INTERNATIONAL MARITIME ORGANIZATION

FINANCIAL STATEMENTS

YEAR ENDED 31.12.2012

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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 2012.

2 The Report of the External Auditor on the audit of the 2012 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 (IMO). The Headquarters of the Organization are in London and its complement is approximately 370 staff members, including project staff. 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 at annex to these financial statements.

5 Within the meaning of IPSAS, IMO also supervises 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 170 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 co-operation 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 co-operation. 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 2011 to cover the period 2012-2017, has defined **13 strategic directions (SD)**, 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. In order to maintain that primacy, it will:

.1 further develop its role in maritime affairs vis-à-vis other intergovernmental organizations, so as to be able to deal effectively and comprehensively with complex cross-agency issues;

.2 actively engage the various stakeholders – new and existing – in the shipping arena, including non-governmental organizations, industry and the public in general, to ensure a more inclusive approach to decision-making; and

.3 actively seek to reap synergies and avoid duplicating efforts made by other UN agencies in shipping matters.

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

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 Integrated Technical Co-operation Programme (ITCP);

.3 contributing to the achievement of the Millenium Development Goals (MDGs) and relevant outcomes of UNCSD 2012, 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 co-operation programmes.

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, 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.

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.

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 co-operative 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.

SD 7 IMO will focus on reducing and eliminating adverse impacts by 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.

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.

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

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

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.

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.

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

SERVICE DELIVERY – MONITORING OF OUTPUTS AND OUTCOMES

9 In monitoring the delivery of its Strategic Directions, and thereby the outcomes that reflect the delivery of its mission, the Organization considers 21 Key Performance Indicators (KPIs) which provide a sense of the outcomes achieved, in part, through the delivery of the Organization's mandate.

10 Data on each KPI, along with appropriate analysis, is provided by the Secretariat to the Council's *ad hoc* Working Group on the Organization's Strategic Plan (CWGSP). The next meeting of that Working Group is expected to be held in October 2013, where a detailed analysis of KPIs will be provided. The Working Group's report will be submitted to the twenty-seventh extraordinary session of the Council for consideration.

11 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.

12 Table 1 below shows the status of delivery of the 330 outputs that were active under the HLAP for the 2012-2013 biennium. It should be noted that the HLAP adopted as A.1038(27) constituted 315 planned outputs. In order to exclude duplications of planned outputs, 10 planned outputs were then deleted in the course of 2012, with a further 25 unplanned outputs being approved by the relevant IMO organs during the biennium.

Table 1: status of outputs under the HLAP 2012-2013, as at 31 December 2012

Output status – all outputs	**Output status 2012**	**% total 2012**
Completed	34	10.30
In progress	115	34.85
Ongoing	134	40.61
Postponed	8	2.42
No action	39	11.82
Total	**330**	**100.00**

13 Of the 330 biennial outputs, some 10% were completed during the first year of the biennium. 2% of outputs were explicitly postponed, while more than 11% represented outputs on which no work was carried out at all during the biennium, mainly because it was decided to only hold one session of the Facilitation Committee and Sub-Committee on Fire Protection during the biennium, both in 2013. Of the 330 outputs, 71 were planned to be finalized in 2012 (either with target completion year 2012 or as an annual output). Of those 71 outputs 32% were completed by the end of 2012, while work was still underway on 59% of these outputs.

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

Table 2: Status of outputs as at 31 December 2012 by strategic direction

	Completed	In progress	Ongoing	Postponed	No action	Total	% of Total
SD1: Remain primary international maritime forum	0	10	42	0	5	57	17.3
SD2: Foster compliance and implementation	5	14	15	2	1	37	11.2
SD3: Strengthen capacity building	7	6	8	0	1	22	6.7
SD4: Governance, management and administration	4	9	17	0	0	30	9.1
SD5: Enhance safety	11	44	21	4	20	100	30.4
SD6: Enhance security	0	4	4	0	0	8	2.4
SD7 Reduce environmental impact	3	20	8	2	3	36	10.9
SD8: Enhance efficiency of shipping	2	0	3	0	9	14	4.2
SD9: Increased attention to SIDS and LDCs	0	0	3	0	0	3	0.9
SD10: Apply goal-based standards	0	1	1	0	0	2	0.6
SD11: Raise profile of shipping	2	1	4	0	0	7	2.1
SD12: Enhance quality of shipping	0	5	6	0	0	11	3.3
SD13: Enhance environmental consciousness	0	1	2	0	0	3	0.9
Total	34	115	134	8	39	330	100.0

15 The foregoing analysis of service delivery complies with the guidance provided by IPSAS and resolution A.1013(26)[1] 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.

16 The HLAP – and, as a consequence, the results-based budget – nevertheless involves service delivery by the Secretariat, both in connection with the above-mentioned regulatory work (i.e. meeting support, translation, documentation and conference services), but also in other areas (i.e. provision of advisory services, technical co-operation, legal services as depositary of IMO instruments, financial, human resources, ICT and procurement services, commercial trading activities, collaboration with the UN System, protocol, liaison and representation services, etc.). To that end, the biennial budget proposals include the Secretariat's "business plan", which reflects the full scope of all of its work under four principal categories, namely, intergovernmental decision-making, support to Member States, public outreach and general management of the Organization and its activities.

17 The Secretariat is now developing a results-based methodology to improve the identification, monitoring and reporting of service delivery by IMO staff members, since they represent some 75% of the biennial budget adopted by the membership. The envisaged framework will thus cover linkages between results achieved and resources allocated, including impact assessments of any over- or under-spending, as well as variance analyses and a summary thereof will in future be added to this Statement.

[1] Guidelines on the application of the Strategic Plan and High-level Action Plan of the Organization, as updated by Circular letter No.3260 and No. 3260/Corr.1

Financial Resources

18 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 by 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

19 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 six Divisional 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

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

21 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.

22 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 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.

23 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.

24 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 provision of financial regulations 4.3 and 4.4 which allow the transfer of budgets for committed items into the following financial periods.

25 IMO participates in the United Nations Joint Staff Pension Fund (UNJSPF)[2], which was established by the United Nations General Assembly to provide post-employment retirement, death, disability and related benefits. The pension fund is a funded multi-employer defined benefit plan.

26 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 UNJSPF is the Open Group Aggregate method carried out every two years. The most recent actuarial valuation performed was at 31 December 2011. The United Nations General Assembly has maintained over the years the general criteria that guide the investment of the assets of the UNJSPF.

27 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.

28 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 Co-operation Committee and individual donors at a more detailed level will continue to be made in the most appropriate currency.

FINANCIAL RISK MANAGEMENT

29 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

[2] http://www.UNJSPF.org

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).

30 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.

31 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 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.

32 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 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 one counterparty being tiered on the basis of their rating.

33 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.

34 At 31 December 2012, 63% of cash, cash equivalent and short-term investments were denominated in the GBP base currency. Non-GBP holdings relate primarily to contributions made by donors, where expenditure is expected to be in a currency other than GBP and where the donor would expect any return of balance in a currency other than GBP.

35 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

36 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 £15,369,890 (2011: £16,083,270), although this represents a decrease of £713,380 (2011: decrease of £4,384,408) from the opening balance on 1 January 2012.

37 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 £15,369,890 (2011: £16,083,270) closing balance, £15,047,468 (2011: £14,107,065) 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 Co-operation 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 Co-operation Fund in accordance with Assembly resolution A.1039 (27). The positive position in the General Fund reflects the fact that the Organization's long-term After Service Health Insurance liability of £28,185,056 has been transferred to the Termination Benefit Fund in accordance with Assembly resolution A.991(25). These liabilities are presently unfunded, and reflected in the Termination Benefit Fund deficit at 31 December 2012 of £25,205,322.

38 The decrease in cash and cash equivalents during 2012 is in part a reflection of the operating deficit during the year, but also reflects a reduction in the GBP value of the Organization's holdings of US dollars of some £906,032 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 Fund and other donor funds, which are budgeted, managed and reported in US dollars rather than GBP.

39 There has been a small increase in contributions receivable from donors at the year-end, primarily as a result of the SAFEMED II project, funded by the European Commission (EC) and implemented through REMPEC, which concluded its operational phase on 31 December 2012. It had been operated on the basis of payments being made in advance by the donor, whilst, at the 2012 year-end, some balances were due from the EC as part of the financial closure of the project scheduled for the second quarter of 2013.

40 Inventories, reflecting our stock of publications held for re-sale, are at a level comparable with 2011, with some reduction as we seek to make greater use of 'print on demand' services to better manage our stock levels.

41 In addition to the completion of SAFEMED II, the Organization also completed the delivery of the Marine Electronic Highway (MEH) project, funded by the World Bank with additional funding provided by the Republic of Korea. With the conclusion of the project, the data centre built in Batam has been transferred to the government of Indonesia at a signing ceremony which I attended in August 2012. The total cost of the centre was £477,372 and its transfer is the main reason for the reduction in the value of our Property, Plant and Equipment to £514,481 (2011: £997,900).

42 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 Co-operation Programme (ITCP).

43 Turning now to the operating deficit for the year which is reflected in the Statement of Financial Performance, the Assembly, by resolution A.1039(27), approved the budget for the 2012-2013 biennium, which, for the year 2012, included appropriations for the regular budget of £30,520,200 (2011: £30,860,300) and other budgetary Funds of £13,514,400 (2011: £12,947,300) (comprising £6,168,000 (2011: £5,848,200) for the Trading Fund; £1,118,000 (2011: £1,683,200) for the Headquarters Capital Fund; £796,000 (2011: £821,600) for the Termination Benefit Fund; £138,400 (2011: £120,600) for the

Training and Development Fund; and £5,294,000 (2011: £4,473,700) for the Technical Co-operation Fund).

44 The presentation of the budget status is on a modified accrual basis, instead of a full accrual basis. In this context, the comparison of actual receipts of £28,881,192 representing the assessment contributions for 2012 and for prior years' receipts as at 31 December 2012, are made against the assessment income budget of £29,007,200. The programme support costs income received from donor and trust Funds and other UN agencies totalled £759,442 for 2012, representing an increase of approximately 15% above the original estimates of £663,000. In addition, the programme support cost income financed from the Technical Co-operation Fund, for the engagement of Associate Professional Officers from developing countries, amounted to £30,950 (US$50,000) for 2012. The programme support costs income received from the Trading Fund amounted to £614,618, representing some 87% of the planned amount of £710,000, which was mainly attributable to reduced sales of publications, coupled with economies made in the overhead costs of servicing the Trading Fund activities, etc.

45 In addition to the assessed contributions and related budgetary income, revenue from other sources primarily reflected commercial activities conducted through the Trading Fund, and revenue from donors for extra-budgetary activities. Commercial activities achieved an overall 5% increase in income at the end of the year when compared with the forecast of £11,016,000, the total revenue of £11,545,426 (2011: £11,678,278) showing a slight fall from the sales achieved in 2011 both on account of the reduced sales of publications as well as catering. This was due to the fact that publications revenue is to a great extent dependent on new titles and that, although a lot of new editions were published in 2012, there was no new edition of the IMDG Supplement or Ships Routeing as anticipated.

46 Revenue from donors increased by over 50% from 2011 to £7,976,219 in 2012. Such revenue can fluctuate significantly from year to year as major donor agreements are signed or significant projects concluded, and the situation for 2013 looks more challenging with the successful conclusion of the long-running SAFEMED II and MEH projects at the end of 2012, funded by the EC and the World Bank, respectively. The largest single donor revenue in 2012, as in 2011, was from the EC, primarily related to the SAFEMED II project. This also accounted for much of the increase in revenue, as activity on the project increased during its final phase, with little or no revenue expected in 2013. The Organization concluded three specific projects agreements on marine environment protection-related matters with NORAD during 2012, implementation of which will begin in 2013 and is expected to last for three years. The Republic of Korea has continued to be a strong supporter of IMO's work, through funding of work on greenhouse gases, provision of Associate Professional Officers, and financial support of the Integrated Technical Co-operation Programme. IMO's work on Globallast matters has been funded to a large extent by the United Nations Development Programme (UNDP), while the United Nations Environment Programme (UNEP) continues to fund the REMPEC centre in Malta. The Centre's future financial and operational situation as a part of the Mediterranean Action Plan is presently the matter of a functional review being led by UNEP, with decisions expected from the Contracting Parties to the Barcelona Convention during the course of 2013.

47 Other miscellaneous income for 2012 amounted to £160,784, representing 15% over and above the amount of £140,000 originally estimated for 2012. The total income (planned and received), as at the end of December 2012 of WMU and IMLI are added under the heading 'Education and Research' in Statement Vb. The actual revenue receipts under Education and Research amounted to £8,576,923, which was comparable to the final budgeted figure of £8,568,234, and showed that both institutions in fact generated increased income for 2012 as a result of the higher demand for professional and other academic development courses.

48 Looking now at expenditure, the overall year-end status of the budgets for 2012 shown in Statement Va sets out the original and the final budgets of £44,034,600 and £44,820,583, respectively. The final expenditure budget includes funds brought forward from 2011, of £785,983 in total, to meet mainly the 2011 unliquidated obligations (ULOs) in accordance with the delivery principle under IPSAS 1.

49 Budgetary savings were made in all IMO activities and the following paragraphs contain brief commentary on variances in the outturn expenditure against the final budgets.

50 In the area of regular budget strategic results, approximately a 5% saving was achieved in the approved appropriation. The saving is attributable principally to a number of stringent austerity and efficiency measures which I introduced on my appointment as Secretary-General, initially to offset the knock-on effect of post adjustment changes, which resulted in an unexpected 6.2% pay raise for Professional staff. Determined by the International Civil Service Commission in December 2011, this increase in post adjustment had a significant impact on the Organization's budget for 2012, which had been approved on the basis of only a 2% projected pay raise for Professional staff. In order to address the excess increase throughout the biennium, my measures included, among others, an immediate freezing of recruitment to vacant posts; strict application of provisions in the Staff Regulations and Staff Rules relating to retirement, with extensions being granted only in exceptional cases of compelling need; establishment of the Review and Reform Steering Group and its Subgroups; and the careful monitoring of the budget and expenditure execution throughout the year. In respect of the latter, economies were achieved in the costs of meetings personnel, owing to the reduced use of external translation and the re-scheduling of interpretation services; through reductions in maintenance costs for the Headquarters building and in communications through the shift to "paper-smart" document production and conduct of meetings; and through increased use of internet telephony and cuts in mission travel. As a result of the post adjustment rise, the actual number of filled staff work-months in 2012 was limited to 2,959, which is equivalent to 247 posts (i.e. 141 Professional and 106 General Service posts). The overall achieved expenditure level was 95% of the approved regular budget appropriation, with the execution rate in terms of the appropriation for staff costs standing at 94%. It may therefore be seen that the austerity and efficiency measures allowed the Secretariat to maintain staff costs within the appropriation, whereas the use of the full staff complement of 298 staff, as approved under the 2012-2013 budget, would have produced a significant over-expenditure. At the same time, service delivery by the Secretariat was maintained, in spite of hardships to staff due to the need to cover vacant posts and take on new work under the my Review and Reform process, the various initiatives of which have been motivating and morale-lifting factors in unsettling economic times. Further efforts in this direction will therefore continue to be made over the coming years under the Review and Reform process, which is intended to be a continuous organizational development.

51 The underspend in the Trading Fund in 2012 represented 13% of the final approved appropriation and is largely related to under-spending in external printing following two major titles (Ships' Routeing and IMDG Code Supplement), which were not printed in 2012 owing to pre-press delays; a shift to the IMO Bookshelf, which significantly reduced expenditure on development of individual CD products; and mission travel, etc. As the cost of inventories is recognized as expenses in the financial accounting only when they are sold, exchanged or distributed, in the year in which the related revenue arises, the cost of purchases recorded under the asset account, as at 31 December 2012, of £1,033,879 titled IMO Publications purchases (see Note 2.3), was added to the Actual amounts against the budget under the heading of Trading Fund expenditure.

52 The status of the Headquarters Capital Fund based on the outturn as at 31 December 2012 showed a 37% reduction in annual expenditure, which is mainly attributable to the deferment of major building repairs to 2013; and analysing and benchmarking system development costs against market rates, thereby negotiating reduced SAP system development costs, etc.

53 The status of the Termination Benefit Fund, as at 31 December 2012, indicated a total expenditure of £784,339, which reflects some underspend, in particular in the costs associated with termination and separation and lower levels of sick leave replacements.

54 The outturn in 2012 under the Organization's Training and Development programme was 84% of the final budget. The underspend in this Fund was mainly due to cost saving measures as fewer training courses were offered during the year without compromising the quality of work delivered and more restrictions were placed on external training.

55 The final budget of the activities financed from the Technical Co-operation Fund comprised of the original approved appropriation for 2012 of £5,294,000 and the budgets brought forward from 2011 to finance some postponed activities of £733,183. The overall expenditure under the Technical Co-operation Fund for the Organization's Integrated Technical Co-operation Programme (ITCP) as at 31 December 2012 represented 83% of the final budget of £6,027,183. The underspend was partly due to unexpected problems and difficulties in the recipient countries, which were outside IMO's control, causing planned activities to be postponed or cancelled. Extra resources made available from other sources (various donor/trust funds, industry organizations and partnership arrangements, jointly delivering the programmes) also contributed to the underspend. Another major reason for the underspend can be found in variable travel costs for consultants and for participants depending on their provenance and the location of the host country.

56 The budgets and the expenditure relating to WMU and IMLI are converted into GBP using the average exchange rate of GBP 0.813 to Euro 1 and are included under the expenditure heading 'Education and Research' of consolidated Statement Vb, which shows a total budgetary surplus of £814,029 that was largely attributable to decreases in personnel, general administration and miscellaneous costs. The decrease in personnel cost was mainly attributable to postponed recruitment to some vacant posts during the year, as well as to cost cutting of non-essential expenditure.

SUSTAINABILITY

57 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. 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.

58 My above assertion is supported by: i) the budget approved by the Assembly for the 2012-2013 biennium; ii) the scope and content of the Strategic Plan prepared for the period 2012-2017; iii) the net assets held at the end of the period; 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 co-operation work as determined by the Council and Assembly.

59 Beyond the question of short-term sustainability, I have, on my appointment as Secretary-General, initiated a review and reform programme with the objective of delivering a forward-looking, efficient and cost-conscious Secretariat supporting an Organization which is acknowledged as a strengthened and knowledge-based authority in global standard setting. There are many significant challenges which lie ahead with the limited resources available to both Member Governments and the Secretariat. In particular, how to improve the delivery mechanism to handle the ever-increasing workload as we seek to address newly emerging priorities ranging from our counter-piracy campaign through such issues as preparation of a mandatory Polar Code, the transition to the mandatory Member State Audit and goal-based standards verification schemes and the ever-more complex environmental challenges, including; implementation of the Ballast Water Management Convention, sulphur regulations and CO_2 mitigation measures such as the Energy Efficiency Design Index (EEDI) and the Ship Energy Efficiency Management Plan (SEEMP). In order to meet these challenges, it is my vision that review and reform should not be a one-off exercise designed to cut costs, but an ongoing strategic initiative which will ensure the Organization's long-term financial sustainability while supporting the implementation of new, proactive and transparent ways of handling our work and delivering improvements to our existing working methods, allowing the Organization to remain agile, responsive and flexible in meeting the expectations of our stakeholders during challenging financial times.

RESPONSIBILITY

60 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 2012.

Statement I - Statement of Financial Position as at 31 December 2012
Statement II - Statement of Financial Performance for the year ended 31 December 2012
Statement III - Statement of Changes in Net Assets for the year ended 31 December 2012
Statement IV - Statement of Cash Flow for the year ended 31 December 2012
Statement V - Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2012

Notes to the Financial Statements

Signed on original
Koji Sekimizu
Secretary-General
London, 30 April 2013

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
as at 31 December 2012
(GBP)

		IMO		Consolidated	
ASSETS	**Note**	**2012**	**2011**	**2012**	**2011**
Current assets					
Cash and cash equivalents	2.1	47,765,976	48,261,619	56,910,453	55,940,681
Contributions receivable	2.2	1,890,556	1,536,533	1,897,945	1,544,066
Inventories	2.3	712,626	767,863	741,891	792,315
Advances to sub-contractors	2.4	269,929	411,866	269,929	411,866
Other receivables	2.5				
Relating to exchange transactions		1,720,863	1,742,309	2,190,048	2,306,684
Relating to non-exchange transactions		-	-	24,818	18,621
Total current assets		**52,359,950**	**52,720,190**	**62,035,084**	**61,014,233**
Non-current assets					
Property, plant and equipment	2.6	514,481	997,900	767,284	1,136,992
Intangible assets	2.7	136,488	466,319	144,493	471,403
Total non-current assets		**650,969**	**1,464,219**	**911,777**	**1,608,395**
TOTAL ASSETS		**53,010,919**	**54,184,409**	**62,946,861**	**62,622,628**
LIABILITIES					
Current liabilities					
Payables and accruals					
Relating to exchange transactions	2.8	(2,255,252)	(3,186,788)	(2,543,172)	(3,523,824)
Relating to non-exchange transactions	2.8	(5,380,500)	(6,387,918)	(8,715,596)	(9,057,317)
Provisions and warranties	2.9				
Relating to exchange transactions		(72,225)	(88,450)	(72,225)	(88,450)
Short-term employee benefits	2.10	(65,706)	(109,361)	(276,301)	(273,335)
Finance lease liabilities	2.11	(45,418)	(64,343)	(45,418)	(64,343)
Total current liabilities		**(7,819,101)**	**(9,836,860)**	**(11,652,712)**	**(13,007,269)**
Non-current liabilities					
Long-term employee benefits	2.10	(29,821,928)	(28,218,861)	(30,179,892)	(28,544,572)
Finance lease liabilities	2.11	-	(45,418)	-	(45,418)
Total non-current liabilities		**(29,821,928)**	**(28,264,279)**	**(30,179,892)**	**(28,589,990)**
TOTAL LIABILITIES		**(37,641,029)**	**(38,101,139)**	**(41,832,604)**	**(41,597,259**
NET ASSETS		**15,369,890**	**16,083,270**	**21,114,257**	**21,025,369**

	Note	IMO 2012	IMO 2011	Consolidated 2012	Consolidated 2011
FUND BALANCES AND RESERVES					
Fund balances and reserves	2.12	16,083,270	15,730,564	20,933,965	19,961,430
Surplus for the year		(713,380)	352,706	180,292	1,063,939
TOTAL FUND BALANCES AND RESERVES	2.12	**15,369,890**	**16,083,270**	**21,114,257**	**21,025,369**

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

Signed on original
JO Espinoza Ferrey
Director, Administrative Division

London 28 March 2013

INTERNATIONAL MARITIME ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 December 2012

(GBP)

		IMO		Consolidated	
	Note	**2012**	**2011**	**2012**	**2011**
REVENUE					
Assessed contributions	3.1	29,007,200	29,308,764	29,007,200	29,308,764
Donor contributions	3.2	7,976,219	5,078,259	11,528,096	8,506,145
Commercial activities	3.3	11,479,452	11,678,278	12,441,918	12,733,731
Fellowships	3.4	-	-	3,023,256	3,031,358
Other revenue	3.5	349,031	280,451	523,694	555,287
TOTAL REVENUE		**48,811,902**	**46,345,752**	**56,524,164**	**54,135,285**
EXPENDITURE					
Staff and other personnel costs	4.1	(31,237,250)	(30,139,010)	(35,607,361)	(34,632,586)
Travel	4.2	(2,482,861)	(2,211,564)	(2,800,542)	(2,525,047)
Supplies, consumables and other running costs	4.3	(6,169,496)	(6,198,708)	(6,836,149)	(6,735,698)
Costs related to trading activities	4.4	(1,665,491)	(1,760,354)	(1,727,590)	(1,818,121)
Outsourced services	4.5	(995,878)	(781,249)	(1,184,201)	(959,012)
Training and development	4.6	(3,407,917)	(2,691,411)	(4,705,007)	(4,094,228)
Currency exchange (loss)	4.7	(1,059,290)	(57,780)	(962,504)	(103,917)
Depreciation and amortization	4.8	(1,367,483)	(813,430)	(1,493,243)	(898,640)
Return of unspent funds	4.9	(137,202)	(225,236)	(137,202)	(225,236)
Other expenses	4.10	(1,002,414)	(1,114,304)	(890,073)	(1,078,861)
TOTAL EXPENDITURE		**(49,525,282)**	**(45,993,046)**	**(56,343,872)**	**(53,071,346)**
SURPLUS FOR THE YEAR		**(713,380)**	**352,706**	**180,292**	**1,063,939**

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 2012
(GBP)

		Accumulated Surpluses/ Fund Balances		Accumulated Surpluses/ Fund Balances	
		IMO		Consolidated	
	Note	**2012**	**2011**	**2012**	**2011**
Opening balance 1 January		**16,083,270**	**20,467,678**	**21,025,369**	**25,003,313**
Surplus for the year		(713,380)	352,706	180,292	1,063,939
Other movements on reserves					
Transfers to/from reserves		-	-	-	(230,513)
Actuarial losses for the year	2.10	-	(4,737,114)	-	(4,737,114)
Exchange rate effect	10	-	-	(91,404)	(74,616)
Total movement for the year		**(713,380)**	**(4,384,408)**	**88,888**	**(3,977,944)**
TOTAL NET ASSETS as at 31 December		**15,369,890**	**16,083,270**	**21,114,257**	**21,025,369**

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 2012

(GBP)

		IMO		Consolidated	
	Note	**2012**	**2011**	**2012**	**2011**
Cash flow from operating activities:					
(Deficit)/surplus for the period[1]		(86,179)	396,285	687,425	1,026,164
Interest earned	3.5	278,831	180,338	329,057	247,248
(Increase)/decrease in contributions receivable	2.2	(354,023)	627,611	(353,879)	676,536
Decrease/(increase) in inventories	2.3	55,237	(80,329)	50,424	(68,451)
Decrease in advances to sub-contractors	2.4	141,937	782,347	141,937	782,347
Decrease/(increase) in other receivables	2.5	21,446	(6,587)	110,439	14,709
Depreciation of property, plant and equipment	2.6	444,920	393,934	572,113[2]	470,548[2]
(Gain) on disposal of Property, Plant and Equipment	2.6	(17,478)	-	(29,668)	-
Donation of assets	2.6	511,570	-	511,570	-
Amortization of intangible assets	2.7	407,009	385,141	410,247[2]	387,339[2]
Loss on disposal of intangible assets	2.7	673	-	673	-
(Decrease)/increase in payables and accruals	2.8	(1,938,954)	1,180,611	(1,322,373)	1,071,770
(Decrease) in provisions and warranties	2.9	(16,225)	(10,446)	(16,225)	(10,446)
Increase in employee benefit liabilities	2.10	1,559,412	1,301,740	1,638,286	1,351,940
Net cash flows from operating activities		**1,008,176**	**5,150,645**	**2,730,026**	**5,949,704**
Cash flows from investing activities:					
Purchases of property, plant and equipment	2.6	(473,071)	(649,874)	(713,975)[2]	(720,719)[2]
Purchases of intangible assets	2.7	(77,851)	(37,519)	(84,010)[2]	(43,316)[2]
Proceeds from sale of property, plant and equipment		17,478	-	29,668	15,308
Net cash flows from investing activities		**(533,444)**	**(687,393)**	**(768,317)**	**(748,727)**
Cash flows from financing activities:					
(Decrease) in finance lease liabilities	2.11	(64,343)	(39,854)	(64,343)	(39,854)
Net cash flows from financing activities		**(64,343)**	**(39,854)**	**(64,343)**	**(39,854)**
Other movements in net assets		**-**	**-**	-	**(230,153)**
Loss on exchange on consolidation		**-**	**-**	**(91,404)**	**(74,616)**
Effect of exchange rate changes on cash and cash equivalents		**(906,032)**	**(223,917)**	**(836,190)**	**(222,753)**
Net (decrease)/increase in cash and cash equivalents		**(495,643)**	**4,199,481**	**969,772**	**4,633,601**
Cash and cash equivalents at beginning of the year	2.1	**48,261,619**	**44,062,138**	**55,940,681**	**51,307,080**
Cash and cash equivalents at end of the year	2.1	**47,765,976**	**48,261,619**	**56,910,453**	**55,940,681**

The accompanying notes form an integral part of these financial statements

1. Excluding interest earned of £278,831 (2011:£180,338) for IMO and £329,057 (2011:£247,248) for the consolidated group and losses on exchange of cash and cash equivalents held of £906,032 (2011:loss of £223,917) for IMO and £836,190 (2011:£222,753) for the consolidated group.
2. Depreciation of property, plant and equipment, amortization of intangible assets, increase in property, plant and equipment and increase in 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 2012
(GBP)

	Budget Amounts [2]				Actual Amounts on Comparable Basis [2]		Variances: Final Budget and Actual Amounts	
	Original 2012	Original 2011	Final 2012	Final 2011	2012	2011	2012	2011
Receipts[1]								
Assessed contributions	29,007,200	29,307,500	29,007,200	29,307,500	28,881,192	29,386,996	126,008	(79,496)
Support cost income	1,373,000	972,800	1,373,000	972,800	1,405,010	1,013,117	(32,010)	(40,317)
Trading fund income	10,001,500	10,001,500	10,001,500	10,001,500	11,545,426	11,723,527	(1,543,926)	(1,722,027)
Regular budget other income	140,000	80,000	140,000	80,000	160,784	143,358	(20,784)	(63,358)
Other Funds income	-	-	-	-	-	123,245	-	(123,245)
Total receipts	**40,521,700**	**40,361,800**	**40,521,700**	**40,361,800**	**41,992,412**	**42,390,243**	**(1,470,712)**	**(2,028,443)**
Payments [1]								
Regular budget strategic results	30,520,200	30,860,300	30,570,200	30,891,585	29,036,358	28,323,948	1,533,842	2,567,637
Trading	6,168,000	5,848,200	6,170,800	5,851,922	5,343,372	5,557,755	827,428	294,167
Headquarters capital	1,118,000	1,683,200	1,118,000	1,891,789	704,849	1,388,752	413,151	503,037
Termination/separation	796,000	821,600	796,000	821,600	784,339	728,008	11,661	93,592
Training and development	138,400	120,600	138,400	122,155	115,583	117,492	22,817	4,663
Technical co-operation	5,294,000	4,473,700	6,027,183	5,505,896	5,008,923	4,629,012	1,018,260	876,883
Total payments	**44,034,600**	**43,807,600**	**44,820,583**	**45,084,947**	**40,993,424**	**40,744,968**	**3,827,159**	**4,339,980**
Net	**(3,512,900)**	**(3,445,800)**	**(4,298,883)**	**(4,723,147)**	**998,988**	**1,645,276**	**(5,297,871)**	**(6,368,423)**

Footnotes:

1 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.
2 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 2012
(GBP)

	Budget Amounts [2]				Actual Amounts on Comparable Basis [2]		Variances: Final Budget and Actual Amounts	
	Original 2012	Original 2011	Final 2012	Final 2011	2012	2011	2012	2011
Receipts[1]								
Assessed contributions	29,007,200	29,307,500	29,007,200	29,307,500	28,881,192	29,386,996	126,008	(79,496)
Support cost income	1,373,000	972,800	1,373,000	972,800	1,405,010	1,013,117	(32,010)	(40,317)
Trading fund income	10,001,500	10,001,500	10,001,500	10,001,500	11,545,426	11,723,527	(1,543,926)	(1,722,027)
Regular budget other income	140,000	80,000	140,000	80,000	160,784	143,358	(20,784)	(63,358)
Other Funds income	-	-	-	-	-	123,245	-	(123,245)
Education and Research	7,337,827	6,434,700	8,568,234	7,738,142	8,576,923	8,213,004	(8,689)	(474,862)
Total receipts	**47,859,527**	**46,796,500**	**49,089,934**	**48,099,942**	**50,569,335**	**50,603,247**	**(1,479,401)**	**(2,503,305)**
Payments [1]								
Regular budget strategic results	30,520,200	30,860,300	30,570,200	30,891,585	29,036,358	28,323,948	1,533,842	2,567,637
Trading	6,168,000	5,848,200	6,170,800	5,851,922	5,343,372	5,557,755	827,428	294,167
Headquarters capital	1,118,000	1,683,200	1,118,000	1,891,789	704,849	1,388,752	413,151	503,037
Termination/separation	796,000	821,600	796,000	821,600	784,339	728,008	11,661	93,592
Training and development	138,400	120,600	138,400	122,155	115,583	117,492	22,817	4,663
Technical co-operation	5,294,000	4,473,700	6,027,183	5,505,896	5,008,923	4,629,012	1,018,260	876,883
Education and Research	7,393,282	7,341,785	8,380,166	8,417,370	7,566,137	7,565,794	814,029	851,576
Total payments	**51,427,882**	**51,149,385**	**53,200,749**	**53,502,317**	**48,559,561**	**48,310,762**	**4,641,188**	**5,191,556**
Net	**(3,568,355)**	**(4,352,885)**	**(4,110,815)**	**(5,402,375)**	**2,009,774**	**2,292,486**	**(6,120,589)**	**(7,694,861)**

Footnotes:

1 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.
2 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 2012

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.

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

4 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

5 Cash and cash equivalents are held at nominal value and comprise cash on hand, cash at banks, money market and short-term deposits.

6 Investment revenue is recognized as it accrues.

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 There were no receipts of goods in kind in the period. It is the Organization's accounting policy, in accordance with IPSAS 23 - 'Revenue from Non-Exchange Transactions', not to recognize services received in kind.

13 Only the Organization's commercial sales operations, conducted through the Trading Fund, 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.

14 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

15 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.

16 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.

17 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.

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

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

20 No publications are held solely for distribution on a free of charge basis. Such distributions represent approximately 0.5% of all publications distributed. Consequently, no provision is made in this regard.

Property, Plant and Equipment

21 Property, Plant and Equipment (PP&E) are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for PP&E over their estimated useful life using the straight line method. The estimated useful life for PP&E classes are as follows:

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

22 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.

23 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.

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

Intangible Assets

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

26 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.

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

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

Leases

Finance Leases

28 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.

29 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.

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

31 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

32 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.

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

Employee Benefits Liabilities

34 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.

35 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 United Nations Joint Staff Pension Fund (UNJSPF).

36 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. .

37 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.

38 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

39 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.

40 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.

41 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

42 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.

43 IMO classifies all projects, operations and fund activities into four segments: i) Core Programme Management; ii) Technical Co-operation 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.

44 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.

45 Under Technical Co-operation and Extra-budgetary Activities, the Organization provides Member States with technical co-operation 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. In this context, the Organization's Technical Co-operation Fund and all donor trust Funds are grouped under this segment.

46 Activities under 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.

47 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

48 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 Co-operation 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	
	2012	2011	2012	2011
	GBP		GBP	
Cash and Cash Equivalents				
Bank and cash on hand	12,319,252	8,386,604	20,015,028	15,036,814
Short term deposits	35,444,408	39,872,084	36,891,701	40,899,698
Other cash and cash equivalents	2,316	2,931	3,724	4,169
Total Cash and Cash Equivalents	**47,765,976**	**48,261,619**	**56,910,453**	**55,940,681**

49 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.

50 The Organization does not place long-term investments in bonds or shares, nor does it make use of money market facilities such as hedging.

Note 2.2: Contributions Receivable

	IMO		Consolidated	
	2012	2011	2012	2011
	GBP		GBP	
Composition:				
Member States	364,967	167,637	364,967	167,637
Donor contributions	1,525,589	1,368,896	1,532,978	1,376,429
Total Contributions Receivable	**1,890,556**	**1,536,533**	**1,897,945**	**1,544,066**

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

	IMO		Consolidated	
	2012	2011	2012	2011
	GBP		GBP	
Member States' assessments due	1,045,095	919,490	1,045,095	919,490
Total Contributions Receivable before allowance	1,045,095	919,490	1,045,095	**919,490**
Fair value adjustments	(325,064)	(396,789)	(325,064)	(396,789)
Allowance for doubtful accounts	(355,064)	(355,064)	(355,064)	(355,064)
Net Contributions Receivable	**364,967**	**167,637**	**364,967**	**167,637**

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

	IMO				Consolidated			
	2012		2011		2012		2011	
	GBP	%	GBP	%	GBP	%	GBP	%
Year of assessment:								
2012	384,578	37	-	-	384,578	37	-	-
2011	30,524	3	220,598	24	30,524	3	220,598	24
2010	23,925	2	57,443	6	23,925	2	57,443	6
2009 and earlier	606,068	58	641,449	70	606,068	58	641,449	70
Nominal value of assessments receivable	**1,045,095**	**100**	**919,490**	**100**	**1,045,095**	**100**	**919,490**	**100**

53 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.

54 The movements of the allowance for fair value adjustment and doubtful accounts during 2012 are as follows:

	Opening Balance 01.01.2012	Utilization	Increase/ (Decrease)	Closing Balance 31.12.2012
	GBP			
Fair value adjustment for Member States' arrears - IMO	396,789	(96,223)	24,498	325,064
Fair value adjustment for Member States' arrears - Consolidated	396,789	(96,223)	24,498	325,064
Total allowance for doubtful accounts - IMO	355,064	-	-	355,064
Total allowance for doubtful accounts - Consolidated	355,064	-	-	355,064

55 As at 31 December 2012 there were a total of 41 Member States with outstanding balances. Of these, 36 had current year and prior year balances only. The remaining five had arrears prior to 2011. No Member States had an agreed payment plan in place for outstanding arrears as at 31 December 2012. For the Member States in arrears and without such an agreement, an approximation is made based on historical experience – for those 36 Member States which had arrears extending only to the current year and prior year, no fair value adjustment is made. For the five remaining Member States with arrears prior to 2011 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.

56 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.

57 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; and joint agency activities whereby IMO acts as administrator for payment activities.

58 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 2012 are discounted based on likely timings of such future cash flows. A review of amounts due as at 31 December 2012 indicated that no such adjustments were required on outstanding balances.

59 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 obligations.

Note 2.3: Inventories

	IMO		Consolidated	
	2012	**2011**	**2012**	**2011**
	GBP		**GBP**	
IMO publications	699,758	751,132	699,758	751,132
Model courses	12,868	16,731	12,868	16,731
Public relations articles	-	-	29,265	24,452
Total Inventories	**712,626**	**767,863**	**741,891**	**792,315**

Inventories reconciliation	**2012**	**2011**
	GBP	**GBP**
Opening inventories	767,863	687,534
Purchases	1,033,879	1,197,621
Total inventories available for sale	**1,801,742**	**1,885,155**
Cost of sales	(1,042,080)	(1,064,537)
Cost of free distributions	(23,156)	(24,602)
Adjustments following physical inventory count	(3,092)	6,202
Write-off of publications	(9,801)	(7,744)
Impairment loss of publications	(10,987)	(26,611)
Total inventories	**712,626**	**767,863**

	Opening Balance 01.01.12	**Utilization**	**Increase**	**Closing Balance 31.12.12**
		GBP		
Allowance for impairment - slow moving titles	-	-	-	-
Allowance for impairment - obsolete books	26,611	(26,611)	10,987	10,987
Total allowance	**26,611**	**(26,611)**	**10,987**	**10,987**

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

61 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 (approximately 0.5%) 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.

62 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 2012 held at distributor premises amounts to £62,725 (2011:£85,427) of which £62,239 (2011:£84,676) is for IMO Publications and £486 (2011:£751) for Model Courses.

63 The amount of £29,265 (2011:£24,452) represents the value of inventory of public relations articles held by WMU on 31 December 2012.

Note 2.4: Advances to Sub-Contractors

64 Advances to sub-contractors are payments made under contract with regional bodies and similar organizations which, acting as implementing agents, deliver technical co-operation 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 significant outstanding advances at the end of the period were to:

	IMO	
	2012	2011
	GBP	
UNDP SCA	94,715	-
REMPEITC-CARIB	69,951	79,451
PEMSEA	62,519	-
COCATRAM	27,528	114,699
FAO	4,333	36,703
Other	10,883	181,013
	269,929	**411,866**

Note 2.5: Other Receivables

	IMO		Consolidated	
	2012	2011	2012	2011
	GBP		GBP	
Relating to exchange transactions				
Advances to vendors	36,951	68,315	329,608	382,368
Advances to staff	750,600	765,440	769,668	768,958
Taxes recoverable	691,418	452,100	715,970	480,192
Miscellaneous	241,894	456,454	359,408	589,001
Fellowships		-	15,394	86,165
	1,720,863	1,742,309	2,190,048	2,306,684
Relating to non-exchange transactions				
Fellowships	-	-	246	251
Taxes recoverable	-	-	19,676	15,265
Other	-	-	4,896	3,105
	-	-	24,818	18,621
Total Other Receivables	**1,720,863**	**1,742,309**	**2,214,866**	**2,325,305**

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

66 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	
	2012	**2011**	**2012**	**2011**
	GBP		**GBP**	
Advances to staff				
Education Grant advance	526,950	592,554	527,665	592,554
Season ticket loan	68,142	79,484	68,142	79,484
Home leave prepayment	76,945	76,169	78,310	76,169
Others	78,563	17,233	95,551	20,751
Total	**750,600**	**765,440**	**769,668**	**768,958**

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

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

69 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.

70 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.

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

72 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							
	Assets Under Construction	**Communication & IT equipment**	**Conference equipment**	**Vehicles**	**Furniture & fixtures**	**Leased equipment**	**Miscellaneous**	**Total**
Cost	**GBP**							
Opening Balance 01.01.2012	370,805	1,995,855	657,589	166,600	516,553	282,969	46,555	**4,036,926**
Adjustments	-	1,036	-	-	-	-	-	**1,036**
Additions	187,229	212,718	48,500	-	23,779	-	845	**473,071**
Disposals	-	(25,039)	-	(44,380)	(1,810)	-	(3,877)	**(75,106)**
Donation of Assets	(511,570)	-	-	-	-	-	-	**(511,570)**
Closing Balance 31.12.2012	**46,464**	**2,184,570**	**706,089**	**122,220**	**538,522**	**282,969**	**43,523**	**3,924,357**
Accumulated Depreciation								
Opening Balance 01.01.2012	-	(1,603,570)	(652,520)	(120,531)	(416,642)	(208,112)	(37,651)	**(3,039,026)**
Adjustments	-	(1,036)	-	-	-	-	-	**(1,036)**
Disposals	-	25,039	-	44,380	1,810	-	3,877	**75,106**
Depreciation charge for the year	-	(282,364)	(2,176)	(17,959)	(81,706)	(57,652)	(3,063)	**(444,920)**
Closing Balance 31.12.2012	**-**	**(1,861,931)**	**(654,696)**	**(94,110)**	**(496,538)**	**(265,764)**	**(36,837)**	**(3,409,876)**
Net Book Value								
Opening Balance 01.1.2012	370,805	392,285	5,069	46,069	99,911	74,857	8,904	**997,900**
Closing Balance 31.12.2012	**46,464**	**322,639**	**51,393**	**28,110**	**41,984**	**17,205**	**6,686**	**514,481**

73 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.

74 Assets are reviewed annually to determine if there is any impairment in their value. During 2012 26 items of property, plant and equipment were disposed of, primarily due to obsolescence, with all of the disposed items being fully depreciated. No assets held at the end of the year were deemed to be impaired.

75 The IMO Headquarters building is not part of property, plant and equipment as 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.

76 A number of assets under construction for Technical Co-operation projects operating in the field were completed in the reporting period and were transferred to the final beneficiaries. The most significant of these was the transfer of the MEH Data Centre in Batam, Indonesia (£477,372) to the Government of Indonesia. The balance at year-end reflects assets under construction for the implementation of Search and Rescue Centres as part of the TC Implementation and Co-ordination activities. These assets will be used in the achievement of the Organization's objectives and therefore benefit the Organization, and remain under the Organization's control at year-end. They will be handed over to third parties on completion of the relevant projects.

	Assets Under Construction	Communication & IT equipment	Conference equipment	Vehicles	Furniture & fixtures	Leased equipment	Miscellaneous	Total
	Asset Category – Consolidated							
Cost	**GBP**							
Opening Balance 01.01.2012	370,805	2,172,172	657,589	274,367	617,136	282,969	90,059	**4,465,097**
Adjustments	-	1,036	-	-	-	-	-	**1,036**
Additions	187,229	420,613	48,500	9,063	24,326	-	30,216	**719,947**
Disposals	-	(25,039)	-	(66,363)	(1,810)	-	(3,877)	**(97,089)**
Donation of Assets	(511,570)	-	-	-	-	-	-	**(511,570)**
Movements as a result of exchange differences	-	(1,325)	-	(2,187)	(1,917)	-	(543)	**(5,972)**
Closing Balance 31.12.2012	**46,464**	**2,567,457**	**706,089**	**214,880**	**637,735**	**282,969**	**115,855**	**4,571,449**
Accumulated Depreciation								
Opening Balance 01.01.2012	-	(1,712,584)	(652,520)	(198,364)	(497,769)	(208,113)	(58,755)	**(3,328,105)**
Adjustments	-	(1,036)	-	-	-	-	-	**(1,036)**
Disposals	-	25,039	-	66,363	1,810	-	3,877	**97,089**
Depreciation charge for the year	-	(373,421)	(2,176)	(32,604)	(93,796)	(57,652)	(19,725)	**(579,374)**
Impairment charge for the year	-	-	-	-	-	-	-	**-**
Movements as a result of exchange differences	-	1,188	-	4,860	1,107	-	106	**7,261**
Closing Balance 31.12.2012	-	(2,060,814)	(654,696)	(159,745)	(588,648)	(265,765)	(74,497)	**(3,804,165)**
Net Book Value								
Opening Balance 01.01.2012	370,805	459,588	5,069	76,003	119,367	74,856	31,304	**1,136,992**
Closing Balance 31.12.2012	**46,464**	**506,643**	**51,393**	**55,135**	**49,087**	**17,204**	**41,358**	**767,284**

77 The total value reported under "Miscellaneous" as at 31 December 2012 includes the reference library of £18,533 (2011:£20,411) held by IMLI. Additions to the reference library before 1 January 2010 were not indexed with the date of acquisition and their initial cost could therefore not be ascertained. With effect from 1 January 2010 any additions to the reference library are accounted for and depreciated over a period of three years. The carrying amount of the reference library at 31 December 2012 now reflects the correct value in full.

78 This note includes the effect of the revaluation of the property, plant and equipment held by WMU and IMLI with a net impact of £1,289 (2011:£2,211) resulting from the change in value of the Euro from 1 January to 31 December 2012. Opening balances are presented at the exchange rate applicable on 1 January 2012 and closing balances at the rate applicable on 31 December 2012, 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.

79 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 £7,317 (2011:£7,821).

Note 2.7: Intangible Assets

	Asset category - IMO	
	Externally purchased software	**Total**
Cost	**GBP**	
Opening Balance 01.01.2012	1,717,632	**1,717,632**
Additions	77,851	**77,851**
Disposals	(1,018)	**(1,018)**
Closing Balance 31.12.2012	**1,794,465**	**1,794,465**
Accumulated Amortization		
Opening Balance 01.01.2012	(1,251,313)	**(1,251,313)**
Disposals	345	**345**
Amortization charge for the year	(407,009)	**(407,009)**
Impairment charge for the year	-	**-**
Closing Balance 31.12.2012	**(1,657,977)**	**(1,657,977)**
Net Book Value		
Opening Balance 01.01.2012	466,319	**466,319**
Closing Balance 31.12.2012	**136,488**	**136,488**

80 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.

81 During 2012 one intangible asset was disposed of. This item was not fully depreciated and consequently the corresponding loss on disposal is reported in these financial statements.

	Asset category - Consolidated	
	Externally purchased software	**Total Group**
Cost	**GBP**	
Opening Balance 01.01.2012	1,738,008	**1,738,008**
Additions	84,336	**84,336**
Disposals	(1,018)	**(1,018)**
Movements as a result of exchange rate difference	(326)	**(326)**
Closing Balance 31.12.2012	**1,821,000**	**1,821,000**
Accumulated Amortization		
Opening Balance 01.01.2012	(1,266,605)	**(1,266,605)**
Disposals	345	**345**
Amortization charge for the year	(410,505)	**(410,505)**
Movements as a result of exchange rate difference	258	**258**
Closing Balance 31.12.2012	**(1,676,507)**	**(1,676,507)**
Net Book Value		
Opening Balance 01.01.2012	471,403	**471,403**
Closing Balance 31.12.2012	**144,493**	**144,493**

82 This note includes the effect of the revaluation of the Intangible Assets held by WMU with a net impact of £68 (2011:£163) resulting from the change in value of the Euro from 1 January to 31 December 2012. Opening balances are presented at the exchange rate applicable on 1 January 2012 and closing balances at the rate applicable on 31 December 2012, while depreciation charges and additions for the year are shown at the average rate of exchange, consistent with Statement I and Statement II, respectively.

Note 2.8: Payables and Accruals

	IMO		Consolidated	
	2012	2011	2012	2011
	GBP		GBP	
Relating to exchange transactions				
Payable to vendors	929,463	1,656,641	1,028,634	1,701,715
Payable to staff	30,130	32,914	30,130	32,913
Accruals	1,295,659	1,497,233	1,357,296	1,547,631
Fellowships	-	-	126,526	240,967
Other	-	-	586	598
	2,255,252	3,186,788	2,543,172	3,523,824
Relating to non-exchange transactions				
Fellowships	-	-	2,557,982	1,909,627
Contributions Incentive Scheme	1,488,781	1,305,224	1,488,781	1,305,224
Advance contributions	2,163,426	360,742	2,622,893	895,585
Condition on donor contributions	1,264,324	3,516,720	1,264,324	3,516,720
Payable to donors	106,290	925,158	363,654	1,075,886
Others	357,679	280,074	417,962	354,275
	5,380,500	6,387,918	8,715,596	9,057,317
Total Payables and Accruals	**7,635,752**	**9,574,706**	**11,258,768**	**12,581,141**

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

84 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.

85 Under the Contribution Incentive Scheme 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. Distributions from the Contribution Incentive Scheme are made periodically, with proposals for distribution of the present balance to be submitted to the IMO Council in July 2013.

86 Advance contributions reflect balances received from Member States during 2012 towards the 2013 assessed contributions.

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

88 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	
	2012	2011	2012	2011
Condition on donor contributions	GBP		GBP	
World Bank MEH Project	1,112,424	1,673,100	1,112,424	1,673,100
European Commission - GHG Study	64,727	-	64,727	-
NORAD	63,158	66,117	63,158	66,117
European Commission - Malacca and Singapore Straits Fund	24,015	153,511	24,015	153,511
European Commission - SAFEMED II Project	-	1,623,992	-	1,623,992
Total	**1,264,324**	**3,516,720**	**1,264,324**	**3,516,720**

89 The SAFEMED II project concluded its operational phase on 31 December 2012. Financial completion and reporting for the project will conclude by 30 June 2013. Sums of £275,334 due from the European Commission as a part of that completion are shown as a part of 'Donor contributions receivable' in Note 2.2.

90 Fellowships and donations received and accrued for the academic year 2012/2013 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 2013 are disclosed as advance receipts.

Note 2.9: Provisions and Warranties

	IMO		Consolidated	
	2012	2011	2012	2011
	GBP		GBP	
Publication sales warranties	72,225	88,450	72,225	88,450
Total provisions and warranties	**72,225**	**88,450**	**72,225**	**88,450**

	Opening Balance 01.01.12	Utilization	Increase	31.12.12
	GBP			
IMO				
Publications	87,500	(70,918)	54,768	71,350
Model Courses	950	(1,204)	1,129	875
Total allowance	**88,450**	**(72,122)**	**55,897**	**72,225**

91 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

	2012			2011
	Actuarial Valuation	**IMO Estimates**	**Total**	**Total**
	GBP			**GBP**
Short-term employee benefits	-	65,706	65,706	109,361
Post-employment benefits	28,416,817	-	28,416,817	26,846,055
Other long-term employee benefits	1,405,111	-	1,405,111	1,372,806
Total Employee Benefits Liabilities	**29,821,928**	**65,706**	**29,887,634**	**28,328,222**

	2012	2011
	GBP	
Composition:		
Current	65,706	109,361
Non-current	29,821,928	28,218,861
Total Employee Benefits Liabilities	**29,887,634**	**28,328,222**

Consolidated

	2012			2011
	Actuarial Valuation	**Group Estimates**	**Total**	**Total**
	GBP			**GBP**
Short-term employee benefits	-	276,301	276,301	273,335
Post-employment benefits	28,416,817	215,347	28,632,164	27,029,576
Other long-term employee benefits	1,405,111	142,617	1,547,728	1,514,996
Total Employee Benefits Liabilities	**29,821,928**	**634,265**	**30,456,193**	**28,817,907**

	2012	2011
	GBP	
Composition:		
Current	276,301	273,335
Non-current	30,179,892	28,544,572
Total Employee Benefits Liabilities	**30,456,193**	**28,817,907**

92 There were no Termination Benefits due at the end of 2012 (2011:£16,000).

93 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 Provident Fund contribution represents the accrual of the share in the contribution as at the end of the year. 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

94 Employee benefits liabilities are determined by professional actuaries or calculated by IMO based on personnel data and past payment experience. At 31 December 2012, total employee benefits liabilities amounted to £29,887,634 (2011:£28,328,222), of which £29,821,928 (2011:£28,218,861) was calculated by the actuaries and £65,706 (2011:£109,361) was calculated by IMO. With effect from 2012 and in line with Assembly resolution A.991(25) long-term employee benefit liabilities with a total of £28,185,086 previously allocated among all Funds on the basis of headcount have been allocated to the Organization's Termination Benefit Fund, with the exception of sums allocated to the Trading Fund on the basis of headcount. Actuarial valuations are undertaken every two years, the most recent being completed at 31 December 2011.

2.10.2: Short-Term Employee Benefits

95 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.

96 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

97 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.

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

99 ASHI is a plan that allows eligible retirees and their eligible family members to participate in the 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 Van Breda is compulsory for all new employees, although participation in the ASHI scheme after retirement is voluntary. Van Breda 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.

100 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.

101 The liabilities include the current service costs and the interest costs for 2012, less benefit payments made and, where applicable, plan participants' contributions.

2.10.4: Other Long-Term Employee Benefits

102 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.

103 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: Actuarial Valuations of Post-Employment and Other Separation Related Benefits

104 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 at 31 December 2011.

2.10.5.1: Actuarial Assumptions and Methods

105 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 2011 valuation, the assumptions used are as described in the table below.

106 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.

107 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 2012 based on the expenditure projections for the reporting period.

GENERAL		
Baseline Discount Rate	4.70% p.a. as of 31 December 2011 4.70% p.a. as of 31 December 2012	
General Inflation	3.50% p.a. as of 31 December 2011 3.50% p.a. as of 31 December 2012	
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.	
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	
Assumptions used to value the ASHI Scheme		
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	Declining from 6% p.a. in 2010 to 4.5% per annum from 2027 onwards	
Aging 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	
Assumptions used to value Repatriation Benefits		
Participation	All eligible employees will receive the benefit on separation from service	
	31 December 2012	31 December 2011
Aged related salary scale	Reducing from 10.1% at age 20 to 5.0% at age 60 for professional staff and 7.9% at 20 to 5.0% at age 65 for general services staff	Reducing from 10.1% at age 20 to 5.0% at age 60 for professional staff and 7.9% at 20 to 5.0% at age 65 for general services staff
Repatriation travel costs	Assumed to be £5,000 and to increase in line with general inflation assumption	
Assumptions used to value Annual Leave Plan		
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.	

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

2.10.5.2: Reconciliation of Defined Benefit Obligation

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
	GBP			
Defined Benefit Obligation as at 01.01.2012	**24,254,786**	**2,591,269**	**1,372,806**	**28,218,861**
Service cost for 2012	772,000	124,487	139,000	1,035,487
Interest cost for 2012	1,129,000	117,000	60,000	1,306,000
Actuarial (Gain)/Loss	-	-	-	-
Actual gross benefit payments for 2012	(467,919)	(103,806)	(166,695)	(738,420)
Defined Benefit Obligation as at 31.12.2012	**25,687,867**	**2,728,950**	**1,405,111**	**29,821,928**

2.10.5.3: Annual Expense for Calendar Year 2012

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
	GBP			
Service cost	772,000	124,487	139,000	1,035,487
Interest cost	1,129,000	117,000	60,000	1,306,000
Actuarial (Gain)/Loss	-	-	-	-
Total Expense recognized in 2012	**1,901,000**	**241,487**	**199,000**	**2,341,487**

109 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.

2.10.5.4: Summary of Prior Year Amounts

110 The cumulative amount presented in the statement of changes in net assets/equity is that generated in the actuarial valuation carried out in 2011.

IMO	After-Service Health Insurance Plan	Repatriation Benefit Plan	Accrued Annual Leave Plan	Total
Actuarial Losses/(Gains) as at 01.01.2012	5,425,822	(716,114)	27,406	4,737,114
Actuarial Losses/(Gains) in 2012	-	-	-	-
Actuarial Losses/(Gains) as at 31.12.2012	**5,425,822**	**(716,114)**	**27,406**	**4,737,114**

111 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.

112 As no actuarial study was conducted at 31 December 2012, the assumptions underlying the liability remain unchanged and consequently there are no actuarial gains or losses for the year.

IMO	**31.12.2012**	**31.12.2011**	**31.12.2010**
ASHI		**GBP**	
Present Value of Defined Benefit Obligation	25,687,867	24,254,786	17,675,179
Experience losses on Scheme Liabilities	-	264,822	-
Loss on changes in assumptions used to value Scheme liabilities	-	5,161,000	-

IMO	**31.12.2012**	**31.12.2011**	**31.12.2010**
Repatriation		**GBP**	
Present Value of Defined Benefit Obligation	2,728,950	2,591,269	3,196,114
Experience (gains) on Scheme Liabilities	-	(864,114)	-
Loss on changes in assumptions used to value Scheme liabilities	-	148,000	-

IMO	**31.12.2012**	**31.12.2011**	**31.12.2010**
Annual Leave		**GBP**	
Present Value of Defined Benefit Obligation	1,405,111	1,372,806	1,337,594
Experience (gains) on Scheme Liabilities	-	(27,594)	-
Loss on changes in assumptions used to value Scheme liabilities	-	55,000	-

IMO	**31.12.2012**	**31.12.2011**	**31.12.2010**
Total		**GBP**	
Present Value of Defined Benefit Obligation	29,821,928	28,218,861	22,208,887
Experience (gains) on Scheme Liabilities		(626,886)	
Loss on changes in assumptions used to value Scheme liabilities		5,364,000	

2.10.5.5: Sensitivity Analysis

113 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.

114 The obligations were valued based on a discount rate of 4.7% as of 31 December 2012. The table below shows the effect of a one point percentage change in the discount rate as of 31 December 2012.

	After Service Health Insurance Plan	**Repatriation Benefit Plan**	**Accrued Annual Leave Plan**
		%	
%+1	(4,600,00)	(200,000)	(100,000)
%-1	6,300,000	200,000	100,000

115 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 2012	**1% decrease 2012**
Effect on the aggregate of the service cost and interest cost	550,000	(400,000)
Effect on defined benefit obligation	6,000,000	(4,500,000)

2.10.5.6: Expected Costs during 2013

116 The expected contribution of IMO in 2013 to the defined benefits plans is £955,500 (2011:£872,000). This has been derived from the payable amounts for 2012 with ASHI claims increasing by 15% as a result of an increase in Van Breda premiums for 2013, with the repatriation and annual leave payments increasing in line with inflation.

2.10.6: United Nations Joint Staff Pension Fund

117 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.

118 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.

119 The latest actuarial valuation was performed as of 31 December 2011. The valuation revealed an actuarial deficit of 1.87% (0.38% in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.

120 At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130% (140% in the 2009 valuation). The funded ratio was 86% (91% in the 2009 valuation) when the current system of pension adjustments was taken into account.

121 After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, 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. The pensionable remuneration will be reviewed at the time of the next actuarial valuation as of 31 December 2013.

122 In July 2012, the Pension Board noted in the report of its fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87%. In December 2012, the General Assembly authorized the United Nations Joint Staff Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014, unless the General Assembly has not decided on a corresponding increase in the mandatory age of separation.

123 During 2012, total contributions paid to UNJSPF amounted to £5,303,933 (2011 £5,072,459). The Organization's contributions on behalf of staff members amounted to £3,535,956 (2011:£3,381,640) Expected contributions due in 2013 are £3,660,000.

124 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.

Note 2.11: Leases

2.11.1: Finance Leases

125 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 these lease agreements are shown below.

	IMO		Consolidated	
	2012	2011	2012	2011
	GBP		GBP	
Current	45,418	64,343	45,418	64,343
Non-current	-	45,418	-	45,418
Total Finance Lease Liabilities	**45,418**	**109,761**	**45,418**	**109,761**

126 The difference between the minimum lease payments due and the present value of such payments is analyzed in the table below:

	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	45,642	224	45,418	45,642	224	45,418
One to five years	-	-	-	-	-	-
Total Finance Lease liabilities	**45,642**	**224**	**45,418**	**45,642**	**224**	**45,418**

127 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

128 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	
	2012	2011	2012	2011
	GBP		GBP	
Future minimum lease payments due under operating leases:				
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	16,740,519	17,936,270	16,740,519	17,936,270
Total future minimum lease payments - operating leases	**23,915,027**	**25,110,778**	**23,915,027**	**25,110,778**

129 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 expenditure in the financial period.

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

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

132 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

IMO	Opening Balance 01.01.2012	Operating Surplus for the Period	Closing Balance 31.12.2012
	GBP		
General Fund	(19,101,273)	26,940,669	7,839,396
Working Capital Fund	1,863,933	(148,148)	1,715,785
Trading Fund	7,906,474	274,666	8,181,140
Termination Benefit Fund	2,936,898	(28,142,220)	(25,205,322)
HQ Capital Fund	2,939,473	(186,991)	2,752,482
Training and Development Fund	262,466	(20,291)	242,175
Technical Co-Operation Fund	5,168,234	(371,468)	4,796,766
Bilateral Operations and Multi-Donor Trust Funds:			
Djibouti Code of Conduct Trust Fund	7,335,002	(1,295,190)	6,039,812
International Maritime Security Trust (IMST) Fund	1,071,332	(35,537)	1,035,795
Group of Experts on the Scientific Aspects of Marine Environmental Protection (GESAMP) Trust Fund	1,185,077	(165,837)	1,019,240
Republic of Korea Trust Fund	986,924	(17,041)	969,883
Norwegian Agency for Development Corporation (NORAD)	2,072	739,028	741,100
Model Courses Development Trust Fund	693,420	40,179	733,599
United Nations Development Programme GEF II (GloBallast)	217,278	365,993	583,271
Associate Professional Officers	160,079	398,683	558,762
IMO Malacca and Singapore Straits Trust Fund	599,169	(41,874)	557,295
Other Bilateral Operations and Multi-Donor Trust Funds *	1,856,712	951,999	2,808,711
Total	**16,083,270**	**(713,380)**	**15,369,890**

Consolidated	Opening Balance 01.01.2012	Operating Surplus for the Period	Other Movements in Reserves	Closing Balance 31.12.2012
	GBP			
IMO	16,083,270	(713,380)	-	15,369,890
WMU	3,029,424	765,641	(57,681)	3,737,384
IMLI	1,912,675	128,031	(33,723)	2,006,983
Total	**21,025,369**	**180,292**	**(91,404)**	**21,114,257**

* Governments of Australia, Canada, China, Denmark, Egypt, Finland, France, Germany, Italy/Spain, Japan, Norway, Netherlands, Sweden, UK, USA, United Nations Development Programme, Union of Greek Ship-owners, Implementation of the revised STCW Convention and Code, Tsunami Relief Fund, Marine Pollution Response Fund, Seminars and Workshops Trust Fund, IMO-GloBallast Global Industry Alliance (GIA) Fund, REMPEC Trust Fund, International Transport Workers Federation, United Nations Office for Project Services (UNOPS), International Search and Rescue Trust Fund, Research and Development Trust Fund, Indian Ocean Commission, International Ship Recycling Trust Fund, IAPH Fund, Study on Greenhouse Gas Emissions, International Association of Classification Societies Ltd., London Convention and Protocol (LC/LP) Trust Fund.

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

134 The General Fund was established for the purpose of accounting for the expenditure of the Organization. As described in Note 2.10.1, the Organization's accumulated ASHI liability previously shown in the General Fund, has been transferred to the Termination Benefit Fund during the year in accordance with Assembly resolution A.991(25), with the exception of that part relating to past and present staff of the Trading Fund, the liability for which will remain in the Trading Fund. The total amount of the liabilities transferred to the Termination Benefit Fund was £28,185,056.

135 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.

136 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.

137 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.

138 The Technical Co-operation 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 Co-operation 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 co-operation activities.

139 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.

140 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 Printing Fund surplus as at 1 January 2002 for organizational strengthening initiatives.

141 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 of the Programme. These are IMO's residual interest in the assets after deducting all its liabilities.

NOTE 3: REVENUE

Note 3.1: Assessed Contributions

142 The Organization's ten largest contributors to assessed contributions in 2012 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.

		Amount GBP	% of total assessment
1	Panama	5,404,125	18.63
2	Liberia	2,940,450	10.14
3	Marshall Islands	1,776,527	6.12
4	United Kingdom	1,366,318	4.71
5	Bahamas	1,325,700	4.57
6	Singapore	1,289,838	4.45
7	Malta	1,087,966	3.75
8	Greece	1,082,943	3.73
9	China	1,038,805	3.58
10	Japan	964,989	3.33
	Total	**18,277,661**	**63.01**

Note 3.2: Donor Contributions

143 Contributions through donor agreements are recognized as revenue at the point of signature, except to the extent that such agreements contain 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.

144 The Organization's ten largest contributors to donor revenue in 2012 are shown below:

	IMO	Amount GBP	% of total donor revenue
1	European Commission	2,211,431	27.44
2	Norwegian Agency for Development Cooperation (NORAD)	740,773	9.19
3	Government of Republic of Korea	733,099	9.10
4	United Nations Development Programme (UNDP)	644,302	7.99
5	United Nations Environment Programme (UNEP)	531,911	6.60
6	World Bank	487,562	6.05
7	Government of Denmark	443,993	5.51
8	Korea International Cooperation Agency (KOICA)	377,999	4.69
9	Government of the United States of America	327,368	4.06
10	Government of Japan	229,980	2.85
	Total	**6,728,418**	83.48

145 The consolidated group's ten largest contributors to donor revenue in 2012 are shown below:

	Consolidated	Amount GBP	% of total donor revenue
1	Government of Sweden	2,382,049	20.66
2	European Commission	2,211,431	19.18
3	Norwegian Agency for Development Cooperation (NORAD)	740,773	6.43
4	Government of Republic of Korea	733,099	6.36
5	United Nations Development Programme (UNDP	644,302	5.59
6	Nippon Foundation	559,678	4.85
7	United Nations Environment Programme (UNEP)	531,911	4.61
8	World Bank	487,562	4.23
9	Government of Denmark	443,993	3.85
10	Korea International Cooperation Agency (KOICA)	377,999	3.28
	Total	**9,112,797**	**79.05%**

Note 3.3: Commercial Activities

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

	IMO		Consolidated	
	2012	**2011**	**2012**	**2011**
	GBP	**GBP**	**GBP**	**GBP**
Publication Sales	10,933,183	11,009,848	10,932,464	11,008,485
Cafeteria Sales	534,225	663,952	578,946	701,248
Sub-letting and letting of conference facilities & other	12,044	4,478	930,508	1,023,998
Total	**11,479,452**	**11,678,278**	**12,441,918**	**12,733,731**

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

	IMO	
	2012	**2011**
	GBP	**GBP**
Sale of physical publications	10,207,162	10,256,779
Royalties	199,808	293,034
Subscriptions	126,482	105,028
Model Courses	133,882	100,316
Other publications	265,849	254,691
Total	**10,933,183**	**11,009,848**

Note 3.4: Fellowships

148 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	
		2012	**2011**
		GBP	**GBP**
1	Ship and Ocean Foundation	822,060	770,830
2	Nippon Foundation	277,775	292,564
3	International Transport Federation	150,405	156,420
4	Government of Republic of Korea	114,622	152,911
5	Government of United Kingdom	97,114	107,486
	Total	**1,461,976**	**1,480,211**

Note 3.5: Other Revenue

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

	IMO		Consolidated	
	2012	**2011**	**2012**	**2011**
	GBP	**GBP**	**GBP**	**GBP**
Interest earned on investment of funds	278,831	180,338	329,057	247,248
Other revenue	70,200	100,113	194,637	308,039
Total	**349,031**	**280,451**	**523,694**	**555,287**

NOTE 4: EXPENDITURE

		IMO		Consolidated	
		2012	2011	2012	2011
		GBP	GBP	GBP	GBP
4.1	**Staff and other personnel costs**				
	Professional and General Service staff, experts	26,399,635	25,032,971	30,290,472	28,716,478
	Recruitment and repatriation	2,354,757	2,288,561	2,458,872	2,394,127
	Exceptional contribution to Enhanced Staff Allegiance Scheme	-	-	-	495,330
	Consultants	939,105	859,291	1,255,059	1,056,099
	Temporary assistance	752,548	1,069,552	811,753	1,081,916
	Meetings personnel (Interpreters, translators, temporary employees)	791,205	888,635	791,205	888,636
	Total staff and other personnel costs	**31,237,250**	**30,139,010**	**35,607,361**	**34,632,586**
4.2	**Travel**				
	Fare	1,364,293	1,191,753	1,550,992	1,408,968
	Daily Subsistence Allowance (DSA) and other expenses	1,118,568	1,019,811	1,249,550	1,116,079
	Total travel	**2,482,861**	**2,211,564**	**2,800,542**	**2,525,047**
4.3	**Supplies, consumables and other running costs**				
	Office supplies and consumables	118,134	167,027	151,230	204,055
	Telecommunications and information technology	1,139,296	1,004,018	1,182,450	1,029,981
	Rent, rates and insurance	1,406,038	1,395,949	1,465,414	1,485,006
	Utilities	493,916	420,012	532,046	457,377
	Medical costs	3,720	29,829	3,720	29,829
	Library books, magazines, subscriptions	30,992	46,257	192,988	154,393
	Hospitality	39,023	26,007	138,641	91,523
	Vehicle, local transport and hotel accommodation	53,553	100,345	67,976	116,313
	Postage, telephone and freight	468,111	456,752	553,499	527,302
	Equipment, furniture and local procurement	1,675,300	1,838,979	1,677,197	1,844,308
	Building maintenance	741,413	713,533	763,063	724,787
	Other operational costs		-	107,925	70,824
	Total supplies, consumables and other running costs	**6,169,496**	**6,198,708**	**6,836,149**	**6,735,698**
4.4	**Costs related to trading activities**				
	Cost of Sales IMO Publications	1,018,322	1,041,112	1,018,322	1,041,112
	Cost of Sales Model courses	23,759	23,425	23,759	23,425
	Loss/(Gain) on Physical Inventory	3,092	(6,202)	3,092	(6,202)
	Publications issued free of charge	23,155	24,602	23,155	24,602
	Provision for return of obsolete publications	55,897	32,166	55,897	32,166
	Printing (contract-out)	139,878	191,339	139,878	191,339
	Electronic publishing (IMO/Vega)	70,563	84,736	70,563	84,736
	Catering food and supplies	330,825	369,176	389,343	423,458
	Public relations articles held by WMU	-	-	3,581	3,485
	Total costs related to trading activities	**1,665,491**	**1,760,354**	**1,727,590**	**1,818,121**
4.5	**Outsourced services**				
	Security services	392,026	392,482	418,857	423,898
	Cleaning services	351,891	343,168	471,212	455,118
	Telecommunications/IT related services	-	-	44,093	34,397
	Leases	19,925	32,420	19,925	32,420
	Building refurbishment	-	-	-	
	Sub-contract delivery of Technical Co-operation activities	232,036	13,179	230,114	13,179
	Total outsourced services	**995,878**	**781,249**	**1,184,201**	**959,012**

		IMO		Consolidated	
		2012	**2011**	**2012**	**2011**
4.6	**Training and development**				
	Staff training	83,117	117,924	96,867	136,391
	Fellowships	833,563	825,599	2,063,841	330,947
	Group training including participant travel	2,491,237	1,747,888	2,438,271	1,723,987
	Student costs (WMU and IMLI)	-	-	106,028	1,902,903
	Total training and development	**3,407,917**	**2,691,411**	**4,705,007**	**4,094,228**
4.7	**Currency exchange losses**	**1,059,290**	**57,780**	**962,504**	**103,917**
4.8	**Depreciation and amortization**				
	Depreciation of property, plant and equipment	444,920	393,934	579,374	476,638
	Donation of completed Assets Under Construction	511,570	-	511,570	-
	(Gain) on disposal of property, plant and equipment	(17,478)	-	(29,668)	-
	Amortization of intangible assets	407,009	385,141	410,505	387,647
	Loss on disposal of intangible assets	673	-	673	-
	Impairment of IMO publications	20,789	34,355	20,789	34,355
	Total depreciation and amortization	**1,367,483**	**813,430**	**1,493,243**	**898,640**
4.9	**Return of unspent funds**	**137,202**	**225,236**	**137,202**	**225,236**
4.10	**Other expenses**				
	Jointly financed UN bodies	83,672	333,918	83,672	83,918
	Grants	246,632	-	-	-
	IMO News and publicity	981	6,887	32,318	49,500
	Bank charges/investment manager and custodian fees	185,243	205,939	205,012	219,274
	External audit	58,672	54,000	94,826	92,780
	Other miscellaneous expenses	427,214	513,560	474,245	633,389
	Total other expenses	**1,002,414**	**1,114,304**	**890,073**	**1,078,861**
	Total expenses	**49,525,282**	**45,993,046**	**56,343,872**	**53,071,346**

150 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.

151 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 students' travel and field trips costs are accounted for under 4.6 - Training and development.

152 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 (2011:£1,195,751).

153 The cost of sales includes the cost of all commercial sales within the meaning of IPSAS 9 - 'Revenue from Exchange Transactions', but excludes staff costs and common overhead costs.

154 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 co-operation and extra-budgetary activities are also reported under this expense category.

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

156 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

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

158 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.

159 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget are, where the financial statements and the budget are not prepared on a comparable basis, reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There are also differences in formats and classification schemes adopted for presentation of financial statements and the budget.

160 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 and the financial statements are prepared on the accrual basis.

161 Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for IMO for purposes of comparison of budget and actual amounts.

162 Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared.

163 The final budgets were increased in total by £1,772,867 comprising differences in the regular budget of £50,000, trading of £2,800, technical co-operation of £733,183 and education and research of £986,884. The main reason for the increase was the budget brought forward in accordance with IMO's Financial Regulation 4.3 to discharge commitments incurred in the previous period, which was the case for the regular budget, trading, and technical co-operation activities financed from the TC Fund. The final budget increase under the heading of education and research was mainly due to the fact that the Board of Governors of WMU approved the logistical requirements in relation to the planned move to the new University building and implementation of the new ERP system, for which they have provided an additional amount of €740,000. However, it should be noted that the additional provision was not utilized since the Governing Body of WMU decided to postpone the move to the new building, which is now planned to start in the middle of 2014, and the work in the implementation of the new ERP system which is anticipated to be fully realised and completed in 2013.

164 Of the budget increase of £1,772,867, a total of at least £622,811 (35%) was utilized mainly in the Organization's regular programmes such as: 88% utilization under the headings of regular budget and trading, and 79% in technical co-operation.

165 Presentation differences are due to differences in the format and classification schemes adopted for presentation of the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts. The budgets for extra-budgetary activities funded by the various donor trust Funds are not included in Statement V, the amounts related to such revenue and expenses are classified as presentation differences. The

comparison is also made not only for the budgets approved by the IMO Assembly but also for those approved by the respective governing bodies of WMU and IMLI.

166 Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow for the year ended 31 December 2012 (Statement IV) is presented below.

167 Budget amounts have been presented on a functional classification basis in accordance with the approved budget for 2012 which presents a breakdown of the budget for purposes of the above comparison. The amount of surplus in Statement Va (IMO 2012) of £998,988 has been reconciled to the net decrease in cash and cash equivalents in Statement IV (IMO 2012) of (£495,643). Details on the reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement Va) and the actual amounts in the Statement of Cash Flow for the year ended 31 December 2012 (Statement IV) is presented in the table below.

		Adjustments Pertaining to the Cash Flows from:			
		Operating Activities	**Financing Activities**	**Investing Activities**	**Total**
			GBP IMO		
Actual Amounts on Comparable Basis (Statement Va)	**A**	**998,988**	**-**	-	**998,988**
Basis differences	a	641,261		(175,502)	465,759
Presentation differences	b	(1,960,390)	-	-	(1,960,390)
Entity difference	c	-	-	-	-
Total Differences	**B=a+b+c**	(1,319,129)	**-**	(175,502)	(1,494,631)
Actual Amounts in the Statement of Cash Flow (Statement IV)	**C=A+B**	**(320,141)**	**-**	**(175,502)**	**(495,643)**

168 The following table shows the amount of surplus in Statement Vb (Consolidated 2012) of £2,009,774, which includes WMU and IMLI surpluses at the end of December 2012. Using WMU and IMLI reconciliation statements submitted, the table below shows the net increase in cash and cash equivalents in Statement IV (Consolidated 2012) of £969,772.

		Adjustments Pertaining to the Cash Flows from:			
		Operating Activities	**Financing Activities**	**Investing Activities**	**Total**
			GBP CONSOLIDATED		
Actual Amounts on Comparable Basis (Statement Vb)	**A**	**1,993,752**	**-**	**16,022**	**2,009,774**
Basis differences	a	1,288,671	-	(187,744)	1,100,927
Presentation differences	b	(2,140,929)	-	-	(2,140,929)
Entity difference	c	-	-	-	-
Total Differences	**B=a+b+c**	(852,258)	-	(187,744)	(1,040,002)
Actual Amounts in the Statement of Cash Flow (Statement IV)	**C=A+B**	**1,141,494**	**-**	**(171,722)**	**969,772**

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 Co-Operation Activities and Trust Fund	Elimination	Grand Total
			GBP		
ASSETS					
Current Assets					
Cash and Cash Equivalents	17,324,504	9,561,609	20,879,863	-	47,765,976
Contributions Receivable	364,967	-	1,525,589	-	1,890,556
Inventories	-	712,626	-	-	712,626
Advances to Sub-Contractors	5,635	-	264,294	-	269,929
Inter-Segment Sums Receivable	917,332	17,751	657,023	(1,592,106)	-
Other Receivables					
Relating to Exchange Transactions	1,436,588	109,653	174,622	-	1,720,863
Relating to Non-Exchange Transactions	-	-	-	-	-
Total Current Assets	**20,049,026**	**10,401,639**	**23,501,391**	**(1,592,106)**	**52,359,950**
Non-Current Assets					
Property, Plant and Equipment	395,468	14,144	104,869	-	514,481
Intangible Assets	135,452	-	1,036	-	136,488
Total Non-Current Assets	**530,920**	**14,144**	**105,905**	**-**	**650,969**
TOTAL ASSETS	**20,579,946**	**10,415,783**	**23,607,296**	**(1,592,106)**	**53,010,919**
LIABILITIES					
Current Liabilities					
Payables and Accruals					
Relating to Exchange Transactions	(997,327)	(216,331)	(1,041,594)	-	(2,255,252)
Relating to Non-Exchange Transactions	(3,794,317)	-	(1,586,183)	-	(5,380,500)
Provisions and Warranties	-	(72,225)	-	-	(72,225)
Inter-Segment Sums Payable	(164,867)	(309,245)	(1,117,994)	1,592,106	-
Employee Benefits	(48,415)	-	(17,291)	-	(65,706)
Finance Lease Liabilities	(45,418)	-	-	-	(45,418)
Total Current Liabilities	**(5,050,344)**	**(597,801)**	**(3,763,062)**	**1,592,106**	**(7,819,101)**
Non-current liabilities					
Employee Benefits	(28,185,086)	(1,636,842)	-	-	(29,821,928)
Total Non-Current Liabilities	**(28,185,086)**	**(1,636,842)**	**-**	**-**	**(29,821,928)**
TOTAL LIABILITIES	**(33,235,430)**	**(2,234,643)**	**(3,763,062)**	**1,592,106**	**(37,641,029)**
NET ASSETS	**(12,655,484)**	**8,181,140**	**19,844,234**	**-**	**15,369,890**
FUND BALANCES AND RESERVES					
Reserves & Fund Balances	(11,098,503)	7,906,474	19,275,299	-	16,083,270
Surplus for the Year	(1,556,981)	274,666	568,935	-	(713,380)
TOTAL FUND BALANCES AND RESERVES	**(12,655,484)**	**8,181,140**	**19,844,234**	**-**	**15,369,890**

Note 6.1.2: Statement of Financial Position by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Co-Operation Activities and Trust Fund	Education and Research	Elimination	Grand Total
			GBP			
ASSETS						
Current Assets						
Cash and Cash Equivalents	17,324,504	9,561,609	20,879,863	9,144,477	-	56,910,453
Contributions Receivable	364,967	-	1,525,589	7,389	-	1,897,945
Inventories	-	712,626	-	39,338	(10,073)	741,891
Advances to Sub-Contractors	5,635	-	264,294	-	-	269,929
Inter-Segment Sums Receivable	917,332	17,751	657,023	505,840	(2,097,946)	-
Other Receivables				-		
Relating to Exchange Transactions	1,436,588	109,653	174,622	469,185	-	2,190,048
Relating to Non-Exchange Transactions	-	-	-	24,818	-	24,818
Total Current Assets	**20,049,026**	**10,401,639**	**23,501,391**	**10,191,047**	**(2,108,019)**	**62,035,084**
Non-Current Assets						
Property, Plant and Equipment	395,468	14,144	104,869	252,803	-	767,284
Intangible Assets	135,452	-	1,036	8,005	-	144,493
Total Non-Current Assets	**530,920**	**14,144**	**105,905**	**260,808**	**-**	**911,777**
TOTAL ASSETS	**20,579,946**	**10,415,783**	**23,607,296**	**10,451,855**	**(2,108,019)**	**62,946,861**
LIABILITIES						
Current Liabilities						
Payables and Accruals						
Relating to Exchange Transactions	(997,327)	(216,331)	(1,041,594)	(288,251)	331	(2,543,172)
Relating to Non-Exchange Transactions	(3,794,317)	-	(1,586,183)	(3,394,602)	59,506	(8,715,596)
Provisions and Warranties	-	(72,225)	-	-	-	(72,225)
Inter-Segment Sums Payable	(164,867)	(309,245)	(1,117,994)	(505,840)	2,097,946	-
Employee Benefits	(48,415)	-	(17,291)	(210,595)	-	(276,301)
Finance Lease Liabilities	(45,418)	-	-		-	(45,418)
Total Current Liabilities	**(5,050,344)**	**(597,801)**	**(3,763,062)**	**(4,399,288)**	**2,157,783**	**(11,652,712)**
Non-current liabilities						
Employee Benefits	(28,185,086)	(1,636,842)	-	(357,964)	-	(30,179,892)
Total Non-Current Liabilities	**(28,185,086)**	**(1,636,842)**	**-**	**(357,964)**	**-**	**(30,179,892)**
TOTAL LIABILITIES	**(33,235,430)**	**(2,234,643)**	**(3,763,062)**	**(4,757,252)**	**2,157,783**	**(41,832,604)**
NET ASSETS	**(12,655,484)**	**8,181,140**	**19,844,234**	**5,694,603**	**49,764**	**21,114,257**
FUND BALANCES AND RESERVES						
Reserves & Fund Balances	(11,098,503)	7,906,474	19,275,299	4,708,926	141,769	20,933,965
Surplus for the Year	(1,556,981)	274,666	568,935	985,677	(92,005)	180,292
TOTAL FUND BALANCES AND RESERVES	**(12,655,484)**	**8,181,140**	**19,844,234**	**5,694,603**	**49,764**	**21,114,257**

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 Co-Operation Activities and Trust Fund	Elimination	Grand Total
			GBP		
Revenue					
Assessed contributions	29,007,200	-	-	-	29,007,200
Donor contributions	-	-	8,083,512	(107,293)	7,976,219
Commercial activities	12,044	11,466,407	1,001	-	11,479,452
Other Revenue	160,784	79,019	109,228	-	349,031
Support costs earned	1,405,010	-	-	(1,405,010)	-
Inter-segment transfers	239,830	(5,520,519)	6,037,989	(757,300)	-
TOTAL REVENUE	**30,824,868**	**6,024,907**	**14,231,730**	**(2,269,603)**	**48,811,902**
Expenditure					
Staff and other personnel costs	(25,605,896)	(2,122,833)	(3,519,193)	10,672	(31,237,250)
Travel	(289,944)	(66,857)	(2,126,060)	-	(2,482,861)
Supplies, consumables and other running costs	(3,939,548)	(750,645)	(1,479,303)	-	(6,169,496)
Costs related to trading activities	-	(1,762,112)	-	96,621	(1,665,491)
Outsourced services	(664,462)	(99,380)	(232,036)	-	(995,878)
Training and development	(83,117)	-	(3,324,800)	-	(3,407,917)
Currency exchange (loss)	(171,505)	(43,517)	(844,268)	-	(1,059,290)
Support costs charged	-	(614,618)	(790,392)	1,405,010	-
Depreciation and amortization	(713,745)	(124,551)	(529,187)	-	(1,367,483)
Return of unspent funds	-	-	(137,202)	-	(137,202)
Other expenses	(156,332)	(165,728)	(680,354)	-	(1,002,414)
Inter-segment transfers	(757,300)	-	-	757,300	-
TOTAL EXPENDITURE	**(32,381,849)**	**(5,750,241)**	**(13,662,795)**	**2,269,603**	**(49,525,282)**
SURPLUS FOR THE YEAR	**(1,556,981)**	**274,666**	**568,935**	**-**	**(713,380)**

Note 6.2.2: Statement of Financial Performance by Segment – Consolidated

	Core Programme Management	Trading and Business Activities	Technical Co-Operation Activities and Trust Fund	Education and Research	Elimination	Grand Total
			GBP			
Revenue						
Assessed contributions	29,007,200	-	-	-	-	29,007,200
Donor contributions	-	-	8,083,512	3,804,381	(359,797)	11,528,096
Commercial activities	12,044	11,466,407	1,001	1,048,799	(86,333)	12,441,918
Fellowships	-	-	-	3,486,094	(462,838)	3,023,256
Other Revenue	160,784	79,019	109,228	229,540	(54,877)	523,694
Support costs earned	1,405,010	-	-	27,097	(1,432,107)	-
Inter-segment transfers	239,830	(5,520,519)	6,037,989	-	(757,300)	-
TOTAL REVENUE	**30,824,868**	**6,024,907**	**14,231,730**	**8,595,911**	**(3,153,252)**	**56,524,164**
Expenditure						
Staff and other personnel costs	(25,605,896)	(2,122,833)	(3,519,193)	(4,376,404)	16,965	(35,607,361)
Travel	(289,944)	(66,857)	(2,126,060)	(317,681)	-	(2,800,542)
Supplies, consumables and other running costs	(3,939,548)	(750,645)	(1,479,303)	(682,597)	15,944	(6,836,149)
Costs relating to trading activities	-	(1,762,112)	-	(62,099)	96,621	(1,727,590)
Outsourced services	(664,462)	(99,380)	(232,036)	(190,245)	1,922	(1,184,201)
Training and development	(83,117)	-	(3,324,800)	(1,725,777)	428,687	(4,705,007)
Currency exchange (loss)	(171,505)	(43,517)	(844,268)	44,067	52,719	(962,504)
Support costs charged	-	(614,618)	(790,392)	(27,097)	1,432,107	-
Depreciation and amortization	(713,745)	(124,551)	(529,187)	(137,950)	12,190	(1,493,243)
Return of unspent funds	-	-	(137,202)	-	-	(137,202)
Other expenses	(156,332)	(165,728)	(680,354)	(134,451)	246,792	(890,073)
Inter-segment transfers	(757,300)	-	-	-	757,300	-
TOTAL EXPENDITURE	**(32,381,849)**	**(5,750,241)**	**(13,662,795)**	**(7,610,234)**	**3,061,247**	**(56,343,872)**
SURPLUS FOR THE YEAR	**(1,556,981)**	**274,666**	**568,935**	**985,677**	**(92,005)**	**180,292**

169 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 £6,165,802, of which £4,932,642 was to the Technical Co-operation Fund and £1,233,160 was to the Core Programme. In addition, there are support costs totalling £790,392 charged on extra-budgetary activities and £614,618 charged to the Trading Activities to reimburse costs incurred by the Core Programme. In the consolidated figures, transactions totalling £565,362 (2011:£520,195) between IMO and WMU and £241,743 (2011:£223,594) from IMO to IMLI along with related asset and liability balances have also been shown and eliminated.

170 A brief summary of the goods and services provided under each segment, and their objectives, is set out in Note 1.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Note 7.1: Commitments

171 As at 31 December 2012, IMO had commitments for goods and services including consultancy contracted but not delivered as follows:

	2012	2011
	GBP	GBP
Purchase of services including consultancy	1,144,670	852,901

172 The actual discharge of the 2011 commitments in 2012 is shown below:

	2011 Commitments	2012 discharge
Regular budget strategic results	50,000	45,283
Trading activities	2,800	925
Technical co-operation	800,101	576,604
Total	**852,901**	**622,812**

173 Neither WMU nor IMLI has commitments as at 31 December 2012, hence the table above reflects both the IMO and consolidated positions.

Note 7.2: Legal or Contingent Liabilities

174 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.

175 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

176 Financial Regulation 12.3 provides that "The Secretary-General may make such ex gratia payments as he deems to be necessary in the interests of the Organization, provided that a statement of such payments shall be submitted to the Assembly with the financial statements." During 2012, no ex-gratia payments were made relating to staff termination, medical related bills or service incurred losses suffered by staff.

177 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 2012, cash losses, irrecoverable receivables and advances to staff and suppliers resulted in write-offs to the total amount of £2,295 (2011:£27,709) for IMO and £3,875 for the consolidated group (2011: £27,709). In addition,

write-offs as a result of the loss or obsolescence of inventory totalled £20,788 (2011:£34,355) for IMO and £21,474 for the consolidated group (2011 £34,355).

178 There were no cases of fraud or presumptive fraud in 2012.

NOTE 9: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Note 9.1: Key Management Personnel

IMO	GBP					
Number of individuals	**Compensation and post adjustment**	**Entitlements**	**Pension and health plans**	**Total remuneration 2012**	**Outstanding Advances against entitlements 31.12.2012**	**Outstanding Loans 31.12.2012**
7	973,339	46,491	191,218	1,211,048	Nil	Nil

Consolidated	GBP					
Number of individuals	**Compensation and post adjustment**	**Entitlements**	**Pension and health plans**	**Total remuneration 2012**	**Outstanding Advances against entitlements 31.12.2012**	**Outstanding Loans 31.12.2012**
9	1,331,453	47,271	237,074	1,615,798	Nil	Nil

179 Key management personnel of IMO are the Secretary-General and the six Divisional Directors. Key management personnel of the consolidated group are the key management personnel of IMO, together with the President of WMU and the Director of IMLI, as they have the authority and responsibility for planning, directing and controlling the activities of the consolidated group.

180 The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements (such as representation allowance and other allowances), assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

181 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

182 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.

183 During 2012, IMO provided £475,229 (2011:£458,947) and £161,147 (2011:£282,263) in fellowship and other funding to WMU and IMLI, respectively, under its Technical Co-operation Programme. In addition, commercial activities amounting to £86,332 have taken place between IMO and WMU, which were mainly consultancy services provided by WMU to IMO for £85,612, with the balance representing the sale of publications from IMO

to WMU. These amounts are reflected in expenditure and revenue respectively in the IMO figures and have been eliminated from group expenditure and revenue on consolidation. Current liabilities of WMU towards IMO totalling £3,801 (2011:nil) and IMLI towards IMO of £75,668 (2011:£58,670), in respect of deferred fellowship revenue, have also been eliminated.

NOTE 10: OTHER CHANGES IN NET ASSETS

184 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 2012 closing rate which differs from the 2011 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 31.12.2011 exchange rate	3,029,424	1,912,675	4,942,099
Opening Balance at 31.12.2012 exchange rate	(2,971,743)	(1,878,952)	(4,850,695)
	(57,681)	(33,723)	(91,404)

NOTE 11: EVENTS AFTER REPORTING DATE

185 IMO's reporting date is 31 December 2012. 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.

ANNEX 1
(unaudited)

Name		Address
IMO	International Maritime Organization	4, Albert Embankment London SE1 7SR United Kingdom
General Counsel Assistant Secretary-General/ Director, Legal Affairs and External Relations Division	Mrs. R.P. Balkin	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 2012