

**INTERNATIONAL MARITIME ORGANIZATION**

**SECRETARY-GENERAL'S STATEMENT AND FINANCIAL STATEMENTS**

**FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

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## SECRETARY-GENERAL'S STATEMENT

### INTRODUCTION

1 In accordance with financial regulation 12.10, I have the honour to submit to the Council, for its examination and onward transmission to the Assembly, the financial statements of the International Maritime Organization (IMO) for the year ended 31 December 2014.

2 The Report of the External Auditor on the audit of the 2014 financial statements, together with his opinion thereon, are also submitted to the Council as prescribed under financial regulation 12.10.

3 The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), as prescribed by financial regulation 11.1, adopted by the Assembly through resolution A.1017(26) effective 1 January 2010, and in line with the United Nations policy that IPSAS be used as the accounting standards by United Nations system organizations.

4 In 1948, an international conference in Geneva adopted a convention formally establishing the Intergovernmental Maritime Consultative Organization (IMCO). The Convention entered into force in 1958 and the Organization came into being in 1959. In 1982, the original name was changed to the International Maritime Organization. The Headquarters of the Organization are in London and its complement is approximately 290 staff members, including project staff and Associate Professional Officers. IMO's principal place of business, as well as the names and addresses of its General Counsel, actuary, principal bankers and external auditor are indicated in annex 1 to these financial statements.

5 Within the meaning of IPSAS, IMO also controls the World Maritime University (WMU) and the IMO International Maritime Law Institute (IMLI), the financial records of which are presented within these financial statements. IMO is not a controlled entity within the meaning of IPSAS, its ultimate decision-making body being its Assembly of 171 Member States, with an elected Council of 40 Member States performing, in accordance with Article 26 of its constitutive Convention, all functions of the Assembly, with the exception of some technical matters, between sessions of the Assembly.

6 The **purposes of the Organization**, as summarized in Article 1(a) of its Convention, are "to provide machinery for cooperation among Governments in the field of governmental regulation and practices relating to technical matters of all kinds affecting shipping engaged in international trade; to encourage and facilitate the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and prevention and control of marine pollution from ships; and to deal with administrative and legal matters related to the purposes set out in this Article".

7 The **mission statement** of IMO is as follows:

"The mission of the International Maritime Organization (IMO), as a United Nations specialized agency, is to promote safe, secure, environmentally sound, efficient and sustainable shipping through cooperation. This will be accomplished by adopting the highest practicable standards of maritime safety and security, efficiency of navigation and prevention and control of pollution from ships, as well as through consideration of the related legal matters and effective implementation of IMO's instruments, with a view to their universal and uniform application."

8 IMO, through the development and approval of its Strategic Plan, the most recent of which was approved by the Assembly in November 2013 to cover the period 2014-2019, has defined **13 strategic directions** (SDs), which are key to delivering its mission. These are:

### **Enhancing the status and effectiveness of IMO**

SD 1 IMO is the primary international forum for technical matters of all kinds affecting international shipping and legal matters related thereto. An inclusive and comprehensive approach to such matters will be a hallmark of IMO. IMO will actively promote its role as the primary international forum on matters within its competence and ensure and strengthen the linkage between safe, secure, efficient and environmentally friendly maritime transportation, the development of global trade and the world economy and the achievement of the Millennium Development Goals (MDGs). In order to maintain that primacy, it will:

- .1 further develop its role in maritime affairs vis-à-vis other intergovernmental and international organizations, so as to be able to deal effectively and comprehensively with complex cross-agency issues;
- .2 actively engage the various stakeholders to ensure a more inclusive approach to decision making; and
- .3 actively seek to reap synergies and avoid duplicating efforts made by other United Nations agencies in shipping matters.

*The related performance indicators are: 1, 2, 3, 16, 17 and 19*

*The related key performance indicators are: G, H, I, J and R*

SD 2 IMO will foster global compliance with its instruments governing international shipping and will promote their uniform implementation by Member States.

*The related performance indicators are: 1, 2, 3 and 14*

*The related key performance indicators are: G, H, I, J, K, L, M and N*

SD 3 With a view to enhancing its contribution to sustainable development, IMO will strengthen its maritime capacity-building programmes and will focus on:

- .1 developing capacity-building partnerships with governments, organizations and industry;
- .2 ensuring the long-term sustainability of the ITCP;
- .3 contributing to the achievement of the MDGs and relevant outcomes of UNCSD 2012, such as the future Sustainable Development Goals, including through the development of major projects targeting emerging issues;
- .4 meeting the needs of its developing Member States; and
- .5 further improving the delivery, utilization, efficiency and effectiveness of its technical assistance and cooperation programmes.

*The related performance indicators are: 1, 14 and 15*

*The related key performance indicators are: G, I, K, L, M, N and O*

- SD 4 Internally, IMO should be able to respond effectively and efficiently to emerging trends, developments and challenges. It will strive for excellence in governance and management. Besides the Strategic Plan, it will maintain a risk management framework. The Council will provide visionary leadership, committees will be optimally structured and will be supported by an effective and efficient Secretariat. Within approved biennial appropriations and in accordance with a detailed Business Plan, the Secretariat will be endowed with sufficient resources and expertise to realize the Organization's work plans, and the Organization will make effective use of information and communication technology in management and administration.

*The related performance indicator is: 16*

*The related key performance indicators are: P and Q*

### **Developing and maintaining a comprehensive framework for safe, secure, efficient and environmentally sound shipping**

- SD 5 IMO's highest priority will be the safety of human life at sea. In particular, greater emphasis will be accorded to:

- .1 ensuring that all systems related to enhancing the safety of human life at sea are adequate, including those concerned with large concentrations of people;
- .2 enhancing technical, operational and safety management standards;
- .3 eliminating shipping that fails to meet and maintain these standards on a continuous basis; and
- .4 increasing the emphasis on the role of the human element in safe shipping.

*The related performance indicators are: 3, 4, 5, 11, 12 and 13*

*The related key performance indicators are: A, B, G, H, I and J*

- SD 6 IMO will seek to enhance the security of the maritime transport network, including vital shipping lanes, and to reduce piracy and armed robbery against ships, as well as the frequency of stowaway incidents, by:

- .1 promoting a comprehensive and cooperative approach, both among Member States within the Organization and between IMO and other intergovernmental and non-governmental organizations;
- .2 raising awareness of IMO security measures and promoting their effective implementation;
- .3 raising awareness of IMO measures against piracy and armed robbery against ships and promoting their effective implementation;
- .4 increasing the emphasis on the role of the human element and safeguarding the human rights of seafarers in secure shipping; and
- .5 increasing the emphasis on safety and security of seafarers.

*The related performance indicators are: 6, 7, 11, 12 and 15*

*The related key performance indicators are: E, F, I, J, N and O*

SD 7 IMO will focus on reducing and eliminating adverse impacts from shipping on the environment by:

- .1 identifying and addressing possible adverse impacts;
- .2 developing and facilitating the implementation of effective measures for mitigating and responding to the impact on the environment caused by shipping incidents and operational pollution from ships;
- .3 contributing to international efforts to reduce atmospheric pollution and address climate change; and
- .4 increasing the emphasis on the role of the human element in environmentally sound shipping.

*The related performance indicators are: 8, 9, 10, 11 and 12*

*The related key performance indicators are: C, D, I, J, N and O*

SD 8 IMO will seek to ensure that measures to promote safe, secure and environmentally sound shipping do not unduly affect the efficiency of shipping. It will also constantly review such measures to ensure their adequacy, effectiveness and relevance, using the best available tools, thereby securing better regulation without unnecessary or disproportionate administrative requirements. The Organization will periodically review administrative provisions of existing conventions and mandatory instruments with the aim of finding improved, more efficient solutions for those administrative requirements that are necessary. Those provisions of existing conventions and mandatory instruments that have become unnecessary and/or burdensome will also be reformed and/or eliminated without compromising safety, security and the protection of the environment.

*The related performance indicators are: 1, 2, 3 and 20*

*The related key performance indicators are: G and H*

SD 9 IMO will pay special attention to the shipping needs of small island developing States (SIDS) and the least developed countries (LDCs).

*The related performance indicator is: 14*

*The related key performance indicators are: K, L, M, N and O*

SD 10 IMO will apply goal-based standards for maritime safety and environmental protection.

*The related performance indicator is: 18*

*The related key performance indicators are: A and B*

### **Enhancing the profile of shipping, quality culture and environmental conscience**

SD 11 IMO, in partnership with other stakeholders, will seek to raise the profile of the safety, security and environmental records of shipping in the eyes of civil society by:

- .1 actively publicizing the vital importance of shipping as a safe, secure and environmentally sound mode of transport for goods and people, and underlining the role of the Organization in that regard; and
- .2 consequently further enhancing its public outreach programmes.

*The related performance indicators are: 4(b), 5(b), 6, 7, 8, 10, 11, 14 and 17(b)*

*The related key performance indicators are: R, S, T and U*

SD 12 IMO will take the lead in enhancing the quality culture of shipping by:

- .1 encouraging the utilization of the best available techniques not entailing excessive costs, in all aspects of shipping;
- .2 encouraging proper management of ships;
- .3 promoting and enhancing the availability of, and access to, information – including casualty information – relating to ship safety, security and the environment (i.e. transparency);
- .4 ensuring that all stakeholders understand and accept their responsibilities regarding safe, secure and environmentally sound shipping by developing a "chain of responsibility concept" among them; and
- .5 identifying, correlating and evaluating the factors, including human interaction on board ships, that influence safety, security and environmental culture, and developing practical and effective mechanisms to address them.

*The related performance indicators are: 3, 11 and 12*

*The related key performance indicators are: G, H, I and J*

SD 13 IMO will seek to enhance environmental conscience within the shipping community.

*The related performance indicators are: 10, 11 and 12*

*The related key performance indicators are: I, J, N and O*

## **SERVICE DELIVERY – HIGHLIGHTS OF 2014**

9 2014 saw IMO actively pursuing its targets and objectives in a wide range of subject areas. Some of the highlights of what was a busy, varied and successful year for the Organization are summarized below.

### **Maritime safety**

10 IMO adopted the International Code for Ships Operating in Polar Waters (Polar Code), and related amendments to the International Convention for the Safety of Life at Sea (SOLAS) to make it mandatory<sup>1</sup>, marking an historic milestone in the Organization's work to protect ships and people aboard them, both seafarers and passengers, in the harsh environment of the waters surrounding the two poles. Further, the MSC approved the e-navigation Strategy Implementation Plan (SIP), providing a framework of tasks that would need to be implemented or conducted in the future to give effect to five prioritized e-navigation solutions. Also, the Secretary-General pledged further action to address domestic ferry safety and, accordingly, a mechanism was established under the newly activated and related technical cooperation programme to develop relevant guidelines and recommendations, while a major conference on the subject will be held in April 2015 in the Philippines.

### **Environmental protection**

11 Measures to accelerate the entry into force and implementation of IMO's Ballast Water Management (BWM) Convention were adopted by the MEPC. Resolutions adopted by the MEPC addressed issues surrounding the type-approval of BWM systems and guidance for port State control inspections. They were heralded by the shipping industry as "significant progress" on what had been proving challenging topics to resolve. The MEPC approved the

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<sup>1</sup> The MEPC is expected to take similar action in 2015 under the MARPOL Convention.

Third IMO GHG Study 2014, giving updated estimates for greenhouse gas emissions from ships. The study estimates that international shipping emitted 796 million tonnes of carbon dioxide (CO<sub>2</sub>) in 2012, against 885 million tonnes in 2007. This represented 2.2% of the global emissions of CO<sub>2</sub> in 2012, against 2.8% in 2007. However, the "business as usual" scenarios continue to indicate that those emissions are likely to grow by between 50% and 250% in the period to 2050, depending on future economic and energy developments.

### **Security and anti-piracy measures**

12 IMO joined with other UN agencies in calling for concerted action from the international community to address the deeply concerning problem of the loss of life, injury, trauma and serious human rights violations affecting migrants, asylum-seekers and refugees traveling by sea. IMO implemented a number of projects to build capacity in Gulf of Guinea countries to tackle piracy in the region as well as other illicit maritime activity, under the Code of Conduct concerning the prevention of piracy, armed robbery against ships and illicit maritime activity in West and Central Africa, which was signed in 2013.

### **Legal matters**

13 The Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 2002, which substantially raises the limits of liability for the death of, or personal injury to, a passenger on a ship, entered into force on 23 April 2014. The Nairobi International Convention on the Removal of Wrecks received sufficient ratifications to reach the entry into force criteria. It will enter into force on 14 April 2015.

### **Projects and technical cooperation**

14 Among other projects and workshops, representatives from 11 West and Central Africa countries attended the first IMO regional workshop on "MARPOL Annex VI – Ship energy efficiency and technology transfer" in Accra, Ghana, from 2 to 4 July. The workshop was hosted by the Ghana Maritime Authority and aimed at building capacity with regards to knowledge about energy-efficiency measures, while also assessing the regional needs and barriers related to technology transfer. The European Union signed a €1.2 million grant contract with IMO and the African, Caribbean and Pacific Group of States (ACP) to support training and capacity-building activities aimed at enhancing flag State implementation and port State control in West and Central Africa, with a view to upgrading the region's maritime administrations and preparing its States for the mandatory IMO audit scheme.

### **Implementing IMO measures**

15 The Maritime Safety Committee (MSC) and the Marine Environment Protection Committee (MEPC) completed the legal framework for the implementation of the mandatory IMO audit scheme, to make the auditing of Member States mandatory once amendments to relevant treaties enter into force in 2016. The scheme will be an important tool for assessing Member States' performance in meeting their obligations and responsibilities as flag, port and coastal States under the relevant IMO treaties.

### **MONITORING OF OUTPUTS AND OUTCOMES**

16 During 2014 the Council initiated a fundamental review of IMO's strategic framework including through the assistance of an external consultant. The Council, at its 113th session noted the external consultant's recommendations and decided that the Strategic Plan should be reviewed to ensure simplicity and to make sure that it would continue to serve the Organization going forward; that the Strategic Plan should be fixed for a six-year period; and that in order to give proper consideration to the recommendations in the report, a Working



Group would be established in 2015 with the participation of all Member States. In this context, it was also decided to suspend future analysis and presentation of PIs and KPIs in the current Strategic Plan; and not to apply the methodologies of medium level complexity proposed in document CWGSP 10/2(b) as a new methodology would have to be developed when new performance measures were agreed upon.

17 In delivering its Strategic Plan, the Assembly also considers a biennial High-level Action Plan (HLAP) which specifies the planned outputs for a two-year period aligned with the biennial budgeting cycle. Information on the status of delivery of planned outputs is provided by the Secretariat to the Council, the committees, the sub-committees and the CWGSP throughout the biennium.

18 Table 1 below shows the status of delivery of the 156 outputs that were active under the HLAP for the 2014-2015 biennium. It should be noted that due to the removal of the Secretariat's outputs from the HLAP and an exercise to minimize duplication of planned outputs, the number of outputs in the 2014-2015 HLAP was significantly reduced, without this meaning a reduction in actual work.

19 The HLAP adopted as A.1061(28) consisted of 150 planned outputs. Two planned outputs were deleted or transferred to the post-biennial agenda for work to be carried out in future years, with a further 8 unplanned outputs being approved by the relevant IMO organs during 2014.

**Table 1: Status of outputs under the HLAP 2014-2015, as at 31 December 2014**

<b>Output status – all outputs</b>	<b>Output status 2014</b>	<b>% total 2014</b>
Completed	50	32.1
In progress	49	31.4
Ongoing	19	12.2
Postponed	30	19.2
No action	8	5.1
<b>Total</b>	<b>156</b>	<b>100</b>

20 Of the 156 biennial outputs, 32.1% were completed by the end of 2014. With the adoption of the HLAP by the Assembly, approximately 50% of planned outputs had been forecasted to be completed by the end of 2014 (target completion year 2014 or annual). The largest category, representing some 44%, are still ongoing/in progress and is composed, not unexpectedly, of recurrent annual work by the IMO organs concerned. 19% of outputs were postponed to 2015 and beyond, as work could not be completed as expected. Some of these postponed outputs might be attributed to the new sub-committee structure that has meant a very significant work load on some sub-committees.

21 Table 2 below presents the same status data as shown in figure 1, but distributed across each of the Strategic Plan's 13 strategic directions.

**Table 2: Status of outputs as at 31 December 2014 by strategic direction**

	Completed	In progress	Ongoing	Postponed	No action
SD1: Remain primary international maritime forum	1	0	2	2	3
SD2: Foster compliance and implementation	3	5	2	3	1
SD3: Strengthen capacity building	9	1	2	0	1
SD4: Governance, management and administration	3	0	1	0	3
SD5: Enhance safety	20	34	8	16	0
SD6: Enhance security	3	0	0	1	0
SD7: Reduce environmental impact	6	5	2	7	0
SD8: Enhance efficiency of shipping	2	3	0	0	0
SD9: Increased attention to SIDS and LDCs	1	0	0	0	0
SD10: Apply goal-based standards	0	1	1	0	0
SD11: Raise profile of shipping	0	0	0	0	0
SD12: Enhance quality of shipping	1	0	1	1	0
SD13: Enhance environmental consciousness	1	0	0	0	0
<b>Total</b>	<b>50</b>	<b>49</b>	<b>19</b>	<b>30</b>	<b>8</b>

22 The foregoing analysis of service delivery complies with the guidance provided by IPSAS and resolution A.1062(28)<sup>2</sup> for reporting on organizational performance at the level of the Organization's strategic directions, high-level actions and biennial outputs. However, this reporting model reflects, in the main, the outcome of the work of IMO's regulatory bodies, which results from the technical and political consultation and debates between Member Governments and industry and civil society entities in consultative status.

### Monitoring the Secretariat's Business Plan

23 The Council agreed in 2013 that, in order to better monitor performance, the HLAP should contain only the planned outputs that are directly related to the expected deliverables of the Assembly, Council, committees, sub-committees and conferences and the Business Plan of the Secretariat should contain all of its supporting activities, as well as the "follow-up activities" flowing from decisions taken by the Organization. The new system has been introduced in the 2014-2015 biennium.

24 The biennial Business Plan, which specifies the deliverables/actions to achieve the divisional objectives for a two-year period, is aligned with the biennial budgeting cycle. Information on the status of delivery of the deliverables/actions is provided by the Secretariat to the Council throughout the biennium in conjunction with status of the HLAP.

25 The Business Plan includes service delivery by the Secretariat, mainly in connection with the support of the meeting schedule of the Organization (i.e. technical meeting support, translation, documentation and conference services), but also in other areas (i.e. technical cooperation, legal services, financial, human resources, information and communication technology (ICT) and procurement services, collaboration with the UN System, protocol, liaison and representation services, etc.).

26 Table 3 below shows the status of the 235 deliverables/actions to achieve the divisional objectives that were active under the Secretariat's Business Plan for the 2014-2015 biennium.

**Table 3: Status of deliverables/actions to achieve the divisional objectives of the Secretariat's Business Plan 2014-2015, as at 31 December 2014**

<sup>2</sup> Guidelines on the application of the Strategic Plan and High-level Action Plan of the Organization

Deliverable/actions status	OSG	MSD/MS A&IS	MED	LED	TCD	AD	CD	Total	% of total
Completed	21	8	48	44	22	41	13	197	83.8%
Ongoing	4	4	0	8	4	11	0	31	13.2%
Planned for 2015	1	0	0	1	3	2	0	7	3.0%
<b>Total</b>	<b>26</b>	<b>12</b>	<b>48</b>	<b>53</b>	<b>29</b>	<b>54</b>	<b>13</b>	<b>235</b>	<b>100.0%</b>

27 Of the 235 deliverables/actions to achieve the divisional objectives, 83.8% were completed by the end of the year. As the Secretariat mostly engages in annual or continuous processes that are carried out throughout the biennium, the majority of actions to achieve the divisional objectives are completed for the current year and will be repeated in the second year of the biennium. 13.2% of the deliverables/actions are still ongoing and 3.0% of deliverables/actions are planned to be initiated in 2015. The ongoing deliverables/actions are comprised of activities that were planned to take place over a two-year period.

28 Table 4 below shows the assessment of the 235 deliverables/actions to achieve the divisional objectives that are active under the Secretariat's Business Plan for the 2014-2015 biennium.

**Table 4: Assessment of the deliverables/actions to achieve the divisional objectives of the Secretariat's Business Plan 2014-2015, as at 31 December 2014**

Deliverable/actions status	OSG	MSD/MS A&IS	MED	LED	TCD	AD	CD	Total	% of total
excellent	14	4	14	43	15	38	13	141	62.9%
good	11	6	34	9	5	14	0	79	35.3%
poor	0	2	0	0	2	0	0	4	1.8%
<b>Total</b>	<b>25</b>	<b>12</b>	<b>48</b>	<b>52</b>	<b>22</b>	<b>52</b>	<b>13</b>	<b>224</b>	<b>100.0%</b>

29 The delivery of 62.9% of all deliverables/actions was assessed as excellent, with reference to the related success indicator and pre-defined assessment criteria. The delivery of 35.3% of the deliverables/actions was assessed as good and only 1.8% as poor. The assessment of 11 deliverables/actions that are planned for 2015 or still ongoing is not included and will be assessed at the end of the biennium.

### Financial resources

30 IMO's activities are mainly funded by assessed contributions on its Member States and Associate Members. Voluntary contributions from Member States, governmental agencies, intergovernmental bodies and other public, private and non-governmental sources may support financially certain activities of the Organization, the finances of which may receive further support through commercial activities (including the sale of publications and catering and conference services); and through miscellaneous revenue (including interest on financial assets). Indirect support cost income, earned through third party agreements with donors, is also used to fund activities provided for in the regular budget.

## Governance and management

31 The Organization's governance, through the Assembly and the Council, is defined in the IMO Convention. The key management personnel of IMO consists of the Secretary-General and seven Divisional/Departmental Directors. The key management personnel of WMU and IMLI consists of the President and Director, respectively. Related party disclosures in line with IPSAS requirements are accordingly included in the notes to the financial statements. The Council is responsible for providing intergovernmental support and specific policy direction to, and supervision of, the activities of IMO. In view of its State-membership composition, the Council is not considered a related party as defined by IPSAS.

## IPSAS-compliant Financial Statements

32 Since 2010, the Organization has prepared annual financial statements compliant with IPSAS.

33 Several key financial definitions under IPSAS are presented below to enhance the usability and understanding of these financial statements:

- .1 **Assets** are resources controlled by IMO as a result of past events in which future economic benefits or service potentials are expected to flow to IMO.
- .2 **Liabilities** are present obligations arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential.
- .3 **Net assets** are the residual interest in the assets of IMO after deducting all its liabilities.
- .4 **Revenue** is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.
- .5 **Expenses** are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.
- .6 **Non-exchange transactions** are those transactions for which IMO either receives from or gives value to another entity without directly giving or receiving approximately equal value in exchange.
- .7 **Monetary items** are units of currency held and assets and liabilities to be received or paid in fixed or determinable amounts.
- .8 **Surplus for the period** is the excess of all items of revenue over expense recognized in a period.

34 Under the accrual basis of accounting, revenues and expenses are recognized in the financial statements in the period to which they relate. IMO recognizes revenues upon written confirmation of contributions and expenses are recognized at the point at which an unavoidable liability is created, typically when goods or services are delivered. The excess of revenues over expenses results in a surplus which is carried forward to the accumulated fund balances. These fund balances represent the unexpended portion of contributions to be utilized in future operational requirements of the Organization.

35 Under IPSAS, the matching principle of revenue and expense does not apply for non-exchange transactions. The focus of IPSAS is the financial position which is evidenced by the recognition of assets, when there is sufficient control, and of liabilities, when the criteria to recognize liabilities exist.

36 Outstanding commitments raised against accumulated fund balances do not meet the recognition criteria of expenses under the principle outlined above. These commitments, from a budgetary point of view, are addressed through the provisions of financial regulations 4.3 and 4.4 which allow the transfer of budgets for committed items into the following financial periods.

37 IMO participates in the United Nations Joint Staff Pension Fund (UNJSPF)<sup>3</sup>, which was established by the United Nations General Assembly to provide post-employment retirement, death, disability and related benefits to employees of the system. The pension fund is a funded multi-employer defined benefit plan.

38 The financial obligation of IMO to the UNJSPF comprises its mandated contribution at the rate established by the United Nations General Assembly, together with a share of any actuarial deficiency payments. The actuarial method adopted for the valuation of the UNJSPF is the Open Group Aggregate method carried out every two years. The most recent actuarial valuation completed was at 31 December 2013. The United Nations General Assembly has maintained over the years the general criteria that guide the investment of the assets of the UNJSPF.

39 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. As neither IMO nor the UNJSPF are in a position to identify IMO's share of the underlying financial position and performance of the plan with sufficient reliability in line with IPSAS 25, IMO accounts for the plan as a defined contribution rather than as a defined benefit plan.

40 The attached financial statements and the accompanying notes are presented in Pounds Sterling (GBP) throughout, which allows for an overview of the Organization's financial position in a single currency. Reporting to the Technical Cooperation Committee and individual donors at a more detailed level continues to be made in the most appropriate currency.

## **FINANCIAL RISK MANAGEMENT**

41 At its 100th session in June 2008, the Council approved the Organization's Risk Management Framework (RMF), consisting of a Risk Management Policy, Risk Management Definitions and a Risk Management Process. It requested the Secretariat to apply the RMF to the strategic directions and high-level actions falling under the Secretary-General's responsibility as well as to the Secretariat-related key objectives for 2009. A similar exercise has been conducted periodically since that time, the results being reported to the Council and its Risk Review, Management and Reporting Working Group (CWGRM).

42 In addition to the RMF, IMO has an established framework of internal controls, including internal oversight, designed to maximize the effective and efficient use of its resources and safeguard its assets.

43 IMO's activities expose it to a variety of financial risks, including the effects of fluctuations in currency exchange rates and interest rates; and defaults by investment

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<sup>3</sup> <http://www.UNJSPF.org>

counterparties and debtors in meeting their obligations. In managing financial risks, IMO's investment policy takes into account the unpredictability of financial markets and seeks to minimize, where feasible, any potential adverse effects on the Organization's financial performance, the focus being on capital retention rather than maximizing revenue.

44 Financial risk management is carried out by Financial Services in compliance with a defined investment policy, which has been developed on the basis of advice received from an independent treasury consultant. The Organization's treasury policy is approved by the Secretary-General and is reviewed and adjusted periodically, as necessary. Its implementation is the responsibility of a Treasury Committee which meets on a monthly basis to consider cash flow forecasts, treasury placements and the list of approved counterparties. Under the treasury policy, investment counterparties must meet minimum credit rating criteria, with the maximum amount and duration of deposits with any single counterparty being tiered on the basis of their rating.

45 IMO's treasury policy requires a monthly assessment of liquidity to ensure that amounts invested still allow the maintenance of sufficient cash to meet the Organization's commitments as and when they fall due. The majority of cash, cash equivalents and investments are available within one day's notice to support operational requirements, although penalties would apply on short-term investments should a deviation from agreed arrangements become necessary.

46 As at 31 December 2014, 72% of cash, cash equivalents and short-term investments were denominated in the GBP base currency. Non-GBP holdings primarily relate to contributions made by donors in currencies other than GBP where any return of funds would be in the currency of the donation.

47 Consistent with the objectives of its treasury policy, the Organization does not trade in equities, nor does it use derivatives or hedging for speculative purposes or for any other reason. The primary objective in placing funds on deposit is capital protection.

#### **FINANCIAL AND BUDGET PERFORMANCE HIGHLIGHTS**

48 The net assets position presented in Statement I shows a healthy financial situation for the Organization as a whole, with a closing net assets position of £15,777,018 (2013: £12,984,892), representing an increase of £2,792,126 (2013: decrease of £2,384,998) from the opening balance on 1 January 2014.

49 Looking, first, at the closing net assets position, it should be noted that, while the overall situation is strong, the reserves available to the Organization for future use are not without restrictions. Note 2.12 in the financial statements breaks down the overall reserve picture into the Organization's major funds, and it may be seen that, of the overall £15,777,018 (2013: £12,984,892) closing balance, £12,715,659 (2013: £12,719,229) relates to Multi-donor Trust Funds or the net position under bilateral agreements with individual donors. Such funds can only be applied in accordance with the Terms of Reference of the Fund concerned or the appropriate contractual agreement with the donor, respectively, and, as such, there are significant restrictions over their future use. The Working Capital Fund, the Headquarters Capital Fund, the Training and Development Fund and the Technical Cooperation Fund are all in a relatively strong financial position at present – noting that much of the surplus on the Trading Fund will, in due course, be transferred to the Technical Cooperation Fund in accordance with Assembly resolution A.1063(28). The positive position in the General Fund largely reflects the fact that the Organization's long-term After Service Health Insurance (ASHI) liability of £30,633,564 is shown under the Termination Benefit Fund in accordance with Assembly resolution A.991(25). These liabilities are presently unfunded, and are reflected in the Termination Benefit Fund deficit as at 31 December 2013 of £29,758,067.

50 The increase in cash and cash equivalents during 2014 primarily reflects the operating surplus for 2014, including an increase in the GBP value of the Organization's holdings of US dollars, of some £494,250, due to changes in foreign exchange rates between the two currencies during the year. The majority of the Organization's US dollar holdings are in respect of Multi-donor Trust Funds and other donor funds, which are budgeted, managed and reported in US dollars rather than GBP and, consequently, movements in the GBP value of such funds typically do not directly impact on the ability to deliver planned activities.

51 Contributions due from donors have fallen significantly from the situation at 31 December 2013, primarily as a number of donor agreements were concluded in December 2013 with the related amounts only being received in early 2014. The collection rate for Member States assessments remains strong, at 98.9% (2013: 99.5%).

52 Inventories, reflecting our stock of publications held for re-sale, are at a level comparable with prior years, with a slight increase from 2013 as a new edition of one of the Organization's major titles, the IMDG code, was published during November with a large initial print run.

53 We continue to seek to carefully balance our obligations to suppliers with the need to effectively manage the Organization's cash flow, and there has been little change in the overall balance of payables and accruals relating to exchange transactions. The most significant portion of the accruals balance relates to services provided by UNDP under the Service Clearing Account arrangement, but which have not yet been billed by UNDP through their monthly expenditure reporting. UNDP local offices worldwide provide IMO with a range and volume of services in the field which we would otherwise be unable to deliver in such an efficient manner, and are thereby key facilitators of the delivery of the Organization's Integrated Technical Cooperation Programme (ITCP). While the overall balance for payables and accruals is comparable to that for 2013, there has been a reduction in the Contribution Incentive Scheme liability as the process of distributing the earnings for the period 2006-2013 began during 2014.

54 The Organization's year-end employee benefit liabilities balance of £34,819,455 (2013: £33,428,097) mainly reflects obligations to current staff and retirees for ASHI, repatriation benefits and accrued annual leave, which have increased to £34,613,137 (2013: £33,092,991). These liabilities were last subject to actuarial valuation at 31 December 2013, an exercise the Organization conducts every two years. The increase is due to the fact that interest costs, which reflect the increase in the liability arising from being one year closer to settlement, and service costs reflecting the increase in the liability as a result of services provided by current staff in the year, are in aggregate £1,520,146 higher than the amounts paid by the Organization during 2014 for the provision of ASHI services to current retirees. This imbalance between the amounts being paid on a "pay as you go" basis for current retirees and the actual costs to the Organization for current staff and retirees, is likely to result in an increasing obligation in the future, and will continue to require careful monitoring and appropriate action.

55 Turning now to the operating performance for the year, which is shown in Statement II (Statement of Financial Performance), it should be noted that this financial performance of revenue and expenditure is presented on an IPSAS accrual basis and thus different in its measurement and accounting from the budgetary performance statement of receipt and payment reflected in Statement Va (IMO Only Statement of Comparison of Budget and Actual Amounts) which is prepared on a modified cash/accrual basis. The difference in amounts between the two statements is reconciled to the cash flow statement (Statement IV), as described in detail in Note 5 to the Financial Statements. For instance, the assessed contribution (i.e., invoiced amounts of £30,116,000) for the year is 100% accounted for as

revenue in Statement II, whereas only receipted amounts (£29,852,543) are shown as Actual in Statement Va. Likewise, while expenditure in Statement II includes the amount of £1,033,126 for depreciation and amortization on an accrual basis, that amount, as it is not the cash payment of the year, is not included in Statement Va. The financial performance of the year was a surplus of £2,792,126, an improvement of £3,323,623 compared with a deficit of £531,497 shown in 2013, due, firstly, to a decrease in expenditure (particularly, in supplies, consumables and other running costs) and, secondly, to currency exchange gains of £883,230. On the other hand, the budgetary performance under the modified cash basis shown in Statement Va points to a net receipt (surplus) of £3,493,116 over payments for the year largely because of decreases in payments, especially in capital investment and technical cooperation.

56 The Assembly, by resolution A.1063(28), approved for 2014 both the budget income of £43,523,600 and the appropriation of £44,579,000 under the IMO budgetary Funds, which are presented as original budget amounts in Statement Va. The final budget amount for income remained the same as the original income budget and actual receipts amounted to £43,079,545, representing 99% of the final income budget. More than two-thirds (69%) of actual receipts was assessment contributions (£29,852,543), received both for 2014 and for prior years, and represented 1% below the assessment income budget for 2014 of £30,116,000. The support costs income was £1,302,367, representing 92% of the budget, which was realized from two main sources: £634,986 from the Trading Fund (representing some 95% of the planned amount from that Fund of £670,000) and £667,381 from various donor and trust Funds, other UN agencies and the Technical Cooperation Fund (representing approximately 89% of the estimated £750,000 for the year). In addition to the assessed contributions and support costs income, revenue from other sources primarily reflected commercial activities, namely the sale of IMO publications and catering services, which have been conducted through the Trading Fund. The Trading Fund income decreased slightly to £11,722,831 from the outturn in 2013 of £11,875,566, but almost met (99%) the income target of £11,837,600 for 2014, thanks to continuing demands on the new IMDG Code and its supplement, which were marketed in the second half of 2014; the GMDSS Manual; IMSBC Code; Ships' Routing; and ISM Code & Guidelines. Other miscellaneous income for 2014 amounted to £201,804, representing 35% over and above the original estimate of £150,000 for the year, mainly due to active management of the treasury deposits resulting in higher interest earnings.

57 The combined income (planned and received) of WMU and IMLI as at the end of December 2014 is separately presented under the heading of Education and research as shown in Statement Vb (consolidated statement). Actual receipts amount to £10,532,575, which indicates that the two educational entities nearly met (99%) the target set in the final budget of £10,622,108 for 2014, following continued demand for professional and other academic development courses. Overall actual income under the consolidated statement was £53,612,120 for the year, representing 99% of the final budget amount of £54,145,708 for the corresponding period.

58 In respect of expenditure amounts, the original budget for 2014 is £44,579,000 as shown in Statement Va, which includes only the amounts approved by the Assembly in resolution A.1063(28) and thus does not comprise current budgets for various donor/trust fund programmes. The final expenditure budget shown in Statement Va of £45,080,111 included the budgets brought forward from 2013 of £501,111 in total to meet the 2013 unliquidated obligations (ULOs) in accordance with the delivery principle under IPSAS 1. Actual expenditure amounts were measured against the final budget amounts and some budgetary savings were made in all IMO activities, as summarized hereunder.

59 Actual expenditure under regular budget Strategic Results in 2014 amounted to £28,791,046, representing an underspend of 9% (£2,923,064) of the corresponding final budget of £31,714,110, which was mostly (78%) attributable to underspends in staff costs resulting from a longer than expected period in filling a number of vacant posts. In 2014, a total of 19 regular budget vacant posts were filled, while a total of 17 posts were additionally vacant



due to staff retirement, separation or transfer/recruitment to other posts, resulting in 355 vacant work-months in total, comprising 127 professional work-months (equivalent to 11 posts) and 228 General Service work-months (equivalent to 19 posts). It should also be noted that the savings in staff costs are due partly to the result of the rationale of the Secretary-General's review and reform initiative which enacted the Secretariat to: critically assess the need for every vacant post; transfer or redeploy posts in line with changes and imbalances in workload within and across divisions; continue to call for secondees and Associate Professional Officers (APOs) from Member States; strictly apply the policy on no contract extensions beyond normal retirement age; reclassify every post to its original grade or less when it is vacated by an incumbent with a personal promotion; and, where applicable, apportion to donor-financed projects the regular budget staff costs associated with their delivery.

60 Another contribution to the underspending in regular budget expenditure can be found in the reduced use of other personnel (temporary assistance, overtime and consultancy), in particular, meetings personnel (translators and interpreters), as a result of on-going effects of the Secretary-General's review and reform exercise, which included various changes in working practices for overtime and the employment of supernumerary staff (e.g. introduction of 1 a.m. deadline; reduction in the number of plenary sessions; more concise reporting; use of compensatory time-off rather than monetary payment for overtime; and strictest enforcement of working hours for interpreters as agreed between the UN and the AIIC). Savings were also made in general operating expenses, resulting from reduced costs in communication through the shift to "papersmart" production of documents and use of internet telephone systems; and cost reductions in IT/SAP maintenance. Other contributors include underspends in travel, by limiting regular missions to the essential minimum level and finding cheaper travel routes whenever possible. Out of the total savings, £1,890,000 has been ring-fenced for transfer to the Headquarters Capital Fund, in accordance with the Council's decision, at its 113th session, to finance a revised 2015 budget under the Fund of £2,840,000 in order to urgently address the requirement for the overall replacement of the sound and simultaneous interpretation system in the Main Hall and Committee Rooms 9 and 10.

61 Actual expenditure in 2014 under the foregoing Fund was £719,068, representing 61% of the final budget for the year. The reason for the comparatively low actual outturn was due to: firstly, the decision to cancel and defer some SAP programme developments, taking the opportunity of the preparation of a new SAP tender package, as the contract with the current service provider is to expire in May 2015, so that value for money on the investment in the SAP system can be achieved; secondly, deadlines missed by the suppliers in delivery of goods and services before 31 December 2014, resulting in the commitments being unaccounted for as expenditure in 2014 in accordance with IPSAS; and, thirdly, extended work for the refurbishment of escalators and lifts, most of which has now been completed, with one residual lift scheduled for completion in mid-2015.

62 The variance between actual expenditure and the final budget shown in the Trading Fund activities for 2014 was an underspend of £304,863 (5%), which is largely related not only to savings in personnel costs (£111,203) but also to economies made both in the logistics operation and expendable supplies as well as in negotiations with external suppliers in the production of IMO publications. In particular, serious reductions in the print run for IMO News, which has now turned into a digital production, are attributable to the saving in production costs as well as lower mailing and storage costs. The underspend, together with the increase in trading income, resulted in a net surplus of £6,203,456 for 2014, which was almost the same amount as the surplus achieved in 2013 of £6,207,683. It should be noted that the actual payment in the budgetary accounting for trading activities shown in Statement Va includes the printing cost of IMO publications and model courses, amounting in total to £1,145,259 for 2014 as recorded under the inventory account (re: Note 2.3) but, in the financial accounting shown in Statement II (re: Note 4.4), the expense recognized for the year is not the printing cost of

the year but the historic cost of only the IMO publications and model courses which are sold, exchanged or distributed in the year in which the related revenue arises.

63 The expenditure status of the Termination Benefit Fund, as at 31 December 2014, shows a budget execution rate of 99% (£850,164) against the final budget for the year. The actual outturn relates to post employment costs associated with annual leave settlements; repatriation grants/travel/shipment of staff members separated or retired from the Organization in 2014; and the medical insurance premiums borne by the Organization under the ASHI scheme in respect of retirees.

64 The outturn in 2014 of £110,621 under the Organization's training and development programme represented 81% of the final budget. Underspends in this Fund (£25,379) were due to the fact that, while human resource development and IT/IS proficiency training programmes were conducted through arrangements with commercial training providers, other needs, in particular for SAP financial management and control processes, have mostly been met through the use of in-house expertise. An induction video film for new staff members was developed with in-house resources and the induction programme for translators was delivered towards the end of the year to avoid disruption in the Organization's meetings.

65 The final budget for the activities financed by the Technical Cooperation Fund comprised the originally approved appropriation for 2014 of £5,159,000 and the budget brought forward from 2013 of £201,904 to finance some postponed activities. Expenditure for 2014 amounted to £3,596,155, accounting for 67% of the final budget and a decrease of £1,058,708 (23%) compared with the outturn in 2013. Reasons for the variance include: unforeseen problems and difficulties in the recipient countries and regions (such as the outbreak of Ebola Virus Disease), which were outside IMO's control, causing deferrals or suspensions of planned activities and missions; unexpected situation changes in Member States, which inhibited the follow-up phase of activities taking place. In other cases, there was a lack of response from the maritime administrations to confirm events or regarding invitations to events. In addition, extra resources made available throughout the year from other sources (various donor/trust funds, industry organizations and partnership arrangements, jointly delivering the programmes) also contributed to the underspend.

66 The 2014 final accounts of WMU are presented in US dollars, whereas IMLI's are presented in Euros, and thus the consolidation of their budgets and actual outturns into Statement Vb, under the heading of Education and research, is expressed in Pounds Sterling using the annual average United Nations operational rates of exchange, which were £0.612 to the US dollar and £0.804 to the Euro in 2014. The expenditure outturn of the two educational institutions amounted to £9,778,602 for 2014, representing an increase of 13% on the previous year's outturn of £8,644,343. Accordingly, the expenditure portion of the two institutions has grown by 3% points to a fifth (20%) of the consolidated outturn of £49,365,031 for the year, from 17% shown in 2013. Underspensing in the expenditure budget represented 6% (£581,129) of the final budget of the two Institutions of £10,359,731, which was largely attributable to the savings made in the costs of personnel, administration as well as mission travel.

## **SUSTAINABILITY**

67 In considering the Organization's financial sustainability, I have evaluated the consequences of any significant delays or defaults in payments from Member States or any reductions in contributions from donors in the context of the global economic and financial crisis, and whether it would lead to a consequential reduction in the scale of operations and/or the delivery of the Strategic Plan, the High-level Action Plan and the Divisional Business

Objectives. Having considered IMO's projected activities and the corresponding risks, I am confident that the Organization has adequate resources to continue to operate in the medium term. Based on this assumption, we will continue to apply the "going concern" basis in preparing IMO's financial statements.

68 My assertion above is supported by: i) the budget approved by the Assembly for the 2014-2015 biennium; ii) the scope and content of the Strategic Plan prepared for the period 2014-2019; iii) the net assets held at the end of this financial period, which result largely from the austerity and efficiency measures introduced through my review and reform initiative; iv) the high level of collections of the assessed contribution of over 95% for the past 10 years; and v) the trend in donor support that has been sustaining IMO's mandate, including delivery of technical cooperation work, as determined by the Council and Assembly.

### **IMO in transition**

69 In presenting my budget proposal for the 2014-2015 biennium, I stated that, "beyond the simple matter of financial sustainability, it is possible to look ahead and see the 2014-2015 and 2016-2017 biennia as a transitional period for IMO, as we face new priorities and emerging challenges, and as we seek to shape the Organization to face the demands of its stakeholders both now and in the future".

70 I am of the opinion that, as we enter the 2016-2017 biennium, the Organization will continue to be in a period of transition resulting from the consolidation of the outcomes of my review and reform initiative. During my tenure as Secretary-General, I have been pleased to witness the significant effort that has been made – jointly by Member States and the Secretariat – towards my objective of turning IMO into a forward-looking, efficient and cost-conscious specialized agency of the United Nations system with strengthened and knowledge-based authority in global standards setting. These outcomes may be summarized as follows: organizational structures and methods of work have been revisited and reformed; a policy of mixed zero growth is enabling the Organization to follow a path towards financial sustainability and this has resulted in assessments on Member States remaining at the same level over four years; IMO's profile in the broader United Nations context has been raised, particularly on matters regarding unsafe mixed migration by sea; a new approach to technical cooperation has been initiated to address countries' real needs and promote the development of national maritime transportation policies; a fundamental review of the World Maritime University's objectives and activities is being undertaken in order to strengthen its financial sustainability; greater use is being made of ICT to facilitate IMO's regulatory role and its day-to-day operation; increased transparency has been introduced in all areas; the Trading Fund activities continue to prosper; and, in both human resource and financial terms, a new culture of permanent review, succession planning, programming and budgeting has been instilled in what is now a more agile Secretariat.

71 These reforms need further consolidation in the next biennium in order for progress to be made on the following challenges:

- the implementation of the mandatory **Member State Audit Scheme**, as of 1 January 2016, should mark a paradigm shift in the way the Organization works. During the present biennium, we have laid the groundwork for the successful and practical implementation of the Scheme, with a precise mechanism and administrative procedures in place to deliver on Member States' expectations and, for the Scheme's management, an agreed staff complement within an independent Secretariat unit and an approved budget. As we gain experience with the Scheme, and a greater understanding of the effectiveness of Member States' implementation of IMO standards, there will inevitably be cross-over feedback with possible impacts on our regulatory work and on our management of technical cooperation activities;
- in respect of the former, the results of audits may lead us towards regulatory reforms, and the ongoing examination of how to reduce administrative burdens and strive for better regulation in order to achieve improved implementation of standards is also germane. In this context, there has been a fairly seamless transition to the **new sub-committee structure** and IMO's traditional spirit of cooperation has ensured that all teething problems are being resolved swiftly and amicably with no short-term loss of efficiency. Nevertheless, issues of workload, prioritization and methods of work will need to be examined and monitored continuously to secure an enhanced delivery mechanism for the Organization's regulatory work;
- in terms of **safety, security, facilitation and environmental matters**, preparations for the early, effective implementation of the Polar Code will be a priority, in view of its expected entry into force on 1 January 2017, in cooperation with all stakeholders, including the Arctic Council. From the safety perspective, work on the new IGF Code and on follow-up to the **Costa Concordia** casualty (i.e. damage stability, means of escape, damage control, etc.) will be among the key topics, along with continued GBS implementation and the development of a new SOLAS chapter III and of amendments related to the **Deepwater Horizon** incident. Further priorities include a potential review of the STCW-F Convention and new inputs related to e-navigation, including a review of the GMDSS, the revision of SOLAS chapter IV, and an evaluation of the Iridium system for use in the GMDSS. On other fronts, the continued review and implementation of the FAL Convention – in particular, single window systems – will be a feature of the next biennium, and a significant part of the Secretariat's efforts will be devoted to enhancing maritime law enforcement in west and central Africa, focussing on multi-agency approaches to maritime governance. From an environmental perspective, key issues remain the facilitation of the entry into force and implementation of the BWM Convention and the energy efficiency of the shipping industry, including the development of further efficiency measures, with a possible international data collection system for ships and, in a related vein, the consideration of potential implications for IMO of a new global climate change agreement;
- the Member State audit results will also help shape our future identification of **technical assistance requirements** and the delivery of technical cooperation for more effective implementation of standards, and this will be complemented by the initiatives I have already introduced (as indicated above) to establish country maritime profiles and to support Member States in developing sustainable maritime policies. Overarching our work in this area, will be the United Nations'

**post-2015 development agenda**, to which IMO will need to develop appropriate responses both in the capacity building and regulatory fields; and

- complimentary to the foregoing is the permanent need for IMO to give priority to **maritime education and training** in its broadest sense. Human resource development in the maritime sector – and, in particular, the training of future maritime leaders and experts – is fundamental to the promotion of national economies focussed on the seas and oceans and maritime industries, and of the sustainable maritime transportation systems such economies require. For many nations, these are the pathways to development and prosperity, and IMO's capacity building efforts should be geared towards those goals. To those ends, the involvement and support of the World Maritime University and the IMO International Maritime Law Institute will be important and will, in turn, assist those institutions in better defining the roles they must play, through education, training and research, to best meet the needs of IMO Member States.

72 Meeting these challenges will require the continued collective efforts of Member States and the Secretariat, along with the active engagement and participation of other stakeholders in the true IMO spirit of transparency, openness and cooperation.

## RESPONSIBILITY

73 As required under financial regulation 12.10, I am pleased to submit the annexed financial statements. I certify that, to the best of my knowledge and information, all transactions during the reporting period have been properly entered in the accounting records of the Organization and that these transactions, together with the financial statements and notes, details of which form part of this document, fairly present the financial position of IMO as at 31 December 2014.

- Statement I – Statement of Financial Position as at 31 December 2014
- Statement II – Statement of Financial Performance for the year ended 31 December 2014
- Statement III – Statement of Changes in Net Assets for the year ended 31 December 2014
- Statement IV – Statement of Cash Flow for the year ended 31 December 2014
- Statement V – Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2014

Notes to the Financial Statements



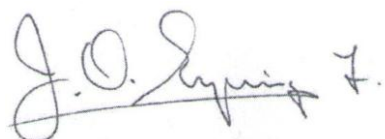
Signed on original  
Koji Sekimizu  
Secretary-General  
London, 25 May 2015

**INTERNATIONAL MARITIME ORGANIZATION**  
**STATEMENT I**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2014**  
**(GBP)**

		IMO		Consolidated	
	Note	2014	2013	2014	2013
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	2.1	52,730,302	47,338,313	61,618,921	56,065,799
Contributions receivable	2.2	797,283	1,180,750	799,750	1,188,256
Inventories	2.3	879,562	756,517	904,054	783,227
Advances to sub-contractors	2.4	115,792	150,616	115,792	150,616
Other receivables	2.5				
Relating to exchange transactions		1,818,853	1,629,871	2,735,623	2,291,516
Relating to non-exchange transactions		-	-	54,505	13,720
<b>Total current assets</b>		<b>56,341,792</b>	<b>51,056,067</b>	<b>66,228,645</b>	<b>60,493,134</b>
<b>Non-current assets</b>					
Property, plant and equipment	2.6	686,271	1,032,177	806,054	1,221,751
Intangible assets	2.7	309,287	229,892	330,280	254,088
<b>Total non-current assets</b>		<b>995,558</b>	<b>1,262,069</b>	<b>1,136,334</b>	<b>1,475,839</b>
<b>TOTAL ASSETS</b>		<b>57,337,350</b>	<b>52,318,136</b>	<b>67,364,979</b>	<b>61,968,973</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables and accruals	2.8				
Relating to exchange transactions		(2,909,672)	(2,032,316)	(3,192,599)	(2,452,063)
Relating to non-exchange transactions		(3,673,276)	(3,664,403)	(7,349,895)	(6,917,131)
Provisions and warranties	2.9				
Relating to exchange transactions		(69,100)	(69,765)	(69,100)	(69,765)
Employee benefits	2.10	(206,318)	(217,683)	(236,582)	(229,039)
Finance lease liabilities	2.11	(53,647)	(49,834)	(53,647)	(49,834)
<b>Total current liabilities</b>		<b>(6,912,013)</b>	<b>(6,034,001)</b>	<b>(10,901,823)</b>	<b>(9,717,832)</b>
<b>Non-current liabilities</b>					
Employee benefits	2.10	(34,613,137)	(33,210,414)	(35,029,120)	(33,615,703)
Finance lease liabilities	2.11	(35,182)	(88,829)	(35,182)	(88,829)
<b>Total non-current liabilities</b>		<b>(34,648,319)</b>	<b>(33,299,243)</b>	<b>(35,064,302)</b>	<b>(33,704,532)</b>
<b>TOTAL LIABILITIES</b>		<b>(41,560,332)</b>	<b>(39,333,244)</b>	<b>(45,966,125)</b>	<b>(43,422,364)</b>
<b>NET ASSETS</b>		<b>15,777,018</b>	<b>12,984,892</b>	<b>21,398,854</b>	<b>18,546,609</b>

	Note	IMO		Consolidated	
		2014	2013	2014	2013
Fund balances and reserves	2.12	12,984,892	13,516,389	17,717,362	19,351,710
Surplus for the year		2,792,126	(531,497)	3,681,492	(805,101)
<b>TOTAL FUND BALANCES AND RESERVES</b>	2.12	<b>15,777,018</b>	<b>12,984,892</b>	<b>21,398,854</b>	<b>18,546,609</b>

*The accompanying notes form an integral part of these financial statements*



Signed on original  
JO Espinoza Ferrey  
Director, Administrative Division

London 2 April 2015

**INTERNATIONAL MARITIME ORGANIZATION**  
**STATEMENT II**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**for the year ended 31 December 2014**  
**(GBP)**

		IMO		Consolidated	
		2014	2013	2014	2013
<b>REVENUE</b>	<b>Note</b>				
Assessed contributions	3.1	30,116,000	30,170,000	30,116,000	30,170,000
Donor contributions	3.2	4,753,099	4,313,117	8,358,044	7,635,835
Commercial activities	3.3	12,638,241	12,191,317	14,120,534	13,778,515
Fellowships	3.4	-	-	4,206,935	3,442,155
Other revenue	3.5	297,489	400,803	748,798	681,763
<b>TOTAL REVENUE</b>		<b>47,804,829</b>	<b>47,075,237</b>	<b>57,550,311</b>	<b>55,708,268</b>
<b>EXPENDITURE</b>					
Staff and other personnel costs	4.1	(30,848,168)	(31,132,173)	(36,242,243)	(36,478,215)
Travel	4.2	(1,856,941)	(2,049,288)	(2,266,895)	(2,533,380)
Supplies, consumables and other running costs	4.3	(5,392,457)	(6,201,629)	(6,390,431)	(7,122,438)
Costs related to trading activities	4.4	(1,720,206)	(1,836,130)	(1,791,637)	(1,903,225)
Outsourced services	4.5	(1,068,958)	(1,077,535)	(1,287,980)	(1,299,429)
Training and development	4.6	(2,995,501)	(3,175,548)	(4,714,273)	(4,696,331)
Currency exchange gains/(losses)	4.7	883,230	(598,453)	871,721	(829,735)
Depreciation, amortization and impairment	4.8	(1,033,126)	(625,761)	(1,176,904)	(772,489)
Return of unspent funds	4.9	(48,644)	-	(48,644)	-
Other expenses	4.10	(931,932)	(910,217)	(821,533)	(878,127)
<b>TOTAL EXPENDITURE</b>		<b>(45,012,703)</b>	<b>(47,606,734)</b>	<b>(53,868,819)</b>	<b>(56,513,369)</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2,792,126</b>	<b>(531,497)</b>	<b>3,681,492</b>	<b>(805,101)</b>

*The accompanying notes form an integral part of these financial statements*



**INTERNATIONAL MARITIME ORGANIZATION**  
**STATEMENT III**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**for the year ended 31 December 2014**  
**(GBP)**

	Note	Accumulated Surpluses/ Fund Balances		Accumulated Surpluses/ Fund Balances	
		IMO		Consolidated	
		2014	2013	2014	2013
<b>Opening balance 1 January</b>		<b>12,984,892</b>	<b>15,369,890</b>	<b>18,546,609</b>	<b>21,114,257</b>
<b>Surplus for the year</b>		2,792,126	(531,497)	3,681,492	(805,101)
<b>Other movements on reserves</b>					
Transfers				(935,703)	
Actuarial losses for the year	2.10	-	(1,853,501)	-	(1,853,501)
Exchange rate effect	10	-	-	106,456	90,954
<b>Total movement for the year</b>		<b>2,792,126</b>	<b>(2,384,998)</b>	<b>2,852,245</b>	<b>(2,567,648)</b>
<b>TOTAL NET ASSETS</b>		<b>15,777,018</b>	<b>12,984,892</b>	<b>21,398,854</b>	<b>18,546,609</b>

*The accompanying notes form an integral part of these financial statements*

**INTERNATIONAL MARITIME ORGANIZATION**  
**STATEMENT IV**  
**STATEMENT OF CASH FLOW**  
**for the year ended 31 December 2014**  
**(GBP)**

		<b>IMO</b>		<b>Consolidated</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Cash flow from operating activities:</b>					
Surplus/(deficit) for the period <sup>4</sup>		2,058,803	(60,002)	2,991,914	(150,520)
Interest earned	3.5	239,073	184,328	248,403	233,429
Decrease in contributions receivable	2.2	383,467	709,806	388,506	709,689
(Increase) in inventories	2.3	(123,045)	(43,891)	(120,827)	(41,336)
Decrease in advances to sub-contractors	2.4	34,824	119,313	34,824	119,313
(Increase)/decrease in other receivables	2.5	(188,982)	90,992	(484,892)	(90,370)
Depreciation of property, plant and equipment <sup>5</sup>	2.6	449,970	350,224	597,063	492,384
(Gain) on disposal of Property, Plant and Equipment	2.6	(1,219)	(6,556)	(1,219)	(5,742)
Donation of assets	2.6	467,449	66,572	467,449	66,572
Amortization of intangible assets <sup>4</sup>	2.7	98,939	124,344	114,023	132,240
Increase/(decrease) in payables and accruals	2.8	886,229	(1,939,033)	1,173,300	(1,889,574)
(Decrease) in provisions and warranties	2.9	(665)	(2,460)	(665)	(2,460)
Increase in employee benefit liabilities	2.10	1,391,358	3,540,463	1,420,960	3,388,549
<b>Net cash flows from operating activities</b>		<b>5,696,201</b>	<b>3,134,100</b>	<b>6,828,839</b>	<b>2,962,174</b>
<b>Cash flows from investing activities:</b>					
Purchases of property, plant and equipment <sup>4</sup>	2.6	(569,303)	(938,882)	(648,136)	(1,018,627)
Purchases of intangible assets <sup>4</sup>	2.7	(178,334)	(217,748)	(190,215)	(241,835)
Donations received for property, plant and equipment		(2,835)	-	(2,835)	-
Proceeds from sale of property, plant and equipment		1,844	10,946	3,375	10,946
<b>Net cash flows from investing activities</b>		<b>(748,628)</b>	<b>(1,145,684)</b>	<b>(837,811)</b>	<b>(1,249,516)</b>
<b>Cash flows from financing activities:</b>					
(Decrease)/increase in finance lease liabilities	2.11	(49,834)	93,245	(49,834)	93,245
<b>Net cash flows from financing activities</b>		<b>(49,834)</b>	<b>93,245</b>	<b>(49,834)</b>	<b>93,245</b>
<b>Other movements in net assets</b>		<b>-</b>	<b>(1,853,501)</b>	<b>(935,703)</b>	<b>(1,853,501)</b>
<b>Gain on exchange on consolidation</b>		<b>-</b>	<b>-</b>	<b>106,456</b>	<b>90,954</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>494,250</b>	<b>(655,823)</b>	<b>441,175</b>	<b>(888,010)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	2.1	<b>5,391,989</b>	<b>(427,663)</b>	<b>5,553,122</b>	<b>(844,654)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>47,338,313</b>	<b>47,765,976</b>	<b>56,065,799</b>	<b>56,910,453</b>
<b>Cash and cash equivalents at end of the year</b>	2.1	<b>52,730,302</b>	<b>47,338,313</b>	<b>61,618,921</b>	<b>56,065,799</b>

*The accompanying notes form an integral part of these financial statements*

<sup>4</sup> Excluding interest earned of £239,073 (2013:£184,328) for IMO and £248,403 (2013:£233,429) for the consolidated group and gains on exchange of cash and cash equivalents held of £494,250 (2013: losses of £655,823) for IMO and £411,175 (2013:loss of £888,010) for the consolidated group.

<sup>5</sup> Depreciation of property, plant and equipment, amortization of intangible assets, purchases of property, plant and equipment and purchases of intangible assets include the effect of the exchange rate adjustment for exchange rate movements in the year. Notes 2.6 and 2.7 show additions and foreign exchange adjustments separately rather than in aggregate.

**INTERNATIONAL MARITIME ORGANIZATION**  
**STATEMENT Va**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – IMO**  
**for the year ended 31 December 2014**  
**(GBP)**

	<b>Budget Amounts <sup>2</sup></b>				<b>Actual Amounts on Comparable Basis <sup>2</sup></b>		<b>Variances: Final Budget and Actual Amounts</b>	
	<b>Original 2014</b>	<b>Original 2013</b>	<b>Final 2014</b>	<b>Final 2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Receipts<sup>1</sup></b>								
Assessed contributions	30,116,000	30,170,000	30,116,000	30,170,000	29,852,543	30,361,645	(263,457)	191,645
Support costs income	1,420,000	1,376,000	1,420,000	1,376,000	1,302,367	1,342,894	(117,633)	(33,106)
Trading income	11,837,600	10,527,000	11,837,600	10,527,000	11,722,831	11,875,566	(114,769)	1,348,566
Regular budget other income	150,000	140,000	150,000	140,000	201,804	257,212	51,804	117,212
<b>Total receipts</b>	<b>43,523,600</b>	<b>42,213,000</b>	<b>43,523,600</b>	<b>42,213,000</b>	<b>43,079,545</b>	<b>43,837,317</b>	<b>(444,055)</b>	<b>1,624,317</b>
<b>Payments <sup>1</sup></b>								
Regular budget strategic results	31,686,000	31,686,000	31,714,110	31,697,800	28,791,046	29,012,528	2,923,064	2,685,272
Trading	5,824,000	6,195,000	5,824,238	6,197,500	5,519,375	5,667,883	304,863	529,617
Headquarters capital	930,000	1,194,000	1,185,359	1,431,600	719,068	1,013,380	466,291	418,220
Termination/separation	844,000	980,000	859,500	980,000	850,164	962,150	9,336	17,850
Training and development	136,000	142,600	136,000	142,600	110,621	95,241	25,379	47,359
Technical cooperation	5,159,000	4,645,000	5,360,904	4,961,500	3,596,155	4,654,863	1,764,749	306,637
<b>Total payments</b>	<b>44,579,000</b>	<b>44,842,600</b>	<b>45,080,111</b>	<b>45,411,000</b>	<b>39,586,429</b>	<b>41,406,045</b>	<b>5,493,682</b>	<b>4,004,955</b>
<b>Net</b>	<b>(1,055,400)</b>	<b>(2,629,600)</b>	<b>(1,556,511)</b>	<b>(3,198,000)</b>	<b>3,493,116</b>	<b>2,431,272</b>	<b>5,049,627</b>	<b>5,629,272</b>

<sup>1</sup> Classification of receipts or payments follows the same basis as the approved budget and is different from the classification shown in Statement II which presents it by nature/function.

<sup>2</sup> Budget amounts are the modified accrual basis adopted in the budget preparation and approved by the Assembly/Council and the actual amounts are on the same basis as the budget amounts.

**INTERNATIONAL MARITIME ORGANIZATION**  
**STATEMENT Vb**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – Consolidated**  
**for the year ended 31 December 2014**  
**(GBP)**

	Budget Amounts <sup>2</sup>				Actual Amounts on Comparable Basis <sup>2</sup>		Variances: Final Budget and Actual Amounts	
	Original 2014	Original 2013	Final 2014	Final 2013	2014	2013	2014	2013
<b>Receipts<sup>1</sup></b>								
Assessed contributions	30,116,000	30,170,000	30,116,000	30,170,000	29,852,543	30,361,645	(263,457)	191,645
Support costs income	1,420,000	1,376,000	1,420,000	1,376,000	1,302,367	1,342,894	(117,633)	(33,106)
Trading fund income	11,837,600	10,527,000	11,837,600	10,527,000	11,722,831	11,875,566	(114,769)	1,348,566
Regular budget other income	150,000	140,000	150,000	140,000	201,804	257,212	51,804	117,212
Education and research	9,518,060	8,309,808	10,622,108	8,777,813	10,532,575	9,114,092	(89,533)	336,279
<b>Total receipts</b>	<b>53,041,660</b>	<b>50,522,808</b>	<b>54,145,708</b>	<b>50,990,813</b>	<b>53,612,120</b>	<b>52,951,409</b>	<b>(533,588)</b>	<b>1,960,596</b>
<b>Payments <sup>1</sup></b>								
Regular budget strategic results	31,686,000	31,686,000	31,714,110	31,697,800	28,791,046	29,012,528	2,923,064	2,685,272
Trading	5,824,000	6,195,000	5,824,238	6,197,500	5,519,375	5,667,883	304,863	529,617
Headquarters capital	930,000	1,194,000	1,185,359	1,431,600	719,068	1,013,380	466,291	418,220
Termination/separation	844,000	980,000	859,500	980,000	850,164	962,150	9,336	17,850
Training and development	136,000	142,600	136,000	142,600	110,621	95,241	25,379	47,359
Technical cooperation	5,159,000	4,645,000	5,360,904	4,961,500	3,596,155	4,654,863	1,764,749	306,637
Education and research	9,203,725	8,250,858	10,359,731	8,621,848	9,778,602	8,644,343	581,129	(22,495)
<b>Total payments</b>	<b>53,782,725</b>	<b>53,093,458</b>	<b>55,439,842</b>	<b>54,032,848</b>	<b>49,365,031</b>	<b>50,050,388</b>	<b>6,074,811</b>	<b>3,982,460</b>
<b>Net</b>	<b>(741,065)</b>	<b>(2,570,650)</b>	<b>(1,294,134)</b>	<b>(3,042,035)</b>	<b>4,247,089</b>	<b>2,901,021</b>	<b>5,541,223</b>	<b>5,943,056</b>

<sup>1</sup> Classification of receipts or payments follows the same basis as the approved budget and is different from the classification shown in Statement II which presents it by nature/function.

<sup>2</sup> Budget amounts are the modified accrual basis adopted in the budget preparation and approved by the Assembly/Council and the actual amounts are on the same basis as the budget amounts.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

### NOTE 1: ACCOUNTING POLICIES

#### Basis of Preparation

1 The financial statements of the International Maritime Organization (IMO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The appropriate International Financial Reporting Standard (IFRS) has been applied where an IPSAS does not address a particular issue. No Standards have been adopted prior to their required implementation date, and no transitional provisions are in operation.

2 The Cash Flow Statement is prepared using the indirect method.

3 Within the meaning of IPSAS 6 – "Consolidated and Separate Financial Statements" the Organization is a controlling entity with two controlled entities, the World Maritime University (WMU) and the IMO International Maritime Law Institute (IMLI) based in Sweden and Malta, respectively. Neither WMU nor IMLI has equity and the Organization's control is not by means of shareholding; however, their Charter and Statute, respectively, provide for the "power" and 'benefit' criteria necessary for establishing control under IPSAS 6, the key factors being:

- the Secretary-General's ability to appoint key staff, both management and academic, and also to appoint the respective governing boards;
- the alignment of the objectives of WMU and IMLI with the goals of IMO through the Charter and the Statute, respectively; and
- the requirement for changes to the Charter and Statute to be approved by IMO organs.

4 Consolidated statements have therefore been prepared and are shown alongside those of IMO alone for ease of reference.

5 The functional and reporting currency of IMO is GBP. Transactions in currencies other than GBP are converted into GBP at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities held at the year-end in currencies other than GBP are converted into GBP at the prevailing UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

#### Cash and Cash Equivalents

6 Cash and cash equivalents comprise cash on hand, cash at banks and investments held to maturity. Fixed-term deposits placed with counterparties are considered to be receivables within the meaning of IPSAS 29 – "Financial Instruments: Recognition and Measurement", and consequently are initially measured at their fair value, and subsequently at amortized cost using the effective interest method.

#### Contributions and Receivables

7 Assessed income on Member States is recognized as revenue when it falls due, normally on 1 January of the financial year for which the assessment is made.

8 Contributions are recognized as an asset when confirmed in writing by donors, with revenue normally being recognized at the same point. However, in some cases a donor

agreement may contain sufficiently strict conditions over the application of funds to a specific activity that a liability is recognized along with the asset when the agreement is confirmed in writing and revenue is only recognized as the activity is delivered. The accounting treatment of donor contributions is determined on a case-by-case basis following the provisions of IPSAS 23 – "Revenue from Non-Exchange Transactions".

9 Even in the absence of conditions as defined in IPSAS 23, contributions from donors are typically received with restrictions over their use and are not available for the Organization's use entirely at its own discretion. Balances of reserves by fund are disclosed in Note 2.12, with all balances held under Bilateral Operations and Multi-Donor Trust Funds (MDTF) being subject to restrictions imposed either through the terms of the bilateral agreement or the Terms of Reference of the MDTF, respectively, and such reserves may only be used in accordance with these restrictions.

10 Receivables are stated at nominal value less allowance for estimated irrecoverable amounts and discounted, where appropriate, if cash flows are not expected within 12 months from the reporting date.

11 In-kind contributions of goods are valued at fair market value and are recognized as revenue and as assets when received. In-kind contributions of services are not recognized in the financial statements.

## **Revenue**

12 The Organization's commercial sales operations, conducted through the Trading Fund, and the fees charged to those submitting products and substances for technical assessment in order for the Organization to fully recover costs associated with conducting those assessments, are considered to be exchange transactions within the meaning of IPSAS 9 – "Revenue from Exchange Transactions". All other revenue is on a non-exchange basis and is accounted for in accordance with IPSAS 23.

13 Revenue from the sale of publications is recognized upon shipment to the customer, with the exception of consignment stock held on the Organization's behalf by distributors under agreements where the Organization retains the risks and rewards of ownership. Sales of such consignment stock are recognized as sales when made by the distributor to the end customer.

## **Inventories**

14 Publications held for sale on hand at the end of the financial period are recorded as inventories and are valued at the lower of cost or net realizable value.

15 The cost of publications includes purchase cost, transportation and delivery costs, determined on a weighted average basis. Publications held by distributors under a consignment stock arrangement continue to be shown as the Organization's asset until their sale by the distributor.

16 Publications are shown as a cost of sales at the time at which the sale is recognized, and the inventory is reviewed at the end of each financial year for obsolescence.

17 Obsolete books are held at nil value until their disposal.

18 Slow-moving titles, with an excess of three years' stock on hand, are considered to be impaired, with a 50% reduction in value.

19 No publications are held solely for distribution on a free of charge basis. Such distributions typically represent less than 5% of all publications distributed. Consequently, no provision is made in this regard.

## Property, Plant and Equipment

20 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. The estimated useful life for PP&E classes are as follows:

<b>Class</b>	<b>Estimated useful life (years)</b>
Communication and IT equipment	3 - 5
Vehicles	4 - 7
Furniture & fixtures	5
Conference equipment	7
Miscellaneous	5

21 Leasehold improvements are recognized as assets and valued at cost, and depreciated over the lesser of the remaining useful life of the improvements or the lease term.

22 While the Organization uses an operational threshold for recognizing property, plant and equipment of £500, this threshold is not applied to library collections. Where a library collection is deemed to be in excess of 10% reference in nature, all purchases of reference material are capitalized and depreciated over three years on a straight line basis. Where a library collection holds less than 10% reference books, all items will be expensed as purchased.

23 Impairment reviews are undertaken for all assets at least annually.

## Intangible Assets

24 Intangible assets are stated at historical cost less accumulated amortization and any impairment losses.

25 Publication titles are not considered to be intangible assets as they do not meet the provisions of IPSAS 31 - 'Intangible Assets'. Consequently, development costs for new titles are expensed as they are incurred.

26 Amortization is provided over the estimated useful life using the straight line method. The estimated useful life for intangible asset classes are as follows:

<b>Class</b>	<b>Estimated useful life (years)</b>
Software acquired externally	3
Internally developed software	3 - 6

## **Leases**

### **Finance Leases**

27 Leases under which substantially all of the risk and reward of ownership have been transferred to the Organization through the lease agreement are treated as finance leases.

28 Assets purchased under a finance lease are shown as assets at the lower of the fair value of the asset and the present value of the minimum lease payments. An associated lease obligation is recognized at the same value.

29 Lease payments made under a finance lease are apportioned between payment of finance charges and reduction of the balance of the liability.

30 Assets acquired through a finance lease are depreciated over the shorter of the lease term or the useful life of the asset, except where such assets become the property of the Organization on completion of the lease term. In such cases, the asset is depreciated over its useful life. The finance charge will be calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **Operating Leases**

31 Leases which are not categorized as finance leases, with a balance of risk and reward remaining with the lessor, are considered to be operating leases.

32 Expenditure incurred under an operating lease is charged on a straight-line basis over the life of the lease.

### **Employee Benefits Liabilities**

33 IMO recognizes the following categories of employee benefits:

- short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

34 IMO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies. Certain categories of employees of IMO are members of the UNJSPF.

35 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. IMO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify IMO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, IMO has treated this plan as if it were



a defined contribution plan in line with the requirements of IPSAS 25. IMO's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

36 Actuarial gains and losses which may arise from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur as a separate item directly in net assets/equity. Past service costs from amendments to the benefits provided by the plans are recognized in surplus or deficit over the average remaining service lives of the related employees if they are not vested, and immediately when they arise if the benefits are already vested. None of the benefits of the Organization's defined benefits plans have been amended during the reporting period.

37 Termination benefits include indemnities for dismissal before retirement or voluntary redundancy. Where, at the reporting date, there is a formal plan, without realistic possibility of withdrawal, to finish the employment of a staff member and at that date the staff member has not separated yet from the Organization, an accrual is recognized in the financial statements.

### **Provisions and Contingent Liabilities**

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

39 A high proportion of the Organization's sales of publications are made through distributors rather than directly to the end user. It is the Organization's established business practice to refund distributors for unsold copies held by them, which may become obsolete through the issuance of a new edition. A provision is established to reflect an approximation of the funds expected to be reimbursed to distributors for the copies sold to them during the financial year which may be returned during future financial years. This liability is estimated using a percentage of the previous financial year sales based on the historical levels of returns.

40 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 IMO.

### **Fund Accounting and Segment Reporting**

41 The financial statements are prepared on a fund accounting basis, showing, at the end of the period, the consolidated position of all IMO funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

42 IMO classifies all projects, operations and fund activities into four segments: i) Core Programme Management; ii) Technical Cooperation and Extra-budgetary Activities; iii) Trading and Business Activities; and iv) Education and Research. IMO reports on the transactions of each segment during the financial period, and the balances held at the end of the period.

43 Under Core Programme Management, the Organization provides services to support Member States' decision making, including the development of treaties, regulations and policies. These activities are funded by assessed contributions and transfers from surpluses from such contributions. The Organization's General Fund, Working Capital Fund, Headquarters Capital Fund, Training and Development Fund and Termination Benefit Fund are grouped under this segment.

44 Under Technical Cooperation and Extra-budgetary Activities, the Organization provides Member States with technical cooperation and extra-budgetary planning and implementation services. Such activities are primarily funded through the surplus of the Organization's commercial activities and through contributions from donors or through a cost recovery model such as the fees charged for assessments of products and substances. In this context, the Organization's Technical Cooperation Fund and all donor trust Funds are grouped under this segment.

45 Activities conducted by WMU and IMLI are categorized under the Education and Research segment. The Organization provides both internal and external training services, including the activities of WMU and IMLI. Funding is primarily derived from donations to and fees charged by WMU and IMLI, and partly through the surplus of the Organization's commercial activities.

46 As the Organization undertakes commercial business activities, in particular, of publishing and catering, through the Trading Fund, those activities are segmented under Trading and Business Activities. Funding comes from the sale of publications and catering.

## Budget Comparison

47 The Assembly approves the biennial budgets of the Organization which include regular budget strategic results and budgets of the Trading Fund, the Headquarters Capital Fund, the Training and Development Fund, the Termination Benefit Fund and the Technical Cooperation Fund, which may be subsequently amended by the Council or through the exercise of delegated authority. Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 5 provides a reconciliation between the actual amounts presented in Statement V and the actual amounts presented in Statement IV: Cash Flow.

## NOTE 2: ASSETS AND LIABILITIES

### Note 2.1: Cash and Cash Equivalents

	IMO		Consolidated	
	2014	2013	2014	2013
	GBP		GBP	
<b>Cash and Cash Equivalents</b>				
Bank and cash on hand	10,140,939	8,084,073	16,995,506	15,286,264
Short-term deposits	42,587,020	39,252,399	44,607,685	40,764,784
Other cash and cash equivalents	2,343	1,841	15,730	14,751
<b>Total Cash and Cash Equivalents</b>	<b>52,730,302</b>	<b>47,338,313</b>	<b>61,618,921</b>	<b>56,065,799</b>

48 Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in the money market and deposit accounts are available at short notice.

49 The Organization does not place long-term investments in bonds or shares, nor does it make use of money market facilities such as hedging. Short-term deposits are investments held to maturity invested for a maximum of twelve months with an approved list of counterparties. Those deposits held at year end are measured at amortised cost, that is discounted, using the effective interest method. The Organization's Treasury Policy,

established in accordance with Article IX of the Financial Regulations, focuses on capital retention rather than maximization of return on investment.

50 The Treasury Policy establishes limits on the maximum amounts and time period for deposits with any counterparty, on the basis of their long-term credit ratings, in order to diversify and manage investment risk.

51 Effective implementation of the Treasury Policy is the responsibility of the Treasury Committee, comprising senior administrative and financial staff, along with an external expert financial adviser. The Committee meets monthly and considers an investment proposal, along with information on the current cash position, cash flow projections and surplus funds available to invest together with the proposed counterparties and their credit ratings.

52 The table below shows the value of IMO's short-term deposit placements at 31 December 2014 split by maturity date:

	IMO	
	GBP	USD
<b>Maturity</b>		
January	12,583,920	4,204,565
February	14,321,465	6,079,664
March	5,433,471	5,629,121
<b>Total short term deposits</b>	<b>32,338,856</b>	<b>15,913,350</b>

53 There was no impairment of short-term deposits as at 31 December 2014.

54 The consolidated figure for other cash and cash equivalents includes two investments in Malta Government stocks totalling £11,601, being stocks with a nominal value of €1,500 at 4.5% maturing in 2017 and paying interest in May and November; and stocks with a nominal value of €12,000 at 5.25% maturing in 2030 and paying interest in June and December. The annual implied interest rate for these investments is 3.88% and 4.8% respectively, and both investments are held as being available for sale.

**Note 2.2: Contributions Receivable**

	<b>IMO</b>		<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>GBP</b>		<b>GBP</b>	
<b>Composition:</b>				
Member States	328,803	122,663	328,803	122,663
Donor contributions	468,480	1,058,087	470,947	1,065,593
<b>Total Contributions Receivable</b>	<b>797,283</b>	<b>1,180,750</b>	<b>799,750</b>	<b>1,188,256</b>

55 All contributions receivable, whether for Member States' assessments or donor contributions, relate to non-exchange transactions.

	<b>IMO</b>		<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>GBP</b>		<b>GBP</b>	
Member States' assessments due	1,117,251	853,257	1,117,251	853,257
<b>Total Contributions Receivable before allowance</b>	<b>1,117,251</b>	<b>853,257</b>	<b>1,117,251</b>	<b>853,257</b>
Fair value adjustments	(433,384)	(375,530)	(433,384)	(375,530)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
<b>Net Contributions Receivable</b>	<b>328,803</b>	<b>122,663</b>	<b>328,803</b>	<b>122,663</b>

56 The following table illustrates the composition of Member States' receivables only.

	<b>IMO</b>				<b>Consolidated</b>			
	<b>2014</b>		<b>2013</b>		<b>2014</b>		<b>2013</b>	
	<b>GBP</b>	<b>%</b>	<b>GBP</b>	<b>%</b>	<b>GBP</b>	<b>%</b>	<b>GBP</b>	<b>%</b>
<b>Year of assessment:</b>								
2014	337,936	30	-	-	337,936	30	-	-
2013	85,036	8	151,113	18	85,036	8	151,113	18
2012	52,927	5	61,314	7	52,927	5	61,314	7
2011 and earlier	641,352	57	640,830	75	641,352	57	640,830	75
<b>Nominal value of assessments receivable</b>	<b>1,117,251</b>	<b>100</b>	<b>853,257</b>	<b>100</b>	<b>1,117,251</b>	<b>100</b>	<b>853,257</b>	<b>100</b>

57 Historical experience has shown that assessments due from Member States are highly likely to be settled in full at some point in the future, with no write-offs having been authorised in this regard since the inception of the Organization. However, because there is significant uncertainty surrounding the timing of future cash flows from such receivables, an adjustment is required to show these amounts at fair value.

58 The movements of the allowance for fair value adjustment and doubtful accounts during 2014 are as follows:

	Opening Balance 1.1.2014	Increase/ (Decrease)	Closing Balance 31.12.2014
	GBP		
<b>Fair value adjustment for Member States' arrears - IMO</b>	375,530	57,854	433,384
<b>Fair value adjustment for Member States' arrears - Consolidated</b>	375,530	57,854	433,384
<b>Total allowance for doubtful accounts - IMO</b>	355,064	-	355,064
<b>Total allowance for doubtful accounts - Consolidated</b>	355,064	-	355,064

59 As at 31 December 2014 there were a total of 41 Member States with outstanding balances. Of these, 35 had current year and prior year balances only. The remaining six had arrears prior to 2012. No Member State had an agreed payment plan in place for outstanding arrears as at 31 December 2014. For the Member States in arrears and without such an agreement, an approximation is made based on historical experience – for those Member States which had arrears extending only to the current year and prior year, no fair value adjustment is made. For the remaining Member States with arrears for 2012 and earlier, it was assumed that the eventual cash flows will be sufficiently far in the future that the present value of those cash flows after discounting is approximately zero.

60 The settlement of the former Socialist Federal Republic of Yugoslavia (SFRY) arrears of £355,064 continues to depend on the results of ongoing negotiations at the United Nations regarding succession issues. The Governments of the successor States of the former SFRY have requested the United Nations to write off all debts of the former SFRY relating to their contributions to the United Nations and its specialized agencies and programmes. The United Nations had taken the view that, in accordance with the general rules of international law regarding the succession of States in respect of State debts, the United Nations has the right to seek payment of all or part of the pre-dissolution arrears from the five successor States of the former Yugoslavia. Despite requests for the debt to be written off, the United Nations has refused to do so. The precise amount owing by each of SFRY's five successor States has not as yet been determined by the United Nations. Until this issue is settled by the United Nations, the Secretariat is not in a position to pursue the recovery of the outstanding amount, and the Secretariat's policy in this regard is consistent with prior years and the approach taken by the United Nations.

61 Contributions receivable from donors include: amounts due but not yet received under signed donor agreements, other than those amounts for future periods dependent on the successful completion of earlier phases of work.

62 Contributions receivable from donors are shown net of contributions adjustments related to allowance for doubtful accounts based on an individual review of each receivable. Amounts due beyond 2015 are discounted based on likely timings of such future cash flows. A review of amounts due as at 31 December 2014 indicated that no such adjustments were required on outstanding balances.

63 In the case of both Member State assessments and donor contributions due, adjustments are made to better reflect the fair value of the receivables in the financial statements but constitute neither a formal write-off of the receivable nor a releasing of the third party from their obligation.

**Note 2.3: Inventories**

	<b>IMO</b>		<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>GBP</b>		<b>GBP</b>	
IMO publications	853,222	745,670	853,222	745,670
Model courses	26,340	10,847	26,340	10,847
Public relations articles	-	-	24,492	26,710
<b>Total Inventories</b>	<b>879,562</b>	<b>756,517</b>	<b>904,054</b>	<b>783,227</b>

**Inventories reconciliation**

	<b>2014</b>	<b>2013</b>
	<b>GBP</b>	
Opening inventories	756,517	712,626
Purchases	1,145,258	1,184,597
<b>Total inventories available for sale</b>	<b>1,901,775</b>	<b>1,897,223</b>
Cost of sales	(964,897)	(1,015,068)
Cost of free distributions	(42,658)	(33,295)
Adjustments following physical inventory count	3,329	(1,167)
Write-off of publications	(7,285)	(49,031)
Impairment loss of publications	(10,702)	(42,145)
<b>Total inventories</b>	<b>879,562</b>	<b>756,517</b>

	<b>Opening Balance 01.01.14</b>	<b>Utilization</b>	<b>Increase</b>	<b>Closing Balance 31.12.14</b>
	<b>GBP</b>			
Allowance for impairment - obsolete books	42,154	(42,136)	10,702	10,720
<b>Total allowance</b>	<b>42,154</b>	<b>(42,136)</b>	<b>10,702</b>	<b>10,720</b>

64 A periodic review indicated no need for an allowance for impairment for slow-moving titles at any point during the year.

65 Inventory quantities are validated by physical stock counts and valued at weighted average cost including transportation and delivery costs.

66 The Organization does not hold any specific item of inventory for the purpose of distributing free of charge. While a small number of copies of various publications are distributed 'free of charge' from time to time under specific conditions, these free copies constitute an insignificant percentage (typically less than 5%) of the total books distributed. Consequently the valuation of inventory as a whole may reasonably be made on the basis of the lower of cost or (commercial) net realizable value.

67 Inventories include consignment stock held at distributor premises for which the Organization continues to bear the risk and reward until the point of sale by the distributor. The value of the consignment stock as at 31 December 2014 held at distributor premises amounts to £95,967 (2013: £100,165) of which £95,573 (2013: £99,928) is for IMO Publications and £394 (2013: £237) for Model Courses.

68 As at 31 December 2014, WMU held inventory of public relations articles valued at £24,492 (2013:£26,710).

#### Note 2.4: Advances to Sub-Contractors

69 Advances to sub-contractors are payments made under contract with regional bodies and similar organizations which, acting as implementing agents, deliver technical cooperation programmes on the Organization's behalf. These advances are then offset against approved expenditure reports as the contract is delivered. In addition, advances made to UNDP to deliver regional services on the Organization's behalf, through the Service Clearing Account arrangement, are also considered to be advances to sub-contractors. The outstanding advances at the end of the period were to:

	IMO	
	2014	2013
	GBP	
COCATRAM	37,656	41,161
REMPEITC-CARIB	23,729	15,739
SACEP	21,022	23,875
Other	33,385	69,841
	<b>115,792</b>	<b>150,616</b>

#### Note 2.5: Other Receivables

	IMO		Consolidated	
	2014	2013	2014	2013
<b>Relating to exchange transactions</b>				
Advances to vendors	56,435	21,339	315,066	306,724
Advances to staff	814,877	794,148	817,789	794,500
Taxes recoverable	809,461	327,952	858,427	369,946
Fellowships	-	-	294,630	83,342
Miscellaneous	138,080	486,432	449,711	737,004
	<b>1,818,853</b>	<b>1,629,871</b>	<b>2,735,623</b>	<b>2,291,516</b>
<b>Relating to non-exchange transactions</b>				
Fellowships	-	-	30,025	-
Taxes recoverable	-	-	10,043	8,656
Other	-	-	14,437	5,064
	<b>-</b>	<b>-</b>	<b>54,505</b>	<b>13,720</b>
<b>Total Other Receivables</b>	<b>1,818,853</b>	<b>1,629,871</b>	<b>2,790,128</b>	<b>2,305,236</b>

70 Advances to vendors are for payments in advance of goods and service delivery.

71 Advances to staff are for Education Grants, travel and other staff entitlements made in accordance with the Staff Regulations and Staff Rules. The most significant are shown below:

IMO	Consolidated
-----	--------------

	2014	2013	2014	2013
	GBP		GBP	
<b>Advances to staff</b>				
Education Grant advance	613,064	593,631	613,064	593,631
Season ticket loan	42,480	41,600	42,480	41,600
Home leave prepayment	84,273	73,580	84,273	73,779
Others	75,060	85,337	77,972	85,490
<b>Total</b>	<b>814,877</b>	<b>794,148</b>	<b>817,789</b>	<b>794,500</b>

72 Education Grant advances are paid annually to eligible staff and are amortized over the academic year for expenditure recognition purposes.

73 Season ticket loans to staff are typically recovered through eleven equal deductions from the payroll.

74 Eligible staff receive one home leave travel entitlement in a two year period, the costs of which are spread over that two year period, which may result in a prepayment where staff travel in the first year of their entitlement or an accrual where travel is primarily to be taken in the second year of entitlement.

75 Taxes recoverable are VAT, airport tax, insurance premium tax and environment tax, which are recoverable from the government of the host country under the terms of the relevant host country agreement.

76 Fellowships are due at the start of the school term upon arrival and confirmation of physical presence of the student.

77 The miscellaneous category includes amounts due under sub-letting agreements (where IMO manages the office space and recovers from third parties), students' advances and insurance claims in respect of WMU and bank interest receivable for IMLI.



**Note 2.6: Property, Plant and Equipment****Asset category – IMO**

	<b>Assets Under Construction</b>	<b>Communication &amp; IT equipment</b>	<b>Conference equipment</b>	<b>Vehicles</b>	<b>Furniture &amp; fixtures</b>	<b>Leased equipment</b>	<b>Miscellaneous</b>	<b>Total</b>
<b>Cost</b>	<b>GBP</b>							
Opening Balance 01.01.2014	<b>50,058</b>	<b>2,409,235</b>	<b>710,589</b>	<b>146,471</b>	<b>564,315</b>	<b>226,924</b>	<b>47,618</b>	<b>4,155,210</b>
Adjustments	-	657	-	-	-	-	-	<b>657</b>
Additions	440,143	79,814	-	19,300	6,577	-	25,721	<b>571,555</b>
Disposals	-	(1,389)	-	(16,734)	-	-	(11,035)	<b>(29,158)</b>
Donation of Assets	(467,449)	-	-	-	-	-	-	<b>(467,449)</b>
<b>Closing Balance 31.12.2014</b>	<b>22,752</b>	<b>2,488,317</b>	<b>710,589</b>	<b>149,037</b>	<b>570,892</b>	<b>226,924</b>	<b>62,304</b>	<b>4,230,815</b>
<b>Accumulated Depreciation</b>								
Opening Balance 01.01.2014	-	<b>(1,717,844)</b>	<b>(663,536)</b>	<b>(99,784)</b>	<b>(511,994)</b>	<b>(90,129)</b>	<b>(39,746)</b>	<b>(3,123,033)</b>
Adjustments	-	(74)	-	-	-	-	-	<b>(74)</b>
Disposals	-	764	-	16,734	-	-	11,035	<b>28,533</b>
Depreciation charge for the year	-	(341,029)	(8,999)	(26,608)	(17,325)	(52,307)	(3,702)	<b>(449,970)</b>
<b>Closing Balance 31.12.2014</b>	<b>-</b>	<b>(2,058,183)</b>	<b>(672,535)</b>	<b>(109,658)</b>	<b>(529,319)</b>	<b>(142,436)</b>	<b>(32,413)</b>	<b>(3,544,544)</b>
<b>Net Book Value</b>								
Opening Balance 01.1.2014	50,058	691,391	47,053	46,687	52,321	136,795	7,872	1,032,177
<b>Closing Balance 31.12.2014</b>	<b>22,752</b>	<b>430,134</b>	<b>38,054</b>	<b>39,379</b>	<b>41,573</b>	<b>84,488</b>	<b>29,891</b>	<b>686,271</b>

78 Property, plant and equipment are capitalized if their cost is greater than or equal to the threshold limit set at £500. The asset's value, less any estimated disposal price, is depreciated over the asset's estimated useful life using the straight line method. The threshold level is reviewed periodically.

79 Assets are reviewed annually to determine if there is any impairment in their value. During 2014, six items of property, plant and equipment were disposed of, primarily due to obsolescence. Four of the disposed items were fully depreciated at the time of disposal, with one realising proceeds of £1,257. The remaining two items had a net book value on disposal of £625 with one of them being replaced by the supplier under warranty. No assets held at the end of the year were deemed to be impaired.

80 The IMO Headquarters building is not part of property, plant and equipment as the IMO is a tenant in the building under a lease which is deemed to be an operating lease under the provisions of IPSAS 13. Further disclosures on the treatment of this lease are provided in Note 2.11.2.

81 The balance at year-end also reflects assets under construction in the field, most notably Search and Rescue (SAR) equipment in the Republic of the Congo as part of an ongoing programme to support the region in this respect. Provision of these assets is in line with the Organization's objectives. Control is transferred to the relevant third party on completion of the project, therefore SAR assets currently in construction remain under the Organization's control at year-end.

	Asset category – consolidated							Total
	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	
<b>Cost</b>	<b>GBP</b>							
Opening Balance 01.01.2014	50,058	2,839,067	710,589	242,272	670,299	226,924	131,635	4,870,844
Adjustments	-	657	-	-	-	-	-	657
Additions	440,143	125,095	-	19,300	8,459	-	37,578	630,575
Disposals	-	(5,970)	-	(16,734)	-	-	(11,035)	(33,739)
Donation of Assets	(467,449)	-	-	-	-	-	-	(467,449)
Movements as a result of exchange differences	-	22,486	-	(1,905)	1,973	-	(2,741)	19,813
<b>Closing Balance 31.12.2014</b>	<b>22,752</b>	<b>2,981,335</b>	<b>710,589</b>	<b>242,933</b>	<b>680,731</b>	<b>226,924</b>	<b>155,437</b>	<b>5,020,701</b>
<b>Accumulated Depreciation</b>								
Opening Balance 01.01.2014	-	(2,012,164)	(663,536)	(180,175)	(609,428)	(90,130)	(93,660)	(3,649,093)
Adjustments	-	(74)	-	-	-	-	-	(74)
Disposals	-	3,814	-	16,734	-	-	11,035	31,583
Depreciation charge for the year	-	(441,676)	(8,999)	(36,861)	(20,814)	(52,307)	(20,392)	(581,049)
Movements as a result of exchange differences	-	(18,357)	-	1,673	(1,834)	-	2,504	(16,014)
<b>Closing Balance 31.12.2014</b>	<b>-</b>	<b>(2,468,457)</b>	<b>(672,535)</b>	<b>(198,629)</b>	<b>(632,076)</b>	<b>(142,437)</b>	<b>(100,513)</b>	<b>(4,214,647)</b>
<b>Net Book Value</b>								
Opening Balance 01.1.2014	50,058	826,903	47,053	62,097	60,871	136,794	37,975	1,221,751
<b>Closing Balance 31.12.2014</b>	<b>22,752</b>	<b>512,878</b>	<b>38,054</b>	<b>44,304</b>	<b>48,655</b>	<b>84,487</b>	<b>54,924</b>	<b>806,054</b>

82 The total value reported under "Miscellaneous" as at 31 December 2014 includes the reference library of £12,055 (2013:£17,424) held by IMLI, with additional reference texts being capitalized and depreciated over a period of three years.

83 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £3,799 (2013:£5,212) resulting from the change in value of the US dollar and Euro respectively from 1 January to 31 December 2014. Opening balances are presented at the exchange rate applicable on 1 January 2014 and closing balances at the rate applicable on 31 December 2014, while depreciation charges, additions and disposals for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

84 The City of Malmö provides leasing free of rent and maintenance for the WMU teaching and administration building. In kind contributions of services are not recognized in WMU's financial statements. The buildings used by IMLI are not included as the Institute has the bare use of the premises. The University of Malta and the Government of Malta have made the building available for use by the Institute for 15 years under the terms of an agreement dated 26 May 1988. The Government of Malta has since extended the period for a further 25 years and it reimburses the repair and maintenance costs up to approximately £7,236 (2013:£7,641).

## Note 2.7: Intangible Assets

	Asset category - IMO		
	Assets Under Construction	Externally purchased software	Total
<b>Cost</b>	<b>GBP</b>		
Opening Balance 01.01.2014	<b>80,645</b>	<b>1,931,568</b>	<b>2,012,213</b>
Additions	<b>113,634</b>	<b>64,700</b>	<b>178,334</b>
Transfers	(42,841)	42,841	-
<b>Closing Balance 31.12.2014</b>	<b>151,438</b>	<b>2,039,109</b>	<b>2,190,547</b>
<b>Accumulated Amortization</b>			
Opening Balance 01.01.2014	-	<b>(1,782,321)</b>	<b>(1,782,321)</b>
Amortization charge for the year	-	(98,939)	<b>(98,939)</b>
<b>Closing Balance 31.12.2014</b>	<b>-</b>	<b>(1,881,260)</b>	<b>(1,881,260)</b>
<b>Net Book Value</b>			
Opening Balance 01.01.2014	80,645	149,247	229,892
<b>Closing Balance 31.12.2014</b>	<b>151,438</b>	<b>157,849</b>	<b>309,287</b>

85 Purchased intangible assets are capitalised if their cost is greater than or equal to the threshold of £500, with the exception of internally developed software where the threshold is £50,000 in view of the complexity in accurately assigning costs for development projects below this amount. The capitalized value of the internally developed software excludes those costs related to research and maintenance.

86 The costs recognized as assets under construction relate to development work on the implementation of additional SAP functionalities, Sharepoint and the development of the

Organization's Globallast and IMO Kid's websites. To the extent that the development work for these projects is undertaken by external resource, the identification and assignment of such costs can be readily identified from payment schedules and project milestones, with the completed asset under construction being transferred to Externally Purchased Software at the point of go-live.

Cost	Asset category - Consolidated		
	Assets Under Construction	Externally purchased software	Total Group
	GBP		
Opening Balance 01.01.2014	<b>80,645</b>	<b>1,982,190</b>	<b>2,062,835</b>
Additions	113,634	72,860	<b>186,494</b>
Transfers	(42,841)	42,841	-
Movements as a result of exchange rate difference	-	3,721	<b>3,721</b>
<b>Closing Balance 31.12.2014</b>	<b>151,438</b>	<b>2,101,612</b>	<b>2,253,050</b>
<b>Accumulated Amortization</b>			
Opening Balance 01.01.2014	-	<b>(1,808,747)</b>	<b>(1,808,747)</b>
Amortization charge for the year	-	(111,639)	<b>(111,639)</b>
Movements as a result of exchange rate difference	-	(2,384)	<b>(2,384)</b>
<b>Closing Balance 31.12.2014</b>	-	<b>(1,922,770)</b>	<b>(1,922,770)</b>
<b>Net Book Value</b>			
Opening Balance 01.01.2014	80,645	173,443	254,088
<b>Closing Balance 31.12.2014</b>	<b>151,438</b>	<b>178,842</b>	<b>330,280</b>

87 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £1,337 (2013: £163) resulting from the change in value of the US dollar from 1 January to 31 December 2014. Opening balances are presented at the exchange rate applicable on 1 January 2014 and closing balances at the rate applicable on 31 December 2014, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

88 Neither IMO nor the consolidated group has made any disposals of externally purchased software during 2014.

**Note 2.8: Payables and Accruals**

	<b>IMO</b>		<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>GBP</b>		<b>GBP</b>	
<b>Relating to exchange transactions</b>				
Payable to vendors	1,226,155	420,302	1,215,504	539,585
Payable to staff	43,758	20,034	43,759	20,034
Accruals	1,639,759	1,591,980	1,708,805	1,674,445
Fellowships	-	-	223,971	217,404
Other	-	-	560	595
	<b>2,909,672</b>	<b>2,032,316</b>	<b>3,192,599</b>	<b>2,452,063</b>
<b>Relating to non-exchange transactions</b>				
Fellowships	-	-	2,635,972	2,273,910
Contributions Incentive Scheme	1,415,584	1,518,099	1,415,584	1,518,099
Advance contributions	1,873,035	1,636,249	2,462,492	2,198,586
Condition on donor contributions	306,922	175,530	306,922	175,530
Payable to donors	77,735	103,886	189,361	301,267
Others	-	230,639	339,564	449,739
	<b>3,673,276</b>	<b>3,664,403</b>	<b>7,349,895</b>	<b>6,917,131</b>
<b>Total Payables and Accruals</b>	<b>6,582,948</b>	<b>5,696,719</b>	<b>10,542,494</b>	<b>9,369,194</b>

89 Payables to vendors relate to amounts due for goods and services for which invoices have been received.

90 Accruals represent estimates for the value of goods or services received, which have not yet been invoiced and for which the cost is not yet certain, most notably the provision of utilities and services delivered through the UNDP Service Clearing Account (SCA), and liabilities for goods and services received or provided to IMO during the period under agreed contracts but which have not yet been invoiced.

91 Under the Contributions Incentive Scheme (CIS) a part of the interest earned on the General Fund is returned to Member States, the allocation being based on a points system reflecting the timing and amount of the receipt of their current year assessments. At the 28th session of the Assembly in 2013, a timetable was agreed for distributing the accumulated balance in accordance with the instructions of individual Member States. During 2014, the Secretariat began the process of distributing the accumulated earnings for the years 2006 to 2013 in accordance with Assembly resolution A.1066(28). A total of £151,717 was distributed in 2014 of which £48,882 was applied against the annual assessment, £92,835 was voluntarily donated to IMO Funds; and £10,000 to the Philippines Typhoon Haiyan Relief Fund. Those remaining Members with earnings due after these distributions have been requested to provide their instructions for distribution by 31 March 2015. The distribution will be completed during 2015.

92 Advance contributions reflect balances received from Member States during 2014 towards the 2015 assessed contributions.

93 Payables to donors represent the balance of unspent contributions for projects pending refund.

94 The Organization recognizes as a liability conditions attached to certain voluntary contributions. Conditions may be imposed by donors on the use of contributions, and include

both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As IMO satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized. The value of the most significant condition balances is shown below.

	IMO		Consolidated	
	2014	2013	2014	2013
	GBP		GBP	
<b>Condition on donor contributions</b>				
European Commission – Support FSI on PSC in Africa	241,214	-	241,214	-
NORAD	65,708	61,730	65,708	61,730
European Commission - GHG Study	-	66,759	-	66,759
European Commission - Malacca and Singapore Straits Fund	-	23,446	-	23,446
ROPME-MEMAC	-	23,595	-	23,595
<b>Total</b>	<b>306,922</b>	<b>175,530</b>	<b>306,922</b>	<b>175,530</b>

95 Fellowships and donations received and accrued for the academic year 2014/2015 relating to WMU and IMLI are apportioned over the period of the academic year. The amounts received or accrued in respect of that part of the academic year falling in 2015 are disclosed as advance receipts.

#### Note 2.9: Provisions and Warranties

	IMO		Consolidated	
	2014	2013	2014	2013
	GBP		GBP	
Publication sales warranties	69,100	69,765	69,100	69,765
<b>Total provisions and warranties</b>	<b>69,100</b>	<b>69,765</b>	<b>69,100</b>	<b>69,765</b>

	Opening Balance 01.01.14	Utilization	Increase	Closing Balance 31.12.14
	GBP			
IMO				
Publications	69,000	(73,587)	72,387	67,800
Model Courses	765	(3,969)	4,504	1,300
<b>Total allowance</b>	<b>69,765</b>	<b>(77,556)</b>	<b>76,891</b>	<b>69,100</b>

96 The Organization's sales of publications are primarily made through a network of distributors rather than directly to end users. The Organization has an established practice that, on publication of a new version of any title, distributors may return unsold copies of the previous version with the credit being set against purchases of the new title. A warranty

provision has been established to reflect possible future returns of sales made during the year, the level of provision being based on the level of sales in the year and past experience of return levels.

### Note 2.10: Employee Benefits

#### IMO

	2014			2013
	Actuarial Valuation	IMO Estimates	Total	Total
	GBP			GBP
Short-term employee benefits	-	123,286	<b>123,286</b>	84,152
Post-employment benefits	33,248,775	-	<b>33,248,775</b>	31,698,634
Other long-term employee benefits	1,364,362	-	<b>1,364,362</b>	1,394,357
Termination benefits	-	83,032	<b>83,032</b>	250,954
<b>Total Employee Benefits Liabilities</b>	<b>34,613,137</b>	<b>206,318</b>	<b>34,819,455</b>	<b>33,428,097</b>

	2014					2013
	Short Term Employee Benefits	Post-Employment Benefits	Other Long-Term Employee Benefits	Termination Benefits	Total	Total
	GBP					GBP
<b>Composition:</b>						
Current	123,286	-	-	83,032	<b>206,318</b>	217,683
Non-current	-	33,248,775	1,364,362	-	<b>34,613,137</b>	33,210,414
<b>Total Employee Benefits Liabilities</b>	<b>123,286</b>	<b>33,248,775</b>	<b>1,364,362</b>	<b>83,032</b>	<b>34,819,455</b>	<b>33,428,097</b>

#### Consolidated

	2014			2013
	Actuarial Valuation	Group Estimates	Total	Total
	GBP			GBP
Short-term employee benefits	-	153,550	<b>153,550</b>	95,508
Post-employment benefits	33,248,775	253,006	<b>33,501,781</b>	31,898,652
Other long-term employee benefits	1,364,362	162,977	<b>1,527,339</b>	1,599,628
Termination benefits	-	83,032	<b>83,032</b>	250,954
<b>Total Employee Benefits Liabilities</b>	<b>34,613,137</b>	<b>652,565</b>	<b>35,265,702</b>	<b>33,844,742</b>



	2014 Consolidated					2013
	Short Term Employee Benefits	Post-Employment Benefits	Other Long-Term Employee Benefits	Termination Benefits	Total	Total
	GBP					GBP
<b>Composition:</b>						
Current	153,550	-	-	83,032	<b>236,582</b>	229,039
Non-current	-	33,501,781	1,527,339	-	<b>35,029,120</b>	33,615,703
<b>Total Employee Benefits Liabilities</b>	<b>153,550</b>	<b>33,501,781</b>	<b>1,527,339</b>	<b>83,032</b>	<b>35,265,702</b>	33,844,742

97 In determining its post-employment liabilities, WMU used an estimate of the travel and shipment costs based on the prevailing market prices from the duty station to the home country to which the staff member and eligible dependants, if any, are entitled to return. The amount of the liability for the unused annual leave as at the reporting date was calculated based on the balance of unused annual leave days (up to a maximum of 30 days) and the current salary rate of the staff member. The employee benefits for home leave represents the amounts accrued for the year with the cost spread over two years.

#### 2.10.1: Valuation of Employee Benefits Liabilities

98 Employee benefits liabilities are determined by professional actuaries or calculated by IMO based on personnel data and past payment experience. At 31 December 2014, total employee benefits liabilities amounted to £34,819,454 (2013:£33,428,097), of which £34,613,137 (2013:£33,092,991) was calculated by the actuaries and £206,317 (2013:£335,106) was calculated by IMO. With effect from 2012 and in line with Assembly resolution A.991(25) long-term employee benefit liabilities previously allocated among donor funds on the basis of headcount have been allocated to the Organization's Termination Benefit Fund. Moreover, from 2014 the defined benefit liabilities relating to staff members under the Trading Fund have been transferred, along with matching assets, to the Termination Benefit Fund as established in Assembly resolution A.1063 (28). Actuarial valuations are undertaken every two years, the most recent being completed as at 31 December 2013.

#### 2.10.2: Short-Term Employee Benefits

99 Short-term employee benefits comprise mainly wages and payroll related allowances, first time employee benefits, education grant related benefits and other benefits such as paid annual leave and sick leave.

100 Short-term employee benefits are expected to be settled within 12 months after the end of the period in which the employees render the related service and are measured at their nominal values based on past payment experience.

#### 2.10.3: Post-Employment Benefits

101 Post-employment benefits are defined benefit plans consisting of United Nations Joint Staff Pension Fund (UNJSPF), After-Service Health Insurance Plan (ASHI) and repatriation grant and related benefits.

102 Arrangements relating to the UNJSPF are set out in Note 2.10.6.

103 ASHI is a plan that allows eligible retirees and their eligible family members to participate in the Cigna, formerly Van Breda Medical Scheme, for 50% of the cost of the contribution of active staff members for the defined type of coverage. The Organization subsidizes the remaining amount of the premium to be paid to the third party insurer. Membership of Cigna is compulsory for all new employees, although participation in the ASHI scheme after retirement is voluntary. Cigna is the main third party insurance provider for ASHI benefits; however, there are still a small number of retirees covered by the former insurer, BUPA. From 2 February 2015 Van Breda became Cigna, this is only a change in name and does not have an effect on the existing medical scheme for active employees or the ASHI coverage and the associated benefits.

104 Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and shipment of their personal effects. The Organization pays the amounts due for repatriation grant, travel and relocation expenses for the entitled staff members.

105 The liabilities include the current service costs and the interest costs for 2014, less benefit payments made and, where applicable, plan participants' contributions.

#### ***2.10.4: Other Long-Term Employee Benefits***

106 Other long-term employee benefits include accrued unused annual leave and, where applicable, compensation payments in the case of death, injury or illness attributable to performance of duties.

107 Although annual leave is a short-term employee benefit, the right to receive payment for unused annual leave and, consequently, the Organization's liability for this balance, is shown as a long-term employee benefit as that right only crystallizes on separation, typically more than twelve months from the reporting date.

#### ***2.10.5: Termination Employee Benefits***

108 Termination benefits include the expected costs the Organization will bear for the termination of the contract of an employee as per the detailed formal plan in place at the reporting date.

109 In December 2013, the 18th Conference of the Parties to the Barcelona Convention (COP 18) met to consider, inter alia, actions necessary to address the financial difficulties of the Mediterranean Trust Fund (MTF) in recent years, and to ensure that a robust financial framework was in place to avoid such issues recurring. The REMPEC centre, based in Malta and administered by IMO, receives funding for its work under the Mediterranean Action Plan (MAP) through the MTF and consequently the long-term financial and operational model for REMPEC formed a part of the considerations at COP18. The meeting agreed that REMPEC should continue to be administered by IMO, but that some streamlining of the Centre was necessary to enhance its long-term financial sustainability. The decisions of the COP therefore included a budget for the MAP which contained funds set aside for implementing the streamlining of the Centre, and a revised staffing list for REMPEC to be implemented over the 2014-2015 biennium.

110 As a result of that decision, a formal plan was developed of four staff members, three to be undertaken by June 2014 and the other by January 2015, with termination indemnity payments to be made in accordance with IMO's established Staff Regulations and Staff Rules. The three staff members who separated in June 2014 received payments totalling £129,224. As at 31 December 2014 there was a realistic possibility of alternative arrangements being

made with respect to the fourth employee and, therefore, the remaining balance of the liability for £121,730 is no longer required under IPSAS 25.

111 There is, nevertheless, a liability for the benefits to be settled in 2015 for staff whose contracts terminated in 2014 and for a staff member separating from the Organization in 2015.

### **2.10.6: Actuarial Valuations of Post-Employment and Other Separation Related Benefits**

112 Liabilities arising from post-employment benefits and other long-term employee benefits (i.e. accrued unused annual leave) are determined by consulting actuaries using the Projected Unit Credit Method. These employee benefits are established for those staff members who are entitled to such benefits under the IMO Staff Regulations and Staff Rules. Actuarial valuations are undertaken every two years, the most recent being completed as at 31 December 2013.

#### **2.10.6.1: Actuarial Assumptions and Methods**

113 During each actuarial study, IMO, in conjunction with the actuary, reviews and selects assumptions that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for IMO's after-service benefit plans (post-employment benefits and unused accrued annual leave). For the 2013 valuation, the assumptions used are as described in the table below.

114 Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms.

115 The following assumptions have been used to estimate the value of the post-employment and accrued unused annual leave employee liabilities for IMO as at 31 December 2014 based on the expenditure projections for the reporting period.

<b>GENERAL</b>	
Baseline Discount Rate	4.90% p.a. as of 31 December 2014 4.90% p.a. as of 31 December 2013
General Inflation	3.60% p.a. as of 31 December 2014 3.60% p.a. as of 31 December 2013
Accounting Expected Return on Assets	Not applicable, no assets held
Mortality	Pre-retirement: Age related scale, indicative rates for age 55 - 0.26% for males and 0.11% for females  Post-retirement: Age related scale, indicative rates at 31 December 2007 for age 65 => 0.61% male retirees and spouses and 0.46% female retirees and spouses  Post-retirement mortality improvement: Assumed to apply over a 20 year period from 2007. For males the rates of improvement are 2% per annum for those under 70, reducing to nil for those over 95. For females the rates of improvement are 2% per annum for those under 60 reducing to nil for those over 90
Withdrawal Rates	Vary according to age, gender and length of service, with different rates applying to professional and general service staff.

<b>GENERAL (continued)</b>					
Retirement Rates	Vary according to age, gender and length of service, with different rates applying to professional and general service staff and staff joining before and after 1 January 1990				
	The tables for mortality, withdrawal rate and retirement rates above are based on those used for the valuation of the UN Joint Staff Pension Fund (UNJSPF) as at 31 December 2011				
<b>Assumptions used to value the ASHI Scheme</b>					
Participation after retirement	95% of eligible members are assumed to continue coverage after retirement. It is assumed that coverage will not be dropped once elected.				
Spouses	For current employees it is assumed that 60% will elect for coverage for their spouses at retirement. Males are assumed to be three years older than their spouse				
Healthcare trend increases	31 December 2014: Declining from 8% p.a. in 2012 to 4.5% per annum from 2027 onwards 31 December 2013: Declining from 8% p.a. in 2012 to 4.5% per annum from 2027 onwards				
Ageing increases	3.5% p.a. for those under 65, 2.5% p.a. for those between 65 and 70 reducing in five year age bands to nil for those over age 90				
<b>Assumptions used to value Repatriation Benefits</b>					
Participation	All eligible employees will receive the benefit on separation from service				
Aged related salary scale	<table> <tr> <th>31 December 2014</th><th>31 December 2013</th></tr> <tr> <td>Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff</td><td>Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff</td></tr> </table>	31 December 2014	31 December 2013	Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff	Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff
31 December 2014	31 December 2013				
Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff	Reducing from 10.2% at age 20 to 5.1% at age 60 for professional staff and 8.0% at 20 to 5.1% at age 65 for general services staff				
Repatriation travel costs	Assumed to be £6,000 and to increase in line with general inflation assumption				
<b>Assumptions used to value Annual Leave Plan</b>					
Participation	All eligible employees will receive the benefit on separation from service				
Salary increases	As for repatriation benefit				
Increases in annual leave balance	Based on completed service – 15% for 1 year, 6.5%p.a. for 2-6 years and 0.1% p.a. thereafter.				

116 The following tables provide additional information and analysis on employee benefits liabilities calculated by actuaries.

**2.10.6.2: Reconciliation of Defined Benefit Obligation**

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
<b>GBP</b>				
Defined Benefit Obligation as at 01.01.2014	28,868,716	2,829,918	1,394,357	33,092,991
Service cost for 2014	912,000	(43,519)	143,000	1,011,481
Interest cost for 2014	1,402,000	134,000	60,000	1,596,000
Actuarial Loss/(gain)	-	-	-	-
Actual gross benefit payments for 2014	(549,152)	(305,188)	(232,995)	(1,087,335)
Defined Benefit Obligation as at 31.12.2014	30,633,564	2,615,211	1,364,362	34,613,137

**2.10.6.3: Annual Expense for Calendar Year 2014**

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
<b>GBP</b>				
Service cost	912,000	(43,519)	143,000	1,011,481
Interest cost	1,402,000	134,000	60,000	1,596,000
Actuarial Loss/(gain)	-	-	-	-
<b>Total Expense recognized in 2014</b>	<b>2,314,000</b>	<b>90,481</b>	<b>203,000</b>	<b>2,607,481</b>

117 None of the employee benefits liabilities associated with WMU and IMLI have been subject to actuarial estimate, and consequently the table above reflects both the IMO and consolidated positions.

**2.10.6.4: Summary of Prior Year Amounts**

118 The cumulative amount presented in the statement of changes in net assets/equity is that generated as a result of the actuarial valuation carried out in 2013.

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Actuarial Losses/(Gains) as at 01.01.2014	7,151,947	(718,706)	157,374	6,590,615
Actuarial Losses/(Gains) in 2014	-	-	-	-
Actuarial Losses/(Gains) as at 31.12.2014	7,151,947	(718,706)	157,374	6,590,615

119 Actuarial gains and losses comprise experience adjustments for the difference between the previous actuarial assumptions and what actually happened; and the effects of changes in actuarial assumptions.

120 As no actuarial study was conducted at 31 December 2014, the assumptions underlying the liability remain unchanged and consequently there are no actuarial gains or losses for the year.

IMO	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
<b>ASHI</b>	<b>GBP</b>				
Present Value of Defined Benefit Obligation	30,633,564	28,868,716	25,687,867	24,254,786	17,675,179
Experience (gain)/loss on Scheme Liabilities	-	(1,079,154)	-	264,822	-
Loss on changes in assumptions used to value Scheme liabilities	-	2,805,279	-	5,161,000	-
<b>IMO</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Repatriation</b>	<b>GBP</b>				
Present Value of Defined Benefit Obligation	2,615,211	2,829,918	2,728,950	2,591,269	3,196,114
Experience loss/(gain) on Scheme Liabilities	-	18,337	-	(864,114)	-
(Gain)/loss on changes in assumptions used to value Scheme liabilities	-	(20,929)	-	148,000	-
<b>IMO</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Annual Leave</b>	<b>GBP</b>				
Present Value of Defined Benefit Obligation	1,364,362	1,394,357	1,405,111	1,372,806	1,337,594
Experience loss/(gain) on Scheme Liabilities	-	134,775	-	(27,594)	-
(Gain)/loss on changes in assumptions used to value Scheme liabilities	-	(4,807)	-	55,000	-
<b>IMO</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Total</b>	<b>GBP</b>				
Present Value of Defined Benefit Obligation	34,613,137	33,092,991	29,821,928	28,218,861	22,208,887
Experience (gains) on Scheme Liabilities	-	(926,042)	-	(626,886)	-
Loss on changes in assumptions used to value Scheme liabilities	-	2,779,543	-	5,364,000	-

#### 2.10.6.5: Sensitivity Analysis

121 Two of the principal assumptions in the valuation of the long-term employee benefit plans are: i) the discount rate used to determine the present value of benefits that will be paid from the plan in the future; and ii) for the ASHI plan, the rate at which medical costs are expected to increase in the future.

122 The obligations were valued based on a discount rate of 4.9% as of 31 December 2014. The table below shows the effect of a one point percentage change in the discount rate as of 31 December 2014.

	After Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan
	%		
%+1	(5,400,000)	(200,000)	(100,000)
%-1	7,400,000	200,000	100,000

123 Similarly, a sensitivity analysis was undertaken to determine the impact of changes in assumptions on future healthcare cost. The change in the ASHI obligation due to a one per cent change in the trend rate is presented below.

	1% increase 2014	1% decrease 2014
Effect on the aggregate of the service cost and interest cost	670,000	(490,000)
Effect on defined benefit obligation	7,200,000	(5,400,000)

#### **2.10.6.6: Expected Costs during 2014**

124 The expected contribution of IMO in 2015 to the defined benefits plans is £1,104,000 (2014 estimate: £1,041,000). This has been derived from the 2014 paid figures with the ASHI payments unchanged for 2015 and the repatriation and annual leave payments increasing in line with inflation.

#### **2.10.7: United Nations Joint Staff Pension Fund**

125 The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

126 IMO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

127 The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation will be conducted based on the position at 31 December 2015.

128 At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

129 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

130 In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

131 During 2014, total contributions paid to UNJSPF amounted to £4,973,707 (2013: £5,228,582). The Organization's contributions on behalf of staff members amounted to £3,315,805 (2013: £3,485,602). Expected contributions due in 2015 are £3,435,000.

132 The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org).

## Note 2.11: Leases

### 2.11.1: Finance Leases

133 The Organization has finance leases in place for provision of general office and high-volume photocopiers for its Headquarters building. The present values of future payments due under this lease agreement are shown below.

	IMO		Consolidated	
	2014	2013	2014	2013
	GBP		GBP	
Current	53,647	49,834	53,647	49,834
Non-current	35,182	88,829	35,182	88,829
<b>Total Finance Lease Liabilities</b>	<b>88,829</b>	<b>138,663</b>	<b>88,829</b>	<b>138,663</b>

134 The difference between the minimum lease payments due and the present value of such payments is analysed in the following table:



	IMO			Consolidated		
	Minimum payments due	Finance charges	Present value of minimum payments	Minimum payments due	Finance charges	Present value of minimum payments
	GBP			GBP		
Less than one year	58,186	4,539	53,647	58,186	4,539	53,647
One to three years	36,090	908	35,182	36,090	908	35,182
<b>Total Finance Lease liabilities</b>	<b>94,276</b>	<b>5,447</b>	<b>88,829</b>	<b>94,276</b>	<b>5,447</b>	<b>88,829</b>

135 There are no sublease payments to be received on these leased assets. Ownership does not transfer to the Organization on conclusion of the lease, nor are there any options in place to purchase the equipment at that time. The lease agreement does not impose any restrictive covenants on the Organization. Neither WMU nor IMLI holds assets under finance leases.

## 2.11.2: Operating Leases

136 The Organization has a single operating lease with the United Kingdom government for the use of its Headquarters building. The minimum lease payments under this lease are set out in the table below:

	IMO		Consolidated	
	2014	2013	2014	2013
	GBP		GBP	
<b>Future minimum lease payments due under operating leases:</b>				
Not later than one year	1,195,751	1,195,751	1,195,751	1,195,751
Later than one year and not later than five years	5,978,757	5,978,757	5,978,757	5,978,757
Later than five years	14,349,017	15,544,768	14,349,017	15,544,768
<b>Total future minimum lease payments - operating leases</b>	<b>21,523,525</b>	<b>22,719,276</b>	<b>21,523,525</b>	<b>22,719,276</b>

137 The lease costs will be spread over the term of the lease on a straight-line basis, an amount of £1,195,751 having been recognized as annual expenditure in the period.

138 There are no non-cancellable sublease payments to be received on the Headquarters building.

139 The lease expires on 28 October 2032 and does not contain a break clause, nor does it contain renewal or purchase options.

140 The significant lease arrangements are highlighted below:

- **Alterations:** The Organization is not entitled to make alterations or additions affecting the structure or the main services of the premises without written approval of the Landlord, the United Kingdom (UK) government;

- **Under-letting:** When under-letting the building, the Organization must first offer to underlet to the landlord;
- **Letting out of conference facilities:** When letting out conference facilities for commercial purposes, the Organization is required to "consider as a priority any request given with adequate prior notice by the Landlord"; and
- **Sharing of income and expenses:** The lease agreement requires the sharing of all income from 'Net Rental' and all costs of "Major Repairs" on an 80:20 basis between the Government of the United Kingdom and the Organization.

**Note 2.12: Fund Balances and Reserves**

Organization Only	Opening Balance	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance
	01.01.2014			31.12.2014
	GBP			
General Fund	10,555,967	2,381,020	-	12,936,987
Working Capital Fund	1,507,472	449,772	-	1,957,244
Trading Fund	8,140,150	180,740	-	8,320,890
Termination Benefit Fund	(28,204,221)	(1,553,846)	-	(29,758,067)
HQ Capital Fund	2,979,842	(96,708)	-	2,883,134
Training and Development Fund	243,994	(15,928)	-	228,066
Technical Cooperation Fund	5,042,459	1,450,646	-	6,493,105
<b>Bilateral Operations and Multi-Donor Trust Funds<sup>6</sup>:</b>				
Djibouti Code of Conduct Trust Fund	4,269,995	(2,166,946)	-	2,103,049
IMO West and Central Africa Maritime Security Trust Fund	163,810	1,127,431	-	1,291,241
Norwegian Agency for Development Corporation (NORAD)	1,274,029	(174,154)	-	1,099,875
GESAMP Trust Fund	835,059	178,651	-	1,013,710
International Maritime Security Trust (IMST) Fund	899,320	74,688	-	974,008
Model Courses Development Trust Fund	780,595	131,755	-	912,350
United Kingdom	473,892	184,097	-	657,989
Republic of Korea	510,527	114,915	-	625,442
Associate Professional Officers (APO)	762,862	(168,373)	-	594,489
Other Bilateral Operations and Multi-Donor Trust Funds <sup>7</sup>	2,749,140	694,366	-	3,443,506
<b>Total</b>	<b>12,984,892</b>	<b>2,792,126</b>	<b>-</b>	<b>15,777,018</b>

Consolidated	Opening Balance	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance
	01.01.2014			31.12.2014
	GBP			
<b>Total</b>	<b>18,546,609</b>	<b>3,681,492</b>	<b>(829,247)</b>	<b>21,398,854</b>

141 The Organization maintains separate accounts for each Fund, which are combined into eight groups for reporting purposes as set out above.

142 The General Fund was established for the purpose of accounting for the expenditure of the Organization.

<sup>6</sup> All funds and bilateral agreements with a closing balances in excess of £500,000 are disclosed separately, with other funds being aggregated under 'Other Bilateral Operations and Multi-Donor Trust Funds'.

<sup>7</sup> Governments of Australia, Canada, China, Denmark, Egypt, Finland, France, Germany, Italy, Japan, Malaysia, Netherlands, Nigeria, Norway, Oman, Saudi Arabia, Spain, Sweden, United States of America, European Commission, Indian Ocean Commission, International Association of Ports and Harbors (IAPH), International Transport Workers Federation, Union of Greek Shipowners, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Office for Project Services (UNOPS), BallastWater TV Documentary, Goal-Based Standards (GBS) Trust Fund, IMO London Convention/Protocol TC Trust Fund, IMO Malacca and Singapore Straits Trust Fund, IMO Member States Audit Scheme Trust Fund, IMO/REMPEC Trust Fund, IMO-GloBallast Global Industry Alliance (GIA) Fund, Implementation of the revised STCW Convention and Code, International Search and Rescue (SAR) Trust Fund, International Ship Recycling Trust Fund, Marine Pollution Response Trust Fund, Research and Development Trust Fund, Seminars and Workshops Fund, Study on Greenhouse Gas Emissions, Tsunami Relief Fund.

143 The Working Capital Fund was originally established as a US dollar based Fund by Assembly resolution A.19(I) and was converted to sterling with effect from 1 January 1988 by Assembly resolution A.633(15)B. The purpose of the Fund is to make advances, if necessary, to finance the budgetary appropriations of the Regular Budget to cover temporary cash flow deficits. Assembly resolution A.1039 (27) further authorized the Secretary-General to use the fund as a reserve to account for currency gains or losses in the regular budget arising from differences between the United Nations operational rate of exchange and the rate against the pound sterling adopted for calculation of the appropriation. It also authorises the Secretary-General to advance such sums from the Working Capital Fund as may be necessary to meet unforeseen or extraordinary expenses arising during the biennium, with the prior agreement of the Council, provided that such expenses are of a clearly exceptional nature and relate specifically to the Strategic and High-level Action plans of the Organization and that the Council is assured that the relevant expenditure cannot be met by appropriate transfer action within the total budget approved for a calendar year.

144 The Printing Fund was established with effect from 1 January 1966 by Assembly resolution A.100(IV) to provide for the production and sales of IMO publications, being subsequently replaced by the Trading Fund through Assembly resolution A.1014(26), broadening its terms of reference to encompass the Organization's current commercial activities.

145 The Termination Benefit Fund was established with effect from 1 January 1996 by Assembly resolution A.837(19) at an initial level of £900,000 to meet the costs associated with termination benefits to staff of the Organization. The scope of the Fund was widened to allow the financing of the additional costs of temporary assistance required to replace staff on long-term sick leave. From 2012 it was further widened to accommodate long-term employee benefit liabilities previously allocated among all Funds on the basis of headcount, as described in paragraph 98.

146 The Technical Cooperation Fund was originally established with effect from 1 January 1986 by Assembly resolution A.593(14) as a US dollar based fund, the interest income from which was used to assist the Technical Cooperation Programme of the Organization in accordance with the proposal supported by the Assembly in biennial budgets. The Fund was converted to a sterling based fund with effect from 1 January 1996 by Assembly resolution A.837(19). By that resolution, the scope of the Fund was widened to enable funds to be drawn down and applied to technical cooperation activities.

147 The Headquarters Capital Fund was established with effect from 1 January 1994 by Assembly resolution A.778(18) to meet the capital expenditure necessary for the efficient operation of the Organization and for fulfilling the Organization's liabilities under the terms of the Lease for the Headquarters building between the Organization and the Government of the United Kingdom. The scope of the Headquarters Capital Fund was widened to include expenditure on the design, installation and implementation of office automation systems, including training on these systems.

148 The Training and Development Fund was established with effect from 1 January 2002 by Assembly resolution A.906(22) at an initial level of £200,000 by a transfer from the surplus of the then Printing Fund as at 1 January 2002 for organizational strengthening initiatives.

149 Trust Funds are established to account for the expenditures related to the activities financed from the respective donors. Fund balances represent the unexpended portion of contributions that are intended to be utilized in future operational requirements consistent with the Terms of Reference of the Fund. These constitute IMO's residual interest in the assets after deducting all its liabilities.

**NOTE 3: REVENUE****Note 3.1: Assessed Contributions**

150 The Organization's ten largest contributors to assessed contributions in 2014 are shown below. Assessed contributions are based on a flat base rate with additional components based on ability to pay and merchant fleet tonnage. WMU and IMLI do not receive assessed contributions.

		<b>Amount GBP</b>	<b>% of total assessment</b>
1	Panama	5,446,013	18.1%
2	Liberia	3,137,437	10.4%
3	Marshall Islands	2,158,871	7.2%
4	Singapore	1,619,536	5.4%
5	United Kingdom	1,375,094	4.6%
6	Bahamas	1,321,276	4.4%
7	China	1,190,820	4.0%
8	Malta	1,146,725	3.8%
9	Greece	1,037,957	3.5%
10	Japan	993,208	3.3%
	<b>Total</b>	<b>19,426,937</b>	<b>64.7%</b>

**Note 3.2: Donor Contributions**

151 Contributions through donor agreements are recognized as revenue at the point of signature, except to the extent that such agreement contains a condition within the meaning of IPSAS 23 – "Revenue from Non-Exchange Transactions" such that the contributions must be returned if the condition is not met. For agreements which do contain such a condition, revenue is recognized as the project is delivered.

152 The Organization's ten largest contributors to donor revenue in 2014 are shown below:

	<b>IMO</b>	<b>Amount GBP</b>	<b>% of total donor revenue</b>
1	United Nations Environment Programme (UNEP)	782,305	16.5
2	Government of Japan	684,261	14.4
3	Government of the United Kingdom	558,968	11.8
4	Government of Republic of Korea	525,524	11.1
5	Government of Canada	426,073	9.0
6	United Nations Development Programme (UNDP)	318,717	6.7
7	Government of the United States of America	217,081	4.6
8	Government of Germany	216,711	4.6
9	Government of Norway	175,815	3.7
10	European Commission	172,974	3.6
	<b>Total</b>	<b>4,078,429</b>	<b>85.8</b>

153 The consolidated group's ten largest contributors to donor revenue in 2014 are shown below:

	<b>Consolidated</b>	<b>Amount GBP</b>	<b>% of total donor revenue</b>
1	Government of Sweden	2,310,636	27.7
2	United Nations Environment Programme (UNEP)	782,305	9.4
3	Government of Japan	684,261	8.2
4	Government of the United Kingdom	558,968	6.7
5	Nippon Foundation	532,765	6.4
6	Government of Republic of Korea	525,524	6.3
7	Government of Canada	426,073	5.1
8	United Nations Development Programme (UNDP)	318,717	3.8
9	Government of the United States of America	217,081	2.6
10	Government of Germany	216,711	2.6
	<b>Total</b>	<b>6,573,041</b>	<b>78.8</b>

### Note 3.3: Commercial Activities

154 Key commercial revenue streams for the Organization and the consolidated group are shown below:

	<b>IMO</b>		<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>GBP</b>		<b>GBP</b>	<b>GBP</b>
Publication Sales	11,235,700	11,075,902	11,234,377	11,074,302
Cafeteria Sales	558,964	755,365	612,864	797,321
Assessment fees <sup>8</sup>	837,150	339,865	837,150	339,865
Letting of conference facilities and other commercial revenue	6,427	20,185	1,436,143	1,567,027
<b>Total</b>	<b>12,638,241</b>	<b>12,191,317</b>	<b>14,120,534</b>	<b>13,785,515</b>

<sup>8</sup> For 2014, assessment fees have been accounted for and categorised as revenue from exchange transactions rather than as donor revenue. This change in disclosure is reported further under Note 11.

155 The major components of IMO Publication Sales are shown below:

	IMO	
	2014	2013
	GBP	GBP
Sale of physical publications	10,313,366	10,286,488
Electronic publications	337,239	284,732
Royalties	272,236	201,747
Subscriptions	146,507	167,088
Model Courses	136,442	106,315
Other publications	29,910	29,532
<b>Total</b>	<b>11,235,700</b>	<b>11,075,902</b>

#### Note 3.4: Fellowships

156 Both WMU and IMLI receive funds for fellowships to support students. IMO does not receive such revenue, and consequently the consolidated figures only are shown. The five largest aggregate contributors are listed below:

	Consolidated	
	2014	% of total fellowship revenue
	GBP	
1 Ship and Ocean Foundation	713,312	17.0
2 South African Shipping and Maritime Authority	635,399	15.1
3 Indonesian Port Corporation	305,794	7.3
4 Nippon Foundation	277,380	6.6
5 Deutsche Gesellschaft für Internationale Zusammenarbeit	139,794	3.3
<b>Total</b>	<b>2,071,679</b>	<b>49.3</b>

#### Note 3.5: Other Revenue

157 The most significant sources of other revenue are set out below:

	IMO		Consolidated	
	2014	2013	2014	2013
	GBP	GBP	GBP	GBP
Interest earned on investment of funds	239,073	184,328	284,403	233,429
Sub-letting of office space	34,383	33,758	37,101	34,854
Other revenue	24,033	182,717	427,294	413,480
<b>Total</b>	<b>297,489</b>	<b>400,803</b>	<b>748,798</b>	<b>681,763</b>

**NOTE 4: EXPENDITURE**

		<b>IMO</b>		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>GBP</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
<b>4.1</b>	<b>Staff and other personnel costs</b>				
	Professional and General Service staff, experts	25,582,350	25,954,428	30,364,950	30,865,916
	Recruitment and repatriation	2,420,826	2,092,798	2,540,483	2,154,404
	Termination benefit	(38,698)	322,087	(38,698)	322,087
	Consultants	1,124,163	968,682	1,472,808	1,298,190
	Temporary assistance	904,809	953,918	1,047,982	997,358
	Meetings personnel (Interpreters, translators, temporary employees)	854,718	840,260	854,718	840,260
	<b>Total staff and other personnel costs</b>	<b>30,848,168</b>	<b>31,132,173</b>	<b>36,242,243</b>	<b>36,478,215</b>
<b>4.2</b>	<b>Travel</b>				
	Fares	1,040,242	1,170,713	1,287,857	1,440,945
	Daily Subsistence Allowance (DSA) and other expenses	816,699	878,575	979,038	1,092,435
	<b>Total travel</b>	<b>1,856,941</b>	<b>2,049,288</b>	<b>2,266,895</b>	<b>2,533,380</b>
<b>4.3</b>	<b>Supplies, consumables and other running costs</b>				
	Office supplies and consumables	102,792	104,238	133,873	146,712
	Telecommunications and information technology	1,059,067	977,585	1,115,971	1,045,848
	Rent, rates and insurance	1,423,374	1,402,824	1,500,377	1,474,646
	Utilities	525,570	537,321	564,339	596,294
	Medical costs	22,862	22,247	22,862	22,247
	Library books, magazines, subscriptions	18,255	37,555	169,582	180,957
	Hospitality	33,639	18,962	141,585	182,136
	Vehicle, local transport and hotel accommodation	44,716	43,440	55,707	57,262
	Postage, telephone and freight	412,070	411,440	484,338	516,731
	Equipment, furniture and local procurement	646,144	1,923,573	674,760	1,976,464
	Building maintenance	1,103,968	722,444	1,110,706	742,364
	Other operational costs	-	-	416,331	180,777
	<b>Total supplies, consumables and other running costs</b>	<b>5,392,457</b>	<b>6,201,629</b>	<b>6,390,431</b>	<b>7,122,438</b>
<b>4.4</b>	<b>Costs related to trading activities</b>				
	Cost of Sales IMO Publications	943,224	997,272	943,224	997,272
	Cost of Sales Model courses	21,673	17,796	21,673	17,796
	Loss/(Gain) on Physical Inventory	(3,329)	1,167	(3,329)	1,167
	Publications issued free of charge	42,658	33,295	42,658	33,295
	Provision for return of obsolete publications	76,891	58,018	76,891	58,018
	Printing (contract - out)	140,784	190,666	140,784	190,666
	Electronic publishing (IMO/Vega)	116,300	96,927	116,300	96,927
	Catering food and supplies	382,005	440,989	448,062	504,177
	Public relations articles held by WMU	-	-	5,374	3,907
	<b>Total costs related to trading activities</b>	<b>1,720,206</b>	<b>1,836,130</b>	<b>1,791,637</b>	<b>1,903,225</b>
		<b>IMO</b>		<b>Consolidated</b>	



	2014	2013	2014	2013
	GBP	GBP	GBP	GBP
<b>4.5 Outsourced services</b>				
Security services	433,396	396,713	467,420	414,084
Cleaning services	397,898	381,151	545,671	528,744
Telecommunications/IT related services	-	-	37,226	72,182
Leases	24,972	24,547	24,972	24,547
Sub-contract delivery of Technical Cooperation activities	212,692	275,124	212,691	259,872
<b>Total outsourced services</b>	<b>1,068,958</b>	<b>1,077,535</b>	<b>1,287,980</b>	<b>1,299,429</b>
<b>4.6 Training and development</b>				
Staff training	92,002	63,798	98,760	72,832
Fellowships	598,569	682,430	2,218,553	2,158,907
Group training including participant travel	2,304,930	2,429,320	2,304,930	2,381,410
Student costs (WMU and IMLI)	-	-	92,030	83,182
<b>Total training and development</b>	<b>2,995,501</b>	<b>3,175,548</b>	<b>4,714,273</b>	<b>4,696,331</b>
<b>4.7 Currency exchange (gains)/losses</b>	<b>(883,230)</b>	<b>598,453</b>	<b>(871,721)</b>	<b>829,735</b>
<b>4.8 Depreciation, amortization and impairment</b>				
Depreciation of property, plant and equipment	449,970	350,224	581,049	488,400
Donation of completed Assets Under Construction	467,449	66,572	467,449	66,572
(Gains) on disposal of property, plant and equipment	(1,219)	(6,556)	(1,219)	(5,742)
Amortization of intangible assets	98,939	124,345	111,638	132,083
Impairment of IMO publications	17,987	91,176	17,987	91,176
<b>Total depreciation, amortization and impairment</b>	<b>1,033,126</b>	<b>625,761</b>	<b>1,176,904</b>	<b>772,489</b>
<b>4.9 Return of unspent funds</b>	<b>48,644</b>	<b>-</b>	<b>48,644</b>	<b>-</b>
<b>4.10 Other expenses</b>				
Jointly financed UN bodies	91,992	93,654	91,992	93,655
Grants	248,367	248,082	-	-
IMO News and publicity	55	19,898	40,628	51,843
Bank charges/investment manager and custodian fees	175,433	144,986	191,534	162,356
External audit	55,600	38,348	92,726	111,453
Other miscellaneous expenses	360,484	365,249	404,653	458,820
<b>Total other expenses</b>	<b>931,932</b>	<b>910,217</b>	<b>821,533</b>	<b>878,127</b>
<b>Total expenses</b>	<b>45,012,703</b>	<b>47,606,734</b>	<b>53,868,819</b>	<b>56,513,369</b>

158 Staff and other personnel costs include salaries, wages, fees, employee benefits and other costs associated with staff, project experts and support personnel, consultants, temporary assistance and meeting personnel (interpreters, translators and temporary employees) of all headquarters and field staff employed by IMO.

159 Travel includes the cost of the fares, DSA and other associated expenses of the mission of staff members, project experts and consultants. The costs of home leave travel, recruitment travel and repatriation travel are reported under 4.1 – Staff and other personnel costs and the students' travel and field trips costs are accounted for under 4.6 – Training and development.

160 Supplies, consumables and other running costs primarily include the cost of running the headquarters and field office buildings, including rent paid under the building lease with the Government of the United Kingdom of £1,195,751 (2013:£1,195,751).

161 Costs related to trading activities include the cost of all commercial sales within the meaning of IPSAS 9 – "Revenue from Exchange Transactions", but excludes staff costs and common overhead costs.

162 Outsourced services include the costs of the most significant outsourcing arrangements in place, namely those for the provision of security, cleaning and building management services. Sub-contracts under the technical cooperation and extra-budgetary activities are also reported under this expense category.

163 Training and development includes the cost of staff training incurred under the regular budget and the Training and Development Fund, and the fellowship and group training costs incurred under the Technical Cooperation Fund and various donor trust Funds.

164 Other expenses include shared costs of jointly financed UN bodies, public information (including IMO News and publicity), bank charges and external audit fees.

#### **NOTE 5: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

165 Explanations of material differences between the original budget and the final budget as well as between the final budget and the actual amount are presented under the Financial and Budget Performance Highlights section of the Secretary-General's Statement.

166 The Organization's budget and accounts are prepared on different bases. The Statement of Financial Performance (Statement II) is prepared on a full accrual basis using a classification based on the nature of expenses, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified accrual basis. In this respect, it is required under IPSAS 24 that actual amounts presented on Statement V should be reconciled to the actual amounts presented in the financial statements, identifying differences in terms of basis, timing and entity, respectively. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For IMO, the budget is prepared on the commitment basis but the financial statements are prepared on the accrual basis. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There is no timing difference for IMO for the purpose of comparison. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared.

167 There are also differences in formats and classification schemes adopted for presentation of financial statements and the budget. The budget for extra-ordinary activities of IMO funded by the various donor/trust Funds is not included in Statement V and thus the amounts associated with the revenues and expenses of those Funds are classified as presentation differences. The comparison is also made for not only the budgets approved by the IMO Assembly but also for those approved by the respective governing bodies of WMU and IMLI.

168 Reconciliation between the actual amount on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amount in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2013 is presented in the ensuing paragraphs.

169 Budget amounts have been presented on a functional classification basis in accordance with the approved budget for 2014 which present a breakdown of the budget for purposes of the above comparison. The amount of net receipts over payments of £3,493,116 for 2014 shown in Statement Va (IMO only) has been reconciled to the net increase in cash and cash equivalents of £5,391,989 presented in Statement IV (IMO 2014) and the details on the reconciliation is presented in the table below.

Adjustments Pertaining to the Cash Flows from:					
		Operating Activities	Financing Activities	Investing Activities	Total
		GBP IMO			
<b>Actual Amounts on Comparable Basis (Statement Va)</b>	<b>A</b>	<b>3,493,116</b>	<b>-</b>		<b>3,493,116</b>
Basis differences	a	3,183,564		(130,493)	3,053,071
Presentation differences	b	(1,154,198)	-	-	(1,154,198)
Entity difference	c	-		-	-
<b>Total Differences</b>	<b>B=a+b+c</b>	<b>2,029,366</b>	<b>-</b>	<b>(130,493)</b>	<b>1,898,873</b>
<b>Actual Amounts in the Statement of Cash Flow (Statement IV)</b>	<b>C=A+B</b>	<b>5,522,482</b>	<b>-</b>	<b>(130,493)</b>	<b>5,391,989</b>

170 The reconciliation of the amount of net receipts over payments of £4,247,089 shown in Statement Vb (Consolidated 2014 including WMU and IMLI) has also been made to the net increase in cash and cash equivalents of £5,553,122 indicated in Statement IV (Consolidated 2014), as shown in the table below, taking into account the reconciliation statements submitted by WMU and IMLI.

Adjustments Pertaining to the Cash Flows from:					
		Operating Activities	Financing Activities	Investing Activities	Total
		GBP Consolidated			
<b>Actual Amounts on Comparable Basis (Statement Vb)</b>	<b>A</b>	<b>4,227,193</b>		<b>19,896</b>	<b>4,247,089</b>
Basis differences	a	2,973,842	(653,183)	(186,238)	2,134,421
Presentation differences	b	(764,347)	(64,041)	-	(828,388)
Entity difference	c	-	-	--	-
<b>Total Differences</b>	<b>B=a+b+c</b>	<b>2,209,495</b>	<b>(717,224)</b>	<b>(186,238)</b>	<b>1,306,033</b>
<b>Actual Amounts in the Statement of Cash Flow (Statement IV)</b>	<b>C=A+B</b>	<b>6,436,688</b>	<b>(717,224)</b>	<b>(166,342)</b>	<b>5,553,122</b>

**NOTE 6: SEGMENT REPORTING****Note 6.1: Segmental Statements of Financial Position****Note 6.1.1: Statement of Financial Position by Segment – IMO**

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP				
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	27,472,178	7,069,334	18,188,790	-	52,730,302
Contributions receivable	328,803	-	468,480	-	797,283
Inventories	-	879,562	-	-	879,562
Advances to sub-contractors	6,440	-	109,352	-	115,792
Inter-segment sums receivable	6,088,768	4,486,783	4,396,194	(14,971,745)	-
Other receivables					
Relating to exchange transactions	1,574,539	150,708	93,606	-	1,818,853
Relating to non-exchange transactions	-	-	-	-	-
<b>Total current assets</b>	<b>35,470,728</b>	<b>12,586,387</b>	<b>23,256,422</b>	<b>(14,971,745)</b>	<b>56,341,792</b>
<b>Non-current assets</b>					
Property, plant and equipment	586,050	28,968	71,253	-	686,271
Intangible assets	262,490	-	46,797	-	309,287
<b>Total non-current assets</b>	<b>848,540</b>	<b>28,968</b>	<b>118,050</b>	<b>-</b>	<b>995,558</b>
<b>TOTAL ASSETS</b>	<b>36,319,268</b>	<b>12,615,355</b>	<b>23,374,472</b>	<b>(14,971,745)</b>	<b>57,337,350</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables and accruals					
Relating to exchange transactions	(1,175,331)	(811,224)	(923,117)	-	(2,909,672)
Relating to non-exchange transactions	(3,288,618)	-	(384,658)	-	(3,673,276)
Provisions and warranties	-	(69,100)	-	-	(69,100)
Inter-segment sums payable	(8,724,093)	(3,414,141)	(2,833,511)	14,971,745	-
Employee benefits	(181,895)	-	(24,422)	-	(206,317)
Finance lease liabilities	(53,647)	-	-	-	(53,647)
<b>Total current liabilities</b>	<b>(13,423,584)</b>	<b>(4,294,465)</b>	<b>(4,165,708)</b>	<b>14,971,745</b>	<b>(6,912,012)</b>
<b>Non-current liabilities</b>					
Employee benefits	(34,613,138)	-	-	-	(34,613,138)
Finance lease liabilities	(35,182)	-	-	-	(35,182)
<b>Total non-current liabilities</b>	<b>(34,648,320)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,648,320)</b>
<b>TOTAL LIABILITIES</b>	<b>(48,071,904)</b>	<b>(4,294,465)</b>	<b>(4,165,708)</b>	<b>14,971,745</b>	<b>(41,560,332)</b>
<b>NET ASSETS</b>	<b>(11,752,636)</b>	<b>8,320,890</b>	<b>19,208,764</b>	<b>-</b>	<b>15,777,018</b>
Fund balances and reserves	(12,916,946)	8,140,150	17,761,688	-	12,984,892
Surplus for the year	1,164,310	180,740	1,447,076	-	2,792,126
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>(11,752,636)</b>	<b>8,320,890</b>	<b>19,208,764</b>	<b>-</b>	<b>15,777,018</b>

### Note 6.1.2: Statement of Financial Position by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Education and Research	Elimination	Grand Total
	GBP					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	27,472,178	7,069,334	18,188,790	8,884,883	3,736	61,618,921
Contributions receivable	328,803	-	468,480	2,467	-	799,750
Inventories	-	879,563	-	24,491	-	904,054
Advances to sub-contractors	6,440	-	109,352	-	-	115,792
Inter-segment sums receivable	6,088,768	4,486,783	4,396,194	1,722,540	(16,694,285)	-
Other receivables						
Relating to exchange transactions	1,574,539	150,707	93,606	923,784	(7,013)	2,735,623
Relating to non-exchange transactions	-	-	-	54,505	-	54,505
<b>Total current assets</b>	<b>35,470,728</b>	<b>12,586,387</b>	<b>23,256,422</b>	<b>11,612,670</b>	<b>(16,697,562)</b>	<b>66,228,645</b>
<b>Non-current assets</b>						
Property, plant and equipment	586,050	28,968	71,253	119,783	-	806,054
Intangible assets	262,490	-	46,797	20,993	-	330,280
<b>Total non-current assets</b>	<b>848,540</b>	<b>28,968</b>	<b>118,050</b>	<b>140,776</b>	<b>-</b>	<b>1,136,334</b>
<b>TOTAL ASSETS</b>	<b>36,319,268</b>	<b>12,615,355</b>	<b>23,374,472</b>	<b>11,753,446</b>	<b>(16,697,562)</b>	<b>67,364,979</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables and accruals						
Relating to exchange transactions	(1,175,332)	(811,224)	(923,117)	(381,763)	98,837	(3,192,599)
Relating to non-exchange transactions	(3,288,617)	-	(384,658)	(3,650,944)	(25,676)	(7,349,895)
Provisions and warranties	-	(69,100)	-	-	-	(69,100)
Inter-segment sums payable	(8,724,093)	(3,414,141)	(2,833,511)	(1,722,540)	16,694,285	-
Employee benefits	(181,895)	-	(24,422)	(30,265)	-	(236,582)
Finance lease liabilities	(53,647)	-	-	-	-	(53,647)
<b>Total current liabilities</b>	<b>(13,423,584)</b>	<b>(4,294,465)</b>	<b>(4,165,708)</b>	<b>(5,785,512)</b>	<b>16,767,446</b>	<b>(10,901,823)</b>
<b>Non-current liabilities</b>						
Employee benefits	(34,613,138)	-	-	(415,982)	-	(35,029,120)
Finance lease liabilities	(35,182)	-	-	-	-	(35,182)
<b>Total non-current liabilities</b>	<b>(34,648,320)</b>	<b>-</b>	<b>-</b>	<b>(415,982)</b>	<b>-</b>	<b>(35,064,302)</b>
<b>TOTAL LIABILITIES</b>	<b>(48,071,904)</b>	<b>(4,294,465)</b>	<b>(4,165,708)</b>	<b>(6,201,494)</b>	<b>16,767,446</b>	<b>(45,966,125)</b>
<b>NET ASSETS</b>	<b>(11,752,636)</b>	<b>8,320,890</b>	<b>19,208,764</b>	<b>5,551,952</b>	<b>69,884</b>	<b>21,398,854</b>
Fund balances and reserves	(12,916,946)	8,140,150	17,761,687	4,872,025	(139,554)	17,717,362
Surplus for the year	1,164,310	180,740	1,447,077	679,927	209,438	3,681,492
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>(11,752,636)</b>	<b>8,320,890</b>	<b>19,208,764</b>	<b>5,551,952</b>	<b>69,884</b>	<b>21,398,854</b>

**Note 6.2: Segmental Statements of Financial Performance****Note 6.2.1: Statement of Financial Performance by Segment – IMO**

	Core Programme Management	Trading and Business Activities	Technical Cooperation Activities and Trust Fund	Elimination	Grand Total
	GBP				
<b>Revenue</b>					
Assessed contributions	30,116,000	-	-	-	<b>30,116,000</b>
Donor contributions	-	-	4,763,769	(10,670)	<b>4,753,099</b>
Commercial activities	6,427	11,685,890	945,924	-	<b>12,638,241</b>
Other revenue	195,377	36,941	62,146	3,025	<b>297,489</b>
Support costs earned	1,302,367	-	-	(1,302,367)	-
Inter-segment transfers	2,114,744	(6,234,161)	4,887,417	(768,000)	-
<b>TOTAL REVENUE</b>	<b>33,734,915</b>	<b>5,488,670</b>	<b>10,659,256</b>	<b>(2,078,012)</b>	<b>47,804,829</b>
<b>Expenditure</b>					
Staff and other personnel costs	(25,895,767)	(1,877,020)	(3,086,051)	10,670	<b>(30,848,168)</b>
Travel	(323,741)	(79,638)	(1,453,562)	-	<b>(1,856,941)</b>
Supplies, consumables and other running costs	(4,046,350)	(740,646)	(605,461)	-	<b>(5,392,457)</b>
Costs related to trading activities	(7)	(1,720,199)	-	-	<b>(1,720,206)</b>
Outsourced services	(746,288)	(109,978)	(212,692)	-	<b>(1,068,958)</b>
Training and development	(92,002)	-	(2,903,499)	-	<b>(2,995,501)</b>
Currency exchange gains	72,849	18,402	791,979	-	<b>883,230</b>
Support costs charged	-	(634,986)	(664,356)	1,299,342	-
Depreciation, amortization and impairment	(497,552)	(21,539)	(514,034)	-	<b>(1,033,125)</b>
Return of unspent funds	-	-	(48,645)	-	<b>(48,645)</b>
Other expenses	(273,747)	(142,326)	(515,859)	-	<b>(931,932)</b>
Inter-segment transfers	(768,000)	-	-	768,000	-
<b>TOTAL EXPENDITURE</b>	<b>(32,570,605)</b>	<b>(5,307,930)</b>	<b>(9,212,180)</b>	<b>2,078,012</b>	<b>(45,012,703)</b>
<b>SURPLUS FOR THE YEAR</b>	<b>1,164,310</b>	<b>180,740</b>	<b>1,447,076</b>	<b>-</b>	<b>2,792,126</b>

**Note 6.2.2: Statement of Financial Performance by Segment – Consolidated**

	<b>Core Programme Management</b>	<b>Trading and Business Activities</b>	<b>Technical Cooperation Activities and Trust Fund</b>	<b>Education and Research</b>	<b>Elimination</b>	<b>Grand Total</b>
<b>GBP</b>						
<b>Revenue</b>						
Assessed contributions	30,116,000	-	-	-	-	<b>30,116,000</b>
Donor contributions	-	-	4,763,769	3,604,945	(10,670)	<b>8,358,044</b>
Commercial activities	6,427	11,685,890	945,924	1,483,616	(1,323)	<b>14,120,534</b>
Fellowships	-	-	-	4,613,025	(406,090)	<b>4,206,935</b>
Other revenue	195,377	36,941	62,146	458,559	(4,225)	<b>748,798</b>
Support costs earned	1,302,367	-	-	-	(1,302,367)	-
Inter-segment transfers	2,114,744	(6,234,161)	4,887,417	-	(768,000)	-
<b>TOTAL REVENUE</b>	<b>33,734,915</b>	<b>5,488,670</b>	<b>10,659,256</b>	<b>10,160,145</b>	<b>(2,492,675)</b>	<b>57,550,311</b>
<b>Expenditure</b>						
Staff and other personnel costs	(25,895,767)	(1,877,020)	(3,086,051)	(5,387,588)	4,183	<b>(36,242,243)</b>
Travel	(323,741)	(79,638)	(1,453,562)	(414,079)	4,125	<b>(2,266,895)</b>
Supplies, consumables and other running costs	(4,046,350)	(740,646)	(605,461)	(1,008,932)	10,958	<b>(6,390,431)</b>
Costs related to trading activities	(7)	(1,720,199)	-	(71,431)	-	<b>(1,791,637)</b>
Outsourced services	(746,288)	(109,978)	(212,692)	(219,022)	-	<b>(1,287,980)</b>
Training and development	(92,002)	-	(2,903,499)	(2,085,932)	367,160	<b>(4,714,273)</b>
Currency exchange gains/(losses)	72,849	18,402	791,979	(11,487)	(22)	<b>871,721</b>
Support costs charged	-	(634,986)	(664,356)	-	1,299,342	-
Depreciation and amortization	(497,552)	(21,539)	(514,034)	(143,779)	-	<b>(1,176,904)</b>
Return of unspent funds	-	-	(48,644)	-	-	<b>(48,644)</b>
Other expenses	(273,747)	(142,326)	(515,859)	(137,968)	248,367	<b>(821,533)</b>
Inter-segment transfers	(768,000)	-	-	-	768,000	-
<b>TOTAL EXPENDITURE</b>	<b>(32,570,605)</b>	<b>(5,307,930)</b>	<b>(9,212,179)</b>	<b>(9,480,218)</b>	<b>2,702,113</b>	<b>(53,868,819)</b>
<b>SURPLUS FOR THE YEAR</b>	<b>1,164,310</b>	<b>180,740</b>	<b>1,447,077</b>	<b>679,927</b>	<b>209,438</b>	<b>3,681,492</b>

171 Some internal activities result in accounting transactions which create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above statements to accurately present these financial statements, the most significant examples of which are the Council-mandated transfers from the Trading Fund to other organizational funds. The aggregate amount was £6,209,172, of which £4,967,337 was to the Technical Co-operation Fund, comprising £4,718,970 for the TC Fund itself and a further £248,367 for onward transfer to WMU, and £1,241,835 was to the Core Programme. In addition, there are support costs totalling £664,356 charged on extra-budgetary activities and £634,985 charged to the Trading Activities to reimburse costs incurred by the Core Programme.

172 In the consolidated notes, revenue totalling £231,083 (2013:£526,822) and expenditure totalling £458,839 (2013:£570,175) between IMO and WMU, and revenue totalling £183,580 (2013:£191,967) and expenditure totalling £165,262 (2013:£203,643) between IMO and IMLI, have been included in the segment reporting figures and eliminated in arriving at the consolidated position, the elimination producing a net effect of increasing the surplus by £209,438 (2013: decreasing the surplus £55,029). Further information on the nature of these transactions is provided in note 9.2.

173 A brief summary of the goods and services provided under each segment, and their objectives, is set out in Note 1, paragraphs 40 to 45.

## NOTE 7: COMMITMENTS AND CONTINGENCIES

### Note 7.1: Commitments

174 As at 31 December 2014, IMO had commitments for goods and services including consultancy contracted but not delivered as follows:

	IMO	
	2014 GBP	2013 GBP
Purchase of services including consultancy	1,745,753	1,533,094

175 The actual discharge of the 2013 commitments in 2014 is £1,208,020, the breakdown of which is shown below:

	2013 Commitments	2014 discharge
Regular budget strategic results	33,419	28,110
Trading activities	238	238
Headquarters capital	387,796	255,359
Training and development	-	-
Termination benefit	15,500	15,500
Technical cooperation (TC Fund)	231,094	201,904
<b>Sub-total</b>	<b>668,047</b>	<b>501,111</b>
Technical cooperation (Donor Funds)	865,047	706,909
<b>Total</b>	<b>1,533,094</b>	<b>1,208,020</b>

176 Neither WMU nor IMLI has commitments or contingencies at the year end and consequently the figures shown above reflect the consolidated position as well.

### Note 7.2: Legal or Contingent Liabilities

177 There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to IMO and to the consolidated group.

178 The Organization, in conjunction with UNDP, conducted a review of all historical balances under the UNDP Service Clearing Account (SCA), and its predecessor the Interoffice Voucher (IOV) scheme, under which UNDP provides services to other UN system organizations, and the Project Clearing Account (PCA), through which UNDP acts as a donor for IMO extra-budgetary activities. While the Organization's financial statements reflect amendments arising as a result of that review, there remains a net difference on the SCA and PCA accounts of \$110,429 and \$136,122, respectively, between IMO and UNDP. IMO and UNDP are actively seeking to conclude the matter, and we do not presently believe that further adjustments will be required on IMO's side as a result of these differences.



**NOTE 8: LOSSES, EX-GRATIA PAYMENTS AND WRITE-OFFS**

179 Financial Regulation 12.3 provides that "The Secretary-General may make such ex-gratia payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Assembly with the financial statements". During 2014, no ex-gratia payments were made relating to staff termination, medical related bills or service incurred losses suffered by staff.

180 Financial Regulation 12.4 provides that "The Secretary-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the financial statements." During 2014, cash losses, irrecoverable receivables and advances to staff and suppliers resulted in write-offs to the total amount of £5,753 (2013: £592) for IMO and for the consolidated group £22,568 (2013: £9,549). In addition, write-offs as a result of the loss or obsolescence of inventory totalled £17,987 (2013: £91,176) for IMO and £19,146 for the consolidated group (2013: £91,809).

181 There were no cases of fraud or presumptive fraud in 2014.

**NOTE 9: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL****Note 9.1: Key Management Personnel**

IMO		GBP				
Number of individuals (Full Time Equivalent)	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2014	Outstanding Advances against entitlements 31.12.2014	Outstanding Loans 31.12.2014
7.33 <sup>9</sup>	1,025,177	67,089	196,855	1,289,121	Nil	Nil

Consolidated		GBP				
Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration 2014	Outstanding Advances against entitlements 31.12.2014	Outstanding Loans 31.12.2014
9.33	1,354,823	67,089	263,023	1,684,935	Nil	Nil

182 Key management personnel of IMO are the Secretary-General, the six Divisional Directors and, from its establishment on 1 September 2014, the Director of the Department for Member State Audit and Implementation Support. Key management personnel of the consolidated group are the key management personnel of IMO in addition to the President of the WMU and the Director of the IMLI, as they have the authority and responsibility for planning, directing and controlling the activities of the consolidated group.

183 The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements (such as representation allowance and other

<sup>9</sup> The number of full time equivalent key management personnel includes one Acting Divisional Director working that capacity from 1 January 2014 until the appointment of the Director on 24 May 2014, and the Director of the Department for Member State Audit and Implementation Support from its establishment on 1 September 2014.

allowances), assignment and other grants, rental subsidy, personal effects shipment costs, and employer pension and current health insurance contributions.

184 Key management personnel are also qualified for post-employment benefits (Note 2.10) at the same level as other employees. Key management personnel of IMO are participants of UNJSPF.

## **Note 9.2: Related Parties**

185 The Organization's only related parties within the meaning of IPSAS 20 – "Related Party Disclosures" are WMU and IMLI. The consolidated group, including those bodies, has no related parties.

186 During 2014, IMO provided £450,289 (2013:£493,486) and £165,262 (2013: £203,549) in fellowship and other funding to WMU and IMLI, respectively, under its Technical Cooperation Programme. These amounts are reflected in expenditure in the IMO figures and have been eliminated on consolidation. Current liabilities of WMU towards IMO totalling £176,366 (2013:£185,144) and IMLI towards IMO of £107,284 (2013:£133,440), in respect of deferred fellowship revenue, have also been eliminated.

## **NOTE 10: OTHER CHANGES IN NET ASSETS**

187 Exchange rate differences arise due to the effect of converting the opening net assets of WMU and IMLI, whose functional currency is the Euro, at the 2014 closing rate which differs from the 2013 closing rate, and such changes are presented as a separate component of net assets/equity in accordance with IPSAS 4.

	GBP		
	WMU	IMLI	Total
Opening balance at 31.12.2014 exchange rate	3,758,693	1,909,811	<b>5,668,504</b>
Opening balance at 01.01.2014 exchange rate	3,533,024	2,029,024	<b>5,562,049</b>
	225,669	(119,213)	<b>106,455</b>

## **NOTE 11: CHANGE IN APPLICATION OF ACCOUNTING POLICY**

188 During 2014, the Organization changed its application of accounting policy with respect to the recognition of revenue from the assessment fees charged for the work of the GESAMP Ballast Water Working Group, Goal Based Standards assessments and certain Member State Audit activities. As in each case the assessment is initiated by a submission for which a fee will be charged, and the submitter receives something of approximately equal value – the outcome of the assessment – in exchange, the Organization considers it more appropriate to recognise these fees in line with IPSAS 9, 'Revenue from Exchange Transactions', rather than previously as donor contributions under IPSAS 23 "Revenue from Non-exchange Transactions".

189 This change in approach has been applied from 1 January 2014, and in order to present consistent information in the financial statements, the 2013 comparative figure has also been restated. The amount of revenue from assessment fees in 2014 is £837,150, as shown in Note 3.3. The effect of restating the comparative figure for 2013 is shown below:

Statement of Financial Performance	Reported in 2013 financial statements	Adjustment	Restated comparative figure
Revenue		GBP	

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Donor contributions	4,652,982	(339,865)	4,313,117
Commercial activities	11,851,452	339,865	12,191,317

**NOTE 12: EVENTS AFTER REPORTING DATE**

190 IMO's reporting date is 31 December 2014. On the date of signing of these accounts, there had been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements were authorized for issue that would have impacted these statements.

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ANNEX 1  
(unaudited)

	<b>Name</b>	<b>Address</b>
IMO	International Maritime Organization	4, Albert Embankment London SE1 7SR United Kingdom
General Counsel Director, Legal Affairs and External Relations Division	Mr. F. J. Kenney	4, Albert Embankment London SE1 7SR United Kingdom
Actuary	Barnett Waddingham LLP	Cheapside House 138 Cheapside London EC2V 6BW
Principal Bankers	J.P. Morgan Chase	JP Morgan Chase Bank N.A. 25 Bank Street Canary Wharf London E14 5JP
External Auditor	Auditor General of Ghana	The Auditor General Ministry Block O P.O. Box M 96 Accra Ghana

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ANNEX 2

OPINION OF THE EXTERNAL AUDITOR ON THE ORGANIZATION'S FINANCIAL  
STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

## INDEPENDENT AUDITOR'S REPORT

To:  
The Chairman,  
114<sup>th</sup> Session of Council,  
International Maritime Organization

### Report on the Financial Statements

We have audited the financial statements of the International Maritime Organization (IMO) for the financial year ended 31 December, 2014. The financial statements are made up of: a statement of financial position as at 31 December 2014; 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 year ended 31 December, 2014; and notes to the financial statements.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes the design, implementation and maintenance of internal control procedures to enable the preparation of the financial statements which are free of material misstatements, whether due to fraud or errors. This responsibility also includes the selection and application of appropriate accounting policies and the use of accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

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. These standards require us to comply with 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including assessment of the risks of material misstatements of the financial statements, whether due to fraud or errors. In making the risk assessment, the auditor considers the internal control procedures in place for the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, and the overall presentation of the financial statements.

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


*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the International Maritime Organization as at 31 December 2014, and its financial performance and cash flows for the period then ended in accordance with IPSAS.

**Report on Other Legal and Regulatory Requirements**

Further, in our opinion, the transactions of IMO that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the IMO Financial Regulations and Financial Rules.

In accordance with Article XII of the Financial Regulations and Appendix I attached to the Regulations, we have also issued a long-form Report on our audit of the International Maritime Organization.



**Richard Q. Quartey**  
**Auditor-General of Ghana**  
**External Auditor**

**Accra, Ghana**  
**8 May 2015**