

FINANCIAL STATEMENTS

AND

REPORTS OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2011



DOCUMENTATION
for the 38th Session of the Assembly in 2013

INTERNATIONAL CIVIL AVIATION ORGANIZATION



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Auditor for the financial period ending 31 December 2011***

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**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2011**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR

FOR THE YEAR ENDED 31 DECEMBER 2011

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PART I: PRESENTATION BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION**PART I: PRESENTATION BY THE SECRETARY GENERAL****1. INTRODUCTION**

1.1 The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations and was created with the signing in Chicago, on 7 December 1944, of the *Convention on International Civil Aviation*. ICAO is the permanent body charged with the administration of the principles laid out in the Convention. It sets the standards for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection, and encourages their implementation.

1.2 ICAO's membership comprises 191 Contracting States. The newest member, The Republic of South Sudan, joined in November 2011. Its headquarters are in Montreal and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris.

1.3 ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Contracting States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last met in October 2010.

1.4 The Council, composed of representatives from 36 States, is elected by the Assembly for a three-year term and provides continuing direction to the work of ICAO. The Council is assisted by the Air Navigation Commission, the Air Transport Committee, the Finance Committee, the Committee on Unlawful Interference, Human Resource Committee, the Committee on Joint Support of Air Navigation Services and the Technical Co-operation Committee.

1.5 The Secretariat has five main divisions: the Air Navigation Bureau, the Air Transport Bureau, the Technical Co-operation Bureau, the Legal Affairs and External Relations Bureau, and the Bureau of Administration and Services. The Finance Branch and Evaluation and Internal Audit Office are also part of the Secretariat and report to the Secretary General. The regional offices, working under the Secretary General's direction of Headquarters, are primarily responsible for maintaining liaison with States to which they are accredited and with other appropriate organizations, regional civil aviation bodies and the United Nations Regional Economic Commissions. The regional offices promote implementation of ICAO policies, decisions, Standards and Recommended Practices (SARPs) and regional air navigation plans and provide technical assistance when requested.

1.6 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit to the Council for consideration and recommendation to the Assembly the financial statements of ICAO for the year ended 31 December 2011. As required by Financial Regulation 13.3, the External Auditor's opinion and his report on the 2011 financial statements are also submitted to the Council and Assembly as well as my comments (reflected in the Secretary General's Comments) thereon.

1.7 Unless otherwise indicated, the financial statements and the accompanying note disclosures, which form an integral part of these financial statements, and this report is presented in thousands of Canadian Dollars (CAD).

2. FINANCIAL REPORTING AND BUDGET PERFORMANCE HIGHLIGHTS

Adoption of International Public Sector Accounting Standards (IPSAS)

2.1 As reported in Note 1 to the financial statements, ICAO has continued to fully apply IPSAS in 2011 for the second time. These standards have been adopted by the United Nations organizations to replace the United Nations System Accounting Standards (UNSAS). IPSAS are a set of independently developed accounting standards, which require adoption of accounting on a “full accrual” basis. Full accrual is considered best accounting practice by international organizations for the public as well as for the private sector. IPSAS include detailed requirements and guidance, which provide support for financial statements’ consistency and comparability.

2.2 ICAO adopted all applicable standards issued by the IPSAS Board. ICAO was not required to adopt all these standards during 2010 and 2011 as some of these standards have their corresponding effective dates falling in 2011 and 2013. Nonetheless, those standards were also applied prior to their effective date for increased accountability. The IPSAS Board, the body that issues IPSAS, encourages early adoption of these standards.

Financial Statements

2.3 The following financial statements have been prepared in accordance with IPSAS:

- Statement I: Financial Position;
- Statement II: Financial Performance;
- Statement III: Changes in Net Assets;
- Statement IV: Cash Flow; and
- Statement V: Comparison of Budget and Actual Amounts.

2.4 Also in accordance with IPSAS, the financial statements include Notes that provide narrative descriptions and disaggregation of items disclosed in the financial statements and information about items that do not qualify for recognition in the statements. The Notes also include the presentation of major activities of ICAO by segment as required by IPSAS. It was determined that two segments would be included in the audited financial statements. The first segment covers on-going regular activities of the Organization, such as the Regular Programme, the revenue generating activities and the administration and support of the technical co-operation programme. The second segment covers the activities of all technical co-operation projects, generally conducted by ICAO at the request of individual States.

2.5 Tables are not part of the audited financial statements. However, since these tables offer more detailed information and support the combined figures to the audited financial statements, they are included in Part IV of this document.

2.6 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2011.

2.7 **Statement I** presents the financial position of the Organization. Assets totalling CAD 223.2 million at 31 December 2011 are mainly composed of cash and cash equivalents amounting to CAD 193.4 million and of assessments and other amounts receivable totalling CAD 22.9 million. Total liabilities amounts to CAD 253.2 million, of which an amount of CAD 149.4 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 78.8 million for employee benefits recognized for the second time on this statement with the application of IPSAS.

2.8 This statement also shows an accumulated deficit of CAD 30.0 million, caused by the need to record the employee benefit liabilities under IPSAS. Nonetheless, since current assets exceed current liabilities by an amount of CAD 38.7 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.9 **Statement II** presents the financial performance for the year 2011. There were significant changes made to this statement last year to comply with IPSAS. Revenue from project agreement previously recorded on a cash basis is now recognized on the basis of services rendered and goods delivered to technical co-operation projects. Sales of publications are also recorded on the accrual basis of accounting, when publications are delivered. There is also a temporary adjustment made to assessed contributions revenue for an amount of CAD 0.3 million during 2011 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2011 deficit amounts to CAD 7.6 million. Table A shows the deficit by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 11.3 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. Before the adoption of IPSAS in 2010, most of these benefits were recorded on a cash basis. In 2011, CAD 2.6 million was paid for those benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 8.7 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and deficit of the General Fund of the Regular Programme (CAD 2.4 million) and the AOSC Fund (CAD 1.0 million) are provided in the following paragraphs.

2.10 With regard to the net surplus of other Funds (CAD 4.5 million), the main reason is a timing difference in the recognition of revenue and expenses. Under IPSAS, under certain conditions, revenue may be recognized before the related expenses are incurred, particularly with regard to revenue from non-exchange transactions such as voluntary contributions and donations. Also, capital expenditure and intangible assets financed by the General Fund of the Regular Programme Budget presented in the Capital Fund will be recognized as operating expenses in future years through depreciation and amortization which do not require additional funding.

2.11 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2011 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. In 2011, this process was refined to match more closely the percentage of completion of projects worth USD 100 thousand or more. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.12 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 29.7 million. The balance of the net accumulated deficit at the end of 2011 was CAD 30.0 million.

2.13 **Statement IV** gives the breakdown of the variation of cash flow from CAD 210.9 million at 31 December 2010 to CAD 193.4 million at 31 December 2011. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

2.14 **Statement V** shows a comparison between the budget (Regular Programme) and actual amounts. This statement is required under IPSAS because the approved budget and the financial statements are not prepared on the same basis as explained in Note 4 to the financial statements. This Statement also reflects the status of appropriations required by Financial Regulation 12.1.

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Programme

3.1 The 37th Session of the Assembly in 2010, under Clause C of Resolution A37-26, voted appropriations in the amount of CAD 89 495 thousand for the year 2011. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Implementation Strategies are given in Statement V.

3.2 The budgetary result for 2011, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	89 495
Carried over from 2010	<u>11 451</u>
Approved Revised Appropriations	100 946
2011 Outstanding Commitments	(7 786)
Carry-over Surrendered	(279)
Carried over to 2012	<u>(2 410)</u>
Revised 2011 Appropriations	<u>90 471</u>

3.3 **Carry-over from 2010.** In accordance with Financial Regulation 5.6 and 5.7, an amount of CAD 11 451 thousand was approved by the Secretary General to supplement the 2011 appropriations, financed by savings from 2010, primarily for outstanding commitments and for mandatory and other mission-critical activities that were not budgeted for in 2011.

3.4 **2011 Outstanding Commitments.** The value of obligations entered into in 2011 but delivery against which is only expected in 2012, is CAD 6 970 thousand. Employee entitlements in an amount of CAD 816 thousand consisting primarily of accrued leave and repatriation grants are foreseen to be paid to staff separating from ICAO in 2012. Therefore, an amount of CAD 7 786 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2012, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2011.

3.5 **Carry-over Surrendered.** The amount of CAD 279 thousand for carry-over surrendered (also see Figure 1, column (f)) is composed of the following:

- a) CAD 95 thousand not reimbursed to the Regular Programme by the AOSC Fund. This is the difference between the amount approved by the Council in C-DEC 192/5 (CAD 1 617 thousand) for the cost recovery in 2011 and the amount approved by the Assembly (Annex 4 of Doc 9955);
- b) CAD 184 thousand not spent out of the Incentive Scheme for Long Outstanding Arrears Account. Due to the delay in recruitment, the amount approved in Annex 4 of Doc 9955 was under spent and the resulting saving has been returned to the Incentive Fund.

3.6 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of the appropriations between one Strategic Objective (SO) or Supporting Implementation Strategy (SIS) to another up to 10 per cent of the annual appropriation for each of the SO or SIS to which the transfer is made.

3.7 **Carry-over to 2012.** Under Financial Regulation 5.6, the Secretary General authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 2 410 thousand is within this limit. The amount being carried forward is to fund resources required for: the Safety challenge Loss of Control and Performance Based Navigation; the new Ethics Office; Safety and Security audits that were deferred to 2012 due to travel restrictions and States' requests for postponement; the Public Key Directory Programme; Market-Based Measures of the Environment Programme; and a smaller portion for the mission-critical activities not budgeted for in 2012.

3.8 As a result of the increases and transfers outlined in the preceding paragraphs, the final approved revised appropriation for the year amounted to CAD 90 471 thousand.

3.9 Figure 1 provides a comparison between Budget and Actual amounts for the Revenue and Expenses of the Regular Programme:

FIGURE 1

	2011 Budget (a)	Actual ¹ (b)	Budget Exchange (c)	Actual at Budget Rate ² (d) = (b)+(c)	2011 Outstanding Commitments (e)	Carryover Surrendered (f)	Total (g) = (d)+(e)+(f)	Difference (h) = (g) - (a) \$
REVENUE								
Assessed Contributions	82 024	80 679	1 055	81 734			81 734	(290)
Other Revenue				0				
ARGF	4 370	4 370		4 370			4 370	-
Miscellaneous	3 101	1 980		1 980		279	2 259	(842)
	89 495	87 029	1 055	88 084	-	279	88 363	(1 132)
EXPENSES								
Staff salaries and employment benefits	74 018	68 609	887	69 496	4 847	279	74 622	604
Supplies, consumables and others	650	134	8	142	8		150	(500)
General operating expenses	20 585	15 731	100	15 831	2 931		18 762	(1 823)
Travel	4 108	3 909	31	3 940			3 940	(168)
Meetings	1 151	773	19	792	0		792	(359)
Other expenses	434	260	10	270	0		270	(164)
	100 946	89 416	1 055	90 471	7 786	279	98 536	(2 410)

¹From Table A, Financial Statements

²Includes Budget Exchange loss of \$1.055 million due to impact of US dollar transactions budgeted at USD1.00=CAD1.038

3.10 **Explanation of Differences – Revenues.** The overall budget of CAD 89 495 thousand (column (a) above) refers to the three main funding sources of the Regular Programme Budget for 2011: Assessed Contributions, ARGF Surplus, and Miscellaneous Income, and includes the Reimbursement from AOSC Fund and Transfer from Incentive Scheme for Long-Outstanding Arrears account. For the *Assessed Contributions*, the difference of CAD 0.3 million pertains to the discounted amount of the long term contributions receivable. For *Miscellaneous Revenue*, the lower receipt of CAD 0.8 million than expected was mainly due to low interest rates during the triennium - thus resulting to a much lower interest income earned.

3.11 **Explanation of Differences – Expenses.** The overall budget of CAD 100 946 thousand (Figure 1, column (a)) includes the 2011 original appropriations of CAD 89 495 thousand and carried over from 2010 of CAD 11 451 thousand. Actual expenses for *Staff Salaries and Employee Benefits* exceeded the budget mainly because of additional funding provided Air Navigation Bureau in response to the recommendations of the High Level Safety Conference (HLSC) and also of the additional resources required for the Electronic Documents and Records Management System (EDRMS) and other ICT requirements funded by overall efficiency gains of the Organization in other objects of expenditures such as *General Operating Expenses and Meetings*.

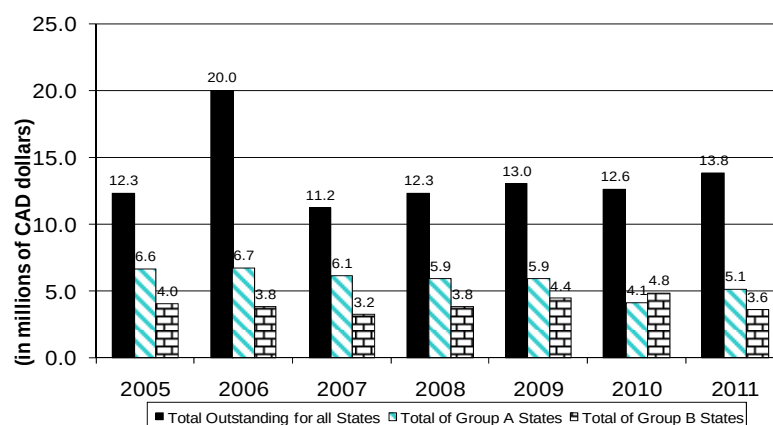
3.12 **Budget Exchange.** Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2011 (the date when invoices were raised in USD) was lower than the rate used in developing the 2011 budget causing a reduction to total assessed contributions of CAD 1 055 million (Figure 1 column (c)). This difference has been allocated to actual expenditure in order to restate it to the budget exchange rate. The total expenditure restated at the budget rate is shown in Figure 1, column (d)). In this manner, the budgetary savings i.e. difference between budget and actual expenses, have been appropriately adjusted (reduced), as shown in Figure 1, column (h)).

Assessment and Reporting Currencies

3.13 Assessments on Contracting States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010 a split assessment was introduced with about three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the financial statements are presented in Canadian dollars from 2008 onwards. This change is applicable to most of the Funds of the Organization for regular activities presented in Segment 1, while Funds presented in Segment 2 related to Technical Co-operation Projects (TCP) are recorded in U.S. dollars, but presented in Canadian dollars in the financial statements. During 2011 the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.000 at the beginning of the year and CAD 1.024 at the end of the year.

Assessments and Other Voluntary Contributions

3.14 During the year 2011 assessments totalling CAD 76 206 thousand were received and a balance of CAD 4 773 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 12 614 thousand was receivable from States in respect to 2010 and prior years; payment of CAD 3 603 thousand was received, leaving a balance outstanding of CAD 9 011 thousand. The assessments receivable for all years totalled CAD 13 784 thousand as at 31 December 2011 (including the Working Capital Fund). Details are provided in Table C of Part III to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 94 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2005.

FIGURE 2**Assessments Receivable from Contracting States as at 31 December**

3.15 Of the total outstanding contributions of CAD 13 784 thousand at 31 December 2011 (CAD 13 773 thousand excluding the Working Capital Fund), CAD 479 thousand pertained to States represented on the Council. The following figure provides detail of the assessments receivable in thousands of CAD, by group of States.

FIGURE 3

	<u>Number</u> <u>of States</u> <u>2011</u>	<u>Amount</u> <u>outstanding as</u> <u>at 31 December</u> <u>2011</u>	<u>Number</u> <u>of States</u> <u>2010</u>	<u>Amount</u> <u>outstanding as</u> <u>at 31 December</u> <u>2010</u>
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	17	5 096	17	4 105
Group B: States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	11	3 652	12	4 795
Group C: States with contributions in arrears for less than three full years	33	3 079	12	1 135
Group D: States with contributions outstanding only for the current year	26	1 456	45	2 076
Sub-total	87	13 283	86	12 111
The Former Socialist Federal Republic of Yugoslavia	-	501	-	501
Total Outstanding Contributions	87	13 784	86	12 612

3.16 As at 31 December 2011, 17 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 year's arrears. The note on Table C of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2011.

3.17 Major contributions (*) received for the Regular Programme and other Funds in Segment 1 for 2011 are summarized in thousands of CAD below.

FIGURE 4

Contracting State	<u>Assessment Received</u>	<u>Contributions In-Kind (Premises)</u>	<u>Contributions in Cash and In Kind AVSEC</u>	<u>Total</u>
Canada	2 065	20 884	735	23 684
United States	20 242	-	1 321	21 563
Japan	7 352	-	5	7 357
Germany	5 312	-	5	5 317
United Kingdom	4 599	-	405	5 004
France	3 984	716	-	4 700
China	3 287	-	105	3 392
Italy	2 850	-	-	2 850
Spain	2 000	-	8	2 008
Republic of Korea	1 757	-	5	1 762
Thailand	405	1 130	-	1 535
Netherlands	1 498	-	23	1 521
Total	55 351	22 730	2 612	80 693

(*) Twelve highest contributions

3.18 Total expenses in 2011, including those for seconded staff and premises provided without charge, by Strategic Objective and Strategic Implementation Strategy (SIS) and for other activities are shown in thousands of CAD below:

FIGURE 5

	<u>Safety</u>	<u>Security</u>	<u>Environment</u>	<u>SIS</u>	<u>Other (2)</u>	<u>Total</u>
Regular Budget	23 827	10 654	11 066	43 869	-	89 416
Voluntary Funds	3 379	2 785	201	17 600	5 880	29 845
Premises	-	-	-	23 337	-	23 337
Seconded Staff (in-kind) (1)						
Canada	-	277	-	-	-	277
China	210	105	-	-	841	1 156
France	274	35	-	-	388	697
Italy	-	-	-	-	280	280
Saudi Arabia	183	5	-	-	-	188
Singapore	194	-	-	-	74	268
Spain	-	5	-	-	123	128
Sweden	175	-	-	-	-	175
Switzerland	-	198	-	-	-	198
United States	107	13	-	-	15	135
Others	173	453	-	-	-	626
Sub-total Seconded Staff	1 316	1 091	-	-	1 721	4 128
Total Expenses	28 522	14 530	11 267	84 806	7 601	146 726

(1): 10 highest contributions by alphabetical order

(2): Other strategic objectives

Cash Surplus

3.19 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2011 reflected in Table A of Part IV to this document amounted to CAD 10.1 million. Cumulative surplus less the Working Capital Fund balance of CAD 6.1 million and assessments receivable from Contracting States of CAD 13.8 million resulted in a cash deficit of CAD 9.8 million at 31 December 2011, noting that an amount of CAD 10.2 million is recorded as a reserved surplus to finance 2011 outstanding commitments and appropriations carried over to 2012.

Ancillary Revenue Generation Fund (ARGF)

3.20 The surplus achieved by ARGF in 2011 amounts to CAD 4 990 thousand of which CAD 4 556 thousand was transferred to the General Fund.

3.21 A summary of the ARGF revenue and expenses by business activities for 2011 in thousands of CAD is as follows:

FIGURE 6

	Revenue	Expense	Net Surplus
Publications, Distribution & Printing (including Dangerous Goods Licensing)	8 296	4 067	4 229
Delegation & Conference Services & Rental & Other Activities	2 799	2 414	385
Events & Symposia	1 382	580	802
Periodicals	755	676	79
Training	602	492	110
Licensing Agreements & Partnerships in Statistics	520	128	392
Websites	436	220	216
ARGF Governance	64	1 287	(1 223)
Sub-total	14 854	9 864	4 990
ARGF Inter-billing Elimination	(173)	(173)	-
Total	14 681	9 691	4 990
Amount Transferred to Regular Programme	-	4 556	(4 556)
Net	14 681	14 247	434

3.22 ARGF surplus exceeded the budget by CAD 806 thousand and the budgetary comparison is presented in the figure below in thousands of CAD.

FIGURE 7
ARGF Budget and Actual for 2011

	Actual	Budget	Variance
Revenue	14 681	15 302	(621)
Expense	9 691	11 118	1 427
Net Surplus	4 990	4 184	806

3.23 Approximately 60% of ARGF products, including publications are priced in USD and therefore revenue is impacted by movement in currency rates. Additionally, difference in budgeted rate of exchange and actual rate causes variation. The average CAD/USD rate in 2011 was 0.99. This compares to a budget rate of 1.038.

Administrative and Operational Services Cost Fund (AOSC)

3.24 The AOSC Fund is established to meet the cost of administration and operation of the Technical Co-operation Programme (TCP), and is primarily financed from administrative overhead charges on UNDP, CAPS, Trust Fund and MSA projects. The financial results for the AOSC Fund are reported in Table A of Part IV to this document and the budgetary comparison is presented in the following figure in thousands of CAD.

FIGURE 8

AOSC Fund Budget and Expenditures for 2011¹

	Submitted to the Assembly ²	Revised Budget 2011 ³	Actual Expenditure/ Income 2011	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	10 706	9 211	8 845	366
Income		8 397	7 856	
Excess/(Deficit) of Income over Expenditure		(814)	(989)	

¹ Excludes AOSC Efficiency Fund.

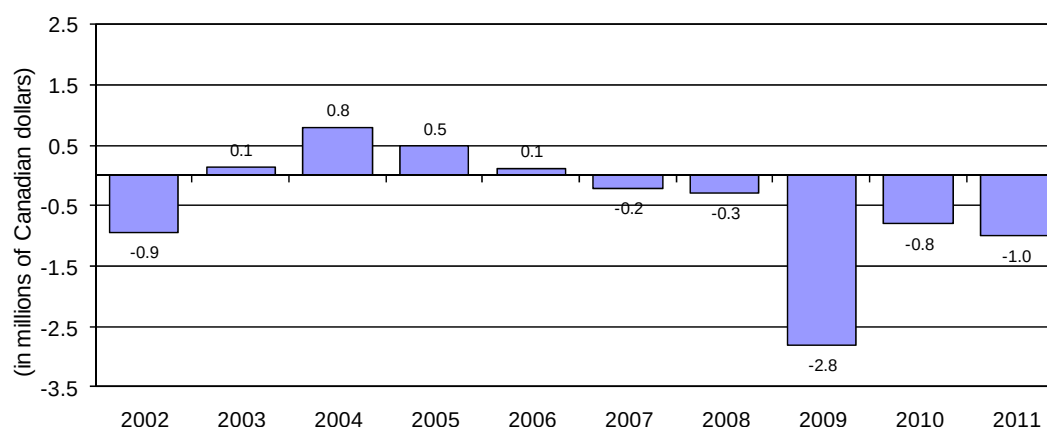
² Approved by the Assembly in 2010 (A37).

³ Noted by the Council at its 194th Session (C-WP/13764).

3.25 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 10 706 thousand for the financial year 2011. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2011 Budget Estimates (expenditure) for 2011 in C-WP/13764. The revised estimated expenditures for 2011 amounted to CAD 9 211 thousand and the estimated income to CAD 8 397 thousand.

3.26 There is a shortfall of CAD 0.5 million in AOSC income versus budget mainly because of the expected implementation of USD 128.6 million in TC projects in 2011, implementation of 45.5 % or USD 58.5 million did not materialize during the year yielding a shortage in forecasted income. On the expenditure side, staff costs savings amount to CAD 0.4 million resulting in a total negative variance of CAD 1.0 million in income and expenditures

3.27 The following figure reports on the trend in the annual excess (shortfall) over the last ten years in millions of CAD.

FIGURE 9**AOSC Fund Surplus and Shortfall as at 31 December**

3.28 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Programme and the Technical Co-operation Programme be reported to the Council for review. The Council has considered this issue and instructed the Secretary General to progressively allocate the identifiable costs to the AOSC Fund and the Regular Programme, as appropriate, in order to minimize the amount of cross-funding that was occurring between these Funds.

3.29 **Technical Co-operation Programme.** The Technical Co-operation Bureau (TCB) manages the Technical Co-operation Programme, a permanent priority activity of ICAO as stated in Assembly Resolution A36-17, which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies and procedures. Through this Programme, ICAO provides a broad spectrum of services, including assistance to States in the review of the structure and organization of national civil aviation institutions, updating the infrastructure and services of airports, facilitating technology transfer and capacity building, promoting ICAO Standards and Recommended Practices (SARPs), Air Navigation Plans (ANPs) and supporting remedial action resulting from the Universal Safety Oversight Audit Programme (USOAP) and the Universal Security Audit Programme (USAP) audits.

3.30 ICAO took steps aimed at increasing TCB's efficiency and quality of services, operational and financial controls and to improve the Bureau's working methodologies aligned with ICAO's Strategic Objectives. Commencing in 2011, TCB implemented ISO 9001 certification in its Procurement Section with its Field Operations Section to follow in 2012. The whole bureau is expected to be fully certified by year 2014.

3.31 Action has also been initiated to recruit Technical Co-operation officers in five of the seven regional offices and an assessment will be made on the need for officers in the two remaining offices. A Secretariat Working Group has been established to develop new co-ordination procedures between TCB and the Regional Offices. A Management Plan for the Technical Co-operation Bureau has been prepared in close co-ordination with the Technical Co-operation Committee, describing the goals and objectives for the years 2012 to 2014 as well as specific planned actions aimed at increasing efficiencies and quality of services. Further efforts are required to improve the AOSC financial situation through a review of the TCB organizational structure, staffing levels, cost savings and efficiency measures. It should also be

noted that the remaining modules of Agresso are now being implemented for TCB which will allow for more timely and transparent financial reporting.

3.32 Technical co-operation projects represent one of the main activities of the Organization. Projects are financed by voluntary contributions and the inflows and outflows of financial resources totalled CAD 104.8 million in 2011. Tables D to F in Part IV of this document provides more detail on these projects, summarized by the following figures in millions of CAD.

FIGURE 10

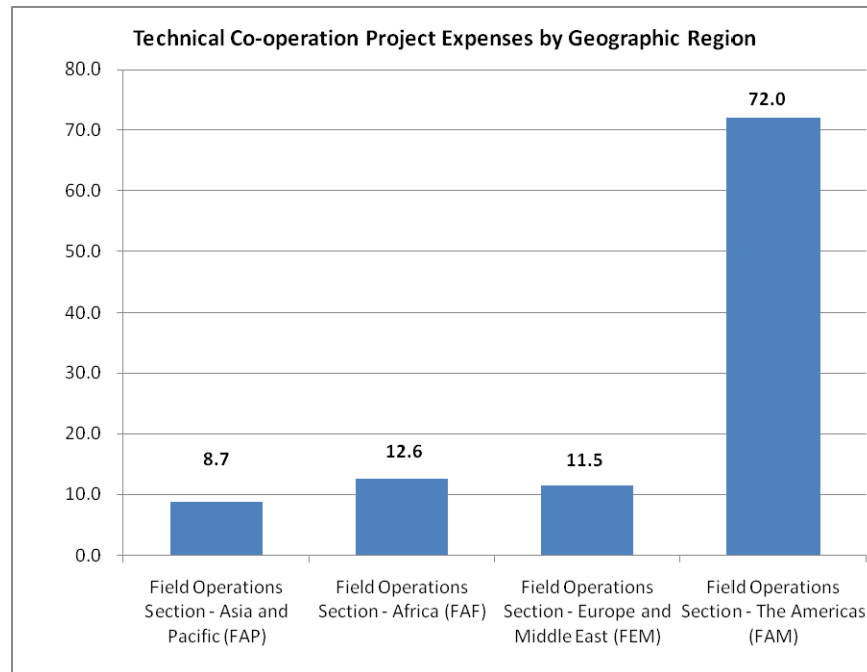
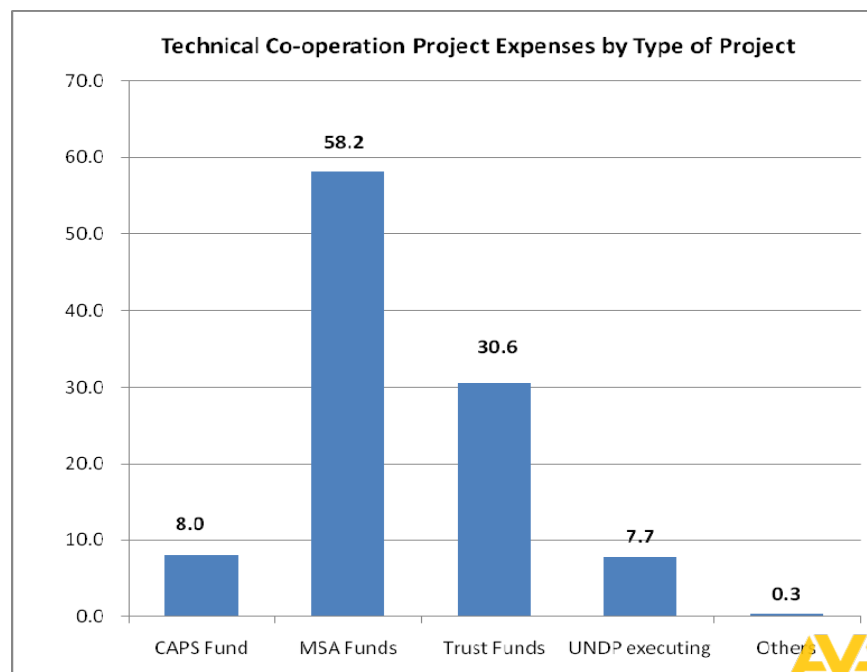


FIGURE 11



4. RESPONSIBILITY OF MANAGEMENT

The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit annual financial statements in accordance with the accounting standards adopted by the United Nations organizations. These financial statements are: Statement I – Statement of Financial Position, Statement II – Statement of Financial Performance, Statement III – Statement of Changes in Net Assets, Statement IV – Statement of Cash Flow and Statement V – Statement of Comparison of Budget and Actual Amounts. The status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly are reflected in this document.

Management is responsible for the preparation and integrity of the Financial Statements in this document. These statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), and necessarily include certain amounts that are based on management's best estimate and judgement. Financial information contained throughout this document is consistent with that in the audited financial statements. Management considers that the financial statements present fairly the financial position of the Organization, its financial performance and its cash flows and the information disclosed in this document is presented in accordance with the provisions of the ICAO Financial Regulations.

To fulfil its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit. The External Auditor has audited the Financial Statements, including Notes, and his accompanying report indicates the scope of his audit and his opinion on the Financial Statements.

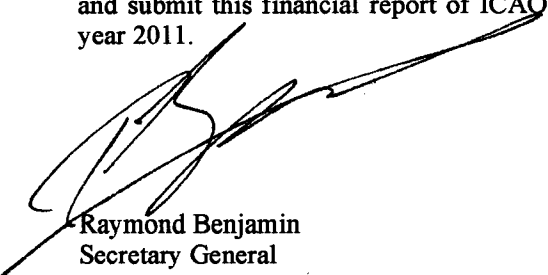
The Council has the responsibility to consider and to recommend the Financial Statements to the Assembly for approval and has the power to request amendments to these statements after issuance by the Secretary General.

As Chief, Finance Branch of the International Civil Aviation Organization, I hereby certify the Financial Statements included in this document.



Rahul Bhalla
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the Financial Statements and Tables for the year 2011.



Raymond Benjamin
Secretary General

Montreal, Canada
30 March 2012

PART II: OPINION OF THE EXTERNAL AUDITOR

Cour des comptes
Le Premier président

Paris, 30 MARS 2012

To the Assembly of
the International Civil Aviation Organization

AUDIT OPINION

We have audited the financial statements of the International Civil Aviation Organization (ICAO), for the 12 month period ended December 31st, 2011. These financial statements include a statement of financial position at December 31st, 2011, a statement of financial performance, a statement of changes in net assets, a statement of cash flow, a statement of comparison of budget and actual amounts for the period ended December 31st, 2011 and notes including a summary of the accounting principles and other information.

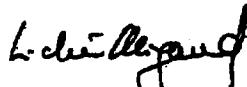
Within the general framework of Article 61 of the Chicago Convention and by virtue of Article XII of the ICAO Financial Regulations, the Secretary General of ICAO is responsible for preparing and presenting the financial statements. These statements are in conformity with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and monitoring of internal control procedures to ensure the preparation and the fair presentation of financial statements, free of significant misstatements, resulting either from frauds or errors. This responsibility also includes the determination of fair accounting estimates adapted to the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing (ISA). These Standards require us to comply with the ethical rules and to plan and perform our audit in order to obtain a reasonable assurance that the financial statements are free from material misstatements.

An audit consists in implementing audit procedures in order to collect audit evidence regarding the amounts and the information presented in the financial statements. The design of the audit procedures is based on the external auditor's professional judgment, as well as the risk evaluation that the financial statements include significant misstatements, resulting either from frauds or errors. In the context of this risk evaluation, the auditor considers the internal control in place for the preparation and presentation of the financial statements, in order to design appropriate audit procedures and not in order to express any opinion on the internal control. An audit also consists in evaluating that the accounting method applied and the presentation of the financial statements are appropriate and that the significant accounting estimates are reasonable.

We believe that the audit evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

Based on our audit, the financial statements give a fair view of the financial position of the ICAO at December 31st, 2011, as well as the financial performance, the cash flow and the comparison of budget and actual amounts for the 12 month period ended December 31st, 2011 in conformity with the IPSAS.


Didier MIGAUD

PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

(in thousands of Canadian dollars)

	Note	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	193 393	210 915
Assessed contributions receivable from Member States	2.2	5 761	6 693
Receivables and advances	2.3	11 053	12 579
Inventories	2.4	952	987
Others	2.3	1 936	2 960
		213 095	234 134
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	5 581	3 863
Receivables and advances	2.3	496	521
Property, plant and equipment	2.5	3 046	699
Intangible assets	2.6	958	92
		10 081	5 175
TOTAL ASSETS		223 176	239 309
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	149 391	163 356
Accounts payable and accrued liabilities	2.9	19 354	22 289
Employee benefits	2.10	4 060	4 612
Credits to contracting/servicing governments	2.11	1 397	1 528
Deferred revenue	2.12	168	343
		174 370	192 128
NON-CURRENT LIABILITIES			
Employee benefits	2.10	78 817	76 900
		78 817	76 900
TOTAL LIABILITIES		253 187	269 028
NET ASSETS			
Accumulated deficit	2.13	(43 659)	(35 416)
Reserves	2.13	13 648	5 697
NET ASSETS (NET ACCUMULATED DEFICIT)		(30 011)	(29 719)
TOTAL LIABILITIES AND NET ASSETS		223 176	239 309

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of Canadian dollars)

	Note	2011	2010
REVENUE			
Contributions for project agreements		104 776	122 847
Assessed contributions		80 679	77 483
Other revenue producing activities	3.2	13 401	13 173
Other voluntary contributions		8 339	5 976
Administrative fee revenue		16	
Other revenue	3.2	3 122	3 798
TOTAL REVENUE		210 333	223 277
EXPENSES			
Staff salaries and employee benefits	3.3	126 016	137 359
Supplies, consumables and others	3.3	63 133	67 796
General operating expenses	3.3	16 989	17 098
Travel	3.3	8 442	7 940
Meetings		865	2 128
Training		1 020	1 173
Grants and other transfers			440
Other expenses		1 204	762
Currency exchange difference		294	393
TOTAL EXPENSES		217 963	235 089
DEFICIT FOR THE YEAR		(7 630)	(11 812)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT III
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Canadian dollars)

	Note	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
Balance at 31 December 2010		(35 416)	5 697	(29 719)
Movements in fund balances and reserves in 2011				
Variation to carry forward balance	2.13	1 256	(1 256)	
Variation of actuarial gain/(loss)	2.10		7 091	7 091
Other reclassifications and transfers	2.13	(1 869)	2 013	144
Variation of translation adjustment	2.13		103	103
Deficit of the year		(7 630)		(7 630)
Total movements during the year		(8 243)	7 951	(292)
Balance at 31 December 2011		(43 659)	13 648	(30 011)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of Canadian dollars)

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Deficit for the year		(7 630)	(11 812)
(Increase) decrease in contributions receivable	2.2	932	(1 542)
(Increase) decrease in receivables and advances	2.3	1 526	17 199
(Increase) decrease in inventories	2.4	35	3
(Increase) decrease in other assets	2.3	1 024	172
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	(1 718)	1 254
(Increase) decrease in non-current receivables and advances	2.3	25	22
Increase (decrease) in advanced receipts	2.8	(13 964)	2 074
Increase (decrease) in accounts payable and accrued liabilities	2.9	(2 935)	(11 424)
Increase (decrease) in short-term employee benefits	2.10	(552)	(79)
Increase (decrease) in credits to contracting/servicing governments	2.11	(131)	(988)
Increase (decrease) in deferred revenue	2.12	(175)	(242)
Increase (decrease) in long-term employee benefits	2.10	1 917	10 232
Actuarial gain (loss) reflected in reserves	2.10	7 091	(5 881)
Interest income		(697)	(719)
Depreciation and amortization		575	90
Disposal of property, plant and equipment			(19)
Foreign currency translation adjustment		103	(1 918)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(14 574)	(3 578)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(3 789)	(881)
Proceeds of disposal of property, plant and equipment			19
Interest income		697	719
NET CASH FLOWS FROM INVESTING ACTIVITIES		(3 092)	(143)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfers from net assets to liabilities and other transfers		144	(1 234)
NET CASH FLOWS FROM FINANCING ACTIVITIES		144	(1 234)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(17 522)	(4 955)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		210 915	215 870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		193 393	210 915

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

III-5
INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
REGULAR PROGRAMME GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations								Expenditures ¹			Balance
	Original A37-26	Carry-over from Prior Year ^a	2011 Appropriations Before Transfers	2011 Outstanding Commitments ^b	Carry-Over Surrendered ^c	Transfers among SO/SIS ^d	Carried over to following year ^e	2011 Appropriations Revised	Total	Budget Exchange Difference ²	At budget rate of exchange	
Safety	22 934	4 409	27 343	(2 633)	(114)	403	(734)	24 265	23 827	438	24 265	(0)
Security	13 474	621	14 095	(126)	(71)	(2 410)	(586)	10 902	10 654	248	10 902	0
Environmental Protection and Sustainable Development of Air Transport	11 479	940	12 419	(853)	(48)	135	(403)	11 250	11 066	184	11 250	0
Sub-Total	47 887	5 970	53 857	(3 612)	(233)	(1 872)	(1 723)	46 417	45 547	870	46 417	(0)
Programme Support	20 135	2 775	22 910	(1 730)	-	1 088	(501)	21 767	21 697	70	21 767	0
Management & Administration	14 527	2 170	16 697	(2 007)	(46)	1 403	(186)	15 861	15 773	88	15 861	0
Management & Administration - Governing Bodies	6 946	536	7 482	(437)	-	(619)	-	6 426	6 399	27	6 426	0
Sub-Total	41 608	5 481	47 089	(4 174)	(46)	1 872	(687)	44 054	43 869	185	44 054	0
Total	89 495	11 451	100 946	(7 786)	(279)	(0)	(2 410)	90 471	89 416	1 055	90 471	0

^a Approved by the Secretary General, Financial Regulations 5.6, and 5.7.

^b Approved by the Secretary General, Fin. Regulation 5.7

^c Approved by Council to reimburse Regular Programme \$1.6 million instead of \$1.7million (C-DEC192/5). \$0.2million unspent due to delay in recruitment transferred back to Incentive Scheme for Long-Outstanding Arrears Account

^d Approved by the Secretary General, Fin. Regulation 5.9

^e Approved by the Secretary General, Fin. Regulation 5.6

¹ Expenditures other than Canadian dollars are reflected at the UN rate of Exchange and include currency exchange differences such as the revaluation of balance sheet items and forward exchange gains/losses.

² Budget exchange difference due to impact of US dollar transactions budgeted at USD1.00 = CAD 1.038

Material differences between 2011 Appropriations before Transfers and Total Expenditures are explained in the Presentation by the Secretary General.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to the Financial Statements
31 December 2011

NOTE 1: ACCOUNTING POLICIES

Basis of Preparation

1. The financial statements of the International Civil Aviation Organization (ICAO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS).
2. These are the second set of financial statements prepared fully in accordance with IPSAS. The adoption of IPSAS effective 1 January 2010 has required changes to be made to the accounting policies previously followed by ICAO. This includes the preparation of financial statements on a full accrual basis of accounting.
3. As permitted on the initial adoption of IPSAS, transitional provisions have been applied for the initial recognition of property, plant and equipment (PP&E) (IPSAS 17) including those under finance leases acquired before 1 January 2010. These assets are not reflected on the face of the financial statements, but in the Notes to the Financial Statements for information purposes.
4. The following Accounting Standards have been adopted prior to their required implementation dates: Intangible Assets (IPSAS 31); Financial Instruments: Presentation (IPSAS 28), Recognition and Measurement (IPSAS 29) and Disclosures (IPSAS 30).
5. Except as otherwise stated in these statements, the measurement basis used in preparing the financial statements is the amortized cost. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
6. The reporting currency of ICAO is the Canadian dollar (CAD). The functional currency of ICAO regular activities is the CAD. The functional currency of the Technical Cooperation Projects (TCP) is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing UNORE at year-end closing rate, which reasonably approximates the spot rate. Resulting gains or losses are accounted for in the Statement of Financial Performance except for differences arising from the translation of TCP activities into CAD for presentation purposes which are reflected in Reserves in the Statement of Financial Position.

Cash and Cash Equivalents

7. Cash and cash equivalents comprise cash on hand, cash at banks and short-term deposits.
8. Interest revenue is recognized as it accrues, taking into account the effective yield.

Financial Instruments

9. Financial instruments are recognized when ICAO becomes a party to the contractual provisions of the instrument until such time as when the rights (or the obligation) to receive (to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled).
10. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables include contributions receivable in cash and other

receivables. Long term receivables, including assessments receivable, are stated at amortized cost using the effective interest method.

11. Except for assessed contributions received in advance, all liabilities are derived from exchange transactions. All non-derivative financial liabilities are recognized initially at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method.

Inventories

12. Publications and Commissariat items on hand at the end of the financial period are recorded as inventories. Publications are valued at the lower of cost and current replacement cost and commissariat inventory is valued at the lower of cost and net realizable value.
13. The cost of publications includes purchase cost and all other costs incurred in bringing the publications to a saleable or distributable state. The cost of Commissariat items represents the purchase price. Cost is determined on the weighted average basis.
14. Publications and other documents for internal use are expensed when produced.

Receivables and Revenue

15. Assessed contributions represent a legal obligation of Contracting States. These contributions are revenue from non-exchange transactions recognized in the year for which the assessments are levied. Contributions for Technical Co-operation Project (TCP) activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors and are determined by the stage of completion based on the delivery of goods or rendering of services, which ICAO may in some instances consider best estimated by the phased schedule of payments related to applicable contracts for the projects. Other voluntary contributions are generally non-exchange transactions recognized as revenue when confirmed in writing by donors, or otherwise when received.
16. Administrative fees recovered on Technical Co-operation projects are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects. In accordance with IPSAS, revenue from administrative fees generated by TC projects is recognized based on the stage of completion. The stage of completion is estimated as follows:
 - Ninety per cent of the fee is progressively recognized until and when a purchase order for equipment is issued and the remaining 10 percent is recognized upon delivery; and
 - For services, the administrative fee is recognized on the basis of cost incurred.
17. A new arrangement for sharing of interest income was introduced in 2011 under which ICAO retains fifty percent of interest earned from deposit of project funds with an average monthly weighted balance in excess of USD 100 thousand.
18. Other revenues are exchange transactions and balances receivable are presented in receivables and advances.
19. Contributions receivable are shown net of allowances related to reductions in contribution revenue, doubtful accounts and amortization (discount):
 - allowance for reductions in voluntary contribution revenue are reductions of contributions receivable and revenue when the funding is no longer needed by the project to which the contributions was directed or is otherwise unavailable;

- allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate that a Contracting State is not capable of discharging its obligation; and
 - discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears.
20. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises, transport and personnel.

Property, Plant and Equipment

21. Property, Plant and Equipment (PP&E) are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for PP&E over their estimated useful life using the straight line method, except for land which is not subject to depreciation. The estimated useful life for PP&E classes is as follows:

<u>Classes</u>	<u>Estimated Useful Life (Years)</u>
Buildings	5-50
Information Technology (IT)	3-5
Furniture, Fixtures and Fittings	5-12
Machinery and Office Equipment	3-7
Motor Vehicles	3-10

22. Property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at CAD 3 thousand and CAD 25 thousand in the case of leasehold improvements. The threshold level is reviewed periodically. Leasehold improvements are valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.
23. Impairment reviews are undertaken for all PP&E at least annually and any impairment losses are recognized in the Statement of Financial Performance. Impairment indicators include the obsolescence and deterioration of PP&E as well as the cash flow generated by PP&E utilized to generate revenue from a commercial activity.

Intangible Assets

24. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Intangible asset recognition requires meeting strict criteria with respect to being identifiable, being under ICAO's control and contributing future economic benefits or service potential which can be reliably measured. Remaining useful life is also a consideration. Specific criteria were also developed to exclude items acquired below a cost of CAD 5 thousand, and CAD 25 thousand for internally developed assets due to the difficulty to measure with precision internal operational and research costs to be expensed and development costs to be capitalized. As permitted under IPSAS 31, this standard has been applied prospectively effective 1 January 2010.
25. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life for intangible asset classes is as follows:

<u>Class</u>	<u>Estimated Useful Life (Years)</u>
Software Acquired Externally	3-6
Software Internally Developed	3-6
Licenses and Rights and Other Intangible	2-6
Copyrights	3-10

26. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
27. Impairment indicators include the obsolescence and the deterioration of intangibles as well as the cash flow generated by intangibles when utilized to generate revenue from a commercial activity.

Employee Benefits

28. ICAO recognizes the following accrued employee benefits:
 - short-term employee benefits which are expected to be settled wholly within twelve months after the end of the accounting period in which employees render the related service;
 - post-employment benefits; and
 - other long-term employee benefits such as end-of-service benefits.
29. Most employees of ICAO are members of the United Nations Joint Staff Pension Fund (UNJSPF). The Pension Fund is a multi-employer funded, defined benefit plan. UNJSPF is not in a position to identify and allocate each participant's share of the underlying financial position and performance of the plan on an IPSAS 25 basis with sufficient reliability for accounting purposes and, therefore, as permitted by IPSAS this plan is treated as if it were a defined contribution plan.
30. ICAO uses a reserve account in Net Assets to record actuarial gains and losses related to afterservice health insurance benefits (ASHI).

Provisions and Contingent Liabilities

31. Provisions are made for future liabilities and charges where ICAO has a present legal or constructive obligation as a result of past events and it is probable that ICAO will be required to settle the obligation.
32. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of ICAO.

Segment Reporting and Fund Accounting

33. A segment is a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. ICAO classifies all projects, operations and fund activities into two segments: i) Regular activities and ii) Technical Cooperation Project activities. ICAO reports on the transactions of each segment during the financial period, and the balances held at the end of the period. Inter-segment charges are based on project agreements.

34. A fund is a self-balancing accounting entity established to account for the transactions relating to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the year the consolidated position of all ICAO's funds. Fund balances represent the accumulated residual of revenue and expenses.
35. **The Regular Activities segment** includes the General Fund and the Working Capital Fund of the Regular Programme, special accounts and funds administered for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular Programme Budget of the General Fund may be brought forward to the following financial year under certain conditions. Specific funds and special accounts are established by the Assembly or Council under Financial Regulation 7.1 mainly for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions and administrative fees.
36. **The Regular Activities segment** includes the following Funds or groups of Funds:
- **The Regular Budget Fund comprises the General Fund** financed by assessed contributions from Contracting States according to the scale of assessments determined by the Assembly, by miscellaneous income, by the Ancillary Revenue Generation Fund (ARGF) surplus, and by any advances made from the **Working Capital Fund**, established by the Assembly for the purpose of making (repayable) advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Contracting States and to other Funds in specific cases.
 - **Capital Fund** established for the purpose of recording the acquisitions of property, plant and equipment and intangible assets for the General Fund of the Regular Programme.
 - **Revolving Fund** established for the purpose of recording the transactions relating to After-Service Health Insurance (ASHI) including unfunded liabilities and other specific liabilities in order to present these transactions separately within the Regular Activities segment.
 - **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.
 - **Administrative and Operational Services Cost (AOSC) Fund** established under Financial Regulation 9.4. The AOSC Fund recovers the costs of administration, operation and support of TC projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is first to be met from the accumulated surplus of the AOSC Fund and, as a last resort, from the Regular Programme Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation projects including UNDP projects.
 - **Aviation Security (AVSEC) Plan of Action (ASPA)** which includes earmarked funds as well as Special Accounts/Funds established to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general and earmarked contributions and by services in kind as indicated in Note 3.1.

- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Joint Finance Funds comprise Danish and Icelandic Joint Financing Agreements**, which reflect the transactions of the Funds established to report on ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on Contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments. Therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMu)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.
- **Incentive for the Settlement of Long-outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from Contracting States to finance particular activities of the Organization.
- **Information and Communication Technology (ICT) Fund** established to finance improvements to information and communication systems of the Organization.
- **Public Key Directory Fund (PKD)**, a cost-recovery fund, established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
- **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach which will limit administrative costs and will not impose any costs on the Regular Programme Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful and timely manner.
- **Temporary Staff Salaries Fund (TSSF)** set up to refinance the posts which were initially cut in the Triennium Budget 2008 – 2010.
- **Other Funds.** The Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the Environmental Fund, the International Registry Fund and France Co-operation Fund and other Funds or special accounts are included in other Funds.
- Under an agreement with the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Members States, ICAO provides certain secretariat services. Disbursements are financed initially from ECAC's revenue collected by ICAO and, when necessary from the General Fund of the Regular Programme funds, which are reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the amount due from or payable to regional bodies.

37. **The Technical Co-operation Project Activities segment** comprises **Technical Co-operation (TC) project funds** established by the Secretary General under Financial Regulation 9.1 to administer programmes of technical co-operation. The main funding sources of this segment are contributions for project agreements.
38. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial transactions relating to the UNDP arrangements comply with both ICAO and UNDP directives. Trust Funds and MSAs are designed to cover a broad range of technical co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation 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. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

39. Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits. Balances at 31 December are composed of:

	2011	2010
	<i>In thousands of CAD</i>	
Cash in banks	98 649	87 802
Term deposits	94 744	123 113
Total Cash and Cash Equivalents	193 393	210 915

40. As at 31 December 2011, the term deposits had an average interest rate of 0.31 percent (0.27 percent on 31 December 2010) and an average term maturity of 107 days (70 days in 2010). Cash in banks at year end includes an amount of CAD 2 367 thousand held on behalf of ECAC.

Note 2.2: Assessed Contributions Receivable From Member States

41. The net assessed contributions receivable balances as at 31 December are composed of:

	2011	2010
	<i>In thousands of CAD</i>	
Current	5 761	6 693
Discounted non-current	5 581	3 863
Total Net Contributions Receivable	11 342	10 556

42. Current contributions receivable are for contributions that are due within twelve months while non-current contributions receivable are those that are due or foreseen to be settled after 12 months from the date of the financial statements as described in the accounting policies for Receivables and Revenue. The gross and net amounts of contributions receivable are as follows:

	2011	2010
	<i>In thousands of CAD</i>	
Assessed Contributions – Regular Programme	13 784	12 614
Assessed Contributions – Joint Financing Agreements	18	79
Total Contributions Receivable before allowances and amortization	13 802	12 693
Less:		
Allowance for doubtful accounts	(501)	(501)
Discount on long-term receivables	(1 959)	(1 636)
Total Net Contributions Receivable	11 342	10 556

43. The following table illustrates the composition of assessed contributions receivable for the Regular Programme.

	2011		2010	
Year of Assessment	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2011	4 773	34.7	-	-
2010	1 561	11.3	3 639	28.9
2009	855	6.2	1 227	9.7
2008	694	5.0	920	7.3
2007 and earlier	5 901	42.8	6 828	54.1
Total	13 784	100.0	12 614	100.0

44. There were no movements of the allowance for doubtful accounts during 2011.

	2010	Utilization	Increase/ (Decrease)	2011
	<i>In thousands of CAD</i>			
Total Allowance for Doubtful Accounts	501	-	-	501

The amount of CAD 501 thousand represents the full amount owing to ICAO by the former Socialist Federal Republic of Yugoslavia, the resolution of which remains under active discussion at the United Nations General Assembly where there is an expectation that successor States will cover the debt.

45. There were no write-offs of contributions receivable during 2011. An increase or decrease in the allowance for doubtful accounts represents an expense for the period and is reported in the Statement of Financial Performance.
46. There was no balance in the allowance for reductions in contribution revenue during 2011.
47. The movements of the discounted long-term contributions receivables during 2011 are as follows:

	2010	Utilization	Increase/ (Decrease)	2011
	<i>In thousands of CAD</i>			
Discounted Long-Term Contributions Receivable	3 863	2 041	(323)	5 581

48. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to fair value upon initial recognition. Since the non-current portions are not due to be collected for more than one year, they are discounted at an interest rate. This amount is reflected as a reduction of the long-term receivable balance. This difference is then gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rate of 4.3 percent to the scheduled future installment payments for most of Group A States and 2.5 percent for five of Group B States.
49. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements with outstanding assessments exceeding five years. Utilization of CAD 2 041 thousand includes the reclassification of amounts in arrears as long-term and payments received during the course of the year from States which concluded agreements with ICAO. The decrease of CAD 323 thousand is the discount of the long-term accounts receivable balance which has been recognized as a reduction of revenue for the period ended 31 December 2011. There was one new agreement entered into during the course of the year.

Note 2.3: Receivables, Advances and Other Assets

50. Receivables and advances:

	2011	2010
	<i>In thousands of CAD</i>	
Advances to Employees	1 255	1 361
Receivables from United Nations Agencies	3 323	1 906
Others	6 475	9 312
Total:	11 053	12 579

51. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.
52. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.
53. Other receivables include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
54. The non-current portion of Receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 748 thousand at 31 December 2011. The discounted amount due from AFCAC reflected in the accounts totals CAD 577 thousand, of which an amount of CAD 496 thousand represents the non-current portion of the receivable (CAD 521 thousand as at 31 December 2010).

55. **Other Current Assets** are comprised of:

	2011	2010
	<i>In thousands of CAD</i>	
Recoverable Provincial Sales Tax	465	1 667
Recoverable Federal Sales Tax	296	738
Prepaid Expenses	716	329
Recoverable United States Income Tax	422	163
Recoverable France Sales Tax	37	57
Others	-	6
Total	1 936	2 960

Note 2.4: Inventories

56. ICAO inventories include the stock of published documents which are printed in house for sale to the worldwide civil aviation community and the stock of duty free items held by the Commissariat Store for sale to individuals having diplomatic status.
57. The table below shows the total value of inventories as at 31 December.

	2011	2010
	<i>In thousands of CAD</i>	
Publications on hand–finished goods	700	652
Raw material and work in process	123	135
Total Publications	823	787
Total Commissariat Items	129	200
Total Inventories	952	987

58. Further detail is shown below on the reconciliation of publication and commissariat inventories to reflect the opening balance and the additions during the period reduced by the value of inventories sold and impairment allowance made during the year.

	2011	2010
	<i>In thousands of CAD</i>	
Publications Reconciliation:		
Opening Balance	787	759
Direct Material	639	807
Direct Labour	1 444	1 682
Indirect Costs	239	183
Total Inventory Purchased and Produced	3 109	3 431
Less: Cost of Publications Sold	(2 218)	(2 581)
Less: Impairments	(68)	(63)
Closing Balance	823	787

	2011	2010
	<i>In thousands of CAD</i>	
Commissariat Items Reconciliation:		
Opening Balance	200	231
Inventory Purchased	373	443
Total Inventory Purchased	573	674
Less: Cost of Items Sold	(437)	(474)
Less: Write down of damaged inventory due to flood	(7)	-
Closing Balance	129	200

59. Publications and commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.
60. Inventories are valued net of any identified impairments. During 2011, impaired publication inventory valued at CAD 68 thousand was identified and removed from the inventory records. This write-off represents an expense for the period and is included in the "supplies, consumables and others" line in the Statement of Financial Performance. Commissariat damaged goods from the 30 December 2011 flood was identified and removed from the Commissariat inventory records. This write-down represents a receivable from the insurance company.

Note 2.5: Property Plant & Equipment

61. The cost of property, plant and equipment (PP&E) includes items held at ICAO Headquarters (HQ) in Montreal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
62. As noted in Note 1 and as permitted on the initial adoption of IPSAS, transitional provisions have been applied to the initial recognition of PP&E. Therefore, the following table presents PP&E acquired since 1 January 2010 and capitalized in the accounts in accordance with IPSAS.

	Opening Balance 1 January 2011 ¹	Acquisitions during the Year	Accumulated Depreciation	Closing Balance 31 December 2011
	<i>In thousands of CAD</i>			
Furniture & Fixtures	25	52	7	70
IT Equipment	426	1 901	385	1 942
Office Equipment	112	181	34	259
Motor Vehicles	142	92	52	182
Leasehold Improvement	75	488	53	510
Machinery	-	91	8	83
Total	780	2 805	539	3 046

¹Before accumulated depreciation.

63. No impairment of PP&E was identified in 2011.
64. Prior to 1 January 2010, the cost of non-expendable property, which comprises furniture, vehicles, computers and other office equipment, was charged to expenditure in the year the items were ordered, in conformity with paragraph 43 of UNSAS. These assets as well as other PP&E, under finance leases, acquired before 1 January 2010 have not been capitalized and will be presented in the Statement of Financial Position during the transitional period (2012-15) as permitted under IPSAS 17. Commitments related to leases are presented in Note 6.

65. The HQ property – Maison de l'OACI was constructed in 1995 and is owned by a private sector organization. This property is leased by the Government of Canada for a duration of 20 years, until 2016. Under a Supplementary Agreement between the Government of Canada and ICAO, the property is occupied in its entirety by ICAO, which reimburses 25 percent of the rental and operating costs to the Government of Canada. The Government of Canada assumes 75 percent of the rental and operating costs, 100 percent of the property taxes and has the option to purchase the building at the end of the lease term at a favourable price and, if accepted by ICAO, must transfer 25 percent of the ownership on the basis that ICAO would reimburse 25 percent of the cost of the purchase option. If the option is not exercised by the Government of Canada for itself, ICAO has the right to request the Government of Canada to exercise the option on its behalf and to transfer ownership of the building. This scenario requires that ICAO would reimburse 100 percent of the cost of the purchase option and any cost associated with the transaction itself and that it would occupy the building for its own use during a minimum period of twenty (20) years. The cost of the property is estimated at CAD 116 million and the purchase option exercisable in 2016 amounts to CAD 23.45 million. As permitted by IPSAS, the portion of the rental costs charged to ICAO is expensed and the portion financed by the Government of Canada represents contributions related to services in kind as shown in Note 3.1.
66. ICAO also owns 47 percent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 53 percent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. As noted in paragraph 63, assets acquired before 1 January 2010 will be capitalized during the transitional period (2012-15). Other buildings occupied by ICAO are under operating leases or nominal leases.
67. The non-capitalized PP&E are presented at cost less the accumulated depreciation as if they were depreciated since their acquisition date. The following table presents PP&E including finance leases acquired prior to 1 January 2010, which are not capitalized in the accounts, as ICAO applies the IPSAS transitional provisions as mentioned above and in Note 1.

	Opening Balance 1 January 2011	Accumulated Depreciation	Closing Balance 31 December 2011
	<i>In thousands of CAD</i>		
Building	1 145	1 145	-
Furniture and Fixtures	94	59	35
IT & Office Equipment	2 500	2 402	98
Motor Vehicles	493	403	90
Equipment Under Finance Leases	461	216	245
Total	4 693	4 225	468

68. The minimum future annual payments from 2012 to 2014 under finance lease obligations for equipment amount to CAD 108, 102 and 33 thousand respectively for a total minimum payment of CAD 243 thousand, less interest of CAD 16 thousand for a capital lease obligation of CAD 227 thousand. The obligations under ICAO Headquarters lease is presented in Note 6.

Note 2.6: Intangible Assets

69. The following table presents intangible assets recognized in the accounts since 1 January 2010.

	Opening Balance 1 January 2011 ¹	Acquisition During the Year	Accumulated Amortization	Closing Balance 31 December 2011
	<i>In thousands of CAD</i>			
Software acquired	101	838	127	812
Software under development (WIP)	-	146	-	146
Total	101	984	127	958

¹ Before accumulated amortization.

70. Following the review of intangibles to identify any impairment in their value, it was determined that no intangibles were impaired during the year.

Note 2.7: Financial Instruments

2.7.1 Financial Assets and Liabilities

71. Accounting policies on financial instruments are set out in Note 1. Financial assets of ICAO are categorized as loans and receivables (no derivative investments and saleable financial assets) and the balances as at 31 December are composed of:

	2011	2010
	<i>In thousands of CAD</i>	
Composition:		
Assessed contributions receivable (current)	5 761	6 693
Assessed contributions receivable (non-current)	5 581	3 863
Receivables and advances (current)	11 053	12 579
Receivables and advances (non-current)	496	521
Other assets	1 936	2 960
Total Financial Assets	24 827	26 616

All material financial liabilities are financial instruments stated at amortized cost.

72. ICAO is exposed to financial risks summarized in the following paragraphs.

2.7.2 Credit Risk

73. ICAO's credit risk is spread widely and ICAO's risk management policies limit the amount of credit exposure to any one counter party and include minimum credit quality guidelines.
74. Credit risk and liquidity risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other credit worthy counterparties.
75. Contributions receivable comprise primarily amounts due from sovereign nations. Details of contributions receivable are provided in Note 2.2. As noted in Note 1 and 2.2, long term contributions are stated at discounted cost using the effective interest method. Since these receivables do not bear interest, the interest rate used to calculate the discounted cost is the rate applicable for long-term Canadian government bonds.

2.7.3 Interest Rate Risk

76. ICAO is exposed to interest rate risk through term-deposits. In 2011, the average interest rate and term maturity are provided in Note 2.1. Due to the current low interest rate level risk is minimal.

2.7.4 Foreign Currency Risk

77. At 31 December 2011, cash, cash equivalent and investments are denominated in CAD (7 percent) and in USD (87 percent) which are the base currencies used by the Organization (12 percent in the CAD and 80 percent in USD base currencies at 31 December 2010). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 43 percent of contributions receivable are denominated in CAD and 57 percent in USD base currencies (32 percent in CAD and 68 percent in USD base currencies at 31 December 2010).
78. Starting in 2010, in order to minimize the exposure of the USD fluctuation, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD.
79. Purchase Orders pertaining to Technical Co-operation projects are sometimes denominated in currencies other than the CAD or USD. In order to limit exposure to currency fluctuations, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued, in cases where currency fluctuation could have a material impact on the financial position of the project. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.

2.7.5: Liquidity Risk

80. A Working Capital Fund in the amount of USD 6 million is established by the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Contracting States and other Funds in specific cases. Also, funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

Note 2.8: Advance Receipts

81. Advance receipts comprise:

	2011	2010
	<i>In thousands of CAD</i>	
Voluntary Contributions for TC Projects	144 941	156 769
Assessed Contributions	549	1 784
Other Advances	3 901	4 803
Total	149 391	163 356

82. Advance receipts comprise voluntary contributions for Technical Co-operation projects for which funding are received in advance. Revenue is only recognized when goods are delivered or when services are rendered by ICAO as per the terms of the agreements signed between ICAO and contributors. This liability also includes any balance of unutilized contributions to be remitted to contributors.

83. Assessed contributions represent payments received from States before the year to which they relate.
84. Other advances include an advance payment of CAD 957 thousand from a Member State (France), CAD 1 019 thousand from publication sales, CAD 716 from a private sector company, CAD 576 from Member States for PKD activities and other advances.

Note: 2.9: Accounts Payables and Accrued Liabilities

85. Accounts payable and accrued liabilities are composed of the following:

	2011	2010
	<i>In thousands of CAD</i>	
Suppliers Payables	11 021	16 923
Accruals and Other Payables	8 333	5 366
Total	19 354	22 289

86. Accounts payable to suppliers relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced.
87. Under certain conditions, the Organization reimburses a portion of education costs paid by internationally recruited professional employees. Accruals and Other Payables include an amount of CAD 218 thousand representing the estimated education costs payable to employees but not yet claimed at year end.
88. The Organization's employees and retirees have the option to participate in the Organization's comprehensive medical care benefits plan. The cost of the plan is shared between participants and ICAO. Effective 1 April 2011, the Organization has contracted an insurance company as third party administrator to provide claims processing and customer service under the plan. In previous years, this service was provided by another insurance company, which also maintained reserves required to pay future costs. Upon transitioning to the new administrator, ICAO took over the reserve management as an interim measure. At as 31 December 2011, a net amount of CAD 1.3 million is included in the Accruals and Other Payables to cover all outstanding claims at that date under the previous and new plans, and based on management's best estimates, the amounts recorded in the accounts are sufficient to cover all liabilities incurred under the plans. It is foreseen that in the future, a reserve account will be established on the basis of actual results of the plans and on a review that uses actuarial and insurance information data.
89. ICAO provides certain secretariat services for the European Civil Aviation Conference (ECAC). The net amount payable for all transactions effected on ECAC's behalf during the year is included in Accruals and Other Payables. Movements in this account are summarized below.

	2011	2010
	<i>In thousands of CAD</i>	
Opening balance at 1 January	1 966	3 737
Receipts during the year	3 403	8 501
Subtotal:	5 369	12 238
Less: disbursements during the year	3 002	10 272
Closing balance at 31 December	2 367	1 966