UNION FOR THE MEDITERRANEAN SECRETARIAT Financial Statements (With Independent Auditor's Report)

December 31, 2017





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INDEPENDENT AUDITOR'S REPORT

To the Secretariat of the Union for the Mediterranean

Opinion

We have audited the financial statements of the Union for the Mediterranean Secretariat (UfMS) (the Organisation), which comprise the statement of financial position as at December 31, 2017, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organisation as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.





Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not
 detecting a material misstatement resulting from fraud is higher than for one resulting from error, as
 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of
 internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the
 disclosures, and whether the financial statements represent the underlying transactions and events
 in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

17 July 2018

MOORE STEPHENS ADDVERIS AUDITORES Y CONSULTORES, S.L.P. Aribau, 153, entlo. 1ª, 08036 Barcelona, Spain

> Jorge Blanquer Ruiz Partner



FINANCIAL STATEMENTS OF THE UNION FOR THE MEDITERRANEAN SECRETARIAT

The Financial Statements of the Union for the Mediterranean Secretariat for the year 2017 have been prepared in accordance with the relevant financial provisions of the UfMS Statutes and with the accounting principles, rules and methods set out in the notes to the financial statements.

We have obtained all the information necessary for the production of the accounts that show the UfM Secretariat assets and liabilities and the budgetary implementation.

We hereby certify that based on this information, and on such checks as we deemed necessary to sign off the accounts of the UfM Secretariat, we have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash flows of the UfMS.

Deputy Director of Administration: Mr. Omar Rakib

Signature:

Date: 16/07/2018

Director of Legal and Administration: Ms. Anny Shakalli

Signature:

Date: 16/07/2018

Senior Deputy Secretary General: Mr. Jorge Borrego

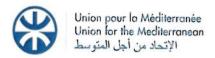
Signature:

Date: 16/07/2018



FINANCIAL STATEMENTS AND NOTES

- 1. Statement of Financial Position;
- 2. Statement of Financial Performance;
- 3. Statement of Changes in Net Assets/Equity;
- 4. Statement of Cash Flow;
- 5. Statement of Comparison of Budget and Actual Amounts;
- 6. Notes to the financial statements.



Statement of financial position

	Mana	2.047	
ASSETS	Note	2.017 EUR	2.016
Current Assets		EUR	EUR
Cash and cash equivalents	4	5.791.648	4 244 465
Receivables	5	1.124.035	4.211.162
Inventories	5	1.124.055	542.200
Prepayments	7	4.060	24.546
Other current assets	7	97.706	24.518
Total current assets		7.017.449	32.515 4.810.394
Non-current assets		7.017.445	4.810.394
Receivables			
Investment in associates			
Other financial assets			
Infrastructure, plant and equipment	8	510.727	424.245
Land and buildings	٥	510.727	431.243
Intangible assets	9	179,456	219.122
Other non-financial assets	3	175.450	219.122
Total non-current assets		690.183	650.365
Total assets		7.707.632	5.460.759
LIABILITIES		EUR	
Current Liabilities		EUK	EUR
Payables	11	1.911.952	887.889
Contribution received in advance	12	4.141.102	2.710.000
Deferred contributions	12	913.830	781.778
Short-term provisions/Accruals	11	42.350	420.342
Short-term borrowings		42.330	420.542
Current portion of long-term borrowings			
content portion of rong term borrowings		7.009.234	4.800,009
Non-current liabilities		7.003.234	4.600.009
Payables			
Long-term borrowings			
Long-term provisions			
Employee benefits			
		0	0
NET ASSETS/EQUITY		-	
Capital Grant Member States & EC	15	634.118	575.610
Other capital Grant received	15	56.065	74.755
Reserves	-5	50.005	74.733
Accumulated surplus/(deficit)	15	8.215	10.385
and the said (annual)	13	698.398	660.750
		7.707.632	5,460,759



Statement of financial performance

	Note	2017	2016
Revenue	16	EUR	EUR
European Commission Contribution		3.625.427	3.019.171
Member States contribution		1.208.749	1.082.557
Capital grant transfer to results		198.711	123.446
Services in-kind		2.261.312	2.668.776
Other Revenue		762.765	78.017
Interest revenue		61	846
Total revenue		8.057.025	6.972.814
Expenses	17	EUR	EUR
Wages, salaries and employee benefits		3.792.818	4.007.415
Operating expenses		2.746.398	1.652.827
Grant and other transfer payments		0	0
Supplies and consumable used		1.321.268	1.190.677
Depreciation and amortization expenses		198.711	123.446
Impairment of property, plant and equipment		0	0
Other expenses		0	0
Finance costs		0	0
Total expenses		8.059.195	6.974.366
Surplus/(Deficit) for the period		-2.170	-1.552



Statement of changes in Net Assets/Equity

	Contributed Capital	Capital Grant	Other Reserves	Accumulated Surpluses/(Deficits)	Total
Balance at December 31, 2015 carried forward	0	663.549	0	11.937	675.486
Changes in net assets/equity for 2016					
Loss on property revaluation					0
Gain on revaluation of investments					0
Exchange differences on translating foreign operations					0
Net revenue recognized directly in net assets/equity		-13.184			-13.184
Deficit/surplus for the period				-1.552	-1.552
Total recognized revenue and expense for the period	0	-13.184	0	-1.552	-14.736
Balance at December 31, 2016 carried forward	0	650.365	0	10.385	660.750
Changes in net assets/equity for 2017					
Loss on property revaluation					0
Gain on revaluation of investments					0
Exchange differences on translating foreign operations					0
Net revenue recognized directly in net assets/equity		39.818			39.818
Deficit/surplus for the period				-2.170	-2.170
Total recognized revenue and expense for the period	0	39.818	0	-2.170	37.648
Balance at December 31, 2017 carried forward	0	690.183	0	8.215	698.398



Cash flow Statement

_		
	2.017	2.016
Cash flow statment from operating activities	EUR	EUR
Receipts	14	
Taxation	19	
Sales of goods and services		
Grants	6.872.374	5.030.435
Interest received	61	2.013
Other receipts	149.542	310.771
Payments		
Employee costs	-2.330.654	-2.287.124
Suppliers	-2.714.001	-1.858.495
Interest paid		
Other payments	-88.693	-119.274
Net cash flows from operating activities	1.888.629	1.078.326
Cash flows from investing activities		
Purchase of plant and equipment	-308.142	-281.175
Proceeds from sale of plant and equipment		
Proceeds from sale of investments		
Purchase of foreign currency securities		
Net cash flows from investing activities	-308.142	-281.175
Cash flow from financing activities		TO KE TO MY
Proceeds from borrowings		
Repayment of borrowings		
Distribution/dividend to government		
Net cash flows from financing activities		TAX AT ME
Net increase/(decrease) in cash and cash equivalents	1.580.487	797.151
Cash and cash equivalents at beginning of period	4.211.162	3.414.010
Cash and cash equivalents at end of period	5.791.648	4.211.162



Statement of Comparison of Budget and Actual Amounts

						Actual amount f	Actual amount FFSS versus Actual Amount Budget	ount Budget			
3	note ref.	Original Budget 2017	Actual Budget 2017	Actual FFSS 2017	Difference Actual FFSS and Actual Budget	EASME grant agreement	Services in kind (Rent office)	Assets	Others	Difference Original Budget and Actual (FFSS)	Difference Original Budget and Actual Rudget
Revenue	21										
European Commission Contribution		4.210.000	3.564.035	3.625.427	61.392	180.657	1	-119.264		584.573	645.965
Member States contribution		1.800.000	1.328.013	1.208.749	-119.264			-119.264		591.251	471.987
Member States contribution - funds carried over			684.144		-684.144				-684.144	0	-684.144
Capital Grant transfer to result				118.711	118.711			198.711		-198.711	0
Services in-kind		1.800.000	1.485.401	2.261.312	775.910	41.510	734,400			-461.312	314.599
Other Revenue		610.000	750.620	762.765	12.145				12.145	5 -152.765	-140.620
Interest revenue				61	61	36		0.000	24	4 -61	0
Total revenue		8.420.000	7.812.214	8.057.024	244.810	222.203	734.400	-39.818	-671.975	362.976	607.786
Expenses	21										
Operating expenses		3.184.000	2.613.193	2.746.404	133,211	116.597			16.614	4 437.596	570.807
Wages, salaries and employee benefits		2.506,000	2.201.811	2.265.906	64.095	64.095				240.094	304.189
Human Resources in kind		1.800.000	1.485.401	1.526.912	41.510	41.510				273.088	314.599
Supplies and consumable used		910.000	827.665	1.321.262	493.597		734.400	-238,528	-2.275	5 -411.262	82.335
Grant and other transfer payments					0					0	0
Depreciation and amortization expenses				118.711	198.711			198.711		-198.711	0
Impairment of property, plant and equipment					0					0	0
Other expenses		20.000			0					20.000	20.000
Finance costs					0		Section of the sectio			0	0
Total expenses		8.420.000	7.128.070	8.059.194	931.124	222.203	734.400	-39.818	14.338	360.806	1.291.930
Surplus/(Deficit) for the period		•	684.144	-2.170	-686.314	0	0	0	-686.314	2.170	-584.144



NOTES ON FINANCIAL STATEMENT

NOTE 1. GENERAL INFORMATION

The Union for the Mediterranean (UfM) was established on 13 July 2008 at the Paris Summit as a continuation of the Euro-Mediterranean Partnership (Euro-Med), also known as the Barcelona Process, launched in 1995.

The UfM constitutes a framework for political, economic and social relations between the European Union and the Southern and Eastern Mediterranean countries and is inspired by the goals set out in the Barcelona Declaration, namely working towards the creation of an area of peace, stability, security and shared economic prosperity, as well as full respect of democratic principles, human rights and fundamental freedoms and promotion of understanding between cultures and civilizations in the Euro-Mediterranean region.

The Secretariat of the Union for the Mediterranean was established by a decision of Heads of State and Government of the UfM and its Statutes were adopted on 3rd March 2010 by a decision of the Senior Officials of the Member States.

Governance

Based in Barcelona, the Union for the Mediterranean comprises the 28 EU member states, the European Commission and 15 Mediterranean countries.

The members of the Union for the Mediterranean meet on a regular basis at the level of Senior Officials from the Ministries of Foreign Affairs of the 43 countries, EU institutions and the League of Arab States. The Senior Officials Meetings (SOM) oversees and coordinates the work of the Union for the Mediterranean. They approve the budget and the work programme of the Secretariat and prepare ministerial meetings. They also discuss the project proposals submitted by the Secretariat for approval and endorsement. Senior Officials take decisions by consensus.

The meetings of the Union for the Mediterranean are chaired by a twin co-presidency, one from the European Union side and the other from the Mediterranean side. The twin co-presidency principle applies to all levels: summits, ministerial meetings, and officials' level meetings.

Mission and mandate

The mandate and mission of the Secretariat of the Union for the Mediterranean (hereinafter UfMS/ the Organization) have been defined in the Paris and Marseille Declarations as well as in the Statutes adopted on 3 March 2010. It is recalled that the mandate of the UfM Secretariat focuses on identifying, processing,



promoting and coordinating regional projects, which are in line with the principles and rules of international law, enhance and strengthen cooperation and positively impact the lives of citizens. It is also recalled that on establishing the UfM, the Heads of State and Government identified six priority areas in the final declaration of the Paris Summit:

- De-pollution of the Mediterranean
- Maritime and land highways
- Civil protection
- Alternative energies: Mediterranean solar plan
- o Higher education and research, Euro-Mediterranean University
- The Mediterranean Business Initiative

A Headquarters Agreement between Spain and the Secretariat grants the Secretariat privileges and immunities for carrying out its activities.

The Organisation is funded primarily by voluntary contributions from its member countries as well as by these contributions' equivalents from the European Union's budget, within the framework of an annual Work Programme and Budget adopted by Senior Officials on annual basis. Note 3.11, note 3.12 and note 21 give further details of the income and expenditure budget and actual results for 2017.

Before 1st of October of each year, the Secretary General, together with the concerned Deputy Secretary General, submit to the Senior Officials the draft annual budget for the revenue and the expenditure of the Secretariat. Senior Officials adopt the annual budget with any amendments deemed proper and return the budget for implementation to the Secretariat by 1st December of the same year. The financial year of the Secretariat is the calendar year.

NOTE 2. BASIS OF THE PREPARATION AND PRESENTATION

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board



IPSASB), based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB).

When IPSASB does not prescribe any specific standard, IFRSs and IASs are applied.

The principal accounting policies adopted are set out below.

2.1. Financial Statements

In accordance with IPSAS 1, a complete set of financial statements have been prepared as follows:

- · Statement of Financial Position;
- · Statement of Financial Performance;
- Statement of Cash Flow;
- · Statement of comparison between approved Budget and Actual Amounts;
- Notes to the financial statements, comprising a summary of significant accounting policies and other relevant information.

2.2. Materiality and the use of judgments and estimates

The materiality will be considered in determining whether, for example, a particular accounting policy should be adopted or a point of information should be separately disclosed in the financial statements of the entity. Also, the materiality of an item should be considered when determining whether the omission or misstatement of a point of information could undermine not only the relevance, but also the faithful representation, understanding or verifiability of financial and non-financial information presented.

The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

2.3. First-time adoption of IPSAS and transitional provisions

The first set of financial statements prepared in accordance with IPSAS was performed in 2015. The adoption of IPSAS required changes to the accounting policies previously followed by the UfM Secretariat in the following aspects:

- Fixed assets (See note 3.6)
- Right of use of the premises (See note 3.14)
- Contributions in kind (See note 3.14)

Use of transitional provisions and early adoption of accounting policies are permitted on the initial adoption of IPSAS. Transitional provisions have been applied in the initial recognition of assets.

2.4. Going Concern

The financial statements have been prepared on a going concern basis. Management has a reasonable expectation that the Organisation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Statutes provisions, the regular meetings of Senior Officials of Member States (SOM), the Work



Programme and the Budget approved by Member States, together with the annual Grant from the European Commission constitute the key factors confirming the continuity of UfM and UfM Secretariat.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency

All assessed contributions are payable in euros. Voluntary and dedicated contributions are accepted in euros and other currencies. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rates prevailing on the date of the Statement of Financial Position.

Foreign-currency transactions are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date as per InforEuro¹ exchange rates. Both realised and unrealised gains and losses resulting from the settlement of such transactions, and from the retranslation at the reporting date of assets and liabilities denominated in foreign currencies, are recognised in the Statement of Financial Performance.

3.2. Cash and cash equivalents

Cash and cash equivalents are held at nominal value and comprise cash on hand and cash at banks.

3.3. Accounts receivable

The balance of accounts receivable includes, amounts due from Member States for assessed contributions and from Member States and other contributors for voluntary and dedicated contributions. Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of receivables.

3.4. Prepayments

The UfMS regularly incurs expenses that are either paid periodically or as one off. When such expenses are prepaid, an asset is recognized. This is charged to expenses gradually as the prepaid expense is

¹ http://ec.europa.eu/budget/contracts grants/info contracts/inforeuro/index en.cfm



consumed. Prepayments allow costs to be apportioned over more than one reporting period rather than being expensed when paid.

Prepayments shall be recognized as current asset at transacted amount when a prepayment is made. Prepaid expense will be charged as an expense on a systematic and rational basis related to use.

3.5. Other Current Assets

Other current Assets are composed for other receivables, such as deposits with suppliers, credited amounts from tax office, staff advances, etc. different from contributions. The other current assets are recognized when revenue is earned but cash or its equivalent is yet to be received.

3.6. Infrastructure, plant and equipment

Infrastructure, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land, which is not subject to depreciation. The estimated useful lives for the assets are provided in the table below.

Tangible Assets	Linear coefficient	Estimated useful life (in years)
Land	N/A	N/A
Vehicles and transport	10%	10
Furniture	10%	10
Office equipment	10%	10
Communications equipment	20%	5
IT equipment	25%	4
Other equipment	33%	3

The threshold established by the Organization to consider an item² as an asset is above 100€, under this amount it will be considered as an expense for the period, as long as the sum of these amounts on a yearly basis is not over 15.000 €.

A transitional provision was applied in the initial recognition of infrastructure, plant and equipment that were purchased or donated before 1st January 2015. Assets in the form of infrastructure, plant and equipment acquired prior to 1st January 2015 were expensed at the date of purchase and were not recognized as assets. Those assets were recognized by 1st January of 2015 and the initial effect of the recognition of infrastructure, plant and equipment was shown as an adjustment to the opening balance

² Items can be composed by group of sub-items of the same nature or complementary of each other.



of 2015 as non- current assets. According to IPSAS these financial statements include quantitative information corresponding to the previous year, so the comparative figures have been restated.

Capital grants are awarded by the European Commission, Member States or International/Governmental public entities or other private entities for the establishment or acquisition of non-current assets, in accordance with the recognition and measurement standards. Capital grants are recorded on the liability side of the financial position at the amount granted and transfer to result at the same rate of the transfer of non-currents assets to result.

Depreciation and impairment reviews are undertaken for all assets at least annually.

3.7. Intangible assets

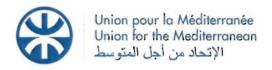
Intangible assets are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for intangible assets over their estimated useful life using the straight-line method. The estimated useful lives for the assets are provided in the table below.

Intangible Assets	Linear coefficient	Estimated useful life (in years)
Software	33%	3
Licences and rights	33%	3

The threshold established by the Organization to consider an item³ as an asset is above 100€, under this amount it will be considered as an expense for the period, as long as the sum of these amounts on a yearly basis is not over 15.000 €..

A transitional provision was applied in the initial recognition of intangible assets that were purchased or donated before 1st January 2015. Intangible assets acquired prior to 1st January 2015 were expensed at the date of purchase and were not recognized as intangible assets. Those assets were recognized by 1st

³ Items can be composed by group of sub-items of the same nature or complementary of each other.



January 2015 and the initial effect of the recognition of intangible assets is shown as an adjustment to the opening balance of 2015 as non- current assets.

3.8. Accounts payable and accrued liabilities

Accounts payable are financial liabilities in respect of goods or services which were acquired and received by the UfMS and for which the invoices were received from the suppliers.

Accruals are liabilities for goods and services which were received by or provided to the UfMS during the year and which were not invoiced by suppliers as at the reporting date.

3.9. Contributions in advance and Deferred revenues

Contributions in advance and deferred revenues arise from Agreements between the UfMS and its contributors – including governments, international organizations, and private and public institutions. Deferred revenue is recognized when:

- A contractual Agreement is confirmed in writing by both the Organization and contributor; and
- the funds are earmarked and due in a future period.

Contributions in advance include any advances from non-exchange transactions.

Contributions in advance and deferred revenues are presented as non-current if the revenue is due one year later than the reporting date.

3.10. Provisions and contingent liabilities

Provisions are made where the UfMS has a present legal or constructive obligation as a result of past events and it is probable that the UfMS will be required to settle the obligation.

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 the UfMS.

3.11. Revenue

Revenue comprises gross inflows of economic benefits or service potentially received and receivable by the UfMS during the year, which represent an increase in net assets/equity. The Organization recognizes revenue following the established criteria of IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions).

The main sources of revenue for UfMS include but are not limited to (Non-exchange revenue)

- European Commission contribution. The contribution is recorded when a binding Agreement is signed between both parties.
- Member States contributions. Voluntary and dedicated contributions as well as pledges of voluntary contributions confirmed in writing (Agreements, letters, mention in minutes of flash records of Senior Official Meetings, e-mail) are recognized as non-exchange transactions as per



- the International Public Sector Accounting Standard 23, "Revenue from non-exchange transactions (taxes and transfers).
- In-kind contributions of goods and services. In-kind contributions of goods and services that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value. These contributions include the use of premises, utilities and personnel. In-kind contributions of goods are treated as both revenue and assets upon receipt of the goods. In-kind contributions of services are treated as both revenue and expense upon recognition. The revenue is recognised when the expenditure has been incurred, which is when specific performance conditions are met.

When the revenue is received but the expenditure does not incur, it is reported as advance contribution on the Statement of financial position. The excess of funds treatment depends on the conditions of the related Agreement. Thus, it will be recognised as deferred contribution or as a liability waiting to be returned to the grantor.

3.12. Dedicated Contributions

In addition to general contributions to the UfMS annual Budget, Member States or any other contributors (international organisations, private sector entities, foundations, etc.) may provide dedicated contributions. These contributors participate to the financing of the UfM Secretariat's core activities (Operational Budget) earmarking their funds/resources to a specific sector, activity, operation etc. These contributions are framed through written arrangements and/or conventions of partnership including provisions of cost-sharing, where applicable, settlement of final amount and specific reporting. Funds (contribution in real figures) are used in accordance with UfMS rules and procedures.

3.13. Expenses

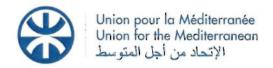
In accordance with the accrual basis of accounting, expense recognition occurs at the time of the delivery of goods or services by the supplier or service provider. Expenses are recorded in the accounting records and recognized in the financial statements of the period to which they relate.

3.14. Non-exchange transaction

In a Non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without receiving approximately equal value in exchange.

Goods in kind/Assets in kind

At the establishment of the UfM Secretariat, the local authorities (Generalitat de Catalunya) provided the Organization with equipment and furniture for its functioning at its headquarters in Barcelona-Spain.



These goods received by the Organization are recorded as assets and have the same treatment in terms of nature (capital grant in form of assets) and in terms of impairment and depreciation.

Services in kind

Services in-kind are voluntary services provided to the UfMS by an individual or individuals or any other contributor. Such services may include free technical assistance (expertise, studies, etc.), services of conference organization or secondment of staff from other governments or international organizations.

For transactions where the recipient entity considers that the donor/grant-giver has imposed conditions, they will set up a liability for the obligation generally to the value of the money received, which will be reduced as the conditions are satisfied (by spending the money or through other actions) in accordance with the Agreement. There is no such requirement for grants with restriction and revenue is recognized immediately.

Staff Cost

The UfMS has recognised staff cost as services in kind in the Performance Statement both as income and expenses in accordance with certificates/supporting documents provided by the sending administration or organization of seconded members of staff. Thus, there is no final impact on the Performance Statement.

Office Rent

Services in kind- representing the provision of premises (Palau de Pedralbes) free of charge as per the Headquarters Agreement, is recognised as per IPSAS 23 revenue from non-exchange transactions. Thus, there is no final impact on the Performance Statement.

Technical assistance and services of conference's organization

These services are recognised as non-exchange transactions in line with IPSAS 23. Thus, there is no impact on the performance statement.

Co-organization of conferences and workshops

In case where the UfMS, on the basis of Agreements, provides or contributes to the logistical organization or resources and services to third parties, related expenditure is registered as usual without specific different accounting treatment.

As the above-mentioned Agreements are arrangements of cost sharing of conferences, related third parties are contributing in kind to the concerned conferences. Those contributions are not recognized in the accounts unless the concerned conferences or workshops are substantially or exclusively in the benefit



of the UfMS. Furthermore, in order to be recognized in the accounts, reliable data on the value of these contributions is to be provided by the third party in reasonable time.

3.15. Statement of cash-flow

The statement of cash-flow is prepared using the direct method.

3.16. Comparison between approved Budget and Actual Amounts

The UfM Secretariat Budget preparation and approval follows the Statutes provisions, namely Section IX "Budget of the Secretariat" and internal implementing procedures and circulars. The approved budget covers the fiscal period from January 1st to December 31st.

The budget framework follows partially cash-based system, for instance treatment of assets, provisions and some resources in-kind follow cash-based procedure: the purchase of assets (equipment, furniture, etc.) is expensed, provisions (i.e. provisions for risks) and some resources in kind-as not generating an actual flow of funds- are not reflected in the budget.

The budget is presented for adoption in two formats: on one had on the basis of functional and outlined classification: Headings (Activities-Operational expenditure, Human resources, General Administration), and on the other hand on the basis of Activity Based Budgeting (ABB) methodology for the Heading "Activities-Operational" as per the matrix below:

- a) Actions' instruments on the UfMS interventions in support of initiatives and projects/programmes cycle and regional cooperation.
 - 1. Technical support for projects and activities
 - 2. Platforms, regional expert's groups meetings and conferences
 - 3. Outreach and visibility of projects and activities
 - 4. Follow-up and monitoring missions for projects and activities
- b) Core Activities:
 - Promoting regional dialogue: based on policy guidelines given by UfM Member States in terms of regional policy platforms in the framework of its mandate, the Secretariat is contributing to operationalize decisions taken at political level.
 - Promoting regional projects and initiatives: in this respect, priority is given to support, monitor and follow up the implementation of already labelled projects as well as to develop project pipelines as appropriate in order to maintain a balance between delivering results on the ground and developing new activities.

Member States contributions and the European Union Contribution are, as per the Statutes, provided on voluntary and balanced basis. Contributions of Member States can be delivered in two forms: In real figures and in terms of Human resources provisions (in kind).

The contribution of the European Commission is framed on a yearly basis through a Grant Agreement which foresees:

- 1. The eligibility rules of the expenditure
- 2. Rule of co-financing (i.e. Member States 50%- European Commission 50% for 2017)
- Period of implementation



In addition to annual contribution of Member States other funds or resources can be provided as dedicated contribution from MS or other entities (international organizations, foundations, etc.).

The financial statements are prepared on the accrual basis, following IPSAS, using a classification based on the nature of expenses in the statement of financial performance, for the fiscal period from January 1st to December 31st. The financial statements and budget documents are prepared for the same period.

Reconciliation between the actual amounts on a comparable basis is presented in the Statement of Comparison of Budget and Actual Amounts (in similar format and classification schemes as the Statement of Financial Performance).

NOTE 4. CASH AND CASH EQUIVALENTS

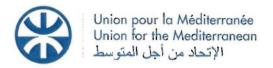
Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2017	2016
Cash on hand and balances with banks	5.791.648	4.211.162
Short-term investments	0	0
	5.791.648	4.211.162

NOTE 5. RECEIVABLES

All contributions receivables were recorded as revenue in the year in which the donor's contribution was confirmed in writing (Agreements, letters, mention in minutes of flash records of Senior Official Meetings, e-mail). The receivable balance includes outstanding amounts which are split between current and non-current based on when the amounts become due. At 31st December of 2017, the amount shown in the Statement of financial performance is detailed as follows:

2017	2016
1.044.035	542.200
80.000	
1.124.035	542.200
	1.044.035 80.000 1.124.035



NOTE 6. INVENTORIES

UfMS has no inventories to report

NOTE 7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments are payments made in advance of the period to which the expense relates and include advances to suppliers of conference organization and insurance (the payment of which is deferred in monthly amounts over the year). Value-added tax (VAT) receivables relate to amounts which are due to be reimbursed to the UfMS by the Spanish Government.

	2017	2016
Prepayments	4.060	24.518
Deposits with suppliers		
Value-added tax receivables	97.706	32.515
Staff advances		
Other receivables		
Total other current assets	101.766	57.032

NOTE 8. INFRASTUCTURE, PLANT AND EQUIPMENT

IPSAS 17 allows a period of up to five years before requiring full recognition of infrastructure, plant and equipment. Assets in the form of infrastructure, plant and equipment acquired prior to 1st January 2015 were expensed at the date of purchase and had not been recognized as assets. Those assets were recognized by 1st January of 2015 and the initial effect of the recognition of infrastructure, plant and equipment was shown as an adjustment to the opening balance of 2015 as non- current assets.

Details of infrastructure, plant and equipment for 2017 are as follows:

Assets	Initial Value	Accumulated depreciation	Net Value
Vehicles and transport	67.234	47.064	20.170
Furniture	525.141	266.386	258.754
Office equipment	91.656	28.993	62.663
Communications and electronic equipment	18.982	6.011	12.971
IT equipment	271.176	125.371	145.804
Other equipment	20.458	10.095	10.364
	994.647	483.920	510.727

When accumulated depreciation of infrastructure, plant and equipment is calculated for the first time, the calculation is made for the entire year, irrespective of the date on which the asset was placed in



service. Thus, for those assets purchased during one year the depreciation starts at the beginning of the next year.

(net value)	Vehicles and transport	Furniture	Office equipment	Communication equipment	IT equipment	Other equipment	Total
31st December 2016	26.894	275.585	69.352	1.969	51.610	5.833	431.243
Asset reclassification							0
Additions	0	32.523	2.407	12.596	130.749	6.925	185.200
Disposals							0
Revaluation adjustments							0
Write-off	-6.723	-49.354	-9.096	-1.595	-36.555	-2.394	-105.716
31st December 2017	20.170	258.754	62.663	12.971	145.804	10.364	510.727

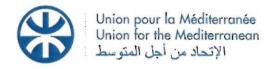
NOTE 9. INTANGIBLE ASSETS

	Accumulated			
Intangible Assets	Initial Value	depreciation	Net Value	
Software and Licences	389.513	210.057	179.456	
	389.513	210.057	179.456	

Software and licences	Total 219.122	
219.122		
	0	
53.328	53.328	
	0	
	0	
-92.994	-92.994	
179.456	179.456	
	11cences 219.122 53.328	

NOTE 10. BORROWINGS

UfMS has no borrowing to report



NOTE 11. PAYABLES

	2017	2016
Accounts payable	- 00000	
Suppliers	1.713.156	710.313
Reimbursement	49.781	57.514
Repayment of Grants		
Payables, Beneficiaries of Grants	24.928	
Other payables	124.086	120.062
Total accounts payable	1.911.952	887.889
Accruals		
Suppliers	42.350	420.342
Other payables		
Total accruals	42.350	420.342
Total accounts payable and accruals	1.954.302	1.308.231

NOTE 12. CONTRIBUTIONS IN ADVANCE AND DEFERRED REVENUE

	2017	2016
Contributions received in advance and Deferred Contributions		340.2
European Commission pre-financing	2.520.000	2.520.000
Member States contributions in advance	30.000	140.000
Projects Contributions received in advance	35.343	50.000
Other contributions received in advance	1.591.102	
Member States contributions (deferred)	684.144	478.340
Deferred contributions for projects	117.648	246.744
Other deferred contributions	76.694	56.694
	5.054.932	3.491.778



NOTE 13. PROVISIONS FOR LIABILITIES AND CHARGES

UfMS has no provisions to report

NOTE 14. CONTINGENCIES AND CAPITAL COMMITMENT

UfMS has no contingencies to report

NOTE 15. NET ASSET/EQUITY

Capital grants awarded by the European Commission and Member States are linked to the acquisition of assets. They are recorded on the liability side of the financial position at the amount granted and transfer to result at the same rate of the transfer of non-currents assets to result.

Amounts allocated to other capital grants are linked to the assets provided by the Generalitat de Catalunya to the UfMS in 2010 and transfer to result at the same rate of the depreciation of the assets.

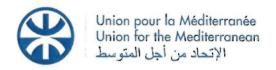
Details of capital grants during the year are shown in the following table:

CAPITAL GRANT	EC & MS	Others (Generalitat)	Total 663.549	
31st December 2015	570.104	93.445		
Additions	110.262		110.262	
Capital grant transfer to result	-104.757	-18.689	-123.446	
31st December 2016	575.609	74.756	650.365	
Additions	238.528		238.528	
Capital grant transfer to result	-180.019	-18.691	-198.711	
31st December 2017	634.118	56.065	690.183	

The result of the year has been a deficit of -2.170€. Accumulated surpluses from previous period are show in the following table:

Accumulated surplus and deficit

31st December 2015	11.937
Deficit of the period	-1.552
31st December 2016	10.385
Deficit of the period	-2.170
31st December 2017	8.215



NOTE 16. REVENUE

REVENUES	2017	2016
Contributions		
Member State Contributions	1.208.749	950.684
Member State Contributions- funds carried over	180.657	131.874
European Contribution⁴	3.444.771	3.019.171
	4.834.177	4.101.729
Capital grant transfer to results		
Capital grant European Commission and Member States	180.019	104.756
Capital Grant Generalitat	18.691	18.690
	198.711	123.446
Services in kind		
Human Resources - in kind	1.526.912	1.859.367
Rent office - in kind	734.400	734.400
Technical assistance - in kind		75.009
	2.261.312	2.668.776
Other Revenue (dedicated contributions & Others)		
Swedish International Development Cooperation Agency	696.990	
Spanish contribution - UfM Annual Regional Forum	50.000	
Spanish contribution - UfM Women conference (AECID)		40.000
"You Match" Global Initiative on Innovative Employment Services for Youth-G	IZ	32.264
Norwegian contribution - Administrative/indirect costs	15.774	4.210
EC Interests for late payment		809
Others		734
	762.764	78.017
Interest Revenue	10/24	
Interest Bank accounts	61	811
Interest European Commission bank accounts		36
	61	846
	8.057.025	6.972.814

⁴ European Contribution includes funds received from "Grant Contract – ENI/2016/378-557" and "Grant Agreement N°: EASME/EMFF/2016/1.2.1.1/SI2.738983"



NOTE 17. EXPENSES

	2017	2016
Wages, salaries and employee benefits		
Personnel expenses	2.265.906	2.148.048
Contributions in kind	1.526.912	1.859.367
	3.792.818	4.007.415
Operating expenses	200000000000000000000000000000000000000	
Horizontal Activities	516.896	473.478
Business Development	352.149	144.685
Transport and Urban development	379.831	106.879
Energy & Climate Change	371.197	263.161
Water & Environment	669.134	277.143
Higher Education and Research	221.205	122.258
Social & Civil Affairs	235.985	265.223
	2.746.398	1.652.827
Supplies and consumable used		
Leases and royalties	734.400	734.400
Repairs and maintenance	160.031	226.370
Consultancy services	104.500	64.625
Transport	2.173	3.213
Insurance	39.238	36.054
Banking and similar services	578	343
Advertising, publicity and public relations		169
Utilities	179.548	80.234
Other services	100.800	45.269
	1.321.268	1.190.677
Depreciation		
Depreciation intangible assets	92.994	40.655
Depreciation tangible assets	105.716	82.792
	198.711	123.446
	8.059.195	6.974.366



The accrued professional fees corresponding to the year ended as December 2017 for the auditors of UfM, for the audit of Financial Statements has amounted to 19.360,00 €.

NOTE 18. DEDICATED CONTRIBUTIONS (FUNDS RECEIVED & SUB-GRANTING)

For the reporting period, the following arrangements for dedicated contributions have been implemented:

- Programme Agreement with Norway
- Swedish International Development Cooperation Agency
- Spanish contribution dedicated to the Annual Regional Forum
- Grant Agreement №: EASME/EMFF/2016/1.2.1.1/SI2.738983 with European Commission "Promoting the Blue Economy in the Mediterranean"

Dedicated contributions	2017
European Commission-EASME	180.657
Swedish International Development Cooperation Agency	696.990
Spanish contribution - Annual Regional Forum	50.000
Norwegian contribution - Administrative/indirect costs	15.774
Total Dedicated contributions	943.421,00

NOTE 19. FINANCIAL REVENUES AND EXPENSES

Interest Revenue	2017	2016
Bank account interest (EC dedicated bank account)	61	36
Other bank accounts interests		811
	61	846

NOTE 20. PROPOSED ALLOCATION AND THE RESULTS OF THE PERIOD

According to the Statutes of the Organization, any funds remaining uncommitted at the end of each financial year shall be carried over to the budget for the following year and thereby reduce the required budgetary allocation in that following year.



NOTE 21. COMPARISON BETWEEN APPROVED BUDGET AND ACTUAL AMOUNTS

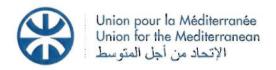
The UfM Secretariat's 2017 original budget was approved by the Senior Officials' Meeting on 5th December 2016, and the Grant Agreement with the European Commission was signed on 8th December 2016. The original budget objectives and policies and subsequent revisions are explained more fully in the explanatory note and the Work Programme, also associated to the Grant Agreement and Budget Outcomes reports issued on a semester basis in conjunction with the financial statements.

Detailed Contributions of Member States as per budgetary year have been as follows:

	MEMBER STATES CONTRIBUTIONS				
Countries	2017 Contributions in Human Resources	2017	2016 Contributions in Human Resources	2016	
Algeria				20.000	
Croatia		20.000		10.000	
Cyprus	163.522	5.000	162.609	5.000	
Egypt			152.533		
France	681.752	400.000	684.470	400.000	
Germany		400.000		400.000	
Greece		20.000		20.000	
Hungary					
Ireland		25.000		25.000	
Israel			90.000		
Italy	45.000	130.000	86.708	50.000	
Jordan					
Lebanon				2.370	
Luxemburg		80.000			
Malta	115.841		116.166		
Monaco		30.000		30.000	
Morocco			16.642	80.000	
Portugal	346.693	20.000	336.279	20.000	
Slovakia					
Slovenia					
Spain	112.756	200.000	68.247	200.000	
The Czech Republic		3.818		3.683	
The Netherlands		100.000		100.000	
Tunisia	19.838		71.105		
Turkey		100.000	74.608	100.000	
ASS. 101	1.485.402	1.533.818	1.859.367	1.466.052	
Contributions in kind		1.485.402		1.859.367	
900-1-00-900-00		3.019.220		3.325.419	

Other contributions informed in the Budget of 2017 have been (other revenue as per FFSS):

- Swedish International Development Cooperation Agency
- Spanish contribution Annual Regional Forum
- Norwegian contribution



The financial statements differ from the budget in the following aspects:

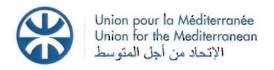
- Basis difference: the budget is approved on partial cash basis system
- Entity differences: the budget deals only with European Commission Grant Agreement framework excluding certain activities.

The difference as per the accounting basis is mainly explained by the activation of the assets and the related amortization for the period:

- Assets activation for 2017 = 238.528,21 (See note 8 and note 9)
- Amortization for the period = 198.710,70 (See note 8 and note 9)

The difference as per the entity basis is mainly explained by the inclusion in the financial statement of services in kind such as the rent of the office, cost related to the Grant Agreement Nº: EASME/EMFF/2016/1.2.1.1/SI2.738983 (EASME grant) and other minor costs not linked with the European Commission Grant Agreement.

			Accounting Basis	Entity Basis			0_44
	Actual Budget 2017		Assets	EASME grant agreement	Services in kind (Rent office)	Funds carried over and others	Difference Actual FFSS and Actual Budget
Revenue							
European Commission Contribution	3.564.035	3.625.427	-119.264	180.657			61.392
Member States contribution	1.328.013	1.208.749	-119.264				-119.264
Member States contribution - funds carried over	684.144					-684.144	-684.144
Capital Grant transfer to result		198.711	198.711				198.711
Services in-kind	1.485.401	2.261.312		41.510	734.400		775.910
Other Revenue	750.620	762.765				12.145	12.145
Interest revenue		61		36	81	24	61
Total revenue	7.812.214	8.057.024	-39.818	222.203	734.400	-671.975	244.810
Expenses	SECTION SE			279			
Operating expenses	2.613.193	2.746.404		116.597		16.614	133.211
Wages, salaries and employee benefits	2.201.811	2.265.906		64.095			64.095
Human Resources in kind	1.485.401	1.526.912		41.510			41.510
Supplies and consumable used	827.665	1.321.262	-238.528		734.400	-2.275	493.597
Grant and other transfer payments							0
Depreciation and amortization expenses		198.711	198.711				198.711
Impairment of property, plant and equipment							0
Other expenses							0
Finance costs							0
Total expenses	7.128.070	8.059.194	-39.818	222.203	734.400	14.338	931.124
Surplus/(Deficit) for the period	684.144	-2.170		0	0	-686.314	-686.314



There are also differences in formats and classification schemes adopted for presentation of financial statements and the budget. The structure of the budget is presented by headings:

Budget Heading	2017 Budget	2017 Expenditure
Activities-Operational Expenditure	3.758.000	3.159.429
Human Resources	3.732.000	3.140.162
General Administration	910.000	828.480
Contingency Reserve	20.000	0
GRAND TOTAL	8.420.000	7.128.071

Personnel (Budget) = Wages, Salaries and employee benefits (FFSS) – Experts in House Operational expenditure (Budget) = Operating expenses (FFSS) + Experts in House

The operational expenditure (operating expenses as per FFSS) are shown in the budget as follows:

Line	Item	2017 Budget	2017 Expenditure
1	Activities-Operational Expenditure		
1.1	Technical Support for projects and activities	1.545.000	1.022.288
1.2	Platforms, regional experts groups meetings & conferences	1.463.000	1.190.839
1.3	Follow-up and monitoring missions for projects and activities	350.000	477.818
1.4	Outreach & visibility for projects and Activities	400.000	468.484
	Subtotal Activities-Operational Expenditure	3.758.000	3.159.429

According to the Activity Based Budget methodology Human Resources is classified as follows:

Line	ltem	2017 Budget	2017 Expenditure	
2	Human Resources			
2.1	Executive direction and management	1.142.000	904.176	
2.2	Advisors and seconded experts	1.008.000	862.306	
2.4	Technical and administrative staff	1.224.000	1.065.725	
2.5	Employer Social Security	358.000	307.956	
	Subtotal Human Resources	3.732.000	3.140.162	

One of the main differences regarding the format and classification scheme is in relation with the "Supplies and consumable used" (FFSS) that includes the amount of General Administration budget excluding the assets (activation of the assets).

Line	Item	2017 Budget	2017 Expenditure	
3	General Administration			
3.1	Reinforcing UfM internal capacities	335.000	329.048	
3.2	Ensuring sustainability on internal Management	575.000	499.432	
	Subtotal General Administration	910.000	828.480	



NOTE 22. RELATED PARTIES AND KEY MANAGEMENT DISCLOSURE

The key management personnel of the UfMS consists of the Secretary General and Deputy Secretaries General as they have the executive authority and responsibility for the overall running of the UfMS in accordance with its Statutes. The aggregate remuneration paid to key management personnel during the years ended in December 2017 and 2016, except the Deputy Secretaries General paid by their countries, including salaries, allowances and other entitlements paid in accordance with the Staff Rules and Regulations have amounted to 180.000,00 euros and 180.000,00 euros, respectively. The amounts informed by the countries regarding to the salaries paid to the Deputy Secretaries General is 399.058,31€ euros for 2017 and 616.949,00 euros for 2016.

There are no advances or credits conceded, nor have there been contracted bonds for pensions or life insurance with any member, actual or old, of the Key management personnel.

NOTE 23. EVENTS AFTER THE REPORTING DATE

After the closing date, no material issues came to the attention of the UfM Secretariat or were reported to it which would require modification of the Financial Statements or separate disclosure under this section. The Financial Statements and related notes were prepared using the most recently available information and this is reflected in the information presented.

