UNITED STATES	SUB-TOTAL	AWARENESS TRAINING PROGRAMME	FRANCE PROTOCOLE COOPERATION	NATIONAL PROJECTS	STANDARDIZED TRAINING PROGRAMME	2004	2003
	<b>INCOME AND EXPENDITURE</b>														
<b>INCOME</b>															
Contributions		3 381 221							3 381 221					3 381 221	1 999 956
Earmarked Contributions		40 731	133 400	138 085			111 000	196 589	619 805	61 473	241 380			922 658	2 039 795
Other Income															
Interest income	8 824	98 459	1 629	3 059	2 607	619	331	69	115 597	436	1 414	2 918	5 216	125 581	59 903
Other	196 000	274 100							470 100		1 870			471 970	302 875
<b>TOTAL INCOME</b>	<b>204 824</b>	<b>3 794 511</b>	<b>135 029</b>	<b>141 144</b>	<b>2 607</b>	<b>619</b>	<b>111 331</b>	<b>196 658</b>	<b>4 586 723</b>	<b>61 909</b>	<b>244 664</b>	<b>2 918</b>	<b>5 216</b>	<b>4 901 430</b>	<b>4 402 529</b>
<b>EXPENDITURE</b>															
Salaries and common staff costs	28 975	1 856 007	80 137	88 729	93 934	23 658	112 472	254 031	2 537 943				12 775	2 550 718	1 447 416
Travel	17 504	1 498 775							1 516 279	35 970	28 218		1 606	1 582 073	922 317
Equipment		61 129							61 129					61 129	88 402
Other		233 009	10	20			10		233 049	318				233 367	133 976
<b>TOTAL EXPENDITURE</b>	<b>46 479</b>	<b>3 648 920</b>	<b>80 147</b>	<b>88 749</b>	<b>93 934</b>	<b>23 658</b>	<b>112 482</b>	<b>254 031</b>	<b>4 348 400</b>	<b>36 288</b>	<b>28 218</b>		<b>14 381</b>	<b>4 427 287</b>	<b>2 592 111</b>
Net excess (shortfall) of income over expenditure	158 345	145 591	54 882	52 395	( 91 327)	( 23 039)	( 1 151)	( 57 373)	238 323	25 621	216 446	2 918	( 9 165)	474 143	1 810 418
<b>BALANCE OF FUNDS</b>															
Adjustment to prior year's unliquidated obligation/expenditure	2 237	44 125							46 362					46 362	16 371
Transfers to/from other funds		( 10 000)							( 10 000)					( 10 000)	1 055 190
Fund balances, beginning of period	542 786	6 269 454	48 592	141 128	253 000	63 689	12 855	77 601	7 409 105		17 874	195 329	424 888	8 047 196	5 165 217
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>703 368</b>	<b>6 449 170</b>	<b>103 474</b>	<b>193 523</b>	<b>161 673</b>	<b>40 650</b>	<b>11 704</b>	<b>20 228</b>	<b>7 683 790</b>	<b>25 621</b>	<b>234 320</b>	<b>198 247</b>	<b>415 723</b>	<b>8 557 701</b>	<b>8 047 196</b>
<b>ASSETS, LIABILITIES AND BALANCE OF FUNDS</b>															
<b>ASSETS</b>															
Cash and term deposits	616 277	7 241 718	110 482	202 198	168 932	40 408	22 154	48 910	8 451 079	38 205	239 988	197 094	415 178	9 341 544	6 842 279
Accounts receivable															
Inter-fund balances	60 557	5 616		784	571	189			67 717	1 064	894			69 675	1 701 185
Receivables	35 908	9 023	220	257	215	53	20	48	45 744	47	311	259	545	46 906	
<b>TOTAL ASSETS</b>	<b>712 742</b>	<b>7 256 357</b>	<b>110 702</b>	<b>203 239</b>	<b>169 718</b>	<b>40 650</b>	<b>22 174</b>	<b>48 958</b>	<b>8 564 540</b>	<b>39 316</b>	<b>240 299</b>	<b>198 247</b>	<b>415 723</b>	<b>9 458 125</b>	<b>8 543 464</b>
<b>LIABILITIES</b>															
Unliquidated obligations	8 065	199 343						11 000	218 408	9 216				227 624	206 480
Accounts payable		10 396							10 396					10 396	16 095
Inter-fund balances	1 309	597 448	7 228	9 716	8 045		10 470	17 730	651 946	4 479	5 979			662 404	273 693
<b>TOTAL LIABILITIES</b>	<b>9 374</b>	<b>807 187</b>	<b>7 228</b>	<b>9 716</b>	<b>8 045</b>		<b>10 470</b>	<b>28 730</b>	<b>880 750</b>	<b>13 695</b>	<b>5 979</b>			<b>900 424</b>	<b>496 268</b>
<b>BALANCE OF FUNDS Represented by:</b>															
Cumulative Surplus	703 368	6 449 170	103 474	193 523	161 673	40 650	11 704	20 228	7 683 790	25 621	234 320	198 247	415 723	8 557 701	8 047 196
<b>TOTAL BALANCE OF FUNDS</b>	<b>703 368</b>	<b>6 449 170</b>	<b>103 474</b>	<b>193 523</b>	<b>161 673</b>	<b>40 650</b>	<b>11 704</b>	<b>20 228</b>	<b>7 683 790</b>	<b>25 621</b>	<b>234 320</b>	<b>198 247</b>	<b>415 723</b>	<b>8 557 701</b>	<b>8 047 196</b>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>	<b>712 742</b>	<b>7 256 357</b>	<b>110 702</b>	<b>203 239</b>	<b>169 718</b>	<b>40 650</b>	<b>22 174</b>	<b>48 958</b>	<b>8 564 540</b>	<b>39 316</b>	<b>240 299</b>	<b>198 247</b>	<b>415 723</b>	<b>9 458 125</b>	<b>8 543 464</b>



INTERNATIONAL CIVIL AVIATION ORGANIZATION

ICAO UNIVERSAL SAFETY OVERSIGHT AUDIT PROGRAMME FUND  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

	FRANCE	GERMANY	UNITED STATES	GENERAL	TOTAL	
					2004	2003
<b>INCOME AND EXPENDITURE</b>						
<b>INCOME</b>						
Interest income	<u>1</u>	<u>1 171</u>	<u>          </u>	<u>313</u>	<u>1 485</u>	<u>1 230</u>
<b>TOTAL INCOME</b>	<u>1</u>	<u>1 171</u>	<u>          </u>	<u>313</u>	<u>1 485</u>	<u>1 230</u>
<b>EXPENDITURE</b>						
Other	<u>          </u>	<u>          </u>	<u>237</u>	<u>          </u>	<u>237</u>	<u>10 752</u>
<b>TOTAL EXPENDITURE</b>	<u>          </u>	<u>          </u>	<u>237</u>	<u>          </u>	<u>237</u>	<u>10 752</u>
Net excess (shortfall) of income over expenditure	<u>1</u>	<u>1 171</u>	<u>( 237)</u>	<u>313</u>	<u>1 248</u>	<u>( 9 522)</u>
<b>BALANCE OF FUNDS</b>						
Fund balance, beginning of period	<u>18</u>	<u>84 084</u>	<u>1 543</u>	<u>25 063</u>	<u>110 708</u>	<u>120 230</u>
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<u>19</u>	<u>85 255</u>	<u>1 306</u>	<u>25 376</u>	<u>111 956</u>	<u>110 708</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>						
<b>ASSETS</b>						
Cash and term deposits	19	84 760		25 265	110 044	109 873
Accounts receivable						
Inter-fund balances		384		108	492	
Receivables		<u>111</u>	<u>18 568</u>	<u>3</u>	<u>18 682</u>	<u>18 568</u>
<b>TOTAL ASSETS</b>	<u>19</u>	<u>85 255</u>	<u>18 568</u>	<u>25 376</u>	<u>129 218</u>	<u>128 441</u>
<b>LIABILITIES</b>						
Accounts payable			17 184		17 184	17 025
Inter-fund balances			<u>78</u>		<u>78</u>	<u>708</u>
<b>TOTAL LIABILITIES</b>			<u>17 262</u>		<u>17 262</u>	<u>17 733</u>
<b>BALANCE OF FUNDS Represented by:</b>						
Balance of Funds	<u>19</u>	<u>85 255</u>	<u>1 306</u>	<u>25 376</u>	<u>111 956</u>	<u>110 708</u>
<b>TOTAL BALANCE OF FUNDS</b>	<u>19</u>	<u>85 255</u>	<u>1 306</u>	<u>25 376</u>	<u>111 956</u>	<u>110 708</u>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>	<u>19</u>	<u>85 255</u>	<u>18 568</u>	<u>25 376</u>	<u>129 218</u>	<u>128 441</u>

**SCHEDULE K**

**- 32 -**

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
 ICAO OBJECTIVES IMPLEMENTATION MECHANISM FUND  
 SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
 FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

	SPAIN					TOTAL	
	Aeronautical Technical Training (A16-7)	Technical Co-operation Fellowships (AECI)	Technical Co-operation Officer (AECI)	Trainair (AECI)	Technical Co-operation Training (AENA)	2004	2003
	<b>INCOME AND EXPENDITURE</b>						
<b>INCOME</b>							
Contributions			10 000		134 721	144 721	75 573
Other Income							
Interest income	143			82	1 425	1 650	1 041
<b>TOTAL INCOME</b>	<b>143</b>			<b>10 082</b>	<b>136 146</b>	<b>146 371</b>	<b>76 614</b>
<b>EXPENDITURE</b>							
Salaries and common staff costs			236		26 237	26 473	28 447
Equipment					3 534	3 534	( 9 541)
Expert and other personnel costs			2 180			2 180	
Training				15 112	63 757	78 869	36 105
Administrative overhead charges			314	1 969	6 647	8 930	3 489
Other			19	37	1 423	1 479	13 891
<b>TOTAL EXPENDITURE</b>			<b>2 749</b>	<b>17 118</b>	<b>101 598</b>	<b>121 465</b>	<b>72 391</b>
<b>NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>143</b>		<b>( 2 749)</b>	<b>( 7 036)</b>	<b>34 548</b>	<b>24 906</b>	<b>4 223</b>
<b>BALANCE OF FUNDS</b>							
Transfers to/from other funds		( 269)	269				
Refund of contributions					( 8 770)	( 8 770)	( 2 920)
Fund balances, beginning of period	10 310	269	( 1 265)	6 338	10 889	26 541	25 238
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>10 453</b>		<b>( 3 745)</b>	<b>( 698)</b>	<b>36 667</b>	<b>42 677</b>	<b>26 541</b>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>							
<b>ASSETS</b>							
Cash and term deposits	10 406			4 464	69 641	84 511	95 934
Accounts receivable							
Inter-fund balances	47			28	986	1 061	122
Receivables					2 483	2 483	2 483
<b>TOTAL ASSETS</b>	<b>10 453</b>			<b>4 492</b>	<b>73 110</b>	<b>88 055</b>	<b>98 539</b>
<b>LIABILITIES</b>							
Unliquidated obligations				1 584	2 378	3 962	7 076
Accounts payable			1 276		23 271	24 547	32 806
Inter-fund balances			2 469	3 606	10 794	16 869	32 116
<b>TOTAL LIABILITIES</b>			<b>3 745</b>	<b>5 190</b>	<b>36 443</b>	<b>45 378</b>	<b>71 998</b>
<b>BALANCE OF FUNDS</b>							
Represented by:							
Balance of Funds	10 453		( 3 745)	( 698)	36 667	42 677	26 541
<b>TOTAL BALANCE OF FUNDS</b>	<b>10 453</b>		<b>( 3 745)</b>	<b>( 698)</b>	<b>36 667</b>	<b>42 677</b>	<b>26 541</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>10 453</b>		<b>4 492</b>	<b>4 492</b>	<b>73 110</b>	<b>88 055</b>	<b>98 539</b>

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY FUND**  
**SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2004**

(in United States dollars)

INCOME AND EXPENDITURE	GENERAL FUND	ASSOCIATE EXPERT SCHEME	TOTAL	
			2004	2003
<b>INCOME</b>				
Contributions	354 000		354 000	304 991
Earmarked Contributions		105 900	105 900	
Other Income				
Interest income	21 998	701	22 699	3 596
<b>TOTAL INCOME</b>	<b>375 998</b>	<b>106 601</b>	<b>482 599</b>	<b>308 587</b>
<b>EXPENDITURE</b>				
Salaries and common staff costs	4 400	68 469	72 869	38 537
General operating expenses	55 305		55 305	49 828
Other	4 214	10	4 224	9 276
<b>TOTAL EXPENDITURE</b>	<b>63 919</b>	<b>68 479</b>	<b>132 398</b>	<b>97 641</b>
Net excess (shortfall) of income over expenditure	312 079	38 122	350 201	210 946
<b>BALANCE OF FUNDS</b>				
Transfers to/from other funds				1 055 190
Fund balances, beginning of period	1 492 280		1 492 280	226 144
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>1 804 359</b>	<b>38 122</b>	<b>1 842 481</b>	<b>1 492 280</b>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>				
<b>ASSETS</b>				
Cash and term deposits	1 752 040	47 683	1 799 723	1 518 150
Accounts receivable:				
Inter-fund balances	52 319		52 319	
<b>TOTAL ASSETS</b>	<b>1 804 359</b>	<b>47 683</b>	<b>1 852 042</b>	<b>1 518 150</b>
<b>LIABILITIES</b>				
Inter-fund balances		9 561	9 561	25 870
<b>TOTAL LIABILITIES</b>		<b>9 561</b>	<b>9 561</b>	<b>25 870</b>
<b>BALANCE OF FUNDS</b>				
Represented by:				
Cumulative Surplus	1 804 359	38 122	1 842 481	1 492 280
<b>TOTAL BALANCE OF FUNDS</b>	<b>1 804 359</b>	<b>38 122</b>	<b>1 842 481</b>	<b>1 492 280</b>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>	<b>1 804 359</b>	<b>47 683</b>	<b>1 852 042</b>	<b>1 518 150</b>

Certified

  
 Salleppan Kandasamy  
 Chief, Finance Branch

Approved

  
 J.-C. Bugnet  
 Secretary, IFFAS Governing Body

**SCHEDULE M**

**- 34 -**

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**OTHER FUNDS**  
**SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2004**

(in United States dollars)

	Administrative Fee for Joint Financing Agreements	Arabic Language Services Fund	Chinese Language Services Fund	Edward Warner Award Fund	France Associate Experts Scheme	ICAO ANC Laurel Award Fund
<b>INCOME AND EXPENDITURE</b>						
<b>INCOME</b>						
Contributions				6 025	202 398	
Other Income						
Interest income	8 873	234	1 154	131	814	36
User charge/administrative fee revenues	510 627					
<b>TOTAL INCOME</b>	<b>519 500</b>	<b>234</b>	<b>1 154</b>	<b>6 156</b>	<b>203 212</b>	<b>36</b>
<b>EXPENDITURE</b>						
Salaries and common staff costs	258 504	12 084	48 119		95 271	
Travel	36 873				15 589	
Administrative overhead charges						
Service Costs						
Estimated service costs for current year						
Settlement of service costs for prior year						
Other	204 982			4 837	523	
<b>TOTAL EXPENDITURE</b>	<b>500 359</b>	<b>12 084</b>	<b>48 119</b>	<b>4 837</b>	<b>111 383</b>	
Net excess (shortfall) of income over expenditure	19 141	( 11 850)	( 46 965)	1 319	91 829	36
<b>BALANCE OF FUNDS</b>						
Refund of Contributions		( 21 523)				
Fund balances, beginning of period	75 896	46 860	87 551	7 469	( 72 662)	2 598
<b>BALANCE OF FUNDS, END OF PERIOD</b>	<b>95 037</b>	<b>13 487</b>	<b>40 586</b>	<b>8 788</b>	<b>19 167</b>	<b>2 634</b>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>						
<b>ASSETS</b>						
Cash and term deposits	263 404	13 436	70 370	8 216	37 836	2 622
Accounts receivable						
Credits from servicing Governments						
Inter-fund balances	46 036	51		572		12
Receivables	18 326					
<b>TOTAL ASSETS</b>	<b>327 766</b>	<b>13 487</b>	<b>70 370</b>	<b>8 788</b>	<b>37 836</b>	<b>2 634</b>
<b>LIABILITIES</b>						
Unliquidated obligations			24 870			
Accounts payable	59 757					
Inter-fund balances	172 972		4 914		18 669	
Credits to servicing Governments						
<b>TOTAL LIABILITIES</b>	<b>232 729</b>		<b>29 784</b>		<b>18 669</b>	
<b>BALANCE OF FUNDS</b>						
Represented by:						
Balance of Funds	95 037	13 487	40 586	8 788	19 167	2 634
<b>TOTAL BALANCE OF FUNDS</b>	<b>95 037</b>	<b>13 487</b>	<b>40 586</b>	<b>8 788</b>	<b>19 167</b>	<b>2 634</b>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>	<b>327 766</b>	<b>13 487</b>	<b>70 370</b>	<b>8 788</b>	<b>37 836</b>	<b>2 634</b>

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER FUNDS  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2004

(in United States dollars)

	Japan Junior Professional Officers Fund	Netherlands Associate Experts Scheme	North Atlantic Height Monitoring System Fund	Republic of Korea Junior Professional Officers Fund	TOTAL	
					2004	2003
<b>INCOME AND EXPENDITURE</b>						
<b>INCOME</b>						
Contributions		74 890			283 313	72 712
Other Income						
Interest income	382	809	25 942	83	38 458	45 266
User charge/administrative fee revenues			756 361		1 266 988	2 773 552
<b>TOTAL INCOME</b>	<b>382</b>	<b>75 699</b>	<b>782 303</b>	<b>83</b>	<b>1 588 759</b>	<b>2 891 530</b>
<b>EXPENDITURE</b>						
Salaries and common staff costs	( 226)	51 778			465 530	543 753
Travel		8 401			60 863	62 569
Administrative overhead charges	( 27)	8 039			8 012	21 191
Service Costs						
Estimated service costs for current year			2 402 896		2 402 896	2 168 298
Settlement of service costs for prior year			298 312		298 312	( 262 953)
Other		6 810			217 152	160 626
<b>TOTAL EXPENDITURE</b>	<b>( 253)</b>	<b>75 028</b>	<b>2 701 208</b>		<b>3 452 765</b>	<b>2 693 484</b>
Net excess (shortfall) of income over expenditure	<b>635</b>	<b>671</b>	<b>(1 918 905)</b>	<b>83</b>	<b>(1 864 006)</b>	<b>198 046</b>
<b>BALANCE OF FUNDS</b>						
Refund of Contributions	( 286 235)				( 307 758)	( 15 432)
Fund balances, beginning of period	285 600	32 239	3 562 343	5 862	4 033 756	3 851 142
<b>BALANCE OF FUNDS, END OF PERIOD</b>		<b>32 910</b>	<b>1 643 438</b>	<b>5 945</b>	<b>1 861 992</b>	<b>4 033 756</b>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>						
<b>ASSETS</b>						
Cash and term deposits		34 514	1 744 728	5 918	2 181 044	4 346 841
Accounts receivable						
Credits from servicing Governments						472 662
Inter-fund balances		11 391	2 602	47	60 711	39 138
Receivables					18 326	17 916
<b>TOTAL ASSETS</b>		<b>45 905</b>	<b>1 747 330</b>	<b>5 965</b>	<b>2 260 081</b>	<b>4 876 557</b>
<b>LIABILITIES</b>						
Unliquidated obligations		1 667			26 537	17 248
Accounts payable					59 757	61 765
Inter-fund balances		11 328		20	207 903	763 788
Credits to servicing Governments			103 892		103 892	
<b>TOTAL LIABILITIES</b>		<b>12 995</b>	<b>103 892</b>	<b>20</b>	<b>398 089</b>	<b>842 801</b>
<b>BALANCE OF FUNDS</b>						
Represented by:						
Balance of Funds		32 910	1 643 438	5 945	1 861 992	4 033 756
<b>TOTAL BALANCE OF FUNDS</b>		<b>32 910</b>	<b>1 643 438</b>	<b>5 945</b>	<b>1 861 992</b>	<b>4 033 756</b>
<b>TOTAL LIABILITIES AND BALANCE OF FUNDS</b>		<b>45 905</b>	<b>1 747 330</b>	<b>5 965</b>	<b>2 260 081</b>	<b>4 876 557</b>

# INTERNATIONAL CIVIL AVIATION ORGANIZATION

## NOTES TO THE FINANCIAL STATEMENTS

### ALL FUNDS OF THE ORGANIZATION

#### 1. The Organization

The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations system established by the Convention on International Civil Aviation signed on 7 December 1944. Its aims and objectives are to develop the principles and techniques of international air navigation and to foster the planning and development of international air transport.

#### 1.1 Purpose and Financing of Funds

Funds are established as the Assembly, the Council or the Secretary General deem necessary and are administered in accordance with the Financial Regulations of the Organization unless otherwise provided.

### 2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - ALL FUNDS

#### a) Financial Statement Presentation

The financial statements are presented in United States (U.S.) dollars and are in accordance with the provisions of the ICAO Financial Regulations. Unless otherwise indicated, the financial statements are presented in compliance with the United Nations System Accounting Standards (UNSAS) which provide a framework for accounting and financial reporting in the United Nations system.

The results of the ICAO operations and the financial position presented in Statements I and II are shown at a summary level by general type of activity as well as on a combined basis after the elimination of all interfund balances and administrative overhead charges. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since resources of one fund may not be utilized for the purposes of another fund.

ICAO Funds comprise the General Fund, the Working Capital Fund, the Administrative and Operational Services Cost Fund (AOSCF) and Special Accounts/Funds. For presentation purposes, the General Fund and the Working Capital Fund of the Regular Programme are combined in Statements I through III.

#### b) Income Recognition

Income is recorded on an accrual basis except for sales of publications, user charges and contributions received for Trust Funds and Management Service Agreements, Civil Aviation Purchasing Services Funds, Aviation Security Trust Fund, ICAO Universal Safety Oversight Audit Programme Fund, Other Funds, and amounts billed in accordance with agreements which are recorded on a cash basis. The treatment is in line with the UNSAS in all cases other than for the sales of publications and user charges.

#### c) Expenditure Recognition

##### Expenditure

Expenditure includes amounts for goods supplied and services rendered in the financial period as well as amounts for legal obligations of the financial period. Expenditures are recorded on an accrual basis except for equipment, which is on the basis of purchase orders or signed contractual agreements issued to the end of the year and for certain employee benefits.

##### Unliquidated Obligations

Unliquidated obligations represent amounts for orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period and which require payment during a future period.

d) **Translation of Currencies**

Transactions are carried out in a number of currencies. Transactions during the year are recorded in U.S. dollars at the United Nations operational rate of exchange (UNORE) effective at the time of the transactions.

Monetary balances at the end of the year are expressed in U.S. dollars at the UNORE effective 31 December.

e) **Contributions in Kind**

The Organization does not record contributions in kind in the accounts. The estimated value of contributions in kind are disclosed in the notes of the Funds receiving such contributions.

f) **Employee End of Service and Post-retirement Benefits**

The Organization's employees are entitled, under their conditions of employment, to payment for unused annual leave, as well as termination and repatriation benefits based on the number of years of service. In addition, the Organization provides certain health care benefits to eligible retirees. In accordance with United Nations Common System practice, ICAO has not recognized in its financial accounts the liabilities for after-service health insurance costs or for other types of end-of-service payments payable to staff members when they leave the Organization. Therefore, ICAO has not created any reserve to fund these liabilities. Such expenses are budgeted for in the annual budget and the actual costs incurred in each financial period, when staff members separate, are reported as current year expenditure.

## **REGULAR PROGRAMME**

1. The Regular Programme comprises the following funds, which are administered in accordance with Financial Regulation 7.3:

a) **General Fund**

The General Fund was established by the Assembly. Its purpose is to meet the Regular Programme expenditures through appropriations approved by the Assembly. The General Fund is financed by contributions from Contracting States according to the scale of assessment determined by the Assembly, by miscellaneous income, and by any advances made from the Working Capital Fund.

b) **Working Capital Fund**

The Working Capital Fund was also established by the Assembly. It can be utilized to make advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Contracting States. It is financed by assessed advances from Contracting States according to the scale of assessment determined by the Assembly. The authorized level of the Fund has remained at \$6.0 million since 1994, subject to increase during a triennium for the advances assessed on new Contracting States. The amounts advanced are reimbursed as soon as funds are available in the General Fund. Interest earned from investment of funds in the Working Capital Fund is recorded as income in the General Fund.

Advances from the Working Capital Fund can be made as necessary to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the balance of sums advanced not to exceed \$ 100 000 at any time and to be reimbursed as soon as receipts from participating States are available.

Advances may also be made to finance appropriations approved by the Council under Financial Regulation 5.2 b), to the relevant special fund created under Regulation 8.4 subject to the limit specified therein.

## 2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - REGULAR PROGRAMME

### a) Appropriations

#### Transfers between Programmes

Annual appropriations voted by the Assembly and supplementary appropriations approved by the Council remain available for twelve months following the end of the financial year to which they relate to the extent that they are required to discharge obligations incurred during that year. In accordance with Financial Regulation 5.10, the Secretary General may effect transfers from one Major Programme to another, up to an amount not exceeding 10 per cent per appropriation for each of the Major Programmes involved in the transfer. Above this percentage, the Secretary General may effect transfers between Major Programmes with the prior approval of the Council, after obtaining the advice of the Finance Committee.

#### Carry-over during a triennium

Financial Regulation 5.6 provides that the Secretary General may effect transfers of up to 10 per cent per appropriation for each Major Programme and, above this percentage, the Council, irrespective of its authority under Regulation 5.10, to effect transfers between Major Programmes, may determine that any unobligated balance of appropriations in any financial year during the period between normal triennial sessions of the Assembly be carried over to the following year. The total of obligated and carried over appropriations shall not exceed the Total Authorized Appropriation plus amounts carried over from the previous year. Any balance of unobligated appropriations shall be cancelled.

#### Carry-over to the next triennium

Financial Regulation 5.11 provides that the Secretary General may defer implementation of specific elements planned for the third financial year of a triennium to the first year of the next triennium. With the approval of the Council, that part of the appropriation relating to the deferred activity shall remain available for obligation for twelve months following the end of the financial year for which it was approved and for a further period of twelve months, to the extent that they are required to discharge unliquidated obligations incurred in respect of the preceding twelve months.

Appropriations carried over to the following year are reserved from cumulative surplus.

### b) Assessed Contributions

Income from assessed contributions represents a legal obligation of Contracting States, which is recognized as income in the year in which it becomes due and payable. No provision is made for delays in the collection of assessed contributions.

Assessments on Contracting States are established and payable in U.S. dollars and such payments are recorded in U.S. dollars at the UNORE effective on the date of receipt. The Organization may accept payment in other currencies to the extent needed. In accordance with ICAO Financial Rules, the dollar equivalent of contributions paid in currencies other than U.S. dollars is calculated at the most favorable rate of exchange effective on the date of payment and available to ICAO (normally the market buying rate). Payments received from Contracting States are applied first to advances due to the Working Capital Fund and the balance against outstanding assessments for the General Fund beginning with the earliest.

### c) Cancellation of Prior Year's Obligations

Any unliquidated obligation remaining twelve months after the end of the financial period of its establishment, and which is no longer valid, is cancelled and credited to surplus.

### d) Forward Currency Purchase Contract

The Organization enters into derivative financial instruments in the form of forward currency contracts to manage the foreign exchange rate exposure of the Canadian dollars so as to stabilize costs at the budgeted rate of exchange. The difference between the UNORE and the forward purchase contract rate is charged to expenditure when the contract is exercised. At the end of the year, any unrealized gain and loss resulting from the difference between the UNORE and the rate of exchange negotiated in forward contracts held for hedging purposes and not yet exercised, sold or terminated at the end of the year is recorded as an asset or liability relating to derivatives and the corresponding amount is reported as reserved Surplus.



e) **Allocation of Expenditures Between the Regular Programme and the AOSCF**

Prior Assemblies approved the recommendation of the Council to integrate the Technical Co-operation Bureau into the Organization's structure and that the Regular Programme budget would support the Technical Co-operation Programme. As a result, some staff costs were transferred to the Regular Programme and certain other costs such as rental and maintenance of premises previously shared between the two Programmes have been fully absorbed by the Regular Programme.

f) **Acquisitions of Non-Expendable Property**

The cost of non-expendable property, which includes furniture, vehicles, computers and other office equipment, is charged to expenditure in the year that the expenditure is incurred. Non-expendable property is defined as any item having a cost of \$ 1 500 or more and whose life expectancy is five years or longer. Special Items that are considered sensitive with an original cost of \$ 500 or more are also classified as non-expendable property irrespective of their serviceable life.

3. **CHANGE IN ACCOUNTING POLICY**

Effective from 3 November 2004, the United Nations System Accounting Standards require that any unrealized gains and losses resulting from the difference between the UNORE and the rate of exchange negotiated on forward contracts held for hedging purposes and not yet exercised, sold or terminated at the end of the year, be recorded as an asset or liability relating to derivatives and the corresponding amount reserved from surplus. The policy has been applied prospectively starting in 2004. Accordingly, Statement II reflects a Derivative asset and an equal Reserved Surplus of \$ 10 976 058 representing the difference in value between the forward contract stated at the UNORE and the value stated at the rate of exchange negotiated on the forward contracts.

4. **GENERAL FUND ASSESSED CONTRIBUTIONS RECEIVABLE FROM CONTRACTING STATES**

The aging of assessed contributions receivable as at 31 December 2004 and 2003 is summarized as follows:

<u>Years</u>	<u>2004</u>	<u>2003</u>
1982-97	\$ 7 521 415	\$ 8 130 910
1998	615 034	647 544
1999	483 888	512 352
2000	490 261	557 266
2001	538 416	961 742
2002	639 553	1 430 366
2003	<u>865 693</u>	<u>-</u>
Previous years	11 154 260	12 240 180
Current year	<u>1 635 782</u>	<u>2 381 073</u>
	<u>\$ 12 790 042</u>	<u>\$ 14 621 253</u>

5. **EXPENSES RECOVERABLE FROM AND DUE TO THE REGIONAL BODIES OF AFCAC, ECAC AND LACAC (STATEMENT II)**

ICAO provides secretariat services for the African Civil Aviation Commission (AFCAC), the European Civil Aviation Conference (ECAC) and the Latin American Civil Aviation Commission (LACAC). The costs are met initially from the General Fund and the expenses are recoverable from the respective Regional Bodies.

The net amounts recoverable from or due to the Regional Bodies for all transactions effected on their behalf by ICAO is shown below:

	<u>AFCAC</u>	<u>RECOVERABLE FROM LACAC</u>	<u>TOTAL</u>	<u>DUE TO ECAC</u>
Balance due from (to) at 31 December 2003	\$ 1 593 618	\$ 57 991	\$ 1 651 609	\$ (357 924)
Add: Payments made in 2004	293 440	165 666	459 106	2 724 018
Less: Amounts received in 2004	<u>(503 175)</u>	<u>(189 258)</u>	<u>(692 433)</u>	<u>(3 392 678)</u>
Balance due from (to) at 31 December 2004	<u>\$ 1 383 883</u>	<u>\$ 34 399</u>	<u>\$ 1 418 282</u>	<u>\$ (1 026 584)</u>

## 6. FORWARD PURCHASE OF CURRENCY

In 2001, the Organization entered into forward purchase contracts for Canadian dollars to cover the requirements of the Regular Programme and the AOSCF. A total value of CAD\$ 151 212 000 was forward purchased for delivery during the period of 4 January 2002 to 1 December 2004. During 2004, CAD\$ 50 710 000 were received at an actual cost of U.S.\$ 32 596 041.

Canadian dollar disbursements are reflected at the forward rate rather than at the UNORE. Differences between the forward rate and the UNORE in respect of Canadian dollars forward purchased amounted to a credit of \$ 6 317 187 in 2004 (a credit of \$ 3 464 494 in 2003). Of the total amount, a credit of \$ 5 451 468 (credit of \$ 2 884 045 in 2003) is reflected in the expenditure of the Regular Programme and a credit of \$ 605 719 (credit of \$ 320 449 in 2003) relates to the AOSC Fund, prorated on the basis of utilization of Canadian dollars forward purchased. A credit of \$ 260 000 (credit of \$ 260 000 in 2003) was transferred to AVSEC in 2004 in accordance with Resolving Clause 4 of A33-23A.

Between 1 September 2004 and 1 December 2004, forward contracts of EURO €1 150 369 were delivered at a cost of U.S.\$ 1 400 000, in order to protect against adverse exchange movements for those Regional Offices with disbursements in EURO. Of the amount delivered, a total of EURO €1 020 146 was disbursed during the year and a balance of EURO €130 223 remained in the bank at 31 December 2004. The EURO disbursements effected from these funds are reflected at the forward rate rather than at the UNORE. The credits realized from the related transactions effected during 2004 amount to an approximate value of U.S. \$ 46 500.

In 2004, the Organization entered into forward contracts for Canadian dollars and EURO to cover the requirements of the Regular Programme and the AOSCF. The notional amount of Canadian dollar and EURO forward contracts purchased in 2004 for delivery during the period 4 January 2005 to 3 December 2007 are as follows:

Year	Canadian	U.S.	Average	EURO	U.S.	Average
	Dollars	Dollars	Rate		Dollars	Rate
2005	\$ 57 180 000	\$ 43 327 303	1.32	€1 204 809	\$ 1 453 000	.829
2006	56 976 000	43 190 677	1.32	948 590	1 144 000	.829
2007	<u>56 007 000</u>	<u>42 444 769</u>	<u>1.32</u>	<u>902 156</u>	<u>1 088 000</u>	<u>.829</u>
	<u>\$ 170 163 000</u>	<u>\$ 128 962 749</u>	<u>1.32</u>	<u>€3 055 556</u>	<u>\$ 3 685 000</u>	<u>.829</u>

## 7. CONTRIBUTIONS IN KIND

Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand and Mexico and the Organization, these Governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. The Government of Canada also bears the major part of the cost of operations and maintenance of the Headquarters premises. These are treated as contributions in kind.

The estimated value of the contributions in kind, based on the lease contracts or on the estimated market value when there is no lease, is shown below:

	<u>2004</u>	<u>2003</u>
Canada	\$ 10 648 000	\$ 9 900 000
Egypt	113 000	113 000
France	594 000	553 000
Peru	41 000	89 000
Senegal	21 000	11 000
Thailand	<u>4 750 000</u>	<u>331 000</u>
	<u>\$16 167 000</u>	<u>\$10 997 000</u>

The Government of Mexico provides a cash contribution towards the rental and utilities costs of the Regional Office in Mexico City. The contribution in 2004 amounted to U.S.\$ 85 669 (\$ 113 000 in 2003). Included in the contribution from Canada is an amount equivalent to U.S.\$ 1 256 000 from the Government of Quebec towards provision of premises in the Bell Tower office for the Headquarters in Montreal. The Government of Thailand provided a new conference building to the Regional Office in Bangkok, which was completed in December 2003 and inaugurated in January 2004; the value of the contribution is reflected in the figure above.

## 8. END OF SERVICE AND POST-RETIREMENT BENEFITS

### a) End of service benefits

Separation payments and termination indemnity in respect of the Regular Programme staff are estimated at \$ 13.7 million as at 31 December 2004 (\$ 13.7 million as at 31 December 2003). The estimate for leave and termination indemnity is based on historical experience over the last 6 years. The other estimates for separation payments are based on the actual entitlements for professional staff at 31 December 2004, valued at the average historical cost of the benefit.

End of service benefits, comprising termination indemnity, repatriation grant, removal of personal effects, travel on separation, and accrued leave paid in the current year amounted to \$ 1 432 907 (\$ 791 699 in 2003).

### b) Post-retirement benefits

The contingent liability resulting from the after-service health insurance that the Organization may have to pay to its staff members in future years has been determined by actuarial valuation. The actuarial valuation of the contingent liability for health benefits in future years (including both health and dental care) is estimated at \$ 324 million (\$28.2 million in 2003). The liability covers all ICAO staff.

Health insurance coverage is available to qualified retired employees. The Regular Programme paid \$ 628 000 in the current year for health care benefits in respect of all eligible retirees (\$ 567 000 in 2003).

## 9. LONG-TERM LEASE COMMITMENTS

As at 31 December 2004, the Organization had an average commitment of approximately U.S.\$ 35 million (equivalent to CAD\$ 4.3 million) per annum for 12 years, for a total commitment of U.S.\$ 42.3 million (equivalent to CAD\$ 51.6 million), relating to its share of the basic rent and operating and maintenance costs of the Headquarters premises.

As at 31 December 2004, the organization has outstanding purchases and long term lease agreements for the supply of equipment and rental of facilities which are due between 2005 and 2009. The total commitment amounts to U.S.\$ 369 476. The committed payments under leases for telephone systems, equipment and photocopier will be as follows:

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>TOTAL</u>
\$ 148 130	\$ 87 823	\$ 80 982	\$ 33 147	\$ 19 394	\$ 369 476

## 10. DISTRIBUTION OF CASH SURPLUS

### 10.1 Definition of Cash Surplus and its Disposition

The balance of cash surplus presented in Statement V reflects the difference between total surplus shown in the financial statements under balance of funds and assessments receivable from Contracting States and adjustments made to surplus in the year in accordance with Financial Regulation 6.2. Any balance of cash surplus at the end of the year prior to the year in which the Assembly is held is disposed of in the manner to be decided by the Assembly.

10.2 **Disposition in Accordance with A33-23B**

Assembly Resolution A33-23B approved the disposition from cash surplus during 2004 of the following:

- i) the amount of \$ 2 062 000 to be allocated to the Universal Safety Oversight Audit Programme (Remainder of continuation and Expansion) on 1 January 2004; and
- ii) the amount of \$ 3 567 000 to finance some of the Regular Programme budget for the year 2004 in order to minimize the assessments on Contracting States.

The movement in the amounts reserved for purposes designated by Assembly Resolution A33-23B is detailed below, in thousands of U.S. dollars:

	2004	2003
Balance of Reserved Cash Surplus beginning of year	\$ 5 629	\$ 8 429
Allocated to Universal Safety Oversight Audit Programme	(2 062)	(\$1 052)
Utilized to minimize assessments for the year	<u>(3 567)</u> <u>(5 629)</u>	<u>(1 748)</u> <u>(2 800)</u>
Balance of Reserved Cash Surplus at end of year	<u>\$ 0</u>	<u>\$ 5 629</u>

10.3 **Status of Cash Surplus**

The Organization had a cash surplus of \$ 2 983 112 as at 31 December 2004 (deficit of \$ 232 015 for 2003) as reflected in Statement V. No cash surplus was distributed during the year 2004.

11. **PARTICIPATION IN THE UNITED NATIONS JOINT STAFF PENSION FUND (UNJSPF)**

ICAO is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report the United Nations General Assembly has not invoked this provision.

The payments made to UNJSPF relating to the contributions of the participants and the Organization for 2004 amounted to \$ 15 310 048 (\$ 14 324 130 in 2003).

12. **CASH AND TERM DEPOSITS**

As at 31 December 2004, the term deposits had an average interest rate of 2.26% (1.07% in 2003) and an average term maturity of 35 days (51 days in 2003).

**ADMINISTRATIVE AND OPERATIONAL SERVICES COST (AOSC) FUND**

1. The Administrative and Operational Services Cost Fund (AOSCF) was established under the provisions of Article IX of the ICAO Financial Regulations. The AOSCF is utilized to meet the costs of administration and operation of technical co-operation programmes. This Fund is primarily financed from administrative overhead charges to the United Nations Development Programme (UNDP), Trust Funds and Management Service Agreements, and Civil Aviation Purchasing Service Funds.

2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - AOSC FUND**

a) **Budgetary Estimates**

The annual indicative budgetary estimates for AOSC, approved by the Assembly and subsequently adjusted by the Council in accordance with Article IX of the Financial Regulations, remain available for twelve months following the end of the financial year to which they relate to the extent they are required to discharge obligations incurred during the year. The Council may under certain circumstances approve the carry over of any unobligated balance of the budgetary estimates to the following year.

b) **Administrative Overhead Income**

The administrative overhead earned is reflected under Other Income. Administrative overhead is charged to the UNDP Fund on a basis determined in co-ordination with the UNDP and beneficiary countries. The recognition of administrative overhead for the Trust Funds and Management Service Agreements are based on agreement terms negotiated with funding sources. Administrative overhead charged to the Civil Aviation Purchasing Service Funds is calculated in accordance with the scale of charges established by the Council for the CAPS Agreements.

c) **Allocation of Expenditures Between the Regular Programme and the AOSCF**

The allocation of expenditures between the Regular Programme and the AOSCF are commented on in Note 2(e) of the Regular Programme.

3. **END OF SERVICE AND POST-RETIREMENT BENEFITS**

a) **End of service benefits**

End of service benefit entitlements accrued to AOSCF staff are estimated at \$4.0 million as at 31 December 2004 (\$3.4 million as at 31 December 2003). The actual amount paid for the year ended 31 December 2004 was \$ 69 529 (\$ 43 766 for 2003).

b) **Post-retirement benefits**

Refer to Note 8 b) - Regular Programme.

4. **FORWARD PURCHASE OF CURRENCY**

As indicated in Note 6 of the Regular Programme, as a result of the differences between the UNORE and the forward rate, an amount of \$ 605 719 is included as a credit to the 2004 expenditures of the AOSCF compared to a credit of \$ 320 449 in 2003.

5. **RESERVED SURPLUS**

The 35<sup>th</sup> Session of the Assembly authorized the transfer of \$2 million from the accumulated funds for the AOSCF to the ICT Fund to finance part of the cost of modernizing the financial and related systems. The amount so authorized has been reserved.

6. **VIET NAM CAPS-SHORTFALL OF REIMBURSEMENT FROM THE GOVERNMENT OF VIETNAM**

The AOSC Fund results of 2003 include an unusual expenditure item of \$ 0.54 million which relates to a settlement signed in 2002 by Tripal, ICAO and in 2003 by the Government of Viet Nam in the arbitration proceedings of Tripal Systems Pty. vs. ICAO, which commenced in 1992 and involved a Civil Aviation Purchasing Service (CAPS) project in Viet Nam. Under the settlement, an amount of \$ 1.3 million was paid by ICAO to Tripal, on behalf of itself and of Viet Nam, in settlement of a claim. In exchange, a full release from all claims and demands arising from the dispute was provided by Tripal in relation to ICAO and Viet Nam. ICAO had incurred related costs of \$ 1.84 million in relation to the case, including the \$ 1.3 million settlement, and the total amount was considered an advance to Viet Nam. In September 2003, Viet Nam reimbursed ICAO \$1.3 million in full settlement of the amount owed. The resulting shortfall of reimbursement from the Viet Nam Government of \$ 0.54 million was funded by the AOSC Fund and is reflected as an unusual expenditure in Statement I.

## SPECIAL ACCOUNTS/FUNDS

### 1. Purpose and Financing of the Special Accounts/Funds

1.1 The **Air Navigation Cost Recovery Account** was established in 2002 by the Secretary General of ICAO in accordance with Regulation 7.2 for the sale of services and publications relating to Air Navigation.

1.2 The **Air Transport Cost Recovery Account** was established by the Council in 2001 to finance income and expenditures relating to specific services provided by the Air Transport Bureau to Contracting States and others.

1.3 The **Conference and Other Facilities Fund** was established by the Council in 1999 to account for the income and the costs of administration, operation and refurbishment relating to the rental of the conference, garage and cafeteria facilities.

1.4 The **Electronic Publishing Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2 for the production and sale of electronic publications.

1.5 The **English Standard Language Project Account** was established for the enhancement of communication procedures in civil aviation.

1.6 The **Incentive for Settlement of Arrears Account** was established by Resolving Clause 2 of Assembly Resolution A32-27, and the continuation of the scheme was confirmed by the 33<sup>rd</sup> Session of the Assembly in Resolution A33-27. Resolving Clause 3 of Resolution A33-27 provides that “payments from Contracting States with arrears of three full years or more will be retained in a separate account to finance expenditure on aviation security activities, and new and unforeseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes.” Funds are provided from transfers of the Regular Programme surplus.

1.7 The **Information and Communication Technology (ICT) Fund** was established in 2001 by Assembly Resolution A33-24 to facilitate the modernization of ICAO’s financial systems, the enhancement of ICAO’s Web sites and consolidation of file servers.

1.8 The **Language Proficiency Fund** was established in 2004 by the Secretary General under Financial Regulation 7.2, to finance expenditure and collect revenues relating to specific aviation language proficiency products and services provided by the Air Navigation Bureau (ANB) to Contracting States and others.

1.9 The **Language Services Account** for the provision of interpretation, translation and printing services was established by the Council in 2001 to administer the income and the expenditure related to the provision of such services to other international organizations, government agencies and national delegations.

1.10 The **Preparatory Commission of the International Registry Account** was established by the Council in 2001. At the 161st Session of the Council held in December 2001, the Council accepted the responsibility of guiding and supervising the work of the Preparatory Commission of experts to perform the preliminary work regarding the establishment of the Authority of the International Registry and to administer the funds to be made available for the Preparatory Commission. The International Registry is a self-funding mechanism through user fees on a cost recovery basis in accordance with Article XX(3) of the Aircraft Protocol. Funding for the work of the Preparatory Commission is provided by voluntary contributions from States and from other interested private parties.

1.11 The **Safety Oversight Audit Services Account** was established in 2004 by Secretary General under Financial Regulation 7.2 to finance expenditure and collect revenue from provision of oversight audit services to Contracting States on a user-pays basis.

1.12 The **Special Public Information Projects Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2, relating to self-financing activities of the External Relations and Public Information Office of ICAO.

1.13 The **TCB Efficiency/Effectiveness Fund** (previously reported as **TCB Reserve Fund**) was established in the 155th Session of the Council, for the use of a portion of the AOSCF annual surplus of the preceding year on improving Technical Co-operation Bureau’s efficiency and effectiveness.

**2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - SPECIAL ACCOUNTS/FUNDS**

The applicable policies are described in Significant Accounting and Financial Reporting Policies - All Funds.

**3. INCENTIVE FOR THE SETTLEMENT OF ARREARS ACCOUNT**

The table below summarizes the movement in the account since its inception.

	Balance as at 31/12/2003	Transfers and interest	Expenditure	Adjustments	Balance as at 31/12/2004
Reserved Surplus					
Relating to safety oversight audits approved by the Council at 160 <sup>th</sup> Session	\$ -	\$ -	\$ (52 820)	\$ 278 513	\$ 225 693
For enhancement and delivery of ICAO Programmes (A34-1)	1 055 190		(477 728)		577 462
In accordance with A35-22 towards Regular Programme Budget for 2005				1 000 000	1 000 000
Total Reserved Surplus	<u>\$ 1 055 190</u>	<u>\$ -</u>	<u>\$ (530 548)</u>	<u>\$ 1 278 513</u>	<u>\$ 1 803 155</u>
Cumulative surplus	1 841 567	955 790		(1 278 513)	1 518 844
Total Fund Balance	<u>\$ 2 896 757</u>	<u>\$ 955 790</u>	<u>\$ (530 548)</u>	<u>\$ -</u>	<u>\$ 3 321 999</u>

**4. TECHNICAL CO-OPERATION BUREAU EFFICIENCY AND EFFECTIVENESS FUND**

The Council at its 155<sup>th</sup> Session in 1998 approved the proposal to use up to 20 per cent of the annual surplus in the AOSC Programme Budget of the preceding year on improving the Technical Co-operation Bureau's efficiency and effectiveness, as required (C-DEC 155/7). The Council subsequently approved an increase to 25% (reference C-DEC 172/8) commencing from the year 2003.

The status of the surplus set aside for this purpose is shown below:

Balance as at 1 January 2004	\$ 75 092
Provision for 2003 at 25% (surplus of \$ 115 912)	<u>28 978</u>
	104 070
Less: expenditures incurred in 2004	<u>94 930</u>
Balance as at 31 December 2004	<u>\$ 9 140</u>

**JOINT FINANCING FUNDS**

1. Based on the principles laid down in Chapter XV of the Convention on International Civil Aviation, a number of governments adhered to the Danish and Icelandic Joint Financing Agreements to jointly support the costs of certain air navigation facilities and services provided by the Governments of Denmark and Iceland. These include air traffic services, meteorological services, aeronautical and meteorological telecommunication services, and radio navigation aids. Currently, twenty-three governments are adhering to these joint financing agreements.

1.1 The Governments of Denmark and Iceland are reimbursed for 95 per cent of the actual costs. Of the 95 per cent actual costs, the costs allocable to civil aviation are recovered through user charges, the remaining costs are shared by the contracting governments, in proportion to the number of crossings between Europe and North America, any portion of which lies north of the 45<sup>th</sup> parallel North and between the meridians of 15° West and 50° West performed by their civil aircraft.

2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - JOINT FINANCING FUNDS**

a) **Basis of Accounting**

The accounts are kept to reflect the terms of the joint financing agreements. The United Nations system accounting standards are followed except for user charge revenue which is recorded on a cash basis.

b) **User Charge Revenues**

User charges are billed to commercial or private aircraft flying in the service area, by the United Kingdom on behalf of Denmark and Iceland. The collections by the United Kingdom, net of an administrative fee not to exceed 5 per cent, are remitted directly to Denmark and Iceland. These remittances are treated as income in ICAO's financial statements for the year in which they are received by Denmark or Iceland.

c) **Assessed Contributions**

Contracting Governments may be assessed, by the Council, amounts to cover the excess of estimated service costs over estimated user charge revenues which is adjusted for prior years settlements of costs and user charge revenues approved in the current year. The assessments are established in accordance with the terms of the agreements and are recorded in the year for which they are levied.

d) **Service Costs**

Costs for the current year are estimated by the Governments providing the services and approved by the Council. Adjustments to estimated service costs are approved by Council for a given year and are accounted for in the year of settlement.

e) **Translation of Currencies**

i) Icelandic Joint Financing Agreement Fund:

- Assessments on contracting Governments are levied in U.S. dollars.
- User charge revenues received from the United Kingdom in Pounds Sterling are converted into U.S. dollars at the rate of exchange effective on the first banking day of the month of the collection by Iceland.
- Service costs are recorded in U.S. dollars.

ii) Danish Joint Financing Agreement Fund:

- Assessments on contracting Governments are levied in Danish kroner.
- User charge revenues received from the United Kingdom in Pounds Sterling are converted into Danish kroner at the spot rate of exchange.
- Service costs are recorded in Danish kroner.
- For financial statement presentation, transactions during the year in Danish kroner are converted to U.S. dollars at the average of the monthly UNORE for the year and current balances at the end of the year are expressed in U.S. dollars at the UNORE effective 31 December.



3. **BALANCE OF JOINT FINANCING FUNDS**

The balance of funds is as follows:

	Danish	Icelandic	Total	
	Fund	Fund	2004	2003
Operating deficit	\$ (1 375 629)	\$ 587 001	\$ (788 628)	\$ (2 762 661)
Reserved accumulated interest	93 240	243 767	337 007	322 508
	<u>\$ (1 282 389)</u>	<u>\$ 830 768</u>	<u>\$ (451 621)</u>	<u>\$ (2 440 153)</u>

The reserved accumulated interest is applied to cover certain expenses of the Organization that are not incurred annually or are not incurred for the day-to-day activities of administering these agreements.

4. **USER CHARGES RECEIVABLE FROM THE UNITED KINGDOM**

In accordance with the terms of the financing agreements, the balance of user charges receivable from the United Kingdom are not reflected in these accounts, and amount to approximately U.S.\$ 5.6 million as at 31 December 2004 (U.S.\$ 4.6 million as at 31 December 2003).

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FUND**

1. Under the UNDP arrangements, the execution or implementation of projects related to civil aviation, financed by or through the UNDP, may be delegated to ICAO.

2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - UNDP FUND**

a) **Legislative Authority and Financial Presentation**

In addition to complying with the ICAO Financial Regulations, the transactions must also comply with the UNDP requirements. Schedules F and F.1 have been prepared in accordance with the format and directives prescribed by the UNDP.

b) **Expenditure Recognition**

Expenditure

Expenditures are recorded as stated in Note 2(c) of All Funds of the Organization. In addition, for sub-contracts, expenditures are recorded on the basis of the payment schedule included in the contract with the sub-contractor. Expenditure for projects includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Programme support costs are calculated on project expenditure on a basis determined by the UNDP and beneficiary countries.

Forward Commitment

A forward commitment is an engagement entered into in the current year which commits resources of future periods; these are not reflected in the current year expenditure.

3. **COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS**

Forward commitments entered into as at 31 December 2004 were for:

- a) internationally recruited and national staff amounted to \$ 1 043 009;
- b) equipment of \$ 1 349 474 for an Ecuador project; and
- c) a sub-contract of \$ 4 568 for a Somalia project.

## **OTHER TECHNICAL COOPERATION PROGRAMME (TCP) FUNDS**

### **1. Trust Funds, Management Service Agreements (MSA), and Civil Aviation Purchasing (CAPS) Funds**

Governments and other contributors may request ICAO to provide technical co-operation for specific projects relating to civil aviation. A specific Trust Fund is established for each agreement concluded between ICAO and a government or a contributor. While the Trust Fund and Management Service Agreements are designed to cover a broad range of technical co-operation services, the CAPS Agreement is designed to provide procurement services. These projects are financed by funds in trust administered by ICAO.

#### **1.1 Lump Sum Contracts**

ICAO enters into Technical Cooperation agreements referred to as Lump Sum Contracts with Contracting States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. The administrative charge is recognized when expenditure is incurred. Where necessary, adjustments are made at the end of the contract to reflect the over or under recovery of actual expenditure.

### **2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - OTHER TCP FUNDS**

#### **a) Income Recognition**

Contributions are recorded on a cash basis and provide for project implementation in the current and future periods.

#### **b) Expenditure Recognition**

##### Expenditure

Expenditures are recorded as stated in Note 2(c) of All Funds of the Organization. In addition, for sub-contracts, expenditures are recorded on the basis of the payment schedule included in the contract with the sub-contractor. Expenditure for projects includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year.

##### Forward Commitment

A forward commitment is an engagement entered into in the current year which commits resources of future periods; these are not reflected in the current year expenditure.

#### **c) Administrative Overhead**

Administrative overhead charged to the Trust Funds and Management Service Agreements is based on agreement terms negotiated with funding sources. Administrative overhead charged to the Civil Aviation Purchasing Service Funds is calculated in accordance with the scale of charges established by the Council for the CAPS Agreements.

The overhead is reflected as expenditure.

#### **d) Hedging Policy for TCP**

Purchase Orders pertaining to CAPS and MSA Agreements are sometimes denominated in currencies other than US dollars. In order to limit exposure to currency fluctuations, a policy on hedging was adopted in 2003 whereby funds are purchased in the currency of the commitment at the time that the Purchase Order is issued, in those cases where currency fluctuation could have a material impact on the financial position. An exchange gain or loss is recognized equivalent to the difference between the UN rate of exchange and the spot rate in effect on the date that the funds are purchased.

### 3. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS

During the year, commitments were entered into against future financial periods for the following:

- a) Brazil CAPS for a total of \$ 4 303 227;
- b) Regional (REDDIG) MSA for a total of \$ 925 056;
- c) India MSA for a total of \$ 440 000;
- d) Brazil MSA (DAC) for a total of \$ 103 149;
- e) Brazil MSA (DECEA) for a total of \$ 82 531;
- f) Regional Asia for a total of \$ 25 000;
- g) Regional (COSCAP) UEMOA MSA for a total of \$ 19 858; and
- h) Bosnia and Herzegovina Trust Fund for a total of \$ 4 568.

These Purchase Orders are not accrued in the accounts of the current period.

Commitments relating to international and national staff as at 31 December 2004 for the Trust Funds and MSAs amounted to \$ 8 802 802.

### 4. IMPACT OF HEDGING FOR TCP

During 2004, a total of EURO €1 669 124 was purchased to hedge certain Purchase Orders; of this amount, EURO €1 251 843 remained hedged as at 31 December 2004. Additional currency balances pertaining to hedges of prior years, amounting to EURO €2 155 431 and CAD\$ 740 855, were held as at 31 December 2004. Due to the hedges, related commitments will not be subject to further gains or losses caused by currency fluctuation.

## ICAO MECHANISMS

### 1. Purpose of Funds

#### 1.1 Aviation Security Trust Fund

1.1.1 The Aviation Security (AVSEC) Trust Funds have been established to receive voluntary contributions from Contracting States to fund activities under the Aviation Security Programme. In 2002, the Council approved the Aviation Security Plan of Action (ASPA), comprising 13 projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general as well as earmarked funds from within the Aviation Security Trust Funds. The ASPA includes:

- i) an Aviation Security Trust Fund - established pursuant to a Council decision in 1989, for the purpose of providing technical, financial and material assistance to States in the field of aviation security (AVSEC);
- ii) specific funds established prior to 2001 to accommodate contributions received from Contracting States for specific (earmarked) activities; and
- iii) AVSEC Enhanced Mechanism Fund - established in 2001 pursuant to Assembly Resolution A33-1, which urges all Contracting States to make contributions in the form of financial or human resources to ICAO's AVSEC mechanism to support and strengthen the combat against terrorism and unlawful interference in civil aviation and directs the Council to develop proposals and take appropriate actions for a more stable funding of ICAO action in the field of aviation security.

1.1.2 Administrative costs and support costs arising from the implementation of activities under the AVSEC Trust Funds, where not provided for in the Trust Funds, are charged to the Regular Programme.

## 1.2 ICAO Universal Safety Oversight Audit Programme Fund

1.2.1 The ICAO Universal Safety Oversight Audit Programme (USOAP) Fund was originally established in 1995 to account for voluntary contributions by States to conduct civil aviation safety oversight assessments in States that voluntarily request such assessment. As a consequence of Assembly Resolution A32-11, the voluntary aspects of the safety oversight programme were changed to that of regular mandatory safety audits, and the programme was renamed the ICAO Universal Safety Oversight Audit Programme as of 1 January 1999. For the period from 1999 to 31 December 2002, the Trust Fund was a source of financial support to the programme, in the form of voluntary contributions from States donated specifically to finance safety oversight posts in the Secretariat, and to finance the operation of the programme or for specific activities. The Trust Fund was administered in conjunction with the Regular Programme and operates separately from the Technical Co-operation Programme without any overhead charges on the projects implemented. Cost of administrative services are borne by the Regular Programme.

1.2.2 The 33<sup>rd</sup> Session of the Assembly (A33-8, Operative Clause 8) requested the Secretary General to study the expansion of the programme, in particular to the conduct of audits of the core elements of Annex 13 - *Aircraft Accident and Incident Investigation*. In March 2002, the Council approved that, subject to meeting any conditions specified by the donor governments, the funds remaining in the USOAP Fund were to be utilized to finance the preparatory work and the expansion of the audits to all provisions of Annex 13, and that such work would commence in 2003.

## 1.3 ICAO Objectives Implementation Mechanism Fund

1.3.1 The 31<sup>st</sup> Session of the Assembly endorsed the new policy on technical co-operation which included the establishment of a funding mechanism the purpose of which is to provide additional resources for technical co-operation which could be applied to activities identified as required to support the implementation of Standards and Recommended Practices (SARPs) and Air Navigation Plans (ANPs). Administrative overhead charges are negotiated with the donors.

1.3.2 The Council at its 148<sup>th</sup> Session (C-DEC 148/5) endorsed the consolidation of the Aeronautical Technical Training Fund, which was established by Assembly Resolution A16-7, into the ICAO Objectives Implementation Mechanism Fund.

## 2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - ICAO MECHANISMS

The applicable policies are described in Significant Accounting and Financial Reporting Policies - All Funds.

## 3. CONTRIBUTIONS IN KIND

Below is the value of contributions in kind provided by States for each group of funds:

	<u>2004</u>	<u>2003</u>
Aviation Security Trust Fund	\$ 889 311	\$ 464 459
ICAO Universal Safety Oversight Audit Programme Fund	\$ 162 000	\$ 120 000

## **INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY (IFFAS) FUND**

1. The IFFAS fund was established by the Council in 2002, in accordance with the principles and guidelines contained in Assembly Resolution A33-10, with the objective of financing safety-related projects for which States cannot otherwise provide or obtain the necessary financial resources. At the 4<sup>th</sup> meeting of the 167<sup>th</sup> session in December 2002, the Council approved the Administrative Charter of IFFAS. IFFAS operates within the existing legal framework of ICAO, and in accordance with the principles of the IFFAS Administrative Charter and the Assembly Resolution A33-10 (*Establishment of an International Financial Facility for Aviation Safety*).

## **OTHER FUNDS**

### **1. Purpose and Financing of these Funds**

- a) The **Administrative Fee for Joint Financing Agreements** was established by the Council (C-DEC 136/22) to recover, through an administrative fee, the full costs incurred by ICAO for facilities and services provided for the administration of the Danish and Icelandic Joint Financing Agreements.
- b) The **Arabic Language Services Fund** reflects the financial contributions received from certain Contracting States towards the cost of extension of Arabic language services in ICAO.
- c) The **Chinese Language Services Fund** reflects the balance of funds remaining from the financial contribution made by the Government of the People's Republic of China to assist in the financing of the Chinese language unit in ICAO.
- d) The **Edward Warner Award Fund** was established to defray the cost of awards to individuals or institutions who have made an outstanding contribution to the development of international civil aviation.
- e) The **France Associate Experts Scheme Fund** was established in 1979 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of France to provide and fund Associate Experts.
- f) The **ICAO Air Navigation Commission (ANC) Laurel Award Fund** was approved by the Council in 1999 for the ANC Laurel Award established by the ANC. The award is to be given every two years to an individual or group having significantly contributed to the work of the ANC, through its panels, study groups, worldwide meetings or any other appropriate manner.
- g) The **Japan Junior Professional Officers Fund** was established in 1988 as a result of an agreement by which the Government of Japan provides and funds Junior Professional Officers for appointment with ICAO.
- h) The **Netherlands Associate Experts Scheme** was established in 1999 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of Netherlands to provide and fund Associate Experts.
- i) The **North Atlantic Height Monitoring System Fund** was established in 1995 to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System signed between ICAO and six Contracting Governments. The purpose of that fund is to account for the operation and maintenance costs defined in the Arrangement and for their recovery through user charges on all civil aircraft making crossings of the North Atlantic as defined in Article VII of the Danish and Icelandic Joint Financing Agreements.
- j) The **Republic of Korea Junior Professional Officers Fund** was established in 1991 as a result of an agreement by which the Government of the Republic of Korea provides and funds Junior Professional Officers for appointment with ICAO.

2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - OTHER FUNDS**

**North Atlantic Height Monitoring System Fund**

a) **Basis of Accounting**

The accounts are kept to reflect the terms of the joint financing arrangement. The United Nations system accounting standards are followed except for user charge revenue which is recorded on a cash basis.

b) **User Charge Revenues**

User charges are billed to commercial or private aircraft flying in the service area, by the United Kingdom on behalf of Canada, Iceland, Ireland, Portugal and the United Kingdom. The collections by the United Kingdom, net of an administrative fee not to exceed 5 per cent, are remitted directly to ICAO for distribution to the parties involved. These remittances are treated as income in the financial statements for the year in which they are received by ICAO.

c) **Service Costs**

Costs for the current year are estimated by Canada, Iceland, Ireland, Portugal and the United Kingdom. Adjustments to estimated service costs for a given year are accounted for in the year of settlement.

d) **Translation of Currencies**

User charge revenues received from the United Kingdom in Pounds Sterling are converted into U.S. dollars at the spot rate of exchange.

Service costs are recorded in U.S. dollars.

**Other Funds, excluding the North Atlantic Height Monitoring System Fund**

- a) The applicable policies are described in Significant Accounting and Financial Reporting Policies - All Funds.

3. **USER CHARGES RECEIVABLE FROM THE UNITED KINGDOM**

The balance of user charges receivable from the United Kingdom pertaining to the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System was approximately U.S.\$ 86 000 as at 31 December 2004 (U.S.\$ 395 000 as at 31 December 2003). The amounts are not reflected in these accounts.

-----

REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY  
ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE  
INTERNATIONAL CIVIL AVIATION ORGANIZATION  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER  
2004

**TABLE OF CONTENTS**

	<b>Paragraph</b>
MAIN POINTS	
INTRODUCTION	1
SCOPE OF THE AUDIT	4
ATTEST AUDIT RESULTS	9
OBSERVATIONS ARISING FROM THE 2004 PERFORMANCE AUDIT	
Technical Co-operation Projects	19
Information Technology	49
ACKNOWLEDGEMENT	59

## MAIN POINTS

Financial Statements and  
audit opinion

1. The audit opinion on the 2004 financial statements was issued without reservation.
2. We have some concerns related to the presentation of the financial statements, schedules and notes and the application of the accounting principles. We therefore recommend that the Secretariat conducts reviews and implement the necessary changes to its financial statements, notes and accounting principles with the objective of providing clear, concise disclosure and material information to meet the common needs of most users. To do so, we suggest that the Secretariat establish an action plan to be completed over a period no longer than three years. If the Council agrees, we are prepared to assist the Secretariat in this task.
3. This year's audit shows that limited progress has been achieved to put in place and communicate appropriate procedures and practices required for producing an accurate inventory. Moreover, we remain concerned that the Organization still does not have in place the necessary controls to safeguard assets. Consequently, the Organization is still not able to comply with UNSAS's requirements for disclosure.

Technical Co-operation  
Projects

4. Overall, although we are satisfied that the Technical Co-operation projects reviewed during this follow-up are managed according to ICAO's rules and procedures, we found limited progress achieved on our 2002 recommendations. Specific areas for improvement identified in 2002 such as the need for better documentation of project justification including a risk analysis and supporting information on the overhead rate charged, as well as to formalize the approach for monitoring and reporting project activities and achievements, need to be addressed.
5. Also, we noted that the Technical Co-operation Bureau must adapt to a changing environment that constantly creates new challenges in the management of technical co-operation projects. However, we are concerned about the non-existence of a consolidated Policy on Technical Co-operation including the commercially oriented approach. We noted that some operational processes have to be adapted to adequately support management of TC projects.

Modernization of Financial  
Information Systems

6. ICAO has long recognized the need to modernize its financial information system. It has maintained a cautious approach to examine alternatives for renewing its financial systems and, over the past year, has devoted much effort to evaluate vendor solutions and to examine the potential for a partnership with another UN organization.
7. In accordance with Assembly Resolution A35-32, we determine that the \$167,252 of expenditures incurred in 2004 for the modernization of financial and related systems were appropriately charged to the Information and Communication Technology Fund.



## INTRODUCTION

1. This report contains the results of the audit of the International Civil Aviation Organization (ICAO) conducted by the External Auditor of the Organization.
2. The report includes observations and recommendations arising from our audit of the Organization's financial statements, our compliance audit of its transactions, and our performance audits of certain programmes and activities.
3. We prepared this report and the audit opinion in English. We audited the English version of ICAO's financial statements.

## SCOPE OF THE AUDIT

Scope of this year attest  
audit

4. The scope of the audit was determined in compliance with Article XIII of the ICAO Financial Regulations and with the additional terms of reference governing the external audit, which are contained in the Annex to those regulations.
5. The audit was conducted in accordance with common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, and with international auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
6. There have been no restrictions placed on the scope of our audit and we obtained all of the information and explanations we considered necessary in the circumstances.
7. The report includes only audit matters of interest to those charged with governance.

Scope of this year's  
performance audits

8. The scope of this year's performance audits was to follow-up our 2002 recommendations on the management of projects by the Technical Co-operation Bureau as well as on the modernization of the financial information systems. We sought to determine to what extent these recommendations were implemented.

## ATTEST AUDIT RESULTS

The audit opinion on the 2004  
financial statements is  
without reservation.

9. The financial statements for the year ending 31 December 2004 were submitted to us by the Secretary General for audit in accordance with ICAO Financial Regulation 12.4. The audit opinion on the 2004 financial statements was issued without reservation. The Auditor's Report will be issued following approval of the financial statements of the Organization by the Council.

Report on selection and change of accounting principle	10. We need to report our judgments about the selection of accounting principles by management, the consistency of their application and the completeness of the Organization's financial statements, which include related disclosures. We summarize our observations in the following paragraphs.
Change in accounting principles–UNSAS 29 i)	a) In April 2004, the United Nations System Accounting Standards (UNSAS) paragraph 29 i) – Difference on exchange relating to forward exchange contracts or other financial instruments was updated. This important change in accounting principles was implemented by Finance by the end of our audit. The new accounting principle has led to the recognition of a reserve of \$10,976,055 and unrealized gains related to forward exchange contracts outstanding as of December 31, 2004. We are satisfied with the presentation in the financial statements.
ICAO should reconsider its accounting policy to include a provision for long-standing delays in the collection of assessed contributions.	b) The financial statements disclose the problem of delays in the collection of amounts receivable and recoverable and the impact of those amounts on the Organization's financial situation. However, no provision is made for delays in the collection of assessed contributions. UNSAS paragraph 33 stipulates that the Organization may make a provision for delays in the collection of the outstanding contributions. We recommend that ICAO reconsiders its accounting policy to include a provision for long-standing delays in the collection of assessed contributions in its accounts to truly reflect the financial situation of the organization. We recognize that the Council has already considered this issue and decided not to modify its accounting policy. Nevertheless, we consider it is our responsibility to report about it.
Value of non-expendable items still not disclosed in 2004 financial statements.	c) The Organization does not comply with UNSAS's requirements for disclosure in the notes of the financial statements of the value of non-expendable items. The weaknesses observed in internal controls affect the accuracy and completeness of the inventory. These weaknesses are described in the Significant Weakness in Internal Control section below.
Income recognition for sales of publications does not comply with UNSAS	d) UNSAS paragraph 37 indicates that <i>Other/miscellaneous income</i> should be recorded on an accrual basis. Sale of publications falls under that definition and, consequently, ICAO should use the accrual method. ICAO has the proper systems and practices in place to comply with the requirements. As at December 31, 2004, the amount of accounts receivable related to sale of publications not accounted for was \$345,090. ICAO should also consider making appropriate provision for doubtful accounts in its accounts so it truly reflects the financial situation of the Organization. The amount of doubtful accounts is estimated at \$139,000 as at December 31, 2004.
The financial statements need to be simplified and they should contain one set of accounting policies.	11. Over time, ICAO has created many new funds that are more or less significant in the context of ICAO's financial statements. At the same time, the accounting principles and their application have evolved. Actually the Organization's financial statements present different accounting and financial reporting policies for various funds statements. UNSAS paragraph 14 requires a clear and concise disclosure of all significant accounting policies that have been used. Normal practice is to have one set of accounting policies that covers the entire financial statements. Also, the information should be presented consistently throughout the financial statement with the same number of significant digits to simplify the reporting. Financial statements are not intended to provide all the information that users may need to make economic decisions, as they have access to other sources of information.

The Secretariat should establish an action plan to undertake a review of its financial statements, notes and accounting principles. The External Auditor is prepared to assist them in this task.

12. We have some concerns related to the presentation of the financial statements, schedules and notes and the application of the accounting principles. We, therefore, recommend that the Secretariat conducts reviews and implement the necessary changes to its financial statements, notes and accounting principles, with the objective of providing clear, concise disclosure and material information to meet the common needs of most users. To do so, we suggest that the Secretariat establish an action plan to be completed over a period no longer than three years. If the Council agrees, we are prepared to assist the Secretariat in this task.

Significant Weaknesses in Internal Control

13. We might provide written recommendations to management suggesting other changes to improve existing internal accounting controls, or financial and reporting practices. However, as is our normal practice, we report in the following paragraphs the most significant observations and recommendations.

Controls for inventory of expendable and non-expendable items should be improved.

a) Over the last 10 years, we have noted and reported significant weaknesses of internal controls regarding ICAO's inventory. This year's audit shows that limited progress has been achieved to put in place and communicate appropriate procedures and practices required for producing an accurate inventory. Moreover, we remain concerned that the Organization still does not have in place the necessary controls to safeguard assets and to comply with UNSAS's requirements.

COS should not further delay the approval and distribution of the new procedure.

b) The Conference and Office Services section (COS), in collaboration with Finance, reviewed the procedures for managing non-expendable items. We were asked to provide comments, and these were taken into account in subsequent revisions to the procedures. However, at the end of the audit, the document was still in a draft form. Consequently, it is not approved, nor distributed and implemented across the Organization. We believe that COS should not further delay the approval and distribution of the procedure.

Inventory count was difficult to reconcile.

c) The physical count started on January 10 and was completed on April 12, 2005. Officials told us that the delay was caused by a lack of personnel due to budget constraints, confusion about what needed to be counted, and the amount of work caused by the huge amount of adjustments to the inventory resulting from the count. This delay had an impact on the movement of items; therefore, it was difficult to reconcile and obtain assurance on the completeness of the inventory.

Numerous adjustments made to inventory

d) The number of adjustments made to the inventory following the count indicated that the information in the database was not entered and/or validated on a timely basis during the year. Therefore, COS needs to ensure that systems and practices in place allow it to reconcile the movement of items, write-offs, and acquisitions every year. As a result, the inventory count would be less time consuming and information in the database more relevant. We also observed that items can be entered in the database without a value and/or be entered by COS without complete information available.

Write-offs of items are not always processed on a timely basis

e) We noted that write-offs of items are not always processed on a timely basis, especially for items from regional offices. Write-offs authorized by the Contracts Board are not sent directly to COS for data entry. COS should be able, at all times, to reconcile the write-offs with the appropriate documentation. Furthermore, write-offs are not entered in the records immediately when an item has been identified as unusable, disposable, or saleable. COS must have access to that information on timely basis since it has a direct impact on the completeness and accuracy of the inventory.

A validation process would reduce the possible data entry errors

f) Finally, information entered is not reviewed. Since the present system does not allow any automatic validation, this process must be done manually by someone other than the person who processes the information in the database. A validation process would reduce possible data entry errors.

14. We conclude that further efforts by all those concerned are immediately required to produce an accurate inventory of non-expendable items to improve its management and to comply with UNSAS.

Unadjusted audit differences are not significant on a net basis

15. In the normal course of an audit, adjustments arise that could, in our judgment, affect the entity's financial reporting process, either individually or in the aggregate. In this year's audit, unadjusted audit differences were not significant on a net basis and were discussed with management.

There is no disagreements with Management

16. We need to report on disagreements with management about auditing, accounting, or disclosure matters that individually or in the aggregate, could be significant to the financial statements or our auditors' report and whether or not they were satisfactorily resolved. There are no items to report.

We have not identified any matters related to fraud and illegal acts

17. We are also required to report on fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause other than trivial misstatement of the financial statements. Consistent with International Standards on Auditing #240, during the audit we considered the possibility that fraud or error, if sufficiently material, might affect our opinion on the financial statements. Our audit procedures did not result in the identification of any matters related to fraud and/or error that should be brought to the attention of those charged with governance.

We concur with management's judgments and accounting estimates

18. The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to the financial statements and the possibility that future events may differ significantly from management's expectations. The most significant estimates involve the unliquidated obligations, the estimated services cost for current year, the end of service and post-retirement benefits. When considering the reasonableness of these estimates, we reviewed supporting working papers and documentation, performed recalculations, consulted with external parties as appropriate, and performed such other tests and procedures as considered necessary in the circumstances. We concur with management's judgments and find them consistent with corroborating evidence.

## OBSERVATIONS ARISING FROM THE 2004 PERFORMANCE AUDIT

### Follow-up of our 2002 Report on the Management of Technical Co-operation Projects

#### Scope of the Audit

19. Our follow-up focussed mainly on the progress made by the Technical Co-operation Bureau (TCB) on the implementation of our 2002 recommendations. We reviewed a sample of 10 projects that started in 2003 and 2004. Our sample was drawn to represent most types of funds (Management Service Agreement, Trust Funds, Civil Aviation Purchasing Services, and United Nations Development Programme), and the management of projects by the four regional sections of technical co-operation as well as other sections of the TCB. We did not conduct any on-site visits.

20. To provide adequate background to our observations, we considered important to include in this report a section on the evolution of the TC Programme, the implementation of the commercially oriented approach and its impact on project management.

#### Observations

##### Evolution of TC Programme

21. In our 2002 report, we discussed the impact of new trends in technical co-operation. We noted that there has been a diversification of the sources of funding and that TCB had to adjust its activities to properly address this changing environment.

Over the years, TCB identified several elements to be put in place to allow full implementation of the new approach.

22. The New Policy on Technical Co-operation as well as the commercially oriented approach were the subject of numerous working papers presented to the Council. Over the years, TCB identified several elements to be put in place to allow full implementation of the new approach. The Assembly approved fundamental changes to the Technical Co-operation Programme that provided TCB with some flexibility in its activities.

TCB presented a business plan providing an overview of the current situation and the changes in the environment.

23. The latest changes were proposed in January 2004 when, in response to a request from the Council, TCB presented a business plan prepared by an outside consultant. This plan provided an overview of TCB's current situation and the changes in the external and internal environment. Moreover, the Business Plan summarized the fundamental elements to be put in place for the implementation of the commercially oriented approach and presented them as the following six strategic orientations to address the changes and challenges:

TCB presented six strategic orientations to address the changes and challenges.

- *improvement of the Technical Co-operation Bureau's operating model, through a review of specific financial and operational processes;*
- *increased co-operation and development activities with official donor agencies, through a review of the commercial legal framework used to deal with bilateral organizations, and the reinforcement of resources for long-term relationship building;*
- *increased co-operation with civil aviation authorities from bilateral donor countries, in order to increase the Technical Co-operation Bureau's share of future financial aid toward developing countries' civil aviation industries;*
- *increased co-operation and development activities with multilateral organizations and UN system organizations, mostly projects that do not require an open tendering procedure – that is, typically management services agreements;*
- *provision of services to private sector participants, especially when technical co-operation focusses on the many activities formerly provided by national civil aviation authorities, now carried out by private sector organizations; and*
- *increased co-operation with private sector companies, whenever it is in the best interest of recipient states.*

A three-year preliminary action plan was also included in the Business Plan in order to implement these strategic orientations through TCB's activities.

The Business Plan was not approved as a whole and the action plan was never implemented.

24. Management informed us that, even though this Business Plan was presented to the Council, it had not been approved as a whole and the action plan was never implemented. However, the discussions arising from this Business Plan and following working papers presented by TCB led to the approval, in October 2004, of some of the changes proposed by the Secretary General. Assembly Resolution A35-20 updated TCB's New Policy by authorizing the Organization to provide assistance to public or private non-State entities involved in civil aviation and to encourage States and other development partners, including the industry and the private sector, to contribute to technical co-operation projects.

Assembly Resolutions A-35-20 & 21 updated TCB's new policy and expanded TCB's activities.

25. In addition, Assembly Resolution A35-21 expanded ICAO's technical co-operation activities to allow the Technical Co-operation Programme to provide, upon request, services to non-State entities (public or private) implementing projects in States in the field of civil aviation. These changes need to comply with existing ICAO rules and regulations, and the Assembly is expecting the Secretary General to be involved in approvals of such technical co-operation projects on a case-by-case basis.

Although there have been several changes in the technical co-operation programme, there seems to be no consolidated TC Policy available

26. We were concerned to note that, although there have been several changes approved and implemented in the Technical Co-operation Programme over the years, there seems to be no consolidated TC Policy available. In addition, it appears that operational processes as well as some manuals have to be updated in order to adequately support project management under the new commercially oriented approach. For example, ICAO Procurement Code was revised by TCB in 1999. An updated version was prepared by TCB in 2002 and reviewed by the ICAO Procurement Procedures Review Group (PPRG) in 2003. At this point, TCB, the Legal Bureau and the Office of Programmes Evaluation, Audit and Management Review (EAO) reviewed and provided comments on the new draft version. In the meantime, version 4 of the Procurement Code, dated 1994, is still operational.

Since our last audit, it appears that TCB still faces the same challenges in managing its projects.

27. In 2004, TCB was involved in more than 200 projects in about 100 countries. Due to the changes in the technical co-operation environment, the scale, complexity, and duration of projects have increased considerably over the years. Since our last audit, it appears that TCB still faces the same challenges in managing its projects. Most projects carried out under the technical co-operation programme are financed by the countries themselves or by funding organizations on their behalf. The conditions under which different funding sources finance assistance to civil aviation may vary and must be considered on a case-by-case basis due to the situation described in the previous paragraphs.

### **Progress made by ICAO/TCB on our 2002 recommendations**

#### **Project are managed according to ICAO's rules and procedures**

Overall, we are satisfied that the Technical Co-operation projects reviewed are managed according to ICAO's rules and procedures

28. Overall, as concluded in 2002, we are satisfied that the Technical Co-operation projects reviewed, during this follow-up, are managed according to ICAO's rules and procedures. We noted that the TC Bureau is still adapting to a changing environment, a diversified client base, in particular, some new donors other than Contracting States, and United Nations-led projects. This creates new challenges in the management of Technical Co-operation projects. Accordingly, the following paragraphs are focusing on the progress achieved on the specific areas for improvement we identified in our 2002 report.

#### **Limited progress on project planning**

We expected to find information on project justification in the files for all projects.

29. The main tool used in planning technical co-operation projects is the project document. According to the different manuals and the practices in place, project documents should define the problems that need to be addressed and identify solutions and the expected results. Project documents are usually standard and are completed by field sections for each project. We expected to find information on project justification in the files for all projects, including for those that are a continuation of previous projects.

30. In our 2002 audit, we noted that the documentation of the different sections of the project documents varied a lot from one project to another. In most cases we reviewed in 2002, important sections such as project justification and risk assessment presented limited information.

31. Following our 2002 recommendations, we expected to find more information on project justification to allow management to properly assess the rationale for ICAO's involvement in the project and the expected results.

In our 2002 report, we recommended that assessment of project risks be improved.

32. Moreover, with the increasing value of projects, the diversification of funding, and the increasing number of funding partners involved in projects, we expected to find detailed, front-end analysis of project risks. In our 2002 report, we recommended that assessment of project risks be improved by:

- completing a profile of potential risks to be considered at various phases of a project,
- formally assessing the potential risks for projects involved in assisting human resources development of a national civil aviation organization, and
- periodically re-assessing the analysis of risks in the case of multi-year projects.

33. In the most recent projects reviewed, project justification and risk assessment varied considerably from one project to another. As many technical co-operation projects continue from previous projects, information found on project justification was limited. We found few cases where partial information on the project justification was provided in the project background.

Like in 2002, the description of the project risks included in the project document was either limited or very broad.

34. Like in 2002, the description of the potential project risks included in the project document was either limited or very broad. In some cases, the information about the potential risks that could be faced was practically non-existent. Moreover, we found few examples of detailed project risk assessments supporting the risks identified in project documents. In addition, we found no evidence on files that project risks were re-assessed at any other stage of the project. We were informed by management that, although project files reviewed sometimes lack information on the reassessment of project risks, this aspect is considered at tripartite meetings and during on-site visits.

#### **Establishment and negotiation of overhead is still not documented**

35. In 2002, we found that the information provided about calculating and negotiating overhead rates was very limited. We recommended that sufficient information and documentation be provided on the overhead rate to be charged at the planning phase of the project and that it be tracked over the duration of the project and reported on a timely basis. Therefore, we expected to find more documentation on the process for establishing and negotiating the overhead rate and on cost analysis supporting TCB's handling charges for projects.

We found that the process for establishing project overhead rates has not changed

36. We found that the process for establishing project overhead rates has not changed. Cost analysis and the negotiation process are still informal and not documented. At the end of our audit, management provided us documentation on the work done by TCB on identifying elements of support costs. Also, they provided us with a copy of the draft preliminary guidelines to determine overhead charges that is currently being reviewed by management.

37. TCB emphasized that with the implementation of a commercially oriented approach and new activities, contracting states, funding organizations, financial institutions, and other partners are expecting timely and detailed information on project activities, budgets, and finances.

Lack of information on overhead rates and project costs makes it difficult to assess the actual costs for managing and reporting on technical co-operation projects.

38. In this context, we are still concerned about the lack of documentation available to support overhead charges. As we stated in our 2002 report, the lack of information and justification of overhead rates and the absence of proper analysis of project costs makes it difficult for a project manager to assess the actual costs for managing and reporting on technical co-operation projects. Moreover, in our view, TCB's inability to provide reliable financial information on its overhead rate charged for specific project activities could make it difficult to establish partnerships for the funding of new projects.



### **Project assessment done prior to approval needs to be improved**

39. During our 2002 audit, we found evidence on file of assessment of initial draft agreements or contracts. However, there was no checklist indicating when drafts of the agreement or contract were reviewed initially by TCB and, subsequently, by both the Legal Bureau and Finance Branch when considered necessary. We stated that the purpose of such a review checklist would be to ensure that important terms and conditions are covered and indicate whether sections of the agreement or contract have been modified or changed since the previous draft and the extent of any further review deemed necessary.

Our review showed that no checklist was used to track the review of agreements.

40. Our review showed that no checklist was used to track the review of agreements. We found evidence that assessment is done prior to approval, but it varies from one project to another. Moreover, management indicated to us that the use of model agreements and contracts for projects helps to ensure that respective roles and responsibilities are clear even when specific clauses need to be adapted to a changing environment. TCB management also indicated that the Legal Bureau and the Finance Branch are consulted when model agreements and contracts have to be modified or when it is considered necessary. Effectively, managers in the Legal Bureau told us that they review only the matters that are submitted to them for advice and are providing formal opinions upon request.

41. In projects we reviewed, we noted that standard agreements were used even though the project's scope and activities varied from one project to another. We are concerned that annexes are not submitted to the Legal Bureau to support their review of agreements. If a standard agreement is used, the project's rationale, risks description, justification, description of activities, and budgets are detailed in the project document annexed to the agreement. In our opinion, Legal Bureau needs all relevant documentation provided to it to properly assess the reliability and completeness of an agreement.

### **Project monitoring activities are done on an ongoing basis but monitoring and reporting system needs to be improved**

42. In our 2002 audit, we found that there was no formal structure to gather information on project activities. The information available was fragmented and there were no integrated systems that would allow management to analyze and summarize the achievements of each project. We recommended that TCB continue its efforts to establish an integrated monitoring and reporting structure that would provide it with the necessary information and flexibility to manage technical co-operation projects.

We found activity reports, monitoring reports, mission reports, and end-of-assignment reports, but this varied from project to project.

43. We found evidence of monitoring activities, but this varied from project to project. During our file review, we found activity reports, monitoring reports, mission reports, and end-of-assignment reports. We found that agreements do not provide detailed monitoring frameworks or schedules. Further, management has pointed out that monitoring missions are carried out regularly by headquarters or regional offices, involving officers of government department and project staff.

44. In February 2005, in response to our 2002 recommendation, the Procurement Section sent a letter to each contracting state that received procurement services, seeking their opinion on the quality of services received. At the time of our audit, it had just started to receive answers.

Little progress has been made in improving the monitoring and reporting system.

45. However, our follow-up indicates that little progress has been made in improving the monitoring and reporting system. In our opinion, without an integrated monitoring and reporting structure, it is difficult for TCB to ensure that they have all the necessary information required for activity planning and management, to measure progress against established objectives and to report on what has been accomplished. We encourage TCB to continue its efforts to develop and implement an integrated monitoring and reporting structure.

### **Conclusion**

46. Overall, although we are satisfied that the Technical Co-operation projects reviewed during this follow-up, are managed according to ICAO's rules and procedures, we found limited progress achieved on our 2002 recommendations. We noted that the Technical Co-operation Bureau must adapt to a changing environment that constantly creates new challenges in the management of technical co-operation projects. In conclusion, we re-iterate that the specific areas for improvement identified in 2002, such as the need for better documentation of project justification including a risk analysis and supporting information on the overhead rate charged, as well as to formalize the approach for monitoring and reporting project activities and achievements, are still important and need to be addressed.

47. Moreover, we are also concerned about the non-existence of a consolidated Policy on Technical Co-operation including the commercially oriented approach. We noted that some operational processes have to be adapted to adequately support management of TC projects. As a result, projects are approved and managed on a case-by-case basis. It is our opinion that ICAO should ensure that the TC Policy, including a definition of how the commercially-oriented approach is to be implemented, is approved. Finally, TCB should continue to review and adapt its rules and procedures to better reflect the new approach and support project management.

48. We recommend the following:

- The Technical Co-operation Bureau should provide in its files sufficient information and documentation on project planning and review prior to approval of projects.
- TCB should continue its efforts to establish an integrated monitoring and reporting structure that would provide it with the necessary information and flexibility to manage technical co-operation projects.
- TCB should continue to review and adapt its rules and procedures to better reflect the new approach and support project management.
- ICAO should ensure that the TC Policy, including a definition of how the commercially-oriented approach is to be implemented, is approved.

## Follow-up of our Reports on the Modernization of Financial Information Systems

### Introduction

In this year's audit, we assessed the extent to which the Organization has progressed on this initiative.

49. In April 2001 and 2003, we reported and followed up on ICAO's need to renew its financial information systems. In this year's audit, we followed up on our previous recommendations and assessed the extent to which the Organization has progressed on this initiative.

50. In accordance with Assembly Resolution A35-32, we also performed audit procedures to determine the appropriateness of expenditures incurred in 2004 for the modernization of financial and related systems.

51. In conducting our audit, we met with various directors, managers, and staff involved in the modernization project and reviewed reports, minutes, financial transactions, and documents relevant to this project.

### Observations

The \$167,252 of expenditures were appropriately charged to the Information and Communication Technology Fund.

52. In accordance with Assembly Resolution A35-32, we determined that the \$167,252 of expenditures incurred in 2004 for the modernization of financial and related systems were appropriately charged to the Information and Communication Technology Fund.

53. Since 1990, ICAO has recognized the need to modernize its accounting system in order to meet the financial and management information requirements of management and contracting states. In 2001, the decision was reached to modernize ICAO's accounting systems. In our 2003 report, we noted that management adopted a relatively cautious approach to the renewal of financial information systems.

In 2004, management continued its cautious approach to the renewal of financial information systems

54. During 2004, management continued this cautious approach. Key undertakings completed during the year included the following:

- The Organization prepared and issued a request for proposal to potential suppliers of financial systems for competitive bids. This allowed ICAO to determine the range of financial solutions available given the level of funding for a project.
- The Organization received and completed a preliminary evaluation of proposals from seven potential suppliers of financial systems.
- The preliminary cost of implementing an integrated system was estimated to be \$ 8 million.
- In Resolution A35-32, the Assembly resolved to transfer \$2 million from the accumulated funds of the Administrative and Operations Services Cost Fund of the technical co-operation programme to fund part of the cost of modernizing the financial and related systems. As a result, the funds dedicated for this project amount to \$4.5 million.
- The Secretary General established a steering group to oversee and provide advice on the project. Since its inception, this group has met on four occasions.

55. In our 2003 report, we encouraged the Organization to continue formal discussions with other UN organizations to determine whether the current and long-term system needs of ICAO can be met using already-established applications.

A Secretariat team carried out several missions to other UN organizations

56. During November 2004 and early 2005, a Secretariat team carried out several missions to other UN organizations to discuss whether ICAO's system needs could be met through a partnership with these organizations and to learn from these organizations' experiences in modernizing its systems.

### Conclusion

ICAO has devoted much effort to evaluate vendor solutions and to examine the potential for a partnership with another UN organization

57. ICAO has long recognized the need to modernize its financial information systems. It has maintained a cautious approach to examine alternatives for renewing its financial systems and, over the past year, has devoted much effort to evaluate vendor solutions and to examine the potential for a partnership with another UN organization.

58. We encourage ICAO to promptly complete its consultations with other UN organizations, determine an appropriate solution, and ensure that the required resources are in place to permit the successful implementation of a project to renew its financial information systems.

### ACKNOWLEDGEMENT

59. We wish to express our appreciation for the co-operation and assistance extended by the Secretary General and his officers and their staff members.

*Sheila Fraser*

Sheila Fraser, FCA  
Auditor General of Canada  
External Auditor

Montréal, Canada  
16 May 2005